

Draft Budget 2021-22

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Appendices

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Circulated to	Cabinet Committees and Scrutiny Committee
Classification	Unrestricted

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Directorates – abbreviations in this report

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

Summary

In February 2020 the Council agreed its budget for 2020-21. Very shortly thereafter the country was hit by the Covid-19 pandemic and on 20th March the government implemented a series of emergency measures including a national lockdown. Local authorities' emergency planning procedures were invoked and new responsibilities followed.

Since 2011-12 in the face of unprecedented reductions in Government funding and increasing demand on services, the need to make savings has dominated the Council's financial planning process. Responding to the pandemic added a further, even more complex dimension to financial planning.

The pandemic has had a profound impact on the Council's budget and its ability to deliver services and, as a consequence, on its financial planning assumptions. As a result of the pandemic, new areas of expenditure were required together with fundamental changes to the Council's main sources of funding; additional emergency short term funding was made available by the government alongside other measures to support the Council's cash flow. The Council's priorities were redefined by the crisis and the delivery of some proposed investments and savings were paused. The Council agreed a budget amendment in September 2020 to reflect the revised financial position.

Separately the Council also set out the impact of the pandemic and a resulting interim strategic plan. The Council is experiencing a rise in demand and extreme pressure on services as well as seeing increased levels of financial hardship for residents and businesses. The interim strategic plan outlined the high-level interventions we will take as part of our response and a basis for future policy considerations. Taken together these reports inform a new direction in what is a fundamentally more challenging financial environment.

Due to the significant potential budget gap for future years, the report to full Council sets out draft savings proposals for the Medium Term Financial Plan (MTFP) period for initial consideration. As in previous years, consultation with residents, businesses and other key stakeholders has been a feature of proposed changes and the results of the Council's 2021-22 budget consultation were considered at Cabinet on 30 November 2020.

The Council received the provisional Local Government Finance Settlement (LGFS) on 17 December. The final LGFS is scheduled to be approved on 10th February. This is too late for the publication for the final draft budget report for full Council so any changes stemming from the final settlement will need to be approved under delegated powers.

The country, indeed the world, has experienced a period of massive turbulence; in response to the pandemic. The UK government has borrowed heavily, increasing net annual borrowing to levels never before seen in peacetime in order to fund the nationwide response to the pandemic and to protect the economy in preparation for the time when the virus subsides. Alongside key partners, councils have been at the forefront of responding to the needs of local residents, taking on new responsibilities as well as continuing to deliver a range of existing services in a situation of heightened demand. The cumulative impact of these matters requires a change in approach from that set out and agreed in February 2020 as the council now finds itself in a materially changed environment from that which existed when the Council originally approved its budget.

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. The need to respond immediately to the pandemic and the impact that this has had on the Council's finances means that a re-evaluation of the current year's financial position is the starting point for any changes.

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.

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

In accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred.

2.1 Setting the annual budget is one of the most significant decisions the County Council takes each year. It sets the County Council's share of council tax and the overall resource framework in which the Council operates. The budget is the financial expression of the council's strategic priorities and the 2021-22 budget and MTFP has been set in the context of the interim Strategic Plan. It gives delegated authority to manage the budget to Corporate Directors and Directors within the parameters set out in the Council's Constitution and Financial Regulations. Corporate Directors and Directors are accountable for spending decisions within delegated powers and these are monitored through the council's budget monitoring arrangements regularly reported to Cabinet.

A) Strategic Priorities – Interim Strategic Plan

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

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

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

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

2.6 The budget for 2021-22 and for the MTFP period reflects the challenges and opportunities set out in the Interim Strategic Plan and how the Council plans to respond to them.

The five main challenges are:

Financial – the Council faces a significant budget gap and difficult decisions to make in the short-to medium-term, while maintaining a longer-term view of what is best for the county.

Economic – the economic downturn caused by coronavirus (COVID-19) is causing widespread economic impacts, while attracting investment and putting infrastructure in place to support growth remains a priority.

Demand – there is increasing demand for some of our key services, which will be made worse by the impacts of coronavirus (COVID-19) on Kent’s residents, particularly those that are vulnerable.

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

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

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

B) Requirement to set a balanced budget

2.8 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, 2021-22. Setting the Council’s revenue and capital budgets for the forthcoming year has been incredibly challenging due to the uncertainties arising from the Covid-19 pandemic and subsequent economic recession. This has made forecasting spending requirements and income levels much more unpredictable, which together with a one-year settlement from Government for 2020-21 and the direct impact a recession has on council tax collection and future years’ tax base means that the likely available funding has also been highly uncertain.

2.9 The legal requirement places a statutory duty on the Council to set a balanced budget. However, what is meant by ‘balanced’ is not defined in law and relies on the professional judgement of the Chief Financial Officer to ensure that the budget is robust and sustainable. A prudent definition of a balanced budget would be a financial plan based on sound assumptions which shows how planned spending and income equals the available funding for the forthcoming year. Plans can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. A separate assurance statement from the Chief Financial Officer as required under section 25 of the Local Government Act 2003 has been published to accompany this report and papers for County Council.

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

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

2.11 To avoid the risk of an unbalanced budget the Council has to be financially resilient. Good financial management is fundamental in establishing confidence in the budget and ensuring that the finances can withstand unexpected pressures. The Council has recently engaged the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a review of the council's financial management arrangements. CIPFA has concluded there is a sound basis for financial management across the Council as well as some areas for improvement. We are in the process of developing an improvement plan to build on the financial management arrangements already in place and to further strengthen the Council's financial resilience. The draft budget addresses a number of resilience issues.

2.12 Setting a clear medium-term financial plan (MTFP) also strengthens the Council's financial resilience by identifying financial issues early and options for potential solutions. Whilst the legislative requirement does not extend to the MTFP, and there is no requirement to balance the later year's plans, it is considered good financial practice. The one-year settlement and government spending plans included in the 2020 Spending Review (SR2020) means the MTFP for 2021-24 will be based on a range of alternative scenarios. The multi-year plan will be published as part of the report to the 11th February 2021 Council meeting.

C) Budget Consultation

2.13 The Council launched a consultation on the 2021-22 budget on 14th October. The consultation was open until 24th November and can still be viewed via the Council's website <https://www.kent.gov.uk/about-the-council/finance-and-budget/our-budget>.

2.14 The number of responses was significantly higher than recent consultations with just under 3,000 respondents, an increase of 55% on the previous summer consultation.

2.15 Unlike previous years, the budget consultation asked respondents to identify areas for spending reductions and overall Social Care services were the areas where people were most uncomfortable with spending reductions, with over 65% indicating as such. Areas including Community Services (66%), Regeneration & Economic Development (63%), Libraries, Registration & Archives (62%), Transport (58%), Environment (52%) and Public Protection (51%) were the areas respondents identified as comfortable or partly comfortable for spending reductions.

2.16 In relation to Council Tax, 51% of respondents agreed with raising Council Tax to an assumed 2% referendum limit, whilst 45% did not agree with this percentage increase. When asked if respondents agreed with the Adult Social Care Levy (an additional increase in Council Tax specifically for the additional costs of Adult Social Care), 47% were in favour, while 41% disagreed. The remaining 12% selected 'Don't know/No opinion'.

2.17 The consultation also asked 3 questions relating to the Council's Strategic Reset Programme. Respondents were highly supportive of "Delivering more than one service from KCC buildings" (92% agree) and "Reducing the number of buildings in the KCC estate" (78% agree). Support for "Delivering more services using online technology was also high (75%).

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

D) Equalities Considerations

2.21 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.

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

E) Capital, Investment and Treasury Management Strategies

2.19 These are published alongside the final draft budget as appendices J to L of this report. The prudential indicators set out in the Capital Strategy (appendix J) are based on the Capital Programme 2021-24 and are required to be approved by full Council.

2.20 The Treasury Management Strategy Statement has been revised and updated and presented to County Council in February 2021 in accordance with the CIPFA Treasury Management Code of Practice. This has been produced as appendix K to this report setting out the proposed strategy with regard to borrowing, the investment of cash balances and the associated monitoring arrangements.

2.21

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

3.2 The Covid-19 pandemic has presented an extraordinary and unexpected challenge to the UK economy and economies across the world. The combination of additional public spending both on dealing with the pandemic and the economic fallout from the subsequent recession, and reduced tax yields, has resulted in an unprecedented peacetime budget deficit. The Office for Budget Responsibility (OBR) central fiscal forecasts for public sector spending, receipts, net borrowing, and total debt is forecast to be £281bn higher than the previous year and receipts £57bn lower, resulting in an annual deficit of £394bn. The economic outlook remains highly uncertain and the OBR have produced alternative scenarios reflecting different assumptions about the pandemic and its impact on the economy (with a range for the annual deficit of £353bn to £440bn under the various scenarios for the pace of economic recovery).

3.2 The Spending Review acknowledged that due to the high levels of uncertainty it was not the right time to set out a detailed medium-term fiscal strategy. However, the Chancellor did state that over time, and once the economic recovery is secured, that the government is fully committed to taking the necessary steps to ensure borrowing and debt are on a sustainable path. The OBR has identified that even on the loosest conventional definition of balancing the books, a fiscal adjustment of £27 billion (1% of GDP) would be required to match day-to-day spending to receipts by the end of the five-year forecast period in 2025-26.

3.3 The OBR central forecast is that the size of the UK economy, as measured by Gross Domestic Product (GDP), will reduce by 11.3% in the current year (11.8% per capita). This is the largest annual reduction in over 300 years. Under the various scenarios, the upside GDP shrinks by 10.6% in the current year, and the downside by 12%.

3.4 Appendix G sets out the essential assessment and forecasts from the OBR economic and fiscal outlook report published in November 2020. This report was published alongside SR2020.

4.1 The last funding settlement agreed with the Government expired at the end of the 2019-20 financial year. The government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020-24. However, due to the government's focus on Brexit, a one year 2020-21 Spending Round was announced in September 2019. On 25 November 2020 the Chancellor announced the Spending Review 2020, again for only one year (2021-22), this time due to the Covid-19 pandemic.

4.2 The impact of the Covid-19 pandemic has inevitably impacted on the level of resources available and shaped the government's own short-term funding priorities. This means both the relative priority of local government against other government departments such as the NHS as well as the relative resource allocations between local government services.

4.3 Previously the direction of travel for Local Authority funding has reflected a move away from direct general government support such as through Revenue Support Grant towards more targeted grant support coupled with an increased reliance on locally generated sources of income such as the Council Tax and retained Business Rate receipts.

4.4 On 2nd July 2020, the Secretary of State for Housing, Communities and Local Government, announced a support package to help councils respond to Covid-19 and to help ensure councils' financial sustainability for the future. This included allowing councils to repay Council Tax and Business Rates deficits over a three-year period instead of in one year. The Spending Review 2020 announced on 25th November went further and announced that the government would provide funding to Local Authorities for 75% of the 2020-21 deficits (with the 25% remaining to still be repaid over three years by local authorities).

4.5 The Council's MTFP will be affected by deferral of the Fair Funding Review from April 2021 until 2022-23 at the earliest and the expected associated changes to the national Business Rates retention scheme alongside the Fair Funding Review.

4.6 The Secretary of State for Housing, Communities and Local Government published the provisional local government finance settlement on 17th December. The settlement is important as it provides details of the allocations of the departmental budgets to individual councils of the amounts announced in SR2020. The settlement together with the provisional tax base estimates for districts are a vital component of the Council's budget as they determine significant amounts of the funding for the net budget. The provisional settlement is subject to a short consultation with a response deadline of 16th January. The allocations in the settlement were largely as anticipated and included the additional Covid-19 funding provided in SR2020.

4.7 The provisional settlement includes the government's calculation of Core Spending Power (CSP). The CSP is a measure of the financial resources available to local authorities to fund service delivery. It comprises council tax and the main government grants, including the baseline for business rate retention. The calculation shows an increase in CSP of £57.7m (5.5%) over 2020-21 as set out in Table 1 below.

Table 1 – KCC’s Core Spending Power

Kent County Council	2020-21 £m	2021-22 £m	Difference £m
Council Tax	749.4	801.9	52.5
Settlement Funding Assessment	197.5	197.6	-
Improved Better Care Fund	48.5	48.5	-
Social Care Support Grants	34.4	39.1	4.7
Business Rate Compensation	7.5	9.8	2.3
New Homes Bonus	6.4	4.6	-1.8
Total	1,043.9	1,101.6	+57.7

4.8 The CSP should be treated with some caution. In particular, it assumes a 7% increase in council tax precept from a combination of the 5% referendum/adult social care precept and an assumed 2% increase in the tax base. The county council’s precept must be based on the estimated tax base notified by Kent districts. The estimate for the draft budget proposals assumes a 1.04% reduction in the tax base. This results in an assumed precept of £779m, which is around £23m (3%) less than that assumed by government in CSP.

4.9 The provisional settlement also includes confirmation of the proposed Council Tax Referendum principles for 2021-22. These allow all councils to increase council tax rates by up to but not exceeding 2% without the need for a referendum (up to £5 for districts and boroughs where this is more than 2%). Councils with social care responsibilities can agree a further increase of up to 3% for the Adult Social Care Precept, taking total increase up to but not exceeding 5%. The regulations also allow some or all of the Adult Social Care Precept element to be deferred until 2022-23. However, as stated in 4.8 above, the government assumes the Council will increase Council Tax to the maximum allowed levels. If the Council did not implement the maximum allowable increase, then its spending power to provide services would be reduced going forward with no funding from government to mitigate this (and therefore requiring a higher level of savings).

4.10 The draft budget includes the same amount for settlement funding assessment (SFA) and the MHCLG grants as assumed by the government as set out in Table 1 above. The grants for New Homes Bonus (NHB) and Social Care Grant are subject to consultation on the allocations set out in the provisional settlement. The SFA shows the baseline for business rates retention and does not include any growth (or decline) in the local share, or the proceeds from pooling arrangements.

4.11 The provisional settlement confirmed that information about applying to the £4bn “levelling up” fund (UK Shared Prosperity Fund) will be published early next year. Any local area can apply directly, with the focus on town centre regeneration and culture. The provisional settlement confirmed that £165m will continue to be available in 2021-22 to support the Troubled Families Programme. The provisional settlement also included £15m to implement the Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities although included no details how this money is to be accessed.

4.12 Other aspects of the provisional settlement including increases in Rural Services Delivery Grant by £4m (from £81m to £85m, a 4.9% increase), a new lower-tier services grant (£111m), and further funding to support rough sleepers are not relevant for county councils.

Core Grants

4.13 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 the Fair Funding review, assumptions have needed to be made in respect of most grants after the announced 2021-22 level. 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.

Revenue Support Grant

4.14 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.

4.15 The Council's Revenue Support Grant (RSG) decreased from circa £161m in 2015-16 to circa £9.6m in 2020-21.

New Homes Bonus

4.16 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.

4.17 The Council is intending to remove its reliance on NHB as a funding source in support of its general revenue budget. In the light of the current financial situation the proposed approach is to place the NHB into an earmarked reserve to be used to support time limited activity related to the council's strategic priorities.

4.18 The Spending Review 2020 announced one further year of NHB for 2021-22 and the provisional LGFS estimates the Council's allocation as £4.6m. The NHB (including all legacy payments) is expected to come to an end in 2023-24 and although it is expected that decreases in NHB will be re-allocated nationally into other funding streams such as the Revenue Support Grant or other core grants, this will clearly need to be kept under review.

Improved Better Care Fund

4.19 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.

4.20 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 Spending Rounds for 2019 and 2020 have extended this grant for one year at a time at the same level (£48.5m for 2020-21 and 2021-22).

Social Care Grant

4.21 In the Chancellor's 2019-20 budget, £410m of additional funding was announced for use for adult and children's social services. The Spending Round 2019 announced that there would be additional Social Care funding of £1bn, taking the total for 2020-21 to £1.41bn. This additional grant combined with the extension of the Adult Social Care Precept for another year provided up to £1.5bn additional resource for social care services compared to 2019-20. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care, therefore the existing Adult Social Care Relative Needs Formula was used to distribute this Social Care Support Grant funding.

4.22 The final 2020-21 LGFS confirmed that the previous Social Care Support Grant allocations will be rolled into a new Social Care Grant for 2020-21. The Spending Review 2020 announced a further one-off increase to the Social Care Support Grant for 2021-22 and the provisional LGFS allocation for the Council is an increase of £4.7m, increasing the total grant value for 2021-22 to £ 39.1m.

Covid-19 Support Grants

4.23 In response to the Covid-19 pandemic, the government announced circa £6.6bn in grants to councils in the current year towards the additional expenditure and reduced income, as well as funding for passported business rates (NNDR) relief and passported grants to businesses. KCC has received a total of £131m. These grants have been allocated to local authorities via a formula and do not include those where actual costs can be claimed e.g. loss of sales fees and charges income, NHS discharges, community testing). The national and local shares are shown in table 2 below.

Table 2 – Covid 19 Support Grants

Grant	National Total £m	KCC Share £m
2019-20		
Covid 19 Emergency Grant	1,600	39.0
2020-21		
Covid 19 Emergency Grant	3,100	55.9
Infection Control Fund	1,146	35.5
Contain Outbreak Management Fund	1,385	19.0
Test and Trace Grant	300	6.3
Covid Winter Grant Scheme	170	4.5
Social Care Rapid Testing	149	4.7
ASC Workforce Capacity Fund	120	3.1
Emergency Assistance Grant	63	1.7
Clinically Extremely Vulnerable Grant	32	0.9
Home to School Transport Grant	99	4.5
Bus Services Support Grant	67	2.9
Total	6,631	139.1

4.24 The majority of this funding is intended for 2020-21 and the latest estimates indicate that this funding should be sufficient to cover Covid-19 related spending and income losses. These estimates do not include the impact of the latest national lockdown, the second wave of infections or the new tier 4 restrictions.

4.25 The Covid-19 related funding for KCC in 2021-22 includes £32.9m un-ringfenced emergency grant, Covid-19 Local Council Tax Support grant of £14.3m, Covid-19 Local tax income guarantee to cover 75% of irrecoverable tax losses and grant that is claimed by the council to cover 75% of losses of irrecoverable Sales Fees and Charges income.

KCC Response to Provisional Local Government Finance Settlement

4.26 The Council has submitted a response to the provisional local government finance settlement. This response is largely supportive recognising that in the current unique circumstances councils need as much certainty over funding as can be provided. The settlement provided this through a rollover of core grants from 2020-21, together with additional funding for social care and one-off grants to support additional spending and tax losses stemming from Covid-19 pandemic and subsequent recession.

4.27 The overall settlement is still insufficient to fully cover spending growth and income losses and we have raised concerns about significant reliance on council tax within the government's spending plans. We remain opposed to the council tax referendum principles and remain committed to the principle that council tax should be levied to fund local discretionary spending and demands placed on the Council for statutory services should be funded centrally.

4.28 We are concerned that long-overdue reforms to local government funding through business rate retention and Fair Funding review have been delayed another year. We remain convinced that the redistribution of funding under the business rates retention and grant mechanisms has an adverse impact on county areas. We have repeated our concerns that the funding for special educational needs and disability (SEND) from the Department for Education (DfE) is inadequate and leaves a substantial unresolved deficit on the Dedicated Schools Grant (DSG).

4.29 The response was agreed with the Cabinet Member for Finance, Corporate and Traded Services. Any changes to the final settlement will be set out in the report to County Council if we are notified in time.

Final Local Government Finance Settlement

4.30 The final settlement is scheduled to be approved by parliament on 10th February. This is too late for the publication deadline for papers for the County Council meeting on 10th February. Any changes to the 2021-22 budget as a result of the final settlement will need to be approved under delegated powers.

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

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

5.3 Whilst the Schools Block allocation for 2021-22 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 2020 the ESFA published provisional allocations for 2021-22 for the Schools Block, Central Services Block and the High Needs Block. The allocations have been updated on the 17th December with the October 2020 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 2021 pupil numbers, with the current indicative allocation based on January 2020 numbers. The hourly rate which is the basis of the allocation was confirmed on the 17th December as £4.62 per hour for 3 and 4 year olds and £5.44 per hour for 2 year olds. The 2 year old rate has increased by 8p for all authorities, whilst the 3 and 4 year old rate has increased by 6p for most authorities except those which fall below the £4.44 minimum or those with higher protected rates in 2020-21.

5.6 The primary pupil funding rate in the Schools Block has increased by 9%. The secondary pupil funding rate by 8.3% including the transfer of teachers pay and pension grants. The per pupil rates in the main calculation vary for individual authorities. The Schools Block also includes a non-pupil element for premises factors in the National Funding Formula. The Schools Block also includes a growth element based on changes in pupil numbers at a fixed national amount weighted for area costs. The amounts notified are indicative based on existing pupil number information and will be updated from subsequent census data. A pupil number modelling tool will be published in January. The amounts are before deductions for academies. The total schools block for Kent has increased by £93.7m (9.5%) to £1.080bn on the comparable figure for 2020-21, of which £47.1m is the protected element for teachers pay and pension grants leaving a net increase of 4.7%.

5.7 The High Needs Block is funding to support costs of pupils with additional education needs, across mainstream and special schools as well as the associated support costs. The allocation of the high needs block for 2021-22 has increased by £25.4m (11.4%) on the comparable figure for 2020-21, of which £4.0m is the protected element for teachers pay and pension grants, leaving a net increase of 9.6%. However, this is insufficient to ease the pressure on current spend and will not bring us to a position of managing the high needs block spend within the financial year.

5.8 The most significant risk at the start of 2020-21 was the continuing underlying deficit and accumulated debt on the High Needs Block of Dedicated Schools Grant (DSG). Since the introduction of the Children and Families Act 2014, the Council has seen an unprecedented rise in the number of children and young people assessed for Education Health and Care Plans (EHCPs). The high needs funding within the DSG has not kept pace resulting in in-year overspends and an accumulated deficit on the unallocated DSG reserve. This is a national problem but has been particularly acute in Kent and a number of other councils. To date the government has not provided councils with sufficient funding and has not introduced structural reforms to eliminate the overspends or repay the deficits. Whilst the government has confirmed that DSG deficits do not have to be covered from the General Fund, the level of debt remains unsustainable posing a considerable risk in the absence of funding and structural reforms.

5.9 Significant work is being undertaken to identify efficiencies in high needs provision, including

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

The Council is updating its DSG deficit recovery plan in light of further projected overspends during 2020-21.

5.10 The Schools' Funding Forum were requested to consider a 1% transfer from Schools Block to the High Needs Block to support inclusive practices in mainstream schools. This was considered by the Forum in early December and the Forum agreed this transfer to support the delivery of 4 key areas:

1. A comprehensive programme of training to support inclusive practice
2. Development of wider school and community practices to promote inclusion
3. Supporting transition for children and young people with SEND
4. Providing individual case support

This transfer is subject to Secretary of State approval and the outcome is expected before the end of February. The Schools Block calculation outlined in paragraph 5.6 is the basis for this transfer before academy deductions and additional pay and pension grants.

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

5.12 As part of the national funding formula the DfE are reducing the allocation within the CSSB of historic commitments and therefore the CSSB will be decreased by £1.1m in relation to historic commitment for 2021-22. The element of the CSSB that funds ongoing services has increased by 3% and also includes an additional £1.50 per pupil for the pension increases for centrally employed teachers and does not represent a real terms increase as the same amount was paid as a central grant in 2020-21. The overall CSSB has reduced by £0.5m (4.3%) on the comparable figure for 2020-21. £0.3m of the increase is the protected element for teachers' pay and pension grants leaving a net reduction of 6.9%.

5.13 The table below sets out the latest DSG allocation over the funding blocks for 2021-22.

Table 3 - Dedicated Schools Grant 2021-22 and Final DSG 2020-21

Block	2021-22 £m	2020-21 £m	Gross Change £m
Schools Block	1,079.5	985.8	+93.7
CSSB	11.8	12.4	-0.5
High Needs Block	248.4	222.9	+25.4
Early Years Block	88.4	87.2	+1.2
Total	1,428.1	1,308.3	119.8

Note: 2021-22 Schools Block includes the previously separately funded teacher's pay and pensions grants of £47.1m. The CSSB and High Needs Block includes an allocation of £0.3m and £4.0m respectively, for the same grants

5.15 In addition, the Council receives, and passports fully to schools, funding for the pupil premium (£60.3m in 2020-21) and 6th form funding (£18.7m in 2020-21). Final allocations for the pupil premium will be confirmed in July 2021 and 6th form funding in March 2021.

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

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

6.3 The Council currently can, subject to legislative constraints, increase its Council Tax rate through two mechanisms; the Adult Social Care precept and general tax rate increases. Each 1% increase in the Council Tax rate generates circa £7.4m per annum, which equates to approximately 26 pence per week for a Band D property

6.4 The Spending Review 2020 confirmed the referendum level of up to but not exceeding 2% for general tax rate increases, and permitted Councils to add an ASC precept of up to 3%. The government assumes in the Core Spending Power calculation that Councils will increase Council Tax to the maximum allowed. If the Council, therefore, did not implement at the maximum level, then its spending power to provide services would be reduced going forward with no funding from government to mitigate this.

6.5 The County Council's council tax level is currently 12th of the 25 counties and 4th of the 7 south east counties. It is likely that even after implementing the proposed increases, the Council's relative position will be unchanged.

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

6.7 The Council Tax Collection Fund deficit from 2020-21 can now be repaid over the three-year period 2021-24. The level of this deficit (currently estimated in the region of net £12.3m) from slower than anticipated growth, reduction in the collection rate and increased cost of the LCTRS will vary depending on the ongoing level of the pandemic and its economic impact. The Spending Review 2020 announced that the government will fund 75% of the 2020-21 irrecoverable deficit and the MTFP has, therefore, been updated to reflect this as well as the spreading of the 25% remaining deficit repayment over the three-year period 2021-24. Only irrecoverable losses will be eligible for the additional grant, estimated to amount to £10.0m of the £12.3m. The remainder of the estimated deficit will have to be borne by the Council's along with the remaining 25% of irrecoverable losses. The full amount can be spread over three years and impact in 2022-23 and 2023-24 is proposed to be met from the Council Tax Equalisation Reserve to minimise impact over the medium term.

6.8 The council tax charge for 2021-22 must be agreed by County Council. Council tax is raised through a precept from each district based on the band D charge for the year multiplied by the estimated band D equivalent taxbase for each district. The tax base estimate is calculated by each district and the County Council has no discretion to vary this amount. County Council must agree the precept as part of the budget approval. District councils are responsible for collection and must pay the amount of the precept in monthly instalments. Any surpluses or losses on collection must be taken into account in the following year's budget and council tax setting considerations.

6.9 For 2021-22 it is proposed that the County Council be asked to approve an increase up to but not exceeding the 2% referendum limit as supported in the budget consultation. It is also proposed that the County Council be asked to approve taking up the Adult Social Care levy in full. These increases would take the annual total band D charge for 2021-22 to £1,418.76 of which £159.12 would be for the Adult Social Care levy. The proposed increases are the equivalent of £1.30 per week for a band D household.

6.10 The final draft budget includes the estimates of council tax base from all districts. The council tax base estimate shows a net 1% reduction in the band D equivalent tax base due to a combination of housing growth offset by an increase in those eligible for council tax support discounts and lower collection rates. The individual district changes between 2020-21 and 2021-22 provisional estimates are shown in table 4.

Table 4 – Council Tax Base Changes & 2021-22 Precept

District	2020-21	2021-22		% change in Taxbase
	Band D Equivalent Taxbase	Band D Equivalent Taxbase	Precept @ £1,418.76 (including ASCL) £000s	
Ashford	47,300.00	45,173.00	64,089.6	-4.5%
Canterbury	51,300.41	49,624.38	70,405.1	-3.3%
Dartford	38,756.93	38,792.33	55,037.0	0.1%
Dover	39,029.75	38,993.94	55,323.0	-0.1%
Folkestone & Hythe	39,109.15	38,484.69	54,600.5	-1.6%
Gravesham	34,334.50	34,425.11	48,841.0	0.3%
Maidstone	63,319.80	63,550.10	90,162.3	0.4%
Sevenoaks	51,207.88	50,876.85	72,182.0	-0.6%
Swale	48,072.67	48,040.12	68,157.4	-0.1%
Thanet	44,546.40	44,155.70	62,646.3	-0.9%
Tonbridge & Malling	51,371.02	51,374.86	72,888.6	0.0%
Tunbridge Wells	46,277.10	45,371.40	64,371.1	-2.0%
Total	554,625.61	548,862.48	778,704.1	-1.0%

6.11 The final draft budget proposes a council tax increase up to the maximum allowed without exceeding the 2% referendum threshold and by a further 3% for the social care levy. The impact of the proposed increase to individual bands are shown in table 5. These will be presented for agreement to full Council on 11th February.

Table 5 – Proposed Council Tax Increases

Band	Proportion of Band D Tax Rate	2020-21 (incl. ASCL)	2021-22 (excl. increase in ASCL)	2021-22 (incl. increase in ASCL)
A	6/9	£900.84	£918.84	£945.84
B	7/9	£1,050.98	£1,071.98	£1,103.48
C	8/9	£1,201.12	£1,225.12	£1,261.12
D	9/9	£1,351.26	£1,378.26	£1,418.76
E	11/9	£1,651.54	£1,684.54	£1,734.04
F	13/9	£1,951.82	£1,990.82	£2,049.32
G	15/9	£2,252.10	£2,297.10	£2,364.60
H	18/9	£2,702.52	£2,756.52	£2,837.52
	Total Increase £	Weekly Increase £		
Band C	£60.00	£1.15		
Band D	£67.50	£1.30		

7.1 The final draft budget proposals in appendices A and B of this report set out the proposed capital spending plans for 2021-24 together with an outline of longer-term considerations over a ten-year horizon. Appendix A provides a high-level summary of the proposed capital programme and financing requirements. The spending plans in appendix B set out proposed spending on individual projects and rolling programmes by directorate. The financing is a combination of government departmental capital grants and forecast developer contributions, external funding, capital receipts and borrowing. In some instances the programme includes preliminary figures where grants have yet to be confirmed. Approval to plan and spend from the capital programme will only be granted once adequate funding has been secured to fund forecast spending.

7.2 The presentation of the 2021-22 revenue budget has been simplified to focus attention on the key policy and strategic implications of the proposals. The revenue proposals are set out in appendices C to F. Appendix C provides a high-level summary of the proposed revenue budget and financing requirements. Appendix D provides a high-level summary of the proposed budget for each directorate. Appendix E provides details of the additional spending and investment included in the proposed revenue budget. Appendix F provides details of savings and income generation.

7.3 A key part of the annual budget setting process is the review of growth pressures across the MTFP period arising from demographic changes, new requirements or responsibilities or inflationary pressures.

7.4 Additional spending included in appendix E 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, and sets out fuller details of these including the reasons for the change and implications. Proposals designed to strengthen the Council's financial resilience have also been identified separately and linked to identified risks.

7.5 The presentation of proposed savings and income in appendix F follows a similar pattern with proposed savings amounts identified separately for full year effect of 2020-21 agreed plans; savings/income from the application of existing policies; savings/income that do not require any changes in policy; and those that require policy changes.

7.6 The original MTFP for 2020-23 had previously identified savings and additional income totalling £9.7m for 2021-22. These plans have been revised and updated as part of 2021-22 budget setting to £8.8m (a reprofiling of £0.9m) largely due to updated income assumptions linked to welfare benefits and inflation indices. £30.7m of the total £39.5m savings and income proposals are new in addition to the £22.2m draw down from reserves.

7.7 The latest estimated budget gaps for both 2022-23 and 2023-24 mean there is a need to identify significant additional savings for these years and to ensure all approved savings remain deliverable. Detailed consultation and impact assessments will be undertaken as the proposals are developed and taken through to implementation.

7.8 It should be noted that some of the new proposed savings identified for consideration for 2021-22 include different options for consideration and have inter-dependencies with other existing and new savings proposals which will need to be reviewed to ensure no double counting as the proposals are developed further.

7.9 The high-level equation for changes in planned revenue spending for 2021-22 (growth and savings), income and net budget, together with the balancing changes in funding is shown in table 4 below. This summarises how the requirement to set a balanced budget has been met.

Table 4 – Net Change in Spending and Funding

Change in Net Spending		Change in Net Funding	
Proposed additional spending	+£110.1m	Changes in un-ringfenced government grants	+£53.4m
Proposed savings from spending reductions	-£34.4m	Change in council tax base	-£7.8m
Proposed changes in income	-£2.5m	Proposed increase in council tax charge	+£37.1m
Changes in specific government grants	-£2.6m	Change in retained business rates	-£7.2m
Proposed net change in reserves	-£5.2m	Change in collection fund balances	-£10.1m
Total Change in Net Spending	+£65.4m	Total Change in Net Funding	+£65.4m

Income generation through fees and charges

7.10 The majority of discretionary fees and charges are raised annually by a minimum of inflation (CPI or RPI). Both of these inflation measures have been depressed recently due to the economic impact of Covid-19. For example, CPI inflation is around 0.7% compared to 1.7% in August 2019 and RPI inflation is around 1.3% compared to 2.6% in August 2019. The current fees and charges income generation assumption for 2021-22 has therefore been reviewed and in future years a consolidated summary of Fees and Charges will be included in the budget report to County council in February for approval.

Proposed 2021-24 Capital Programme – key numbers

£1,058m	Total planned capital spending over the three years 2021-22 to 2023-24.
£21m	Borrowing for new schemes added to the programme. The programme does not include additional spending in the last year of three-year rolling programmes pending announcement of multi-year revenue settlement.
£39m	Borrowing removed since last year.
£168m	Spending rephased from 2020-21 into proposed programme for 2021-24.
£572m	Confirmed or indicative government grants to fund capital expenditure.
£213m	Proposed borrowing to fund the programme. The rephasing and removal of schemes has reduced cost of borrowing (Minimum Revenue Provision and interest) by £7.7m for 2021-22 but will increase in later years as the spend is reinstated.
£273m	Funding from other sources (capital receipts, developer contributions, external funding, recycled loan repayments, revenue contributions).

8.1 The three year Capital Programme 2020-23 was approved by County Council in February 2020. This took into account the need to set a realistic and deliverable programme and avoid the significant over-programming and subsequent underspending against capital that has been a feature for several years.

8.2 The three year Capital Programme 2021-24 and the longer term 10 year programme provides an updated assessment of the capital financing requirements and the consequent impact on the revenue budget and borrowing strategy.

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 Statement.

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 initial investment funded by loans, are borne as revenue budget each year based on the life of the asset.

8.3 Appendix A of this report sets out a summary of the proposed 2021-24 programme and associated financing requirements for each year. The analysis also includes projections for the subsequent 7 years as an overall amount. The summary provides a high-level overview for the whole council. The individual directorate pages in appendix B provides more detail of rolling programmes and individual projects.

8.4 A significant proportion of the capital programme is funded by grants from government departments, particularly Department for Education (DfE) and Department for Transport (DfT). In many cases future year's 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 are shown in italics in the capital programme and will only go ahead if the funding is secured.

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

- Higher than anticipated inflation on projects
- Lower than forecast developer contributions
- Lower capital receipt proceeds
- Unforeseen additional costs due to delays or scheme design

We will look to minimise the impact of risks through value engineering of schemes and at this stage no additional capital risks have been factored into the revenue budget plan.

Proposed 2021-22 Revenue – key numbers

£1,129.0m	Net revenue budget proposed for 2021-22. This represents a £65.4m increase on the £1,063.7m original approved budget for 2020-21, and £29.1m on the amended budget of £1,099.9m agreed by Council in September 2020.
£110.1m	Additional proposed spending. This includes both business as usual costs and the impact of recurring additional spending associated with the response to Covid-19. £32.8m relates to recurring base budget changes as per 2020-21 budget amendment, and £77.3m of new spending growth in 2021-22 (excluding changes in reserves). Detail in appendix E.
£39.5m	Proposed savings and income. Of this £34.4m relates to proposed savings, £2.5m additional income generation (mainly fees and charges), and £2.6m anticipated increases in public health grants (yet to be confirmed). Detail in appendix F.
-£5.2m	Net change in reserves. This comprises £17m additional contributions to general and specific earmarked reserves, and £22.2m drawdown from 2020-21 forecast underspends and public health reserves.
£778.7m	Proposed to be raised from Council Tax precept. An increase of £29.3m on 2020-21. -£7.8m is due to 1.04% reduction in the tax base due to increased low income discounts and lower collection rates and +£37.1m is raised from the increase in the household charge up to but not exceeding 5% (including the additional adult social care levy).
£53.4m	Confirmed or indicative government grants. An increase of £4.3m in core grants for 2021-22 and £49.1m additional one-off Covid-19 grants supporting spending and council tax/business rates losses.

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 Ministry of Housing Communities and Local Government (MHCLG) 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 new additional spending growth of £77.2m is summarised in appendix C and detailed in appendix E. It has been subdivided into the following categories:

Service Strategies and Improvements £13.9m	Various changes to address non-inflationary or demand pressures on services and includes the additional revenue cost of borrowing to support the capital programme and the impact of contract tenders.
Pay £4.6m	Net additional cost of proposed 2% award for most Kent scheme staff subject to discussions with trade unions or subject to pay bargaining, the cost of maintaining the current differential between the lowest pay range (KR2/3) and Foundation Living Wage, and the increased cost of employer pension contributions following the 2019 actuarial review of the Pension Fund.
Price inflation £17.4m	Contractual and negotiated price increases.
Increased demand and cost drivers £16.0m	Full year effect of changes in client numbers and care packages/usage in the current year. Includes estimates for future demand-led increases across a range of services including integrated children's services, home to school transport and concessionary bus travel.
Government & Legislative £3.6m	Changes in spending to ensure the Council complies with latest legislative updates and requirements.
Reduction in specific grants £1.5m	Loss of income due to previously announced reductions in specific grants. The consequential reductions in spending are shown as savings.
Base budget changes £8.5m	Changes to reflect known variations from the current year's approved budget. These adjustments are necessary to ensure the budget continues to be on a sustainable basis.
Replace use of one-offs £11.9m	Replacement of draw down from reserves or other one-off sources of funding to increase financial resilience and provide a sustainable basis for recurring expenditure supported in the current budget. This is not a replenishment of the reserves used to support previous budgets.

9.2 The proposed savings and income have been sub-divided between transformation savings (achieving improved outcomes for less money), efficiency savings (same outcomes for less money), income generation, increases in specific government grants, savings from policy changes, and financing savings (changes in debt repayments and draw down from reserves) in appendix C. Proposed savings and income generation are set out in detail in appendix F.

10.1 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 its financial standing and resilience.

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

10.3 There are two main types of reserves:

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

10.4 The Council maintains reserves both for its General Fund activities and it accounts for the reserves of schools. The amount of reserves held is a matter of judgment which takes into account the reasons why reserves are maintained and the Council's potential financial exposure to risks. A draft Reserves Policy will be included as an Appendix to the budget report to County Council in February 2020

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 resource policy developments and initiatives without a disruptive impact on Council Tax. Capital reserves play a similar role in funding the Council's capital investment strategy.

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

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

10.8 Reserves are therefore held for the following purposes:

- Providing a working balance
- Smoothing the impact of uneven expenditure profiles between years e.g. collection fund surpluses or deficits, local elections, structural building maintenance and carrying forward expenditure between years.
- Holding funds for future spending plans e.g. capital expenditure plans, and for the renewal of operational assets e.g. information technology renewal.
- Meeting future costs and liabilities where an accounting 'provision' cannot be justified.

- Meeting future costs and liabilities so as to cushion the effect on services e.g. the Insurance Reserve for self-funded liabilities arising from insurance claims.
- To provide resilience against future risks.
- To create policy capacity in a context of forecast declining future external resources.

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

10.10 Following the review of existing reserves we have established two new reserves; to meet the cost of ICT investments required to deliver the council's Strategic Reset Programme objectives, and to cover feasibility work undertaken to support capital programme planning and delivery. Within the budget proposals we are also proposing that insecure and variable funding sources should not be used to fund base budget core activities (e.g. company dividends, proceeds from Kings Hill) and should instead be held in a new reserve to fund time limited key strategic projects and activities.

10.11 Appendix H (i) sets out in more detail the risks and opportunities facing the council and an assessment of the key factors to take into account to determine the adequacy of reserves. Appendix H(ii) includes a register of the budget risks together with likelihood and potential financial impact.

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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	<u>1</u>
KCC's Corporate Risk Register and Risk Management Policy & Strategy	<u>2</u>
KCC's approved 2020-21 Budget	<u>3</u>
KCC's Budget Consultation, launched on 14 th October 2020	<u>4</u>
KCC's report on 2021 Budget Consultation	<u>5</u>