

From: Zena Cooke, Corporate Director for Finance  
To: Cabinet Committees and Scrutiny Committee  
Subject: **Section 25 Assurance Statement**  
Classification: **Unrestricted**

**Summary:**

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

**Recommendations:**

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

**1. Background and Introduction**

- 1.1 Section 25 of the Local Government Act 2003 requires the Section 151 officer (for Kent this is the Corporate Director, Finance) to formally give an opinion as to the robustness of the budget estimates and the level of reserves held by the Council. The Act also requires that the Council must give consideration to this report when making decisions about the forthcoming budget.
- 1.2 The administration's 2022-23 and medium-term budget proposals have been developed against the background of considerable uncertainty and volatility. In any year there are some uncertainties within the budget, which is a plan of predicted spending and income for the forthcoming year. Even in normal times predicting spending on demand led budgets with a high degree of accuracy is difficult. Consequently, it is important that variations from the plan are identified and reported early, together with remedial actions to ensure a balanced budget can continue to be delivered.

- 1.3 It is also essential that the budget includes an assessment of the potential financial risks facing the Council and that the Council has adequate reserves should those risks materialise. The Council holds a general reserve for unforeseen and unplanned circumstances and a range of earmarked reserves for specific eventualities. As part of the 2021-22 budget and following the review of the Council's reserves the planned strategy has been to strengthen general reserves to 5% of the net budget and remove reserves where the likelihood of needing these has reduced. The final draft budget includes an additional contribution to general reserves to maintain these to the previously agreed level of 5% of the 2022-23 proposed budget. The 2021-22 budget and review of reserves has also enabled the Council to include specific reserves for the Covid-19 response, smoothing reserves that address year on year fluctuations, ICT investment requirements, feasibility costs related to the capital programme and the Council's Strategic Reset Programme (SRP).
- 1.4 In recent years the section 25 assurance statement has noted that the Council has maintained adequate but not generous levels of reserves and has a relatively high level of accumulated debt. The Corporate Director, Finance has undertaken an assessment of the financial resilience of the Council compared to other county councils and has concluded that although KCC has been in the lower half of the resilience range (overall around the lower 25% percentile), the Council is not in imminent danger of financial failure. The Council agreed to strengthen reserves as part of the 2021-22 budget strategy, However, whilst reserve levels have been increased and are considered adequate, they require continuous monitoring given the risks the Council is facing. The Council cannot be complacent and must continue to maintain financial rigour, particularly with regard to accumulated debt and associated financing costs, which have in recent years benefitted from internal borrowing to a large degree.
- 1.5 The Council has a strong record of financial management. 2020-21 was the 21<sup>st</sup> consecutive year where the Council has managed revenue spending within the approved budget and ended the year with a small surplus. This has been achieved against the backdrop of significant financial restraint over the last 11 years where budgets have included over £777m of savings and additional income in order to offset spending growth and reductions in central government grants. The Council has also maintained a substantial capital programme over this period without adding to external accumulated debt through prudent treasury management enabling infrastructure investment to be supported by internal borrowing from cash reserves.
- 1.6 The capital programme continues to show a high and unsustainable level of slippage on projects. Whilst this means lower financing costs in the short-term it also means that savings requirement in future years' revenue plans are overstated to accommodate the original planned financing costs. To avoid this it is essential that future capital programmes are based on more realistic phasing of planned expenditure. The implementation of a 10 year capital programme, the introduction of a reserve to fund feasibility costs and the new capital monitoring and reporting solution, should ensure a more realistic capital programme with significantly less slippage.

- 1.7 Due to the impact of sustained lockdowns during 2020 and into 2021, and timing differences between the receipt of grants to respond to the Covid-19 pandemic and expenditure, the 2020-21 year-end surplus was significantly larger than previous years. The surplus was £27.548m after rollforwards. Cabinet and County Council agreed that the majority of this (£26.773m) related to Covid-19 activity and grants, so would be transferred into a specific Covid-19 earmarked reserve to support future Covid-19 related spend, loss of income and unrealised savings that have been impacted by the pandemic. This decision was taken in recognition that the 2021-22 budget had been set before the full impact and knock-on consequences of the government's tier 3 & 4 restrictions in December 2020, and third national lockdown in January 2021 had been fully evaluated. In the absence of identified Covid-19 funding for 2022-23, unspent balances within the Covid 19 emergency reserve will remain available in 2022-23 to deal with any further impacts of the pandemic.
- 1.8 Budget monitoring throughout 2021-22 has reported a significant overspend. In the early part of any financial year this is not unusual but unlike previous years the forecasts have not yet come down in subsequent months. The main reasons are due to rising demand for key services including adult social care, children's services, and waste recycling/disposal, as well as delays in delivering savings' programmes. In most years we would expect to see demand pressures to lessen later in the year but to date this has not yet happened in 2021-22. The budget was set with some contingency provisions for additional risks particularly due to suppressed demand and market sustainability issues but if the overspend is not reduced during the remainder of the year any overspend would have to be met from reserves, weakening the Council's financial resilience.
- 1.9 Over this same 11 year period the yield from local taxes (council tax and retained business rates) has remained buoyant (other than in the immediate aftermath of the Covid-19 pandemic). The pandemic resulted in a combination of a slowdown in housing growth, additional exemptions and discounts (principally council tax reduction discounts for households with low incomes), and lower collection rates. These factors resulted in unprecedented collection fund deficits in 2020-21 and a reduction in the council tax base for 2021-22. Some compensation was provided by government for irrecoverable losses. For the 2022-23 budget there has been a partial recovery in the tax base although collection rates have still not recovered to pre-pandemic levels.
- 1.10 The combination of reductions in central government grant, a buoyant tax base and modest council tax increases over this period means that councils have had to become more self-sufficient. Council tax is now by far the most significant source of funding towards the Council's core budget (accounting for 70% of net revenue spending).
- 1.11 The Council's Constitution specifically defines the role of all Members in determining and agreeing the policy and budgetary framework of the Council in accordance with applicable laws providing sufficiency of resources. The budget approval process includes Cabinet Committee meetings, the Scrutiny Committee meeting and Member briefing leading up to the formal Budget

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

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

- 2.1 As outlined in the introduction, the administration's 2022-23 and medium-term budget has been prepared against the backdrop of considerable uncertainty and volatility. The 2021-22 budget was approved on the basis of a one-year local government finance settlement which included one-off grants for the Covid-19 emergency and to compensate for irrecoverable council tax and business rates losses. The one-year settlement and lack of government spending plans meant for much of the year the Council's budget plans had to be developed without an indicative settlement for local government. This in itself is not unique at the end of a spending review period, and the Council's Finance function has experience of developing a range of potential funding scenarios.
- 2.2 In addition to the uncertainty around government spending plans and the settlement for local government, the Covid-19 pandemic has continued to have a significant impact in the current year and on the Council's ability to forecast future spending requirements and income levels.
- 2.3 Before the pandemic, the Council was already experiencing increasing demand for services, including children's social care; home to school and special educational needs transport; and higher demands across adult social care including adults with learning disabilities and older people. The pandemic has significantly changed demand patterns for services such as social care, public transport and waste recycling/disposal, we will need to monitor and respond to these emerging patterns closely.
- 2.4 The budget monitoring position as at the end of September was reported to Cabinet on 9<sup>th</sup> December. The revenue budget showed a forecast net overspend of £18.7m, including £9.4m net drawdown from reserves. The largest variance is £13.9m in Adult Social Care, Children's Services showed a forecast overspend of £6.8m, with small underspends in other directorate and centrally held budgets. Further details can be found in the Cabinet report <https://democracy.kent.gov.uk/documents/s108327/September%202021-22%20Monitoring%20Report.pdf>. Action to address the current £18.7m overspend is critical to ensure a balanced budget is achieved by the year end. Any overspend at the year-end will need to be funded from reserves and will put pressure on the 2022-23 revenue budget. The under delivery of previously agreed savings will also need to be reviewed as these too will impact on the 2022-23 budget.

- 2.5 Spending associated with the Covid-19 pandemic is currently reported separately against a central budget of £16.1m. Total forecast spending on the Covid-19 response is £37.9m, the additional spend of £21.8m above the budget for Covid-19 is to be funded from a drawdown from the Covid-19 emergency reserve of £55.6m (including rollovers from 2020-21). After funding the drawdown to cover the shortfall in 2021-22 the Covid-19 reserve has £33.8m remaining. £13.5m of this is required for the Helping Hands and Reconnect programmes, leaving £20.3m for any further Covid-19 related costs during the remainder of this financial year and into 2022-23.
- 2.6 The Capital programme is forecast to underspend by £103.4m, comprising +£21.9m overspending on schemes and -£125.3m rephasing into later years. The development of a 10-year programme from 2022-23, together with a new capital monitoring and reporting IT solution, should ensure capital programme budgets and delivery are more realistic in future.
- 2.7 In the medium to longer term the Council has to plan for a return to a more normal situation and there are serious concerns that the impact of sustained lockdowns has significantly increased demand for some council services (especially care related services) where the restrictions resulted in suppressed demand and an increase in complexity of individual needs. It is an emerging feature of the pandemic that there are short-term time-limited increased spending requirements, income losses and underspends on core services for upper tier councils, but longer term substantial recurring additional spending risks.
- 2.8 The 2022-23 final draft revenue budget includes £83.6m of additional spending. This includes £28.6m for future price increases, £20.7m for forecast future demand and cost drivers, £11.2m base budget changes to reflect known cost and activity variances from the current year, £9.3m for service improvements (including non-inflationary/demand increases), £9.2m for increased pay related costs and £4.2m provision from the additional grant for social care charging reforms. Unlike the current year there is no separate provision for Covid-19 related costs as there is no specific Covid-19 related funding. This mix of revising budgets for known variances and forecast spending growth is a robust approach and provides a sound basis for financial planning. This sound financial planning combined with comprehensive in year monitoring have been the key factors in the council's track record of strong financial management over the last 21 years.
- 2.9 The 2022-23 final draft budget also includes a £4.5m net impact from changes in the use of reserves. This includes additional contributions to reserves of £14.1m, (including £8.4m to strategic priorities and £3.0m to economic development/regeneration reserves from variable funding sources, and a one-off additional contribution of £2.5m to general reserves to maintain these at 5% of the proposed 2022-23 net revenue budget). The strategic priorities reserve will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May. These additional contributions are offset by £8.7m additional drawdown from public health and

smoothing reserves. The budget also reflects a net £0.9m removal of one-off contributions and drawdowns in 2021-22. The use of the smoothing reserve in 2022-23 is to take account of timing differences between spending requirements, funding and income sources, and delivery of savings.

- 2.10 Previous budgets have included estimates for increased demand on council services, referred to for simplicity as demography. These demographic demand forecasts have been based on population projections and previous trends. Whilst this did not always result in a totally reliable forecast (based on the assumption that previous trends were an indication of future demand) the approach was considered fit for purpose at the time.
- 2.11 The significant volatility during the current year means that the previous approach to forecasting demand cannot be used for 2022-23, it was not used for 2021-22 for similar reasons. In 2021-22 the demographic pressures were split between those where there was no identifiable Covid-19 impact (and thus could be included in individual directorate/service budgets in the same way as previous years), and those where there was considerable volatility due to the Covid-19 pandemic. This latter group included adult social care, concessionary bus travel, and kerbside waste volumes, and budgeted amounts were held centrally along with the separate provision for direct Covid-19 impacts. The centrally held demography budgets were to be allocated during the year based on actual incidence (although the approved budget included a provisional allocation for illustrative purposes).
- 2.12 This approach left the Council as a whole exposed to the risk of the pent-up demand materialising. Consequently, a contingency provision (originally described as a risk reserve) for these potential demands was included in the budget to replace the demography calculation. Whilst this provided some financial cover for these demand risks, it is important to recognise that due to the levels of uncertainty and volatility, the amount in the contingency provision could not provide the same assurance as a calculation based on more stable previous trends. Further work is being undertaken with the Council's Analytics team to identify more relevant and accurate modelling of likely future demands and costs.
- 2.13 The 2021-22 approach worked to some extent but did add significant complexity, particularly for in-year monitoring. Consequently, the final draft budget for 2022-23 has removed most of the centrally held budgets and the proposals revert to including demographic demand estimates in directorate controllable budgets at the start of the year. The amounts included for future demographic demand in the 2022-23 budget have not always been calculated based on previous or current trends and as such are directorate contingency provisions rather than a corporate provision. The contingency provision (risk reserve) established in 2021-22 is also still available in the proposed 2022-23 budget. The only significant centrally held budgets are those related to additional pay costs which can only be allocated once the Total Contribution Pay (TCP) assessments have been completed and moderated. This still leaves individual directorates/services exposed to the risk that the provisions included for demand and costs drivers may not be sufficient (and in some cases could

have been over provided) but any variations will be reviewed and reported through the in-year monitoring in a more transparent and efficient manner together with proposed actions to address the variations.

- 2.14 Within the spending growth forecasts we have set challenging targets to bear down on future prices and demand pressures in order to set an affordable and balanced budget. This approach of setting challenging targets for holding down prices and demands is part of a planned strategy to revise the way in which the budget and medium-term plan are developed so that alternative actions including policy choices are considered as part of the response to growth demands using an outcomes-based approach. It is acknowledged that this does not come without risks particularly as we transition to the new budgeting approach. These risks are included in the budget risk register published with the final draft budget report and closely monitored and reported on during the year, to ensure that appropriate mitigation measures are identified, to minimise the call on reserves, which if needed would weaken the Council's financial resilience.
- 2.15 The 2022-23 final draft budget also requires the delivery of a package of £37.9m of planned savings and income. Whilst these savings plans are as robust as they can be and the Council has a track record of delivering planned savings (other than for unavoidable reasons associated with Covid-19 pandemic), delivery risks both in terms of timing and quantum due to the current unpredictable circumstances, are still inevitable. The 3 year medium-term plan requires the delivery of a package of planned savings and income totalling £100m.
- 2.16 The single greatest financial risk to the Council remains the substantial and growing deficit on High Needs spending from the Dedicated Schools Grant (DSG). This has been flagged as the biggest risk for several years with the accumulated deficit forecast to exceed £100m by the end of the current year. Currently a statutory override has been put in place which means that DSG deficits do not have to be covered from the General Fund i.e. are they not cash backed. However, this override is due to come to end March 2023 and the current level of accumulated deficit remains unsustainable posing a considerable risk to the Council if the override isn't extended and/or we do not see significant reduction in the deficit. The assessment of financial resilience based upon the ratio of reserves to debt as a percentage of net revenue budget now includes an additional assessment for this risk. Formal regular monitoring and reporting of the local deficit recovery action plan will be critical to ensure the deficit is being tackled effectively.
- 2.17 The Council Tax precept is based on the estimated tax base notified by districts. Those estimates include the impact of current and estimated housing growth, current and estimated changes in working age support discounts for households on low incomes, changes in other discounts and exemptions and updated forecast collection rates.
- 2.18 The Council Tax funding also includes an estimate for the County Council's share of collection fund balances from 2021-22 and the 3-year arrangement to

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

- 2.19 The proposed budget represents a compromise between additional spending growth, spending reductions through savings, income losses and planned income generation, changes in reserves, government grants in the provisional settlement, the estimated council tax base, and proposed council tax charge increases. It is not the role of the S25 assurance statement to comment on the precise mix providing the overall package results in a balanced budget and the estimates on which the calculation is based are robust.
- 2.20 All the estimates within the final draft budget are the product of a comprehensive planning process with Cabinet Members, Corporate Directors and Directors resulting in an agreement on the level of service delivery within the identified financial resources. In addition, a separate appendix of the final draft budget sets out the main budget risks that are taken into account in determining the estimates.
- 2.21 The final budget includes the strategy for the assessment of budget risks and adequacy of reserves. As well as the continuation of contingency provisions for demand risks, the removal of variable/insecure funding from the base budget and the draw down from the smoothing reserve, the final draft budget also includes a draw down from public health reserves, and new contributions to the Strategic Priorities and Economic Development/Regeneration reserves and maintaining general reserves at 5% of the proposed 2022-23 net revenue budget. The strategic priorities reserve will be used to fund non-recurring/time limited projects and initiatives to support delivery of the Council's key priorities as set out in the Strategic Statement which will be considered by County Council in May. Overall, the approach to reserves will strengthen the Council's financial resilience but the combination still poses a substantial additional risk as it requires directorates/services to bear down on spending growth (particularly from the provisions for future price and demand increases) or identify and deliver alternative actions.
- 2.22 The budget strategy allows for a final draft budget which is affordable whilst allowing the Council to fulfil its statutory responsibilities and address local priorities. The final draft budget will require some difficult decisions about service levels and provision both in 2022-23 and over the medium term. These decisions will need to be confirmed under the Council's constitutional arrangements and Financial Regulations after due consultation and equalities impact assessments. As such the final draft budget is a plan which can be



subject to change, with any changes considered and agreed by Cabinet through the in-year monitoring reports.

- 2.23 The medium-term plan shows a balanced position over the three-year period, albeit at this stage it assumes further use of smoothing reserves in 2023-24 before showing a small surplus in 2024-25. The forecasts on which this medium-term plan is based are inevitably less reliable than the forecasts for 2022-23. In particular the one-year settlement for 2022-23 and the government's commitment to undertake a review of local government funding arrangements during 2022 mean that funding forecasts are particularly uncertain. In recognition, the savings plans for 2023-24 and 2024-25 include an overall amount for new savings options together with a broad assessment of the areas which will have to be considered but do not include individual amounts at this point. This is accepted as a prudent necessity, but the Council cannot wait for the outcome of the Government's funding review before making further progress to develop these savings options and the work to identify and deliver the individual savings plans for 2023-24 will need to commence early in 2022 to ensure the overall required total is achieved.
- 2.24 The latest forecast for usable revenue reserves at the end of 2021-22 is £315m, this represents a substantial decrease of £78m on the position at the end of 2020-21. The forecast takes account of a drawdown of Covid-19 reserve and other planned drawdowns from earmarked reserves. In total the forecast drawdown from earmarked reserves is £92m, this is partially offset by £14m increase in general reserves approved as part of 2021-22 budget to strengthen the Council's financial resilience. The reserves forecast includes draw down to balance the year end position although this could change further during the remainder of the year..
- 2.25 The final draft capital programme of £1.7bn over 10 years is proportionately less than the previous 3 year programmes. This is partly in recognition of the impact of new borrowing on future revenue budgets and council tax and partly to allow more realistic planning of spending over a longer period based on spend in previous years (to reduce rephasing during the year and in subsequent programmes). The programme includes a minimum level of spend on essential asset maintenance including modernisation of assets on the schools and corporate estate, schools annual planned enhancement, highways asset management and public rights of way. The final draft programme is funded from a combination of government grants, external funding and borrowing. In line with previous years, it is proposed that borrowing is supported from the Council's cash balances rather than external debt. This not only reduces the cost of borrowing (bearing in mind the low returns on cash investments) but also ensures the Council does not increase accumulated debt based on spending profiles which are subsequently delayed. This strategy of internal borrowing is considered sustainable for the next two to three years providing there is no significant revenue need to draw down reserves and the council has sufficient cash balances. In the medium term this approach will need to be reviewed and revised as it will not be possible to sustain this level of capital investment without the greater achievement of savings, generation of income or increased funding.

- 2.26 The final draft capital programme includes grants from government departments, particularly Department for Education (DfE) and Department for Transport (DfT). In many cases future years' grant allocation notifications have not been received and the final draft capital programme is therefore based on forecasts. Some schemes also require external funding e.g. Heritage Lottery Fund (HLF) or Developer Contributions, which may not yet have been secured. Schemes that include significant elements of unsecured funding are separately identified in the final draft capital programme and will only go ahead if the funding is secured.
- 2.27 A separate appendix in the final draft budget report provides an indication of new potential capital projects which could come forward within the next 10 years. These have not been included in the final draft capital programme and would only be added in later years subject to business cases being completed and reviewed and identification of affordable funding solutions. Indicative costings have been provided as a guide, however, no funding or budget will be set aside for these projects at this time.
- 2.28 There are a number of risks to capital projects which could either affect the viability of schemes or could require the Council to take out additional short-term borrowing (temporary borrowing until alternative sources of funding are secured) or long-term borrowing (permanent alternative funding). These risks include:
- Higher than anticipated inflation on projects not covered by project contingency
  - Lower than forecast developer contributions
  - Lower capital receipt proceeds
  - Unforeseen additional costs due to delays or scheme design

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

### **3. Conclusions**

- 3.1 As Section 151 officer I can formally report that in my view the budget estimates are robust and the level of reserves adequate, as required by the Local Government Act 2003, on the assumption that the proposed council tax increases up to but not exceeding the 2% referendum threshold and 1% for Adult Social Care levy are agreed.
- 3.2 Council tax is now the most significant source of funding for council services. Any lesser increase than that proposed, without a corresponding reduction in base budget spending would have an adverse impact on the Council's financial resilience and ability to mitigate future spending risks or medium-term uncertainties over the future funding gap. This assessment has focussed on

the significant uncertainty and volatility around spending and income forecasts for 2022-23 and that the Council has previously had adequate but comparatively less generous reserves for risks at the time.

- 3.3 The administration's revenue proposals for 2022-23 and medium-term plan are not without significant additional risks. The proposals strike a balance between affordability whilst allowing sufficient resources for the Council to fulfil its statutory responsibilities and address local priorities. This is not an easy combination and will require some difficult decisions about service levels and provision. It will require services to bear down on spending growth, particularly with regard to future price levels and managing demand. In my view whilst this presents risks, the Council has sufficient financial resilience and reserves together with a strong record of sound financial management such that the additional risks are not excessive or reckless.
- 3.4 The 2021-22 budget included an additional contribution to general reserves in line with the medium-term strategy to have the overall level at 5% of net spending to improve financial resilience. This level of general reserves is considered to be essential in light of increased financial risks, the increased self-sufficiency of councils and greater reliance on tax income, and medium-term uncertainties. The final draft budget includes a further one-off contribution to general reserves to maintain these at 5% of the proposed 2022-23 net revenue budget. Any drawdown from general reserves either as part of addressing the 2021-22 overspend or to cover variances from the final draft 2022-23 plan would require general reserves to be replenished back up to 5% level at the earliest opportunity, even if this requires delivery of additional savings from the proposed amounts identified for 2023-24 and 2024-25. Failure to maintain general reserves at 5% would in my opinion very likely seriously impair the adequacy of the Council's reserves and consequently its financial resilience.
- 3.5 The longer-term capital planning within the proposed 10-year programme delivers urgent and critical works and priority projects as well as addressing the need to minimise new borrowing and deficiencies in previous plans that have led to significant rephasing. Both of these have significant consequences on future revenue budgets.
- 3.6 Finally, I draw members attention to the known correlation between those councils which have had the lowest council tax rates, undeliverable savings plans, highest levels of debt, lowest levels of reserves and subsequent concerns about financial management. Whilst these are not the only factors which could give rise to financial management concerns, they remain an important consideration in the assessment of financial resilience and sustainability. KCC's current council tax charge is around the average of all county councils, but levels of debt are well above average compared to levels of reserves which remain below average. The levels of debt are being addressed through the new 10-year capital programme and avoiding long-term external borrowing, but the Council also needs to maintain levels of reserves which reflect levels of council spending, financial risks and medium-term uncertainty.

**Recommendations:**

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

**3. Contact details**

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