

Summons to and Agenda for a Meeting on Thursday, 9th February, 2023 at 9.30 am



DEMOCRATIC SERVICES SESSIONS HOUSE MAIDSTONE

Wednesday, 1 February 2023

To: All Members of the County Council

A meeting of the County Council will be held in the Council Chamber, County Hall, Maidstone, Kent, ME14 1XQ on Thursday, 9th February, 2023 at **9.30 am** to deal with the following business. **The meeting is scheduled to end by 5.00 pm.**

AGENDA

- 1. Apologies for Absence
- 2. Declarations of Disclosable Pecuniary Interests or Other Significant Interests in items on the agenda
- 3. Minutes of the meeting held on 15 December 2022 and, if in order, (Pages 1 12) to be approved as a correct record
- 4. Chairman's Announcements
- 5. Section 25 Assurance Statement

(Pages 13 - 22)

6. Capital Programme 2023-33 and Revenue Budget 2023-24 (Pages 23 - 224) (including Council Tax Setting 2023/24)

Benjamin Watts General Counsel 03000 416814



KENT COUNTY COUNCIL

COUNTY COUNCIL

MINUTES of a meeting of the County Council held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 15 December 2022.

PRESENT: Mrs L Game (Chairman), Mr G Cooke (Vice-Chairman), Mr N Baker, Mr M Baldock, Mr P V Barrington-King, Mr P Bartlett, Mr D Beaney, Mr C Beart, Mrs R Binks, Mr T Bond, Mr A Booth, Mr A Brady, Mr D L Brazier, Mr C Broadley, Sir Paul Carter, CBE, Miss S J Carey, Mrs S Chandler, Mr N J D Chard, Mr I S Chittenden, Mrs P T Cole, Ms K Constantine. Mr D Crow-Brown, Mr M C Dance, Ms M Dawkins, Mr M Dendor, Mr R W Gough, Ms K Grehan, Peter Harman, Mr P M Hill, OBE, Mr S Holden, Mr M A J Hood, Mr A J Hook, Mr J A Kite, MBE, Mrs S Hudson, Mr D Jeffrey, Rich Lehmann, Mr R C Love, OBE, Mr R A Marsh, Mr J P McInroy, Mr J Meade, Mr D Murphy, Mr P J Oakford, Mrs L Parfitt-Reid, Mrs S Prendergast, Mr H Rayner, Mr D Robey, Mr O Richardson, Mr A Sandhu, MBE, Mr P Stepto, Mr R G Streatfeild, MBE, Dr L Sullivan, Mr B J Sweetland, Mr R J Thomas, Mr D Watkins, Mr S Webb and Ms L Wright

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

IN VIRTUAL ATTENDANCE: Mr T Cannon, Mr P Cole, Mr N Collor, Mrs T Dean, Ms S Hamilton, Mr A R Hills, Mrs S V Hohler, Mr D Ross, Mr C Simkins and Mr J Wright

UNRESTRICTED ITEMS

107. Apologies for Absence

(Item 1)

The General Counsel reported apologies for absence from Mrs Clair Bell, Ms Becki Bruneau, Mr Steve Campkin, Mr Paul Cooper, Mr Dan Daley, Mr Andrew Kennedy, Mr Steve Manion, Mrs Margot McArthur, Ms Jackie Meade, Mr Alan Ridgers, Mr Mike Sole and Mr Trevor Shonk.

Members were advised that Mr Tom Cannon, Mr Perry Cole, Mr Nigel Collor, Mrs Trudy Dean, Ms Sarah Hamilton, Mr Tony Hills, Mrs Sarah Hohler, Mr Dirk Ross, Mr Charlie Simkins and Mr John Wright had given their formal apologies and were joining the meeting virtually.

The General Counsel advised that Mr Murphy would be joining the meeting late.

Dr Sullivan reported apologies for absence from Mr Barry Lewis and advised that Ms Kelly Grehan would be joining the meeting late.

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

(Item 2)

Mr Streatfeild declared an interest under Item 11 – SEND Transformation and Ofsted Revisit – as a family member was in receipt of an Education, Health, and Care Plan (EHCP).

Mr Bartlett, Mr Gough, and Mrs Chandler declared an interest under Item 10 – Kent & Medway Interim Care Strategy – as they were members of the Integrated Care Partnership Board.

Dr Sullivan declared an interest under Item 10 – Kent & Medway Interim Care Strategy – as her husband was a member of the Integrated Care Partnership Board.

Minutes 109.

(Item 3)

- (1) The Chairman invited Mr Holden to respond to references made at the County Council meeting on 20 October 2022 regarding the foundation of Kent's Plan Bee pollinator action plan.
- (2) RESOLVED that the minutes of the meeting held on 20 October 2022 be approved as a correct record.
- (3) RESOLVED that the minutes of the meeting held on 14 July 2022 be corrected to include the following revised minute for Item 91 - Pension Board – review of Terms of Reference:

91. Pension Board - review of Terms of Reference (Item 13)

- (1) Mr Thomas proposed, and Mr Oakford seconded the motion that
 - "The County Council agree the revised Kent Local Pension Board Terms of Reference"
- (2) Following the debate, the Chairman put the motion set out in paragraph 1.
- RESOLVED that the Kent Local Pension Board Terms of (3)Reference be agreed.

Corporate Parenting Panel - Minutes for noting 110. (Item 4)

RESOLVED that the minutes of the meeting of the Corporate Parenting Panel held on 26 October 2022 be noted.

111. Chairman's Announcements

(Item 5)

Mr George Koowaree

- (1) The Chairman referred to her announcement at the County Council meeting on 20 October 2022 of the sad passing of Mr George Koowaree. The Chairman said Mr Koowaree had been the Member for Ashford East from May 2004 to May 2021. In addition to his time at Kent County Council, Mr Koowaree represented North Willesborough at Ashford Borough Council and was also Mayor of Ashford in 1996 and 2016. Mr Koowaree was made an Alderman by the Council in March 2022.
- (2) Tributes were made by Mr Stepto, Mr Hook, Dr Sullivan, Mr Bartlett, and Mr Gough.

Mr Adrian Crowther

- (3) The Chairman, with great sadness and regret, informed Members of the passing of Mr Adrian Crowther, former Member for Sheppey from May 2005 to May 2017. During his time at Kent County Council, Mr Crowther served on the Adult Social Care and Health Cabinet Committee, Communities Cabinet Committee, Education Cabinet Committee, Health Overview & Scrutiny, Kent & Medway Joint NHS Overview & Scrutiny, Regulation Committee and Superannuation Fund Committee. Mr Crowther also represented Minster Cliffs at Swale Borough Council from 2000 to 2007 and again from 2008 to 2019, serving as Mayor from 2009 to 2010.
- (4) Tributes were made by Mr Booth, Mr Hook, Dr Sullivan, and Mr Baldock.

Admiral The Lord Boyce

- (5) The Chairman, with great sadness and regret, informed Members of the sad passing of the Admiral of the Fleet, The Lord Boyce KG GCB OBE DL. Lord Boyce also held the historic post of Lord Warden of the Cinque Ports.
- (1) The Chairman held a one-minute silence in memory of Mr Koowaree, Mr Crowther, Lord Boyce, and for those who lost their lives in recent tragedies in the English Channel and Yorkshire.

John Downton Exhibition

(2) The Chairman informed Members that The John Downton Award entries were on display in the Exhibition Hall in County Hall. The John Downton

Award for Young Artists was an annual exhibition which encouraged and celebrated the creativity of Kent's young artists. It was open to students aged 11 to 18 from schools and colleges across Kent. The exhibition ran until 8 February 2023 and the Chairman encouraged Members to take an opportunity to view the wonderful artwork produced by local students.

Letter from The King

(8) The Chairman reminded Members that, following the sad passing of Queen Elizabeth II in September, she wrote to His Majesty King Charles III to offer condolences on behalf of the Council. The Chairman was pleased to advise that a response had been received to that letter and Members were welcome to view it should they wish to.

112. Questions

(Item 6)

In accordance with Sections 14.15 to 14.22 of the Constitution, 11 questions were submitted by the deadline, 8 questions were asked, and replies given. A record of all questions put and answers given at the meeting is available online with the papers for this meeting.

As Mr Lewis, Mr Sole and Ms Meade were not present during this item a written answer to their questions has been provided.

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

- (1) The Leader opened his report by expressing his sadness and regret for the tragic incident in the English Channel on 14 December 2022 when a migrant boat capsized. Mr Gough thanked and paid tribute to the individuals and organisations involved in recovering people from the water. He said the Council was working with the National Health Service (NHS) and other partners to establish wrap around care, and explained that those recovered from the water who were believed to be Unaccompanied Asylum-Seeking Children (UASC), Integrated Children's Services had established placements.
- (2) Mr Gough welcomed Mr Lehmann as Leader of the Green and Independents Group and paid tribute to his predecessor, Mr Stepto.
- (3) The Leader clarified that he would not address some key topics in his report, such as the Special Educational Needs and Disability (SEND) Transformation and the Integrated Care Strategy, as they were later items on the agenda.
- (4) The Leader reflected on the events that had occurred in 2022 and how they had shaped the Council's core activity. He said inflation and labour

shortages had pushed longstanding budgetary pressures for the Council into a critical phase and explained that the most recent financial monitoring report to Cabinet on 1 December 2022 had projected a revenue overspend of £60million. Mr Gough said that it was in that context that he and the Leader of Hampshire had written to government ministers in November 2022. The Leader acknowledged that the Autumn Statement was significantly better than expected, and it was particularly welcome to see local government, and in particular social care, prioritised. However, Mr Gough emphasised that the Council would still need to take some difficult decisions in future budgets and although the immediate crisis had eased, the longer-term pressures remained.

- (5) Mr Gough referred to the growing risks and challenges faced by the Council, including inflation, slow growth, an aging population, a significant energy transition and an overhang of property and infrastructure that required renewal, and recognised these were also national and international problems. He said the latest Corporate Risk Register would be brought to both Cabinet and Governance & Audit Committee in early 2023 to highlight these concerns, consider the Council's capacity in addressing them, and to understand the associated risks and their management.
- (6) Mr Gough highlighted the positive reinstatement of the Chief Executive role within the Council and said, in his view, the Strategic Reset Programme should be applied more rigorously and comprehensively as part of the Council's efforts to tackle the challenges it faced. Mr Gough emphasised the need for a comprehensive long-term approach to put budgets on a sustainable footing and to preserve and enhance the Council's role as a strategic authority. Mr Gough explained that the Levelling Up White Paper, published in February 2022, set out many key visions for local government.
- (7) The Leader referred to Mr Gordon Brown's recent commission on the UK's political system and said he hoped that the common ground between this and the Levelling Up White Paper presaged a change to the centralised system. Mr Gough noted that devolution deals were now spreading from metro areas to counties.
- (8) Mr Gough reflected on migration schemes and events and said the Council's UASC scheme, and its agreement with the Home Office, had worked well, however he noted that pressure from the large number of arrivals was reflected in the government's growing reliance on hotels. Mr Gough acknowledged the achievement of the Homes for Ukraine Scheme and believed the Council's uplift of support for hosts had had a positive effect. Mr Gough said the recent government announcement on the future of the scheme saw a welcomed element of continuity, as well as support in addressing potential homelessness issues.
- (9) Mr Gough turned to the Council's response to the cost-of-living crisis over the winter and said this had included school holiday food vouchers for the October half term and Christmas break, energy related vouchers for measures such as boiler repairs, the launch of the Kent Money Advice Hub

- at the end of November 2022, and an energy voucher scheme which would be launched on 9 January 2023.
- (10) Mr Gough noted that Operation Brock was in the process of being reinstated and the Council would continue to work on achieving a comprehensive solution.
- (11) Finally, the Leader expressed his best wishes to Members for a merry Christmas and a good year ahead.
- (12) The Leader of the Labour Group, Dr Sullivan, responded to the Leader's remarks. She shared her condolences for those who had lost their lives in the English Channel and expressed gratitude to those involved in the rescue operation.
- (13) Dr Sullivan commented on the financial situation within local government and the challenges and pressures, such as soaring inflation and labour shortages, that the Council faced. Dr Sullivan referred to a lack of investment in public services, the negative consequences of that on the market, and increased demand. She commented on savings being made through workers' pay and pension and noted the negative effect of that on recruitment and retention within public services.
- (14) Dr Sullivan said she had been interested to read Mr Gordon Brown's report on the UK political system which she said referred to devolution of power and not centralisation of power.
- (15) Mr Hook, Leader of the Liberal Democrats Group, commented on the recent spread of winter colds and snow and its effect on travel and childcare arrangements, and referred to the importance of conserving the natural beauty of Kent. Mr Hook considered the people of Kent who were struggling to pay bills, feeling cold, or who did not have enough food. He said there was an urgent task to help those at risk of homelessness over the winter months and suggested that government could introduce an emergency ban on repossessions and evictions for the winter. He noted the government had previously committed to a ban on 'no-fault evictions' but that had not yet been delivered.
- (16) Mr Hook referred to the tragic incident in the English Channel and said it was felt by various groups and organisations that if dangerous crossings continued then tragedies would continue. He said part of addressing that involved making faster decisions on the backlog of asylum cases which had grown since 2016, upholding international law, and providing safe and legal routes for people who wanted to apply for refuge in this country.
- (17) Mr Hook turned to Carers Rights Day on 23 November 2022 and highlighted that carers, who juggled work and caring responsibilities, were being hit particularly hard by soaring bills. He noted that Carer's Allowance remained the lowest benefit of its time and carers had not been included in the government's £650 cost of living payment in 2022.

- (18) Mr Hook welcomed the government's reinstatement of the fracking ban and Mr Gordon Brown's report on the UK political system. He said his party was committed to decentralisation and he hoped this would be backed, not just by past prime ministers, but by those in Office.
- (19) Mr Lehmann, Leader of the Green and Independent Group, also expressed his regret for the tragic event in the English Channel and thanked the coastguards for their excellent work. He said the incident may have been avoided if an immigration system was in place that provided safe and legal routes for asylum seekers to arrive in the United Kingdom.
- (20) Mr Lehmann paid tribute to his predecessor, Mr Paul Stepto, and thanked him for his guidance over the last eighteen months and his consistently calm presence.
- (21) Mr Lehmann turned to the financial position of the Council and shared the Leader's cautious sense of relief regarding the Autumn Statement but noted there were grave implications for non-statutory services. Mr Lehmann said a County Council's Network survey had revealed a likelihood that Councils would have to scale back their actions on climate change. He explained that since the last County Council meeting COP27 had taken place where it had been determined unlikely that global warming would be limited to 1.5 degrees Celsius.
- (22) Mr Lehmann said he had recently attended parish council meetings where the cost-of-living crisis had been considered as part of determining parish precepts for the coming year. Mr Lehmann commented on the likelihood that the Council would increase the Council Tax rate and the effect this would have on residents.
- (23) Mr Lehmann said he was pleased that Mr Gough and the Leader of Hampshire County Council had written jointly to government ministers regarding their Councils' financial position and commented on the financial pressures that would continue for the Council.
- (24) Mr Lehmann said it was likely that the return of Operation Brock would add to journey times for drivers across East Kent and hoped that the disruption would be minimal compared to the Spring and Summer months in 2022. Mr Lehmann expressed his concern that the forthcoming EU Entry Exit System (EES) would significantly increase border processing times, and lead to delays for holidaymakers exacerbated by the continued absence of Eurostar from Kent's international rail stations. He feared that without a concerted effort from government to negotiate a softer border with the EU nations, or significant investment in processing capacity on both sides of the English Channel, the result would be many years of travel misery during holiday periods.
- (25) The Leader responded to several points made by the Opposition Leaders and said he felt the Group Leaders were in agreement that the model of

funding in local government was insufficient. Mr Gough explained this had persisted under governments for many years and was an argument that the Administration had pushed. He said the funding of demand led services through property tax was not sustainable and the Council's expenditure pressures had grown ahead of its revenues for many years.

- (26) Mr Gough responded to Dr Sullivan's comments about scaling back prevention and increased demand and said priority had been given to protecting preventive services, in particular Early Help. Mr Gough emphasised that difficult choices had to be made but stressed that the Council was very conscious of the importance of protecting preventative services and had not made choices against prevention.
- (27) Mr Gough agreed with Mr Hook regarding consideration for those who were struggling to pay bills and referred to the debate at the last County Council meeting in relation to the cost-of-living crisis and work going forward. He said that a coordinated communication approach undertaken throughout the winter sought to address several areas and the relaunch of Kent Together would ensure that people were aware of the help and support that was available.
- (28) Mr Gough agreed with Mr Lehmann that the Entry Exist System (EES) was a major concern, and the Administration would continue to engage with the Transport Secretary.
- (29) Mr Gough turned to decentralisation and referred to the Levelling Up White Paper which included an analysis of the problems of centralisation and fragmentation of funding streams. He noted that consistency was addressed, to a degree, in some of the devolution deals, and that shift in direction was a positive development which the Leader hoped would continue in the year to come.

RESOLVED that the Leader's update be noted.

114. Reconnect Update

(Item 8)

- (1) Mrs Chandler proposed, and Mr Dance seconded the motion that "The County Council notes the report".
- (2) Following the debate, the Chairman put the motion set out in paragraph 1.
- (3) RESOLVED that the County Council notes the report.

115. Governance & Audit - Chairman's Annual Report (Item 9)

- (1) Mrs Binks proposed, and Mr Rayner seconded the motion that "The County Council notes the report".
- (2) Following the debate, the Chairman put the motion set out in paragraph 1.
- (3) RESOLVED that the County Council notes the report.

116. Kent & Medway Interim Care Strategy (Item 10)

- (1) Mr Gough proposed, and Mr Meade seconded the motion that "The County Council notes the Kent and Medway Interim Integrated Care Strategy."
- (2) Following the debate, Mr Baldock proposed the following amendment:"The County Council notes the Kent and Medway Interim Integrated Care Strategy with some reservations."
- (3) The Chairman put the amendment set out in paragraph 2 to the vote.

Amendment lost.

- (4) The Chairman put the substantive motion set out in paragraph 1.
- (5) RESOLVED that the County Council notes the Kent and Medway Interim Integrated Care Strategy.

The Labour Group asked that their abstentions be noted in the minutes.

117. SEND Transformation and Ofsted Revisit (Item 11)

(1) Mr Love proposed, and Mrs Chandler seconded the motion that

"The County Council notes the content of the report and the actions already underway in addressing the areas of weakness identified in the SEND revisit and to prepare to meet the challenge of addressing the High Needs Funding deficit."

- (2) Following the debate, the Chairman put the motion set out in paragraph 1.
- (3) RESOLVED that the County Council notes the content of the report and the actions already underway in addressing the areas of weakness identified in the SEND revisit and to prepare to meet the challenge of addressing the High Needs Funding deficit.

The Liberal Democrats Group and Labour Group asked that their abstentions be noted in the minutes.

118. Motions for Time Limited Debate (Item 12)

Motion for Time Limited Debate 1 – Impact Assessments

(1) Mr Stepto proposed, and Mr Baldock seconded the following motion for time-limited debate:

"County Council resolves that the Executive is asked to;

- Undertake appropriate assessments which take account of rural deprivation, environment and climate change and also socio-economic factors as part of the formal Executive decision process, in addition to the established Equality Impact Assessment process; and
- ensure the relevant assessments are explicitly referenced in and accessible alongside Executive Decision documentation.
- (2) Following the debate, the Chairman put the motion set out in paragraph 1 to the vote.

Motion lost.

<u>Motion for Time Limited Debate 2 – Special educational needs and disability</u> (SEND) provision in Kent

(1) Mr Hook proposed, and Mr Chittenden seconded the following motion for time-limited debate:

"The County Council resolves;

- a) To recommend to the Executive that relevant policies and strategies be amended to reflect that early intervention and support for children with SEND is likely to save KCC long term care and support costs and that this be prioritised accordingly as part of service and budget planning.
- b) To call on the Executive to prioritise necessary investment in SEND provision to meet the increasing demand of the ever-growing numbers of children in Kent with SEND.
- c) To recommend to the Executive that the parental travel allowance and travel training for young people with SEND should be better promoted to increase take up.
- d) To welcome and endorse the Scrutiny Committee decision to set up a SEND focused Scrutiny Sub-Committee"
- (2) Following the debate, Mr Gough proposed, and Mr Love seconded the following amendment:

The County Council resolves;

- a) To recommend to the Executive that relevant policies and strategies be amended to reflect that early intervention and support for children with SEND is likely to save KCC long term care and support costs and that this be prioritised accordingly as part of service and budget planning, as set out in paragraph 9.4 of Agenda Item 11.
- b) To call on the Executive to prioritise necessary investment in the full range of SEND provision, whether mainstream or special school, to meet the needs of all the increasing demand of the ever-growing numbers of children in Kent with SEND in accordance with the approach of right support, right place, right time.
- c) To recommend to the Executive that <u>parents' and young people's right to</u>
 <u>request</u> the parental travel allowance and travel training for young people
 with SEND should be <u>better further</u> promoted to increase take up, <u>thereby</u>
 <u>empowering young people to take steps towards independence and</u>
 <u>greater control over their own lives.</u>
- d) To welcome and endorse the single point of focus for reporting on SEND matter provided by the Scrutiny Committee decision to set up a SEND focused Scrutiny Sub-Committee.
- (3) The Chairman put the amendment set out in paragraph 2 and it was agreed unanimously.

Amendment carried.

- (4) Mr Baldock proposed, and Mr Webb seconded that the motion set out in paragraph 2 be put to the vote.
- (5) The Chairman put the substantive motion set out in paragraph 2 and it was agreed unanimously.

Motion carried.

RESOLVED that the County Council resolves;

- a) To recommend to the Executive that relevant policies and strategies be amended to reflect that early intervention and support for children with SEND is likely to save KCC long term care and support costs and that this be prioritised accordingly as part of service and budget planning, as set out in paragraph 9.4 of Agenda Item 11.
- b) To call on the Executive to prioritise necessary investment in the full range of SEND provision, whether mainstream or special school, to meet the needs of all children in Kent with SEND in accordance with the approach of right support, right place, right time.
- c) To recommend to the Executive that parents' and young people's right to request the parental travel allowance and travel training for young people

- with SEND should be further promoted to increase take up, thereby empowering young people to take steps towards independence and greater control over their own lives.d) To welcome the single point of focus for reporting on SEND matter
- d) To welcome the single point of focus for reporting on SEND matter provided by the Scrutiny Committee decision to set up a SEND focused Scrutiny Sub-Committee.

Motion for Time Limited Debate 3 – Submitted by the Labour Group

The Chairman informed Members that this motion had been rejected in accordance with the Council's constitution.

From: Zena Cooke, Corporate Director, Finance

To: County Council

Subject: Section 25 Assurance Statement

Classification: Unrestricted

Summary:

This report sets out my view as the Section 151 officer as to the robustness of the budget estimates for the administration's proposed budget for 2023-24, the medium-term financial plan, and the adequacy of reserves. It includes an evaluation of the background to budget preparations for 2023-24, including the impact of under delivery of 2022-23, future risks and uncertainties, deliverability of the proposed budget plan, and financial sustainability of the Council. It is acknowledged that setting a balanced budget for 2023-24 has been incredibly challenging due to the extraordinary economic consequences of global and national circumstances in the current year which have added significant turbulence and uncertainty.

The 2022-23 revenue budget has an unprecedented level of forecast overspend, particularly in adults' and children's services. Whilst the latest indications are that the forecast overspend is reducing there are still some further increases. The level of the forecast overspend poses a significant risk to Council reserves if it is not brought down to the level of reserve specifically set aside for this purpose. As well as the risk to reserves, the forecast overspend adds significant spending growth pressures to the administration's draft 2023-24 budget even before any consideration of replenishing reserves that would need to be drawn down to balance 2022-23 spending.

The capital monitoring continues to show high levels of slippage. This has a shortterm benefit for revenue spending as borrowing is only taken up once capital spending has been incurred. However, this does have an impact on revenue budget planning as it means amounts have been set aside for forecast future borrowing costs based on the original capital plans which increases the amounts that need to be found from savings and income to balance the revenue budget. Furthermore, the capital programme still requires significant borrowing over the lifetime of the plan with long term revenue consequences. Although the vast majority of this is not new borrowing as it is largely a continuation of the previous capital programmes, as has been highlighted in previous assurance statements the levels of historic debt represent a significant drag on the Council's financial resilience (with relatively high levels of borrowing than comparable councils). The further borrowing required to fund the programme (whether internal or external) is significant and exceeds reductions in debt through maturity. It is essential that sustainable alternatives to borrowing to fund capital spending are identified to reduce this further drag on financial resilience.

Setting a robust revenue budget for 2023-24 means the budgets with forecast overspends in 2022-23 need to reflect the full year effect of higher than budgeted

costs and demand in the current year, as well as under delivery and rephasing of savings plans and the revenue consequences of the borrowing required for the capital programme. To safeguard the Council's financial resilience, it will be essential that for 2023-24 there is a relentless focus on financial management, demand management, timely delivery of the agreed savings, with all the necessary key decisions taken in a timely manner, and that there are no additional spending requests that would add to costs over and above budgeted levels or repurposing of budget variances without following due governance processes.

Provided all the measures set out in the draft budget and medium term plan are implemented, including the delivery of the proposed revenue savings and income, resisting future spending growth, limiting the use of one-off funding including reserves with no one-off funding sources supporting the base budget by the end of 2024-25, minimising the level of borrowing for the capital programme, council tax increases and precepts, the Council will continue to demonstrate financial sustainability for the next two years, although there remains considerable uncertainty over the medium term.

Recommendations:

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

1. Background and Introduction

- 1.1 Section 25 of the Local Government Act 2003 requires the Section 151 officer (for Kent this is the Corporate Director, Finance) to formally give an opinion as to the robustness of the budget estimates and the level of reserves held by the Council. The Act also requires that the Council must give consideration to this report when making decisions about the budget.
- 1.2 It is essential that the budget includes an assessment of the potential financial risks facing the Council and that the Council has adequate reserves should those risks materialise. The Council holds a general reserve for unforeseen and unplanned circumstances and a range of earmarked reserves for specific eventualities. The proposed 2023-24 budget includes a further additional contribution to general reserves to maintain these to the previously agreed level of 5% of the 2023-24 proposed budget. However, if the current year's forecast overspend is not reduced over the remainder of the year to a level that can be accommodated from specific reserves set aside for budget risks and stabilisation, then some of the general reserve may need to be drawn down to balance the 2022-23 outturn with a consequent reduction in the Council's financial resilience.

- 1.3 In recent years the section 25 assurance statement has noted that the Council has maintained adequate but not generous levels of reserves and has a relatively high level of accumulated debt. The Corporate Director, Finance has undertaken an assessment of the financial resilience of the Council compared to other county councils and has concluded that KCC remains in the lower half of the resilience range. Furthermore, KCC is forecasting proportionately more significant financial growth pressures in 2022-23 and 2023-24 than other county councils and consequently if savings plans are not agreed and delivered the Council is in more imminent danger of financial failure than other comparable councils despite the strengthening of reserves in recent years. Although reserve levels are still considered to be adequate for 2023-24 (subject to the final 2022-23 outturn position), reserves will need to be further strengthened over the medium term to cover the Council's contribution to the Safety Valve agreement with the Department for Education. The level of reserves will require continuous monitoring considering the remaining level of forecast overspend in the current year (including under delivery of previous savings plans) together with the heightened risks from the wider economic circumstances. The Council cannot be complacent and must continue to maintain financial rigour, particularly with regard to accumulated debt and associated financing costs, which have in recent years benefitted from internal borrowing to a large degree.
- 1.4 The Council's revenue spending in previous years has been managed within the approved budget and ended the year with a small surplus. However, there has been an underlying overspend in both Adult Social Care and Children's Services offset by underspends elsewhere in the budget and drawdowns from reserves. 2022-23 has seen a significant forecast overspend which if not closed over the remainder of the year will need to be covered by reserves set aside for budget stabilisation. Whilst the Council has maintained a substantial capital programme over this period without adding to external accumulated debt, it has continued to borrow internally from cash reserves.
- 1.5 The Council's Constitution specifically defines the role of all Members in determining and agreeing the policy and budgetary framework of the Council in accordance with applicable laws providing sufficiency of resources. The budget approval process includes Cabinet Committee meetings, the Scrutiny Committee meeting and an informal Member briefing leading up to the formal Budget meeting and the consideration of the recommendations set out in the County Council budget report. These are the mechanisms by which all Members have the opportunity in advance of the full County Council meeting to define, challenge, amend and ultimately vote on the Council's budgetary framework for the next year and medium term, in which all Members have a voice and a vital role to play.

2. Evaluation of the administration's proposed 2023-24 Revenue Budget and Medium-Term Financial Plan

- 2.1 As outlined in the summary, the administration's proposed 2023-24 budget and medium-term plan have been prepared against the backdrop of considerable uncertainty and volatility.
- 2.2 The uncertainties of the economic environment, in particular rising inflation, a one year settlement, the scale of savings and growing demands on core services and a forecast overspend have all meant that there are significant risks facing the Authority in delivering a balanced budget. In fulfilling the various responsibilities placed on me as Chief Financial Officer, I have set out below what I see as the key risks associated with the proposed budget and how they can be managed within the Administration's proposed budget, so that Members are clear on the risks associated with these budget proposals when making their budget decision.

Risk A – Impact of Forecast Overspend

- The budget monitoring position as at the end of September 2022 was reported to Cabinet on 1st December 2022. The revenue budget showed a significant forecast net overspend of £60.9m. Action to address the reported £60.9m overspend is critical to avoid an unsustainable drawdown from reserves and full year consequence of additional spending from the current year in 2023-24. It is not unreasonable to drawdown from the risk reserve, which was set aside for the increased risks arising from the post pandemic uncertainties. The quarter 2 monitoring report included £7.9m of proposed actions to reduce the overspend. The Council will need to continue to look to reduce and minimise non-essential spending for the remainder of the current year to reduce the risk of any further drawdown from general or earmarked reserves to offset overspends. The main reasons are due to a combination of rising costs (largely due to economic circumstances of extraordinary inflation and market instability including recruitment difficulties), under delivery of savings, and in some cases increased demand for services. The budget was set with contingency provisions for additional risks particularly due to the early signs of rising inflation and market sustainability issues but if the overspend is not reduced during the remainder of the year any overspend would have to be met from reserves, weakening the Council's financial resilience.
- 2.4 The most significant forecast overspends in children's services are on home to school transport and children in care. The most significant forecast overspend in adult social care continues to be older persons residential and nursing care. Overspends on other council services are partly due to under delivery of savings, including in some cases delays to decisions necessary to implement the original budget plan e.g. savings on supported bus services, and the impact of higher inflation (particularly streetlights/road signs and energy costs for the council's property estate).
- 2.5 The proposed 2023-24 draft revenue budget includes £216.8m of additional spending. This includes £63.5m for the full year effect of increased costs and demands in 2022-23, £70.4m for estimated future price increases, £34.0m for forecast future demand and cost drivers, £28.0m for government specific grant funded additional spending (offset by matching grant income), £13.9m for

increased pay related costs (including removal of employer national insurance increase and lower employer pension contributions) and £2.0m for additional borrowing. This mix of revising budgets for known variances and forecast spending growth is a robust approach and provides a sound basis for financial planning, however it is critical that budgets are not simply increased to reflect increased spending, without a rigorous approach to demand and financial management.

2.6 The proposed 2023-24 budget includes estimates for future demand and price increases. Due to the considerable uncertainty about these forecasts growth based on future estimates will be held in a way that ensures it is separately identifiable so that it can be revised once the actual incidence has been evidenced. Other provisions will be held centrally and allocated during the year.

Risk B – Delivery of the Planned Savings

2.7 The proposed 2023-24 draft budget also requires the delivery of a package of £86.6m of planned savings and income. This comprises £39.1m of savings from spending reductions, £15.6m increased income from charges and contributions, and £31.9m increased income from specific government grants. Recent experience is that savings have slipped or have not been delivered at all. The magnitude of the savings required for 2023-24 significantly heightens the deliverability risk. The risk of under delivery can be mitigated provided key decisions to implement savings plans are agreed in a timely manner. The proposed budget also still includes a planned contribution to the risk reserve and maintains the general reserve at 5%. These reserves are available to counter the risk of savings delivery and any under forecast of the estimated growth pending in year confirmation, although any sizeable use of these reserves will impact on the Council's financial resilience if they are not replenished in the following year.

Risk C – High Needs Block overspend

The single greatest financial risk to the Council remains the substantial and 2.8 growing deficit on High Needs spending from the Dedicated Schools Grant (DSG). This has been flagged as the biggest risk for several years with the accumulated deficit forecast to be £146.6m by the end of the current year. A statutory override has been extended by a further 3 years which means that DSG deficits do not have to be covered from the General Fund i.e. they are not cash backed. However, the Council does need to make provision to repay a proportion of the accumulated deficit from General Fund reserves as part of the Safety Valve agreement with the Department for Education. Currently there is no specific provision within General Fund reserves for this repayment. The current level of accumulated deficit remains unsustainable posing a considerable risk to the Council if there is not a significant reduction in the deficit. The assessment of financial resilience based upon the ratio of reserves to debt as a percentage of net revenue budget now includes an additional assessment for this risk. Formal regular monitoring and reporting of the local

deficit recovery action plan, highlighting any corrective action, will be critical to ensure the deficit is being tackled effectively.

Risk D – Capital Programme

- 2.9 The capital programme continues to show a high and unsustainable level of slippage on projects. It is essential that future capital programmes are based on more realistic phasing of planned expenditure. The implementation of a 10 year capital programme, the introduction of a reserve to fund feasibility costs and the new capital monitoring and reporting solution, should ensure a more realistic capital programme with significantly less slippage, but this is still proving to be a challenge to achieve.
- 2.10 The capital programme as at the end of September 2022 is forecast to underspend by £74.6m, comprising +£29.1m overspending on schemes and -£103.7m rephasing into later years. Whilst the introduction of a 10-year programme from 2022-23, and a feasibility fund, together with a planned capital monitoring and reporting IT solution, should ensure capital programme budgets and delivery are more realistic in future, this is still proving to be a challenge to achieve. More work is needed to reduce the level of slippage in the programme, a review of the current arrangements is underway and will help inform any changes that may be required.
- 2.11 The proposed draft capital programme is £1,624m over the 10 years 2023-24 to 2033-34. The 10 year element of the plan primarily relates to the rolling annual programmes. Spending on approved projects is set out over the anticipated timescales to deliver these projects. A separate schedule of potential projects is not included as part of the approved programme to ensure that schemes in the initial stages of development and/or where funding has not been secured are not formally included in the programme too early in their development. However, minimising additional borrowing does not come without risks and consequences. This means the Council will need to prioritise maintenance and improvement works which avoid the risk of death or serious harm on the Council's highest priority assets, with the possible closure of non-priority sites on safety grounds. This in turn will lead to an increase in maintenance backlogs and higher potential future costs. The Council also needs to investigate alternative funding mechanisms for maintenance works avoiding the need for borrowing to fund what are essentially recurring costs.
- 2.12 The proposed draft programme is funded from a combination of government grants, external funding and borrowing. In line with previous years, it is proposed that borrowing is supported from the Council's cash balances rather than external debt. This not only reduces the cost of borrowing (bearing in mind the difference between returns on cash investments and borrowing rates) but also ensures the Council does not increase accumulated debt based on spending profiles which are subsequently delayed. This strategy of internal borrowing is considered sustainable for the next two to three years providing there is no significant revenue need to draw down reserves and the Council has sufficient cash balances. In the medium term this approach will need to be reviewed and revised as it will not be possible to sustain this level of capital

investment without the greater achievement of savings, generation of income or increased funding. It is essential that sustainable alternatives to borrowing to fund capital expenditure are identified to avoid further drag on financial resilience.

Risk E – Impact on the Medium Term Financial Strategy

- 2.13 The medium-term plan shows a balanced position over a three-year period. The forecasts for 2024-25 are inevitably less reliable than the forecasts for 2023-24 (which themselves have a degree of uncertainty bearing in mind the extraordinary volatile economic environment). The Chancellor's Autumn Budget statement only set out spending plans for two years with detail only for the first year and substantial uncertainty how the high level spending plans for 2025-26 and later years will translate into individual departmental spending plans and the local government finance settlement. The most likely scenario is that any additional funding in 2025-26 will be substantially less than spending growth needed to maintain services at the current level and further significant savings are likely to be needed to continue to set a balanced budget.
- 2.14 In the medium to longer term the Council has to have a sustainable plan where spending growth is more closely aligned to Council priorities and available funding as the scope for savings without significant changes to legislative requirements is limited. The medium-term plan for 2022-25 was balanced (albeit with limited use of reserves in the first years). No plan, no matter how robust, could have foreseen the significant economic impacts of the global and national circumstances faced in the current year and it is unsurprising that there are significant variances from the original plan. What is important is how the Council responds so that there is greater agility in future without relying heavily on reserves. To this end it is vital that the Council continues to evolve financial planning taking an Outcomes Based Budgeting (OBB) approach that was started for 2023-24 (albeit that resource envelope approach agreed for building 2023-24 budget could not deal with the extraordinary circumstances witnessed during the current year). The experience from this year is also that the Council should not place over reliance on consumer and retail price indices for negotiating future costs of commissioned services.

Risk F – Impact on Reserves

2.15 The latest forecast for usable revenue reserves at the end of 2022-23 is £308.6m, this represents a substantial decrease of £99.5m on the position at the 1st April 2022. The forecast takes account of a drawdown of Covid-19 reserve, risk reserve, and other planned drawdowns from earmarked reserves as well as the amount needed to offset forecast overspends. In total the forecast drawdown from earmarked reserves is £102.4m, this is partially offset by a £3m increase in general reserves approved as part of 2022-23 budget to maintain these at 5% of net revenue budget. The reserves forecast includes draw downs to balance the year end position although this could change further during the remainder of the year.

Overall Assessment

- 2.16 The proposed budget represents a compromise between additional spending growth, spending reductions through savings, income losses and planned income generation, changes in reserves, government grants in the provisional settlement, the estimated council tax base, and proposed council tax charge increases. It is not the role of the S25 assurance statement to comment on the precise mix providing the overall package results in a balanced budget and the estimates on which the calculation is based are considered robust.
- 2.17 All the estimates within the proposed draft budget are the product of a comprehensive planning process with Cabinet Members, Corporate Directors and Directors resulting in an agreement on the level of service delivery within the identified financial resources. In addition, a separate appendix of the final draft budget sets out the main budget risks that are taken into account in determining the estimates.
- 2.18 The final budget includes the updated assessment of budget risks and adequacy of reserves taking account of the continuation of contingency provisions for demand and price risks, new contributions to reserves, and maintaining general reserves at 5% of the proposed 2023-24 net revenue budget. However, it also notes that variable/insecure funding is being used to balance the budget and that the Council's financial resilience is at considerable additional risk as it requires delivery of substantial savings and provision for uncertain forecasts for future cost and demand growth.
- 2.19 The budget strategy allows for a proposed draft budget which is affordable whilst allowing the Council to fulfil its statutory responsibilities and address local priorities. The proposed draft budget will require some difficult decisions about service levels and provision both in 2023-24 and over the medium term. These decisions will need to be confirmed under the Council's constitutional arrangements and Financial Regulations after due consultation and equalities impact assessments. It is essential that decisions are taken in a timely manner to achieve the amounts assumed in the proposed budget. As such the proposed draft budget is a plan which can be subject to change, with any changes considered and agreed by Cabinet through the in-year monitoring reports.

3. Conclusions

3.1 As Section 151 officer taking all relevant factors into account, I can formally report that in my view subject to all the measures set out in the draft budget and medium-term plan being implemented, the budget estimates are robust and the level of reserves adequate within the constraints in which the Council currently has to operate with funding not keeping pace with forecast spending growth, as required by the Local Government Act 2003. This is on the assumption that the proposed council tax increases up to but not exceeding the 3% referendum threshold and 2% for Adult Social Care levy are agreed. However, if the forecast outturn for 2022-23 is not brought down to a level that can be covered by reserves set aside for budget risks and stabilisation this poses a significant risk to the adequacy of reserves and thus the Council's financial resilience.

- 3.2 Council tax is now the most significant source of funding for council services. Any lesser increase than that proposed, without a corresponding reduction in base budget spending would have an adverse impact on the Council's financial resilience and ability to mitigate future spending risks or medium-term uncertainties over the future funding gap. This assessment has focussed on the significant uncertainty and volatility around spending and income forecasts for 2022-23 and that the Council has previously had adequate but comparatively less generous reserves for risks at the time.
- 3.3 The administration's revenue proposals for 2023-24 and medium-term plan are not without significant additional risks. The proposals strike a balance between affordability whilst allowing sufficient resources for the Council to fulfil its statutory responsibilities and address local priorities. This is not an easy combination and will require some difficult decisions about service levels and provision. It will require services to bear down on spending growth, particularly with regard to future price levels and managing demand. In my view whilst this presents risks, the Council currently has sufficient financial resilience and reserves, such that the additional risks are not excessive or reckless. However, it is essential that there is a relentless focus on financial and demand management, delivery of savings and income plans, timely decision making and there are not additional spending requests that would add to costs over and above budgeted levels. It is also essential that where variations from the budget plan are identified that remedial action is taken promptly to ensure a balanced budget can be delivered.
- 3.4 The proposed draft revenue budget includes a significant package of savings to balance forecast spending growth within the funding available from local taxation and government grants. As identified in this report it is essential that decisions on implementing these savings plans are taken in a timely manner if the amounts included in the budget plan are to be achieved. The forecasts for future spending growth are still considerably uncertain and will only be finalised in controllable budgets once uncertainties have been resolved. The amounts set out in the directorate plans are notional at this stage for comparative purposes.
- 3.5 The proposed 2023-24 budget includes an additional contribution to general reserves in line with the medium-term strategy to have the overall level at 5% of net spending to improve financial resilience. This level of general reserves is considered to be essential in light of increased financial risks, the increased self-sufficiency of councils and greater reliance on tax income, and medium-term uncertainties. Any drawdown from general reserves either as part of addressing the 2022-23 overspend or to cover variances from the proposed draft 2023-24 plan (which already includes £12.5m from Corporate and Public Health reserves to balance the budget) would require general reserves to be replenished back up to 5% level at the earliest opportunity, even if this requires delivery of additional savings from the proposed amounts identified for 2023-24 and 2024-25. Failure to maintain general reserves at 5% would in my opinion very likely seriously impair the adequacy of the Council's reserves and consequently its financial resilience.

- 3.6 The longer-term capital planning within the proposed 10-year programme delivers urgent and critical works as well as addressing the need to minimise new borrowing and deficiencies in previous plans that have led to significant rephasing. Both of these have significant consequences on future revenue budgets. The level of borrowing continues to be a concern, even though it has been reduced, sustainable alternatives urgently need to be identified.
- 3.7 Finally, I draw members attention to the known correlation between those councils which have had the lowest council tax rates, undeliverable savings plans, highest levels of debt, lowest levels of reserves and subsequent concerns about financial management. Whilst these are not the only factors which could give rise to financial management concerns, they remain an important consideration in the assessment of financial resilience and sustainability. KCC's current council tax charge is around the average of all county councils, but levels of debt are well above average compared to levels of reserves which remain below average. The levels of debt are slowly being addressed through the new 10-year capital programme and avoiding additional borrowing, but the Council also needs to maintain levels of reserves which reflect levels of council spending, financial risks and medium-term uncertainty.

Recommendations:

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

3. Contact details

Report Author(s)

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From: Roger Gough, Leader

Peter Oakford, Deputy Leader and Cabinet Member for Finance,

Corporate and Traded Services

To: County Council 9th February 2023

Subject: Capital Programme 2023-33, Revenue Budget 2023-24 and

Medium Term Financial Plan 2023-26

Classification: Unrestricted

Summary:

The draft budget report containing the administration's budget proposals for 2023-24 was published on 3rd January 2023 to support the scrutiny and democratic process through Cabinet Committees and the Scrutiny Committee. Feedback from those Committees was presented to Cabinet on 26th January, and taken into account for the administration's final draft budget report, published on 1st February 2023, for the annual County Council budget setting meeting on 9th February 2023.

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

Appendices A to G of the final draft budget report set out the administration's updated budget plans and are published in a format recommended by the Corporate Director of Finance and agreed by the Leader as required under the Council's constitution and Financial Regulations. The other appendices published in the draft for scrutiny (details of core grants in the local government finance settlement, reserves policy, draft fees and charges income policy and budget risks and adequacy of reserves) have also been updated where necessary for final approval.

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

Members are asked to refer to the final draft 2023-24 budget report published on 1st February for this meeting and not previous drafts.

Recommendations:

County Council, having given due regard to the s25 Report (published for consideration as agenda item 5 of this meeting), is asked to agree the following:

2023-33 Capital Programme

- (a) The 10-year Capital programme and investment proposals of £1,624.0m over the years from 2023-24 to 2032-33 together with the necessary funding and subject to approval to spend arrangements.
- (b) The directorate capital programmes as set out in appendices A & B of the final draft budget report published on 1st February 2023.

2023-24 Revenue Budget and Medium Term Financial Plan

- (c) The net revenue budget requirement of £1,310.9m for 2023-24.
- (d) The directorate revenue budget proposals for 2023-24 and the medium term financial plan as set out in appendices D (high level 3 year plan), E (2023-24 key services), appendix F (variations for 2023-24) and G (variations for 2023-26) of the final draft budget report published on 1st February 2023.

2023-24 Council Tax

- (e) To increase Council Tax band rates up to the maximum permitted without a referendum as set out in section 6.10 (table 4) in the final draft report published on 1st February 2023. For the general precept the increase up to but not exceeding 3% raises an additional £25.048m taking the total general precept to £761,106,400
- (f) To levy the additional 2% social care precept (raising an additional £16.664m and taking the total social care precept to £115,672,900 out of the total precept set out in recommendation (g) below).
- (g) The total Council Tax requirement of £876,779,300 to be raised through precepts on districts as set out in section 6.9 (table 3) in the final draft report published on 1st February 2023.

Kent Pay Scheme 2022-23

- (h) The recommendations from Personnel Committee on the changes to Kent Pay Scheme as set out in section 7.8 of the final draft budget published on 1st February 2022
- (i) The uprating of member allowances linked to pay awards as set out in section 7.10 of the final draft budget published on 1st February 2022

Key Policies and Strategies

- (j) The Fees and Charges policy as set out in appendix L of the final draft report published on 1st February 2023
- (k) The Capital Strategy as set out in appendix M of the final draft report published on 1st February 2023 including the Prudential Indicators.
- (I) The Treasury Management Strategy as set out in appendix N of the final draft report published on 1st February 2023
- (m) The Minimum Revenue Provision (MRP) Statement as set out in appendix P of the final draft report published on 1st February 2023.
- (n) The Reserves Policy as set out in appendix I of the final draft budget report published on 1st February 2023.

In addition:

(o) To delegate authority to the Corporate Director of Finance (after consultation with the Leader, the Deputy Leader and Cabinet Member for Finance, Corporate & Traded Services and the political Group Leaders) to resolve any

- minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement and for any changes made to be reflected in the final version of the Budget Book (blue combed) due to be published in March 2022.
- (p) To note the information on the impact of the County Council's share of retained business rates and business rate collection fund balances on the revenue budget will be reported to Cabinet once it has all been received.
- (q) To note the extraordinary impact of the economic consequences of global and national circumstances on spending and income in 2022-23, and knock on consequences and on-going impact in the final draft 2023-24 budget, capital programme and medium term financial plan.
- (r) To note further potential economic volatility and the uncertain financial outlook for later years in the absence of a multi-year settlement from government (in particular from 2025-26 onwards with guiding principles and notional grant increases only confirmed for 2024-25) as well as uncertain impact of the delayed social care reforms and reforms to local government funding arrangements..

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

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

1. Update to Draft Budget Report

- 1.1 This final draft budget report replaces the previous drafts and includes the latest updates and final proposals and amounts for Council consideration and approval.
 - The updated final draft report includes confirmation of estimated council tax collection fund balance surplus from Kent districts of £11.487m, an estimated £4.487m higher than the forecast included in the original draft budget with the additional surplus to be transferred to the local taxation equalisation reserve in line with the revised resilience arrangements set out in section 6.8 of the final draft budget report published on 1st February 2023
 - The recommendations from Personnel Committee for the Kent Pay Scheme 2023-24, these can be delivered within the provision included in the original 3rd January draft budget.
- 1.2 The final draft budget report includes minor changes following confirmation of final council tax base estimates (the County Council must set its council tax

precept based on the estimates for each district). This reduces the council tax precept by £392.4k compared to the provisional estimate in the administration's original draft budget and the reduced funding generated is reflected in the revised draw down from smoothing reserves to balance the budget.

- 1.3 Information on the County Council's estimated share of retained business rates and business rates collection fund balances was only received on the deadline of 31st January and too late to include in this report. A separate report on the impact on revenue spending, savings and reserves will be presented to Cabinet.
- 1.4 The final estimated council tax collection fund balance and tax base have increased the proposed net revenue budget 2023-24 from £1,306.8m to £1,310.9m.
- 1.5 The final draft budget report includes the following additional appendices which are necessary to support the report's recommendations, some of which form part of the budget framework and need to be agreed by County Council. These include:
 - Appendix E Revenue Budget 2023-24 Key Service Analysis. This shows the planned spending on individual services in 2023-24
 - Appendix G Detailed 3 year medium term financial plan 2023-26 (the original draft included a high level plan for scrutiny purposes). The later two years are shown in the medium term financial plan for planning purposes and could be subject to change
 - Appendix M Capital Strategy. This provides a high-level overview of how capital expenditure, financing and treasury management contribute to delivery of council services. The prudential indicators set out a high level medium-term view of capital and treasury plans
 - Appendix N Treasury Management Strategy. This shows how the Council manages cashflows, borrowing and financial investments
 - Appendix O Investment Strategy. This provides information on the levels of investments in loans, shares and commercial property
 - Appendix P Annual Minimum Revenue Provision (MRP) Statement. This
 covers the Council's policy for charges to the revenue account each year
 to finance capital expenditure initially funded from borrowing
- 1.6 Other additional appendices help inform the background to the budget and include
 - Appendix H Core Grants in Local Government Finance Settlement. This
 outlines the derivation of all the grants in the settlement including the
 additional grants for social care in 2023-24 and 2024-25
 - Appendix I Reserves Policy. This outlines the Council's approach to assessing, maintaining and managing revenue reserves
 - Appendix J Budget Risks and Adequacy of Reserves. This provides an assessment of the financial risk environment the Council is operating in and adequacy of the council's reserves
 - Appendix K Budget Risk Register. This quantifies the main financial risks not reflected in specific budget proposals

- Appendix L Fees and Charges Policy. This sets out the proposed approach to determining future fees and charges for discretionary services with the objective of providing greater clarity where decisions have been agreed by Cabinet to offer concessions or subsidies and to improve full cost recovery where no concession or subsidy is offered.
- 1.7 The updated report dated 1st February 2023 is published alongside the Council papers. This replaces previous drafts.

2. Contact details

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Final Draft Budget 2023-24 and 2023-26 MTFP

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From Leader of the Council; Roger Gough Deputy Leader and Cabinet Member for Finance, Corporate and Trade									
Relevant Director(s)	Services; Peter Oakford Cabinet Members Corporate Director Finance; Zena Cooke Chief Executive, Deputy Chief Executive, Corporate Directors, ASCH, CYPE and GET								
Report author	Head of Finance Policy, Planning and Strategy; Dave Shipton								
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Directorates – abl	oreviations in thi	s report	CVDE Children V-		+:				

DCED – Deputy Chief Executive's Department

ASCH - Adult Social Care and Health

GET - Growth, Environment & Transport

CYPE - Children, Young People and Education

CED - Chief Executive's Department

NAC - Non-Attributable Costs

- 1.1 This report sets out the proposals in the administration's final draft revenue budget 2023-24, medium term plan (MTFP) 2023-26 and ten-year capital programme 2023-33. The report and appendices provide the essential information about the draft revenue budget, MTFP and capital programme for County Council approval on 9th February 2023. The revenue budget includes £216.8m spending growth, £39.1m of savings, £15.6m increase in income (primarily fees and charges), £31.9m of anticipated increases in specific grants and £10.7m change in reserves. This final draft report updates and replaces the earlier draft published on 3rd January 2023.
- 1.2 The administration's final draft capital programme sets out planned infrastructure investments and funding over the 10 years 2023-33. The capital planning horizon up to 10 years also applies for rolling programmes. This longer planning horizon together with a reserve to fund feasibility costs is intended to help reduce slippage by creating a more realistic programme. A new capital monitoring and reporting solution is being developed to provide more detail and transparency on the capital programme. In the programme the administration has sought to minimise additional borrowing, especially in the earlier years to avoid adding additional revenue pressures for financing costs, and only borrowing where absolutely essential to meet statutory obligations. The inclusion of a schedule of potential projects ensures schemes in the initial stages of development and/or where funding has not yet been secured are not formally included in the programme too early in their development.
- 1.3 The administration's final draft revenue budget and MTFP set out planned spending on day to day services and is prepared on an incremental basis. The starting point is the approved net budget for 2022-23 which is updated for known and forecast changes to derive the final draft budget for 2023-24. The changes are set out showing planned spending growth and net spending reductions from savings and income (including specific grants) separately. Planned net changes to reserves are also shown separately.
- 1.4 The administration's final draft 2023-24 revenue proposals include £216.8m of spending growth (18.2% of the 2022-23 net budget). This growth is exceptionally higher than we would normally expect from population demographic changes and inflation at the government target level. This excess growth comes from the full year effect of current year forecast overspends, which themselves arise from a combination of higher prices (driven by inflation and market instability) and in some cases higher demand (including increased complexity), and forecasts for future price and demand increases.
- 1.5 The extraordinary economic consequences of global and national circumstances have had a significant impact on public spending and borrowing, and have impacted on local spending. The greatest areas of spending growth pressures are in Adult Social Care services and Children's services. In Adult Social Care the most significant forecast overspend is on older persons residential and nursing care where the weekly costs for new clients have been rising throughout the year and are significantly higher than costs for existing clients. This arises from a combination of factors including increased complexity of need of clients leaving hospital, increased use of short-term beds and recruitment shortages in the sector pushing up wages. The most significant overspends in Children's services are home to school transport and children in care. In both cases this is a combination of higher prices (in the case of transport higher contract prices and for children in care more expensive placements) and higher than budgeted demand.

- 1.6 Inflation has risen dramatically since the 2022-23 budget was set. In July 2021 CPI inflation was 2%, but in the subsequent months had risen sharply to 5.4% by December 2021 i.e. at the time the budget was set. Inflation had risen further to 7% by March 2022 i.e. before the main impacts of the war in Ukraine. This increased to 9% by April 2022 with further rises in the succeeding months to 11.1% by October 2022, with a slight fall to 10.7% annual rate of increase in November 2022 and further fall to an annual rate of increase of 10.5% in December. CPIH (which includes housing costs) followed a similar pattern (albeit slightly lower figures) increasing from 4.8% in December 2021 to 9.6% in October 2022, with a slight fall to 9.3% in November 2022 and further fall to 9.2% in December.
- 1.7 The Council has a number of contracts which include indexation clauses as well as negotiated uplifts. An example of index linked contracts are those for waste recycling and disposal where uplifts for 2023-24 range between 2.5% and 12.7%. Energy prices (affecting Council buildings and streetlights) are budgeted to increase between 112% to 185% compared to 2022-23 budget (with some of this increase being felt in the current financial year and some forecast for further increases in 2023-24). Facilities Management contracts have between 10.2% and 11.45% indexation clause for 2023-24. The budget assumes that negotiated contract uplifts will have a closer link to pay inflation.
- 1.8 The administration's final draft 2023-24 budget includes the impact of activity/cost forecasts in the current year as well as forecasts for the forthcoming year. Due to the high levels of uncertainty and volatility in the current year (which look likely to continue into 2023-24) and in a change from the usual approach spending growth based on future estimates will be held in a way that ensures it is separately identified so that it can be revised as necessary once the estimates become more certain and have been reviewed. The draft budget includes a notional allocation at directorate/service levels to show the potential year on year changes based on those estimates but should not be taken as indicative budgets for these services.
- 1.9 Whilst the provisional Local Government Finance Settlement (LGFS) for 2023-24 has prioritised maintaining financial stability in the immediate term (with funding for the delayed social care charging reforms repurposed for current social care pressures through increased grants, additional funding to support capacity within the social care sector and improve hospital discharges, additional council tax flexibility, and compensation for the impact of reductions in retained business rates) it is not enough to fund all the spending growth and still requires significant savings and increases in income generation.
- 1.10 The provisional LGFS is only for one year 2023-24 (with some guiding principles and additional amounts identified for 2024-25) which makes medium term financial planning highly unpredictable. We know from the overall government spending plans that future growth is limited and that further savings are likely to be required although without detailed spending plans it is difficult to predict how significant these will be or how much of the additional funding for 2023-24 and 2024-25 will be included in the baseline for future settlements.

- 1.11 The administration's draft budget includes a 4.995% proposed increase in Council Tax charge for 2023-24. This would increase the county council share of the bill for a typical band D household by £1.40 per week (£72.99 per year). Council Tax is the council's most significant source of income to fund essential services, and whilst the administration seeks to keep increases to a minimum, the proposed amount is in line with the government's expectation of a 3% referendum limit and 2% adult social care precept. The estimated tax base (the number of dwellings liable for council tax after discounts, exemptions and assumed collection rates) shows an increase of 1.45% which is around the normal level we would expect from population demographics.
- 1.12 The combination of additional grants from central government and increased Council Tax (household charge and tax base) is not enough to fully fund the increased spending growth and changes in reserves. The administration's final draft budget for 2023-24 includes £86.6m of savings and other income (including increases in specific grants and contributions) to reduce net costs and help balance the budget. Of this £39.1m relates to proposed savings, £15.6m additional income generation (mainly fees and charges), and £31.9m anticipated increases in specific grants (including Household Support Fund and Public Health grants yet to be confirmed). Delivering a savings programme of this magnitude will be extremely challenging and require some very difficult decisions as it comes on top of £820m of savings over the last 12 years.
- 1.13 The administration's final draft budget 2023-24 includes a £9.9m net increase from changes in the use of reserves. This includes additional contributions to reserves of £22.4m, (including a £12m contribution to the risk reserve, £4.5m to local taxation smoothing reserve from excess estimated council tax collection fund surplus, and a one-off additional contribution of £5.8m to general reserves in line with the policy to maintain these at 5% of net revenue budget for 2023-24). In the MTFP for 2024-25 there are further planned increases in the general reserve to comply with the 5% policy. These additional contributions are offset by £12.5m additional drawdown from public health and corporate reserves to balance the 2023-24 budget. The MTFP for 2024-25 includes planned replacement of the amount drawn down in 2023-24 to fund core spending, and an amount to replenish the reserves. The budget also reflects a net £20.7m removal of one-off contributions and drawdowns in 2022-23.
- 1.14 The MTFP for 2024-25 and 2025-26 includes high level estimates and a more detailed county level three-year plan showing forecast changes in spending, savings, income, reserves and funding. The plans include the full year effect of savings and income in the 2023-24 budget where there is a part year impact, and new savings/income necessary to balance changes in spending and reserves against forecast future funding from local government settlement and local taxation. At this early stage it is not considered appropriate to include detailed estimates for all the new savings in later years until options have been further developed although the areas of spending that would be under review have been identified. The MTFP assumes the maximum permitted Council Tax increases for planning purposes. If the actual increases are lower than planned, further savings or additional income will be required.

- 2.1 The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Cabinet and Scrutiny Committees to allow for their comments to be considered before the final budget proposals are made to Full Council. Feedback from Scrutiny Committees was considered by Cabinet on 26th January 2023 and reflected in this version of administration's final draft budget proposals.
- 2.2 The overall strategy for the budget is to ensure that the Council continues to plan for revenue and capital budgets which are affordable, reflect the Council's strategic priorities, allow the Council to fulfil its statutory responsibilities and continue to maintain and improve the Council's financial resilience (albeit the proposed net contributions to reserves in the administration's proposed final draft budget 2023-24 are less than recent years, and a risk remains of significant draw down at the end of 2022-23 which would mean the Council is less resilient). However, it is also important that spending plans take account of the local priorities of the Council, Kent residents and businesses, and local communities. This is not always an easy combination and involves some difficult decisions about service levels and provision both for the forthcoming year and over the medium term. In reaching this balance it is essential that the Council has regard to bearing down on spending growth (particularly future price and demand increases) while making the necessary investments to support improvement and delivering savings/income generation. The proposed final draft budget should be assessed against these aims.
- 2.3 The Council is under a legal duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities. A MTFP covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty. However, it must also be acknowledged that the Government's Autumn Budget statement only covers a 2-year period, and the provisional Local Government Finance settlement (LGFS) only has firm core spending power and grant figures for 2023-24 with high level principles for 2024-25. This means that the funding for later years remains highly uncertain and planning has to be sufficiently flexible to respond accordingly. 2024-25 and 2025-26 are likely to continue to be exceptionally challenging (especially 2025-26) due to economic uncertainties and the lack of detailed government spending plans. These challenges are reflected in the MTFP.
- 2.4 As the Council develops its detailed proposals it must continue to keep under review those key financial assumptions which underpin the Council's MTFP; in particular as the Council has become ever more dependent over the last decade on locally raised sources of income through the Council Tax and retained business rates these become fundamental elements of its approach and strategies.
- 2.5 In accordance with Financial Regulations, a medium-term capital programme and financing plan is prepared on an annual basis. Where capital estimates are included, funding must be secured and approved prior to any expenditure being incurred.

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

A) Strategic Priorities – Strategic Statement

2.7 The County Council approved a new strategic statement "Framing Kent's Future (FKF)" on 26th May 2022. The statement sets out the challenges and opportunities Kent is faced with and the actions the Council will prioritise to address them over the next four years. The statement identified four key priorities:

Levelling up Kent

We will use the momentum of the national Levelling Up agenda to make Kent a successful place and narrow the gaps in outcomes between different parts of Kent and between Kent and the rest of the South East.

Infrastructure for communities

As the county continues to grow, we will seek to ensure that all communities, new and existing, have the right infrastructure around them for a good quality of life.

Environmental step change

We will build on the work we've begun to reach our ambitious Net Zero targets, while managing climate impacts that the county is already experiencing.

New models of care and support

We will seize the important opportunities to work differently to manage the demand and resource challenges facing our people-based services and provide better care and support for the people of Kent.

2.8 Whilst these remain our strategic priorities over the four-year period (2022-26) which Framing Kent's Future covers, the significant shift in the financial and operating landscape facing the council since its approval due to the economic consequences of global and national circumstances means there will be policy and service decisions that must be taken to balance the budget which will impact on our residents, service users and our partners and could run counter to the priorities and ambition set out in Framing Kent's Future.

- 2.9 The statutory duty on the council to set a balanced budget against significant cost and demand led pressures will also reduce the scope to make progress against all the priorities set out in Framing Kent's Future concurrently. Delivery of some priorities may be deferred to later in the four-year cycle, with greater focus in the short-term on ensuring the council's financial position is sustainable in the medium term. There will also be a short-term focus on delivering the enabling activity to support stronger integration with health partners to better manage and reduce demand and further engagement with partners and Government on both the opportunities and challenges for Kent from the devolution/levelling up agenda. The strategic statement is kept under constant review, and should it be considered necessary to amend Framing Kent's Future consequential to the financial and operating pressures facing the council, these changes will be brought to Full Council for approval.
- 2.10 In the early stages of budget planning, and as a first step towards moving to an Outcomes Based Budgeting (OBB) approach, directorates were provided with resource envelopes i.e. a total budget allocation. These resource envelopes were calculated based partly on the traditional approach of previously identified spending growth and savings/income, with a proportion allocated according to those specific priorities within the Strategic Statement requiring the most investment/resources and those identified as most urgent to deliver.
- 2.11 The draft budget for 2023-24 and for the MTFP period reflects the challenges and opportunities set out in the Strategic Statement and how the Council plans to respond to them.

The five main challenges for the Council are:

Financial – the Council continues to face a highly uncertain medium term financial position. The provisional LGFS has been announced with firm figures for 2023-24 but only high level principles for 2024-25. In the settlement the government has set out that the objective for 2023-24 in providing councils with greater certainty on key aspects of their funding is incredibly important for their budget setting process and their ability to plan for the future. For 2024-25 the government has confirmed that core council tax referendum principles will continue to be the same as 2023-24 and that the major grants will continue as set out for 2023-24 with inflationary uplifts and further increases as set out in the Autumn Statement. This means the Council can make relatively robust estimates for the first two years of the medium-term financial plan with some certainty but still needs to make some very difficult decisions in the short-to medium-term based on prudent forecasts, while maintaining a longer-term view of what is best for the county.

Economic – global and national circumstances have caused widespread economic impacts. The economy recovered in 2021 from the downturn during the Covid-19 pandemic, but the rate of growth has slowed significantly towards the end of 2021 and has largely stagnated during 2022. Gross Domestic Product (GDP) is forecast to fall during the remainder of 2022 and throughout most of 2023 as the economy falls into recession. Inflation has risen sharply towards the end of 2021 and during 2022. Inflation is forecast to peak at a 40 year high by the end of 2022 (with an average for the year of 9.1%) before starting to fall back during 2023 (to an average of 7.4%) although the largest decline in rate of growth in prices is forecast in quarters 3 and 4. Inflation has a significant impact on the Council's budget especially through commissioned services and energy costs.

Demand – there is increasing demand for some of our key services, particularly those for the most vulnerable. In particular we have seen increased spending on both adults and children's social care services partly due to additional complexity of cases following the pandemic and hospital discharges, increases for home to school transport and numbers of children in care, and increases in household waste to be recycled/disposed. There have been some reductions in demand, most notably concessionary bus travel but this has not resulted in proportionately lower costs.

Partnership – the cost of living crisis presents important opportunities to build on strengthened relationships and rethink how we work with partners to better manage demand and improve efficiency and reduce costs. Working effectively with the NHS locally, with districts and boroughs, parishes and the voluntary and community sector will be key in this regard.

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

B) Requirement to set a balanced budget

- 2.12 The Local Government Finance Act 1992 requires the Council to consult on and ultimately set a legal budget and Council Tax precept for the forthcoming financial year, 2023-24. Whilst there is no legal requirement to set a balanced MTFP, this is considered good practice with an expectation that the financial strategy is based on a balanced plan in the medium term (the Autumn Statement and provisional LGFS still leaves the overall resource equation uncertain with the reforms to local government funding delayed further until at least 2025-26).
- 2.13 Setting the Council's revenue and capital budgets for the forthcoming year has been incredibly challenging due to the exceptional economic circumstances and growth pressures. This has made current year budgets significantly more volatile due to unpredictable demand for council services and increases in costs arising from inflation and recruitment shortages, with knock-on consequences for our ability to forecast future spending requirements and income levels.
- The Government's Autumn Statement announced on 17th November 2022 provided 2.14 some additional certainty and increase in the resources available to the local government sector as a whole (and social care in particular). It included a delay in the introduction of the reforms to social care charging with funding repurposed in the short term towards current pressures in social care and additional flexibility over council tax. The government published a LGFS policy statement on 12th December which was largely as had been anticipated confirming the increased council tax referendum principles for 2023-24 and 2024-25, the national amounts for the additional social care grants, repurposed funding from delayed social care reforms, inflationary uplifts in Revenue Support grant (RSG) and Business Rate baseline in line with CPI (albeit this late change to CPI means less grant than would have been the case had the previous link to RPI been maintained), and reduction in the Services grant to reflect the reversal of the increase in employer's National Insurance contributions. The policy statement confirmed that the repurposed social care grant is "in addition to existing social care grant", and a further round of New Homes Bonus grant.

These were better than anticipated, however, the detail of individual authorities' allocations was not available until the provisional LGFS announcement on 19th December 2022.

- 2.15 The Council has a statutory duty to set a balanced budget. However, what is meant by 'balanced' is not defined in law and relies on the professional judgement of the Chief Financial Officer to ensure that the budget is robust and sustainable. A prudent definition of a balanced budget would be a financial plan based on sound assumptions which shows how planned spending and income equals the available funding for the forthcoming year. Plans can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. The Government's policy statement issued on 12th December noted that local authority reserves have increased significantly in recent years and should be applied to address funding pressures. The policy statement also confirmed that the Statutory Override for the Dedicated Schools Grant deficits will be extended for a further 3 years from 2023-24 to 2025-26. However, despite this extension under the Safety Valve programme the Council will have to start to make provision for a contribution from reserves from 2023-24 onwards towards the accumulated DSG deficit.
- 2.16 While there is no legal definition of a balanced budget, legislation does provide a description to illustrate when a budget is considered not to balance:
 - where the increased uncertainty leads to budget overspends of a level which reduce reserves to unacceptably low levels, or
 - where an authority demonstrates the characteristics of an insolvent organisation, such as an inability to pay creditors.
- 2.17 The administration's draft budget does include a significant increase in risks, particularly as a result of the magnitude of overspends in the current year (including under delivery of savings plans) and the magnitude of savings/income required to deliver a balanced budget for 2023-24. This means there will need to be a very robust approach to negotiating and agreeing prices for a range of council services to stay within the growth allocations in the draft budget, a more rigorous approach to managing, monitoring and reporting on demand for council services and greater oversight, monitoring and reporting of savings delivery. The level of savings required in 2023-24 and over the medium term is much higher than in previous years. It is therefore critical that the savings are realistic and deliverable. An independent review of the savings proposals as well as the growth allocations has been undertaken to provide assurance that the proposals are sound.
- 2.18 To avoid the risk of an unbalanced budget the Council has to be financially resilient. Good financial management is fundamental in establishing confidence in the budget and ensuring that the finances can withstand unexpected pressures. The Council undertook a review of each Directorate's financial management arrangements, following the Council wide financial management review undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Council is also developing Outcomes Based Budgeting which will see a more integrated approach to budget and service planning over the MTFP period focussing on priority outcomes and value for money.
- 2.19 Setting a clear medium-term financial plan (MTFP) also strengthens the Council's financial resilience by identifying financial issues early and options for potential solutions.

C) Budget Consultation

- 2.20 The Council launched a consultation on the 2023-24 budget on 19th July 2022. The consultation was open until 5th September 2022 and can still be viewed via the <u>Council's website</u>.
- 2.21 2,161 responses were received which is higher than the 2,028 responses to last year's budget consultation but less than previous year (2,985 responses). Responses were received from Kent residents, KCC staff and local businesses. 37% of respondents found out about the consultation via Facebook advertising, 32% vis a KCC e-mail and/or website.
- 2.22 The consultation focused on the financial challenge the Council potentially faces. The consultation sought views on council tax increases for both the general precept and adult social care levy up to the levels permitted without a referendum (with a clear statement that referendum limits could change from the current levels) as well as what increases would be supported if there was no referendum level set. The consultation on council tax also sought further information about the reasons behind responses on council tax increases. The consultation also sought responses about savings options in a more open manner than previous consultations. The feedback from the public consultation has been taken into account in the draft budget proposals.
- 2.23 The consultation also included engagement events with the council's wider management cohort (T200 group) and the Voluntary, Community and Social Enterprise Sector steering group.
- 2.24 A separate detailed report setting out the responses received is included as a background document to this report. The budget report presented to full Council will be considered by Cabinet on 27th January 2023 and will take account of any feedback following Cabinet Committee and Scrutiny Committee consideration.

D) Equalities Considerations

- 2.25 The Equality Act 2010 requires the Council, in the exercise of its functions to have due regard to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
- 2.26 To help meet its duty under the Equality Act the council undertakes equality impact assessments to analyse a proposed change to assess whether it has a disproportionate impact on persons who share a protected characteristic. As part of our budget setting process an equality impact assessment screening will be completed for each savings proposal to determine which proposals will require a full equality impact analysis (with mitigating actions set out against any equality risks) prior to a decision to implement being made.

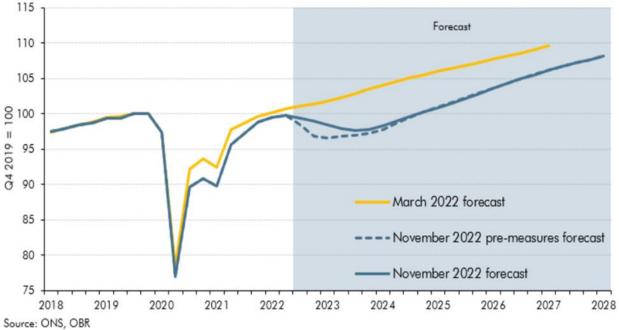
2.27 The amounts for some savings can only be confirmed following consultation and completion of an equalities impact assessment. Consequently, amounts are only planned at the time the budget is approved and can change. Any changes will be reported through the in-year budget monitoring reports which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

E) Treasury Management Strategy

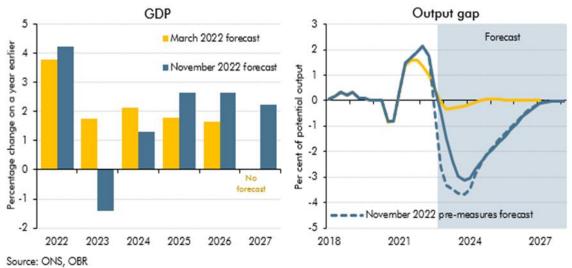
- 2.28 The Treasury Management Strategy Statement is included as an appendix to this report for approval by full Council in accordance with the CIPFA Treasury Management Code of Practice. The Statement sets out the proposed strategy with regard to borrowing, the investment of cash balances and the associated monitoring arrangements.
- 2.29 The prudential indicators set out in the Treasury Management Strategy and Capital Strategy are based on the first three years of the 10 year Capital Programme.

- 3.1 The national fiscal and economic context is an important consideration for the Council in setting the budget. This context not only determines the amount received through central government grants, it also sets out how local government spending fits in within the totality of public spending and the wider economy. The Autumn Statement and LGFS set the government's expectations of how much local authorities can raise through local taxation. The Office for Budget Responsibility (OBR) produces an Economic and Fiscal Outlook (EFO) report to provide the Chancellor of the Exchequer with an independent and up to date fiscal and economic forecast including impact of government policy decisions. This section of the report highlights the key elements for economic growth, inflation, and public sector spending/borrowing.
- 3.2 The OBR is forecasting that the impact of high inflation and rising interest rates will weigh on demand and anticipate that the economy will fall into recession for just over a year from the third quarter of this year. The gross domestic product (GDP) is forecast to fall by around 0.5% per quarter (after the measures announced in the Autumn Statement) with a peak to trough fall of 2.1%. This is demonstrated in two charts in the EFO.

Changes in Gross Domestic Product (GDP)

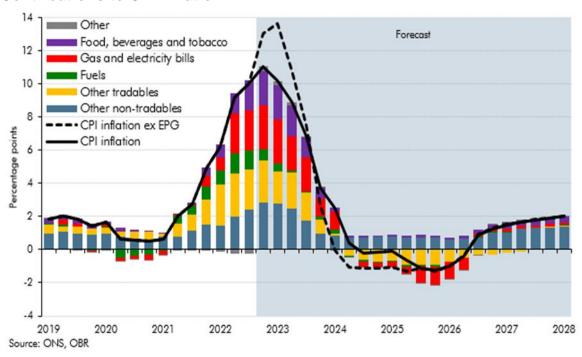


Real GDP growth and the Output Gap



3.3 The OBR forecasts that consumer price index (CPI) inflation is set to peak at a 40 year high of 11% in the 4th quarter of 2022, thereafter the rate of increases in prices is forecast to decline in 2023 with periods of negative inflation forecast in 2024 and 2025. The inflation forecast together with the contributory factors is included in the EFO report.

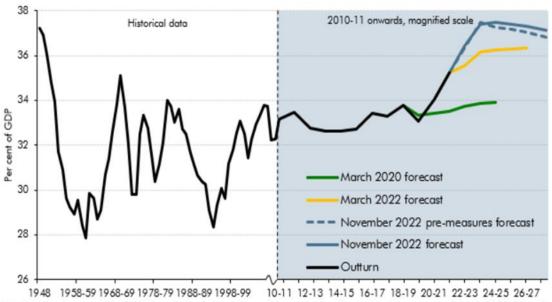
Contributions to CPI Inflation



3.4 The OBR forecasts that unemployment will rise to a peak of 4.9% in the third quarter of 2024. The OBR forecasts that nominal earnings will increase by 5.9% in 2022 and 4.2% in 2023.

3.5 The OBR fiscal forecasts show that National Account taxation is forecast to peak at 37.5% of GDP in 2024-25, thereafter falling slightly but remains 4.1% higher than prepandemic levels and at its highest sustained level for seven decades.

National Accounts taxes as a share of GDP

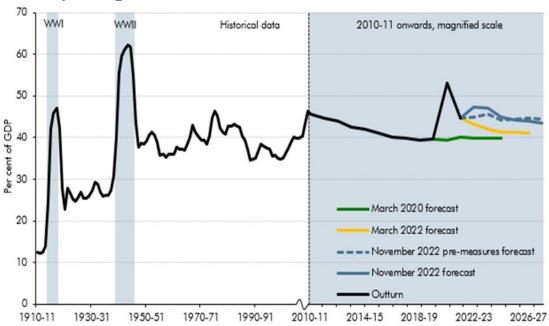


Note: We have increased the GDP denominator in forecast years for our previous forecasts by the upward revision to 2020-21 nominal GDP in the Quarterly National Accounts data. This is to enable like-for-like comparisons with our subsequent forecasts.

Source: ONS, OBR

3.6 The OBR forecasts that total public spending will rise to 47.3% of GDP in the current year and remain at 47.2% in the next year, before falling in 2024-25 as temporary support ends. Thereafter spending is forecast to fall further as % of GDP to 43.4% by 2027-28.

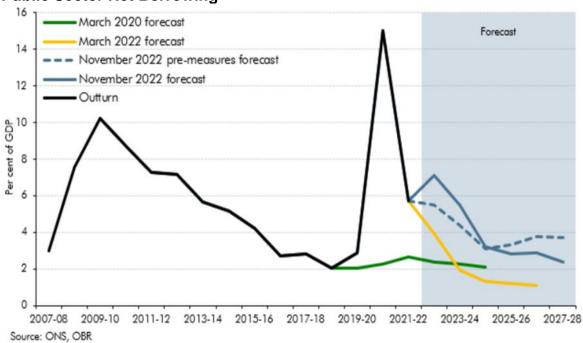
Public Spending as a share of GDP



Note: We have increased the GDP denominator in forecast years for our previous forecasts by the upward revision to 2020-21 nominal GDP in the recen Quarterly National Accounts data. This is to enable like-for-like comparisons with our subsequent forecasts. Source: Bank of England, ONS, OBR

3.7 The EFO report identifies that government borrowing will increase from £133.3 billion in 2021-22 (5.7% of GDP) to £177.0 billion in 2022-23 (7.1%) of GDP. Borrowing is then forecast to reduce to £140.0 billion in 2023-24 (5.5% of GDP) and continues to reduce to £69.2 billion in 2027-28 (2.4% of GDP). In the Autumn Statement the Chancellor set two revised fiscal rules for total public sector net debt as a % of GDP to be falling and for public sector net borrowing to be no more than 3% of GDP by 2027-28. The OBR forecasts would see these targets met a year earlier. The OBR forecasts for public sector net borrowing in the EFO report are shown below.

Public Sector Net Borrowing



- 4.1 The Secretary of State for Levelling Up, Housing and Communities published a written statement on the provisional LGFS on 19th December 2022. The settlement sets out the core spending power (CSP) including main grant allocations for individual authorities from the Department for Levelling-up, Housing and Communities (DLUHC) and forecast council tax precepts for 2023-24. The announcement is a one-year settlement and does not include indicative allocations for subsequent years (2024-25 and 2025-26) although the principles for council tax referendum and grant settlements for 2024-25 were also announced.
- 4.2 The Autumn Statement announced the freezing of the Business Rates Multiplier for 2023-24 at 49.9p. Local authorities are compensated for the reduction in income and in a late change from previous years in 2023-24 this is based on the CPI measure rather than the Retail Price Index (RPI). This means councils receive less compensation. This is reflected partly in the retained business rate baseline (the assumed local share and top-up for KCC) and partly in the section 31 Business Rate Compensation grant. Revenue Support Grant (RSG) is also increased in line with CPI. RSG includes the transfer of 3 separate grants, of which only the Food Safety Enforcement grant is relevant for KCC.
- 4.3 The referendum threshold for council tax increases has been raised from 2% to 3% per year from April 2023 for shire counties, unitary authorities, London boroughs, and the Greater London Authority. Any council setting a higher increase will require consent via a local referendum. Local authorities with social care responsibilities are able to set an adult social care precept of up to 2% per year (previously 1%), without a referendum.
- 4.4 The Autumn Statement announced additional funding of up to £2.8 billion in 2023-2024 in England and £4.7 billion in 2024-2025 for social care and discharge. This includes £1 billion of new grant funding in 2023-24 and £1.7 billion in 2024-25, further flexibility for local authorities on council tax and repurposed funding from delaying the rollout of adult social care charging reform from October 2023 to October 2025.
- 4.5 £1.345 billion in 2023-24 and £1.877 billion in 2024-25 of repurposed funding from the delayed social care reforms is distributed to local authorities through the Social Care Grant for adult and children's social care in the provisional settlement. This is in addition to the existing Social Care Support Grant. This includes an element based on historic relative needs formula (RNF) and an element of equalisation for the adult social care precept. The Social Care Grant now also includes the transfer of £160m nationally (£1.9m for KCC) from the Independent Living Fund (ILF) which will continue to fund ILF related responsibilities.
- 4.6 £600 million of the new funding for social care capacity and hospital discharge for 2023-24 (£1 billion in 2024-25) is provided through the Better Care Fund to get people out of hospital on time into care settings. The funding is split 50:50 between the Department for Levelling Up Housing and Communities for local government and the Department of Health and Social Care for the NHS. The £300m local government share in 2023-24 (£500 million in 2024-25) is included in the provisional LGFS and allocated via a new Adult Social Care Discharge Fund based on the 2022-23 allocations from the Improved Better Care Fund.

- 4.7 The remaining £400 million of new funding in 2023-24 (£683 million in 2024-25) is also included in the provisional LGFS allocated through the Market Sustainability and Improvement Fund to support social care capacity and discharge. Alongside this additional funding £162 million in 2022-23 (£4.161m for KCC) for the Fair Cost of Care has been rolled forward into the Market Sustainability and Improvement Fund for 2023-24 to reflect the progress councils and providers have made this year on fees and cost of care exercises.
- 4.8 The government expects this new grant funding to enable local authorities to make tangible improvements to adult social care in particular to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector. There will be reporting requirements placed on the new ASC Discharge Fund and the Better Care Fund regarding performance and use of funding to support improvement against these objectives. The government will provide further details on reporting in due course.
- 4.9 The Services Grant has reduced in 2023-24. This is in part because there will no longer be an increase in employer's National Insurance contributions, therefore the government will not be compensating local government for these contributions from 2023-24. In addition, some funding from the Services Grant has been reallocated within other elements of the settlement. The Services grant continues to be allocated to individual authorities based on the Settlement Funding Assessment.
- 4.10 The Lower Tier Services Grant and a proportion of the expired New Homes Bonus legacy payments have been repurposed to create a new one-off funding guarantee. This will ensure that all authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels. This does not affect KCC's settlement and is primarily aimed at district and borough councils.
- 4.11 The New Homes Bonus (NHB) grant includes a further round of payments in 2023-24 (although, as with this year, the new round will not attract new legacy payments). NHB had been expected to cease. For 2023-24 the administration's draft budget assumes this continued NHB will be used to support the core budget.
- 4.12 The provisional LGFS has confirmed that the government will be extending the Statutory Override for the Dedicated Schools Grant for the next 3 years from 2023-24 to 2025-26. All the current 100% business rates retention areas will continue for 2023-24. Business Rates pools will also continue for 2023-24 where requested, which means the Kent pool will continue.
- 4.13 The business rate baseline will be adjusted to reflect the impact of the 2023 business rate revaluation. This includes a provisional adjustment for 2023-24, with a further adjustment for Outturn Business Rates data for 2022-23 in the 2024-25 LGFS, and a final adjustment in the 2025-26 settlement.

- 4.14 For 2024-25, the core council tax referendum principles will continue the same as for 2023-24. The major grants will continue as set out for 2023-24. RSG will continue and be uplifted in line with Baseline Funding Levels (business rate multiplier uplift linked to CPI), the Social Care Grant and other social care grants will increase as set out at the Autumn Statement. Business rates pools will continue in 2024-25.
- 4.15 The government had previously committed to carry out a review of the Relative Needs and Resources formula and a reset of accumulated business rates growth. This review will be deferred again until 2025-26 at the earliest.
- 4.16 The provisional settlement includes the government's calculation of Core Spending Power (CSP). The CSP is a measure of the financial resources technically available to local authorities to fund service delivery. It comprises council tax and the main government grants, including the baseline for business rate retention. Comparison of the main elements of CSP for KCC for 2022-23 and 2023-24 are set out in table 1 below (note the 2022-23 CSP has been recalculated from the original 2022-23 settlement to reflect the final council tax precept). This represents an increase in overall resources of just under 10% in the provisional settlement CSP.

Table 1 – KCC Core Spending Power	2023-24 CSP	2022-23 Revised CSP	Change	Memo Original 2022-23 CSP
Business Rate Baseline	£194.9m	£187.9m	+£7.0m	£187.9m
Revenue Support Grant	£11.1m	£10.0m	+£1.1m	£10.0m
Sub total Settlement Funding Assessment	£206.0m	£197.9m	+£8.1m	£197.9m
Improved Better Care Fund	£50.0m	£50.0m	-	£50.0m
Social Care Grant	£88.8m	£54.5m	+£34.3m	£54.5m
ASC Discharge Fund	£7.0m	-	+£7.0m	-
Compensation for Business Rates	£33.2m	£19.2m	+£14.0m	£15.4m
New Homes Bonus	£2.3m	£4.4m	-£2.1m	£4.4m
Services Grant	£7.3m	£13.0m	-£5.7m	£13.0m
Market Sustainability and Improvement Fund	£14.4m	£4.2m	+£10.3m	£4.2m
Grants rolled in		£2.0m	-£2.0m	-
Council Tax	£874.4m	£823.1m	+£51.3m	£810.6m
Total	£1,283.4m	£1,168.2m	+£115.2m	£1,149.9m

- 5.1 The largest single grant received by the Council is the Dedicated Schools Grant (DSG), which is ring-fenced to fund school budgets and services that directly support the education of pupils. The Local Authority receives its DSG allocation gross (including allocations relating to academies and post 16 provision), and then the Education & Skills Funding Agency (ESFA) recoups the actual budget for Academies to pay them directly, based on the same formula as the funding allocations made to local authority maintained schools.
- 5.2 The DSG is allocated through four blocks: The Schools Block, Central School Services Block, High Needs Block and Early Years Block. All elements of the DSG are calculated based on a national funding formula, however these are calculated using historic funding as a baseline.
- 5.3 Whilst the Schools Block allocation for 2023-24 is based on allocating a school level budget calculation, the method of distribution to schools is still through a local formula methodology.
- 5.4 In July 2022 the ESFA published provisional allocations for 2023-24 for the Schools Block, Central School Services Block, and the High Needs Block. The allocations have been updated on 16th December with the October 2022 pupil data.
- 5.5 The early years block is currently only an indicative allocation as this is updated post year end based on the census of January 2023 pupil numbers, with the current indicative allocation based on January 2022 numbers. The hourly rate which is the basis of the allocation was confirmed as £5.06 per hour for 3 and 4 year-olds and £5.94 per hour for 2 year-olds. This equates to a 5% increase when compared to the 2022-23 rates. In 2023-24 the average funding increase across all Local authorities was 3.4% for the 3 and 4-year-old free childcare entitlements and 4% for the 2- year-old entitlement (with no Local Authority receiving less than a 1% increase in their funding rates).
- 5.6 The primary pupil funding rate in the Schools Block has increased by 1.9%. The secondary pupil funding rate has increased by 2.2%. The per pupil rates in the main calculation vary for individual authorities. The Schools Block also includes a non-pupil element for premises factors in the National Funding Formula, along with a growth element based on changes in pupil numbers at a fixed national amount weighted for area costs. The amounts are before deductions for academies. The total schools block for Kent has increased by £40.2m (3.5%) to £1.202bn on the comparable figure for 2022-23. In addition, following the Chancellor's Autumn Statement, mainstream schools receive additional funding through the Mainstream School's Additional Grant (MSAG) in 2023-24. This is in addition to schools' allocations through the Schools block. Indicative allocations for individual schools are due to be published in May 2023, but it has been estimated to be the equivalent to a further 3.5% increase on the pupil funding rate (bringing the total average increase in funding for a primary pupil to 5.4% and 5.7% for a secondary aged pupil in 2023-24, compared to the 2022-23 figure).

- 5.7 The High Needs Block is funding to support costs of pupils with additional educational needs, across mainstream and special schools as well as the associated support costs. The allocation of the high needs block for 2023-24 has increased by £29.8m (10.6%) on the comparable figure for 2022-23. However, this is insufficient to ease the pressure on current spend and will not bring us to a position bringing spending in the high needs block into balance within the next financial year or in the medium term plan period.
- 5.8 The most significant financial risk for the Council at the start of 2022-23 was the continuing and increasing underlying deficit and accumulated debt on the High Needs Block of Dedicated Schools Grant (DSG), a total of £97.6m as at March 2022. Since the introduction of the Children and Families Act 2014, the Council has seen an unprecedented rise in the number of children and young people assessed for Education Health and Care Plans (EHCPs) and the increasing proportion of children being educated in special and independent schools and a smaller proportion educated in mainstream schools. The high needs funding within the DSG has not kept pace, resulting in in-year overspends and an accumulated deficit on the unallocated DSG reserve. Whilst this is recognised as a national problem it has been particularly acute in Kent with numbers significantly higher than the national and nearest neighbours' average.
- 5.9 The Government has provided additional high needs funding, but this has been insufficient in addressing the funding gap. Following the Special Educational Needs & Disability (SEND) and Alternative Provision Green Paper consultation in Summer 2022, the Government plans to publish its Improvement Plan in early 2023 which is expected to set the direction needed to create a financially sustainable high needs system. In the meantime, the government has started a process to consider contributing towards historic debts for those local authorities with the most significant overspends (known as the Safety Valve agreement), but only where local authorities can demonstrate they can balance their future annual budget. Interim arrangements have also been introduced to avoid the impact on Council accounts whilst a solution is found and has recently been extended to the end of March 2026. Due to the size of the accumulated overspend on this grant, this Council is currently taking part in the Safety Valve process and is putting in place a plan to return to a sustainable financial position. At present, however, the level of debt remains unsustainable, posing a considerable risk to the Council in the absence of funding, national structural reforms and the need for local changes in practice.
- 5.10 The Council recognises it needs to take further actions to ensure children with SEN are supported and that this is sustainable within the funding provided, and significant work is being undertaken to identify efficiencies and improvements in high needs provision, including:
 - Reviewing the commissioning strategy to ensure greater consistency in offer of SEN provision across the county including reviewing both special schools and Specialist Resource Provision (SRP) to reduce the increasing reliance on independent schools
 - Reviewing commissioning arrangements with independent providers.
 - Improving parental confidence through supporting inclusive practice and capacity building in mainstream schools
 - Further collaborative working with Health and Social Care partners

The Council is updating its DSG deficit recovery plan in light of further projected overspends during 2022-23. This will be formally monitored and reported on as part of the Council's budget monitoring reports to Cabinet.

- 5.11 The Schools' Funding Forum were requested to consider a 1% transfer from Schools Block to the High Needs Block to help to support the system of SEN support in mainstream schools across the county including ensuring sufficient funding for the County Approaches to Inclusive Education. This was considered by the Forum in early December and the Forum agreed this transfer on the basis of the following:
- 1. Supporting a school led system to deliver the highest quality core inclusive education
- 2. Providing additional intervention and support with engagement
- 3. Inclusive Education is part of a broader, holistic, and joined-up offer of support
- 4. Ensuring smooth transition between education phases
- 5.12 This transfer must be approved by the Secretary of State, and the Council is waiting for the outcome of this request. The Schools Block calculation outlined in paragraph 5.6 is the basis for this transfer before academy deductions.
- 5.13 The Central School Services Block (CSSB) was introduced in 2018-19 to fund councils for their statutory duties relating to maintained schools and academies. The CSSB has been consistently reduced each year since it was introduced. The CSSB brings together funding previously allocated through the retained statutory duties element of the Education Services Grant (ESG) funding for ongoing central functions e.g. admissions and funding for historic commitments including items previously agreed locally such as termination of employment costs. The element of the CSSB that funds ongoing services has increased by 2.7%
- 5.14 The table below sets out the latest DSG allocation over the funding blocks for 2023-24.

Table 2 - Dedicated Schools Grant 2023-24 and Final DSG 2022-23

Block	2023-24 £m	2022-23 £m	Gross Change £m
Schools Block	1,202.1	1,161.9*	40.2
CSSB	11.9	11.5	0.3
High Needs Block	312.0	282.1	29.8
Early Years Block	97.9	92.6	5.3
Total	1,623.9	1,548.2	75.7

^{*}This includes both Schools Block and additional Schools Funding received through a separate grant in 2022-23 (supplementary funding) which is included within the main Schools Block in 2023-24.

5.15 In addition, the Council receives, and passports fully to schools, other specific grants including funding for the pupil premium (£71.1m in 2022-23). The rates are expected to increase by 5% for 2023-24 and for 6th form funding (£20.9m in 2022-23). Final allocations for the pupil premium are expected to be confirmed in Spring 2023 and 6th form funding in March 2023.

- 6.1 Council Tax income is a key source of funding for council services. The amount generated through Council Tax is principally determined by the Council Tax Base (the number of properties in the council area adjusted for exemptions and discounts), the rate of charge per property and the collection rate.
- 6.2 A significant proportion of the funding towards the revenue budget is derived from the County Council's share of council tax. The County Council share of council tax typically amounts to around 70% of a household council tax bill. The County Council charge is the same for all households in the county (as is the share for Police & Crime Commissioner and Fire and Rescue authority), the amount for district/borough and town/parish councils will vary depending on the local area and the individual decisions of these councils.
- 6.3 The Council currently can, subject to legislative constraints, increase its Council Tax rate through two mechanisms, the Adult Social Care (ASC) precept and general tax rate increases. Each 1% increase in the Council Tax rate generated circa £8.2m per annum in 2022-23, which equates to an extra 28 pence per week for a band D property.
- 6.4 The Autumn Statement and provisional LGFS have confirmed the referendum level of 3% for general tax rate increases and permitted Councils to add an ASC precept of up to 2%. The government assumes in the Core Spending Power calculation that Councils will increase Council Tax to the maximum allowed. If the Council, therefore, did not implement the maximum level, then its spending power to provide services would be reduced going forward with no funding from government to mitigate this. The administration's draft budget 2023-24 includes a proposed 2.9995% increase in the general precept (up to but not exceeding the referendum level) and a further 1.9956% increase in the adult social care precept. It is currently assumed for planning purposes that the 2024-25 budget will include a proposed 2.9976% increase in the general precept (up to but not exceeding the referendum level) and a further 1.9945% increase in the adult social care precept, with the 2025-26 budget returning to the previous referendum limits of 2% and 1% respectively.
- 6.5 The County Council's council tax level is currently 10th highest of the 24 counties and 4th of the 7 south east counties. Even after implementing the administration's proposed increases for 2023-24, the Council's relative position will depend on the extent to which other councils agree increases up to the 2023-24 referendum level/social care precept. We will not know KCC's relative position on Council Tax until all county councils have agreed their precept and Council Tax charge for 2023-24.
- 6.6 Before the Covid-19 pandemic, the county had seen consistent increases in the number of new homes over recent years. The pandemic had a material impact on the 2021-22 tax base, because it impacted the number of people in work or receiving low pay and as a consequence increased significantly those claiming welfare benefits, including through the Local Council Tax Reduction Scheme (LCTRS). There was also a drop in the collection rate as residents' income levels were affected by Covid-19 restrictions. The impact of this was a reduced tax base in 2021-22, and although 2022-23 has seen a return to the pre-pandemic level of LCTRS and an improvement on collection rates, collection rates have not quite returned to pre-pandemic levels. It is not yet clear how the cost of living crisis will impact LCTRS levels and collection rates.

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- 6.7 The 2023-24 tax base notifications provided by district councils represents an overall increase of 1.45% providing an additional £12.0m of Council Tax income. This is £0.4m less than the provisional estimate in the administration's draft budget published on 3rd January, this difference is reflected in a revised figure for the draw down from corporate reserves. This increase is broadly in line with what was expected based on average pre-pandemic growth. The higher tax base means the amount generated from a 1% increase in Council Tax rate rises to £8.4m in 2023-24. A fuller analysis of changes in the tax base will be provided once the final notification of the detailed information from districts has been received.
- 6.8 The Council Tax Collection Fund deficit in 2020-21 is accounted for over the threeyear period 2021-24. A separate compensation grant has been provided by Government equivalent to 75% of irrecoverable losses due to the pandemic over the same three-year period. The Council has previously included estimated collection fund surpluses as part of the funding towards the budget as legislation requires that any surpluses or losses on collection must be taken into account in the following year's budget and council tax setting considerations. In the administration's final proposed draft budget for 2023-24 and 2023-26 MTFP a consistent level of collection fund balance is assumed to support the core budget (based on the average of previous years) and any variation from this is proposed to be added to/drawn down from the local taxation smoothing reserve. The estimated collection fund for 2022-23 notified by districts i.e. excluding the final tranche of the deficit from 2020-21, shows a surplus of £11.5m meaning a £4.5m one-off contribution is proposed to be added to the local taxation smoothing reserve in the administration's final draft budget 2023-24. This is considered a more appropriate treatment of collection fund balances and still satisfies the statutory requirement. The administration's proposed final draft budget 2023-24 includes the third year of the 2020-21 deficit (£4.6m) and compensation (£2.3m).
- 6.9 The council tax charge for 2023-24 must be agreed by County Council. Council tax is raised through a precept through each district based on the band D charge for the year multiplied by the estimated band D equivalent tax base for each district. The tax base estimate is calculated by each district and the County Council has no discretion to vary this amount. County Council must agree the precept as part of the budget approval. District Councils are responsible for collection and must pay the amount of the precept in monthly instalments to the County Council. The individual district changes between 2022-23 and 2023-24 tax base estimates, and the 2023-24 council tax precept are shown in table 3 for the agreement of individual district precepts at full Council on 9th February.

Table 3 Council Tax Base Changes & 2023-24 Precept

<u>District</u>	2022-23	2023-24	2023-24 Precept	% change
	Band D	Band D	@ £1,534.23	
	<u>Equivalent</u>	<u>Equivalent</u>	(incl. ASCL)	
	<u>Taxbase</u>	<u>Taxbase</u>	£000s	
Ashford	48,664.00	48,906.00	75,033.1	0.50%
Canterbury	51,259.80	52,372.76	80,351.9	2.17%
Dartford	39,544.25	40,288.37	61,811.6	1.88%
Dover	39,763.21	39,974.37	61,329.9	0.53%
Folkestone & Hythe	39,172.25	39,977.10	61,334.1	2.05%
Gravesham	34,829.66	35,266.50	54,106.9	1.25%
Maidstone	65,896.22	67,161.69	103,041.5	1.92%
Sevenoaks	51,514.27	51,990.30	79,765.1	0.92%
Swale	48,939.46	49,673.46	76,210.5	1.50%
Thanet	44,975.20	45,759.46	70,205.5	1.74%
Tonbridge & Malling	52,246.97	52,706.29	80,863.6	0.88%
Tunbridge Wells	46,479.60	47,402.10	72,725.7	1.98%
Total	563,284.89	571,478.40	876,779.3	1.45%

Note: ASCL = Adult Social Care Levy

6.10 In the administration's proposed final draft 2023-24 budget the County Council will be asked to approve an increase up to but not exceeding the 3% referendum limit. It is also proposed that the County Council be asked to approve taking up the Adult Social Care levy in full. These increases would take the annual total band D charge for 2023-24 to £1,534.23 of which £202.41 would be for the Adult Social Care levy. The proposed increases are the equivalent of £1.40 per week for a band D household. The impact of the proposed increase to individual bands is shown in table 4 and these are presented for agreement to full Council on 9th February.

Table 4 Proposed Council Tax increases

Band	Proportion of	2022-23	2023-24	2023-24
	Band D Tax Rate	(incl. ASCL)	(excl. increase in	(incl. increase in
			ASCL)	ASCL)
Α	6/9	£974.16	£1,003.38	£1,022.82
В	7/9	£1,136.52	£1,170.61	£1,193.29
С	8/9	£1,298.88	£1,337.84	£1,363.76
D	9/9	£1,461.24	£1,505.07	£1,534.23
Е	11/9	£1,785.96	£1,839.53	£1,875.17
F	13/9	£2,110.68	£2,173.99	£2,216.11
G	15/9	£2,435.40	£2,508.45	£2,557.05
Н	18/9	£2,922.48	£3,010.14	£3,068.46

Note: ASCL = Adult Social Care Levy

- 7.1 The administration's draft capital and revenue budgets are subject to the budget scrutiny process in January. Following the scrutiny process the administration's final draft budget for approval by County Council will be published by 1st February. The full Council is responsible for agreeing the budget at the County Council meeting on 9th February. As required by the Council's Constitution and Financial Regulations, the final draft budget for County Council approval will be proposed by the Leader and published in a format recommended by the Corporate Director, Finance and agreed by the Leader.
- The administration's draft budget proposals in appendices A and B of this report set out the proposed ten-year capital spending plans for 2022-32. Appendix A provides a highlevel summary of the proposed capital programme and financing requirements. spending plans in Appendix B set out proposed spending on individual projects and rolling programmes by directorate. The financing is a combination of government departmental capital grants, forecast developer contributions, external funding, capital receipts and borrowing. Inflationary and other cost pressures have significantly impacted the capital programme on both rolling programmes and individual schemes. In recognition of the financial challenge facing the Council the additional unfunded cost estimates have been absorbed within the existing programme other than for schools' modernisation of assets (MOA) and annual planned enhancements (APE) where the programme has been increased. This has been achieved by reducing prudential borrowing through alternative funding, rephasing and reducing other schemes resulting in a small net reduction in borrowing levels, which results in a small reduction in the budgeted revenue debt costs. No new schemes with prudential borrowing have been added to the programme to avoid increasing the revenue burden of borrowing to fund capital expenditure. As a result, planned maintenance will only be carried out on the highest priority sites (those dealing with safeguarding issues and highways/waste operations) and the modernisation of assets work will need to be prioritised which is likely to result in the closure of non priority sites. There will be consequential impact on risks and maintenance backlogs, but these will continue to be managed to mitigate risks as far as possible. This is a necessary short-term expedient while the Council reviews its estate over the medium term which in turn will impact on future maintenance and modernisation requirements.
- 7.3 Appendix C of this report provides an indication of new potential capital projects which could come forward within the next 10 years. These have not been included in the administration's draft capital programme and will only be added in later years subject to business cases being completed and reviewed and affordable funding solutions being identified. Indicative costings have been provided as a guide, however, no funding or budget is being set aside for these projects at this time.
- 7.4 The presentation of the administration's draft revenue budget 2023-24 and 2023-26 MTFP focuses on the key policy and strategic implications of the proposals. The revenue proposals are set out in appendices D and E of this report. These appendices show the spending, income and savings changes from the current year's approved budget (2022-23) and the financing requirements as well as proposed directorate budgets. Appendix D provides a high-level summary of the proposed three-year plan for the whole council. Appendix E shows the more detailed directorate budget changes between 2022-23 and 2023-24.

- 7.5 The final draft budget presented to County Council includes the key service analysis. The original planned spending on key services is set out in section 8 (Appendix E of the final budget report) of the final approved Budget Book for 2022-23 (published in March) and available on KCC website at. KCC Finance Budget Book 2022-2023 (kent.gov.uk). The half year monitoring report for 2022-23 was reported to Cabinet on 1st December, this showed the variances from the approved budget for both capital and revenue. Appendix 1 of the Cabinet report shows the revenue variances for key services. Sept 2022-23 Monitoring Report.pdf (kent.gov.uk).
- 7.6 It is important that scrutiny of the initial draft budget focusses on the key variations in the administration's proposed budget for 2023-24 arising either from the in-year monitoring or from forecast spending, income and saving requirements for the forthcoming year. These key variations will in turn determine the administration's final budget proposals for key services in 2023-24. The key service information will be included in the administration's final draft reflecting any changes arising from the scrutiny process or any other points that may arise between the publication of this initial draft and the final draft budget.
- 7.7 Additional proposed spending growth includes the impact of decisions and activities already being delivered in the current year not included in the current base budget and known future contractual obligations. It also includes forecasts for future cost or activity changes for the forthcoming year, or changes in Council policy. These are set out in fuller detail in the appendices to this report including an explanation of the reasons for the change. The proposed spending growth will include the impact of the Personnel Committee recommendations on changes to the Kent Pay Scheme which will be confirmed later in January.
- 7.8 The proposed spending growth in the administration's proposed final draft budget includes the impact of the Personnel Committee recommendations on the changes to the Kent Pay Scheme:
 - An increase of £2,000 for grades KR3 to KR11 and tapered percentage increases from 4.4% to 3.8% for grades KR12 to KR20
 - Pay increases to be consolidated for all staff with the corresponding adjustment to our pay scales
 - increase in the basic annual leave entitlement for staff in KR3-7 and those with less than 5 years' service in KR8-12 by one additional day
- 7.9 The cost of the increase in pay is made up from explicit budget provision included in the administration's final draft budget 2023-24 published on 1st February 2023, supplemented as in previous years by the headroom within Directorates' staffing budgets as a result of new appointments being made at the bottom of pay scales. The proposed increase in annual leave has associated costs and also needs to be met from the overall pay provision that has been included in the final draft budget for 2023-24. A consequence of this approach is that it will remove the link to pay from TCP assessments for 2022-23 only, however, the appraisal process would continue as part of the annual cycle.

- 7.10 The County Council agreed the Members Allowances Scheme for 2021-2025 on 4th November 2021. This included agreement to an annual indexation formula. The annual increase under this formula is the average of two figures. The first is the average of the increases arising in sectors covered by 8 national public sector pay review bodies. The second is the percentage awarded to staff awarded 'Successful' in the Total Contribution Pay scheme. Under the proposals from Personnel Committee there is no actual "Successful" award for 2023-24. Therefore, in identifying the figure for the second formula, the draft "Successful" award within the overall pay provision in the Administration's final draft budget 2023-24 has been used. Accordingly, the Basic Allowance, Special Responsibility Allowances, and Dependents' Carers' Allowance will be raised by 4.5% for 2023-24 with effect from 1 April 2023.
- The presentation of proposed savings and income in the appendices to this report follows a similar pattern with proposed savings amounts identified separately for the full year effect of 2022-23 plans already agreed; savings/income from the application of existing policies; savings/income that do not require any changes in policy; and those that require policy changes. The growth and savings in the administration's proposed final draft budget 2023-24 will be independently reviewed to give assurance on deliverability, and to verify the delivery plans for each one including the key milestones such as consultation, key decisions, and implementation. Given the scale of the savings, enhanced monitoring arrangements will be put in place in addition to the arrangements already embedded through the monthly monitoring with budget manages and regular quarterly budget monitoring reports to Cabinet. These enhanced arrangements will include quarterly progress meetings with Cabinet Members and regular monthly updates from Corporate Directors on progress to deliver savings plans identifying where key milestones have been met (and where any have not been met), and feedback from any consultation leading to variations from the original plan. Where milestones have not been met or plans changed following consultation the updates will identify remedial actions necessary to ensure the overall budget can be delivered as well as further management action.
- 7.12 The high-level equation for changes in planned revenue spending for 2023-24 (growth and savings), income and net budget, together with the balancing changes in funding is shown in table 5 below. This summarises how the requirement to set a balanced budget has been met.

Table 5 - Net Change in Spending and Funding

Change in Net Spending		Change in Net Funding	
Proposed additional	£216.8m	Net Increase in government	£62.3m
spending		grants	
Proposed savings from	-£39.1m	Change in council tax base	£12.0m
spending reductions			
Proposed changes in	-£15.7m	Proposed increase in	£41.7m
income		council tax charge	
Increases in specific	-£31.9m	Change in retained	£5.2m
government grants		business rates	
Proposed net change in	-£10.7m	Change in net collection	-£1.8m
reserves		fund balances/S31	
		compensation	
Total Change in Net	+£119.4m	Total Change in Net	+£119.4m
Spending		Funding	

- 7.13 The increased and additional grants have been set out in more detail in the section on the Provisional Settlement. This includes the new ASC Discharge Fund, increases in Social Care Grant (including rolled in ILF) and Market Sustainability and Improvement Fund, RSG (including rolled in grant), Business Rate top-up and compensation, as well as changes to Services Grant and NHB.
- 7.14 The MTFP shows a balanced 3 year plan. Within this there is a limited draw down of £12.5m from corporate and public health reserves in 2023-24 (as part of £9.9m net proposed increase in reserves in 2023-24) which are replaced and replenished in the plans for 2024-25. This is based on a reasonable estimate of the possible funding settlement from central government for 2024-25 based on the principles set out in the provisional LGFS together with best estimates for 2025-26 (which come with high degree of caution). Spending growth has been forecast for years 2 and 3 together with detail of the full year effect of savings/income proposed for 2023-24 and the roll-out of further savings/income in later years under existing policies and target for new savings to balance the plan. Spending, savings and income plans are likely to need to be updated by the time these become the draft budget for each year in light of changes to forecasts.
- 7.15 Where required consultation and Equality Impact Assessments (EQIA) will need to be undertaken on individual new savings and income proposals. The final planned amounts can only be confirmed following consultation and EQIA. Any variances between the approved budget and final planned amounts will be included in the budget monitoring report to Cabinet, together with progress on delivery.
- 7.16 Similarly new savings and income under consideration for future years will require further development before consultation and EQIA. Consequently, individual amounts have not been presented at this stage although a combined overall amount for these options has been presented to show the overall amount which is likely to be needed to achieve a balanced budget against the estimated financing over the medium term.

Income generation through fees and charges

7.17 The majority of discretionary fees and charges are raised annually by a minimum of inflation (CPI or RPI). Both of these inflation measures have increased significantly due to global and national circumstances. For example, CPI inflation is currently around 10.5% compared to 4.2% in October 2021. RPI inflation is around 13.4% compared to 7.1% in October 2021. A new Fees and Charges policy is included in the administration's draft 2023-24 budget proposals as appendix L of this report. If this is agreed all of the current fees and charges will be mapped against the policy before proposing any should change in future in line with the different fee categories in the new policy. The default position in the new policy is an expectation of full cost recovery for discretionary services with greater clarity where decisions have been made to offer concessions or subsidies which impact on the revenue budget. This policy also includes options for nominal and free provision for completeness although these are unlikely to apply other than in exceptional cases.

Proposed Final Draft 2023-33 Capital Programme – key numbers

£1,624m Total planned capital spending over the ten years 2023-24 to 2032-33.

-£9.6m Prudential borrowing reduced in the 10-year programme. This includes increased spend on school's modernisation of assets and annual planned enhancement, offset by reduced borrowing on other programmes/schemes

£959m Confirmed or indicative government grants to fund capital expenditure.

£400m Total proposed borrowing to fund the programme.

£265m Funding from other sources (capital receipts, developer contributions, external funding and revenue).

- 8.1 The ten-year Capital Programme 2022-32 was approved by County Council in February 2022. This took into account the need to set a realistic and deliverable programme and avoid the significant over-programming and subsequent underspending against capital that has been a feature for several years. The ten-year horizon allows for a longer-term plan for capital investment, taking into consideration an updated assessment of the capital financing requirements and the consequent impact on the revenue budget and borrowing strategy.
- 8.2 The extraordinary economic consequences of global and national circumstances have a similar impact on capital as revenue, if anything these consequences are more significant due to the longer-term nature of capital plans. Inflationary pressures and overspends on existing schemes have been absorbed within the existing programme other than for the schools Modernisation of Assets and Annual Planned Enhancement. This has been necessary in order to avoid additional prudential borrowing and has reduced borrowing by £9.6m over the 4 years 2022-23 to 2025-26. This reduces revenue pressure to finance borrowing by £0.7m per annum. The spending pressures that have been built into the schools' programmes add £8.5m in 2023-24 and 2024-25. This approach does not come without increased risks.
- 8.3 The increased risks which include danger to life and limb if repair works are not completed, an increase in maintenance backlogs which in turn could lead to additional revenue costs for reactive works, increased future costs of works due to inflation, and costs relating to climate change resilience/adaptation will be mitigated as far as possible. For example, prioritising emergency works that would avoid risk of death or serious harm, prioritising maintenance on essential assets (although this means non-essential assets would not be maintained leading to possible closures on safety grounds) and doing the minimum to meet statutory requirements at lowest cost. This is only a short term necessity while the Council reviews its estate over the medium term which in turn will impact on future maintenance and modernisation requirements. The programme will continue to be regularly reviewed and re-prioritised within the funding available.
- 8.4 Further mitigation will be investigated through alternative funding mechanisms for maintenance works avoiding the need for borrowing to fund what are essentially recurring costs.

8.5 Appendix A of this report sets out a summary of the administration's proposed 2023-33 programme and associated financing requirements for each year. The summary provides a high-level overview for the whole council. The individual directorate pages in appendix B provide more detail of rolling programmes and individual projects.

Capital spending: a reminder of what it is

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

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

- 8.6 A significant proportion of the capital programme is funded by grants from government departments, particularly Department for Education (DfE) and Department for Transport (DfT). In many cases future years' grant allocation notifications have not been received and the capital programme is therefore based on estimates. Some schemes also require external funding e.g. Heritage Lottery Fund (HLF) or Developer Contributions, which may not yet have been secured. Schemes that include significant elements of unsecured funding can be identified through note 1 in the capital programme (appendix B) and will only go ahead if the funding is secured.
- 8.7 Appendix C of this report provides an indication of Potential Capital Projects which may come forward within the next 10 years. These projects are currently very high level and commencement is subject to business case review and affordable funding solutions being identified. Indicative costings have been provided as a guide, however no funding or budget is set aside for these projects at this time.

Proposed Final Draft 2023-24 Revenue Budget – key numbers

£1,310.9m Net revenue budget proposed for 2023-24. This represents a £119.4m increase on the approved budget for 2022-23 of £1,191.5m.

£216.8m Additional proposed spending growth – see paragraph 9.1 for more detail.

£86.6m Proposed savings and income. Of this £39.1m relates to proposed savings, £15.6m additional income generation (mainly fees and charges), and £31.9m anticipated increases in specific grants (including Household Support Fund and Public Health grants yet to be confirmed).

£10.7m Net impact on the budget of changes in use of reserves. This comprises:

- £5.8m one-off contribution to general reserves to maintain these at the agreed policy level of 5% of the net revenue budget.
- £12.2m contributions to earmarked reserves to recognise the increased risk in the 2023-24 budget and the impact of smoothing of contract costs.
- £4.5m one-off contribution to local taxation smoothing reserve from the excess council tax collection fund surplus from 2022-23.
- -£12.5m drawdown from earmarked and public health reserves to help achieve a balanced budget in 2023-24.
- £20.7m removal of one-off contributions to and drawdowns from reserves in 2022-23.

£876.8m Proposed to be raised from Council Tax precept. An increase of £53.7m on 2022-23. £12.0m is due to a 1.45% increase in the tax base due to increased dwellings, changes in discounts and exemptions and assumed collection rates, £41.7m is raised from the proposed increase the in household charge up to but not exceeding 5% (including £16.7m from the adult social care levy). £63.9m Increase in the Provisional government grant settlement. This comprises:

- £32.4m increase in Social Care Grant from repurposed funding from social care charging reforms, and £1.9m rolled in grant from the Independent Living Fund
- £10.3m increase in Market Sustainability and Improvement Fund to support capacity and discharge
- £7.0m new ASC Discharge Fund
- £7.0m increase in business rate baseline from indexed uplift
- £1.1m increase in Revenue Support Grant linked to CPI
- £14.0m additional compensation for business rate freeze and additional discounts
- £5.7m change in Services Grant
- £2.1m change in New Homes Bonus Grant
- £2.0 from rolled in grants

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Revenue spending: a reminder of what it is

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

9.1 The additional spending growth of £216.8m for 2023-24 is summarised in appendix D and set out in more detail in appendices F (one-year) & G (three years). It has been subdivided into the following categories:

Net base budget	Changes to reflect full year effect of known variations in the
changes	current year's forecast outturn compared to approved budget.
£63.5m	These adjustments are necessary to ensure the budget
	continues to be based on a robust and sustainable basis.
Service	Various changes to address non-inflationary or demand
Strategies and	pressures on services and includes the additional revenue cost
Improvements	of borrowing to support the existing capital programme.
£3.9m	
Pay pot	This pot would need to cover the proposed £2,000 increase for
£16.3m	all staff in KR3 to KR11 and the tapered % increases for staff in
	KR12 and above, and the change to annual leave entitlements.
National	Remove the provision in 2022-23 base budget for the planned
Insurance	increase in employer's National Insurance Contributions.
-£1.6m	
Pension	0.8% reduction in employer's pension contributions following the
Contributions	2022 actuarial review of the Pension Fund.
-£1.6m	
Public Health	This is an uplift for Public Health staff which will be funded from
and	Public Health Grant and an increase to the budgeted
Apprenticeship	apprenticeship levy based on the pay pot.
Levy	
£0.8m	
Price inflation	Forecast estimates for future contractual and negotiated price
£70.4m	increases.
Increased	Forecast estimates for future demand-led increases across a
demand and	range of services including adult social care, integrated
cost drivers	children's services, home to school transport and waste
£34.0m	tonnage.
Government &	Includes additional spending associated with the announcement
Legislative	of the extension of Household Support Fund in 2023-24.
£28.0m	
Reduction in	Loss of income due to previously announced reductions in
specific grants	specific grants. The consequential reductions in spending are
£3.1m	shown as savings.

9.2 The proposed savings and income of £86.6m for 2023-24 (£54.8m excluding increases in specific grants and contributions) is summarised in appendix D and set out in more detail in appendices F (one year) and G (three years). It has been subdivided into the following categories:

Policy Savings £23.9m	These savings arise due to changes in KCC policies including full year effect of 2022-23 proposals and new proposals for 2023-24. Policy savings include a review of a number of service areas including in house adult social care services, discretionary services in adult social care, children's services, highways maintenance/drainage/winter service, household waste recycling centres, and services for schools. A number of policy savings include staffing changes.
Transformation Savings £1.7m	These savings aim to achieve improved outcomes at less cost including full year effect of 2022-23 proposals and new proposals for 2023-24. The transformation savings include proposed changes to children's social care and include staffing changes.
Efficiency Savings £9.6m	These savings aim to achieve the same outcomes at less cost including full year effect of 2022-23 proposals and new proposals for 2023-24. The efficiency savings include staffing reductions and contracted & commissioned services.
Financing Savings £3.9m	Reduction in prudential borrowing costs due to rephasing of capital projects from prior years and review of amounts set aside for debt repayment (MRP) based on asset life and increased investment income returns.
Income Generation £15.6m	Increases in fees and charges for council services from applying existing policies and changes in policies. Income generation includes uplifts in client contributions in line with estimated 2023-24 benefits and other personal income increases, inflationary uplifts in other fees and charges, increases in contributions to Kent Travel Saver and 16+ pass linked to fare increases (this is the existing arrangement and separate from the proposed policy change for further increases in KTS), increased contribution from external income, including health.
Specific Grant Income £31.9m	Estimated increases in grants for household support fund, public health, and domestic abuse.

- 10.1 Reserves are an important part of the Council's financial strategy and are held to create long-term financial stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its financial standing and resilience.
- 10.2 The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance to mitigate future financial risks.
- 10.3 There are two main types of reserves:
 - Earmarked Reserves held for identified purposes and are used to maintain a resource in order to provide for expenditure in a future year(s).
 - General Reserves these are held for 'unforeseen' events.
- 10.4 The Council maintains reserves both for its General Fund activities and it accounts for the reserves of schools. The Statutory Override on DSG deficits has been extended for 3 years from 2023-24 to 2025-26, however during this period it is essential that the Council identifies a specific reserve to cover the contribution to the Safety Valve to contain high needs spending within the block of funding available within DSG. As identified in the Section 25 assurance statement and the assessment of budget risks and adequacy of reserves (appendices J and K of this report) there remains a significant risk to reserves from the forecast overspend for 2022-23. The level of reserves held is a matter of judgment which takes into account the reasons why reserves are maintained and the Council's potential financial exposure to risks. A Reserves Policy is included as Appendix I to this report. An analysis of budget risks is included as Appendix K.
- 10.5 The Council holds reserves in order to mitigate future risks, such as increased demand and costs; to help absorb the costs of future liabilities; and to enable the Council to initially resource policy developments and initiatives without a disruptive impact on Council Tax. Capital reserves play a similar role in funding the Council's capital investment strategy.
- 10.6 The Council also relies on interest earned through holding cash and investment balances to support its general spending plans.
- 10.7 Reserves are one-off monies and, therefore, the Council generally aims to avoid using reserves to meet on-going financial commitments other than as part of a sustainable budget plan. The Council has to balance the opportunity cost of holding reserves in terms of Council Tax against the importance of interest earning and long-term future planning.

- 10.8 Reserves are therefore held for the following purposes:
 - Providing a working balance
 - Smoothing the impact of uneven expenditure profiles between years e.g. collection fund surpluses or deficits, local elections, structural building maintenance and carrying forward expenditure between years.
 - Holding funds for future spending plans e.g. capital expenditure plans, and for the renewal of operational assets e.g. information technology renewal.
 - Meeting future costs and liabilities where an accounting 'provision' cannot be justified.
 - Meeting future costs and liabilities so as to cushion the effect on services e.g. the Insurance Reserve for self-funded liabilities arising from insurance claims.
 - To provide resilience against future risks.
 - To create policy capacity in the context of forecast declining future external resources.
- 10.9 All earmarked reserves are held for a specific purpose. A summary of the movement on each category of reserves is published annually, to accompany the annual Statement of Accounts.
- 10.10 Within the administration's final budget it is proposed to suspend the policy previously agreed that insecure and variable funding sources should not be used to fund base budget core activities e.g. New Homes Bonus grant and should instead be held in reserve. This is a temporary measure for 2023-24 in light of the extraordinary budget growth pressures and the government's intention that reserves should be used to support funding pressures. This will mean that spending supported by this insecure and volatile funding in 2023-24 will be a pressure on the core budget for 2024-25.
- 10.11 The administration's draft budget 2023-24 includes a proposed £5.8m increase in general reserves in line with the policy to maintain these at 5% of the net revenue budget. The administration's draft budget 2023-24 also includes additional contributions in earmarked reserves of £12.2m, £4.5m one-off contribution to local taxation smoothing reserves from the estimated excess surplus in the council tax collection fund for 2022-23, and proposed draw downs from corporate and public health reserves totalling £12.5m to balance spending. The combination of additional contributions and draw down represents a net increase in reserves of £9.9m.

Appendices and background documents

Appendices
Summary of Draft Capital Programme & Financing 2023-24 to 2032-33 A
<u>Draft Capital Programme by Directorate 2023-24 to 2032-33 B</u>
Potential New Capital Projects 2023-24 to 2032-33 C
High Level Summary 3 Year Draft Revenue Plan and Financing 2023-26 D
<u>Draft Directorate Revenue Budget 2023-24 Key Service Analysis</u> E
<u>Draft Directorate Revenue Budget Changes 2023-24</u> F
<u>Draft 3 Year Budget Changes</u> G
Core Grants in Local Government Finance Settlement H
Reserves Policy I
Budget Risks and Adequacy of Reserves J
Budget Risk Register K
Draft Fees and Charges Income Policy L
Capital Strategy M
Treasury Management Strategy N
Investment Strategy O
Annual Minimum Revenue Provision Statement P

Background documents

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

KCC's Budget webpage	1
KCC's Corporate Risk Register and Risk Management Policy & Strategy	2
KCC's approved 2022-23 Budget	3
2023-24 Budget Consultation (Let's Talk Kent)	4
2023-24 Budget Consultation Report	5
Sept 2022-23 Monitoring Report.pdf (kent.gov.uk)	6

APPENDIX A - CAPITAL INVESTMENT SUMMARY 2023-24 TO 2032-33

Capital Investment Plans:

				Prior Years		Cash	Limits	
ROW	Directorate		Total Cost	Spend	2023-24	2024-25	2025-26	2026-27
REF					Year 1	Year 2	Year 3	Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
1	Adult Social Care & Health	ASCH	7,635	2,318	2,081	1,236	250	250
2	Children, Young People & Education	СҮРЕ	960,564	549,146	168,328	69,407	37,008	19,525
3	Growth, Environment & Transport	GET	1,414,024	309,640	195,518	147,288	120,390	122,451
4	Chief Executive's Department	CED	4,000	2,020	1,980	0	0	0
5	Deputy Chief Executive's Department	DCED	104,139	3,258	25,931	25,750	6,150	6,150
6	Total Cash Limit		2,490,362	866,382	393,838	243,681	163,798	148,376
)]	Funded By:							

Funded By:

15	Total Finance	2,490,362	866,382	393,838	243,681	163,798	148,376
14	Recycled Loan Repayments	91,133	52,504	14,644	4,004	4,213	7,935
13	Capital Receipts	47,313	21,784	8,946	10,654	1,564	558
12	Revenue Contributions to Capital	76,645	13,919	6,237	6,197	5,975	6,467
11	Other External Funding e.g. Arts Council, District Contributions etc.	39,286	15,550	18,194	4,947	56	516
10	Developer Contributions	227,073	112,965	45,214	31,417	28,001	6,206
9	Grants	1,500,435	541,565	184,225	124,458	94,334	100,859
8	Property Enterprise Fund (PEF) 2	369	369				
7	Borrowing	508,108	107,726	116,378	62,004	29,655	25,835

APPENDIX A - CAPITAL INVESTMENT SUMMARY 2023-24 TO 2032-33

Capital Investment Plans:

					Cash I	Limits		
ROW	Directorate		2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
REF			Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			£000s	£000s	£000s	£000s	£000s	£000s
1	Adult Social Care & Health	ASCH	250	250	250	250	250	250
2	Children, Young People & Education	СҮРЕ	19,525	19,525	19,525	19,525	19,525	19,525
3	Growth, Environment & Transport	GET	152,375	111,737	65,105	64,665	62,445	62,410
4	Chief Executive's Department	CED	0	0	0	0	0	0
5	Deputy Chief Executive's Department	DCED	6,150	6,150	6,150	6,150	6,150	6,150
6	Total Cash Limit	_	178,300	137,662	91,030	90,590	88,370	88,335

Funded By:

7	Borrowing	25,335	28,235	28,235	28,235	28,235	28,235
8	Property Enterprise Fund (PEF) 2						
9	Grants	134,866	102,469	55,842	55,417	53,200	53,200
10	Developer Contributions	3,270	0	0	0	0	0
11	Other External Funding e.g. Arts Council, District Contributions etc.	23	0	0	0	0	0
12	Revenue Contributions to Capital	6,416	6,308	6,303	6,288	6,285	6,250
13	Capital Receipts	557	650	650	650	650	650
14	Recycled Loan Repayments	7,833	0	0	0	0	0
15	Total Finance	178,300	137,662	91,030	90,590	88,370	88,335

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Adult Social Care & Health (ASCH)

				Total Cost of	Prior Years		Cash I	Limits		
F	ow	Project	Description of Project	Scheme	Spend	2023-24	2024-25	2025-26	2026-27	
ı	REF					Year 1	Year 2	Year 3	Year 4	
				£000s	£000s	£000s	£000s	£000s	£000s	
	1	Home Support Fund & Equipment [2]	Provision of equipment and/or alterations to individuals' homes	2,500		250	250	250	250	
	2	Total Rolling Programmes [3]		2,500		250	250	250	250	
	Kent Strategy for Services for Learning Disability (LD):									
	3	Learning Disability Good Day Programme [1]	To provide dedicated space, accessible equipment and facilities for people with a learning disability within inclusive community settings across the county	4,335	2,318	1,466	551	0	0	
		Other Individual Projects:								
Page	14	Hedgerows [1]	A new purpose-built facility for people with complex needs and also for adult in-house service provision	800	0	365	435	0	0	
ge 69	5	Total Invidivual Projects		5,135	2,318	1,831	986	0	0	
S										
	6	Total Adult Social Care & Health		7,635	2,318	2,081	1,236	250	250	

^[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved

^[2] Estimated allocations have been included for 2023-24 and 2032-33

^[3] Rolling programmes have been included for 10 year capital programme

Adult Social Care & Health (ASCH)

					Cash	Limits			
ROW	Project	Description of Project	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	
REF			Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
			£000s	£000s	£000s	£000s	£000s	£000s	
1	Home Support Fund & Equipment [2]	Provision of equipment and/or alterations to individuals' homes	250	250	250	250	250	250	
2	Total Rolling Programmes [3]		250	250	250	250	250	250	
	Kent Strategy for Services for Learning Disability (LD):								
3	Learning Disability Good Day Programme [1]	To provide dedicated space, accessible equipment and facilities for people with a learning disability within inclusive community settings across the county	0	0	0	0	0	0	
	Other Individual Projects:								
Page 5	Hedgerows [1]	A new purpose-built facility for people with complex needs and also for adult in-house service provision	0	0	0	0	0	0	
ge 5	Total Invidivual Projects		0	0	0	0	0	0	
0									
6	Total Adult Social Care & Health		250	250	250	250	250	250	

^[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved

^[2] Estimated allocations have been included for 2023-24 and 2032-33 [3] Rolling programmes have been included for 10 year capital programme

Children, Young People & Education (CYPE)

			Total Cost of	Prior Years		Cash L	Limits	
ROW	Project	Description of Project	Scheme	Spend	2023-24	2024-25	2025-26	2026-27
REF				-	Year 1	Year 2	Year 3	Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
				20000				
1	Annual Planned Enhancement Programme [1] [2]	Planned and reactive capital projects to keep schools open and operational	91,000		13,500	13,500	8,000	8,000
2	Schools Capital Expenditure funded from Devolved Formula Capital Grants for Individual Schools	Enhancement of schools	45,000		4,500	4,500	4,500	4,500
3	Schools Capital Expenditure funded from Revenue	Expenditure on capital projects by individual schools	50,000		5,000	5,000	5,000	5,000
4	Youth - Modernisation of Assets	To purchase vehicles and equipment for youth services	372		147	25	25	25
5	Schools' Modernisation Programme [1] [2]	Improving and upgrading school buildings including removal of temporary classrooms	33,000		8,500	8,500	2,000	2,000
6	Total Rolling Programmes [3]		219,372		31,647	31,525	19,525	19,525
Ď					'	'		
age	Basic Need Schemes - to provide additional pupil places:							
е ₇	Basic Need Kent Comissioning Plan (KCP) 2016 & previous years	Increasing the capacity of Kent's schools	331,622	330,493	1,129	0	0	0
_ 8	Basic Need KCP 2017 [1]	Increasing the capacity of Kent's schools	116,848	101,778	15,070	0	0	0
9	Basic Need KCP 2018 [1]	Increasing the capacity of Kent's schools	49,984		9,973	0	0	
	Basic Need KCP 2019 [1]	Increasing the capacity of Kent's schools	91,330		64,548	2,315	0	-
	Basic Need KCP 2021-25 [1]	Increasing the capacity of Kent's schools	8,986	2,077	1,305	5,604	0	
	Basic Need KCP 22-26 [1]	Increasing the capacity of Kent's schools	17,937	3,085	7,855	6,997	0	0
13	Basic Need KCP 23-27 [2]	Increasing the capacity of Kent's schools	37,571	250	8,713	15,867	12,741	0
	Other Projects							
14	Nest 2	Provision of a residential facility for children and young people in Kent and Medway with Autistic Spectrum Conditions (ASC)	1,550	0	1,550	0	0	0
15	John Wallis Academy	Provision of a new primary school building and relocation of children's centre	5,011	4,981	30	0	0	0
16	Priority School Build Programme (PSBP) 1 & 2	Additional works under the PSBP programme not funded by the Education and Skills Funding Agency (ESFA)	24,584	24,584	0	0	0	0
17	High Needs Provision	Specific projects relating to high needs provision	7,093	6,793	300	0	0	0
18	High Needs Provision 22-24	Specific projects relating to high needs provision	41,111	6,467	22,803	7,099	4,742	0
19	School Roofs	Structural repairs to school roofs	7,565	4,160	3,405	0	0	0
20	Total Invidivual Projects		741,192	549,146	136,681	37,882	17,483	0
21	Total Children, Young People & Education		960,564	549,146	168,328	69,407	37,008	19,525

^[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved

^[2] Estimated allocations have been included for 2023-24 and 2032-33

^[3] Rolling programmes have been included for 10 year capital programme

Children, Young People & Education (CYPE)

					Cash	Limits		
ROW	Project	Description of Project	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
REF			Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			£000s	£000s	£000s	£000s	£000s	£000s
1	Annual Planned Enhancement Programme [1] [2]	Planned and reactive capital projects to keep schools open and operational	8,000	8,000	8,000	8,000	8,000	8,000
2	Schools Capital Expenditure funded from Devolved Formula Capital Grants for Individual Schools	Enhancement of schools	4,500	4,500	4,500	4,500	4,500	4,500
3	Schools Capital Expenditure funded from Revenue	Expenditure on capital projects by individual schools	5,000	5,000	5,000	5,000	5,000	5,000
4	Youth - Modernisation of Assets	To purchase vehicles and equipment for youth services	25	25	25	25	25	25
5	Schools' Modernisation Programme [1] [2]	Improving and upgrading school buildings including removal of temporary classrooms	2,000	2,000	2,000	2,000	2,000	2,000
6	Total Rolling Programmes [3]		19,525	19,525	19,525	19,525	19,525	19,525
Page 7								
3	Basic Need Schemes - to provide additional pupil places:							
√l ′	Basic Need Kent Comissioning Plan (KCP) 2016 & previous years	Increasing the capacity of Kent's schools	0	0	0	0	0	0
√ 3 8	Basic Need KCP 2017 [1]	Increasing the capacity of Kent's schools	0	0	0	0		
9	Basic Need KCP 2018 [1]	Increasing the capacity of Kent's schools	0	0	0	0		0
	Basic Need KCP 2019 [1]	Increasing the capacity of Kent's schools	0	0	0	0	- 1	C
11	Basic Need KCP 2021-25 [1]	Increasing the capacity of Kent's schools	0	0	0	0		
	Basic Need KCP 22-26 [1]	Increasing the capacity of Kent's schools	0	0	0	0	-	
13	Basic Need KCP 23-27 [2]	Increasing the capacity of Kent's schools	0	0	0	0	0	0
	Other Projects							
14	Nest 2	Provision of a residential facility for children and young people in Kent and Medway with Autistic Spectrum Conditions (ASC)	0	0	0	0	0	0
15	John Wallis Academy	Provision of a new primary school building and relocation of children's centre	0	0	0	0	0	C
16	Priority School Build Programme (PSBP) 1 & 2	Additional works under the PSBP programme not funded by the Education and Skills Funding Agency (ESFA)	0	0	0	0	0	0
17	High Needs Provision	Specific projects relating to high needs provision	0	0	0	0	0	0
18	High Needs Provision 22-24	Specific projects relating to high needs provision						
19	School Roofs	Structural repairs to school roofs	0	0	0	0	0	0
20	Total Invidivual Projects		0	0	0	0	0	0
21	Total Children, Young People & Education		19,525	19,525	19,525	19,525	19,525	19,525

^[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved

^[2] Estimated allocations have been included for 2023-24 and 2032-33

^[3] Rolling programmes have been included for 10 year capital programme

			Total Cost of	Prior Years		Cash I	Limits	
ROW	Project	Description of Project	Scheme	Spend	2023-24	2024-25	2025-26	2026-27
REF					Year 1	Year 2	Year 3	Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
	Growth & Communities			-				
1	Country Parks Access and Development	Improvements and adaptations to country parks	659		119	60	60	60
2	Public Rights of Way	Structural improvements of public rights of way	9,000		900	900	900	900
3	Public Sports Facilities Improvement	Capital grants for new provision/refurbishment of sports facilities and projects in the community	750		75	75	75	75
4	Village Halls and Community Centres	Capital Grants for improvements and adaptations to village halls and community centres	823		148	75	75	75
	Transportion							
5 0	Highways Asset Management/Annual Maintenance and programme of Significant and Urgent Safety Critical Works [1] [2]	Maintaining Kent's roads	578,466		74,466	56,000	56,000	56,000
ige Ge	Integrated Transport Schemes [1] [2]	Improvements to road safety	45,270		4,770	4,500	4,500	4,500
Ŋ	Major Schemes - Preliminary Design Fees	Preliminary design of new roads	21		21	0	0	0
8	Old Highways Schemes, Residual Works, Land Compensation Act (LCA) Part 1	Old Highways Schemes, Residual Works, LCA Part 1	76		62	14	0	0
9	Total Rolling Programmes [3]		635,065		80,561	61,624	61,610	61,610
	Growth & Communities							
10	Digital Autopsy	To provide a body storage and digital autopsy facility	3,217	704	2,513	0	0	0
11	Essella Road Bridge (PROW)	Urgent works to ensure footbridge remains open	300	134	166	0	0	0
12	Public Mortuary	To consider options for the provision of a public mortuary	3,000	0	0	0	3,000	0
13	Herne Bay Library Plus	Project to refurbish the library and address long-term building issues	661	161	0	500	0	0
14	Gypsy & Traveller Site Improvements [1]	Improvements to Gypsy and Traveller sites	4,055		4,055		0	0

			Total Cost of	Prior Years		Cash I	Limits	
ROW	Project	Description of Project	Scheme	Spend	2023-24	2024-25	2025-26	2026-27
REF					Year 1	Year 2	Year 3	Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
15	Tunbridge Wells Cultural Hub (Amelia)	Contribution to the development of a cultural and learning hub in partnership with Tunbridge Wells Borough Council, including library, registration and adult education	1,586	1,236	350	0	0	0
16	Broadband Contract 2	To extend the reach of superfast broadband so that 95% of homes and businesses can access superfast broadband	11,814	10,465	1,349	0	0	0
17	Innovation Investment Initiative (i3)	Provision of loans to small and medium enterprises with the potential for innovation and growth, helping them to improve their productivity and create jobs	10,374	6,143	500	600	743	1,100
18	Javelin Way Development	To provide accomodation for creative industries and the creation of industrial units	12,826	12,786	2	0	0	38
Page	Kent & Medway Business Fund	New fund using recycled receipts from Regional Growth Fund, TIGER and Escalate, to enable creation of jobs and support business start ups	42,443	18,928	3,305	3,385	3,453	6,827
74 20	Kent Empty Property Initiative - No Use Empty (NUE)	Bringing long term empty properties including commercial buildings and vacant sites back into use as quality housing accommodation	52,901	48,192	11,589	-4,700	-2,180	0
21	Marsh Million	Supporiting economic growth on Romney Marsh to develop new jobs and business opportunities following the decommissioning of Dungeness Power Station	1,100	1,056	0	19	17	8
22	The Kent Broadband Voucher Scheme	Voucher scheme to benefit properties in hard to reach locations	2,862	962	500	1,400	0	0
	Environment & Waste							
23	Energy and Water Efficiency Investment Fund - External	Energy Efficiency works	3,199	2,535	271	73	72	64
24	Energy Reduction and Water Efficiency Investment - KCC	Energy Efficiency works	2,419	2,051	218	32	23	23
25	Electric Vans	Electric vehicles and charging infrastructure funded by government grant	1,512	1,277	235	0	0	0
26	Leigh (Medway) Flood Storage Area	Contribution to partnership-funded projects to provide flood defences for the River Medway	2,500	602	826	625	447	0
27	Kings Hill Solar Farm	Construction of a solar farm	5,091	4,880	211	0	0	0
28	New Transfer Station - Folkestone & Hythe [1]	To provide a new waste transfer station in Folkestone & Hythe	10,302	9	100	9,598	56	516

			Total Cost of	Prior Years		Cash L	_imits	
ROW	Project	Description of Project	Scheme	Spend	2023-24	2024-25	2025-26	2026-27
REF					Year 1	Year 2	Year 3	Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
29	Surface Water Flood Risk Management	To provide flood risk management and climate adaptation investment in capital infrastructure across Kent, to reduce the significant risks of local flooding and adapt to the impacts of climate change which are predicted to be substantial on the county	5,000	30	470	500	500	500
30	Windmill Asset Management & Weatherproofing	Works to ensure Windmills are in a safe and weatherproof condition	3,823	923	0	500	300	300
	Transportion							
31	A2 Off Slip Wincheap, Canterbury [1]	To deliver an off-slip in the coastbound direction	4,400	0	0	1,500	2,199	701
32	A226 St Clements Way	Road improvement scheme	6,571	6,543	14	14	0	0
3 <u>3</u>	A228 and B2160 Junction Improvements with B2017 Badsell Road [1]	Junction improvements	3,695	929	2,560	206	0	0
<u>₩</u>	A2500 Lower Road Improvements	Junction improvements to increase capacity	5,384	5,357	27	0	0	0
₹	A28 Chart Road, Ashford [1]	Strategic highway improvement	26,247	4,122	2,768	11,026	7,256	805
98	Bath Street, Gravesend	Bus Lane project - Fastrack programme extension	5,520	1,062	3,458	1,000	0	0
37	Dartford Town Centre	A package of works to improve economic performance of Dartford Town Centre	12,000	9,127	2,873	0	0	0
38	Dover Bus Rapid Transit	To provide a high quality and reliable public transport service in the Dover area, funded from Housing Infrastructure funding	24,237	17,589	6,574	74	0	0
39	Fastrack Full Network - Bean Road Tunnels [1]	Construction of a tunnel linking Bluewater and the Eastern Quarry Development	14,038	3,146	9,533	1,359	0	0
40	Faversham Swing Bridge [1]	Restoration of an opening bridge	2,550	850	700	1,000	0	0
41	Green Corridors	Programme of schemes to improve walking and cycling in Ebbsfeet	7,400	2,148	5,252	0	0	0
42	Herne Relief Road [1]	Provision of an alternative route between Herne Bay and Canterbury to avoid Herne village	9,076	6,910	1,921	130	115	0
43	Housing Infrastructure Fund - Swale Infrastructure Projects	Improvements to A249 Junctions at Grovehurst Road and Keycol Roundabout	38,633	5,883	24,606	7,822	322	О
44	Kent Active Travel Fund Phase 2	Investment in active travel initiatives as an alternative to the travelling public for shorter journeys	4,878	2,641	2,237	0	0	0
45	Kent Active Travel Fund Phase 3	Investment in active travel initiatives as an alternative to the travelling public for shorter journeys	1,300	120	1,180	0	0	0
46	Kent Medical Campus (National Productivity Investment Fund NPIF)	Project to ease congestion in Maidstone	14,237	5,487	8,718	32	0	0

Growth, Environment & Transport (GET)

			Total Cost of	Prior Years		Cash Limits		
ROW	Project	Description of Project	Scheme	Spend	2023-24	2024-25	2025-26	2026-27
REF					Year 1	Year 2	Year 3	Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
47	Kent Thameside Strategic Transport Programme (Thamesway) [1]	Strategic highway improvement in Dartford & Gravesham	9,974	1,087	2,426	6,461	0	0
48	LED Conversion	Upgrading street lights to more energy efficient LED lanterns & implementation of Central Monitoring System	40,754	39,004	1,750	0	0	0
49	Maidstone Integrated Transport [1]	Improving transport links with various schemes in Maidstone	10,850	6,262	3,590	998	0	0
50	Market Square Dover	Project to improve access and public realm at Market Square in Dover	3,640	3,610	15	15	0	0
51	M20 Junction 4 Eastern Over Bridge	Carriageway widening	6,195	6,183	12	0	0	0
52 - T	Rathmore Road Link	Road improvement scheme	8,008	7,915	87	6	0	0
age	Sturry Link Road, Canterbury [1]	Construction of bypass	29,601	3,704	3,535	13,961	6,001	2,300
e 756	Thanet Parkway	Construction of Thanet Parkway Railway Station to enhance rail access in east Kent and act as a catalyst for economic and housing growth	42,702	42,652	50	0	0	0
55	Urban Traffic Management [1]	Upgrades to the existing urban traffic management system within the Ebbsfleet area.	5,476	4,626	850	0	0	0
56	A229 Bluebell Hill M2 & M20 Interchange Upgrades [1]	Scheme to upgrade junctions to increase capacity and provide freeflowing interchange wherever possible	202,081	0	1,000	8,638	9,395	47,548
57	A28 Birchington, Acol and Westgate-on-Sea Relief Road [1]	Creation of a relief road	49,001	1,156	1,488	18,890	27,061	111
58	Zebra Funding - Electric Buses and infrastructure	Grant funded projects for electric buses and infrastructure	9,526	8,453	1,073	0	0	0
59	Total Invidivual Projects		778,959	309,640	114,957	85,664	58,780	60,841

1,414,024

309,640

195,518

147,288

120,390

60 Total Growth, Environment & Transport

^[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved

^[2] Estimated allocations have been included for 2023-24 and 2032-33

^[3] Rolling programmes have been included for 10 year capital programme

					Cash I	Limits		
ROW	Project	Description of Project	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
REF			Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			£000s	£000s	£000s	£000s	£000s	£000s
	Growth & Communities							
1	Country Parks Access and Development	Improvements and adaptations to country parks	60	60	60	60	60	60
2	Public Rights of Way	Structural improvements of public rights of way	900	900	900	900	900	900
3	Public Sports Facilities Improvement	Capital grants for new provision/refurbishment of sports facilities and projects in the community	75	75	75	75	75	75
4	Village Halls and Community Centres	Capital Grants for improvements and adaptations to village halls and community centres	75	75	75	75	75	75
	Transportion							
ည်	Highways Asset Management/Annual Maintenance and programme of Significant and Urgent Safety Critical Works [1] [2]	Maintaining Kent's roads	56,000	56,000	56,000	56,000	56,000	56,000
ige	Integrated Transport Schemes [1] [2]	Improvements to road safety	4,500	4,500	4,500	4,500	4,500	4,500
7	Major Schemes - Preliminary Design Fees	Preliminary design of new roads	0	0	0	0	0	0
8	Old Highways Schemes, Residual Works, Land Compensation Act (LCA) Part 1	Old Highways Schemes, Residual Works, LCA Part 1	0	0	0	0	0	0
9	Total Rolling Programmes [3]		61,610	61,610	61,610	61,610	61,610	61,610
	Growth & Communities							
10	Digital Autopsy	To provide a body storage and digital autopsy facility	0	0	0	0	0	0
11	Essella Road Bridge (PROW)	Urgent works to ensure footbridge remains open	0	0	0	0	0	0
12	Public Mortuary	To consider options for the provision of a public mortuary	0	0	0	0	0	0
13	Herne Bay Library Plus	Project to refurbish the library and address long-term building issues	0	0	0	0	0	0
14	Gypsy & Traveller Site Improvements [1]	Improvements to Gypsy and Traveller sites	0	0	0	0	0	0

			Cash Limits						
ROW	Project	Description of Project	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	
REF			Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
			£000s	£000s	£000s	£000s	£000s	£000s	
15	Tunbridge Wells Cultural Hub (Amelia)	Contribution to the development of a cultural and learning hub in partnership with Tunbridge Wells Borough Council, including library, registration and adult education	0	0	0	0	0	0	
16	Broadband Contract 2	To extend the reach of superfast broadband so that 95% of homes and businesses can access superfast broadband	0	0	0	0	0	0	
17	Innovation Investment Initiative (i3)	Provision of loans to small and medium enterprises with the potential for innovation and growth, helping them to improve their productivity and create jobs	1,288	0	0	0	0	0	
18	Javelin Way Development	To provide accomodation for creative industries and the creation of industrial units	0	0	0	0	0	0	
Pa <u>ğ</u> e ∵	Kent & Medway Business Fund	New fund using recycled receipts from Regional Growth Fund, TIGER and Escalate, to enable creation of jobs and support business start ups	6,545	0	0	0	0	0	
78 20	Kent Empty Property Initiative - No Use Empty (NUE)	Bringing long term empty properties including commercial buildings and vacant sites back into use as quality housing accommodation	0	0	0	0	0	0	
21	Marsh Million	Supporiting economic growth on Romney Marsh to develop new jobs and business opportunities following the decommissioning of Dungeness Power Station							
22	The Kent Broadband Voucher Scheme	Voucher scheme to benefit properties in hard to reach locations	0	0	0	0	0	0	
	Environment & Waste								
23	Energy and Water Efficiency Investment Fund - External	Energy Efficiency works	50	41	36	24	33	0	
24	Energy Reduction and Water Efficiency Investment - KCC	Energy Efficiency works	22	17	17	14	2	0	
25	Electric Vans	Electric vehicles and charging infrastructure funded by government grant							
26	Leigh (Medway) Flood Storage Area	Contribution to partnership-funded projects to provide flood defences for the River Medway	0	0	0	0	0	0	
27	Kings Hill Solar Farm	Construction of a solar farm	0	0	0	0	0	0	
28	New Transfer Station - Folkestone & Hythe [1]	To provide a new waste transfer station in Folkestone & Hythe	23	0	0	0	0	0	

			Cash Limits						
ROW	Project	Description of Project	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	
REF			Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
			£000s	£000s	£000s	£000s	£000s	£000s	
29	Surface Water Flood Risk Management	To provide flood risk management and climate adaptation investment in capital infrastructure across Kent, to reduce the significant risks of local flooding and adapt to the impacts of climate change which are predicted to be substantial on the county	500	500	500	500	500	500	
30	Windmill Asset Management & Weatherproofing	Works to ensure Windmills are in a safe and weatherproof condition	300	300	300	300	300	300	
	Transportion								
31	A2 Off Slip Wincheap, Canterbury [1]	To deliver an off-slip in the coastbound direction	0	0	0	0	0	0	
32	A226 St Clements Way	Road improvement scheme	0	0	0	0	0	0	
-3 3	A228 and B2160 Junction Improvements with B2017 Badsell Road [1]	Junction improvements	0	0	0	0	0	0	
$a_{\mathcal{O}}^{34}$	A2500 Lower Road Improvements	Junction improvements to increase capacity	0	0	0	0	0	0	
age ³⁵	A28 Chart Road, Ashford [1]	Strategic highway improvement	270	0	0	0	0	0	
\mathcal{Q}_6	Bath Street, Gravesend	Bus Lane project - Fastrack programme extension	0	0	0	0	0	0	
37	Dartford Town Centre	A package of works to improve economic performance of Dartford Town Centre	0	0	0	0	0	0	
38	Dover Bus Rapid Transit	To provide a high quality and reliable public transport service in the Dover area, funded from Housing Infrastructure funding	0	0	0	0	0	0	
39	Fastrack Full Network - Bean Road Tunnels [1]	Construction of a tunnel linking Bluewater and the Eastern Quarry Development	0	0	0	0	0	0	
40	Faversham Swing Bridge [1]	Restoration of an opening bridge	0	0	0	0	0	0	
41	Green Corridors	Programme of schemes to improve walking and cycling in Ebbsfeet	0	0	0	0	0	0	
42	Herne Relief Road [1]	Provision of an alternative route between Herne Bay and Canterbury to avoid Herne village	0	0	0	0	0	0	
43	Housing Infrastructure Fund - Swale Infrastructure Projects	Improvements to A249 Junctions at Grovehurst Road and Keycol Roundabout	0	О	0	О	О	0	
44	Kent Active Travel Fund Phase 2	Investment in active travel initiatives as an alternative to the travelling public for shorter journeys	0	0	0	0	0	0	
45	Kent Active Travel Fund Phase 3	Investment in active travel initiatives as an alternative to the travelling public for shorter journeys							
46	Kent Medical Campus (National Productivity Investment Fund NPIF)	Project to ease congestion in Maidstone	0	0	0	0	О	0	

Growth, Environment & Transport (GET)

					Cash	Limits		
ROW	Project	Description of Project	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
REF			Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			£000s	£000s	£000s	£000s	£000s	£000s
47	Kent Thameside Strategic Transport Programme (Thamesway) [1]	Strategic highway improvement in Dartford & Gravesham	0	0	0	0	0	0
48	LED Conversion	Upgrading street lights to more energy efficient LED lanterns & implementation of Central Monitoring System	0	0	0	0	0	0
49	Maidstone Integrated Transport [1]	Improving transport links with various schemes in Maidstone	0	0	0	0	0	0
50	Market Square Dover	Project to improve access and public realm at Market Square in Dover	0	0	0	0	0	0
51	M20 Junction 4 Eastern Over Bridge	Carriageway widening	0	0	0	0	0	0
52 U	Rathmore Road Link	Road improvement scheme	0	0	0	0	0	0
age	Sturry Link Road, Canterbury [1]	Construction of bypass	100	0	0	0	0	0
e &	Thanet Parkway	Construction of Thanet Parkway Railway Station to enhance rail access in east Kent and act as a catalyst for economic and housing growth	0	0	0	0	0	0
55	Urban Traffic Management [1]	Upgrades to the existing urban traffic management system within the Ebbsfleet area.	0	0	0	0	0	0
56	A229 Bluebell Hill M2 & M20 Interchange Upgrades [1]	Scheme to upgrade junctions to increase capacity and provide freeflowing interchange wherever possible	81,372	49,269	2,642	2,217	0	0
57	A28 Birchington, Acol and Westgate-on-Sea Relief Road [1]	Creation of a relief road	295	0	0	0	0	0
58	Zebra Funding - Electric Buses and infrastructure	Grant funded projects for electric buses and infrastructure						
59	Total Invidivual Projects		90,765	50,127	3,495	3,055	835	800
59	Total Invidivual Projects		90,765	50,127	3,4	195	195 3,055	195 3,055 835

60 Total Growth, Environment & Transport

152,375 111,737 65,105 64,665 62,445 62,410

^[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved

^[2] Estimated allocations have been included for 2023-24 and 2032-33

^[3] Rolling programmes have been included for 10 year capital programme

Chief Executive's Department (CED)

			Total Cost of	Prior Years	Cash Limits			
RO	Project	Description of Project	Scheme	Spend	2023-24	2024-25	2025-26	2026-27
REI	:				Year 1	Year 2	Year 3	Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
1	Feasibility Fund [1]	Forward funding to enable future projects assess feasibility	4,000	2,020	1,980	0	0	0
2	Total Invidivual Projects		4,000	2,020	1,980	0	0	0
3	Total Chief Executive s Department		4,000	2,020	1,980	0	0	0
	Total Offici Executive 3 Department		4,000	2,020	1,900	•	· ·	

- [1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
- [2] Estimated allocations have been included for 2023-24 and 2032-33
- [3] Rolling programmes have been included for 10 year capital programme

Chief Executive's Department (CED)

			Cash Limits							
ROW	Project	Description of Project	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33		
REF							Year 9	Year 10		
			£000s	£000s	£000s	£000s	£000s	£000s		
	1									
1	Feasibility Fund [1]	Forward funding to enable future projects assess feasibility	0	0	0	0	0	0		
2	Total Invidivual Projects		0	0	0	0	0	0		
3	Total Chief Executive s Department		0	0	0	0	0	0		

- [1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
- [2] Estimated allocations have been included for 2023-24 and 2032-33
- [3] Rolling programmes have been included for 10 year capital programme

Deputy Chief Executive's Department (DCED)

							Limits	
ROW	Project	Description of Project	Scheme	Spend	2023-24	2024-25	2025-26	2026-27
REF					Year 1	Year 2	Year 3	Year 4
			£000s	£000s	£000s	£000s	£000s	£000s
1	Corporate Property Strategic Capital Delivery [1] [2]	Costs associated with delivering the capital programme	25,000		2,500	2,500	2,500	2,500
2	Disposal Costs [1]	Costs of disposing of surplus property	6,500		650	650	650	650
3	Modernisation of Assets (MOA)	Maintaining KCC estates	35,293		8,293	3,000	3,000	3,000
4	Total Rolling Programmes [3]		66,793		11,443	6,150	6,150	6,150
		T						
5	Asset Utilisation	Strategic utilisation of assets in order to achieve revenue savings and capital receipts	1,443	429	1,014	0	0	0
T 0	Strategic Estate Programme	Options for the council's future strategic estate	20,000	2,000	6,000	12,000	0	0
P age⁻83	Strategic Reset Programme	Shape our organisation through our people, technology & infrastructure, identifying & connecting priority projects for maximum impact	8,000	0	3,000	5,000	0	0
8	Dover Discovery Centre [1]	Refurbishment to make the building fit for purpose	7,903	829	4,474	2,600	0	0
9	Total Invidivual Projects		37,346	3,258	14,488	19,600	0	0
10	Total Deputy Chief Executive s Department		104,139	3,258	25,931	25,750	6,150	6,150

^[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved

^[2] Estimated allocations have been included for 2023-24 and 2032-33

^[3] Rolling programmes have been included for 10 year capital programme

Deputy Chief Executive's Department (DCED)

			Cash Limits							
ROW	Project	Description of Project	2026-27	2027-28	2028-29	2029-30	2030-31	2032-33		
REF			Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
			£000s	£000s	£000s	£000s	£000s	£000s		
1	Corporate Property Strategic Capital Delivery [1] [2]	Costs associated with delivering the capital programme	2,500	2,500	2,500	2,500	2,500	2,500		
2	Disposal Costs [1]	Costs of disposing of surplus property	650	650	650	650	650	650		
3	Modernisation of Assets (MOA)	Maintaining KCC estates	3,000	3,000	3,000	3,000	3,000	3,000		
4	Total Rolling Programmes [3]		6,150	6,150	6,150	6,150	6,150	6,150		
5	Asset Utilisation	Strategic utilisation of assets in order to achieve revenue savings and capital receipts	0	0	0	0	0	0		
D 6	Strategic Estate Programme	Options for the council's future strategic estate	0	0	0	0	0	0		
Page 84	Strategic Reset Programme	Shape our organisation through our people, technology & infrastructure, identifying & connecting priority projects for maximum impact	0	0	0	0	0	0		
8	Dover Discovery Centre [1]	Refurbishment to make the building fit for purpose	0	0	0	0	0	0		
9	Total Invidivual Projects		0	0	0	0	0	0		
10	Total Deputy Chief Executive s Department		6,150	6,150	6,150	6,150	6,150	6,150		

^[1] These are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved

^[2] Estimated allocations have been included for 2023-24 and 2032-33

^[3] Rolling programmes have been included for 10 year capital programme

APPENDIX C - POTENTIAL CAPITAL PROJECTS 2023-24 TO 2032-33 BY YEAR

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

			Total Cost	Indicative Costs				
			of Scheme	2023-24	2024-25 2025		2026-2	
Directorate	Potential Forthcoming Projects	Description of Project		Year 1	Year 2	Year 3	Year 4	
			£000s	£000s	£000s	£000s	£000s	
ASCH	Extra Care Facilities	Provision of Extra Care Accommodation	16,800		4,000	4,000	8,80	
GET	Waste Transfer Station	Church Marshes	16,000			10,700	5,30	
GET	Waste Transfer Station	North Farm	16,000				8,55	
GET	Waste Transfer Station	Ebbsfleet	10,000					
GET	North Farm Solar Farm	Solar farm at closed landfill site.	4,500					
GET	Maidstone District Heat Network	Renewable energy heat options for the Maidstone area	12,000		6,000	6,000		
GET	Kent Scientific Services	Renewal/Modernisation of laboratory facilities	10,000		10,000			
GET	A228 Colts Hill Strategic Link - Road Scheme	Construction of bypass	construction of bypass 45,000					
GET	South East Maidstone Strategic Route - Road Scheme	Construction of bypass	35,000					
GET	Orchard Way Railway Bridge	Strategic Highway Improvement	15,000					
GET	Designated Funds	Programme of projects related to the Lower Thames Crossing.	12,642	4,122	8,520			
GET	Dover Access Improvements	Levelling Up Fund Round 2 bid to improve the efficiency of the port and also reduce congestion on the strategic and local road network	58,470	2,627	55,843			
GET	M20 Junction 7 Improvements	Levelling Up Fund Round 2 bid for capacity improvements	8,338	1,812	6,526			
GET	Folkestone Town Centre Improvements	Levelling Up Fund Round 2 bid for transport, public realm and regeneration improvements in Folkestone Town Centre	21,991	10,976	11,015			
GET	Thanet Way	Structural improvements to the Thanet Way A299	42,500		42,500			
DCED	Future Assets	Asset review to include community services, office estate and specialist assets	to include community services, office estate and specialist 53,500			6,500	6,50	
DCED	Carbon Neutral for 2030	Public Sector heat incentives for KCC buildings Move 30% of Gas heating to Heat Pumps, insulate those buildings for 20% reduction in heat loss and Roll out LED lighting in all KCC buildings where practicable	40,000		6,500	6,500	6,50	
	Total Potential Forthcoming Projec	ts	417,741	19,537	150,904	33,700	35,65	

APPENDIX C - POTENTIAL CAPITAL PROJECTS 2023-24 TO 2032-33 BY YEAR

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

			Indicative Costs							
			2027-28	2028-29	2029-30	2030-31	2031-32	2032-33		
Directorate	Potential Forthcoming Projects	Description of Project	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
			£000s	£000s	£000s	£000s	£000s	£000s		
ASCH	Extra Care Facilities	Provision of Extra Care Accommodation								
GET	Waste Transfer Station	Church Marshes								
GET	Waste Transfer Station	North Farm	7,450							
GET	Waste Transfer Station	Ebbsfleet	10,000							
GET	North Farm Solar Farm	Solar farm at closed landfill site.	4,500							
GET	Maidstone District Heat Network	Renewable energy heat options for the Maidstone area								
GET	Kent Scientific Services	Renewal/Modernisation of laboratory facilities								
GET	A228 Colts Hill Strategic Link - Road Scheme	Construction of bypass						45,00		
GET	South East Maidstone Strategic Route - Road Scheme	Construction of bypass						35,00		
GET	Orchard Way Railway Bridge	Strategic Highway Improvement						15,00		
GET	Designated Funds	Programme of projects related to the Lower Thames Crossing.								
GET	Dover Access Improvements	Levelling Up Fund Round 2 bid to improve the efficiency of the port and also reduce congestion on the strategic and local road network								
GET	M20 Junction 7 Improvements	Levelling Up Fund Round 2 bid for capacity improvements								
GET	Folkestone Town Centre Improvements	Levelling Up Fund Round 2 bid for transport, public realm and regeneration improvements in Folkestone Town Centre								
GET	Thanet Way	Structural improvements to the Thanet Way A299								
DCED	Future Assets	Asset review to include community services, office estate and specialist assets	6,750	6,750	6,750	6,750	6,750	6,75		
DCED	Carbon Neutral for 2030	Public Sector heat incentives for KCC buildings Move 30% of Gas heating to Heat Pumps, insulate those buildings for 20% reduction in heat loss and Roll out LED lighting in all KCC buildings where practicable	6,500	7,000	7,000					
	Total Potential Forthcoming Projec	ts	35,200	13,750	13,750	6,750	6,750	101,75		

Appendix D - High Level 2023-26 Draft Revenue Plan and Financing

						FOR PLANNIN	G PURPOSES	
2022				3-24		4-25		5-26
£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	1,132,426.0	Revised Base Budget		1,191,493.8		1,310,885.4		1,408,535.3
		Ownersh						
11,175.3		Growth Net Base Budget Changes & Emerging Pressures	63,510.3		20,659.6		21,000.0	
1,157.9		Reduction in Grant Funding	3,106.4		35.0		21,000.0	
9,241.3		Pay	13,883.0		15,767.1		7,350.9	
28,554.9		Prices	70,441.2		45,469.8		18,089.9	
20,748.2 9,234.6		Demand & Cost Drivers Service Strategies and Improvements	34,001.7 3,862.4		31,448.7 899.1		29,433.7 653.8	
0,20		Government & Legislative	0,002		00011		000.0	
4,161.0		Social Care Reform					25,000.0	
-669.6		Household Support Fund Other	22,130.8 5,833.2		-22,130.8 3,571.9			
003.0	83,603.6		0,000.2	216,769.0	0,071.0	95,720.4		101,528.3
		Savings, Income & Grants						
-8,407.7		Transformation Savings Adults Transformation Programmes	752.1		-5,555.6		-6,622.5	
-451.4		Other Transformation Programmes	-2,405.0		-2,777.7		-50.0	
		_						
-8,676.6		Income Generation	-15,641.3		-7,217.5		-4,652.7	
		Efficiency Savings						
-380.0		Staffing	-1,582.4	-				
		Premises	-8.0		-2,903.6		-1,530.0	
-3,316.0 -1,304.6		Contracts & Procurement Other	-1,391.0 -6,664.8					
-1,304.0		Other	-0,004.0	-				
-2,094.0		Financing Savings	-3,893.3		-2,340.1		-2,065.5	
-9,252.5		Policy Savings	-23,937.3		-16,150.6		-34,201.7	
-33,882.8 -3,419.0		Total Savings & Income Increases in Grants & Contributions	-54,771.0 -31,862.8		-36,945.1 18,738.9		-49,122.4	
0,413.0	-37,301.8	Total Savings, Income & Grants	31,002.0	-86,633.8	10,700.0	-18,206.2		-49,122.4
		-						
		Page 1990						
22,458.7		Reserves Contributions to Reserves	22,448.7		32,169.3		21,260.0	
-20,474.1		Removal of prior year contributions	-29,458.7		-23,672.0		-32,169.3	
-8,772.0		Drawdowns from Reserves	-12,505.6		-867.2			
19,553.4	12 766 0	Removal of prior year drawdowns Net Impact on MTFP	8,772.0	-10,743.6	12,505.6	20 125 7	867.2	-10,042.1
	12,700.0	Net impact on wife		-10,743.0		20,135.7		-10,042.1
<u> </u>			<u> </u>		;			
=	1,191,493.8	Net Budget Requirement	=	1,310,885.4	;	1,408,535.3		1,450,899.1
		MEMORANDUM:						
		The net impact on our reserves balances is:						
22,458.7		Contributions to Reserves	22,448.7		32,169.3		21,260.0	
-8,772.0		Drawdowns from Reserves	-12,505.6		-867.2		0.0	
13,686.7		Net movement in Reserves	9,943.1		31,302.1		21,260.0	
		Funding per the Provisional Local Government Finance Settlement						
		& Local Taxation						
10,018.1		Revenue Support Grant	11,072.6		11,827.1		11,827.1	
54,478.4		Social Care Grant	88,770.7		103,212.0		103,212.0	
4,161.0		Market Sustainability and Improvement Fund Adult Social Care Discharge Fund	14,435.1 7,012.0		21,703.9 11,686.6		21,703.9 11,686.6	
12,953.2		Services Grant	7,298.9		7,298.9		7,298.9	
138,429.0		Business Rate Top-up Grant	140,802.3		150,396.1		150,396.1	
50,014.7		Improved Better Care Fund (iBCF)	50,014.7		50,014.7		50,014.7	
35,613.4		Other Un-ringfenced grants	48,554.8		49,229.8		49,229.8	
E2 000 F		Local Share of Patained Rusiness Bates	50 0F7 7		64 000 0		64 000 0	
52,809.5 -10,793.6		Local Share of Retained Business Rates Business Rate Collection Fund	58,057.7		61,809.2		61,809.2	
-1,127.6		Business Rate Collection Fund 2020-21 3-Year Deficit Write-off	-1,127.6					
11,886.6		Drawdown from reserves of S31 grant for Covid-19 business rate reliefs						
2 247 5		Drawdown from reconvey of \$24 grant for componentian for	2 2 4 7 5					
2,347.5		Drawdown from reserves of S31 grant for compensation for irrecoverable local taxation losses due to Covid-19	2,347.5					
725,505.3		Council Tax Income (including increase up to referendum limit but	761,106.4		799,199.5		830,104.1	
07 590 4		excluding social care levy)	115 672 0		125 157 5		1/6 616 7	
97,589.1 12,230.5		Council Tax Adult Social Care Levy Council Tax Collection Fund	115,672.9 11,488.7		135,157.5 7,000.0		146,616.7 7,000.0	
-4,621.3		Council Tax Collection Fund 2020-21 3-Year Deficit Write-off	-4,621.3		.,		.,	
-	1 101 122 -			4.040.000		4 400 707	=	4 450 555 :
-	1,191,493.8	Total Funding	-	1,310,885.4	1	1,408,535.3		1,450,899.1



APP	ENDIX E - RE	VENUE BUDGET - SUMMARY							
F	Revenue Spendi	ng:							
	2022-23		2023-24 Propose	d Budget (includir	ng earmarked budge	ets held corporate	ly for each Directo	rate)	
Row Ref	Revised Base Budget*	Directorate	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	+/- from 2022-23 Revised Budget
	£000s	S	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	464,342.1	Adult Social Care & Health ASCH	92,792.2	699,840.3	792,632.5	-176,518.9	-88,835.4	527,278.2	62,936.1
2	318,752.0	Children, Young People & Education (excluding Schools' Delegated Budgets)	152,818.7	529,544.7	682,363.4	-63,380.1	-258,297.6	360,685.7	41,933.7
3	0.0	Schools' Delegated Budgets CYPE	-30,490.7	-672,629.7	0.0	0.0			
4	177,227.4	Growth, Environment & Transport GET	-45,180.6	-7,804.1	194,356.8	17,129.4			
5	32,395.2	Chief Executive's Department CED	35,310.0	18,690.7	54,000.7	-9,307.6	-11,506.4	33,186.7	791.5
6	73,376.5	Deputy Chief Executive's Department DCED	22,367.0	77,064.6	99,431.6	-15,001.7	-426.0	84,003.9	10,627.4
7	125,400.6	Non Attributable Costs NAC	1,386.4	132,595.7	133,982.1	-22,599.0	-9.0	111,374.1	-14,026.5
8	0.0	Corporately Held Budgets CHB	0.0	22,130.8	22,130.8	0.0	-22,130.8	0.0	0.0
9 0	1,191,493.8	Budget Requirement	902,349.8	1,832,653.2	2,735,003.0	-362,478.6	-1,061,639.0	1,310,885.4	119,391.6
⁹ Page	1,191,493.8	Budget Requirement (excluding Schools' Delegated Budgets)	367,260.3	1,664,622.3	2,031,882.6	-331,987.9	-389,009.3	1,310,885.4	119,391.6
	unded By:					'	'		
11	-830,703.6	Council Tax income including Collection Fund					-883,646.7	-883,646.7	-52,943.1
12	-40,888.3	Local Share of Business Rates & Business Rate Collection Fund					-56,930.1	-56,930.1	-16,041.8
13	-11,886.6	Drawdown from reserves of S31 grant for Covid-19 Business Rate re	serves of S31 grant for Covid-19 Business Rate reliefs						11,886.6
14	-2,347.5	Drawdown from reserves of S31 grant for compensation for irrecov	erable local taxation lo	osses due to Covid-1	9		-2,347.5	-2,347.5	0.0
		Unringfenced Grants:							
15	-10,018.1	Revenue Support Grant (RSG)					-11,072.6	-11,072.6	-1,054.5
16	-138,429.0	Business Rate Top-Up Grant					-140,802.3	-140,802.3	-2,373.3
18	-29,262.9	Business Rate Compensation Grant					-43,263.3	-43,263.3	-14,000.4
19	-54,478.4	Social Care Grant					-88,770.7	-88,770.7	-34,292.3
20	-4,161.0	Social Care Reform grant (funded from new Health & Social Care Le		-14,435.1	-14,435.1	-10,274.1			
21	-12,953.2	Spending Review 2021: Services Grant		-7,298.9	-7,298.9	5,654.3			
22	-50,014.7	Improved Better Care Fund (iBCF)					-50,014.7	-50,014.7	0.0
23	0.0	Adult Social Care Discharge Fund					-7,012.0	-7,012.0	-7,012.0
24	-4,381.5	New Homes Bonus					-2,272.8	-2,272.8	2,108.7
25	-1,969.0	Other Unringfenced Grants					-3,018.7	-3,018.7	-1,049.7
26	0.0	Total	902,349.8	1,832,653.2	2,735,003.0	-362,478.6	-2,372,524.4	0.0	0.0

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

APPENDIX E - REVENUE BUDGET - BY DIVISION

The hierarchy below illustrates the Council's structure, and which Divisions sit in each Directorate, along with the proposed net budget for 2023-24 in £000s. Earmarked budgets held corporately for each Directorate are also shown.

Budget (£000s) Kent County Council 1,310,885.4 Adult Social Care & Health Strategic Management & Directorate Budgets SMDBA 31.386.2 (ASCH) Adult Social Care & Health Operations ASCHO 482 172 7 **Business Delivery Unit** BDU 9,524.5 Public Health РΗ 0.0 Controllable Net Budget 523.083.4 Earmarked budgets held corporately for ASCH 4 194 8 Net Budget including provisional share of corporately held budgets 527,278.2 Children Young People & Education Strategic Management & Directorate Budgets SMDBC 2.257.8 (CYPE) FDU 78.535.3 Education Integrated Children's Services (East & West) ICS 171,763.8 Special Educational Needs & Disabilities SEND 103,329.9 Schools' Delegated Budgets SDB 0.0 Controllable Net Budget 355,886.8 Earmarked budgets held corporately for CYPE 4 798 9 Net Budget including provisional share of corporately held budgets 360,685.7 Growth, Environment & Transport SMDBG Strategic Management & Directorate Budgets 1.386.9 (GET) **Growth and Communities** GC 29,819.9 Highways and Transportation НТ 69,856.1 **Environment and Waste** FW 91,396.3 Controllable Net Budget 192,459.2 Earmarked budgets held corporately for GET 1,897.6 Net Budget including provisional share of corporately held budgets 194,356.8 -472.5 Chief Executive's Department SMDBCE Strategic Management & Departmental Budgets (CED) Finance FIN 12,647.8 Governance, Law & Democracy 7,451.0 GLD Strategic Commissioning SC 7,308.1 Strategy, Policy, Relationships & Corporate Assurance SPRCA 5,126.3 Controllable Net Budget 32.060.7 Earmarked budgets held corporately for CED 1,126.0 Net Budget including provisional share of corporately held budgets 33,186.7 Deputy Chief Executive's Department Strategic Management & Departmental Budgets SMDBDC 4,995.2 (DCED) 33,679.3 Corporate Landlord CL Human Resources & Organisational Development HROD 5,149.7 Infrastructure INF 7.861.6 Marketing & Resident Experience MRF 6.086.5 Technology TEC 25,619.5 Controllable Net Budget 83,391.8 Earmarked budgets held corporately for DCED 612.1 Net Budget including provisional share of corporately held budgets 84,003.9 Non Attributable Costs Non Attributable Costs NAC 111,373.5 (NAC) Earmarked budgets held corporately for NAC 0.6 Net Budget including provisional share of corporately held budgets 111,374.1 Corporately Held Budgets (CHB) 0.0 **Corporately Held Budgets** CHB

Adult Social Care & Health (ASCH)

Revenue Budget for 2023-24 £523.1m
Capital Budget for next 10 years
Full Time Equivalent (FTE) staff* 2,152.4

Our vision, co-produced with people that access adult social care in Kent, is: "Making a positive difference every day, supporting you to live as full and safe a life as possible and make informed choices." We want to continue to work together with people that draw on support, our workforce and our wider partners to drive the best possible outcomes for people in Kent and keep high quality social care at the heart of everything we do.

In line with our Care Act duties, we focus on the strengths of people, families and carers to promote independence and empower communities. We provide access to personcentred support through our in-house and commissioned providers. Through the coproduction and development of our five-year Making a Difference Every Day Adult Social Care Strategy, we have been able to reflect, refocus and reset our ways of working, allowing us to reposition and equip ourselves to reach our ambition of being "best in class" for adult social care.

Adute Social Care is a key partner to the Integrated Care System (ICS), and the strategic objectives are aligned to the delivery of the overall ICS strategy. With valuable input from people with lived experience, unpaid carers, members of the public, partner organisations and colleagues across our directorate, we have already:

- Developed a clear view of our key strengths and areas for improvement mapped around our three pillars of Practice putting the person first, Innovation improving all the time and Meaningful Measures measuring what matters
- Agreed on what sustainable success for adult social care will look like in the future
- Built our strategy delivery plan to prioritise immediate actions, set longer term objectives and identify key opportunities for continuous improvement for the next few years
- Started to implement the strategy across a number of priority development areas.

The Adult Social Care and Health (ASCH) directorate consists of four divisions:

The **Operations Division (ASCHO)** includes the social care staff providing the assessment of community care needs and safeguarding work required to support older

people, working age adults with both physical and learning disabilities and with those with mental health issues. The 'Making a Difference Everyday Programme' has, as indicated above, enabled ASCHO to reflect, refocus and reset and this has culminated in a move to a truly locality way of working that will go live in Spring 2023. This will take the form of new community teams that will work with local communities, partners, Public Health and commissioning colleagues to deliver care and support that empowers people in their communities, tackles inequalities within these communities. The support offered, and which is commissioned through this division, will focus on what people have told us they want to meet their goals and outcomes. This will be achieved through a greater emphasis on co-production and people with lived experience supporting colleagues across social acre and Health to shape the services needed for the differing needs of different areas of Kent. There are also some in-house services such as short-term residential services for both older people and people with learning disabilities, community services, shared lives and enablement services within this division.

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

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

The **Public Health Division (PH)**'s goal is work with all partners to improve and protect the health and wellbeing of Kent's residents. Public Health has three overarching aims, to improve the health of the Kent population, to protect the health of the Kent population, and to improve the equity and quality of health and care services. With these public health goals and actions in place we will not only improve the health and wellbeing of the people of Kent, but also reduce the need for expensive acute interventions, which will ultimately reduce the pressure and demand on other KCC services, and the wider public sector.

*FTE is as per December 2022 data



Richard Smith

Corporate Director Adult Social Care & Health

AP	PENDIX E - RI	EVENUE BUDGET - KEY SERVICES							
Row	2022-23				2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	

Adult Social Care & Health (ASCH)

£527.3m

Corporate Director: Richard Smith

Stra	ategic Managen	nent & Directorate Budgets (SMDBA)							
Corp	oorate Director: Rich	nard Smith							
1	13,345.5 D	Community Based Preventative Services	0.0	15,637.5	15,637.5	-6,314.6	-751.1	8,571.8	Social Support Services provided by the voluntary sector to prevent social isolation and provide information and early intervention / preventative services to enable Service Users to remain independent. Including services for residents with immediate need and who are in crisis, to live independently by signposting to alternative appropriate services and helping with the purchase of equipment and supplies to ensure the safety and comfort of the most vulnerable in our society. This service line also includes Local Healthwatch which is a statutory service commissioned by KCC to ensure that patients, users of social care services and their carers, and the public, have a say in how these services are commissioned and delivered on their behalf
2	Page 92 4,625.7	Housing Related Support	0.0	3,424.8	3,424.8	-828.1	-1,120.0	1,476.7	Housing related support vulnerable households via supported housing, Home Improvement Agencies, women's refuges and community based support to enable them to gain the skills they need to live independently in their own home including emergency welfare assistance and advice to households in an emergency or crisis
3	0.0	Partnership Support Services	0.0	10,425.6	10,425.6	-10,425.6	0.0	0.0	Manages a number of operational support services, which enable the Directorate to achieve its partnership agenda. Includes pooled budgets with health which fund community infrastructure to facilitate discharges from specialist hospitals and prevent new admissions for people with Learning disabilities (LD) or (Autism spectrum conditions (ASC)
4	3,204.8	Social Support for Carers	0.0	5,526.5	5,526.5	-2,321.7	0.0	3,204.8	Services supporting carers provided by the voluntary sector
5	552.4	Strategic Safeguarding	931.2	21.5	952.7	0.0	-280.3	672.4	Strategic resource management to ensure a coherent policy and direction for the protection of vulnerable adults
6	1,328.6	Statutory and Policy Support	572.6	756.0	1,328.6	0.0	0.0	1,328.6	Manages the Statutory and Policy support function for the Directorate to achieve the operational business outcomes. This includes Policy and Quality Assurance, Technical Support for Business Operations and Practice Development
7	0.0	Provision for Demographic Growth - Community Based Services	0.0	12,395.9	12,395.9	-1,715.9	0.0	10,680.0	homecare, day services and supported living. This provision is to be held centrally in the first instance for allocation to Operations Division to fund demographic demands during the year in a manner that is consistent with the Directorate's Transformation Programme (MADE)
8	7,791.2	Strategic Management & Directorate Support (ASCH)	1,382.7	6,690.8	8,073.5	-2,568.3	-53.3	5,451.9	Central Directorate costs including the costs of the Corporate Director, Directors, and associated Officers
9	30,848.2	Total - Strategic Management & Directorate Budgets (SMDBA)	2,886.5	54,878.6	57,765.1	-24,174.2	-2,204.7	31,386.2	

Row	2022-23				2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	

1	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	
Adul	t Social Care &	Health Operations (ASCHO)							
Direct	ors: Jim Beale & Je	nnifer Anderton							
10	6,880.6	ASCH Operations - Divisional Management & Support	6,812.2	304.2	7,116.4	-213.1	-22.7	6,880.6	Divisional management costs enabling the business to achieve its strategic aims
11	103,637.8	Adult Learning Disability - Community Based Services & Support for Carers	0.0	126,198.3	126,198.3	-9,293.1	-14.0	116,891.2	Commissioned Community-Based Services for Learning Disability Service Users (aged 26+) including homecare, direct payments, day services, supported living and the introduction of micro-providers to support the development of resilient communities
12	72,196.9	Adult Learning Disability - Residential Care Services & Support for Carers	0.0	83,157.9	83,157.9	-6,251.6	0.0	76,906.3	Commissioned Residential Care Services (and Short Breaks) for Learning Disability Service Users (aged 26+)
13	5,611.3	Adult Learning Disability - Case Management & Assessment Service	5,761.3	200.9	5,962.2	-264.9	-11.1	5,686.2	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
14	12,601.8 U	Adult Mental Health - Community Based Services	0.0	18,697.8	18,697.8	-1,435.2	-13.9	17,248.7	Commissioned Community-Based Services for Mental Health Service Users (aged 18+) including homecare, direct payments, day services, supported living and the introduction of micro-providers to support the development of resilient communites
15	16,203.2 D	Adult Mental Health - Residential Care Services	0.0	19,376.6	19,376.6	-1,105.4	0.0	18,271.2	Commissioned Residential Care Services for Mental Health Service Users (aged 18+)
16	9,928.1	Adult Mental Health - Case Management & Assessment Services	10,042.7	321.3	10,364.0	-283.7	-11.1	10,069.2	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Mental Health professionals
17	21,272.3	Adult Physical Disability - Community Based Services	0.0	28,851.9	28,851.9	-3,483.3	-109.7	25,258.9	Commissioned Community-Based Services for Physical Disability Service Users (aged 26+ and those with an acquired long-term condition aged 18-25) including domiciliary care, direct payments, day services, supported living and the intorduciton of micro-providers to support the development of resilient communities
18	18,286.3	Adult Physical Disability - Residential Care Services	0.0	22,442.1	22,442.1	-2,230.6	0.0	20,211.5	Residential Care Services for Physical Disability Service Users (aged 26+ and those with an acquired long-term condition aged 18-25)
19	35,487.2	Older People - Community Based Services	0.0	71,956.7	71,956.7	-29,337.4	-69.0	42,550.3	Commissioned Community-Based Services for Older People (aged 65+) including homecare, direct payments, day services, supported living and the introduction of micro-providers to support the development of resilient communities
20	56,360.9	Older People - Residential Care Services	0.0	150,771.2	150,771.2	-71,196.3	-120.2	79,454.7	Commissioned Residential and Nursing Care Services for Older People (aged 65+)
21	21,671.4	Older People & Physical Disability - Assessment and Deprivation of Liberty Safeguards Services	23,249.3	1,388.0	24,637.3	-2,164.5	-410.6	22,062.2	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
22	1,365.1	Older People & Physical Disability Carer Support - Commissioned	0.0	3,020.9	3,020.9	-1,417.0	-11.3	1,592.6	Commissioned services to support carers

Rov	2022-23				2023-24 Pro	posed Budg	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	
23	6,149.3	Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Community Based Services	0.0	8,175.7	8,175.7	-714.4	0.0	7,461.3	Commissioned Community-Based Services for Physical Disability Service Users (aged 26+) with long-term conditions from birth or early childhood, Autism and Sensory Service Users (aged 18+) including homecare, direct payments, day services, supported living and the introduction of micro-providers to support the development of resilient communities.
24	1,117.7	Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Residential Care Services	0.0	1,368.3	1,368.3	-79.5	0.0	1,288.8	Commissioned Residential Care Services (and Short Breaks) for Physical Disability Service Users (aged 26+) with long-term conditions from birth or early childhood, Autism and Sensory Service Users (aged 18+)
25	708.8	Sensory & Autism - Assessment Service	651.7	57.1	708.8	0.0	0.0	708.8	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
26	5,069.5	Adaptive & Assistive Technology	0.0	11,231.4	11,231.4	-8,947.4	0.0	2,284.0	Technology enabled care that supports innovative use of technology to improve outcomes and empower people to manager their care in a way that is right for them. Occupational Therapy Services working in partnership with Health to provide equipment to support people to lead a full life
27	2,414.2	Adult In House Carer Services	2,031.7	105.1	2,136.8	-10.6	0.0	2,126.2	In-House residential respite services to support carers
28	Page 5,927.6	Adult In House Community Services	4,748.2	498.5	5,246.7	-47.1	0.0	5,199.6	In-House Community-Based Services for Learning Disability Service Users (aged 18+) and Physical Disability (aged 18-25) including In-house Day opporunties both virtual and in person to enable Service Users to remain independent
29	7,452.1	Adult In House Enablement Services	11,273.6	6,313.2	17,586.8	-6,055.8	-5,584.9	5,946.1	In-House Community-Based Enablement Services to maximise individuals indpendance and support people to return to living more independently in their community
30	14,502.0	Older People - In House Provision	7,584.5	13,909.4	21,493.9	-2,011.7	-5,407.9	14,074.3	In-House provision for Older People, including in-house residential and day care centres, and integrated care centres
31	424,844.1	Total - Adult Social Care & Health Operations (ASCHO)	72,155.2	568,346.5	640,501.7	-146,542.6	-11,786.4	482,172.7	

Business Delivery Unit (BDU)

Head of Service: Paula Parker

32	7,971.0	Business Delivery	7,808.3	663.7	8,472.0	-591.0	0.0	7,881.0	Manages the operational business support function for the directorate to achieve our operational business outcomes and making a difference everyday vision, and includes areas such as innovation and project management, stakeholder engagement and communications, systems and performance, direct payments and purchasing
33	678.8	Independent Living Support	770.8	1,104.5	1,875.3	-231.8	0.0	1,643.5	The Independent Living Support Service (ILSS) offers a wide range of support to help service users live as independently as possible via the use of equipment and technology solutions. Included on this line are the ILSS Technicians Service, ILSS Independent Mobility Assessors, the Blue Badge Service and ILSS Management
34	8,649.8	Total - Business Delivery Unit (BDU)	8,579.1	1,768.2	10,347.3	-822.8	0.0	9,524.5	

					2022 24 2				
Row	2022-23				2023-24 Pro	oposed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	
Pub	lic Health (PH)								
Dire	ctor: Dr. Anjan Ghos								
35	0.0	Public Health - Children's Programme	0.0	34,536.3	34,536.3	-717.2	-33,819.1	0.0	Includes provision for 0-19 year olds and their families including: Health Visiting, School Public Health, Oral Health, services delivered through Children's Centres and Adolescent services
36	0.0	Public Health - Mental Health, Substance Misuse & Community Safety	171.8	15,326.9	15,498.7	-1,715.6	-13,783.1	0.0	Includes the provision of drug and alcohol services, domestic abuse services and Mental Health early intervention
37	0.0	Public Health - Sexual Health	0.0	15,548.4	15,548.4	-1,700.0	-13,848.4	0.0	Commissioning of mandated contraception and sexually transmitted infection advice and treatment services
38	0.0	Public Health - Healthy Lifestyles	0.0	8,191.8	8,191.8	-362.4	-7,829.4	0.0	Improving health and lifestyles through provision of Integrated Lifestyle services and NHS Health Checks to support the following outcomes; reduction in smoking, improved exercise and healthy eating to tackle obesity levels
39	ව හු 0.0 ගු	Public Health - Advice and Other Staffing	4,804.8	1,243.6	6,048.4	-484.1	-5,564.3		Includes cost of management, commissioning, and operational staff to deliver statutory Public Health advice
	е 95 0.0	Total - Public Health (PH)	4,976.6	74,847.0	79,823.6	-4,979.3	-74,844.3	0.0	
41	464,342.1	Total - Adult Social Care & Health (ASCH) Controllable Budget	88,597.4	699,840.3	788,437.7	-176,518.9	-88,835.4	523,083.4	
	porately held bu								
42	0.0	Corporately Held Budgets (to be allocated)	4,194.8	0.0	4,194.8	0.0	0.0		Corporately held budgets earmarked for ASCH directorate, to be allocated once spend has been incurred. Details are provided in Appendix E.

792,632.5 -176,518.9

-88,835.4

527,278.2

Total Adult Social Care & Health (ASCH) Budget

including provisional share of Corporately held

92,792.2

budgets

699,840.3

464,342.1

Children, Young People & Education (CYPE)

Revenue Budget for 2023-24 £355.7m
Capital Budget for next 10 years
Full Time Equivalent (FTE) staff* 2,938.4

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

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

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

We work hard to minimise the impact of reduced resources and continued demand from the most vulnerable in our communities. By focusing on prevention, CYPE are securing improvements to the efficiency and effectiveness of service delivery. The Directorate continues to respond creatively to the demands placed upon it by forming new partnerships, reshaping services and adopting new ways of working.

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

Special Educational Needs and Disabilities (SEND): The Division is responsible for the delivery of all services to disabled children and young people and those with SEND (0–25-year-olds), ensuring that services match needs, are developed in partnership with parents and young people and continually adapt to Kent's changing demography. The Division is focused on securing the improvements required following challenging SEND Ofsted judgements, concentrating particularly on improving SEND support in mainstream schools, making practitioners more confident and inclusive and ensuring that we have the right SEND provision in Kent, along with ensuring improved pathways and provision for disabled children and young people with SEND, autism and complex health needs.

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

Integrated Children's Services (East & West) (ICS): These two Divisions have a statutory duty to safeguard and promote the welfare of some of Kent's most vulnerable children and young people.

The Divisions focusses on providing an effective and consistent integrated children's service across Kent. We aim to keep vulnerable families out of crisis and reduce the risk of harm to children by supporting staff to prevent the escalation of need and deliver services that provide timely and appropriate support for children and families earlier when they are most in need.

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

*FTE is as per December 2022 data



Sarah Hammond

Corporate Director Children, Young People & Education

Row	2022-23				2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	

Children, Young People & Education (CYPE)

£360.7m

Corporate Director: Sarah Hammond

	tegic Manageme	ent & Directorate Budgets (SMDBC) Hammond							
44	2,257.8	Strategic Management & Directorate Budgets (CYPE)	1,387.2	4,810.2	6,197.4	-830.0	-3,109.6	2,257.8	Central Directorate costs including the Strategic Director and Directorate pension costs

Edu	Education (EDU)												
Dire	ector: Christine McIn	nes											
45	-448.3	Community Learning & Skills (CLS)	9,141.0	3,104.1	12,245.1	-2,849.3	-10,044.1	-648.3	Provision of adult education courses and family and responsive learning, together with the delivery of English and Maths learning, to help people improve their employability skills				
46	Page 97	Early Years Education	0.0	84,413.8	84,413.8	0.0	-84,413.8	0.0	Parents' statutory entitlement to free Early Years education provision, most commonly from private, voluntary and independent providers for which KCC provides reimbursement from the Dedicated Schools Grant. There is a universal entitlement of 15 hours per week for all 3 and 4 year olds, increasing to 30 hours for children of working parents. This budget also provides entitlement to eligible 2 year olds for up to 15 hours per week				
47	4,473.8	Education Services provided by The Education People	0.0	8,760.8	8,760.8	0.0	-4,487.0	4,273.8	A range of statutory education services provided by The Education People, including School Improvement, Education Safeguarding, Skills & Employability, Schools Financial Services, and Outdoor Education				
48	269.1	Fair Access & Planning Services	2,364.8	690.7	3,055.5	-58.0	-2,578.4	419.1	Planning the provision of school places and managing the schools admissions and eligibility for school transport services				
49	49,696.8	Home to School & College Transport	204.7	72,322.4	72,527.1	-3,712.4	0.0	68,814.7	Transport to education establishments for all entitled pupils including specialist transport to school and college for children and young people with Special Educational Needs & Disabilities, together with free mainstream school transport, and the partly subsidised Kent 16+ Travel Saver (which includes an individual contribution). A small team support specific pupils with their travel arrangements to schools to enable them to become independent as they transition to secondary school				
50	4,696.9	Other School Services	0.0	41,864.2	41,864.2	-19,838.4	-17,554.0	4,471.8	Provision of a wide range of support services to schools				
51	1,367.5	Education Management & Division Support	1,228.1	941.7	2,169.8	-50.0	-915.6	1,204.2	Includes Area Education Officers and their direct support, costs associated with Academy conversions, and other Divisional management and support costs				
52	60,055.8	Total - Education (EDU)	12,938.6	212,097.7	225,036.3	-26,508.1	-119,992.9	78,535.3					

Ref Revised Base Budget (Net Cost)* Division & Key Service Staffing Non Staffing Spenditure F000s Staffing Non Staffing Staffing Spenditure F000s F000s F000s F000s F000s F000s F000s F000s F000s	Rov	v 2022-23				2023-24 Pro	posed Bud	get		
£000s £000s £000s £000s £000s	Re	Revised Base	Division & Key Service	Staffing	Non Staffing		Income	Grants	Net Cost	Key Service Description
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	

F000s

Dire	ctors: Stuart Collins 8	& Kevin Kasaven (Interim)							
53	6,921.3	Early Help & Preventative Services	11,264.2	2,679.3	13,943.5	-1,669.7	-6,752.5		Early intervention and prevention services for families, children and young people, including services provided under the Tackling Troubled Families Scheme and Headstart project to improve the mental health and emotional wellbeing of 10-16 year olds
54	4,640.4	Children's Centres	6,658.4	5,224.5	11,882.9	-7,621.2	0.0	4,261.7	Provides integrated early childhood services to young children and their families (many of whom are disadvantaged), in order to improve their development and life chances so that children are school ready and parents have support and opportunity to gain parenting skills
55	4,668.4	Youth Services	4,427.9	2,321.2	6,749.1	-1,214.0	-1,310.4	4,224.7	Youth Services enable young people to access positive educational and recreational leisure time activities to improve their wellbeing and personal and social development. The Youth Justice Service assesses, plans and intervenes with 10-17 year olds who have come to the attention of the Police or judicial system, to prevent them offending
56	Page 82.2	Pupil Referral Units & Inclusion	1,623.4	6,984.3	8,607.7	-383.7	-8,141.8	82.2	Pupil Referral Units (PRU's) are short-stay centres which provide education for children who are excluded, sick, or otherwise unable to attend a mainstream school, until they are reintegrated. Inclusion Advisers work with pupils, families, and schools to improve pupil behaviour and attendance, which reduces the need for permanent or fixed-term exclusion
57	66,782.4	Looked After Children - Care & Support	4,759.8	75,493.1	80,252.9	-1,278.3	-3,102.5	75,872.1	Looked After Children Services including residential, fostering, and supported accommodation for under 18s, and Virtual Schools Kent
58	3,282.5	Children in Need - Care & Support	0.0	3,143.9	3,143.9	-45.4	0.0	3,098.5	Service for Children in Need (aged 0-18) including day care, direct payments, payments to voluntary organisations, and short breaks for carers
59	51,170.7	Children's Social Work Services - Assessment & Safeguarding Service	53,392.9	1,676.5	55,069.4	-3,528.2	-377.0	51,164.2	Social care staffing providing assessment of children and families' needs, ongoing support to looked after children, and Safeguarding Service
60	15,311.6	Adoption & Special Guardianship Arrangements & Service	3,469.9	14,614.9	18,084.8	-1,310.4	0.0		The Adoption Service works to achieve and support permanent care arrangements for Looked after Children within a family setting. This is delivered by The Adoption Partnership ,a partnership between Kent, Medway and Bexley (a Regional Adoption Agency). This also includes payments associated with special guardianship arrangements and adoption payments.
61	6,044.6	Care Leavers Service	5,077.3	4,300.7	9,378.0	-2,586.7	-1,300.8	5,490.5	Enables and assists care leavers (post 18) to develop their skills and enhance their life opportunities as they progress into adulthood
62	-60.0	Asylum	3,276.1	28,923.7	32,199.8	-1,560.9	-30,698.9	-60.0	Supporting unaccompanied asylum seekers under the age of 18 and those aged 18 or over (who were previously in care when aged under 18) as Care Leavers
63	5,684.2	Integrated Services (Children's) Management & Directorate Support	6,469.9	1,383.9	7,853.8	-357.7	-2,161.9	5,334.2	Directorate support costs including practice development for both early help and children social work functions along with the provision of management information for the whole Directorate
64	164,528.3	Total - Integrated Children's Services (East & West) (ICS)	100,419.8	146,746.0	247,165.8	-21,556.2	-53,845.8	171,763.8	

Rov	2022-23				2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	
Spe	cial Educationa	l Needs and Disabilities (SEND)							
Cor	orate Director: Sara	h Hammond and Director: Stuart Collins							
65	32,972.0	Adult Learning & Physical Disability Pathway - Community Based Services	0.0	41,705.5	41,705.5	-1,688.9	0.0	40,016.6	Commissioned Community Based Services for Physical Disability Service Users and Learning Disability Service Users (aged 18+) including domiciliary care, direct payments, day care, and supported living to enable Service Users to remain independent
66	9,176.3	Adult Learning & Physical Disability Pathway - Residential Care Services & Support for Carers	0.0	9,655.3	9,655.3	-412.4	0.0	9 747 9	Residential Care Services (and Short Breaks) for Learning Disability Service Users and Physical Disability Service Users (aged 18+) and services to support carers
67	5,535.1	Children in Need (Disability) - Care & Support	0.0	5,858.7	5,858.7	-2.8	0.0	5,855.9	Service for Children in Need (aged 0-18) with a Disability including day care, direct payments, payments to voluntary organisations, and short breaks for carers
68	1,691.6	Childrens Disability 0-18 Commissioning	705.8	2,410.6	3,116.4	-1,381.3	0.0	1,735.1	Commissioned Community Based Services (aged 0-18) including short breaks, direct payments and group day care services
69	9,023.4	Disabled Children & Young People Service (0-25 LD & Complex PD) - Assessment Service	8,799.9	601.1	9,401.0	0.0	0.0		Social care staff providing assessment and support services for Service Users (aged 0-25) with Learning Disability, Complex Physical Disabilities and Sensory Impairment
70	16,424.5	Looked After Children (with Disability) - Care & Support	0.0	21,849.1	21,849.1	-2,960.3	0.0		Commissioned services for Looked After Children (aged 0-18) with a Disability including both short and long term residential care and fostering services
71	0 3,611.2 0	Looked After Children (with Disability) - In House Provision	4,701.2	691.2	5,392.4	-1,781.2	0.0	3 611.2	In-House Residential Respite and Enablement Services to support Looked After Children and families
72	13,245.4	Special Educational Needs & Psychology Services	18,750.9	83,055.1	101,806.0	-6,108.9	-81,349.3	14,347.8	Assessment and placement of children and young people with Special Educational Needs including those with Education Health Care Plans (EHCPs)
73	230.6	Special Educational Needs & Disability Management & Divisional Support	166.4	64.2	230.6	0.0	0.0	230.6	Directorate support costs including those relating our response to the SEN Written Statement of Action
74	91,910.1	Total - Special Educational Needs and Disabilities (SEND)	33,124.2	165,890.8	199,015.0	-14,335.8	-81,349.3	103,329.9	
75	318,752.0	Total - Children, Young People & Education (CYPE) Controllable Budget (excluding Schools' Delegated Budgets)	147,869.8	529,544.7	677,414.5	-63,230.1	-258,297.6	355,886.8	
Sch	ools' Delegated	Budgets (SDB)							
	oorate Director: Sara								
76	0.0	Schools' Delegated Budgets	535,089.5	168,030.9	703,120.4	-30,490.7	-672,629.7	0.0	Holds the Dedicated Schools Grant (DSG) for Kent schools
77	318,752.0	Total - Children, Young People & Education (CYPE) Controllable Budget (including Schools' Delegated Budgets)	682,959.3	697,575.6	1,380,534.9	-93,720.8	-930,927.3	355,886.8	

Row	2022-23				2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	
Cor	porately held bu	ıdgets							
	orate Director: Zena								
78	0.0	Corporately Held Budgets (to be allocated)	4,948.9	0.0	4,948.9	-150.0	0.0	4,798.9	Corporately held budgets earmarked for CYPE directorate, to be allocated once spend has been incurred. Details are provided in Appendix E.
79	318,752.0	Total Children, Young People & Education (CYPE) Budget including provisional share of Corporately held budgets (including Schools' Delegated Budgets)		697,575.6	1,385,483.8	-93,870.8	-930,927.3	360,685.7	
80	318,752.0	Total Children, Young People & Education (CYPE) Budget including provisional share of Corporately held budgets (excluding Schools' Delegated Budgets) (Row 79 less Row 76)		529,544.7	682,363.4	-63,380.1	-258,297.6	360,685.7	
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Growth, Environment & Transport (GET)

Revenue Budget for 2023-24 £191.9m
Capital Budget for next 10 years £1,414.0m
Full Time Equivalent (FTE) staff* 1,439.7

Growth, Environment & Transport (GET) has recently restructured to better reflect Council priorities and is made up of 3 Divisions: Highways and Transportation (HT), Environment and Waste (EW) and Growth and Communities (GC) as well as Strategic Management & Directorate Budgets (SMDBG).

GET is considerable in terms of its range of both strategic and front-line services and projects, as well as having responsibility for a very large capital programme with complex funding streams and delivery targets. GET is responsible for many visible services that help shape, support and grow our local communities, such as maintaining and improving Kent's highway network, protecting and assisting residents and businesses, disposing of and recycling household waste as well as fostering a lifelong love of reading through our libraries. We also provide loans to help local businesses thrive or convert empty properties into much needed residences, encourage physical activity through our Country Parks and Public Rights of Way, protect vulnerable residents against rogue traders, and actively promoting and delivering an energy and low emissions strategy for Kent and Medway.

By delivering a wide range of good services both directly and through strategic contracts using both local and national suppliers we can improve the everyday lives of the people and businesses of Kent and make the County a better place to live, work, and thrive.

Growth and Communities (GC) - responsible for the development of a range of growth and community related strategies including the Economic Strategy, Growth and Infrastructure Framework, the Housing Strategy, Library Ambition, Cultural Strategy, Digital Strategy, and the Community Safety Agreement.

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

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

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

Environment and Waste (EW) - responsible for the development of a range of environment and waste related strategies including the Kent Environment Strategy, Kent and Medway Energy and Low Emissions Strategy, KCC Net Zero Plan, Climate Change Adaptation Plan, Kent Waste Disposal Strategy, Heritage Strategy, Biodiversity Strategy and the Local Flood Risk Management Strategy. The division is responsible for the management and enhancement of the natural environment, manages local flood risk and manages the conservation of the historic environment. It also leads on the Council's commitment to net zero 2030 across its own estate and works with partners towards the delivery of net zero 2050 for Kent.

The division is also responsible for the management of all waste and recycling materials collected by Kent's district, borough and city councils through a network of infrastructure, operating household waste and recycling centres and managing closed landfill sites across the county. The division also hosts the Kent Downs Area of Outstanding Natural Beauty (AONB) team.

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

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

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

*FTE is as per December 2022 data



Simon Jones

Corporate Director Growth, Environment & Transport

Row	2022-23				2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	

Growth, Environment & Transport (GET)

£194.4m

Corporate Director: Simon Jones

Strategic Management & Directorate Budgets (SMDBG)										
Corpo	rate Director: Simo	on Jones								
81	1,386.9	Strategic Management & Directorate Budgets (GET)	645.4	809.5	1,454.9	-68.0	0.0	1,386.9	Centrally held Directorate costs, as well as the Corporate Director, Portfolio Management Office, and Directorate legacy pension and early retirement costs	

•	Growth and Communities (GC)									
0	Director: Stephanie Holt-Castle									
	82 (Page 4,248.4	Growth and Support to Businesses	4,236.0	3,589.9	7,825.9	-1,469.4	-1,112.1	5 244 4	A group of services working to ensure sustainable growth in Kent including Planning Applications, Strategic Planning, Developer contributions, Levelling Up, Broadband, and No Use Empty. Working with public, private, and voluntary sectors to support Kent's economic growth covering business and enterprise. In addition to this providing support to and the delivery of capital programmes with a value in excess of £100m which includes Kent & Medway Business Loan Fund (KMBF). Supporting the growth of the Creative and Cultural Economy to deliver economic and social outcomes across Kent, including Turner Contemporary
	83	2,612.3	Community (Assets & Services)	4,392.9	3,801.1	8,194.0	-5,314.2	-91.9		A wide range of services including Country Parks, Public Rights of Way, 8 Gypsy and Traveller sites, Explore Kent, Countryside Partnerships, and hosting Active Kent as well as co-ordinating Village Halls and Sports facilities grants
	84	11,073.4	Public Protection	9,506.8	4,816.8	14,323.6	-3,037.6	0.0	11,286.0	Public Protection services including Trading Standards, Community Wardens, Coroners, Kent Scientific Services (KSS), and Community Safety
	85	9,467.7	Libraries, Registration & Archives	11,945.7	4,007.6	15,953.3	-6,238.6	0.0		The Libraries, Registration & Archives (LRA) service is delivered through a network of 99 libraries, 5 Register Offices, 5 mobile libraries, an archive centre, the stock distribution and support function building at Quarry Wood, the information service which includes the public 'Ask a Kent Librarian' service, and the 24 hour accessible online services. The LRA service also delivers the records management service on behalf of KCC, is contracted to deliver 5 prison libraries in Kent and the registration service on behalf of the London Borough of Bexley
	86	786.9	Growth and Communities Divisional management costs	780.2	6.7	786.9	0.0	0.0	786.9	Divisional management and support costs
	87	28,188.7	Total -Growth and Communities(GC)	30,861.6	16,222.1	47,083.7	-16,059.8	-1,204.0	29,819.9	

Row	2022-23			2023-24 Pro	posed Bud	get			
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	

	Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Expenditure	Income	Grants	Net Cost	Key Service Description				
	£000s		£000s	£000s	£000s	£000s	£000s	£000s					
_	Highways and Transportation (HT) Director: Haroona Chughtai												
88	32,578.5	Highway Assets Management	11,915.2	29,648.7	41,563.9	-4,918.4	0.0	36,645.5	Road and footway reconstruction, renewal and preservation. Safety inspections, emergency and routine maintenance, customer enquiries. Cycle way maintenance. Signs, lines and barrier maintenance, Highway drainage cleansing, repairs and capital improvements. Soakaway maintenance and construction. Highway trees inspection and maintenance, urban shrubs and grass cutting, rural swathe cutting, weed spraying, emergency tree contract. Bridges, structures and tunnels management and capital renewals. Street Works permitting, coordination and inspection of works undertaken by utility companies, developers and KCC contractors. Temporary Road Closures, highway licences and Vehicle Crossovers. Winter service, gritting and salt bins. Out of hours 24/7/365 Highways Emergency and adverse weather response. Street lighting, LED conversion and CMS management, lit signs and bollards maintenance and energy costs of street lighting. Kent lane rental scheme, Third Party damage repair, fly tip removal, High Speed Road Maintenance Programme				
89	Page 6,460.1	Transportation	8,589.6	2,386.8	10,976.4	-4,489.5	-199.5	6,287.4	Reducing casualties and traffic congestion on Kent's roads by enabling the delivery of a £300m+ capital programme of engineering schemes by managing traffic and through road safety improvements, education and campaigns. Assisting developers in identifying and delivering solutions to protect our network from the negative impacts of development traffic				
90	4,945.5	Supported Bus Services	89.0	8,749.9	8,838.9	-2,499.0	-1,087.8	5,252.1	Financial support for otherwise uneconomic bus routes (including the Kent Karrier service), as well as community transport schemes				
91	13,840.6	English National Concessionary Travel Scheme (ENCTS)	0.0	13,020.5	13,020.5	-47.0	0.0	12,973.5	A statutory concessionary travel scheme, providing free bus travel for the elderly, disabled and disabled user companions				
92	4,787.5	Kent Travel Saver (KTS)	0.0	14,558.2	14,558.2	-9,482.7	0.0	5,075.5	Provides discounted travel on the Kent bus network for young people aged 11-16				
93	3,622.1	Highways & Transportation Divisional management costs	3,310.6	930.0	4,240.6	-618.5	0.0	3,622.1	Management, planning, procurement and monitoring of transport services, contract management, business services and business support for Highways & Transportation				
94	66,234.3	Total - Highways & Transportation (HT)	23,904.4	69,294.1	93,198.5	-22,055.1	-1,287.3	69,856.1					

Row	2022-23				2023-24 Pro	oposed Bud	get						
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description				
	£000s		£000s	£000s	£000s	£000s	£000s	£000s					
	Environment and Waste (EW)												
Direc	tor: Matt Smyth		1		1	1	1						
95	3,075.9	Environment	3,337.5	6,975.6	10,313.1	-2,134.4	-5,312.8	2,865.9	Covers Net Zero, Climate Change, Natural Environment and Heritage Conservation, Flood and Water Management, hosting Kent Downs Area of Outstanding Natural Beauty (AONB), and partnering High Weald AONB				
96	44,476.9	Residual Waste	118.0	50,730.7	50,848.7	-470.0	0.0	50,378.7	Statutory waste services for Kent residents including treatment and disposal of residual household waste, including management of closed landfill sites				
97	32,091.7	Waste Facilities & Recycling Centres	0.0	40,467.0	40,467.0	-4,088.3	0.0	36,378.7	Statutory waste services for Kent residents including Household recycling centres, cost of recycling, and composting household waste				
98	1,773.0	Environment and Waste Divisional management costs	1,521.5	256.5	1,778.0	-5.0	0.0		Work with Environment Agency to reduce waste, commissioning and contract management of care waste management service. Also includes business services and business support for Environment & Waste functions				
99	ဎ သ 81,417.5 ထ	Total - Environment and Waste (EW)	4,977.0	98,429.8	103,406.8	-6,697.7	-5,312.8	91,396.3					
													
100	<u>177,227.4</u>	Total - Growth, Environment & Transport (GET) Controllable Budget	60,388.4	184,755.5	245,143.9	-44,880.6	-7,804.1	192,459.2					
	oorately held but orate Director: Zena												
101	0.0	Corporately Held Budgets (to be allocated)	2,197.6	0.0	2,197.6	-300.0	0.0		Corporately held budgets earmarked for GET directorate, to be allocated once spend has been incurred. Details are provided in Appendix E.				
102	177,227.4	Total Growth, Environment & Transport (GET) Budget including provisional share of Corporately held budgets	62,586.0	184,755.5	247,341.5	-45,180.6	-7,804.1	194,356.8					

Chief Executive's Dept. (CED)

Revenue Budget for 2023-24 £32.1m
Capital Budget for next 10 years
Full Time Equivalent (FTE) staff* 725.0

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

The Chief Executive's Department also supports the organisation to deliver and respond to changes in our operating environment. Priorities include leading the revenue and capital budget process for the Council, ensuring effective governance and assurance processes and leading and shaping commissioning activity for the Council. Our Department also plays a significant role in ensuring the Council is well placed to meet its statutory and regulatory duties.

Chie Executive's Department has the following roles and responsibilities:

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

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

Finance (FIN): The Division comprises four key functions that together provide strategic financial and audit support to the Council. These functions are Operations, Internal Audit, Policy, Planning & Strategy and Pensions & Treasury.

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

Strategic Management & Directorate Budgets (SMDBCE): This area incorporates the Department's centrally held costs and external grant income.

*FTE is as per December 2022 data



David Cockburn

Chief Executive

Row	2022-23				2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	

109

7,667.5

Ch	ief Execu	tive's Department (CED)							£33.2m
Chie	ef Executive: Da	vid Cockburn							
Stra	tegic Managen	nent & Departmental Budgets (SMDBCE)							
Chief	Executive: David C	ockburn							
103	27.5	Strategic Management & Departmental Budgets	549.3	1,654.0	2,203.3	-625.8	-2,050.0	-472.5	Historic Corporate services costs and grant contributions to central Corporate Services' overheads
	nce (FIN)								
Corpo	orate Director: Zen	a Cooke							
104	ව 9,411.5 ගු	Finance	13,894.2	2,129.4	16,023.6	-5,642.3	-904.8	9,476.5	Provision of Internal Audit and Counter Fraud Services and finance advice and support for all budget holders and Members in planning, managing, and reporting on the Council's financial resources. Pensions & Treasury functions. Transactional financial services commissioned from Cantium Business Solutions Ltd
	_	Grants to Kent District Councils to maximise Council Tax collection	0.0	3,528.4	3,528.4	-357.1	0.0	3,171.3	Grants to Kent District Councils to support local council tax collection, including compensation for second homes discount and counter fraud initiatives.
106	12,582.8	Total - Finance (FIN)	13,894.2	5,657.8	19,552.0	-5,999.4	-904.8	12,647.8	
Gov	ernance. Law 8	& Democracy (GLD)							
	tor: Ben Watts	, Jemosiacy (625)							
107	6,857.5	Governance & Law	3,728.5	3,775.7	7,504.2	-309.8	-35.0	7,159.4	Includes the cost of supporting the 81 elected Members of the County Council and their responsibilities, together with the management of the contract with Invicta Law Ltd for legal advice and services to KCC, public bodies, and other local authorities. Co-ordination of responses to Freedom of Information (FOI) requests
108	810.0	Local Member Grants	0.0	291.6	291.6	0.0	0.0	291.6	Member Grants made to a wide range of community based groups, individuals and organisations

3,728.5

Total - Governance, Law & Democracy (GLD)

4,067.3

7,795.8

-309.8

-35.0

7,451.0

Row	2022-23			:	2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	
	ategic Commission								
110	7,635.1	Strategic Commissioning	9,021.5	-108.3	8,913.2	-1,561.0	-44.1	/ KUX T	Responsible for delivering a commissioning and procurement strategy for the Authority. Includes commissioning, contract management, and procurement functions
	ntegy, Policy, Rel	ationships & Corporate Assurance (SPRCA)							
111	4,482.3	Strategy, Policy, Relationships & Corporate Assurance	6,990.5	7,419.9	14,410.4	-811.6	-8,472.5	5,126.3	Supports the political and managerial leadership of KCC through corporate strategy, policy development, safeguarding and strategic partnerships, corporate risk management and the Kent analytics service. Administration of the council's grant scheme in support of the civil society strategy
112	32,395.2	Total - Chief Executive's Department (CED) Controllable Budget	34,184.0	18,690.7	52,874.7	-9,307.6	-11,506.4	32,060.7	
	ag				'		,		
	porately held bu								
Corp	orate Director: Zena	Сооке							Comparately, held hydrests assessed for CFD depositioned to be allegated assessment by
113	0.0	Corporately Held Budgets (to be allocated)	1,126.0	0.0	1,126.0	0.0	0.0		Corporately held budgets earmarked for CED department, to be allocated once spend has been incurred. Details are provided in Appendix E.
114	32,395.2	Total Chief Executive's Department (CED) Budget including provisional share of Corporately held budgets	35,310.0	18,690.7	54,000.7	-9,307.6	-11,506.4	33,186.7	

Deputy Chief Executive's Dept. (DCED)

Revenue Budget for 2023-24 £83.3m
Capital Budget for next 10 years
Full Time Equivalent (FTE) staff* 318.4

The Deputy Chief Executive's Department delivers professional advice and support services to the Council, Kent residents and customers.

Our Department contains key functions which support the Council to respond to changes in our operating environment and support the services and our staff to deliver their objectives. Priorities include enabling the development and delivery of ICT that improves and supports the transformation of the authority, defining the future direction and priorities of the council's property services, working with front line services to help design and improve customer and user experiences, and providing support for extensive business change across the Council as we continue with our Strategic Reset Programme.

The eputy Chief Executive's Department has the following roles and responsibilities:

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

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

Human Resources & Organisational Development (HROD): The Division is responsible for employment practice and policy and provides advice and guidance to support and enhance business performance.

Marketing & Resident Experience (MRE): The Division is responsible for ensuring that the Authority's reputation is protected, enhanced, and promoted and that the customer experience is championed, enhanced, and protected across all contact channels. It contains communications, marketing, media relations, public consultation, resident, customer, and engagement functions for the Authority.

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

Strategic Management & Departmental Budgets (SMDBDC): This area incorporates some of the Department's centrally held functions including health and safety, business and client relationships and the Strategic Reset Programme, which is our whole council transformation programme, bringing together priority programmes from across the Council.

*FTE is as per December 2022 data



Amanda Beer
Deputy Chief Executive

Rov	2022-23				2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	

Deputy Chief Executive's Department (DCED)

£84.0m

Deputy Chie	ef Executiv	e: Amanda Beer							
		Cirimanua Seei							
Strategic Ma	lanagemen	t & Departmental Budgets (SMDBDC)							
Deputy Chief Ex	Executive: Am	anda Beer							
115	678.2	Strategic Management & Departmental Support	752.3	202.3	954.6	-276.4	0.0	678.2	Departmental management and support costs, including Heads of Service.
116	2,130.8	Business & Client Relationships	260.3	2,100.8	2,361.1	-60.0	0.0	2,301.1	Provides a range of business critical support activities for services across KCC, including provision of workforce data and people analytics. Responsible for commissioning HR service delivered by Commercial Services Kent Ltd, and managing the divisional service offer to T Education People and Invicta Law.
¹¹⁷ D	359.2	Health & Safety	349.6	39.7	389.3	-30.1	0.0	359.2	Provides expert and proportionate advice to staff in all aspects of health and safe management, including risk management and service resilience.
age 109	1,656.7	Strategic Reset Programme	1,656.7	0.0	1,656.7	0.0	0.0	1,656.7	The Strategic Reset Programme (SRP) is the whole council transformation programme bringing together priority programmes from across KCC. The SRP Team work closely w services to ensure programmes are delivered successfully.
119	4,824.9	Total - Strategic Management & Departmental Budgets	3,018.9	2,342.8	5,361.7	-366.5	0.0	4,995.2	
				<u>'</u>			<u>'</u>		
Corporate L	•	CL)							
Director: Rebed	ecca Spore								Durk during the share of the Countilly and the formation of the
120	25,375.5	Corporate Landlord	0.0	42,495.8	42,495.8	-8,629.5	-187.0	33,679.3	Day to day costs relating to the running of the Council's complex estate of operational fro line buildings; the office estate and holding costs of non-operational buildings
Human Reso	sources & C	Organisational Development (HROD)							
Director: Paul F	Royel								
121	5,149.7	Human Resources & Organisational Development	3,459.6	2,011.1	5,470.7	-320.0	-1.0	5,149.7	Responsible for employment practice and policy and provides advice and guidance to supp and enhance business performance.

Row	2022-23			:	2023-24 Pro	posed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	
Infr	astructure (INF)								
Dire	ctor: Rebecca Spore		ļ.		ļ.				
122	7,754.6	Property related services	8,693.5	1,022.3	9,715.8	-2,041.2	0.0		Strategic management of KCC's estate. Leads on the delivery of the Council's Property Asset Management Strategy together with the delivery of day to day management of the KCC estate.
123	247.0	Emergency Planning	243.7	29.0	272.7	-85.7	0.0	187.0	The Resilience and Emergency Planning Service ensures that all services and assets are resilient to possible threats. This includes 24/7 emergency management and response capability, generic and risk specific contingency planning, legal and regulatory compliance with the County Council's business continuity and emergency planning duties.
124	8,001.6	Total - Infrastructure	8,937.2	1,051.3	9,988.5	-2,126.9	0.0	7,861.6	
	_	ent Experience (MRE)							
	uty Chief Executive:	Amanda Beer							
	3 9 0 1 1 0	Marketing & Resident Experience	2,615.4	4,085.7	6,701.1	-525.6	-89.0	6,086.5	Leads on ensuring that KCC's reputation is protected, enhanced, and promoted and that the customer experience is championed and protected across all contact channels. It contains communications, marketing, media relations, public consultation, resident, customer, and engagement functions. Also includes provision of the county's Gateway services and the Contact Centre.
	hnology (TEC) ctor: Lisa Gannon								
126	24,028.8	Technology	3,673.8	25,077.9	28,751.7	-2,983.2	-149.0		Leads on defining future provision and strategy for Technology, ensuring the best use of available technology to support the needs of the Council. ICT services commissioned from Cantium Business Solutions Ltd
127	73,376.5	Total - Deputy Chief Executive's Department (DCED) Controllable Budget	21,704.9	77,064.6	98,769.5	-14,951.7	-426.0	83,391.8	
	porately held but porate Director: Zena								
128	0.0	Corporately Held Budgets (to be allocated)	662.1	0.0	662.1	-50.0	0.0	612.1	Corporately held budgets earmarked for DCED department, to be allocated once spend has been incurred. Details are provided in Appendix E.
129	73,376.5	Total Deputy Chief Executive's Department (DCED) Budget including provisional share of Corporately held budgets	22,367.0	77,064.6	99,431.6	-15,001.7	-426.0	84,003.9	

Row	2022-23				2023-24 Pro	pposed Bud	get		
Ref	Revised Base Budget (Net Cost)*	Division & Key Service	Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Key Service Description
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	
No	on Attribu	table Costs (NAC)							£111.4m
Cor	oorate Director	Zena Cooke							
130	125,650.6	Non Attributable Costs	1,385.8	132,595.7	133,981.5	-22,599.0	-9.0		Includes net debt costs (including investment income), transfers to and from reserves, and others including Insurance Fund, audit fees and Apprenticeship Levy
	porately held bu prate Director: Zena								
131	-250.0	Corporately Held Budgets (to be allocated)	0.6	0.0	0.6	0.0	0.0	0.6	Corporately held budgets earmarked for Non Attributable Costs, to be allocated once spend has been incurred. Details are provided in Appendix E.
132	125,400.6	Total Non Attributable Costs (NAC) Budget including provisional share of Corporately held budgets	1,386.4	132,595.7	133,982.1	-22,599.0	-9.0	111,374.1	
	D	provisional share of corporately field budgets							
Co	7	Held Budgets (CHB)							£0.0m
	porate Director								
133	0.0	Corporately Held Budgets (to be allocated)	0.0	22,130.8	22,130.8	0.0	-22,130.8	0.0	
134	1,191,493.8	Total Budget (including Schools' Delegated Budgets	902,349.8	1,832,653.2	2,735,003.0	-362,478.6	-1,061,639.0	1,310,885.4	
		on Row 76)							
135	1,191,493.8	Total Budget (excluding Schools' Delegated Budgets on Row 76)	367,260.3	1,664,622.3	2,031,882.6	-331,987.9	-389,009.3	1,310,885.4	

^{*}The 2022-23 Revised Budget column includes changes to budgets as a result of structural changes

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Heading	Description	ASCH	CYPE	GET	Public	CED	DCED	Non	Corporately	Total	
oudg	2000 piloti	7.00.11	(incl DCS Age 0-25)	52.	Health	0_0	5025	Attributable Costs	held budgets	i otai	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2022-23 Base Budget	Approved budget by County Council on 10th February 2022	460,208.4	318,677.7	175,623.5	0.0	32,359.5	71,715.9	128,762.9	4,145.9	1,191,493.8	
Base Adjustments (internal)	Changes to budgets which have nil overall affect on net budget requirement	4,133.7	74.3	1,603.9	0.0	35.7	1,660.6	-3,112.3	-4,395.9		
Revised 2022-23 Base Budget		464,342.1	318,752.0	177,227.4	0.0	32,395.2	73,376.5	125,650.6	-250.0	1,191,493.8	1,191,493.8
Growth											
Net Base Budget Changes	Growth based on current and forecast activity levels										63,510.3
Adult Social Care	Underlying budget pressure from 2022-23 due to increased costs and activity across all Adult social care services	22,839.0	4,334.1							27,173.1	
Energy Costs	Realignment for the increase in energy costs for our operational buildings in 2022-23 due to the extraordinary economic consequences of global and national circumstances						4,521.2			4,521.2	
Subsidised Buses	Realignment for price uplift in routes retendered during 2022-23			216.6						216.6	
Waste -pr ices and income	Realignment of prices, waste tonnage and income levels for a variety of waste streams			3,660.0						3,660.0	
Librari	Realignment of library income levels as a result of reduced usage during and following the Covid pandemic			460.0						460.0	
Home to School Transport	Realignment to reflect increased costs and demand in 2022-23		13,594.0							13,594.0	
Streetilight Energy	Realignment of the streetlight energy budget reflecting high price rises due to the extraordinary economic consequences of global and national circumstances			2,690.8						2,690.8	
Children's Social Care	Underlying budget pressure from 2022-23 due to increased costs and activity across all Children's social care services		10,628.7							10,628.7	
Special Educational Needs & Disability (SEND)	Additional cost of new SEND structure required to support increasing numbers of Education, Health and Care Plans (EHCPs)		500.0							500.0	
Corporate Landlord	Removal of short-term provision for potential loss of rental income from tenants who deferred rent from 2020-21 and have subsequently gone out of business						-200.0			-200.0	
Other	Other minor growth based on current activity levels less than £200k			156.0	24.6	65.0	-60.0	80.3		265.9	
Reduction In Grant Income											3,106.4
Adult Social Care	Reduction in Independent Living Fund specific grant which has been consolidated into the Social Care Grant as part of the provisional Local Government Finance Settlement 2023-24 and shown as general funding of the Council's budget	1,902.6	17.2							1,919.8	
Public Health	Anticipated reduction in external funding for various Public Health activities (includes time-limited funding)				1,186.6					1,186.6	

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	budgets	Total	
Day and Drives		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Pay and Prices Pay:											
Pay and Reward	Contribution to pay pot and impact on base budget of uplifting								16,300.0	16,300.0	13,883.0
r dy dna reward	pay grades in accordance with single pay reward scheme								10,000.0	10,000.0	10,000.0
	including the revision of lower Kent Scheme pay scales to										
	further increase the differential between the lowest pay range										
	and the Foundation Living Wage and increasing the annual										
	leave entitlement for some staff. This is the subject of pay										
- N	bargaining with Trade Unions.										
Employer National Insurance	Impact of Government reversal of the increase in employer and								-1,600.0	-1,600.0	
contributions	employee national insurance contributions by 1.25% in 2022-23 to fund social care reforms and NHS backlog										
Employer Pension contributions	Reduction in the employer pension contribution from 2022								-1,570.0	-1,570.0	
2022 Valuation	actuarial review (0.8% reduction in annual rate)								1,070.0	1,070.0	
Public Health Pay	Estimated net impact of KCC pay award/adjustments for KCC				785.7					785.7	
	Public Health staff										
Other	Other changes to pay and pensions less than £200k				-121.6			88.9		-32.7	
Inflaties:											70 444 0
Inflation: KCC Estate Energy	Anticipated price increases on energy contracts for the KCC						2,229.3			2,229.3	70,441.2
NCC Lipiate Effergy	estate as estimated by Commercial Services						2,223.3			2,229.5	
Streetlight Energy	Provision for price inflation related to Streetlight energy as			2,200.4						2,200.4	
Olicoli <u>lat</u> it Energy	estimated by Commercial Services			2,200.4						2,200.4	
Streetlight Energy Rebate	Rebates from our Solar Farms offset against the streetlight			-895.0						-895.0	
	energy charges										
Adult Social Care	Provision for contractual and negotiated price increases across	25,228.5	2,531.3							27,759.8	
	all adult social care packages including nursing, residential,										
	domiciliary, supporting independence and direct payments.										
Adult Social Care	Provision for contractual and negotiated price increases across	5,406.6								5,406.6	
	all adult social care packages funded by the Market Sustainability and Improvement Fund included in the provisional										
	local government finance settlement										
Children's Social	Provision for price negotiations with external providers, and		7,071.6							7,071.6	
Care	uplift to in-house foster carers in line with DFE guidance		.,0							.,00	
Home to School Transport	Provision for inflation on contracted services and season tickets		1,910.8							1,910.8	
·	for mainstream & SEN Home to School and College Transport		,							,	
	and the 16+ Kent Travel Saver.										
Kent Travel Saver &	Provision for price inflation related to the Kent Travel Saver and		268.2	1,488.0						1,756.2	
Kent 16+ Travel Saver	Kent 16+ Travel Saver which is recovered through uplifting the										
16 . 7	charge for the pass			1 0 1 0 -							
Kent Travel Saver	Increase in bus operator price inflation above the budgeted			1,018.0						1,018.0	
	amount in 2022-23 related to the Kent Travel Saver which is to be recovered through uplifting the charge for the pass										
Contract related inflation	Provision for price inflation related to Highways, Waste and			11,248.3						11,248.3	
Contract related initiation	other contracted services (based on contractual indices)			11,270.0						11,270.0	

Heading	Description	ASCH	CYPE	GET	Public	CED	DCED	Non	Corporately	Total	
-			(incl DCS Age 0-25)		Health			Attributable Costs	held budgets		
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Technology contracts	Provision for price inflation on Third Party ICT related contracts						399.4			399.4	
Software Licences	Negotiated annual price uplift for three year contract (July 2020						430.8			430.8	
	to July 2023) for E5 software licences										
Facilities Management	Estimated future price uplift to new Facilities Management contracts		315.6				1,549.0			1,864.6	
Cantium Business Solutions (CBS) and Kent Commercial Services (KCS)	Inflationary uplift on the CBS ICT contract and KCS HR Connect contract						771.5			771.5	
Other Transport Related inflation	Provision for price inflation related to other transport services including subsidised bus services			1,148.0						1,148.0	
Corporate Landlord	Provision for price inflation for rent and rates for the office estate						454.3			454.3	
Public Health contracts	Estimated increase in contract prices				4,316.2					4,316.2	
Highways Maintenance	Anticipated increased costs of recommissioning of the Highways Maintenance Contract			500.0						500.0	
Special Educational Needs	Provision for price inflation on the cost of agency staff		602.4							602.4	
External Audit fee	Estimated increase in external audit fee							316.1		316.1	
Genera Prices reduction	Reductions to be identified from review of contract uplifts		-186.8	-243.3			-69.9			-500.0	
Other	Other price increases of less than £200k		296.4				100.0	35.5		431.9	
⊕ Dema nd & Cost Drivers ਂਹੀ	Additional spending associated with change in demand, population growth and other cost drivers										
Adult Social Care	Provision for impact of the full year effect of all current costs of	13,716.5	2,400.0							16.116.5	34,001.7
	care, further increases in client numbers expected through transition into adulthood from Children's Social Care, additional costs arising for existing clients and for those new clients whose needs are becoming more complex.	7, 7.	,							, , ,	,,,,,
Adult Social Care	Provision for impact of an increase in client numbers and	4,867.5								4,867.5	
Addit Good Gard	additional costs resulting from existing and new clients whose needs are becoming more complex, funded by the Market Sustainability and Improvement Fund included in the provisional local government finance settlement and shown within the general funding of the Council's budget	,,,,,,,,								1,001.0	
Adult Social Care	Provision for impact of an increase in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, funded from the new ringfenced Adult Social Care Discharge Fund included in the provisional local government finance settlement and shown within the general funding of the Council's budget	7,012.0								7,012.0	
Children's Social Care	Estimated impact of an increase in the population of children in Kent, leading to increased demand for children's social work and disabled children's services		3,300.0							3,300.0	
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport		3,843.7							3,843.7	

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Kent Travel Saver	Estimated impact of the Covid pandemic on take up and usage of the Kent Travel Saver pass			288.0						288.0	
Waste - tonnage changes	Estimated impact of changes in waste tonnage as a result of population and housing growth			748.0						748.0	
English National Concessionary Travel Scheme (ENCTS)	Continuation of reduced usage of the ENCTS pass following the Covid pandemic			-1,900.0						-1,900.0	
Highways	Re-introduction of the second weed spray as current climate means that existing policy is insufficient to ensure the roads remain safe and ensure a pro-active approach to asset management to avoid weeds establishing to a point to cause damage to roads and footways resulting in more costly repairs			200.0						200.0	
Highways	Review of staff grades and capitalisation levels within the Highways team to reflect current complexity and reduced capital activity/works			325.0						325.0	
Facilities Management	Removal of provision for mobilisation costs of new Facilities Management contracts where we will incur costs such as legal, pensions, TUPE and set up costs and potentially some dual						-800.0			-800.0	
Page	running costs. The impact of these costs on the budget is being spread over the life of the contract via the temporary use of reserves.										
Public Health	Removal of one-off public health costs in 2022-23 funded from reserves related to Healthy Lifestyles and Substance Misuse				-448.2					-448.2	
Other	Other minor demographic pressures of less than £200k		169.4	179.5	100.3					449.2	
Government & Legislative											
Household Support Fund	Extension of the Government funded Household Support Fund into 2023-24 as announced in the Chancellor's Autumn Statement on 17th November 2022								22,130.8	22,130.8	22,130.8
Family Hubs	New responsibilities to be funded from the new DfE/DHSC Family Hubs and Start for Life grant		4,109.0							4,109.0	5,833.2
Domestic Abuse New Burdens	Costs of undertaking domestic abuse support in safe accommodation duties funded by specific grant	89.3				2,236.5				2,325.8	
Public Health - Health Visiting	Removal of one-off funding in 2022-23 for additional contacts under the Universal Plus/Universal Partnership Plus families due to change in Health & Care Profession Guidance				-380.0					-380.0	
Other	Other Government & Legislative pressures of less than £200k	-90.0		-170.0				38.4		-221.6	
Service Strategies & Improver	nente										
Capital Programme	The impact on debt charges of both the review of the 2021-24 capital programme, and prior year capital programme decisions							2,000.0		2,000.0	3,862.4
Highways	Increased maintenance works due to a pro-active asset management approach identifying drainage assets in need of repair. This budget does not include storm events.			850.0						850.0	

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Economic Development Recovery Plan	Removal of time limited funding for re-design of the service and additional staffing and consultancy capacity to draft and deliver the Economic Recovery Plan/Economic Strategy following the Covid pandemic			-270.0						-270.0	
Oakwood House Development	Removal of holding costs and loss of income in the short term once Oakwood House is no longer operational, offset by savings in the longer term following change of use						-250.0			-250.0	
Technology	Full year effect of re-design of the Technology Function staffing structure to ensure the correct level of expertise is available to provide and commission a safe and secure ICT function, including appointment to the new Director of Technology role						229.2			229.2	
Strategy & Partnerships	Additional resources to support the statutory development of the Integrated Care System including engagement with a wide number of partner organisations					220.0				220.0	
Adult Social Care	Increase in the bad debt provision to reflect the anticipated impact of the high cost of living on our income collection rates	478.8	10.0							488.8	
Public Health - Children's Programme	Removal of one-off investment in 2022-23 in additional counselling services for children, Healthy child programme and Children's Weight Management				-840.5					-840.5	
Public G ealth	Estimated reduction in Public Health activities to offset a reduction in external funding				-1,050.4					-1,050.4	
Public H ealth - Sexual Health	Removal of one-off contribution to capital in 2022-23 for completion of works to Flete Unit				-400.0					-400.0	
Public Health - Children's Programme	Investment in counselling services for children, and Children's Health Programme campaigns				892.7					892.7	
Public Health - Healthy Lifestyle	s Investment in Public Health services to promote and support Healthy Lifestyles including health checks, health visiting and adult weight management				272.6					272.6	
Public Health - Health Visiting	Removal of one-off investment in 2022-23 in speech and language therapy, peri-natal mental health, Family Partnership Programme, text messaging service for parents and Health Visiting services				-538.6					-538.6	
Public Health - Sexual Health	Investment in Public Health Sexual Health Services				499.1					499.1	
Public Health - Substance Misuse	Investment in Substance Misuse services funded by Supplemental Substance Misuse Treatment and Recovery grant from Office for Health Improvement & Disparities				1,100.8					1,100.8	
Public Health - Healthy Lifestyle	s Removal of one-off investment in 2022-23 in Public Health services to promote and support Healthy Lifestyles				-281.1					-281.1	
Other	Other minor service improvements	120.0		17.0	-25.1	775.9	52.0			939.8	
	Total Additional Growth	81,570.8	55,715.6	23,915.3	5,093.1	3,297.4	9,356.8	2,559.2	35,260.8	216,769.0	216

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	budgets	Total	2222
Savings and Income		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Transformation Savings											
Adult Social Care service	Rephasing of savings from earlier years from the redesign of	752.1								752.1	752.1
redesign	the Adult Social Care operating model, focusing on social care practice, data led decision making and innovation. These savings are to be delivered in future years from reducing and managing the costs and future demand for social care. This may also include efficiencies in our future ways of working resulting in a reduction in staffing spend.	732.1								732.1	732.1
Children's Social Care	Explore strategies, including statutory guidance, to reduce dependency on social work agency staff		-1,005.0							-1,005.0	-2,405.0
Looked After Children	Reduce the recent increase in the number of Looked After Children placements through practice reviews & improved court proceedings		-1,500.0							-1,500.0	
Coroners	Savings from the use of Digital Autopsy techniques in the Coroner service including adjustment for non delivery of the project in 2022-23			100.0						100.0	
ට ව Income											
	uplifts from applying existing policy										
Review of Charges for Service Users - xisting service income stream inflationary increases	Uplift in social care client contributions in line with estimated benefit and other personal income uplifts, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams	-8,479.6	-176.6	-161.5						-8,817.7	-15,641.3
Kent Travel Saver	Kent Travel Saver price realignment to offset bus operator inflationary fare increases			-1,488.0						-1,488.0	
Kent Travel Saver	Kent Travel Saver price realignment to offset an increase in bus operator inflationary fare increases in 2022-23 above the budgeted amount			-1,018.0						-1,018.0	
Kent 16+ Travel Saver	Kent 16+ Travel Saver price realignment to offset bus operator inflationary fare increases		-268.2							-268.2	
Income return from our companies	Estimated increase in the income contribution from our limited companies							-2,000.0		-2,000.0	
Highways	Increase in net income budgets for streetworks and permit scheme			-450.0						-450.0	
Economic Recovery	Rephasing of the original saving planned for 2022-23 from re- prioritising external income to support the wider economic recovery within Kent			1,500.0						1,500.0	
Adult Social Care	Estimated annual inflationary increase in Better Care Fund	-2,339.3								-2,339.3	
Review of fees & charges	Further savings to be identified from a review of all fees and charges	·							-500.0	-500.0	
Other	Other minor changes in income of less than £200k			-115.0	-85.1		-60.0			-260.1	
Increases in Grants & Contrib	utions										
Public Health Grant	Estimated increase in Public Health Grant pending announcement from Department of Health and Social Care				-2,007.4					-2,007.4	-31,862.8

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s		£000s	£000s
Household Support Fund	Extension of the Government funded Household Support Fund into 2023-24 as announced in the Chancellor's Autumn Statement on 17th November 2022								-22,130.8	-22,130.8	
New Burdens	Removal of assumed New Burdens grant in 2022-23 to fund ongoing EU Exit costs including Border Ports and Animal Health and Feed Officers and responsibilities under the new Marriage Schedule Act 2021 as no grant funding was secured.			660.0						660.0	
Domestic Abuse	Increase in Domestic Abuse Duty grant to fund new burdens in providing domestic abuse support in safe accommodation	-938.3				-2,236.5				-3,174.8	
Public Health - Substance Misuse	Supplemental Substance Misuse Treatment and Recovery grant from Office for Health Improvement & Disparities				-1,100.8					-1,100.8	
Family Hubs	Estimate of our share of the new DfE/DHSC Family Hubs and Start for Life grant		-4,109.0							-4,109.0	
Efficiency Savings Staffing:											-1,582.4
Workforce Management Page	Removal of saving in 2022-23 budget from staffing savings across the organisation to be achieved through a range of measures including business process review; automation; rationalisation and digitalisation to be delivered and monitored by the Strategic Reset Programme Board. These savings are non cashable but have resulted in productivity gains								250.0	250.0	1,002.1
Children's Services	Review of the Practice Development Service		-350.0							-350.0	
Early Help & Preventative Services	Expanding the reach of caseholding Early Help services		-540.0							-540.0	
Open Access - Youth & Children's Centres	Continue to implement vacancy management and avoid all non- essential spend across open access		-600.0							-600.0	
Environment	Planned phasing of the new structure in the Environment Team			-300.0						-300.0	
Other	Other Direct & Indirect Staffing Efficiencies of less than £200k		-2.4	-40.0						-42.4	
Infrastructure											-8.0
Other	Minor Infrastructure efficiency savings of less than £200k				-8.0					-8.0	
Contracts & Procurement:											-1,391.0
Public Health	Estimated efficiency savings from Public Health Partnership working with Health				-1,000.0					-1,000.0	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Adult Social Care Commissioning	Rephasing of the original saving planned for 2022-23 from review of existing contracts for commissioned services to ensure the market is supported and developed to meet the needs of individuals, which will require costs to be reduced on some contracts.	329.3								329.3	
Public Health - Sexual Health	Estimated efficiencies within Sexual Health services				-245.0					-245.0	
Other	Other minor contracts & procurement savings of less than £200k			-200.0	-275.3					-475.3	

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	Corporately held budgets	Total	
	'	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£00
Other:											-6,664
Children's Social Care	Review of Legal Services Spend through cost efficiencies by Invicta Law and review of the use of legal services by social workers		-1,014.6							-1,014.6	
Adult Social Care	Review of 18-25 community-based services: ensuring strict adherence to policy, review of packages with high levels of support and enhanced contributions from health		-1,754.8							-1,754.8	
Libraries, Registration & Archives (LRA)	One-off reduction in Libraries Materials Fund and a one year contribution holiday for the Mobile Libraries renewals reserve			-206.0						-206.0	
Children's Services	Reconfigure the Family Drug & Alcohol Court Services into the main Children's Social Work Teams		-201.3							-201.3	
Adult Social Care	Consistently adhere to our policy framework in relation to areas such as: Third Party Top Ups; arranging support and debt for self-funders; transport and maximisation of relevant benefits; use of in-house provision and occupancy to reduce reliance on external purchasing of short term beds; people in residential care in receipt of other services; timely reviews of Section 117 status with regard to charging	-1,330.0	-250.0							-1,580.0	
Trans@rtation	Use developer agreement income to maintain current level of transportation services			-250.0						-250.0	
Historie-Pension Costs	Reduction in the number of Historic Pension Arrangements		-296.4			-500.0				-796.4	
Waste Household Waste & Recycling Centres (HWRCs)	Increased waste material segregation, increased re-use, black- bag splitting and trade waste recycling with a view to generating income or reducing cost		200.4	-605.0		000.0				-605.0	
Community Learning & Skills	Development of income earning activities within the CLS service and engage in efficiency measures to reduce costs		-200.0							-200.0	
Other	Other minor efficiency savings of less than £200k				-29.7	-27.0				-56.7	
Financing Savings											
Debt repayment	Review amounts set aside for debt repayment (MRP) based on review of asset life							-1,000.0	l	-1,000.0	-3,893
Investment Income	Increase in investment income largely due to the increase in base rate							-2,893.3		-2,893.3	
Revenue costs of borrowing	Delay in prudential borrowing costs as a result of rephasing of the capital programme										
Policy Savings											-23,937
Highways Capital works	Removal of revenue contribution towards highways capital works			-3,000.0						-3,000.0	
Highways Drainage	Review of highways drainage policy and level of works			-1,000.0						-1,000.0	
Highways Winter Service	Review of highways winter service policy including service levels, salting runs and network, resulting in reduced network coverage and detrimental impact on Keeping Kent Moving policy			-500.0						-500.0	
Highways	To reverse the prior decision to increase the number of swathe cuts			-300.0						-300.0	

Heading	Description	ASCH	CYPE (incl DCS	GET	Public Health	CED	DCED	Non Attributable	Corporately held	Total
			Age 0-25)					Costs	budgets	
<u> </u>	D M O 1 0 040 1 000 0	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Member Community Grants	Reduce Member Community Grants from £10k to £3.6k per Member					-518.4				-518.4
Waste - Household Waste & Recycling Centres (HWRCs)	Review of the number and operation of HWRC sites			-500.0						-500.0
Services to Schools	Review our offer to schools in light of the latest DFE funding changes and guidance including exploring alternative funding arrangements and engaging in efficiency measure to reduce costs		-904.0							-904.0
Strategic Review of In House Adult Social Care Services	The review is on-going and fits within the strategic direction of the Adult Social Care strategy and Making a Difference Every Day. Management action and outcomes of the review will deliver the required savings in 2022-23 & 2023-24	-3,550.0								-3,550.0
Disabled Children's Placement and Support	Review of children with disability packages ensuring strict adherence to policy, review packages with high levels of support and enhanced contributions from health		-1,529.3							-1,529.3
Looked After Children	Review of Integrated Looked After Children's Placements: Reduce dependence on high levels of additional support and seek enhanced contributions from health		-1,000.0							-1,000.0
Children's Services	Review Section 17 payments and only provide where the		-229.2							-229.2
o	Council has a statutory responsibility or to avoid children									
Care Leavers	coming into care		700.0							700.0
Care Leavers	Pursue a policy where independence is reached by a Young Person's 19th birthday.		-700.0							-700.0
Early Help & Preventative	Reconfigure the Positive Behaviour Service into the main Early		-800.0							-800.0
Services	Help Teams									
Review of Open Access - Youth Services & Children's Centres	Ceasing of the Local Children's Services Partnership Grants		-600.0							-600.0
Housing Related Support -	The full year effect of the cessation of the Homelessness	-2,300.0								-2,300.0
Homelessness	contract from September 2022									
Adult Social Care PFI	Review of Private Finance Initiative contracts and funding arrangements with NHS for our Older People Integrated Care Centres	-200.0								-200.0
Adult Social Care contracts with Voluntary Sector	Review of contracts and grants for discretionary services, to negotiate support from the NHS, and explore possible reductions to some services.	-4,310.0								-4,310.0
Public Health	Review of Public Health Services principally related to Healthy Lifestyles to ensure spending is contained within ringfenced grant				-426.4					-426.4
Review of Community Wardens	Further review of the Community Warden Service			-500.0						-500.0
Review of Open Access - Youth Services & Children's Centres	Review of open access services in light of implementing the Family Hub model		-300.0							-300.0
Arts	Removal of Rendezvous contribution to Arts			-215.0						-215.0
Kent 16+ Travel Saver	Review the Kent 16+ Travel Saver scheme		-250.0							-250.0
Other	Other smaller policy savings of less than £200k	103.5		-95.0	-182.0	-50.0	-81.5			-305.0

£000s

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Total savings and Income		-22,262.3	-18,580.8	-8,683.5	-5,359.7	-3,331.9	-141.5	-5,893.3	-22,380.8	-86,633.8	-86,633.8
Reserves											
	ncl removal of prior year contributions)										-7,010.0
New Homes Bonus	Removal of prior year contribution of New Homes Bonus to							-4,381.5		-4,381.5	
D. ()	reserves							4 000 0		4.000.0	
Return from our limited	Removal of prior year contribution of return from our limited							-4,000.0		-4,000.0	
companies	companies to the Strategic Priorities Reserve							0.000.0		0.000.0	
Retained Business Rates Levy	Removal of prior year contribution of retained business rates levy to the Regeneration reserve							-3,000.0		-3,000.0	
General Reserves	Contribution to reserves in order to maintain general reserve at 5% of net revenue budget							5,800.0		5,800.0	
General Reserves	Removal of prior year one-off contribution to general reserve							-2,950.9		-2,950.9	
Risk Reserve	Contribution to reserves to reflect the heightened risks to the budget, including higher inflation and the impacts on the economy of the Russian invasion of Ukraine							12,000.0		12,000.0	
Risk Reserve	Removal of prior year one-off contribution to risk reserve							-14,966.3		-14,966.3	
Local Axation Equalisation -	Contribution of Council Tax Collection Fund surplus above £7m							4,488.7		4,488.7	
Councin Tax Collection Fund	assumed, to the Local Taxation Equalisation smoothing reserve										
Facilities Management	Contribution to reserves to smooth the impact of the mobilisation costs of the Facilities Management contracts over the life of the contracts (2022-23 to 2026-27)						160.0			160.0	
Facilities Management	Removal of prior year contribution to reserves to smooth the impact of the mobilisation costs of the Facilities Management contracts over the life of the contracts (2022-23 to 2026-27)						-160.0			-160.0	
Drawdowns from Reserves (ir	ncl removal of prior year drawdowns)										-3,733.6
Public Health Reserves	Use of Public Health reserves to fund one-off costs and invest				-3,529.1					-3,529.1	,
	to save initiatives in 2023-24										
Public Health Reserves	Removal of use of Public Health reserves to fund one-off costs in previous year				3,795.7					3,795.7	
Drawdown corporate reserves	Fund the Kent Support and Assistance Service from Corporate Reserves for two years 2023-24 and 2024-25	-567.2				-300.0				-867.2	
Drawdown corporate reserves	One-off drawdown from the No Use Empty reserve							-200.0		-200.0	
Drawdown corporate reserves	One-off drawdown from reserves to be repaid in 2024-25							-7,909.3		-7,909.3	
Drawdown corporate reserves	Removal of use of Corporate Smoothing Reserves in 2022-23						800.0	4,176.3		4,976.3	
Net Change in Use of Reserve	es	-567.2	0.0	0.0	266.6	-300.0	800.0	-10,943.0	0.0	-10,743.6	-10,743.6
Proposed Controllable Budge	t	523,083.4	355,886.8	192,459.2	0.0	32,060.7	83,391.8	111,373.5	12,630.0	1,310,885.4	1,310,885.4
Memorandum - Provisional all	location of corporately held budgets:										_
- Estimated apportionment of c	entrally held budgets (pay incl NI & Superannuation changes, & charges & review of discretionary grants)	4,194.8	4,798.9	1,897.6		1,126.0	612.1	0.6	-12,630.0	0.0	0.0
	ovisional share of corporately held budgets	527,278.2	360,685.7	194,356.8	0.0	33,186.7	84,003.9	111,374.1	0.0	1,310,885.4	1,310,885.4

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding											
Draft Settlement	Notification of funding from central government via the Provisional Local Government Finance Settlement for 2023-24										
Revenue Support Grant	Comprises share of previous Formula Grant, Early Intervention Grant, Learning Disability Grant, Council Tax Freeze Grant, Care Act Grant etc. allocated as revenue support grant									11,072.6	11,072.6
Social Care Grant	Further extension of the Adult Social Care Grant per the Chancellor's Autumn Statement on 17th November 2022 and included in the provisional local government finance settlement to include the re-purposed Social Care Reform funding following the delay in charging reforms, which is available to fund a wide range of Adult and Children's social care costs built into the proposed draft budget, and also now includes the Independent Living Fund									88,770.7	88,770.7
Market Sustainability and Improvement Fund ບ ເວ	KCC share of the new £400m national grant allocation announced in the Autumn Statement 2022 and includes the transfer of grant funding provided in 2022-23 for Market Sustainability and Fair Cost of Care									14,435.1	14,435.1
Adult So cial Care Discharge Fund $\frac{1}{2}$	KCC share of the additional £300m for Local Authorities announced by the Government in the November 2022 Autumn Statement and included in the provisional local government finance settlement. Conditions for this grant are yet to be confirmed									7,012.0	7,012.0
Services Grant	Continuation of Grant funding announced in the Spending Review 2021 but reduced for the reversal of the 2022-23 National Insurance increase and other items									7,298.9	7,298.9
Business Rate Top-up Grant	Top-up derived by comparing local share of business rates according to historical average and business rate baseline share of previous grants and reflects a freeze in the annual uplift in line with business rate multiplier, as per the settlement announced in the Spending Review 2022									140,802.3	140,802.3
Improved Better Care Fund (iBCF)	DLUHC un-ring-fenced grant allocated towards improved integration between social care and health, including the additional adult social care funding announced in the Chancellor's Spring Budget on 8th March 2017, and the winter pressures funding provided in 2018-19 and 2019-20 which rolled into iBCF in 2020-21									50,014.7	50,014.7
New Homes Bonus Grant	DLUHC un-ring-fenced grant allocated according to the increase in tax base resulting from the building of new homes									2,272.8	48,554.8
Business Rate Compensation	Compensation for additional reliefs on business rates for small businesses, retail premises and reduction in multiplier paid as un-ringfenced grant by DLUHC									43,263.3	
Other Un-ringfenced grants	Un-ringfenced grants from other Government Departments									3,018.7	

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	Public Health	CED	DCED	Non Attributable Costs	Corporately held budgets	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Drawdown from reserves of S3 grant for Compensation for irrecoverable local taxation losses due to Covid-19	1 Drawdown from reserves of S31 grant for irrecoverable local taxation losses resulting from the Covid-19 pandemic accounted for in the 2021-22 accounts in accordance with CIPFA guidance									2,347.5	2,347.5
Business Rates											
Business Rate Baseline	Local share of business rates baseline in the Local Government Finance Settlement reflecting a freeze in the annual uplift in line with business rate multiplier, as per the settlement announced in the Spending Review 2022									54,127.2	58,057.7
Business Rate Local Share	KCC 9% share of local tax base growth as notified by district councils less baseline share identified above									3,930.5	
Business Rate Collection Fund	KCC share of surpluses and deficits on business rate collection in prior years net of compensation for Covid-19 business rate reliefs										-1,127.6
2020-21 Business Rate Collection Fund Deficitspread	KCC share of 2020-21 deficit on Business Rate collection spread over 3 years									-1,127.6	
ນ Local⊈axation											
General Council Tax Base	KCC band D equivalent tax base notified by district councils									736,058.5	761,106.4
General Council Tax	Impact of increase in Council Tax up to the 3% referendum limit									25,047.9	
Adult Social Care Tax Base	Impact on Adult Social Care Levy of change in KCC band D equivalent tax base notified by district councils									99,008.6	115,672.9
Adult Social Care Levy	Impact of 2% increase in Council Tax for Adult Social Care Levy									16,664.3	
Council Tax Collection Fund	KCC share of 2022-23 surpluses and deficits on Council Tax collection									11,488.7	11,488.7
2020-21 Council Tax Collection Fund Deficit Spread	KCC share of 2020-21 deficit on Council Tax collection spread over 3 years									-4,621.3	-4,621.3
Total Funding									_	1,310,885.4	1,310,885.4
Kev:											

Key:

ASCH
CYPE
Children, Young People and Education
DCS
Disabled Children's Services
GET
Growth, Environment & Transport
PH
Public Health
CED
Chief Executive's Department
DCED
Deputy Chief Executive's Department

NAC Non Attributable Costs which includes corporate costs such as debt charges, interest, contributions to/from reserves & levies

CHB Corporately Held Budgets

DHSC Department for Health and Social Care

DfE Department for Education

DLUHC Department for Levelling Up, Housing and Communities

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Revised 2022-23 Base Budget		1,191,493.8	1,310,885.4	1,408,535.3	1,191,493.8	1,310,885.4	1,408,535.3
Growth							
Net Base Budget Changes	Growth based on current and forecast activity levels				63,510.3	20,659.6	21,000.0
Emerging Pressures	Provision for emerging pressures yet to be identified		21,000.0	21,000.0			
Adult Social Care	Underlying budget pressure from 2022-23 due to increased	27,173.1					
	costs and activity across all Adult social care services						
Energy Costs	Realignment for the increase in energy costs for our operational	4,521.2					
	buildings in 2022-23 due to the extraordinary economic						
	consequences of global and national circumstances						
Subsidised Buses	Realignment for price uplift in routes retendered during 2022-23	216.6					
Waste prices and income	Realignment of prices, waste tonnage and income levels for a	3,660.0					
ָ ס	variety of waste streams						
Librages	Realignment of library income levels as a result of reduced	460.0					
$\overline{\mathbf{o}}$	usage during and following the Covid pandemic						
Hometo School Transport	Realignment to reflect increased costs and demand in 2022-23	13,594.0					
Streetlight Energy	Realignment of the streetlight energy budget reflecting high	2,690.8					
3, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	price rises due to the extraordinary economic consequences of	,					
	global and national circumstances						
Children's Social Care	Underlying budget pressure from 2022-23 due to increased	10,628.7					
	costs and activity across all Children's social care services						
Special Educational Needs &	Additional cost of new SEND structure required to support	500.0					
Disability (SEND)	increasing numbers of Education, Health and Care Plans						
,	(EHCPs)						
Impact of Cap on Capitalisation of	Removal of short term funding for impact on the revenue budget		-200.0				
Property Disposal costs	of 4% cap on capitalisation of asset disposal costs pending						
	improvement in market conditions and implementation of						
	changes to asset disposal strategy						
Corporate Landlord	Removal of short-term provision for potential loss of rental	-200.0					
	income from tenants who deferred rent from 2020-21 and have						
	subsequently gone out of business						
Other	Other minor growth based on current activity levels less than	265.9	-140.4				
	£200k						

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Reduction In Grant Income							
Adult Social Care	Reduction in Independent Living Fund specific grant which has been consolidated into the Social Care Grant as part of the provisional Local Government Finance Settlement 2023-24 and shown as general funding of the Council's budget	1,919.8			3,106.4	35.0	0.0
Public Health	Anticipated reduction in external funding for various Public Health activities (includes time-limited funding)	1,186.6					
Other	Other reductions in grant of less than £200k		35.0				
Pay and Prices Pay:							
Pay and Reward P ລູ	Contribution to pay pot and impact on base budget of uplifting pay grades in accordance with single pay reward scheme including the revision of lower Kent Scheme pay scales to further increase the differential between the lowest pay range and the Foundation Living Wage and increasing the annual leave entitlement for some staff. This is the subject of pay	16,300.0	16,300.0	7,300.0	13,883.0	15,767.1	7,350.9
	bargaining with Trade Unions.						
Employer National Insurance contributions	Impact of Government reversal of the increase in employer and employee national insurance contributions by 1.25% in 2022-23 to fund social care reforms and NHS backlog	-1,600.0					
Employer Pension contributions 2022 Valuation	Reduction in the employer pension contribution from 2022 actuarial review (0.8% reduction in annual rate)	-1,570.0					
Public Health Pay	Estimated net impact of KCC pay award/adjustments for KCC Public Health staff	785.7	-628.0				
Other	Other changes to pay and pensions less than £200k	-32.7	95.1	50.9			
Inflation:					70,441.2	45,469.8	18,089.9
KCC Estate Energy	Anticipated price increases on energy contracts for the KCC estate as estimated by Commercial Services	2,229.3	-1,560.8	-886.5	70,441.2	40,400.0	10,000.0
Streetlight Energy	Provision for price inflation related to Streetlight energy as estimated by Commercial Services	2,200.4	-1,391.5	-788.5			
Streetlight Energy Rebate	Rebates from our Solar Farms offset against the streetlight energy charges	-895.0					
Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages including nursing, residential, domiciliary, supporting independence and direct payments.	27,759.8	29,420.7	16,754.2			

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages funded by the Market Sustainability and Improvement Fund included in the provisional local government finance settlement	5,406.6	5,785.1	20003	20003	20003	20003
Children's Social Care	Provision for price negotiations with external providers, and uplift to in-house foster carers in line with DFE guidance	7,071.6	5,199.5	1,583.5			
Home to School Transport	Provision for inflation on contracted services and season tickets for mainstream & SEN Home to School and College Transport and the 16+ Kent Travel Saver.	1,910.8	1,522.6				
Kent Travel Saver & Kent 16+ Travel Saver	Provision for price inflation related to the Kent Travel Saver and Kent 16+ Travel Saver which is recovered through uplifting the charge for the pass	1,756.2	203.6				
Kent Travel Saver	Increase in bus operator price inflation above the budgeted amount in 2022-23 related to the Kent Travel Saver which is to be recovered through uplifting the charge for the pass	1,018.0					
Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices)	11,248.3	2,137.0	316.2			
Technology contracts	Provision for price inflation on Third Party ICT related contracts	399.4	359.2	14.4			
Software Licences	Negotiated annual price uplift for three year contract (July 2020 to July 2023) for E5 software licences	430.8	410.0	17.3			
Facilities Management	Estimated future price uplift to new Facilities Management contracts	1,864.6	625.4	139.6			
Cantium Business Solutions (CBS) and Kent Commercial Services (KCS)	Inflationary uplift on the CBS ICT contract and KCS HR Connect contract	771.5	585.5				
Other Transport Related inflation	Provision for price inflation related to other transport services including subsidised bus services	1,148.0	692.2	670.5			
Corporate Landlord	Provision for price inflation for rent and rates for the office estate	454.3	841.5				
Public Health contracts	Estimated increase in contract prices	4,316.2					
Highways Maintenance	Anticipated increased costs of recommissioning of the Highways Maintenance Contract	500.0					
Special Educational Needs	Provision for price inflation on the cost of agency staff	602.4	229.2	113.4			
External Audit fee	Estimated increase in external audit fee	316.1	36.3				
General Prices reduction	Reductions to be identified from review of contract uplifts	-500.0					
Other	Other price increases of less than £200k	431.9	374.3	155.8			

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Demand & Cost Drivers	Additional spending associated with change in demand, population growth and other cost drivers						
Adult Social Care	Provision for impact of the full year effect of all current costs of care, further increases in client numbers expected through transition into adulthood from Children's Social Care, additional costs arising for existing clients and for those new clients whose needs are becoming more complex.	16,116.5	19,241.7	25,400.0	34,001.7	31,448.7	29,433.7
Adult Social Care	Provision for impact of an increase in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, funded by the Market Sustainability and Improvement Fund included in the provisional local government finance settlement and shown within the general funding of the Council's budget	4,867.5	1,483.7				
Adult Social Care P age 128	Provision for impact of an increase in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, funded from the new ringfenced Adult Social Care Discharge Fund included in the provisional local government finance settlement and shown within the general funding of the Council's budget	7,012.0	4,674.6				
Children's Social Care	Estimated impact of an increase in the population of children in Kent, leading to increased demand for children's social work and disabled children's services	3,300.0	3,300.0	3,300.0			
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport	3,843.7	1,755.8	-221.4			
Kent Travel Saver	Estimated impact of the Covid pandemic on take up and usage of the Kent Travel Saver pass	288.0					
Waste - tonnage changes	Estimated impact of changes in waste tonnage as a result of population and housing growth	748.0	837.0	920.0			
English National Concessionary Travel Scheme (ENCTS)	Continuation of reduced usage of the ENCTS pass following the Covid pandemic	-1,900.0					
Highways	Re-introduction of the second weed spray as current climate means that existing policy is insufficient to ensure the roads remain safe and ensure a pro-active approach to asset management to avoid weeds establishing to a point to cause damage to roads and footways resulting in more costly repairs	200.0					

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Highways	Review of staff grades and capitalisation levels within the	325.0	20000	20000	20000	20000	20000
	Highways team to reflect current complexity and reduced capital						
	activity/works						
Facilities Management	Removal of provision for mobilisation costs of new Facilities	-800.0					
3	Management contracts where we will incur costs such as legal,						
	pensions, TUPE and set up costs and potentially some dual						
	running costs. The impact of these costs on the budget is being						
	spread over the life of the contract via the temporary use of						
	reserves.						
Public Health	Removal of one-off public health costs in 2022-23 funded from	-448.2	-48.0				
	reserves related to Healthy Lifestyles and Substance Misuse						
Other	Other minor demographic pressures of less than £200k	449.2	203.9	35.1			
Government & Legislative							
	m Estimated costs of implementing the Adult Social Care Charging			25,000.0			25,000.0
P	Reform, the rollout of which has been delayed from October						
Page	2023 to October 2025 as announced in the Chancellor's						
	November 2022 Autumn Statement						
Household Support Fund	Extension of the Government funded Household Support Fund	22,130.8	-22,130.8		22,130.8	-22,130.8	0.0
•	into 2023-24 as announced in the Chancellor's Autumn						
	Statement on 17th November 2022						
Family Hubs	New responsibilities to be funded from the new DfE/DHSC	4,109.0	3,332.0		5,833.2	3,571.9	0.0
	Family Hubs and Start for Life grant						
Domestic Abuse New Burdens	Costs of undertaking domestic abuse support in safe	2,325.8	59.9				
	accommodation duties funded by specific grant						
Public Health - Health Visiting	Removal of one-off funding in 2022-23 for additional contacts	-380.0					
	under the Universal Plus/Universal Partnership Plus families						
	due to change in Health & Care Profession Guidance						
Other	Other Government & Legislative pressures of less than £200k	-221.6	180.0				
Service Strategies & Improvem							
Capital Programme	The impact on debt charges of both the review of the 2021-24	2,000.0	2,500.0		3,862.4	899.1	653.8
	capital programme, and prior year capital programme decisions						
Waste - infrastructure	Operating costs of a new waste transfer facility in the		300.0				
	Folkestone & Hythe area which is required as existing facility						
	approaches capacity						
					1 1	I	I

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Highways	Increased maintenance works due to a pro-active asset	850.0					
3	management approach identifying drainage assets in need of						
	repair. This budget does not include storm events.						
Economic Development Recovery	Removal of time limited funding for re-design of the service and	-270.0	-80.0	-50.0			
Plan	additional staffing and consultancy capacity to draft and deliver						
	the Economic Recovery Plan/Economic Strategy following the						
	Covid pandemic						
Asset Management	Revenue contributions to capital required to maintain and		100.0	500.0			
	deliver asset management for Kent's Windmills and Surface						
	Water Flood Risk Management						
Oakwood House Development	Removal of holding costs and loss of income in the short term	-250.0	-320.0				
	once Oakwood House is no longer operational, offset by						
	savings in the longer term following change of use						
Technology	Full year effect of re-design of the Technology Function staffing	229.2					
••	structure to ensure the correct level of expertise is available to						
ည္	provide and commission a safe and secure ICT function,						
Page	including appointment to the new Director of Technology role						
Strategy & Partnerships	Additional resources to support the statutory development of the	220.0					
Ö	Integrated Care System including engagement with a wide						
	number of partner organisations						
Adult Social Care	Increase in the bad debt provision to reflect the anticipated	488.8	431.8	131.8			
	impact of the high cost of living on our income collection rates						
	from client contributions						
Public Health - Children's	Removal of one-off investment in 2022-23 in additional	-840.5					
Programme	counselling services for children, Healthy child programme and						
	Children's Weight Management						
Public Health	Estimated reduction in Public Health activities to offset a	-1,050.4					
	reduction in external funding						
Public Health - Sexual Health	Removal of one-off contribution to capital in 2022-23 for	-400.0		·			
	completion of works to Flete Unit						
Public Health - Children's	Investment in counselling services for children, and Children's	892.7	-892.7				
Programme	Health Programme campaigns						
Public Health - Healthy Lifestyles Ir	Investment in Public Health services to promote and support	272.6	-272.6				
	Healthy Lifestyles including health checks, health visiting and						
	adult weight management				1		

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Public Health - Health Visiting	Removal of one-off investment in 2022-23 in speech and	-538.6	20000	20000		20000	20000
	language therapy, peri-natal mental health, Family Partnership						
	Programme, text messaging service for parents and Health						
	Visiting services						
Public Health - Sexual Health	Investment in Public Health Sexual Health Services	499.1	-499.1				
Public Health - Substance Misuse	Investment in Substance Misuse services funded by	1,100.8					
	Supplemental Substance Misuse Treatment and Recovery grant						
	from Office for Health Improvement & Disparities						
Public Health - Healthy Lifestyles	Removal of one-off investment in 2022-23 in Public Health	-281.1					
	services to promote and support Healthy Lifestyles						
Other	Other minor service improvements of less than £200k	939.8	-368.3	72.0			
	Total Additional Growth	216,769.0	95,720.4	101,528.3	216,769.0	95,720.4	101,528.3
Savings and Income Transformation Savings							
Adulasocial Care service redesign	Rephasing of savings from earlier years from the redesign of the	752.1	-5,555.6	-6,622.5	752.1	-5,555.6	-6,622.5
ge	Adult Social Care operating model, focusing on social care						
<u>→</u>	practice, data led decision making and innovation. These						
ω_{1}	savings are to be delivered in future years from reducing and						
	managing the costs and future demand for social care. This may						
	also include efficiencies in our future ways of working resulting						
	in a reduction in staffing spend.						
Children's Social Care	Explore strategies, including statutory guidance, to reduce	-1,005.0	-300.0		-2,405.0	-2,777.7	-50.0
	dependency on social work agency staff						
Looked After Children	Reduce the recent increase in the number of Looked After	-1,500.0	-1,500.0				
	Children placements through practice reviews & improved court						
	proceedings						
Coroners	Savings from the use of Digital Autopsy techniques in the	100.0	-350.0	-50.0			
	Coroner service including adjustment for non delivery of the						
	project in 2022-23						
Public Health	Savings from Public Health Transformational Programme		-627.7				
Income	uplifts from applying existing policy						
Review of Charges for Service	Uplift in social care client contributions in line with estimated	-8,817.7	-6,542.2	-2,041.1	-15,641.3	-7,217.5	-4,652.7
Users - existing service income	benefit and other personal income uplifts, together with						
streams & inflationary increases	inflationary increases and a review of fees and charges across						
	all KCC services, in relation to existing service income streams						

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Kent Travel Saver	Kent Travel Saver price realignment to offset bus operator inflationary fare increases	-1,488.0	20000	20000		2000	2000
Kent Travel Saver	Kent Travel Saver price realignment to offset an increase in bus operator inflationary fare increases in 2022-23 above the budgeted amount	-1,018.0					
Kent 16+ Travel Saver	Kent 16+ Travel Saver price realignment to offset bus operator inflationary fare increases	-268.2	-203.6				
Income return from our companies	Estimated increase in the income contribution from our limited companies	-2,000.0	2,000.0				
Highways	Increase in net income budgets for streetworks and permit scheme	-450.0					
Economic Recovery	Rephasing of the original saving planned for 2022-23 from re- prioritising external income to support the wider economic recovery within Kent	1,500.0					
Adult-Social Care	Estimated annual inflationary increase in Better Care Fund	-2,339.3	-2,471.7	-2,611.6			
Review of fees & charges	Further savings to be identified from a review of all fees and charges	-500.0					
Othe	Other minor changes in income of less than £200k	-260.1					
Increases in Grants & Contributi	ons						
Public Health Grant	Estimated increase in Public Health Grant pending announcement from Department of Health and Social Care	-2,007.4			-31,862.8	18,738.9	0.0
Household Support Fund	Extension of the Government funded Household Support Fund into 2023-24 as announced in the Chancellor's Autumn Statement on 17th November 2022	-22,130.8	22,130.8				
New Burdens	Removal of assumed New Burdens grant in 2022-23 to fund ongoing EU Exit costs including Border Ports and Animal Health and Feed Officers and responsibilities under the new Marriage Schedule Act 2021 as no grant funding was secured.	660.0					
Domestic Abuse	Increase in Domestic Abuse Duty grant to fund new burdens in providing domestic abuse support in safe accommodation	-3,174.8	-59.9				
Public Health - Substance Misuse	Supplemental Substance Misuse Treatment and Recovery grant from Office for Health Improvement & Disparities	-1,100.8					
Family Hubs	Estimate of our share of the new DfE/DHSC Family Hubs and Start for Life grant	-4,109.0	-3,332.0				

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Efficiency Savings Staffing:		2000	20000	20000	20000	20000	20000
Workforce Management	Removal of saving in 2022-23 budget from staffing savings across the organisation to be achieved through a range of measures including business process review; automation; rationalisation and digitalisation to be delivered and monitored by the Strategic Reset Programme Board. These savings are non cashable but have resulted in productivity gains	250.0			-1,582.4	-2,903.6	-1,530.0
Children's Services	Review of the Practice Development Service	-350.0					
Early Help & Preventative Services	Expanding the reach of caseholding Early Help services	-540.0	-663.0	-130.0			
Centres	essential spend across open access	-600.0	600.0				
Strategic Commissioning	Explore alternative sources of funding for the administration of the Kent Support & Assistance Service	-					
Environment	Planned phasing of the new structure in the Environment Team	-300.0	300.0				
Othe	Other Direct & Indirect Staffing Efficiencies of less than £200k	-42.4					
Infra st ructure_					-8.0		
Infra str ucture	Property savings from a review of specialist assets				1		
Other	Minor Infrastructure efficiency savings of less than £200k	-8.0					
Contracts & Procurement:					-1,391.0		
Public Health	Estimated efficiency savings from Public Health Partnership working with Health	-1,000.0			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
Adult Social Care Commissioning	Rephasing of the original saving planned for 2022-23 from review of existing contracts for commissioned services to ensure the market is supported and developed to meet the needs of individuals, which will require costs to be reduced on some contracts.	329.3					
Improve Waste Recycling Rates	Work with District, Borough and City Councils to improve kerbside recycling rates and deliver both collection and disposal savings						
Public Health - Sexual Health	Estimated efficiencies within Sexual Health services	-245.0					
Other	Other minor contracts & procurement savings of less than £200k	-475.3	-50.0	-50.0			

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Other:		20003	20003	20003	-6,664.8	20003	20003
Children's Social Care	Review of Legal Services Spend through cost efficiencies by Invicta Law and review of the use of legal services by social workers	-1,014.6	-845.6		3,335		
Adult Social Care	Review of 18-25 community-based services: ensuring strict adherence to policy, review of packages with high levels of support and enhanced contributions from health	-1,754.8	-1,334.1				
Libraries, Registration & Archives (LRA)	One-off reduction in Libraries Materials Fund and a one year contribution holiday for the Mobile Libraries renewals reserve	-206.0	206.0				
Children's Services	Reconfigure the Family Drug & Alcohol Court Services into the main Children's Social Work Teams	-201.3					
Adult Social Care	Consistently adhere to our policy framework in relation to areas such as: Third Party Top Ups; arranging support and debt for self-funders; transport and maximisation of relevant benefits;	-1,580.0	-250.0				
Page	use of in-house provision and occupancy to reduce reliance on external purchasing of short term beds; people in residential care in receipt of other services; timely reviews of Section 117						
1 3	status with regard to charging						
Transportation	Use developer agreement income to maintain current level of transportation services	-250.0		250.0			
Historic Pension Costs	Reduction in the number of Historic Pension Arrangements	-796.4	-225.0				
Waste - Household Waste & Recycling Centres (HWRCs)	Increased waste material segregation, increased re-use, black- bag splitting and trade waste recycling with a view to generating income or reducing cost	-605.0	-105.0				
Community Learning & Skills	Development of income earning activities within the CLS service and engage in efficiency measures to reduce costs	-200.0					
Other	Other minor efficiency savings of less than £200k	-56.7					
Total of new efficiency savings in f	uture years (shaded items above)		-536.9	-1,600.0			
Financing Savings							
Debt repayment	Review amounts set aside for debt repayment (MRP) based on review of asset life	-1,000.0	-1,000.0	-1,000.0	-3,893.3	-2,340.1	-2,065.5
Investment Income	Increase in investment income largely due to the increase in base rate	-2,893.3	-1,340.1	-1,065.5			

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Policy Savings		20003	20003	20003	-23,937.3	-16,150.6	-34,201.7
Highways Capital works	Removal of revenue contribution towards highways capital works	-3,000.0				,	,
Highways Drainage	Review of highways drainage policy and level of works	-1,000.0					
Highways Winter Service	Review of highways winter service policy including service levels, salting runs and network, resulting in reduced network coverage and detrimental impact on Keeping Kent Moving policy	-500.0					
Highways	To reverse the prior decision to increase the number of swathe cuts	-300.0					
Member Community Grants	Reduce Member Community Grants from £10k to £3.6k per Member	-518.4					
Community Based Preventative Services	Explore alternative sources of funding for the Kent Support & Assistance Service						
Waste - Household Waste & Recycling Centres (HWRCs)	Review of the number and operation of HWRC sites	-500.0	-988.0				
Services to Schools	Review our offer to schools in light of the latest DFE funding changes and guidance including exploring alternative funding arrangements and engaging in efficiency measure to reduce costs	-904.0	-1,166.7	-250.0			
Looked After Children	Review contract with Health for fast tracking mental health assessments for Looked After Children						
Strategic Review of In House Adult Social Care Services	The review is on-going and fits within the strategic direction of the Adult Social Care strategy and Making a Difference Every Day. Management action and outcomes of the review will deliver the required savings in 2022-23 & 2023-24	-3,550.0					
SEN Home to School Transport (HTST)	Explore options to introduce standard pick up points for children with SEN, where appropriate, including promoting independence						
Disabled Children's Placement and Support	Review of children with disability packages ensuring strict adherence to policy, review packages with high levels of support and enhanced contributions from health	-1,529.3	-1,066.1				
Looked After Children	Review of Integrated Looked After Children's Placements: Reduce dependence on high levels of additional support and seek enhanced contributions from health	-1,000.0					
Children's Services	Review Section 17 payments and only provide where the Council has a statutory responsibility or to avoid children coming into care	-229.2					

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Care Leavers	Pursue a policy where independence is reached by a Young	-700.0	20003	20003	1 20003	20003	20003
Caro Esavors	Person's 19th birthday.	700.0					
Adoption Service	Review post adoption offer						
	Reconfigure the Positive Behaviour Service into the main Early	-800.0					
_a,	Help Teams	333.3					
Partnership arrangements with	Work in partnership with collection authorities to incentivise						
District Councils	maximisation of council tax premiums on empty properties						
Review of Open Access - Youth	Ceasing of the Local Children's Services Partnership Grants	-600.0					
Services & Children's Centres							
Children's Residential Care	Development of in-house residential units to provide an						
	alternative to independent sector residential care placements						
Housing Related Support -	The full year effect of the cessation of the Homelessness	-2,300.0					
Homelessness	contract from September 2022	,					
Adult Social Care PFI	Review of Private Finance Initiative contracts and funding	-200.0					
_	arrangements with NHS for our Older People Integrated Care						
P a	Centres						
Adul Social Care contracts with	Review of contracts and grants for discretionary services, to	-4,310.0					
Voluntary Sector	negotiate support from the NHS, and explore possible						
3 6	reductions to some services.						
Community Based Preventative	Further review of contracts and grants for discretionary services						
Services	including investment from other strategic partners						
Public Health	Review of Public Health Services principally related to Healthy	-426.4	-13.8				
	Lifestyles to ensure spending is contained within ringfenced						
	grant						
Review of Community Wardens	Further review of the Community Warden Service	-500.0	-500.0				
Review of Library Network	Data and evidence led review of the comprehensive and						
•	efficient library network						
SEN Transport	Introduction of charging for post 16 SEN transport and						
•	reductions to the Post 19 transport offer						
Review of Open Access - Youth	Review of open access services in light of implementing the	-300.0	-1,947.2	-134.1			
Services & Children's Centres	Family Hub model						
Corporate Landlord	Review of Community Delivery including Assets						
Corporate Landlord	Review of Office Assets						
Arts	Removal of Rendezvous contribution to Arts	-215.0			1		

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Multi-agency collaboration (including on-street parking)	Review of delivery models for a range of services (including on- street parking which may require a 24 month notice period) where synergies may exist and savings deliverable for both KCC and its partners						
Kent Travel Saver	Review of Kent Travel Saver Scheme, including a review of the ongoing discretionary offer for free transport for Looked After Children, Care Leavers and Young Carers						
Kent 16+ Travel Saver	Review the Kent 16+ Travel Saver scheme	-250.0	-250.0	-158.8			
Adult Social Care Charging	Review of the Adults Charging Policy, in line with Care Act legislation and the statutory guidance						
Unidentified	Further policy savings yet to be identified						
Other	Other smaller policy savings of less than £200k	-305.0	-150.0				
Total of new policy savings in fu	ture years (shaded items above)		-10,068.8	-33,658.8			
Total savings and Income		-86,633.8	-18,206.2	-49,122.4	-86,633.8	-18,206.2	-49,122.4
ື Res e rves							
m	removal of prior year contributions)				-7,010.0	8,497.3	-10,909.3
New Homes Bonus	Removal of prior year contribution of New Homes Bonus to reserves	-4,381.5			,	,	,
Return from our limited companies	Contribution of the anticipated return from our limited companies to the Strategic Priorities Reserve		4,000.0	4,000.0			
Return from our limited companies	Removal of prior year contribution of return from our limited companies to the Strategic Priorities Reserve	-4,000.0		-4,000.0			
Retained Business Rates Levy	Contribution of the retained business rates levy, the proceeds from the business rates pool, to Regeneration reserve		3,000.0	3,000.0			
Retained Business Rates Levy	Removal of prior year contribution of retained business rates levy to the Regeneration reserve	-3,000.0		-3,000.0			
General Reserves	Contribution to reserves in order to maintain general reserve at 5% of net revenue budget	5,800.0	5,100.0	2,100.0			
General Reserves	Removal of prior year one-off contribution to general reserve	-2,950.9	-5,800.0	-5,100.0			
Risk Reserve	Contribution to reserves to reflect the heightened risks to the	12,000.0	12,000.0	12,000.0			
	budget, including higher inflation and the impacts on the economy of the Russian invasion of Ukraine	,	,	,			
Risk Reserve	Removal of prior year one-off contribution to risk reserve	-14,966.3	-12,000.0	-12,000.0			

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Corporate Reserves	Contribution to reserves to repay the drawdown required to		7,909.3				
	balance the budget in 2023-24 in order to maintain financial						
	resilience						
Corporate Reserves	Removal of one-off repayment of reserves in 2024-25			-7,909.3			
Local Taxation Equalisation -	Contribution of Council Tax Collection Fund surplus above £7m	4,488.7					
Council Tax Collection Fund	assumed, to the Local Taxation Equalisation smoothing reserve						
Local Taxation Equalisation -	Removal of prior year contribution to Local Taxation		-4,488.7				
Council Tax Collection Fund	Equalisation smoothing reserve of Council Tax Collection Fund						
	surplus above £7m assumed						
Removal of contribution related to	Reduction & full removal of the annual repayment of the		-1,223.3				
repayment of previous "borrowing"	"borrowing" from reserves to support the budget in 2011-12,						
from reserves	reflecting when the reserves will be fully repaid						
Facilities Management	Contribution to reserves to smooth the impact of the	160.0	160.0	160.0			
	mobilisation costs of the Facilities Management contracts over						
—— —	the life of the contracts (2022-23 to 2026-27)						
Facilities Management	Removal of prior year contribution to reserves to smooth the	-160.0	-160.0	-160.0			
ge	impact of the mobilisation costs of the Facilities Management						
	contracts over the life of the contracts (2022-23 to 2026-27)						
3 8							
	removal of prior year drawdowns)				-3,733.6	11,638.4	867.2
Public Health Reserves	Use of Public Health reserves to fund one-off costs and invest	-3,529.1					
	to save initiatives in 2023-24						
Public Health Reserves	Removal of use of Public Health reserves to fund one-off costs	3,795.7	3,529.1				
	in previous year						
Drawdown corporate reserves	Fund the Kent Support and Assistance Service from Corporate	-867.2	-867.2				
	Reserves for two years 2023-24 and 2024-25						
Drawdown corporate reserves	Removal of use of corporate reserves in prior year to fund the		867.2	867.2			
	Kent Support and Assistance Service	200.0					
Drawdown corporate reserves	One-off drawdown from the No Use Empty reserve	-200.0					
Drawdown corporate reserves	Removal of one-off drawdown from No Use Empty reserve in		200.0				
Droudous comorate recentes	2023-24	7,000,2					
Drawdown corporate reserves	One-off drawdown from reserves to be repaid in 2024-25 Removal of one-off use of reserves in 2023-24	-7,909.3	7,909.3				
Drawdown corporate reserves		4,976.3	7,909.3				
Drawdown corporate reserves	Removal of use of Corporate Smoothing Reserves in 2022-23	4,976.3					
Net Change in Use of Reserves		-10,743.6	20,135.7	-10,042.1	-10,743.6	20,135.7	-10,042.1
Proposed Controllable Budget		1,310,885.4	1,408,535.3	1,450,899.1	1,310,885.4	1,408,535.3	1,450,899.1

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Funding Draft Settlement	Notification of funding from central government via the Provisional Local Government Finance Settlement for 2023-24						
Revenue Support Grant	Comprises share of previous Formula Grant, Early Intervention Grant, Learning Disability Grant, Council Tax Freeze Grant, Care Act Grant etc. allocated as revenue support grant	11,072.6	11,827.1	11,827.1	11,072.6	11,827.1	11,827.1
Social Care Grant	Further extension of the Adult Social Care Grant per the Chancellor's Autumn Statement on 17th November 2022 and included in the provisional local government finance settlement to include the re-purposed Social Care Reform funding following the delay in charging reforms, which is available to fund a wide range of Adult and Children's social care costs built into the proposed draft budget, and also now includes the Independent Living Fund	88,770.7	103,212.0	103,212.0	88,770.7	103,212.0	103,212.0
Marke Sustainability and Improvement Fund	KCC share of the new £400m national grant allocation announced in the Autumn Statement 2022 and includes the transfer of grant funding provided in 2022-23 for Market Sustainability and Fair Cost of Care	14,435.1	21,703.9	21,703.9	14,435.1	21,703.9	21,703.9
Adult Social Care Discharge Fund	KCC share of the additional £300m for Local Authorities announced by the Government in the November 2022 Autumn Statement and included in the provisional local government finance settlement. Conditions for this grant are yet to be confirmed	7,012.0	11,686.6	11,686.6	7,012.0	11,686.6	11,686.6
Services Grant	Continuation of Grant funding announced in the Spending Review 2021 but reduced for the reversal of the 2022-23 National Insurance increase and other items	7,298.9	7,298.9	7,298.9	7,298.9	7,298.9	7,298.9
Business Rate Top-up Grant	Top-up derived by comparing local share of business rates according to historical average and business rate baseline share of previous grants and reflects a freeze in the annual uplift in line with business rate multiplier, as per the settlement announced in the Spending Review 2022	140,802.3	150,396.1	150,396.1	140,802.3	150,396.1	150,396.1

Heading	Description	2023-24 £000s	2024-25 £000s	2025-26 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s
Improved Better Care Fund (iBCF)	DLUHC un-ring-fenced grant allocated towards improved integration between social care and health, including the additional adult social care funding announced in the Chancellor's Spring Budget on 8th March 2017, and the winter pressures funding provided in 2018-19 and 2019-20 which rolled into iBCF in 2020-21	50,014.7	50,014.7	50,014.7	50,014.7	50,014.7	50,014.7
New Homes Bonus Grant	DLUHC un-ring-fenced grant allocated according to the increase in tax base resulting from the building of new homes	2,272.8			48,554.8	49,229.8	49,229.8
Business Rate Compensation	Compensation for additional reliefs on business rates for small businesses, retail premises and reduction in multiplier paid as un-ringfenced grant by DLUHC	43,263.3	46,211.1	46,211.1			
Other Un-ringfenced grants	Un-ringfenced grants from other Government Departments	3,018.7	3,018.7	3,018.7			
Drawdown from reserves of S31 grant for Compensation for irrecoverable local taxation losses due to Covid-19	Drawdown from reserves of S31 grant for irrecoverable local taxation losses resulting from the Covid-19 pandemic accounted for in the 2021-22 accounts in accordance with CIPFA guidance	2,347.5			2,347.5		
o Busimess Rates							
Business Rate Baseline	Local share of business rates baseline in the Local Government Finance Settlement reflecting a freeze in the annual uplift in line with business rate multiplier, as per the settlement announced in the Spending Review 2022	54,127.2	57,815.2	57,815.2	58,057.7	61,809.2	61,809.2
Business Rate Local Share	KCC 9% share of local tax base growth as notified by district councils less baseline share identified above	3,930.5	3,994.0	3,994.0			
Business Rate Collection Fund	KCC share of surpluses and deficits on business rate collection in prior years net of compensation for Covid-19 business rate reliefs				-1,127.6		
2020-21 Business Rate Collection Fund Deficit Spread	KCC share of 2020-21 deficit on Business Rate collection spread over 3 years	-1,127.6					

Appendix G - Proposed County Level 2023-26 Revenue Changes

2023-24

2024-25

2025-26

2023-24

2024-25

2025-26

3						-	
		£000s	£000s	£000s	£000s	£000s	£000s
Local Taxation							
General Council Tax Base	KCC band D equivalent tax base notified by district councils	736,058.5	772,523.0	811,187.5	761,106.4	799,199.5	830,104.1
General Council Tax Increase	Impact of increase in Council Tax up to the 3% referendum limit	25,047.9	26,676.5	18,916.6			
Adult Social Care Tax Base	Impact on Adult Social Care Levy of change in KCC band D equivalent tax base notified by district councils	99,008.6	117,408.0	137,184.9	115,672.9	135,157.5	146,616.7
Adult Social Care Levy	Impact of 2% increase in Council Tax for Adult Social Care Levy	16,664.3	17,749.5	9,431.8			
Council Tax Collection Fund	KCC share of 2022-23 surpluses and deficits on Council Tax collection	11,488.7	7,000.0	7,000.0	11,488.7	7,000.0	7,000.0
2020-21 Council Tax Collection Fund Deficit Spread	KCC share of 2020-21 deficit on Council Tax collection spread over 3 years	-4,621.3			-4,621.3		
Total ∬ unding		1,310,885.4	1,408,535.3	1,450,899.1	1,310,885.4	1,408,535.3	1,450,899.1

Heading

Total funding Adult Social Care and Health

CYPE Children, Young People and Education

Description

DCS Disabled Children's Services **GET** Growth, Environment & Transport

PΗ Public Health

CED Chief Executive's Department

DCED Deputy Chief Executive's Department

Non Attributable Costs which includes corporate costs such as debt charges, interest, contributions to/from reserves & levies NAC

CHB Corporately Held Budgets

Department for Health and Social Care DHSC

DfE Department for Education

DLUHC Department for Levelling Up, Housing and Communities

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Details of Core Grants within Provisional Local Government Finance Settlement

The Council is in receipt of a mix of general un-ringfenced grants which can be used in any way the Council decides to discharge its functions (core grants) and specific grants which must be spent according to government priorities. Given the uncertainty of future settlements beyond 2023-24 assumptions will have to be included in the Medium Term Financial Plan for future years. There are risks associated with this approach as the government may decide to change its priorities and reduce or cease funding through a grant or reallocate service specific grants into more general funding with a changed distribution although the principles for 2024-25 have been set out in the 2023-24 provisional settlement.

A) Revenue Support Grant

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

KCC's RSG has decreased from circa £161m in 2015-16 to circa £9.6m in 2020-21 with only small inflationary uplifts since then. The inflationary uplift for 2023-24 is based on September 2022 CPI (10.1%). For planning purposes we have assumed that a similar inflationary uplift will be applied in subsequent years although there has been no confirmation of this beyond 2024-25. The RSG for 2023-24 also includes 3 separate grants from 2022-23 that have been rolled into the grant (the only one applicable for KCC is Food Safety Enforcement grant).

B) New Homes Bonus

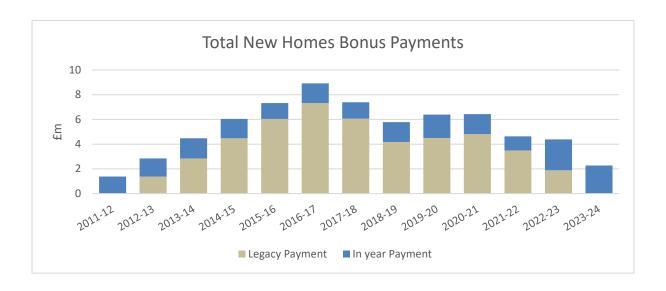
The New Homes Bonus (NHB) scheme was introduced in 2011-12 to help tackle the national housing shortage. The scheme was designed to reward those authorities that increased their housing stock either through new build or by bringing empty properties back into use. The grant is un-ringfenced.

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

A further reform was introduced in 2020-21 which saw the additional in year growth added as a one-off (i.e. not included in the subsequent year's legacy) with oldest year's legacy removed. This meant three years' worth of legacy payments in that year and one in year's growth. The same system was used in 2021-22 with one-off allocation of in year growth and two years' worth of legacy payment. In 2022-23 the grant included the one year's remaining legacy and one further year of additional in year growth. For 2023-24 the legacy payment has expired and the grant represents one

year of in year growth. For planning purposes we have assumed that the grant ceases completely from 2024-25 although there has been no confirmation of this.

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



C) Improved Better Care Fund

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

In addition to this, an Improved Better Care Fund (IBCF) was announced in the 2016-17 budget to support local authorities to deal with the growing health and social care pressures during the period 2017-20. The grant is allocated according to relative needs formula for social care with an equalisation adjustment to reflect the adult social care council tax precept. The allocations increased each year between 2017-18 to 2020-21. The subsequent spending reviews and local government settlements have seen the grant rolled forward at the same value in cash terms as 2020-21 (£48.5m). The grant for 2022-23 included a 3% inflationary uplift as part of the additional resources for adult social care within the settlement. The grant for 2023-24 is the same value in cash terms as 2022-23 (£50m). For planning purposes we have assumed that this grant will continue at the same value in cash terms for the medium term in subsequent years although there has been no confirmation of this.

D) Social Care Grant

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

An additional £1bn was added to the 2020-21 settlement taking the total for social care grant to £1.41bn. The same formula as 2019-20 was used based on using the adult social care relative needs formula with an equalisation adjustment to reflect the adult

social care council tax precept. KCC's allocation was £34.4m. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care, therefore the existing Adult Social Care Relative Needs Formula was used to distribute this Social Care Grant funding.

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

The 20222-23 settlement included an additional £636.4m, £556.4m of this was allocated via the existing Adult Social Care RNF and the remaining £80m was allocated to reflect the 1% adult social care council tax precept. This took the total grant to £2.346bn. Combined with the rollover from 2021-22 KCC's total social care grant for 2022-23 was £54.5m, an increase of £15.4m on 2021-22.

The provisional settlement proposes increasing allocations of the Social Care Grant to £3.852bn for 2023-24. This is an increase of £1.345bn compared to 2022-23 before accounting for rolling in the Independent Living Fund. The Independent Living Fund has been rolled into the Social Care Grant (accounting for £161m of the total grant figure) and will no longer be received as a separate specific grant, KCC's share of this is £1.920m.

The majority of the increase to the Social Care Grant has been funded from delaying the roll out of the adult social care charging reforms and repurposing the existing funding for the reforms towards current social care pressures.

The provisional settlement includes £160m of the additional £1.345bn allocated to reflect the 2% Adult Social Care Precept and the remaining £1.185bn is allocated using the existing adults RNF formula. The KCC share of this is £1.936m and £30.437m respectively. This takes the total KCC grant to £88.771m including the £54.478m from 2022-23 and the £1,920m ILF.

The Autumn Statement announced that there will be a further additional £600m of Social Care Grant in 2024-25, which is an estimated additional £14.4m for KCC based on the same allocation mechanism for council tax precept and adults RNF as the 2023-24 increase. For planning purposes we have assumed that the grant will continue at the same value in cash terms in 2025-26 although there has been no confirmation of this.

The Social Care Grant will be ringfenced for adults' and children's social care.

E) Services Grant

This was a new one-off, un-ringfenced grant for 2022-23. The Services Grant was £822m in 2022-23. This grant is distributed through the existing formula for assessed relative need across the sector, using 2013-14 shares of Settlement Funding Assessment (SFA). The new grant was to provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. It also included funding for local government costs for the increase in employer National Insurance Contributions. KCC's share of this grant for 2022-23 was £13.0m.

The provisional settlement proposes that the Services Grant will continue in 2023-24, but the amount reduced to £464m. £188m of the funding reduction is because there will no longer an increase to National Insurance Contributions. It is assumed the remainder of the reduction has been used to fund increases elsewhere in the settlement (possibly including an increase the funding available for the Supporting Families programme although this is not yet confirmed).

For planning purposes we have assumed that Services Grant will continue at the same value in cash terms for the medium term although there has been no confirmation of this.

F) Market Sustainability and Fair Cost of Care Fund

This was a new grant for 2022-23. In total £162m out of the £3.6bn over 3 years was made available in 2022-23. The grant was allocated using the existing the Adults RNF,. KCC's share of this grant was £4.2m. The charging reforms have now been delayed so the 2023-24 allocations of this grant have now been used to fund the increases to the social care grant as explained in paragraph section D of this appendix. The £162m from 2022-23 has now been rolled into the Adult Social Care Market Sustainability and Improvement Funding as explained in Section G below.

G) Adult Social Care Market Sustainability and Improvement Funding

The provisional settlement proposes to maintain the current levels of Fair Cost of Care funding for local authorities for 2023-24 at £162 million. This is to continue to support the progress local authorities and providers have already made this year on the fees and cost of care exercises.

The Autumn Statement announced that there will be an additional £400m for adult social care. It is expected that this additional funding will be used to make tangible improvements to adult social care and, in particular, to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector.

This grant will be distributed to Local Authorities using the adults RNF, the KCC share of the additional £400m is £10.3m KCC's grant to £14.4m.

The Autumn Statement announced that there will be a further £283m in 2024-25, which is an estimated additional £7.3m for KCC based on the same allocation mechanism as the 2023-24 additional grant. For planning purposes we have assumed that the grant will continue at the same value in cash terms for 2025-26 although there has been no confirmation of this.

H) Adult Social Care *Discharge Fund*

The Autumn Statement announced £600m of new grant funding for 2023-24 to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible, freeing up hospital beds for those who most need them. Local authorities will receive £300m of this funding. This funding will be required to be pooled as part of the Better Care Fund (BCF). 50% is to be made available to local

authorities in the provisional local government finance settlement and the remaining 50% held by Health within the BCF.

In the provisional settlement for 2023-24 this grant has been distributed using the existing Improved Better Fund allocations, the KCC share is £7.0m. There will be conditions attached to this grant and the Government will set of the details of these conditions in due course.

The local authority 50% share of the ASC Discharge Fund is planned to increase to £500m in 2024-25, KCC's share of this is an estimated £11.7m based on the same allocation mechanism as the 2023-24 grant. For planning purposes we have assumed that this grant will continue at the same value in cash terms in 2025-26 although there has been no confirmation of this.



Reserves Policy

1. Background and Context

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

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

2. Overview

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

2.2. The Council will maintain:

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

3. Strategic context

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

4. Management and governance

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

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

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

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

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

The current Financial Regulations state:

Maintenance of reserves & provisions

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

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

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

Budget risks and adequacy of reserves

The assessment of budget risks and the adequacy of reserves is particularly important for 2023-24 and the medium-term plan due to the extraordinary economic consequences of global and national circumstances and the impact on national public spending and local capital and revenue spending. This has significantly heighted the risks the Council faces, and it is more essential than ever that the Council is sufficiently financially resilient to avoid the risk of financial failure leading to the Council losing the ability to manage its finances. At a local level the scale of the in year overspend and its likely impact on the draft budget and Medium Term Financial Plan (MTFP) and reserves, also add to the importance of the assessment.

The administration's draft budget and MTFP is informed by the best estimate of service costs and income based on the information currently available. It is acknowledged that this does not come without risks particularly as we transition to the new Outcomes Based Budgeting approach. In addition, there will always be factors outside of the Council's direct control which have the potential to vary the key planning assumptions that underpin those estimates.

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

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

Risks

Cost of Living

- Extraordinary increases in the costs of goods and services procured by the Council
- Market instability due to workforce capacity as a result of recruitment and retention difficulties leading to exit of suppliers, increased costs, and supply chain shortages
- Increased demand for Council Services over and above demographic demands, including crisis and welfare support
- Reductions in income from fees and charges
- Under collection of local taxation leading to collection losses and reductions in tax base
- Increase in Local Council Tax Reduction Scheme discounts

Global Factors

- Impact of the Russian invasion of Ukraine
- Impact of the decision to leave the European Union
- Legacy impact of covid-19
- Ongoing supply chain disruption including energy supplies
- Breakdown of hosting arrangements under Homes for Ukraine scheme

Regulatory Risk

- Replacement Legislation and Regulation following Brexit –
 including additional council responsibilities, impact on businesses
 and supply chains, and economic instability
- Statutory overrides currently there are a number of statutory overrides in place which reduce short term risks e.g., high needs deficit, investment losses, etc. These are time limited and require a long-term solution
- Funding settlements adequacy of the overall settlement and reliance on council tax over the medium term, and uncertainty over future settlements (especially beyond 2024-25)
- **Delayed Reforms to Social Care Charging** uncertainty over future plans and funding, and providers' fee expectations
- Departmental Specific Grants Unanticipated changes in specific departmental grants and ability to adjust spending in line with changes
- Asylum and Refugee Related increase in numbers of refugees (adults and families) accommodated within the community impacting on council services. Inadequate medium-term government funding for refugee schemes
- **New Burdens** Adequacy of funding commensurate with new or additional responsibilities
- Further delay of the Local Government Funding Review The government has committed to updating and reforming the way local authority funding is distributed to individual authorities. However, this has now been further delayed until 2025-26 at the earliest. The Fair Funding Review of the distribution methodology for the core grants was first announced as part of the final local government settlement for 2016-17. The data used to assess funding distributions has not been updated for a number of years, dating from 2013-14 to a large degree, and even as far back as 2000.

General Economic & Fiscal Factors

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

Increases in Service Demand

- Long term impact of Covid-19 pandemic on clients and suppliers
- Adult Social Care demography from increased complexity
- Children's Social Care including an increase in the number of children in care, unaccompanied asylum seekers or those with no recourse to public funds
- Significantly higher than the national average Education and Health Care Plans with consequential impact on both Dedicated Schools Grant High Needs placements/services and General Fund services for assessment and home to school transport
- Waste tonnage
- Public health services
- General demographic trends (including a rising and ageing population and growth in the number of vulnerable persons)

Contractual Price Increases

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

Efficiencies and Savings Programme

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

Opportunities

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

Adequacy of Reserves

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

Assumptions for inflation



The annual rate of inflation (using CPIH) has been on an upward trend since July 2021 rising from 2.1% to 4.9% by January 2022, 8.8% July in 2022, and 9.6% in October 2022 before a slight fall to 9.2% in December. Increases in CPI (10.5% in December 2022) and RPI (13.4% in December 2022) have been even greater. The latest Office for Budget Responsibility forecasts are for the rate of inflation to peak in quarter 4 of 2022, before the rate of prices growth falls back a little in the first quarters of 2023 with more significant reductions in later quarters and into 2024, with negative inflation forecast later in 2024.

Estimates of the level and timing of capital receipts



The Council uses receipts as part of the funding for the capital programme. The Council has not applied the flexible use of capital receipts to fund revenue costs since the 2018-19 budget and does not propose to use the permitted extension. Delivery of receipts against the target has continued to fall behind in recent years necessitating additional short-term borrowing/use of reserves. Performance in the current year has been sluggish due to the economic turbulence and falls in property demand and house prices. Although there is a reasonable pipeline of assets for disposal the risk profile for potential delays remains high.

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



2022-23 has been an extraordinary year due to the economic consequences of global and national circumstances. A number of council services have faced significant increases in demand and costs due to inflation, market instability and shortages, changing client needs, coupled with under delivery of savings The forecast overspend for 2022-23 is unprecedented and has not significantly reduced during the year counter to previous trends which have seen early forecast overspends decline during the year. The early indications are that the forecast for guarter 3 will show an overall reduction compared to quarter 2 from a combination of management action to reduce spending and some further emerging growth. However, the guarter 3 forecast is still likely to show a significant overspend placing pressure on the Council's reserves.

The economic context has continued to place substantial additional spending pressures and income losses on the Council which have not been adequately reflected in the increased settlement from Government. The settlement still relies on increases in council tax.

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



There continues to be a reasonable degree of confidence in the validity of financial reporting despite the uncertainties and volatility caused by the economic circumstances. However, the ability to activate contingency plans if planned savings cannot be achieved has to date been severely restricted although every effort is being made to reduce the forecast overspend in 2022-23.

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

Some areas of spending can still be changed at short notice if required as a contingency response if planned savings cannot be achieved (or there are unexpected changes in spending). However, the scale and timing of overspends and under delivery of savings in 2022-23 is such that it is still uncertain what the final outturn for the year will be and what level of further draw down from reserves will be needed at year end over and above the £25m already set aside in a risk reserve established to mitigate the impact of uncertainty and volatility.

The growth and savings in the administration's proposed final draft budget 2023-24 are being independently reviewed to give assurance deliverability, and to verify the delivery plans for each one including the key milestones such as consultation, key decisions, and implementation. Given the scale of the savings, enhanced monitoring arrangements will be put in place in addition to the arrangements already embedded through the monthly monitoring with budget managers and regular quarterly budget monitoring reports to Cabinet. These enhanced arrangements will include review meetings with Cabinet Members and regular monthly updates from Corporate Directors on progress to deliver savings plans identifying where key milestones have been met (and where any have not been met), and feedback from any consultation leading to variations from the original plan. Where milestones have not been met or plans changed following consultation the updates will identify remedial actions

necessary to ensure the overall budget can be delivered as well as further management action.

The independent review and enhanced monitoring and reporting arrangements will be key in ensuring the savings delivery plans are achieved, however given the level of savings required to deliver a balanced budget, the ability to activate contingency plans to identify alternatives is likely to be very limited

Risks inherent in any new partnerships, major outsourcing arrangements, and major capital developments Partnership working with NHS and districts has improved. However, further sustained improvements are still needed to change the direction of travel.

Trading conditions for Council owned companies continue to be incredibly challenging.

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

The ability to sustain the capital programme remains a significant challenge. It is essential that capital programmes do not rely on unsustainable levels of borrowing and additional borrowing should only be considered where absolutely essential to meet statutory obligations. This will impact on the condition of non-essential assets possibly resulting in the closure of facilities. However, despite the action taken to limit additional borrowing, a third of the capital programme is still funded by borrowing.

Slippage within the programme has remained at unacceptable levels. The capital planning horizon has been extended to 10 years, up to 2033 for rolling programmes. This together with a new reserve to fund feasibility costs will help to reduce the slippage by creating a more realistic programme. The development of a new capital monitoring and reporting solution in the new financial year, will provide more detail and transparency on the capital programme.

Financial standing of the Authority (level of borrowing, debt outstanding, use of reserves, etc.) The financial standing of the Council is forecast to significantly weaken in 2023-24 pending the final outturn for 2022-23, before a planned recovery in 2024-25. This weakening for 2023-24 includes a lesser net contribution to reserves than in recent years, the risk of significant draw down from reserves at the end of 2022-23, and the need to start making provision for the DSG deficit from 2023-24 onwards.

On a positive note, the 2022-23 budget maintained general reserves at 5% of net revenue budget through a contribution of £3.0m. The 2022-23 budget also included the transfer of insecure funding (time-limited grants and dividends) to a Strategic Priorities reserve and the County Council's share of the proceeds from the business rate loog to Economic Development/Regeneration reserve rather than to support core spending. The Council was able to strengthen earmarked reserves in 2022-23 budget including further contributions to a risk reserve to mitigate increased uncertainty and volatility.

However, these additional contributions are offset by draw down from reserves. These include the planned draw down from corporate reserves in the 2022-23 budget and the administration's proposed final draft budget for 2023-24 to achieve a balanced budget. Furthermore, if the level of the current year overspend is not reduced by year end this will require further draw down from reserves. For the first time in several years the overall level of reserves is forecast to reduce by the end of the financial year.

The transfer of insecure funding to reserves is not included in the administration's proposed final draft 2023-24 budget and instead will contribute to core spending. The administration's proposed initial draft 2023-24 budget maintained a general reserve in line with the policy to maintain these at 5% of net revenue budget. The reserves position will be further weakened by the need to start making provision for a contribution to the DSG deficit from 2023-24 onwards putting further pressures on reserves

The levels of legacy borrowing for capital spending remain relatively high with 85% of debt not due to mature within the next 10 years. The debt includes loans taken out under the previous supported borrowing regime and more recent loans taken out under the prudential regime. The recent rise in interest rates has opened up an opportunity to refinance some loans on better terms due to the impact interest has on discount rates. 11.2% of debt is in long term Lender Option Borrower Option Loans which can only be redeemed with significant penalties at the lender's discretion.

In recent years, the Council has adopted a policy of funding additional borrowing requirements internally from reserves rather than from additional external borrowing. Whilst this remains sustainable for the next 2 to 3 years without impacting on long term investments, it needs to be kept under review.

Contributions to reserves and not increasing external debt are necessary to improve the financial sustainability of the Council in response to current challenges. However, the overall financial standing of the Council is forecast to weaken for 2023-24 before improving for 2024-25 and beyond, although this improvement is predicated on all the planned savings being delivered and on time, and that the budget is broadly balanced at the year end.

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

The direction of travel for this factor has deteriorated since the initial draft in light of the early indications for quarter 3 budget monitoring in the current year. The Council has previously delivered the outturn within budget and with a small underspend in each of the 22 years up to 2021-22, although it should be noted that underlying budget pressures in the demand led services have been consistently highlighted in recent years. Financial monitoring for the first two quarters of 2022-23 has shown a significant forecast overspend well in excess of reserve provisions set aside in the budget as a result of the heightened risk that was identified at the time the budget was set. This overspend is in part due to the extraordinary economic consequences of global and national circumstances covered in the administration's final draft budget report for 2023-24. These consequences include levels of inflation not seen in last 40 years, significant market instability affecting suppliers of key council services, increased demand for some council services driving up costs, and under delivery of savings plans. As highlighted above, it is also important to note that the underlying position for both adult social care and children's services in previous years has been an overspend at year end which has been offset by underspends in other areas and drawdowns from reserves.

A balanced medium-term plan for 2022-25 was presented as part of the 2022-23 budget based on prudent assumptions for future spending, council tax and government funding although the balanced position was only possible with £100m of savings/income over the three years.

The volatility and uncertainty during 2022-23 has had a significant impact on the medium-term plan. This is despite an improved local government settlement for

2023-24 and 2024-25 with additional grants albeit these are short term in nature particularly to address current pressures in adult social care and government expectations of higher council tax. The planned savings and income over the three-year period 2023-24 to 2025-26 have increased to £142m. Within this there is a weakening of council reserves for 2023-24 before a planned recovery for 2024-25.

Virement and yearend procedures in relation to under and overspends



The direction of travel for this factor has deteriorated in light of the early indications for quarter 3 budget monitoring in the current year and ongoing issues with Whole Government Accounts. The Council continues to adhere to its virement and year end procedures as set out in its financial regulations. The Council's ability to close the year-end accounts early or even on time is becoming increasingly difficult. The audit certificate for 2020-21 has still not been issued, due to the audit of 2020-21 Whole Government Accounts being outstanding as the external auditors have prioritised the audit of the Council's 2021-22 accounts.

The draft outturn for 2021-22 was reported to Cabinet on 23rd June 2022 outlining the main overspends and underspends together with roll-forward requests. This was presented alongside an update to the mediumterm financial outlook. A net underspend of £0.5m was reported after roll forwards of £7.1m. The draft accounts for 2021-22 were published on 1st August 2022 and are still being audited. The audit is ongoing whilst waiting for the issue of the statutory instrument by Government, setting out the approach for accounting for infrastructure assets.

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



The Council continues to have adequate reserves although a number of significant risks remain unresolved which could impact on reserves and their adequacy if a solution is not found.

The most significant risks are the forecast overspend for 2022-23, the continuing and growing deficit and accumulated debt on the High Needs Block of Dedicated Schools Grant (DSG) relating to spending to support children and young people with Special Educational Needs and Disabilities (SEND) and reduced contributions to reserves in 2023-24.

The impact of the forecast overspend and reduced contributions to reserves are set out in administration's draft budget report for 2023-24.

The High Needs deficit follows the introduction of the Children and Families Act 2014, the Council has seen an unprecedented rise in the number of children and young people assessed for Education and Health Care Plans (EHCPs) which is higher than the national and nearest neighbour averages. The high needs funding within the DSG has not kept pace resulting in in-year overspends and an accumulated deficit on the unallocated DSG reserve. This is a national problem but has been particularly acute in Kent and a number of other councils. The government has started a process to consider contributing towards historic debts for those local authorities with the most significant overspends (known as the Safety Valve agreement), but only where local authorities can demonstrate they can balance their future annual budget. Whilst the government has confirmed that DSG deficits do not have to be covered from the General Fund up to at least March 2026, the level of debt remains unsustainable posing a considerable risk in the absence of funding and structural reforms. The Council has updated its DSG deficit recovery plan with the aim of initially reducing the rate of growth and ultimately starting to repay the accumulated debt. However, under the Safety Valve programme this will take several years. It is critical that the deficit recovery plan is delivered to reduce the level of deficit as soon as possible. In the meantime, the Council will need to start making provision in reserves from 2023-24 onwards to contribute to the deficit recovery plan.

A register of the most significant risks is published as part of the administration's final 2023-24 revenue budget, 2023-26 medium term plan and 2023-33 capital programme.

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The general financial climate including future expected levels of funding



The Autumn Statement 2022 included departmental spending plans up to 2024-25 and high-level spending plans up to 2027-28. The plans for 2023-24 and 2024-25 included significant additional support for local government including additional grants and increased assumptions for council tax. However, the provisional local government finance settlement only included individual grant allocations and core spending power calculations for 2023-24. The settlement did also include council tax referendum levels for 2024-25 as well as the overall additional amounts for the main grants for 2024-25. Other departmental specific grants were not included in the settlement and are announced later. The Autumn Statement and provisional local government finance settlement confirmed that the

planned reforms to social care charging have been delayed until 2025. It is this delay that has enabled Government to redirect the funding allocated for social care reform as a short term increase in funding for current pressures in adult social care. However, the inadequacy of medium to long term sustainable funding for adults social care remains, hence the neutral direction of travel. The long-awaited update and reform to the funding arrangements for local government have also been delayed again until 2025 at the earliest.

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

The adequacy of insurance arrangements



The Council's insurance policies were reviewed for January 2022. A hardening market along with changing levels of risk has resulted in a rise in premiums, with some deductibles being increased to mitigate this. The implications of limiting capital borrowing to absolutely essential statutory services increases the risk of insurance claims where assets have not been adequately maintained. A fund audit confirms the levels of insurance reserve are adequate, however as the corporate contribution to the fund is remaining unchanged more reliance will be placed on the reserve to balance insurance claims.

Of the eleven factors used to assess risk and the adequacy of reserves, only one has shown no change from twelve months ago (the financial climate and expected levels of funding, and even this is only for the short-term through the improved settlement for local government in 2023-24 and 2024-25), the remaining ten have all deteriorated. Of those that have deteriorated the reduced financial standing of the council (albeit currently only shown for 2023-24 as long as planned savings are delivered and demand is managed effectively) and the ability to deliver alternative savings plans are the cause for most concern. A number of the other deteriorations are largely due to outside factors but still need to be managed and mitigated as much as possible. No weighting has been applied to the individual factors, but the general financial risk to the Council should now be regarded as significantly increased compared with a year ago, which in turn, was increased from the year before.

The amounts and purposes for existing reserves have been reviewed to ensure the Council achieves compliance with Local Authority Accounting Panel (LAAP) Bulletin 99. This bulletin sets out the recommendations on the purposes for holding reserves.

Reserves are split between general reserves (working balance to help cushion the impact of uneven cashflows/avoiding unnecessary temporary borrowing and contingency to cushion the impact of unexpected events/emergencies) and earmarked reserves to build up funds for known/predicted specific events.

The administration's proposed final draft 2023-24 budget includes a £9.9m net increase from changes in contributions and draw down from reserves. This includes additional contributions to reserves of £22.4m, including a recurring £12.0m contribution to the risk reserve, £4.5m contribution to local taxation smoothing reserve from unbudgeted council tax collection fund surplus, and an additional contribution of £5.8m to general reserves (to enable the general reserve to be maintained at 5% of the administration's proposed draft 2023-24 net revenue budget). For one year only, the transfer of insecure funding to strategic priorities reserve and economic development reserve is not repeated in the administration's proposed draft budget and the funding is being used to fund core spending in 2023-24. These are acceptable risks in the short-term but are not sustainable in the medium term.

The 2024-25 plans provide for replacement and replenishment of corporate reserves used to support 2023-24 budget and re-introduction of the transfers of insecure funding to strategic priorities to support the delivery of the Strategic Statement and economic development reserves, as well as continuing contributions to the risk reserve.

These additional contributions are offset by £12.5m additional drawdown from public health and corporate reserves; this includes a £7.9m draw down from corporate reserves to balance the administration's proposed draft 2023-24 budget. The budget also reflects a net £20.7m removal of one-off contributions and drawdowns in 2022-23.

TOTAL 397,000

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
Significant	Risks (over £10	Om)				
Page 165	High Needs Demand	Block does not meet the cost of demand for	agreeing with the Schools' Forum a 1% transfer of the Schools Block into the High Needs Block in recent years, and we have requested this to continue in 2023-24 by the Secretary of State, this still leaves a material forecast overspend on the high needs budget in 2023-24 and further increases the accumulated deficit on the unallocated Schools Budget (DSG) Reserve, as any changes will take time to embed and reduce costs going forward. The main drivers of this deficit are the increase in demand for Education Health & Care Plans and requests for more specialist placements/support for children with SEN, many of which are then educated further away from their local school. A deficit recovery	The government now requires the total deficit on the schools budget to be carried forward each year and not allow local authorities to offset with general funds without express approval from the Secretary of State. In addition, the DSG deficit should also be held separately from the main council accounts until March 2026. This approach does not resolve how the deficit will be eliminated and therefore still poses a substantial risk to the Council. Whilst local policy changes are expected to return the Council to a balanced in-year budget over time, the changes are unlikely to create sufficient surplus to fund the accumulated deficit. This could only be addressed through significant reductions to existing funding rates which would have an adverse impact on schools, academies, colleges and independent providers. Despite the extension to the override the Council will have to start to make provisions for a contribution from reserves from 2023-24 onwards towards the accumulated DSG deficit	5	100,000
ALL	2022-23 overspend impact on reserves	Inability to manage the pressures against the 2022-23 revenue budget in order to deliver a balanced position by 31-3-23.	Overspend against the revenue budget in 2022-23 required to be met from reserves leading to a reduction in our financial resilience	Insufficient reserves available to manage risks in 2022-23 and future years	5	60,900
ALL	Non delivery of Savings and income	Changes in circumstances, resulting in delays in the delivery of agreed savings or income	Inability to progress with plans to generate savings or additional income as scheduled, due to changing circumstances	Overspend on the revenue budget, requiring alternative compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	54,800

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
ASCH / CYPE Page	Market Sustainability	The long term impact of Covid-19 is still impacting on the social care market, and there continues to be concerns about the sustainability of the sector. At the moment all areas of the social care sector are under pressure in particular around workforce capacity including both recruitment and retention of staff especially for providers of services in the community, meaning that sourcing appropriate packages for all those who need it is becoming difficult. This is likely to worsen over the next few months with the pressures of winter, and increased activity in hospitals. Throughout this year we have continued to see increases in the costs of care packages and placements far greater than what would be expected and budgeted for, due to a combination of pressures in the market but also due to the increased needs and complexities of people requiring social care support.	If staffing levels remain low, vacancies unfilled and retention poor, then repeated pressure to increase pay of care staff employed in the voluntary/private sector in order to be able to compete in recruitment market. At the moment vacancy level said to be 1 in 10.	Care Homes closures are not an infrequent occurrence and whilst some homes that close are either too small or poor quality others are making informed business decisions to exit the market. The more homes that exit in this unplanned manner further depletes choice and volume of beds which can create pressures in the system regarding throughput and discharge from hospital thus potentially increasing price.	5	45,000
ALL 166	Revenue Inflation		Price pressures rise above the current MTFP assumptions and we are unsuccessful at suppressing these increases.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	30,000
СҮРЕ	Market Sustainability	Availability of suitable placements for looked after children. Availability in the market for home to school transport, due to reducing supplier base and increasing demand.	Continued use of more expensive and unregulated placements, where it is difficult to find suitable regulated placements. as no suitable alternative is available. The cost of transport contracts continues to increase above inflation.	Unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	5	21,000
ALL	Capital	Capital project costs are subject to higher than budgeted inflation.	Increase in building inflation above that built into business cases.	Capital projects cost more than budgeted, resulting in an overspend on the capital programme, or having to re-prioritise projects to keep within the overall budget. For rolling programmes (on which there is no annual inflationary increase), the level of asset management preventative works will reduce, leading to increased revenue pressures and maintenance backlogs.	4	18,300
ALL	Demand	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Demand for services exceeds the budget assumptions and we are unsuccessful at suppressing these increases e.g. children's social care, adult social care, school transport, waste, coroners etc.	Additional unfunded cost that leads to an	3	17,000

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
Other Risks	(under £10m -	individual amounts not included)				50,000.0
DCED	Strategic Headquarters	Sub optimal solution for the Council's strategic headquarters	Capital programme includes a capped £20m allocation for strategic assets project that limits the available options	Inability to address all backlog issues increases the risk of cost overruns and potential need for higher future maintenance, running and holding costs	5	
GET / DCED	Capital – asset management and rolling programmes including: Highways, Country Parks, PROW (GET) and Modernisation of Assets, Schools (S&CS)	The asset management/rolling programmes for KCC are annual budgets and are not increased for inflation each year, meaning that the purchasing power reduces year on year as inflation is compounded yet the budget remains fixed.	Inflation pressures are incurred annually on these budget areas but the funding sources (KCC borrowing, DfT grant) remain fixed and therefore this contributes to the 'manage decline' notion in that these budgets do not even maintain steady state as often the level of investment is below (risk accepted) the required level of spend, plus year-on-year inflation is not budgeted for so the level of works commissioned reduces year-on-year also.	management preventative works commissioned each year will reduce.	5	
Page 167	Capital - highways grant allocation	DfT capital grant funding has reduced by £9m resulting in insufficient capital funding available to continue at previous budgeted and approved service/investment levels, leading to an accelerated managed decline in the state of our highways network.	The requirement to manage safety concerns may lead to increased unbudgeted revenue spend on reactive works. The service was already operating a managed decline in the state of the network due to increasing traffic volumes, increasing inflation without compensating increases in funding etc so this will further exacerbate that position.	An overspend on the capital/revenue budget, requiring alternative offsetting savings or temporary funding from reserves/other sources. A re-prioritisation of the KCC capital programme would be required or service levels would need to be reduced. Asset management backlog (currently in excess of £700m) would continue to grow at an even quicker rate.	5	
ALL	Contract retender	Contracts coming up for retender are more expensive due to prevailing market conditions and recruitment difficulties	This risk could result in a shortage of potential suppliers and/or increases in tender prices over and above inflation	Higher than budgeted capital/revenue costs resulting in overspends that can be offset by specification changes	4	
ALL	Capital - Developer Contributions	Developer contributions built into funding assumptions for capital projects are not all banked.	Developer contributions are delayed or insufficient to fund projects at the assumed budget level.	Additional unbudgeted forward funding requirement and potential unfunded gaps in the capital programme	4	
DCED	Capital Investment in Modernisation of Assets	Insufficient funding to adequately address the backlog maintenance of the Corporate Landlord estate and address statutory responsibilities such as Health & Safety requirements	Condition of the Corporate Landlord estate suffering from under- investment. Recent conditions surveys estimate an annual spend requirement of £12.7m per annum required for each of the next 10 years. Statutory Health & Safety responsibilities not met.	The estate will continue to deteriorate; buildings may have to close due to becoming unsafe; the future value of any capital receipts will be diminished. Potential for increased revenue costs for patch up repairs. Risk of legal challenge.	4	
DCED	Cyber Security	Malicious attacks on KCC systems.	Confidentiality, integrity and availability of data or systems is negatively impacted or compromised leading to loss of service, data breaches and other significant business interruptions.	Financial loss from damages and potential capital/revenue costs as a result of lost/damaged data and need to restore systems	4	

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
DCED	Increasing costs within Corporate Landlord which used to be funded by Directorate budgets	The Hybrid working requires centralised costs for replacement chairs/equipment which used to be funded from individual budgets. Also provision of tea, coffee, milk and the added cost of fridge cleaning etc.	If budget not top-sliced across Directorates then pressure will fall to Corporate Landlord.	Increased cost of new TFM contracts due to change in central requirements which will appear as an overspend if we can't identify where/how to collect budgets.	4	
GET	Investment in the Public Rights of Way (PROW) network	Insufficient funding to adequately maintain the PROW network	Condition of the PROW network suffering from under-investment. A modest £150k allocation was included in the 2021-22 but additional one-off and base funding is likely to be needed for a service that is already operating at funding levels below recommended asset management levels. This has been further exacerbated by the increased usage arising from the covid related restrictions and national lockdown	The potential for claims against the council due to injury and from landowners and the need to undertake urgent works that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	4	
Page 168	Revenue - drainage and adverse weather	Persistent heavy rainfall and more frequent storm events mean insufficient revenue and capital budget to cope with the reactive and proactive demands on the service	An additional £1m was put into the drainage budget in 21/22 but this was below the level of overspends achieved in the two prior years and the risk is therefore the budget is not being funded at the level of demand/activity. More erratic weather patterns also cause financial pressures on the winter service and many other budgets. The risk is that this weather pattern continues and additional unbudgeted funding required.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves	4	
GET Ö	Changing Government focus on funding to support the Net Zero/Carbon Reduction green agenda	The Sustainable Business and Communities team with Net Zero within its remit has received significant EU/Interreg funding which has helped plan and deliver the plan for Net Zero by 2030/2050. If such funding is not available from Government programmes then either KCC would otherwise need to invest its own funds to provide a suitably sufficient team to achieve Government requirements or requirements won't be able to be met	The risk is that KCC has to fund any reduction or cessation of funding.	The consequence is an overspend against the revenue budget, requiring compensating savings or funding from reserves, as simply not delivering Net Zero by 2050 is not an option due to Government legislation being implemented.	4	
СҮРЕ	Recruitment, retention & cover for social workers	Higher use of agency staff to meet demand and ensure caseloads remain at a safe level in children social work. The Service has relied on recruitment of newly qualified staff however this is being expanded to include a more focused campaign on attracting experienced social workers. There are higher levels of sickness and maternity leave across children's social work	Inability to recruit and retain sufficient newly qualified and experienced social workers resulting in continued reliance on agency staff, at additional cost. Higher levels of sickness and maternity leave resulting in need for further use of agency staff.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	
ALL	Capital - Capital Receipts	Capital receipts not yet banked are built into the budget to fund projects.	Capital receipts are not achieved as expected in terms of timing and/or quantum.	Funding gap on capital projects requiring additional forward funding.	3	

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
ALL	BREXIT and EU Transition	The Council requires full reimbursement from Central Government for the additional ongoing costs of BREXIT and transition.	Full cost reimbursement not received from government. The grants received to date have not been sufficient to cover the council's additional spending on BREXIT and transition costs.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves	3	
ALL	Income	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust income estimates.	Income is less than that assumed in the MTFP.	Loss of income or reduced collection of income that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	
GET	Waste income prices	The current market has seen a considerable volatility in the income received for certain waste streams (potentially due to other supply shortages). The budget for 2023-24 includes £1.8m for lower than budgeted income in 2022-23	Projected levels of income fall and leave a financial unfunded pressure.	This will result in an unfunded pressure that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	
Page 169	English National Concessionary Travel Scheme (ENCTS) and Kent Travel Saver (KTS) journey levels		Activity levels return to a level of journeys in excess of the revised budget, therefore causing a financial pressure.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years if current activity levels are not indicative of the new normal.	3	
Non Attributable Costs	Insecure funding	The 2023-24 core budget includes £11.3m from insecure funding (company dividends, business rate pool and new homes bonus).	Previously it was recognised that core spending should not be funded from insecure/volatile sources and such funding should be held in reserve and used for one-off purposes	Funding is not secured at the planned level resulting in overspend	3	
Non Attributable Costs	Volatility on Investment Income	are forecast to rise further. The 2023-24 budget includes an assumed £2.9m additional income on financial investments under the Treasury Management Strategy.	Performance of our investments falls below predicted levels as a result of volatility in the economy	Reduction in investment income leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	
СҮРЕ	Changes to OFSTED regulation for 16 & 17 year olds	requirements for providers of supported accommodation that accommodates looked after	The cost of regulated accommodation is more expensive and could add a further pressure on placement costs ahead of formal implementation. Government have indicated they will provide additional funding to compensate however this may not be sufficient or provided in a timely way.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years. Further discussions with Home Office if the additional costs cannot be managed within existing grant rates.	3	

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence		Estimated Maximum Financial
CYPE / DCED	grants for central services for schools and review of school	The government has reaffirmed its intention for all schools to become part of the multi-academy Trust. Local Authority grant funding to support schools continues to be reduced, equating to a cumulative total reduction of nearly £4m for KCC since 2019-20. Consequently the Local Authority needs to review its relationship with schools and the services it provides free of charge.	Long term solutions cannot be implemented within timescales and may require schools agreement (which may not be achieved). There is also a risk that by passing greater responsibilities to schools could have a possible negative impact on other areas of Local Authority responsibility if schools do not comply (for example: school maintenance). There is also the risk of further cuts to the Local Authority Central Services for School Grants in the future.	If this remains unresolved there is a risk that this will also have to either be met from reserves in future years or result in an overspend until a longer term solution is identified	3	
DCED	Highways unadopted land	Maintenance costs for residual pieces of land bought by Highways for schemes and subsequently tiny pieces not required or adopted.	Work becomes necessary on these pieces of land and neither Highways or Corporate Landlord have budget to pay for it.	Work needs to be completed whilst estates work to return the land to the original landowner	3	
ASCH (PH)	Uplift in Public Health Grant	The anticipated 'real' increase in the Public Health grant is insufficient to meet increase in costs and costs of new responsibilities.	The increase in the Public Health grant is less than the increases in costs to Public Health.	(i) Public Health reserves would be exhausted (ii) Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	3	
Page 170	VAT Partial Exemption	KCC VAT Partial Exemption Limit is almost exceeded.	Additional capital schemes which are hosted by KCC result in partial exemption limit being exceeded.	Loss of ability to recovery VAT that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	
ALL	Capital Costs	Pre-Capital Works Expenditure.	Capital project doesn't proceed as planned and capital costs are transferred to revenue.	Aborted capital cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	2	
ALL	Capital - Climate Change	Additional costs are incurred to comply with climate change policy	Project costs increase beyond budget	Overspend on the capital programme resulting in additional borrowing	2	
CYPE	Capital - Basic Need Allocations	Estimates of future basic need allocations are included in the capital programme.	Basic need allocations are less than expected.	Funding gap for basic need projects which will need to be funded either by reprioritising the capital programme or by additional borrowing with a consequential unbudgeted impact on the revenue position of the costs of borrowing.	2	
DCED	Backlog of maintenance for properties transferring to Corporate Landlord	Maintenance backlog historically funded by services from reserves or time limited resources which have been exhausted. Properties that have been transferred to the corporate landlord require investment.	Urgent repairs required which cannot be met from the Modernisation of Assets planned programme within the capital budget	Unavoidable urgent works that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	

Likelihood Rating

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

1. INTRODUCTION

- 1.1. The Council can raise income from fees and charges for a number of different reasons. These include statutory charges (required to be raised under legislation), charges for trading activities, and charges for discretionary services. This policy statement only relates the latter category. Charges for discretionary services can result in users paying directly for the service either in full or part. Where charges do not recover the full cost of providing the service, the Council's General Fund subsidises individual users, at the expense of other council services.
- 1.2. Fees and charges are an important source of income, providing funds to assist in achieving the corporate objectives of Kent County Council (KCC) and reducing the amount required to be raised from Council Tax. The purpose of this policy is to establish a framework within which fees and charges levied by the council are agreed and regularly reviewed and to ensure that subsidies are in accordance with policies and objectives set by the council.
- 1.3. This framework provides guidance to heads of service and service managers on:
 - The setting of new charges and the policy context within which existing charges should be reviewed, including consultation and equality impact assessments, as required.
 - The council's approach to cost recovery and the generation of income from charging for services.
 - The governance processes to follow to gain approval for services to be provided at subsidy whether this be a subsidy to all users or in the form of concessions for users meeting qualifying criteria.

2. EXCLUSIONS

- 2.1. The Council's budget includes income from grants; contributions from other public agencies; sales, fees and charges; client income; and other external income (interest, dividends, etc.). This policy framework only relates to fees and charges for discretionary services (this is the whole service and not individual activities).
- 2.2. This policy does not include statutory charges, i.e. charges that are set nationally by government, although the impact of changes to the national legislation need to be considered and factored in as part of periodic review of discretionary charges. Charges for statutory services, where these are permissible within the relevant legislation and where level of charge is determined locally by the Council are within the scope of the policy.
- 2.3. The policy does not apply to services provided to other public bodies under contract. The Local Authority (Goods and Services) Act 1970 enables Local Authorities and other public bodes to provide goods and services to each other under mutually agreed arrangements. The cost of providing such services is not limited to cost recovery and many such services are undertaken on the grounds of cost-sharing between public sector partners. However, we do expect that such arrangements have regard to the key principles in this policy.

- 2.4. The policy does not apply to services provided on a commercial or trading basis including in house trading services e.g. Community Learning, and services delivered by the Council's wholly owned trading companies.
- 2.5. This policy does not cover rental income.
- 2.6. The policy does not apply to services delivered under the Care Act 2014. This Act determines the maximum amount a local authority can charge for the provision of social care based upon an overarching principle that people should only be required to pay what they afford. However, the policy does extend to fees for those clients who have been assessed under the Act with the ability to meet the full cost of care where this is provided through the Council's care provision.

3. KEY PRINCIPLES

- Approval for discretionary services to be provided at subsidy or the provision of concessions must follow the governance set out in this policy and align with corporate priorities.
- Approval for new charges must follow the governance set out in this policy.
- Users of discretionary services must be aware of the charge prior to purchase and prior to delivery.
- Charges will be collected in advance of service delivery, unless there is an explicit rationale for collecting the income in arrears.
- Charges will be subject to annual inflationary uplift. In the case of full cost recovery this will be based on actual cost increases. In the case of subsidised fees this can be based on cost increases or an agreed multiplier approved in accordance with this policy.
- All charges will be subject to periodic in-depth review (at least once every 3 years).

4. LEGISLATION

- 4.1. Discretionary services are those which an authority has the power to but is not obliged to provide. Section 3 of the Localism Act 2011 allows authorities to charge for discretionary services offered under their general power of competence and sits alongside the powers already available to local authorities to charge for discretionary services in function-related areas under Section 93 of the Local Government Act 2003. Authorities cannot charge for services that they have a statutory duty to provide.
- 4.2. Additions or enhancements to mandatory services above the standard that an authority has a duty to provide may be provided as discretionary services. Where this applies the discretionary element should be treated as a discretionary service under this policy.

- 4.3. This Act introduced the following key points-
 - Authorities are under a duty to ensure that, taking one year with another, the income from charges do not exceed the costs of provision.
 - The recipient of the discretionary service must have agreed to its provision and agreed to pay for it.
 - Charges may be set differentially, so that different people are charged different amounts.
- 4.4. In using the phrase "taking one year with another" the legislation recognises the practical difficulties a council may face in estimating the charges, since to a large extent this is highly dependent upon the demand for the services concerned. This allows that any under-recovery of cost can be addressed in setting charges for future years so that over time income equates to costs.
- 4.5. In setting charges, the legislation makes reference to CIFPA's definition of total cost. This provides the ability to recover all costs in the organisation, including a proportion of all central and unallocated overheads including democratic costs, depreciation, interest and working capital costs and any pensions back-funding.
- 4.6. The law is complex and some services and charges are bound by further specific legislation. Services are expected to be aware of the legislative context that applies to their area of responsibility and seek advice as required from Invicta Law.

5. COST RECOVERY

5.1. All discretionary services (and thus the charges made under the service) should be identified as belonging to one of the categories in the table below and the appropriate charging policy adopted in establishing and reviewing the level of the charge following the appropriate approval.

Туре	Objective	Approver
Full cost recovery	The council wishes to make the service generally available, but there is no policy rationale for providing a subsidy from the General Fund. This should be considered as the default in the absence of specific corporate objectives or policy.	Heads of Service in accordance with the Scheme of Delegation – noting that new charges and material changes to existing charges will require Cabinet or Cabinet Member approval.
Full cost recovery with concessionary discounts	The council wishes to make the service generally available and is prepared to subsidise the service to ensure disadvantaged groups have access to the service.	Cabinet
Subsidised	The council wishes to make the service widely accessible and therefore provides a subsidy from General Fund with service users expected to make some contribution towards the cost.	Cabinet
Nominal	The council wishes the service to be fully available but sets a small charge relative to cost as an incentive.	Cabinet
Free	The council's policy is to make the service fully available and "free at the point of delivery". The service is funded from general taxation.	Cabinet
Statutory	Charges are set in line with legal obligations and national government charging policy.	N/A

5.3. Full cost recovery includes the total cost of delivery together with an apportionment of department and corporate overheads. Corporate overhead allocation will be provided by the Finance Team. Examples of costs include:

Employment Costs	The cost of staff who deliver the convice including:
Employment Costs	The cost of staff who deliver the service, including:
	 Salary, employer national insurance and pension costs
	 Other employment allowances and travel costs
Service Costs	Costs incurred by the service in delivery for example:
	 Advertising and marketing
	Specialist equipment
	 Administration and management
Corporate Costs	Costs incurred by Strategic and corporate Services:
	 Accommodation through Corporate Landlord
	Information Technology
	Insurance
	 Back-office services such as Finance, Human
	Resources, etc.
	Democratic Costs
Financial	Depreciation
	Interest on Loans
	The cost of payment collection fees by the Council
	Debt collection and bad debt write-off

6. GOVERNANCE

- 6.1. The Council may decide to provide discretionary services without charge or at a level that does not fully recover the cost of delivery and the General Fund subsidise service users. Decisions on subsidies should support the delivery of the Council's Strategic Plan, its priorities and its objectives. Prior to introducing any new fees for charges or making any changes to existing subsidies, the Council will undertake a full review of the discretionary service, including consultation and an equalities impact assessment where required and decisions taken in accordance with Council's governance.
- 6.2. In some circumstances it may be appropriate to provide a partial subsidy if charging the full cost discourages or prevents usage.
- 6.3. When considering a subsidy, the following should be taken into account:
 - That the subsidy supports a corporate priority, objective or policy
 - That it is reasonable to assume that the impact of the policy can be measured
 - The cost of the subsidy can be estimated and is affordable within the approved budget
 - That the proposed subsidy is the most effective approach available to deliver the policy objective, and
 - Any other relevant information.
- 6.4. A subsidy could be for all users or in the form of concessions for users that meet qualifying criteria. Any application for a concession will be considered on its own merits.

- 6.5. Corporate Directors, Directors and Heads of Service are responsible for ensuring that the fees & charges within their area of responsibility comply with the policy and for ensuring that the policy is applied to all discretionary services and not just those for which a charge is currently made. This includes applying appropriate annual uplifts to reflect increased costs or multipliers agreed under this policy.
- 6.6. All subsidies for discretionary services, whether in the form of reduced charges or concessions (including nominal fees and free services although these will be rare) requires approval from Cabinet.
- 6.7. If Cabinet does not approve a subsidy, the Head of Service is required to charge the full cost to the user, and, subject to appropriate governance processes, if such a service becomes unviable it should cease to be provided.

7. NEW/INCREASED FEES AND CHARGES

- 7.1. Services are responsible for reviewing their services and ensuring that appropriate decisions are taken for all discretionary services. Proposals for new fees and charges must be considered by Cabinet in accordance with the Council's constitution and take into account the outcome of any consultation and equalities impact assessment.
- 7.2. Reasonable notice should be given to service users after any decision is taken to significantly amend or introduce a new fee or charge for a service that was previously delivered for free, or at a reduced subsidy.
- 7.3. Proposals should be made using the guidance in the Annex this provides a brief rationale and business case for the introduction of the fee or charge or the introduction of the new discretionary service.

8. ADMINISTRATION AND NOTIFICATION OF CHARGES

- 8.1. Users of discretionary services must be aware of the charge prior to the ordering and delivery of services requested. Charges that are ordinarily paid by residents are expected to be quoted inclusive of VAT. Charges that are paid by businesses may be quoted excluding VAT in line with normal business practice.
- 8.2. It is expected that payment will be collected in advance of service delivery unless there is an explicit rationale for collecting the income in arrears. In these exceptional circumstances services are expected to issue invoices promptly and comply with debt management processes. Charges for services that are to be paid in arrears will include the cost of debt recovery and an allowance for bad debt write-offs.
- 8.3. Once set and in accordance with the policy, Heads of Service are required to ensure that fees & charges are applied to all service users and that waiving of fees is only applied in exceptional circumstances. Heads of Service are required to keep a record of any exceptions granted in these circumstances for review.

9. PERIODIC REVIEW

- 9.1. Charges, and decisions not to charge, will be reviewed by Services annually in sufficient time for the impact of any revisions to be included in the budget setting process. All charges are expected to be increased by at least inflation each year unless there are exceptional reasons not to do so.
- 9.2. Heads of Services are expected to undertake a thorough review every 3 years such a review is necessary to ensure that there are no material changes since the last review and to provide assurance that all costs are being recovered. The Finance Team will assist in monitoring the cost recovery position.
- 9.3. Heads of Service have delegated authority to implement increases to existing charges but should follow the process for the introduction of new charges if these changes are material or have a particular EIA requirement or impact. It may be appropriate in certain circumstances to implement a material increase in a phased approach, this will require approval from the Cabinet Member or Cabinet since a subsidy is being provided.
- 9.4. Charges must also be reviewed during the year if there are any significant changes, such as cost, market changes, demand or service levels which materially affect the current charges and cost recovery with any changes required approved by Cabinet or through delegated authority as above.
- 9.5. The reasons behind any significant change to charges should be communicated to service users, providing reasonable notice.
- 9.6. The guidance in the Annex should be used to record the outcome of the periodic in-depth review. The Finance Team will provide support to Heads of Service to undertake this in-depth review and may require that such a review is undertaken where there is evidence that the current fees & charges are below comparable benchmarks or where there is evidence confirming that a subsidy is being provided.

10. RECORDING OF FEES AND CHANGES

- 10.1. Services are expected to maintain a schedule of all fees & charges levied. These schedules should include, identified separately, charges that are set nationally. The schedule should record the date of the last in-depth review and the date of any relevant Cabinet Member or Cabinet decision to provide a subsidy or concession.
- 10.2. The council's fees & charges are ordinarily set prior to each financial year and published as part of setting the Medium Term Financial Plan. Users of discretionary services must be made aware of any charges prior to using services and this may be achieved by publishing information alongside service information on the council's website.

ANNEX: GUIDANCE FOR NEW FEES & CHARGES AND THE PERIODIC IN-DEPTH REVIEW OF FEES & CHARGES

Charging Policy

The charging policy must be stated, together with an explanation of why this is being proposed (for example full cost recovery, subsidised or nominal as defined in the policy at paragraph 5.2)

Comparative Information

Include details of comparative charges levied by other local authorities.

Financial

Level of charge	Proposed new level of charge
Start Date	Implementation date for the new charge or new level of
	charge
Income	Expected gross income to be generated by the new charge
	(per annum)
Costs	The estimated cost of supplying the service including all
	administrative and overhead costs
Subsidy	The amount of subsidy (if relevant) - subject to approval
Concessions	The type and amount (if any) of any proposed concessions –
	subject to approval

Impact Assessment

Identify the likely impact on service users including those that currently benefit from the service, the effects of the changes proposed and the impact of any proposed subsidies or concessions. Equality issues must specifically be considered and reported.

Council Impact

Note any consequences that the services or charge may have on other council services

Method of Collection

Proposals for new charges (or the periodic in-depth review of existing charges) must identify what collection methods will be used. This should be in accordance with the policy as noted in paragraph 8.2.

Consultation

Include a summary of the consultation conducted and the results of consultation including any adjustments that have been made as a result of the consultation.

CAPITAL STRATEGY

INTRODUCTION

1.1 This Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It sets out the strategic direction for KCC's capital management and investment plans and is an integral part of our medium to long term financial and service planning and budget setting process. It establishes the principles for prioritising KCC's capital investment and incorporates requirements from the prudential system.

Capital Expenditure and Financing

- 1.2 Capital expenditure is where the Council spends money on assets, such as property, highways assets or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are deemed *de-minimis*, they are not capitalised and are instead charged to revenue in year.
- 1.3 Details of the Council's policy on capitalisation are included in the Council's annual Statement of Accounts, the relevant extract is set out below:
 - "Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.
- 1.4 All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above our *de-minimis* of £10k (£2k in schools) is capitalised on an accruals basis. In this context, enhancement means work that has substantially increased the value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction".

Capital Strategy Principles

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

The Capital Strategy will:

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

- Exclude property investments where loans are provided to third parties, such as No Use Empty – these will be considered as part of the Treasury Management Strategy,
- No new borrowing is undertaken affordability across the medium to long term is key.
- Health and safety aspects of the Council's estate and roads will be monitored closely and prioritised accordingly, with emergency situations being dealt with.

The Council's Strategic Outcomes

- 1.6 Framing Kent's Future – Our Council Strategy 2022-2026, is KCC's new Strategic Statement and was approved in May 2022. Framing Kent's Future is sets priorities to ensure we are harnessing the opportunities and addressing the challenges being faced by KCC as an organisation and by the residents of Kent over the next four years. It is structured around four strategic priorities that KCC will aim to deliver - Levelling Up Kent, Infrastructure for Communities, Environmental Step Change and New Models of Care and The overall budget strategy has recognised that due to the economic consequences of global and national circumstances there will be policy and service decisions that must be taken to balance the budget which could run counter to the priorities and ambitions set out in Framing Kent's Future. This applies equally to the capital strategy. This means that delivery of some of the ambitions may be deferred during 2023-24, until later in the four-year period, with a greater focus in the short-term on ensuring the Council's financial position is sustainable in the medium term.
- 1.7 The Capital Strategy will be refreshed annually to incorporate the organisation's strategic direction. Business planning across the organisation will take a new approach for 2023-24 by creating a single council-wide business plan, and the capital programme will align itself to the revised business planning process.
- 1.8 Capital investment should also evidence how it will support the priorities and principles set out in significant strategies. The following are examples of the Council's key strategies:
 - Kent and Medway Growth and Infrastructure Framework this sets out the future strategic infrastructure requirements for the county and will be refreshed over the next year.
 - Local Transport Plan 4 this plan sets out the county's strategic transport priorities. Local Transport Plan 5 is currently in development.
 - Commissioning Plan for Education Provision this sets out changes to existing schools and commissioning of new schools.
 - Kent's environment strategies including the Energy and Low Emissions Strategy and Net Zero Action Plan.
 - Technology Strategy 2020 2023 provides direction and strategic priorities to shape KCC's technology environment.

- Asset Management Strategy 2018 2023 this sets the framework for managing the Council's property portfolio effectively.
- Making a difference every day Our strategy for Adult Social Care 2022 to 2027.

Affordability

- 1.9 Capital plays an important role in delivering long-term priorities as it can be targeted in creative and innovative ways. However, capital is not unlimited or "free money" capital funding decisions can have significant revenue implications. Every £10m of prudential borrowing costs approximately £0.7m per annum in revenue financing costs (including repayment of the principal) for 25 years, assuming an asset life of 25 years. For Information Technology projects the revenue costs are much higher per annum as the life is shorter. This is in addition to any ongoing maintenance and running costs associated with the investment. The more revenue that is tied up to repay borrowing, the less is available for service provision, and this is considered alongside revenue pressures.
- 1.10 In assessing affordability, indicators set by the Prudential Code and the Council's own internal set of fiscal indicators are considered. The fiscal indicator "net debt costs should not exceed 10% of net revenue spending" is considered a suitable indicator to help ensure long-term affordability of the capital programme. The Council is following the reporting requirements of the 2021 Prudential Code.
- 1.11 In 2023-24, the Council is planning capital expenditure of £393.8m as shown in the following table:

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

	2021-22 actual	2022-23 forecast	2023-24 budget	2024-25 budget	2025-26 budget
General Fund services	346.0	297.9	393.8	243.7	163.8
Capital investments	8.7*	2.4*	0.0	0.0	0.0
TOTAL	354.7	300.3	393.8	243.7	163.8

^{*}Represents spend on service investments.

1.12 The main General Fund capital projects for 2023-24 include: investments in additional school places to increase capacity (£109m), highways, structures & waste enhancement (£75m), highways and other transport improvements (£94m), modernisation and improved utilisation of council premises (£28m), other school projects (£60m), economic development initiatives (£18m), community projects (£8m) and adults, social care and health (£2m). The Council does not incur capital expenditure on investments primarily for financial return which is in line with the 2021 Prudential Code.

1.13 **Governance**: Service managers bid to include projects in the Council's capital programme. Capital finance colleagues provide advice during this process. Projects must come forward with alternative options for delivering outcomes, and with a variety of funding options. All projects must be supported by a business case, using the agreed template which captures this information. The business case must also show realistic phasing of the proposed project, with project plans to support this. If a project slips, funding assigned to that project could have been attributed to other worthy projects that were ready to proceed. A critical element of the business case is to identify revenue costs and revenue savings as these will be integral to the budget setting process. Bids are collated by the Capital Team in Corporate Finance who calculate the financing cost (which can be nil if the project is fully externally financed). These are then discussed as part of the budget process, and the final capital programme is presented to Cabinet in January and to County Council in February each year for approval. Bids requiring KCC funding are not being encouraged to mitigate against the challenging global and national financial situation.

Statutory Requirements

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

Invest/Spend to save bids

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

Enhancement of Existing Estate and Roads

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

FUNDING

1.17 All capital expenditure must be financed, either from external sources (government grants, developer contributions and other external funding), the Council's own resources (revenue, reserves and capital receipts from sale of assets) or borrowing. The planned financing of the above expenditure is shown in the following table. This largely represents a continuation of the existing programme, with no new borrowing added.

Table 2: Capital financing in £millions

	2021-22 actual	2022-23 forecast	2023-24 budget	2024-25 budget	2025-26 budget
External sources*	230.8	214.9	262.2	164.8	126.6
Own resources	41.5	32.5	15.2	16.9	7.5
Borrowing	82.4	52.9	116.4	62.0	29.7
TOTAL	354.7	300.3	393.8	243.7	163.8

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

Grants

1.18 The challenging financial environment means that national government grants are reducing or changing in nature and becoming more heavily prescribed. These prescriptions reduce the freedom to decide where and how to spend grants – they are largely tied to specific service areas such as education or highways. An increasing number of funding schemes directly relate to housing and economic growth such as Local Growth Funding (LGF) from Local Enterprise Partnerships (LEPs). This funding is specific to individual projects and must be closely monitored. The Council's aim is to use other,

less specific grants for their intended purpose in a way that meets statutory obligations. Where the grant is not sufficient, other sources of external funding such as Central Government grants and s106/Community Infrastructure Levy (CIL) will be explored first, before using the Council's resources such as capital receipts and borrowing.

Developer Contributions: Community Infrastructure Levy (CIL)/S106

- 1.19 Developer contributions continue to be a challenging issue and need careful consideration when they are put forward to fund major projects. The nature of s106 agreements means that once the total funding figure has been secured with a s106 contract, the funding is received by the County Council in staged payments as the development is built out, with the full funding potentially not received until the development has been fully completed. Depending on size, a development can take several years to be fully completed. Developer contributions will be built into the programme at the point they are secured within s106 agreements, but it must also be recognised that at this point there are still risks around housing development and realisation of the funding. Careful monitoring of expenditure against this funding is critical.
- 1.20 Any forward funding arrangements of developer contributions must be approved to ensure appropriate debt costs of forward funding are built into the repayments. The repayment schedule must be formalised by being built into the s106 agreement. Delays in housebuilding due to Covid-19 and additional costs to builders to ensure covid-safe workplaces means there is likely to be even greater requirements for forward funding, and renegotiation of agreements.
- 1.21 Several districts in Kent have adopted the Community Infrastructure Levy (CIL), a flat rate tariff charge. CIL rates are set by districts as the Charging Authorities, they are also responsible for collection and spend of the levy. The share of CIL funding which the County Council will receive in the future is unknown and cannot currently be forecast as unlike s106 agreements the money raised through CIL is administered by the district council and KCC does not automatically receive a share.
- 1.22 The "pooling restriction" has been removed in recent regulations. This had previously prevented local authorities using more than five section 106 obligations to fund a single infrastructure project. This is a positive move as it will help to unlock funds. However, the monitoring requirements have increased significantly, and revised arrangements will need to be put in place to ensure compliance with the new regulations.
- 1.23 Emerging Central Government policy including The Planning White Paper (August 2020) and more recently the Levelling-Up and Regeneration Bill (May 2022) may potentially have a significant impact on the way developer contribution funding is collected and distributed in the future. This will continue to be investigated as more details are forthcoming, but initial indications are that this could amongst other things create a significant forward funding requirement which would need to be carefully managed by the Council.

Borrowing

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

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

	2021-22	2022-23	2023-24	2024-25	2025-26
	actual	forecast	budget	budget	budget
MRP	57.4	58.3	59.7	63.5	64.6

- The Council's full minimum revenue provision statement is at Appendix P.
- 1.25 The level of borrowing to fund the capital programme considers the revenue implications and the requirements of the prudential code. In line with the Code, borrowing is not undertaken in advance of need. The 10-year capital programme planning period will assist in more effective management of borrowing levels over the longer-term.
- 1.26 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with repayments from MRP and capital receipts used to replace debt. The CFR is expected to decrease by £5.4m during 2022-23 to £1.289bn. Based on the above figures for expenditure and financing, the Council's estimated CFR is shown in table 4:

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

	31.3.2022	31.3.2023	31.3.2024	31.3.2025	31.3.2026
	actual	forecast	budget	budget	budget
TOTAL CFR	1,294.1	1,288.7	1,345.3	1,343.9	1,309.0

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

There will be an impact on the CFR From 2024-25 when IFRS16 is expected to be adopted, however the impact cannot currently be quantified.

Asset Management and Capital Receipts

- 1.27 To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. This sets the framework for managing the property portfolio effectively over the next 3 to 5 years. It will guide future strategic property decisions to make sure the property portfolio is managed sustainably and efficiently so that it can adapt to remain fit for the future and support frontline delivery. Property assets are an important part of supporting and enabling the Council to transform the way public services are delivered with partners and it is therefore essential that an innovative and forward-thinking strategy is in place.
 - The Council's asset management strategy can be read here: https://www.kent.gov.uk/about-the-council/strategies-and-policies/corporate-policies/asset-management-strategy
- 1.28 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council has had a rigorous disposal programme over the past few years which has helped to minimise the level of borrowing. Going forward the same level of receipts will not be achievable as many surplus assets have already been sold. Increasingly capital receipts will need to be generated from underutilised assets rather than surplus assets. In some cases this may require additional capital investment to develop these assets which would need to be included and approved on an individual scheme basis as part of refreshing future capital programmes. The Council's Infrastructure division will continue to work with service directorates and public sector partners to explore options to release property and maximise capital receipts, with a view to creating a sustainable pipeline of funds in the future.
- 1.29 Repayments to the Council of capital grants, loans to third parties and investments also generate capital receipts. The timing of when capital receipts are banked and applied to fund the capital programme will not necessarily match, and where necessary, timing differences will be managed through short term internal borrowing from cash balances. The following table shows when the Council plans to apply capital receipts and loan repayments in the coming financial years:

Table 5: Capital receipts to be applied in £millions

	Prior Years	2023-24 budget	2024-25 budget	2025-26 budget
Application of asset sales	21.8	8.9	10.7	1.6
Loan repayments	52.5	14.6	4.0	4.2

Treasury Management

- 1.30 Treasury management is concerned with keeping sufficient, but not excessive, cash available to meet the Council's spending needs while managing the risks involved. Surplus cash is invested earning revenue income until required, while any liquidity shortage would be met by short-term borrowing to avoid excessive overdraft fees. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 1.31 As at 31 December 2022 the Council had £804.8m of external borrowing, at an average interest rate of 4.44% and £422.4m treasury investments at an average rate of 2.84%. Where possible internal borrowing is used before borrowing externally. However, this is under constant review, to ensure it is still an appropriate funding source.
- 1.32 Borrowing strategy: The Council's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. The Council does not borrow for the primary purpose of financial return and therefore retains full access to the Public Works Loan Board.
- 1.33 Projected levels of the Council's total outstanding debt comprising external borrowing and other long-term liabilities identified in the balance sheet (including PFI liabilities, leases, etc) are shown below, compared with the capital financing requirement (see above) and the resulting balance funded from internal borrowing (cash balances).

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

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Other Long-term Liabilities	232.1	232.1	232.1	232.1	232.1
External Borrowing	826.0	802.3	771.8	742.6	710.3
Total Debt	1,058.1	1,034.4	1,003.9	974.7	942.4
Capital Financing Requirement	1,294.1	1,288.7	1,345.3	1,343.9	1,309.0
Internal Borrowing (cash balances)	236.0	254.3	341.4	369.2	366.6

- 1.34 Statutory guidance is that total debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.
- 1.35 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This is shown in the Treasury Management Strategy at Appendix N.
- 1.36 Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. Both limits are set with reference to the Council's plans for capital expenditure and financing. The authorised limit provides headroom over and above the operational boundary sufficient for unusual cash movements.

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

	2022-23 limit	2023-24 limit	2024-25 limit	2025-26 limit
Authorised limit – borrowing	876	946	945	915
Authorised limit - other long-term	245	232	232	232
liabilities	1,121	1,178	1,177	1,147
Authorised limit – total external debt				
Operational boundary – borrowing	851	896	895	865
Operational boundary – other long- term liabilities	245	232	232	232
Operational boundary – total external debt	1,096	1,128	1,127	1,097

It is likely that the lease liability figure on the balance sheet will increase as a result of IRFS16, however the implementation of this has been deferred until the 2024-25 financial reporting year. Under this new standard the treatment of leases will change from the current distinction between operating and finance leases, leading to more leases being recognised on the balance sheet. Work is ongoing to determine the implications of this.

Further details on borrowing are in the Treasury Management Strategy – see Appendix N.

- 1.37 **Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again, including balances of reserves. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.38 The Council's policy on treasury investments is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults, the liquidity of investments and the risk of receiving unsuitably low investment income. Cash that is likely to be spent in the near term is invested securely, in particular in Money Market Funds, with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, equity and property funds, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments in £millions

	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Near-term investments	240	185	106	107	110
Longer-term investments	262	294	300	260	250
TOTAL	502	479	406	367	360

- Further details on treasury investments are in the Treasury Management Strategy at Appendix N.
- 1.39 Risk management: The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
- 1.40 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director of Finance and finance staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Governance and Audit Committee with half-yearly and annual reports going to County Council. The Treasury Management Advisory Group (TMAG) is responsible for scrutinising treasury management

decisions. This is a Member group supported by officers and chaired by the Cabinet Member for Finance, Traded and Corporate Services.

Investments for Service Purposes

- 1.41 The Council makes investments to assist local public services, including making loans to or buying shares in other organisations (service investments). In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to generate a surplus after all costs.
- 1.42 **Governance:** Decisions on service investments are made by the relevant service manager after consultation with and approval of the Corporate Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.
 - Further details on service investments are in the Investment Strategy at Appendix O.

Commercial Activities

- 1.43 With central government financial support for local public services declining, the Council has, in the past, strategically invested in commercial property purely or mainly for financial gain. Some of these are still held, and all details are available in the Investment Strategy at Appendix O.
- 1.44 With financial return being the main objective, the Council accepted higher risk on commercial investment than with treasury investments. The principal risk exposures include void periods when properties are empty and reductions in market value. These risks were managed by a rigorous appraisal process prior to any acquisition decision. Total commercial investments as at 31st March 2022 were valued at £29.8m (not yet audited) with the largest being the two office buildings at Kings Hill.
- 1.45 In line with Government expectations, the Authority will not be pursuing commercial investments going forward.
- 1.46 Governance: Decisions on commercial investments and disposals have been made by the Director of Infrastructure in accordance with the Councils constitution, and more relevantly the Property Management Protocol, and following consultation with and approval of the Corporate Director of Finance. Property and most other commercial investments are also capital expenditure and purchases have also been approved as part of the capital programme. The proportion of net income from commercial and service investments to net revenue stream are shown in Table 9.

Further details on commercial investments and limits on their use are included in the investment strategy – Appendix O.

Table 9: Prudential indicator: Net income from commercial and service investments to net revenue stream

	2021-22 actual	2022-23 forecast	2023-24 budget	2024-25 budget	2025-26 budget
Total net income from service and commercial investments £m	3.5	7.6	6.1	5.3	2.9
Proportion of net revenue stream	0.3%	0.6%	0.5%	0.4%	0.2%

[➤] The Council also has commercial activities in several trading companies, details of which are included in the investment strategy – Appendix O.

Liabilities

- 1.47 In addition to debt of £802.3m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £1,558.7m as at 31.03.22). It has also set aside £59.6m in general reserves to cover unforeseen risks as identified in the Reserves Policy Appendix I to this document. The Council has identified a number of budget risks but has not put aside any money because the Council has sufficient reserves to cover these eventualities should they arise. These risks are identified in the Budget Risks Register at Appendix K to this document.
- 1.48 Governance: Decisions on incurring new discretional liabilities are taken by service managers after consultation with and approval of the Corporate Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by Corporate Finance and included in monitoring reports.

Revenue Budget Implications

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

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021-22	2022-23	2023-24	2024-25	2025-26
	actual	forecast	budget	budget	budget
Proportion of net revenue stream	9.85%	9.23%	8.43%	7.99%	7.67%

1.50 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Corporate Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the rigour which has been applied to the appraisal of schemes and the application of an affordable future borrowing strategy based on an absolute fiscal limit that the costs of borrowing cannot exceed 10% of the annual revenue budget. The Capital Programme will be reviewed and revised to ensure it is affordable in the medium term.

Knowledge and Skills

- 1.51 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Corporate Director of Finance is a Fellow of the Association of Chartered Certified Accountants (FCCA) with 20 years' post-qualification experience, and the Council's finance team at the last review included a number of qualified accountants who are members of professional accountancy bodies including ACCA, CIMA, CIPFA and ICAEW. In addition, KCC Finance is an approved employer with professional accreditations from ACCA and CIPFA.
- 1.52 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Amey/Kier/Skanska as property consultants/facilities management contractors. The Council will use the services of other specialists and consultants as necessary. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 1.53 The Council's policy on the use of external advisers is that where a contract for a consultant is estimated to cost £50,000 or more; details of the proposed award must be forwarded to the relevant Cabinet Member prior to the appropriate officer making the award.

Governance Arrangements

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



Treasury Management Strategy

Introduction

- 1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 3. Investments held for service purposes or for commercial profit are considered in the separate *Appendix O* Investment Strategy.

External Context

Economic background

- 4. The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.
- 5. The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6:3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.
- 6. The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected to remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.
- 7. The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

- 8. CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.
- 9. The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 10. Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.
- 11. Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

Credit outlook

- 12. Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.
- 13. CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.
- 14. The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.
- 15. There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

16. However, the institutions on our counterparty list remain well-capitalised and the counterparty advice from the Council's treasury management adviser Arlingclose on both recommended institutions and maximum duration remains under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast

- 17. The Council's treasury management adviser forecasts that Bank Rate will continue to rise in 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 18. Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks become more balanced.
- 19. Yields are expected to remain broadly at current levels over the medium-term, with 5, 10 and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 20. A more detailed economic and interest rate forecast provided by Arlingclose is in Annex A.

Local Context

21.On 31 December 2022, the Council held £804.76m of external borrowing and £422.37m of treasury investments. This is set out in further detail in Annex B. Forecast changes in these sums are shown in the balance sheet analysis in the table below.

Table 1: Balance sheet summary and forecast

	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Total CFR	1,294.1	1,288.7	1,345.3	1,343.9	1,308.9
Other long-term liabilities	232.1	232.1	232.1	232.1	232.1
Loans CFR	1,062.0	1,056.6	1,113.2	1,111.8	1,076.8
External borrowing	-826.0	-802.3	-771.8	-742.6	-710.3
Internal borrowing	236.0	254.3	341.4	369.2	366.5
Less balance sheet	-699.8	-602.3	-592.4	-603.4	-605.3
resources	100.0		0=4.0	2212	
Treasury investments	463.8	348.0	251.0	234.2	238.8

- 22. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 23. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years and the Council expects to comply with this recommendation during 2023/24.

Liability benchmark

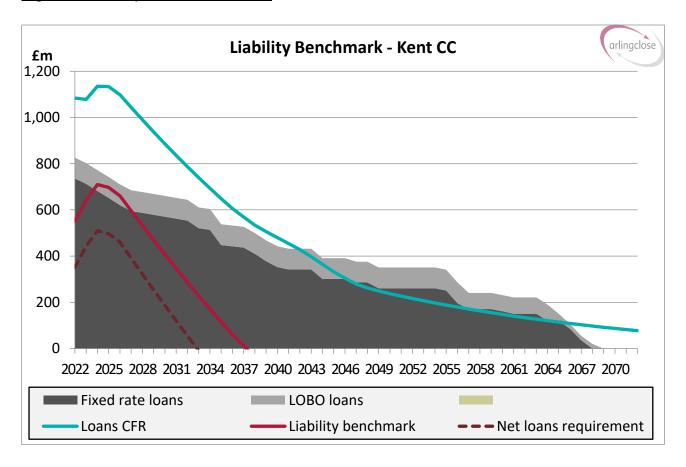
- 24. To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £200m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 25. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31.3.22 Actual £m	31.3.23 Estimate £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	1,062.0	1,056.6	1,113.2	1,111.8	1,076.8
Less: Balance sheet resources	-699.8	-602.3	-592.4	-603.4	-605.3
Net loans requirement	362.2	454.3	520.8	508.4	471.5
Plus: Liquidity allowance	200.0	200.0	200.0	200.0	200.0
Liability benchmark	562.2	654.3	720.8	708.4	671.5

26. Following on from the medium-term forecasts in table 2 above, the long-term (beyond 31 March 2026) liability benchmark is shown in the below chart. The chart illustrates the maturity profile of the Council's existing borrowing and assumes no new capital expenditure funded by borrowing beyond 2025/26.

Figure 1: Liability Benchmark Chart



- 27. The liability benchmark chart demonstrates that the Council's capital financing requirement (Loans CFR) is currently met by a combination of fixed rate loans, LOBO loans and internal borrowing. Over time the capital financing requirement is projected to decline as the annual minimum revenue provision (MRP) charge gradually reduces the Council's borrowing requirement. The actual external debt portfolio also declines as individual loans expire.
- 28. The liability benchmark itself is forecast to rise over the medium term due to a combined increase in capital expenditure and reduction in available balance sheet resources (usable reserves, mainly) before declining over the long term. Although not shown in figure 1, both the Loans CFR and the liability benchmark are likely to increase in later years as new capital expenditure cycles are approved.

Borrowing Strategy

- 29.On 31 December 2022, the Council had £804.76m external debt, including £29.17m attributable to Medway Council, as part of its strategy for funding previous years' capital programmes. This represents a decrease of £21.21m on 31 March 2022 and reflects the Council's strategy of maintaining borrowing below the underlying levels.
- 30. The balance sheet forecast in table 1 shows that the Council does not expect to need to borrow in 2023-24. The Council may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1,178m.

Objective

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

Strategy

- 32. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 33.By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Using cash available on the Council's balance sheet is also known as internal borrowing and at the end of March 2022 the Council had supplemented external debt with £236m of internal borrowing. Internal borrowing is not cost free as it is at the expense of investment returns and does not remove the need for Minimum Revenue Provision (MRP) to be made.
- 34. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council will use the services of its treasury advisor to develop this 'cost of carry' and breakeven analysis and based on the results the Council will determine whether to borrow additional sums at long-term fixed rates in 2023-24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 35. The Council has previously raised the majority of its long-term borrowing from the PWLB and is likely to continue with this practice but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB lending arrangements have changed, and loans are no longer available to local authorities planning to buy investment assets primarily for yield. The Council does not intend to borrow to invest primarily for financial return and will retain its access to PWLB loans.
- 36. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 37. **Prudential Indicators:** The Council's capital strategy prudential indicator 3 indicates that the Council does not expect to increase its external borrowing in 2023-24 but it retains the flexibility to consider borrowing either long term or short term as well as using its cash balances.

- 38. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
 - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except the Kent Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- 39. Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
 - leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback
- 40. LOBO (Lender's Option Borrower's Option) loans: The Council holds £90m of LOBO loans (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. LOBOs totalling £40m have option dates during 2023-24, and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Council will likely take the option to repay LOBO loans to reduce refinancing risk in later years.
- 41. **Short-term and variable rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
- 42. **Debt rescheduling:** The PWLB allows councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Investment Strategy

43. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since the beginning of April 2022 the Council's cash balance has ranged between £403m and £580m; reserves are forecast to be around £348m at the end of 2022/23 and approximately £251m at the end of 2023/24 as capital expenditure increases.

- 44. **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults, the liquidity of investments and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 45. **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors, to boost investment income, and to mitigate the negative impact of inflation on the value of the Council's long term resources.
- 46. **ESG policy:** The Council is committed to responsible treasury management and to being a good steward of the assets in which it invests. As stated in paragraph 1 above, the successful identification, monitoring and control of financial risk are central to the Council's prudent financial management, and this includes the identification and management of environment, social and governance (ESG) risks that arise in the course of carrying out treasury management activities. Therefore, the Council integrates ESG considerations into its treasury management decision-making process.
- 47. The framework for evaluating investment opportunities is still developing. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code
- 48. Assets within the strategic pooled funds portfolio are managed by third-party investment managers responsible for the day-to-day investment decisions, including undertaking voting and engagement activities on behalf of the Council. The Council considers ESG integration and active ownership when selecting and monitoring investment managers.
- 49. The Council expects its investment managers to engage with companies to monitor and develop their management of ESG issues in order to enhance the value of the Council's investments. The Council also expects feedback from the investment managers on the activities they undertake and regularly reviews this feedback through meetings and reporting.
- 50. **Business models:** Under IFRS 9, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties

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

	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	unlimited	
UK Local Authorities	10 years	£25m	
Kent local authorities for cashflow purposes only	1 year		£70m
Other Government entities	25 years	£20m	£30m
UK banks and building societies (unsecured) *	13 months	£20m	Unlimited
Council's banking services provider *	Overnight	£20m	
Overseas banks (unsecured) *	13 months	£20m	£30m country limit
Money Market Funds *	n/a	£20m per fund or 0.5% of the fund size if lower	
Cash plus / short term bond funds		£20m per fund	
Secured investments *	25 years	£20m	£150m
Corporates (non-financials)	5 years	£2m per issuer	£20m
Registered Providers (unsecured) *	5 years	£10m	£50m
Loans incl. to developers in the No Use Empty programme			£40m
Strategic pooled funds and real estate investment trusts	n/a		£250m
- Absolute Return funds		£25m per fund	
- Multi Asset Income funds		£25m per fund	
- Property funds		£75m or 5% of total fund value if greater	
- Bond funds		£25m per fund	
- Equity Income Funds		£25m per fund	
- Real Estate Investment Trusts		£25m per fund	

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

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

- 53. **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 54. **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used.
- 55. Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investments with banks rated below the agreed minimum rating of A- are restricted to overnight deposits with the Council's current banking services provider.
- 56. Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed.
- 57. Money Market Funds: Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to Money Market Funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 58. Pooled investment funds: Bond, equity, multi-asset and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 59. Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

- 60. Other investment: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
- 61. Operational bank accounts: The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings

- 62. Credit ratings are obtained and monitored by the Council's treasury advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
 - no new investments will be made.
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 63. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that entity until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments

- 64. The Council understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the entities in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from Arlingclose, the Council's treasury management advisor. No investments will be made with an entity if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 65. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits

- 66. The Council may invest its surplus funds with any of the counterparty types listed above subject to the cash limits per counterparty and the durations shown in the table at paragraph 46.
- 67. The Council's revenue reserves available to cover investment losses are forecast to be £372m on 31 March 2023 and £362m on 31 March 2024. In order to minimise the percentage of available reserves that will be put at risk in the case of a single default, the maximum that will be lent to any one counterparty (other than the UK Government and the CCLA LAMIT property fund) will be £25m.

Liquidity management

- 68. The Council forecasts its cash flow requirements to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.
- 69. The Council will spread its liquid cash over several bank accounts and money market funds to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

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

Credit risk indicator	Target
Portfolio average credit rating	AA

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

Liquidity risk indicator	Target
Total cash available within 3 months	£75m

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

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in	£5m
interest rates	
Upper limit on one-year revenue impact of a 1% fall in	-£5m
interest rates	

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

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

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

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

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

Price risk indicator	2023-24	2024-25	2025-26	No fixed date
Limit on principal invested	£150m	£100m	£50m	£250m
beyond year end				

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Related Matters

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

- 77. Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over councils' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 78. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 79. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 80. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 81. Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisors, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Director of Finance believes this to be the most appropriate status.

Financial Implications

82. The budget for net investment income in 2023-24 is £10.7m, based on an average investment portfolio of £326m at an average interest rate of 3.30%. The budget for debt interest payable in 2023-24 is £36.6m, based on an average debt portfolio of £783.1m at an average interest rate of 4.41%. If actual levels of investments and borrowing, or actual interest rates, differ from forecast, performance against budget will be correspondingly different.

Other Options Considered

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

Appendix N

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of	Interest income will be lower	Lower chance of losses from credit related
counterparties and/or for shorter times		defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Annex A – Arlingclose Economic & Interest Rate Forecast – December 2022

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which
 central banks are willing to tighten policy, as evidence of recessionary conditions builds.
 Investors have been more willing to price in the downturn in growth, easing financial
 conditions, to the displeasure of policymakers. This raises the risk that central banks will
 incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK
 economy, the ECB seems to harbour (worryingly) few doubts about the short-term
 direction of policy. Gilt yields will be broadly supported by both significant new bond
 supply and global rates expectations due to hawkish central bankers, offsetting the
 effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy but, will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

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	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate				<u> </u>								i i	
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
	•												
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00% PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80% UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B – Existing Investment & Debt Portfolio Position

	31-Dec-22	31-Dec-22
	Actual Portfolio	Average Rate
	£m	%
External borrowing		
Public Works Loan Board	485.31	4.51
LOBO loans from banks	90.00	4.15
Banks and other lenders (Fixed term)	216.10	4.54
Streetlighting Project	13.35	1.98
Total external borrowing	804.76	4.44
Treasury investments		
Bank Call Accounts	5.00	2.00
Covered bonds (secured)	126.81	3.10
Government (incl. local authorities)	9.81	3.84
Money Market Funds	73.99	3.23
Equity	1.30	
No Use Empty Loans	21.21	2.50
Total internally managed investments	238.12	3.15
Pooled investments funds		
- Property	64.53	3.11
- Multi Asset	56.32	3.85
- Absolute Return	5.21	1.43
- Equity UK	31.61	6.29
- Equity Global	25.74	2.62
Total pooled investments	183.41	3.90
Total treasury investments	421.53	3.48
Net debt	383.23	

GLOSSARY

Local Authority Treasury Management Terms

Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
Borrowing	Usually refers to the stock of outstanding loans owed and bonds issued.
CFR	Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Collective investment scheme	Scheme in which multiple investors collectively hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds. Covered bonds are exempt from bail-in.
СРІ	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA

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FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest 250 and the FTSE 350 combines the two
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
GILT	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
Income return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010
IMF	International Monetary Fund
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
LIBOR	London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. Due to be phased out by 2022.
LOBO	Lender's Option Borrower's option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) funds with a Weighted Average Maturity (WAM) under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Monetary Policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
MPC	Monetary Policy Committee. Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
MRP	Minimum Revenue Provision – an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. Not applicable in Scotland, but see Loans Fund
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code. The Code was update din December 2021
PWLB	Public Works Loan Board – a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments. Not available in Northern Ireland.

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Quantitative easing (QE)	Process by which central banks directly increase the quantity of money in the economy in order to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
REIT	Real estate investment trust – a company whose main activity is owning investment property and is therefore similar to a property fund in many ways
Share	An equity investment, which usually also confers ownership and voting rights
Short-term	Usually means less than one year
SONIA	Based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.
Weighted average life (WAL)	The weighted average time for principal repayment, that is, the average time it takes for every dollar of principal to be repaid. The time weights are based on the principal payments,
Weighted average maturity (WAM)	The weighted average maturity or WAM is the weighted average amount of time until the securities in a portfolio mature.



INVESTMENT STRATEGY

Introduction

- 1.1 This investment strategy meets the statutory guidance issued by the government in January 2018 (Statutory Guidance on Local Government Investments 3rd Edition).
- 1.2 The Authority invests its money for three broad purposes:
 - Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - To support local public services by lending to or buying shares in other organisations (service investments), and
 - To earn investment income (known as commercial investments where this is the main purpose).
- 1.3 The Investment Strategy focusses on the second and third of these categories. Treasury management investments are covered separately in the Treasury Management Strategy see Appendix N to the final draft budget report.
- 1.4 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.
- 1.5 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
- 1.6 **Further details:** Full details of the Authority's policies and its plan for 2023-24 for treasury management investments are covered in a separate document, the Treasury Management Strategy, at Appendix N.
- 1.7 The Authority will also be looking to invest in schemes where there is an environmental benefit in its future strategy linked to the Council's desire to achieve the net zero target by 2030.

Service Investments: Loans

1.8 The Council lends money for service and regeneration purposes, and to subsidiaries.

- 1.9 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk financial vetting is done prior to distributing loans and the value of the loans is immaterial.
- 1.10 As at 31.03.22 the Council had the following amounts outstanding in relation to loans distributed by its own funding:

Loans in relation to:	Investment Value £m
Kent Empty Property Initiative - No Use Empty	11.183
Marsh Millions	0.102
Kent PFI Company 1 Ltd	2.303
EDSECo (Trading as The Education People)	2.200
Visit Kent	0.150
Total service investments - loans	15.938

Kent Empty Property Initiative - No Use Empty

1.11 The Council runs a "No Use Empty" initiative, which was set up in 2005 with the aim of returning long term empty properties back into use. This operates as a revolving loan fund and is open to those who currently own or have acquired a long-term empty property which needs financial assistance to bring the property back into use for rental or sale. As at 31 March 2022 the debt due to KCC under the scheme totalled £11.2m. Since its inception, the scheme has awarded £54.5m in loans, of which only £143k has been written off as a bad debt. This represents a mere 0.26% of the total loans awarded. The extremely low value of bad debts is aided by the scheme operating a robust application and assessment process, which includes ID checks and proof of additional funds. The applicant must provide at their cost an independent valuation undertaken by a Chartered Surveyor (RICS) to establish current and future values. This is also used within the assessment process as any loan awarded is secured as a charge and registered with Land Registry or Companies House if applicable. Loans are typically offered over 2 or 3 years. A supplementary scheme began in 2020-21 which has allowed an additional £25.6m of loans to be approved for new builds. These loans provide a 2.5% return to the Council and there are currently no bad debts associated with these loans.

Marsh Millions

1.12 KCC contributed to the Marsh Millions loan scheme. This was set up to aid small businesses in the Romney Marsh area. As at 31.03.22 the balance outstanding to KCC was £0.102m.

Kent PFI Company 1 Ltd

1.13 In 2013-14 KCC purchased loan notes in Kent PFI Company 1 Ltd, which is the holding company to the contractor who runs six schools for KCC under a Private Finance Initiative (PFI) arrangement. As at 31.03.22 the balance outstanding to KCC was £2.303m.

EDSECo (Trading as The Education People)

1.14 During 2019-20 an additional loan agreement was drawn up with EDSECo, trading as The Education People, for £2.2m to aid the start-up of the company. The balance as at 31.03.22 was £2.2m.

1.15 Visit Kent

During 2020-21 KCC gave a loan to Visit Kent and the balance as at 31.03.22 was £0.15m.

Service Investments: Shares

1.16 As at 31.03.22 the Council had the following equity investments:

Company	Amount Invested £m	Value in Accounts (Fair Value) £m
Kent PFI Company 1 Ltd (Note 1)	1.902	1.103
Kent Holdco	7.890	14.680
Total service investments - shares	9.792	15.783

Note 1: Kent PFI Company 1 Ltd is the special purpose vehicle (SPV) for the BSF School's PFI contract. The PFI contract is the only asset of the SPV and, as such, the value of the investment in Kent PFI Company 1 Ltd is expected to diminish over the remainder of the PFI contract term.

1.17 **Service Investment: Property**

KCC have invested in the Creative Enterprise Quarter in Ashford, by using both own resources and a significant amount of external funding to create a suitable space for the Jasmin Vardimon Dance Studio. This investment included the build of industrial units to ensure a financially viable project. Some of these units are expected to be sold and the rest to be kept for rental income.

Property	Investment value (build costs)
	£m
Jasmin Vardimon Dance Laboratory	6.613
Creative Enterprise Quarter Industrial	2.372
Units, Ashford	
Total	8.985

These properties were completed during 2022-23 and have not yet been valued.

1.18 The Council considers each investment on a case-by-case basis and uses several criteria to obtain a risk/benefit analysis for the Council. Overall, the value of loans outstanding and equity investments as at 31.03.22 are immaterial in relation to the Council's balance sheet. The service benefits derived from these investments are deemed to outweigh the risks. The Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue payments.

Commercial Investments: Property

1.19 The Council invests in property with the intention of making a profit that will be spent on local public services. The main property investments are listed below:

Property	Purchase/ build cost (including fees)	Value in accounts as at 31.03.21	Value in accounts as at 31.03.22
	£m	£m	£m
Sheehan House	0.723	1.080	1.080
Eurogate	2.275	4.229	3.946
1 & 42 Kings Hill Avenue	23.000	24.591	24.817
Total	25.998	29.900	29.843

1.20 There are several other properties that now come under the definition of investment, because they are held by the Council for no other purpose other than for income or appreciation, although the original acquisition was not for investment purposes. Their total value is disclosed below:

	Value in accounts as at 31.03.21	Value in accounts as at 31.03.22
	£m	£m
Total of other property investments	10.274	6.916

1.21 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs, which the table above shows is the case for all such properties.

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2022-23 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments including any revenue consequences. However, the Council is not specifically relying on the sale of these assets to fund future expenditure, therefore the risk relating to fluctuations in the property market is minimal.

Investment Indicators

- 1.22 The Council has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions:
 - 1) Total Risk Exposure: the first indicator shows the Council's total exposure to potential investment losses.

Investment exposure	31.03.22
-	Actual £m
Service investments: Loans	15.938
Service investments: Shares	9.792
Service investments: Property	8.985
Commercial investments: Property	25.998
Total	60.713

- 2) Net income from commercial and service investments to net revenue stream: This prudential indicator is calculated to show the proportion of income from commercial and service investments to the Council's net revenue stream and is included in the Council's Capital Strategy document at Appendix M. This indicator shows that the proportion of income from commercial and service investments to net revenue stream is forecast to be 0.6% for 2022-23 and reducing in the following 3 years.
- 3) Other investment indicators:

It is not considered necessary to publish any additional investment indicators at this time, but this will be reviewed annually.



Annual Minimum Revenue Provision (MRP) Statement

Councils are asked to submit a statement on their policy of making Minimum Revenue Provision (MRP) under the guidance issued by the Secretary of State for the Ministry of Housing, Communities and Local Government, under section 21(1A) of the *Local Government Act 2003* to full Council or similar. Any revision to the original statement must also be issued.

MRP represents the minimum amount that must be charged to a council's revenue account each year for financing capital expenditure, which will have initially been funded by borrowing.

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

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

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

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

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

Each year an updated MRP statement will be presented.

