From:	Paul Carter, Leader of the Council John Simmonds, Cabinet Member for Finance & Procurement and Deputy Leader
To:	County Council – 9th February 2017
Subject:	Budget 2017-18 and Medium Term Financial Plan 2017-20 (including Council Tax setting 2017-18)
Classification:	Unrestricted

Summary: This report is a summary of the proposed budget for 2017-18 and Medium Term Financial Plan 2017-20, and a guide to the draft budget documents. The County Council has a statutory duty to set an annual budget and the amount to be levied through council tax. In approving the budget the County Council is not only agreeing the total amount to be spent but is also delegating authority to manage the budget in compliance with the authority's financial regulations.

Members are asked to bring to this meeting the draft (black combed) 2017-18 Budget Book and 2017-20 Medium Term Financial Plan (MTFP) documents published on 10th January 2017, and the Supplementary 2017-18 Budget Information document published on 31st January 2017. Unlike previous years we have not produced a separate "draft for County Council version" of the Budget Book and MTFP and any changes to the 10th January drafts are outlined in this report for final approval.

Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of council tax. Any Member of a local authority who is liable to pay Council Tax and who has any unpaid Council Tax amount overdue for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that they are in arrears and must not cast their vote on anything related to KCC's Budget or Council Tax.

1. Introduction

1.1 The Local Government Finance Act 1992 requires the Council to formally consult on and ultimately set a budget and council tax precept for the forthcoming financial year, 2017-18. The accompanying draft Budget Book and MTFP set out the detailed proposals. The proposed Budget 2017-18 and MTFP enable the Corporate Director of Finance & Procurement to satisfy Section 25 of the Local Government Act 2003, which requires him to give an opinion on the robustness of the budget estimates and the level of reserves held by the Council.

1.2 An updated draft of KCC's revenue budget plan for 2017-18 and 2018-19 was published on 12th October 2015 for the County Council meeting on 20th October (agenda item "Autumn Budget Statement"). This update was also used for the budget communication and consultation campaign launched on 13th October. The consultation aspect closed on 27th November. A separate report on the results from this campaign is published as a background document to this report. The campaign highlighted the need to further improve communication about KCC's budget, the financial challenge, and why modest council tax increases are needed.

1.3 A revised draft of the budget and MTFP proposals was published on 10th January 2017. This included updates following the Chancellor's Autumn Statement on 23rd November, the provisional Local Government Finance Settlement on 15th December, provisional council tax base estimates from districts, as well as updating spending and savings proposals based on the latest plans. It also included the proposed solution to the unidentified £5.2m of savings in the October draft and took into account responses from KCC's consultation.

1.4 Publication of the draft budget and MTFP in early January allows time for consideration by Cabinet Committees in the January round of meetings, endorsement by Cabinet (and subject to scrutiny), as well as allowing a short period for final comment prior to the County Council meeting. We have previously recognised that publishing the draft budget this early to facilitate the scrutiny process (and so soon after the provisional funding announcements) exposes the risk that further changes may be necessary. This is preferable to deferring the scrutiny process.

1.5 Rather than producing a "revised draft for County Council" version of the Budget Book and MTFP to incorporate all the up to date information since the January draft was published (as we have done in previous years), this report sets out all the material changes. There are also a number of minor technical adjustments which are not material to the approval of the budget which are included in the attached appendices but not covered in detail in the report. On reflection, we believe that producing a revised draft Budget Book and MTFP adds more confusion rather than simplifying/clarifying the budget approval process (and incurs additional printing costs). These material changes are set out in section 5 of this report. The changes are also reflected in the following attached revised appendices which replace the information in the original draft publications:

- Appendix 1 – Revised Council Tax precepts 2016-17 and 2017-18 (table 1 from section 2 of the Budget Book)
- Appendix 2 – Summary of Revised Capital Investment Plans 2017-18 to 2019-20 (first two pages of section 3 of the Budget Book)
- Appendix 3 – Revised Directorate Revenue Budget Summary (section 4 of the Budget Book)
- Appendix 4 – Revised schedule of delegations to managers (section 9 of the Budget Book)
- Appendix 5 – Revised Treasury Management Strategy (section 5 of the MTFP)
- Appendix 6 – High Level 2017-20 Budget Summary (appendix A(i) of the MTFP)
- Appendix 7 – Revised Prudential Indicators (appendix B of the MTFP)

Other sections of the Budget Book and MTFP will be amended accordingly to be consistent with the revised summaries above in the final version of the Budget Book and MTFP to be published in March.

1.6 The County Council motion is based on a combination of the January draft and these subsequent updates. The motion also includes delegated powers to make any other non-material/technical changes in order to avoid the need for a large number of minor adjustments in the first monitoring report. Any such changes made under these delegated powers will also be reflected in the final Budget Book and MTFP to be published in March.

1.7 The draft Budget Book and MTFP published on 10th January showed a net revenue budget requirement of £899.1m for 2017-18. This was more than the £887.9m we forecast in the October Autumn Budget Statement. This is principally due to a combination of:

- ↑ Higher than anticipated provisional council tax base (2.32% compared to 1.77% assumed in October)
- ↑ Higher estimated collection fund surplus
- ↑ Additional one-off social care support grant
- ↓ Lower New Homes Bonus grant due to earlier introduction of reforms

1.8 The subsequent changes outlined in this report further increase the net budget requirement to £907.0m. This includes some late additional budget realignment and spending demands, reduced one-off drawdowns from reserves and additional contribution to general reserves. This is funded from the final notification of council tax base and collection fund estimates from districts (as required by 31st January), and revised KCC forecast business rate collection fund balance. By far the most significant factor is the higher than estimated council tax collection fund balance (£12.5m), leading to an increase in net funding of £7.9m compared to the published draft.

1.9 We have not received the final notification of the local share of business rates or business rate collection fund estimates in time for the publication of this report. These are expected to have a small impact on the net budget requirement, which once confirmed will be detailed in a supplementary report for Members' consideration at the Council meeting on 9th February.

1.10 At the time this paper was published a small number of grants, both ring-fenced and un-ring-fenced contributing to the net budget requirement, had still not been announced. The final proposed budget is based on estimates for these grants. Budget monitoring reports will include the impact of final announcements. In addition the conditions for some ring-fenced grants have not been confirmed even though amounts have been announced. If these conditions are announced before the final approved budget is published in March the impact (including necessary changes to spending plans in individual budget lines) will be reflected on the basis compliance with these conditions does not materially affect the approved budget (e.g. no impact on the net budget requirement).

1.11 The revised proposed capital programme for 2017-20 is £635.8m. This is £1.4m more than the 10th January draft due to the removal a scheme which requires further feasibility work before it can be resubmitted for inclusion in the programme, and the announcement at the end of January of the roads improvement and public transport element in the National Productivity Investment Fund (£185m in 2017-18) of which KCC has been allocated £5.4m. The programme includes a Schools' Basic Need (estimated £147m over the 3 years 2017-20) and highways enhancement (estimated £79m over 3 years). These programmes are significantly or totally funded by government capital grants which may be subject to change (particularly in 2018-19 and 2019-20). In total £345.6m of the programme is funded by government grants, £104.4m from borrowing, £91.2m from developer contributions/other external funding, £34.3m from recycled loans, £33.1m from receipts, and £27.3m revenue and renewals (principally schools devolved capital grants).

1.12 The capital programme has not been the subject of formal consultation and is subject to separate governance arrangements granting approval to plan and approval to spend. The capital strategy is set out in section 4 of the MTFP and focuses on achieving maximum effect from capital investment, with a sharper focus on the Council's strategic priorities and to obtain maximum value from our assets. This strategy reinforces the commitment to a fiscal indicator, which limits the cost of borrowing to 15% of net revenue budget. The proposed capital programme includes £104.4m of borrowing, which will count against this indicator (we are more than likely to cover this in the short and medium term from internal loans against cash deposits rather than external borrowing).

1.13 Any unavoidable late changes to the proposed budget after this report has been published will be reported separately to the County Council meeting.

2. Financial Implications

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. It also 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 will be held to account for spending decisions within delegated powers via the budget monitoring arrangements throughout the year.

2.2 The budget proposes a council tax increase up to the maximum permitted by the 2% referendum limit. This would increase the County Council's band C charge (the most common band) from £1,007.60 to £1,027.68 (1.99%). Consultation responses indicated that around 74% of respondents would accept an increase of 1.99% or more in order to cover additional spending demands and protect services from reductions in central government funding.

2.3 The consultation evaluation and market research concluded that residents are not necessarily well informed about the services KCC provides and what their council tax pays for. In recent years KCC has published council tax information on-line via KCC's website (in common with Kent districts), and has not produced the traditional council tax leaflet previously included with council tax bills. We remain committed to the principle of digital communication and do not propose to revert to printed leaflets to address the communications issues raised through the consultation.

2.4 We are trialling a simple breakdown of council tax which shows how much of a typical band C charge contributes to the main areas of council spending. An example of this was included in the Autumn Budget Statement to County Council on 20th October. The vast majority of council tax is un-hypothecated and contributes to the Council's net budget requirement (along with the local share of business rates and un-ring-fenced government grants). However, market research indicates residents would have a better understanding of council spending if it is equated to individual council tax bills rather than total spending in millions of pounds.

2.5 The budget also includes a proposal to levy an additional 2% council tax precept specifically to support social care spending. This would raise band C further to £1,047.84, meaning a total increase of £40.24 per annum over 2016-17 (3.99%). This would increase the social care levy from £19.36 on a band C property in 2016-17 by a further £20.16 in 2017-18 taking the total social care levy to £39.52 on a band C property. All of the additional funding raised by the social care levy is used to support adult social care spending and this is reflected in trial presentation of council tax referred to in paragraph 2.4.

2.6 As in 2016-17 we anticipate that we will have to publish a statutory statement about the decision to levy the social care precept as soon as is practicably possible (and no later than 21 days after the Council has agreed the budget and council tax for 2017-18). The government is considering whether to extend this requirement to notify them with a comparison of the changes in adult social care budgets with those of other non-ring-fenced services, both including and excluding the precept. The anticipated comparison based on the proposed 2017-18 budget in this report is shown in table 1 below. If this comparison appears to show that the precept has not resulted in an increase in adult social care planned spending we will have to provide additional narrative to explain how the levy has been applied. Furthermore, those authorities choosing to use the additional flexibility allowed in the 2017-18 settlement to levy up to 3% will have to make a further declaration signed by the Finance Director and the Director of Adult Services.

Table 1

	2016/17 budget (£)	Total ASC 2017/18 precept (£)	2017/18 Budget (£)	ASC % change 2016/17 to 2017/18 budget excluding *precept* *((C-B)/A)*
Column	A	B	C	D
Budget for non-ring-fenced services*				
Budget for Adult Social Care				
*The service spend figure used comprises Service Expenditure **excluding** non-discretionary spend (Education, Public Heath, Police and Fire services) **and** any statutory expenditure (Homelessness, Youth Justice, Safeguarding Children and Children Looked After) budgeted by the authority.				

2.7 The impact of the proposed increases in each Council Tax band is set out in table 2.

Table 2	2016-17	2017-18 (excl. Social Care Levy)	2017-18 (incl. Social Care Levy)
Band A	£755.70	£770.76	£785.88
Band B	£881.65	£899.22	£916.86
Band C	£1,007.60	£1,027.68	£1,047.84
Band D	£1,133.55	£1,156.14	£1,178.82
Band E	£1,385.45	£1,413.06	£1,440.78
Band F	£1,637.35	£1,669.98	£1,702.74
Band G	£1,889.25	£1,926.90	£1,964.70
Band H	£2,267.10	£2,312.28	£2,357.64

2.8 The full financial implications for the overall resource framework and delegations to Corporate Directors and Directors are set out in the Budget Book and MTFP. We have separately highlighted the changes since consultation in the draft Budget Book and MTFP published on 10th January which represented the most up to date position at that time. Any material changes since are identified in this report and are reflected in the recommendations.

3. The Budget Proposals

3.1 This section of the report provides further background the construction of the draft 2017-18 budget proposals in the MTFP published on 10th January. This was based on the provisional local government finance settlement and initial estimates for council tax base, local share of business rates and collection fund balances. The final budget has to be based on the final settlement and must include tax base and collection fund notifications from district councils.

Realignment

3.2 The baseline for the draft budget is the October budget monitoring reported to Cabinet on 12th December 2016. The draft budget includes realignment of £8.7m for a number of services to reflect current levels of activity and spend. In particular this ensures that budgets are up to date for key demand led services including adults and children's social care, SEN transport, and waste recycling/disposal. The budget realignment also includes savings where in-year activity has been lower than anticipated when this year's budget was set, e.g. concessionary bus fares.

3.3 The 2016-17 budget was balanced by £10.9m one-off use of underspends and reserves. We cannot continue to use reserves to support recurring expenditure and the use must be replaced in 2017-18 with on-going base budget provision. This should not be confused with replenishing reserves (which we're not doing), which may be necessary at a later date.

Pay and Reward

3.4 The draft budget includes an additional contribution towards the pay and reward package for Kent Scheme staff. The contribution is sufficient to ensure the pay and reward package is managed within an overall pot equivalent to 2.3% of pay. This pot is derived from the additional funding identified in the budget and headroom within staffing budgets as a result of new appointments being made at the bottom of pay grades and one-off reward payments for staff on the top of the grade. The 2.3% pot is likely to result in a payment of around 1.75% for all those assessed as 'achieving' under appraisal ratings, with a minimum full time equivalent reward of around £400 for all staff other than those in KR2 who would be subject to separate arrangement to comply with minimum hourly rate outlined in paragraph 3.6. The final proposed distribution of the pay and reward pot will be agreed by the Cabinet Member for Corporate & Democratic Services.

3.5 This arrangement was introduced in 2014-15 and means staff receive a single reward assessment. The reward payment either increases an individual's salary via progression through the pay grade, or is a non-consolidated lump sum payment for staff on the top of the grade. The minimum cash figure ensures the lowest grades receive a higher percentage than rewards for staff on higher grades. The rewards leave sufficient in the pot for estimated cost of performance assessments falling due during the year i.e. for staff employed for less than 6 months and pay awards for non-Kent scheme staff.

3.6 There is no separate "cost-of living" award. The top and bottom of pay grades are recalibrated each year to ensure they remain competitive, although in reality this recalibration only applies to new appointments as pay progression for existing staff is subject to the performance assessments. The recalibration seeks to be at least 50% of the "achieving" reward %, and allows a minimum increase to the bottom of lowest range (KR2) in accordance with the Council's policy in response to the National Living Wage (NLW). As an absolute minimum we would have to ensure the bottom of this grade equals or exceeds the £7.50 per hour minimum NLW and it is proposed that this minimum for KR2 will be £7.70 per hour from April 2017. The recalibration of grades has to be affordable within the overall pay budget and must have regard to the public sector pay guidelines in the Spending Review and Autumn Statement. This adjustment to grades will be published in an updated Pay Policy Statement for 2017-18 and will be the only change to the statement for this year.

Price Inflation

3.7 The draft budget includes provision for specific contractual price increases. In the main, these are index-linked and summarised on page 86 of Appendix A(ii) to the MTFP document. A separate analysis of these inflation assumptions has been sent to County Councillors as an exempt item.

3.8 We have also included provision for non-specific increases in negotiated contracts. This calculation includes a proportion of the NLW which the council considers is reasonable for contractors to pass on as price increases. This has been based on the assumed proportion of prices which relate to staff eligible for the increase announced in the Chancellor's Autumn Statement (4.17%), the proportion relating to staff eligible for National Minimum Wage (NMW), an appropriate increase for the proportion relating to staff above NLW/NMW, and general inflation on non-staffing element.

3.9 Managers will be expected to negotiate prices within the inflation parameters outlined in paragraphs 3.7 and 3.8. We have not made any provision for general inflation on goods and services procured by the council and managers will be expected to cover the impact of any inflation within their overall budget.

3.10 We have included a separate £6.8m provision within adult social care for market stabilisation. This allows the Corporate Director for social care to agree additional price increases on social care contracts over and above the inflation parameters in order to comply with the requirements under the Care Act 2014 to facilitate a diverse and sustainable market for high quality care and support in the county.

3.11 Through the procurement of contracts and subsequent contract management, KCC has a good overview of the cost components of care homes and home care. This has enabled a targeted strategy for addressing the impact of the National Living Wage and National Minimum Wage. KCC recognises that there are certain supply restrictions across the County, particularly related to workforce. The Council has a duty under the Care Act to ensure a vibrant, diverse and sustainable market for high quality care and support, therefore we have identified a provision for sustainability in the budget. This is to target particular markets and areas that require focus to ensure sufficient flow through the whole system and we will develop an Intervention Plan to support the market sustainability provision providing a clear link between forecast service demands, additional capacity needed from providers and expected outcome improvements. This money will end up being directly spent in the local care market. KCC's strategic approach is to make sure that contracted providers who work with the Council and partners are supported and that appropriate recognition is provided. It meets quarterly with the Trade Associations and market representatives to share issues across both commissioning and provision.

Other Spending Demands

3.12 The draft budget includes the forecast impact of population changes and estimated additional demand arising during the forthcoming year. The forecasts not only reflect changes in client numbers/service users but also changes in complexity of need. The major areas of growth forecast for 2017-18 include adults with learning disabilities, older people, mental health services, children's social care, home to school transport for children with special educational needs, and waste tonnage.

3.13 The draft budget also includes the impact of additional spending imposed by legislation and government, principally in relation to the Apprenticeship levy and the Deprivation of Liberty Safeguards (DOLS) assessments following the Cheshire Judgement 2014. The draft budget includes a limited number of service strategies and improvements under local discretion, including the additional financing costs to support the capital programme.

3.14 A summary of all the additional spending proposals is set out on pages 85 to 88 in Appendix A(ii) of the MTFP.

Use of Reserves

3.15 The draft budget proposals included £11.25m of savings from further draw down from central/directorate earmarked reserves and previous year's underspends (£11.4m total net reduction in reserves after allowing for existing base budget support and repayment of reserves borrowed for the 2011-12 budget). This would reduce estimated earmarked reserves in 2017-18 to £112.1m with a further £37.2m in general reserves (the actual level of earmarked reserves will depend on 2016-17 final outturn). This provides a general contingency to just over 4% of net revenue budget, this is deemed to be sufficient to reflect the risk inherent in the budget and deliverability of savings plans. (See Appendix F of the MTFP).

3.16 The criteria for use of our earmarked reserves are maintained by the Finance Division. These are reviewed each year but generally little changes come from those reviews. However, in light of increasing challenges for all of our traded services and wholly owned limited companies, it would be appropriate to consider the wider application of these reserves to cover those entities. For example, where restructuring takes place in our companies in order to deliver greater future benefits, then we might apply some of our Workforce Reduction reserve to cover the temporary shortfall in dividend payment as a consequence of those restructure costs. In the 2017-18 review of each reserve's criteria, we will therefore consider our trading units and companies being included in potential usage of each of the reserves. It is likely that this will only be applicable to two or three of our reserves, including our general reserves, and we will need to be mindful of any 'state aid' issues when applied to our companies. The criteria for use of reserves and the balances, is ultimately a decision for the Council's Section 151 Officer.

3.17 The draft budget proposals also include a saving on repayment of debt to fund the capital programme arising from a more even set aside for future repayments within the existing Minimum Revenue Provision (MRP) policy. The MRP guidance requires the Authority to make prudent provision within the revenue budget for repayment of debt accrued on capital projects and to present a statement setting out the MRP policy to the full council. KCC's MRP statement is set out in appendix C to the MTFP.

Savings Proposals

3.18 All of the savings and income proposals in the draft budget are summarised on pages 89 to 94 in Appendix A(ii) of the MTFP. Most are as outlined in the draft plan reported in the Autumn Budget Statement in October. Some savings have been updated to reflect the latest phasing of proposals and some have increased as a result of resolving the unidentified gap. We have not set out all the changes in detail and the 10th January draft should be considered as the most recent set of proposals. Savings are sub-divided between transformation savings, income generation, efficiency savings, and policy savings, as well as the financing savings referred to above. Inevitably these categories can never be precise but have been developed as a guide to the broad impact.

3.19 Detailed consultation and equality impact assessments of specific proposals within each directorate will be undertaken, where necessary, once the budget has been approved and prior to implementation. Approval of the budget includes granting delegated power to Cabinet Members to make changes to the proposals in light of detailed consultation and equality impact assessments. Any changes will be reflected in the monthly monitoring reports to Cabinet.

3.20 In order to support local authorities to deliver more efficient and sustainable services the government allows revenue spending on reform projects to be funded up to 100% from fixed asset receipts. This allows a number of local authorities (Kent being one) to treat as capital expenditure, expenditure which:

- is incurred by the Authorities on the revenue costs of projects designed to reduce future revenue costs and/or transform service delivery; and
- is properly incurred by the Authorities for the years ending 31 March 2017, 31 March 2018, and 31 March 2019

The proposed budget proposes additional savings of £2.5m in 2017-18 from using fixed assets receipts in this way.

Later Years

3.21 The MTFP includes indicative plans for 2018-19 and 2019-20, although inevitably these are less well developed than 2017-18 and are liable to change. In particular spending demands are a forecast which inevitably contains a degree of uncertainty, and not all of the savings necessary to balance 2018-19 and 2019-20 have been identified. £55.0m of savings are estimated to be needed in 2018-19, of which £18.7m are currently unidentified. The process to identify the additional savings required to balance these years has already begun.

3.22 We had expected that the Council's net budget would increase in 2018-19 compared to 2017-18 in cash terms, and again in 2019-20. This will be the first time in several years that we would have seen cash increase. This was reflected in the government's "flat-cash" scenario between 2015-16 and 2019-20 which had reductions front-loaded followed by a recovery in the latter two years. The larger than expected collection fund balance reported in paragraph 5.5 below means this may not now be the case. Nonetheless, any small net increase is likely to fall well short of the additional spending demands and includes reduced central government funding and increased council tax yields. Consequently significant savings are still forecast to be needed in every year although at this stage these look to be less than we have had to find every year since 2010, which in total will amount to £514m by the end of the current year.

3.23 The medium term projections assume that council tax is increased up to the referendum level each year and the council levies the 2% extra social care precept each year. These increases combined with estimated tax base growth would increase council tax revenues by 5% each year.

4. Navigating the Budget Book and MTFP Documents

4.1 This section of the report is aimed at helping members to navigate the Budget Book and MTFP publications. We have reproduced this section this year as some members may still be unfamiliar with these documents. Capital and revenue budgets have been presented to align with current directorate structures for 2016 rather than Cabinet Member portfolio responsibilities. This presentation better reflects budget management and reporting arrangements.

4.2 Section 2 of the Budget Book sets out the estimated tax base notification from each district (with the slight amendment outlined in paragraph 5.3 below and appendix 1 to this report). This section also sets out the proposed changes to the County Council's share of council tax, and the council tax precept on each district.

4.3 Section 3 of the Budget Book sets out the proposed capital investment plan for the following 3 years. Capital spending is for the purchase and enhancement of assets. For each directorate capital spending is split between rolling programmes (usually related to the on-going enhancement of assets) and individual projects. There are two templates for each directorate, the first sets out a brief description of each programme/project and the planned spending for each year of the MTFP, with a summary of how the overall directorate plan is funded. A number of projects will only proceed when specific funding has been secured. The second template combines the three years of the capital programme and sets out in more detail the funding sources for each programme/project.

4.4 Sections 4 to 9 of the Budget Book set out the proposed revenue budget for 2017-18. Revenue spending is that spent on the day-to-day provision of council services. Section 4 provides a high level summary for each current directorate. Gross expenditure is split between staffing (salaries and employer's costs for national insurance and pension contributions) and other costs. Service income from charges and contributions is deducted to derive net spend, although this sub-total is not shown in the budget book to keep it to a manageable size (this net spend is often the quoted figure in government returns and used for comparative purposes). Service income is split between internal and external income to help distinguish recharges and trading activity with KCC maintained schools.

4.5 Income from specific government grants is shown separately to derive the net cost attributable to KCC. The net cost is used in the MTFP and a comparison with the revised net cost for 2016-17 is included in the revenue budget book sections. Section 4 also shows how the net cost (net budget requirement) is funded either from council tax, the local share of business rates, or un-ring-fenced government grants.

4.6 Section 5 is new for 2017-18. This is the summarised view of the full A to Z service analysis (section 6), as used in the new more concise budget monitoring reports. The individual lines from the full A to Z which make up each line of the summary are identified (excluding any sub-total lines).

4.7 Section 6 provides more detail of planned spending on individual services. This section is designed in an A to Z format and shows services according to how they are delivered and received by residents, rather than how the Council is organised. This is a conscious effort to provide a more outward facing presentation of the Council's spending. The A to Z is organised according to principal areas of front-line activity:

- Adults and Older People
- Children's Services
- Community Services
- Environment
- Highways
- Local Democracy
- Planning and Transport Strategy
- Public Health
- Public Protection
- Regeneration and Economic Development
- Schools
- Services for Schools
- Transport Services
- Waste Management

These principal activity areas are consistent with central Government returns. Non frontline services: financing items, assessment services and management, support and overheads are identified separately.

4.8 Within each of the broad categories above, spending has been subdivided into individual areas of activity (based on the general principle that any distinct area of activity with spending in excess of £1m should be separately identified). The table also includes a brief description of activities which can be afforded within the budget. Inevitably, this section is a compromise between providing an appropriate level of detail to describe how the Council spends public money and keeping the analysis to a manageable size. The individual entries are kept under review both to reflect changes in the way services are delivered and to ensure we adhere to the principle of transparency without undue complexity.

4.9 Section 7 provides a detailed variation statement for each line in the A to Z service analysis showing how the budget has changed between 2016-17 and 2017-18. This provides a direct reconciliation between the Budget Book and MTFP. Inevitably, this is a large document and is the last piece of the budget jigsaw and can only be published as a separate document after the original 10th January draft of the Budget Book and MTFP have been produced. A supplementary document containing the A to Z variation statements was published on 31st January.

4.10 Section 8 provides a graphical representation of the Council's funding and spending. It also includes a high level subjective analysis which presents information on the type of spending, rather than how the services are provided. The subjective analysis for 2017-18 can only be produced once budgets have been allocated by individual managers, thus for the version of the Budget Book published on 10th January we could only show the subjective analysis for the revised 2016-17 base budget derived from in-year monitoring.

4.11 Section 9 sets out the total budget under the control of each directorate. This is generally presented at the third tier, i.e. the amounts delegated to the managers reporting to each director (often referred to as service units). Only in exceptional circumstances would budgets be identified below third tier, even though delegation and budget management takes place at lower levels in the organisation. Financing items are notionally shown under Strategic and Corporate Services although these are non-directorate specific costs often arising out of previous decisions or decisions outside of the county council's direct control. As such these costs cannot be attributed to any individual manager and are all under the control of the Corporate Director of Finance & Procurement.

4.12 Sections 5 to 9 will need to be updated in the final Budget Book that will be published in March, to reflect the detail of the updates covered in this report and presented in the highest level budget summary (section 4 as revised in appendix 3 to this report and section 9 as revised in appendix 4 to this report).

4.13 The MTFP provides a description of the Council's overall financial vision and key strategies. It is designed as a reference document, providing background information to set the budget in a wider and longer term context. The main document includes a short executive summary which has been redesigned for 2017-18 to provide a stand-alone high level view of the Council's budget and financial challenge. This will be further developed to help address the communication concerns referred to in paragraph 1.2. Other sections in the MTFP include an appraisal of the national financial and economic context as it affects local government, and the Council's capital, revenue, treasury management and risk strategies. These strategies will continue to evolve to reflect the impact of national policy developments affecting local government and the council's overall strategic objectives.

4.14 The appendices to the MTFP set out the key financial information. Appendix A includes a high level 3 year plan and detailed plans for each directorate summarising the additional proposed spending, income and savings in 2017-18 compared to the 2016-17 approved budget. A revised updated presentation of appendix A(i) including all the changes outlined in this report is presented in appendix 6 to this report. The row headings in appendix A(ii) use the same row headings as the A to Z variation statements described in paragraph 4.9. This enables a direct comparison of the overall strategic plan with the more detailed individual budget plans. Appendices B (Prudential Indicators) and C (MRP Statement) are presented to full Council for approval. Appendix B has been revised as presented in appendix 7 to this report.

5. Changes since the Draft Budget and MTFP Publication

5.1 Unlike previous years we have not re-published the draft Budget Book and MTFP to take account of changes since the original publication. Experience has shown this has made the approval process more complex and added confusion, as well as incurring additional printing costs for the whole document which has a very short life between the County Council meeting and the publication of the final Budget Book and MTFP in March. Instead we have outlined all the material changes in this section of the report and produced revised statement of the key aspects of the Budget Book and MTFP as appendices to this report. There are also a number of minor technical adjustments which are not material to the approval of the budget, which are included in the appendices but not covered in this section. All the changes have been incorporated into the recommendation to County Council at the end of this report and will be reflected in the final Budget Book and MTFP to be published in March.

5.2 Much of the information in the Budget Book and MTFP is unchanged from the 10th January draft. This section provides a brief description of the following material changes:

- Council tax base and collection fund balances
- Local share of business rates and collection fund balances
- Budget Realignment and Spending demands
- Savings proposals
- Use of Reserves

- Treasury Management Strategy
- Prudential Indicators

Council Tax & Business Rates

5.3 The final council tax base notification from districts shows a minor change from the 10th January published draft budget. The tax base estimate is now based on 526,396.56 band D equivalent properties. This produces a revised council tax precept of £620.527m based on the proposed council tax rates outlined in section 2.

5.4 We always have an issue with the estimated balances on council tax and business rate collection funds. These need to be included in the budget as they represent the over/under collection on the budgeted tax base for the current year. District councils are required to notify us of these balances by 31st January, and often notification is close to the wire. For the 10th January publication we estimated a net surplus on council tax and business rate collection of £5.1m.

5.5 The final notification from districts shows KCC's share is £12.5m of the estimated net surplus on council tax collection funds. In total, eleven out of twelve districts have identified a surplus ranging from £0.4m (0.6% of tax base) to £2.5m (6.0% of tax base). Surpluses (and deficits) can arise from changes in the number of dwellings liable to pay council tax, changes in discounts and exemptions and changes in collection rates. Surpluses (and deficits) are also affected by individual district council collection fund accounting policies and provisions.

5.6 We have not received final notification of estimated tax base and collection fund balances for business rates from all districts in time for the publication of this report. This is due to the number of changes to business rates which are being implemented from April 2017. The 10th January draft budget and MTFP were based on KCC estimates, and for this report we are assuming a net increase in business rate yield of £0.5m compared to the published draft. A verbal update and revised motion will be presented to County Council at the meeting (provided we receive notification from all districts by that time).

5.7 In light of the continued relatively high council tax collection fund balances we will undertake a further review of the underlying factors influencing them and in particular whether any are predictable and should be included in the calculation of tax base estimates. Ultimately we cannot place any requirements on this calculation although as recognised in the revenue strategy it is essential that we continue to foster good relations with district councils to better estimate the tax base and collection rates to our mutual benefit. Large collection fund balances which only emerge late in the budget process pose a significant risk to financial planning. Whilst surpluses are always easier to accommodate than deficits, this needs to be addressed. This review will take place during the spring/summer alongside the further work to analyse the underlying factors influencing the tax base already identified in section 3.18 of the MTFP.

5.8 Overall the notification of collection fund balances and tax base has contributed significantly to the increased net funding from £899.109m in the 10th January draft to £906.959m recommendation to County Council in this report i.e. an increase of £7.85m. This net funding is still an estimate pending final notification of business rate tax base and collection fund balances from all districts, and the final local government finance settlement and any other outstanding grants.

Budget Realignment and Spending Demands

5.9 The draft 2017-18 budget showed a dividend from Commercial Services of £8m. This represented a very significant growth in turnover and profit from the current year trading figures, at a time when the challenge of retaining and attracting customers is very difficult. Current projections for 2016-17 show that it is unrealistic to expect an £8m dividend in 2017-18, and this has therefore been reduced to £6.8m. This therefore adds an additional budget realignment of £1.2m compared to the draft proposals.

5.10 County Council on 26th January 2017 received a report on the outcome from consultation about directorate restructures. The report proposed deleting the existing posts for Corporate Director Social Care Health and Wellbeing and Corporate Director Education and Young People's Services. These posts would be replaced by two new corporate director roles for Adult Social Care and Health (DASS) and Children, Young People and Education (DCS). This high level restructure has no impact on the budget (and any consequential further structural changes will be subject to development and consultation, and cannot be included at this stage). The report also recommended changes to commissioning arrangements which included a new senior role of Strategic Commissioner reporting to the Head of Paid Service. This role does impact on the budget and requires an additional £0.16m to be added to the 2017-18 budget for Strategic and Corporate Services. This new role includes management of Strategic Business Development and Intelligence, Procurement and Commissioning. Once again it is too early to include any potential structural within these functions in the budget at this stage.

5.11 The summer 2015 Budget included an announcement of a review of the tax arrangements for individuals choosing to work through their own limited company who would otherwise have been employees if they worked directly. The tax arrangements in such circumstances have been in place since 2000 (IR35). The March 2016 Budget confirmed that where the public sector engages such off-payroll workers through their own limited companies (whether or not through an agency) they would become responsible for determining and paying tax from April 2017. In December 2016 HMRC published the detailed arrangements which included not only the requirement on public sector bodies to deduct the individual's tax and national insurance from the contract payment, but also liability to pay the employer's secondary National Insurance Contribution (13.8%). Furthermore since the public sector body is *de facto* the employer they will also have to pay the apprenticeship levy. This was announced too late to quantify for the 10th January draft but we now estimate this could cost the Council up to £0.5m pending how many contractors fall under the new Intermediaries Legislation. This additional cost needs to be included in the final draft budget (to be allocated to managers following further evaluation of contracts and any possible mitigation). This calculation does not include any potential increases in future contractual prices for these services where individuals seek to mitigate the impact of their tax and national insurance deductions from the contract sum.

5.12 In total these additional budget realignment spending demands increases the net budget requirement by £1.86m. These are funded from the additional collection fund surplus included in the revised 2017-18 funding. A more permanent solution will need to be found for 2018-19 pending further work to identify compensating savings and mitigation.

Savings Proposals

5.13 At the time the draft budget was published on 10th January we were still developing proposals with the Director of Public Health to further integrate public health activity into existing KCC services. At the time of publication we had identified £2.15m of activity which could be de-commissioned and provided by KCC services. This was on top of the £1.753m of efficiency savings which Public Health needs to deliver following reductions to the ring-fenced grant. The £2.15m was held unallocated. It has now been agreed that this activity will be commissioned through children's centres which will receive additional internal income from Public Health. This will increase the unallocated budget and reduce net cost of children's centres in the final Budget Book and MTFP to be published in March.

5.14 At the time the 10th January draft was published we did not have the conditions of grant relating to the transfer of the core element of Education Services Grant (ESG) into Dedicated Schools Grant (DSG). We had to make some assumptions about which services which were previously base budget funded from ESG would now be grant funded from DSG. This guidance has now been received and it is clear that some functions which we thought could be funded from DSG will not be permitted. We are still confident that we can claim all of the £3.36m which has transferred into DSG but this could mean different grant assumptions on some A to Z lines. This does not materially change the approved budget and will be reflected in the final Budget Book and MTFP to be published in March.

5.15 These changes to proposed savings have no impact on the net budget requirement and are merely presentational.

Use of Reserves

5.16 We are proposing to reduce the draw down from reserves by £2m to £9.25m. This will be compensated by additional collection fund surplus and removes the higher risk draw-downs which were previously being considered in order to balance the 2017-18 budget. The higher surplus means these risks do not now need to be taken. This will increase the estimated balance in earmarked reserves for 2017-18 from the £112.1m (identified in paragraph 3.15 above) to £114.1m.

5.17 We are also proposing to use some of the additional council tax collection fund surplus to increase general reserves by £3.99m. Collection fund balances are one-off monies (reflecting under estimates for new housing and changes in council tax discounts) which are already included in the increased council tax base for 2017-18. Inevitably some of the extra housing brings additional cost e.g. higher waste tonnage, which is reflected in budget realignment. The proposed increase in general reserves is to reflect the fact that the risk profile, as measured through the RAG rating, of the savings proposals for 2017-18 are higher than previous years, and this needs some financial mitigation. This will increase the estimated balance in general reserves for 2017-18 from the £37.2m (identified in paragraph 3.15 above) to £41.2m.

5.18 Furthermore, since the original draft was published the Local Government Finance Bill has been launched setting out the legislative arrangements for the proposed 100% business rate retention. However, this is enabling legislation and much of the detail will be included in secondary regulation which presents added risks until this detail is known, suggesting the need for higher reserves. We have also identified the outcome of the review of criteria for earmarked reserves as outlined in paragraph 3.16. The proposed broader criteria also mean we need to cover additional risks from reserves.

5.19 Any other late changes after this report is published which need to be included in the final County Council motion will also be reflected by changing the proposed contribution to general reserves. This is consistent with the Council's budget and risk strategies.

Treasury Management

5.20 We are proposing some further changes to the Treasury Strategy to allow up to £50m through the approved investment counterparties and limits for opportunistic loans. These are described in paragraph 5.30(8) of the treasury strategy and included the revised table in paragraph 5.38. This change allows KCC to further diversify its investment strategy.

Prudential Indicators

5.21 The revised net budget requirement means some of the prudential indicators in Appendix B of the MTFP need to be recalculated. The revised statement to take account of the changes outlined in this report is shown as appendix 7 to this report. Any further changes requiring a revised motion to County Council will also need to be reflected in Prudential Indicators and any such motion will seek approval for the impact on the prudential indicators to be included in the final Budget Book and MTFP to be published in March.

6. Robustness of Estimates and Adequacy of Reserves

6.1 As required by the Local Government Act 2003, the Section 151 officer (for Kent this is the Corporate Director of Finance and Procurement) must formally give opinion as to the robustness of the budget estimates and the level of reserves held by the Council.

6.2 The estimates have been produced from a challenging process with Cabinet Members, Corporate Directors and Directors resulting in agreement on the level of service delivery within the identified financial resources. In addition, the Medium Term Plan sets out the main budget risks, alongside the proposed management action for dealing with these.

6.3 The Medium Term Plan also clearly sets out the recommended strategy for ensuring adequate reserves. This has been set in consideration of a number of key factors, such as our continued excellent record on budgetary control, the internal financial control framework, our strong approach to risk management and the expected level of General Reserves at 31st March 2017. The level of general reserves is in line with best practice as recommended by CIPFA and the Audit Commission.

6.4 To conclude, the Section 151 officer is able to formally report that the budget estimates are robust and the level of reserves adequate, as required by the Local Government Act 2003. The proposed budget has been formulated following a robust process of internal challenge with Cabinet Members and Corporate Directors, public consultation and scrutiny by Members of all political groups.

7. Recommendations

Recommendations:

The County Council is asked to agree the following:

(a) Net revenue budget requirement of £906.959m for 2017-18
(b) Capital investment proposals of £635.840m over three years from 2017-18 to 2019-20 together with the necessary funding and subject to approval to spend arrangements (summarised in appendix 2 to this report)
(c) The Treasury Management Strategy as per revised section 5 of the Medium Term Financial Plan (appendix 5 to this report)
(d) Prudential Indicators as set out in revised Appendix B to the Medium Term Financial Plan (appendix 7 to this report)
(e) The Revised Minimum Revenue Provision (MRP) Statement as set out in Appendix C to the Medium Term Financial Plan including the revised policy regarding debt repayment
(f) The directorate revenue and capital budget proposals as set out in draft Budget Book published on 10th January as amended by the latest updates included in this report (summarised in appendix 3 to this report)
(g) Delegate responsibility to Cabinet Members and Corporate Directors to manage the budget within the parameters set out in the Constitution and Financial Regulations (delegations to managers as set out in appendix 4 to this report)
(h) To increase council tax band rates up to the maximum permitted without a referendum as set out in paragraph 2.7 table 2
(i) To levy the additional 2% social care precept (raising an additional £11,938,674 and taking the total social care precept to £23,403,591 out of precept set out in (j) below)
(j) The total council tax requirement of £620,526,793 to be raised through precepts on districts as set out in revisions to section 2 of the Budget Book (appendix 1 to this report)

In addition:

(k) To note that the Cabinet Member for Corporate and Democratic Services will determine the TCP reward thresholds for staff assessed as achieving, achieving above, and outstanding, and to set the recalibration of the pay ranges and minimum reward/increase to the bottom of KR2, within the 2.3% funding approved
(l) To delegate authority to the Corporate Director of Finance & Procurement (in consultation with the Deputy Leader/Cabinet Member for Finance & Procurement and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement
(m) The changes made in (l) above to be reflected in the final version of the Budget Book and MTFP due to be published in March
(n) To note the financial outlook for 2018-19 and 2019-20 with further anticipated funding reductions and additional spending demands offset by provisional council tax increases and additional savings (the vast majority of which are yet to be identified)

8. Background Documents

8.1 Budget campaign materials published on KCC website can be found at http://consultations.kent.gov.uk/consult.ti/BudgetConsultation2017/consultationHome

8.2 The report on outcomes from consultation can be found at http://consultations.kent.gov.uk/gf2.ti/f/747714/24341061.1/PDF/-/Report_on_KCC_Budget_Campaign_Consultation.pdf

8.3 Full market research report from MMR International Ltd http://consultations.kent.gov.uk/gf2.ti/f/747714/24335397.1/PDF/-/Budget_Consultation__MMRI_KCC_Report_09.12.16.pdf

8.4 The Chancellor of the Exchequer's Spending Review and Autumn Statement on 23rd November 2015 and OBR report on the financial and economic climate
https://www.gov.uk/government/publications/autumn-statement-2016-documents
http://budgetresponsibility.org.uk/efo/economic-and-fiscal-outlook-november-2016/

8.5 Provisional Local Government Finance Settlement on 15th December https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018

8.6 KCC's 2017-18 budget page https://www.kent.gov.uk/about-the-council/have-your-say/budget-201718, including executive summary of draft Medium Term Financial Plan 2017-20, full draft Medium Term Financial Plan 2017-20 and draft budget book 2017-18
http://www.kent.gov.uk/__data/assets/pdf_file/0007/66553/medium-term-financial-plan-2017-20-executive-summary.pdf
https://www.kent.gov.uk/__data/assets/pdf_file/0007/66535/draft-medium-term-financial-plan-2017-20.pdf
https://www.kent.gov.uk/__data/assets/pdf_file/0006/66534/draft-budget-book-2017-18.pdf

8.7 Response to Provisional Local Government Finance Settlement dated 15th January 2015
https://democracy.kent.gov.uk/documents/s74991/KCCResponsetoProvisionalSettlement.pdf

8.8 Budget reports to Cabinet Committees in January
Policy & Resources
https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=750&MId=6214&Ver=4

Education and Young People's Services
https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=832&MId=7618&Ver=4
Children's Social Care and Health
https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=830&MId=7616&Ver=4

8.9 Minutes of Scrutiny Committee 21st January 2015:
https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=752&MId=7510&Ver=4

8.10 Cabinet Report 28th January 2015:
https://democracy.kent.gov.uk/documents/s74639/Item%206%20-%20Cabinet%20Report.pdf

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APPENDIX 1

Table 1	2016-17		2017-18							
	Notified Band D Equivalent Taxbase	Precept @ £1,133.55	Provisional Band D Equivalent Taxbase	Precept @ £1,156.14 (up to 2% referendum level)	Precept @ £1,178.82 (including Social Care Levy)	Change in Band D Equivalent Tax Base	Change in Precept	Change in Precept due to Tax Base	Change in Precept due to Tax Rate up to referendum level	Change in Precept due to Social Care Levy
		£000s		£000s	£000s		£000s	£000s	£000s	£000s
Ashford	43,750.00	49,592.8	44,671.67	51,646.7	52,659.9	921.67	3,067.0	1,044.8	1,009.1	1,013.2
Canterbury	47,947.44	54,350.8	48,906.74	56,543.0	57,652.2	959.30	3,301.4	1,087.4	1,104.8	1,109.2
Dartford	34,242.99	38,816.1	35,334.88	40,852.1	41,653.5	1,091.89	2,837.3	1,237.7	798.2	801.4
Dover	36,251.91	41,093.4	37,204.40	43,013.5	43,857.3	952.49	2,763.9	1,079.7	840.4	843.8
Gravesham	32,412.71	36,741.4	33,329.79	38,533.9	39,289.8	917.08	2,548.4	1,039.6	752.9	755.9
Maidstone	58,525.40	66,341.5	59,439.30	68,720.2	70,068.2	913.90	3,726.8	1,036.0	1,342.7	1,348.1
Sevenoaks	48,895.68	55,425.7	49,382.42	57,093.0	58,213.0	486.74	2,787.3	551.7	1,115.5	1,120.0
Shepway	36,629.85	41,521.8	37,431.37	43,275.9	44,124.8	801.52	2,603.1	908.6	845.6	848.9
Swale	43,959.22	49,830.0	45,299.89	52,373.0	53,400.4	1,340.67	3,570.4	1,519.7	1,023.3	1,027.4
Thanet	40,690.57	46,124.8	42,068.58	48,637.2	49,591.3	1,378.01	3,466.5	1,562.0	950.3	954.1
Tonbridge & Malling	47,629.13	53,990.0	48,878.88	56,510.8	57,619.4	1,249.75	3,629.4	1,416.7	1,104.2	1,108.6
Tunbridge Wells	43,538.39	49,352.9	44,448.64	51,388.9	52,396.9	910.25	3,044.0	1,031.8	1,004.1	1,008.1
Total	514,473.29	583,181.2	526,396.56	608,588.1	620,526.8	11,923.27	37,345.6	13,515.6	11,891.3	11,938.7

Appendix 1

SUMMARY

SECTION 3 - CAPITAL INVESTMENT PLANS 2017-18 TO 2019-20 BY YEAR

Row Ref		Total Cost of Scheme	Prior Years Spend	Cash Limits			
				2017-18	2018-19	2019-20	Later Years
		£'000	£'000	£'000	£'000	£'000	£'000
1	Strategic and Corporate Services	61,924	11,308	17,412	24,663	7,041	1,500
2	Social Care, Health and Wellbeing	18,359	3,752	7,390	5,673	500	1,044
3	Education and Young People's Services	527,250	285,001	128,979	64,320	48,950	0
4	Growth, Environment and Transport	744,019	268,557	105,022	99,023	121,867	149,550
5	Capitalised Transformation Costs	5,000	0	2,500	2,500	0	0
6	**Total Cash Limit**	**1,356,552**	**568,618**	**261,303**	**196,179**	**178,358**	**152,094**
	Funded by:						
7	Borrowing	115,999	68,916	62,129	26,011	16,253	-57,310
8	Property Enterprise Fund (PEF) 2	369	369	0	0	0	0
9	Grants	729,930	376,934	124,963	109,651	110,961	7,421
10	Developer Contributions	239,460	34,250	21,990	20,037	18,058	145,125
11	Other External Funding	83,256	16,973	3,636	14,742	12,725	35,180
12	Revenue and Renewals	31,318	3,805	9,970	8,686	8,642	215
13	Capital Receipts	79,695	47,490	24,152	3,278	650	4,125
14	Capital Receipts to Fund Transformation	5,000	0	2,500	2,500	0	0
15	Recycling of Loan Repayments	71,525	19,881	11,963	11,274	11,069	17,338
16	**Total Finance**	**1,356,552**	**568,618**	**261,303**	**196,179**	**178,358**	**152,094**

Appendix 2

SUMMARY

SECTION 3 - CAPITAL INVESTMENT PLANS 2017-18 TO 2019-20 BY FUNDING

Row Ref		Total Cost of Scheme	Prior Years Spend	2017-20 Funded By: Borrowing	PEF2	Grants	Dev Contrs	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	PFI	Total 2017-20	Later Years
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	Strategic and Corporate Services	**61,924**	11,308	15,940	0	14,930	0	10,000	0	8,186	60	0	49,116	1,500
2	Social Care, Health and Wellbeing	**18,359**	3,752	6,913	0	2,308	1,607	0	1,735	1,000	0	0	13,563	1,044
3	Education and Young People's Services	**527,250**	285,001	34,832	0	139,251	28,991	0	24,000	15,175	0	0	242,249	0
4	Growth, Environment and Transport	**744,019**	268,557	46,708	0	189,086	29,487	21,103	1,563	3,719	34,246	0	325,912	149,550
5	Capitalised Transformation Costs	**5,000**	0	0		0	0	0	0	5,000	0		5,000	0
6	**Total Cash Limit**	**1,356,552**	**568,618**	**104,393**	**0**	**345,575**	**60,085**	**31,103**	**27,298**	**33,080**	**34,306**	**0**	**635,840**	**152,094**

Row Ref		Three Year Budget		2017-20 Funded By: Borrowing	PEF2	Grants	Dev Contrs	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	PFI	Total 2017-20	
		£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	ROLLING PROGRAMMES													
7	Strategic and Corporate Services	**19,130**		7,500	0	9,180	0	0	0	2,450	0	0	19,130	
8	Social Care, Health and Wellbeing	**1,500**		0	0	0	0	0	1,500	0	0	0	1,500	
9	Education and Young People's Services	**66,373**		824	0	41,100	0	0	24,000	449	0	0	66,373	
10	Growth, Environment and Transport	**98,000**		890	0	96,674	53	0	0	383	0	0	98,000	
11	**Total Rolling Programmes**	**185,003**		**9,214**	**0**	**146,954**	**53**	**0**	**25,500**	**3,282**	**0**	**0**	**185,003**	

Row Ref		Total Cost of Scheme	Prior Years Spend	Borrowing	PEF2	Grants	Dev Contrs	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	PFI	Total 2017-20	Later Years
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	INDIVIDUAL PROJECTS													
12	Strategic and Corporate Services	**42,794**	11,308	8,440	0	5,750	0	10,000	0	5,736	60	0	29,986	1,500
13	Social Care, Health and Wellbeing	**16,859**	3,752	6,913	0	2,308	1,607	0	235	1,000	0	0	12,063	1,044
14	Education and Young People's Services	**460,877**	285,001	34,008	0	98,151	28,991	0	0	14,726	0	0	175,876	0
15	Growth, Environment and Transport	**646,019**	268,557	45,818	0	92,412	29,434	21,103	1,563	3,336	34,246	0	227,912	149,550
16	Capitalised Transformation Costs	**5,000**	0	0		0	0	0	0	5,000	0		5,000	0
17	**Total Individual Projects**	**1,171,549**	**568,618**	**95,179**	**0**	**198,621**	**60,032**	**31,103**	**1,798**	**29,798**	**34,306**	**0**	**450,837**	**152,094**
18	**Total Cash Limit**	**1,356,552**	**568,618**	**104,393**	**0**	**345,575**	**60,085**	**31,103**	**27,298**	**33,080**	**34,306**	**0**	**635,840**	**152,094**

Section 4 - Directorate Revenue Budget Summary

WHO IS RESPONSIBLE FOR THE BUDGET?

REVENUE SPENDING

Row ref	2016-17 Revised Base Budget (Net Cost)	Directorate	2017-18 Proposed Budget							
			Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost	Net Change
	£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	64,920.4	Education and Young People's Services (excluding delegated budgets)	62,105.6	225,178.0	287,283.6	-28,386.5	-20,356.8	-181,310.1	57,230.2	-7,690.2
2	0.0	Education and Young People's Services - delegated budgets for schools and pupil referral units	493,235.4	173,298.9	666,534.3	0.0	-49,814.8	-616,719.5	0.0	0.0
3	164,284.1	Growth, Environment and Transport	46,888.0	153,331.0	200,219.0	-1,905.3	-32,548.0	-3,958.4	161,807.3	-2,476.8
4	497,785.6	Social Care, Health and Wellbeing	143,973.2	610,371.7	754,344.9	-10,668.5	-121,900.8	-113,247.5	508,528.1	10,742.5
5	68,402.0	Strategic and Corporate Services	46,297.0	73,290.5	119,587.5	-31,055.0	-19,793.7	-5,752.8	62,986.0	-5,416.0
6	115,657.6	Financing Items (including Unallocated)	4,030.0	129,555.2	133,585.2	0.0	-17,142.0	-36.0	116,407.2	749.6
7	**911,049.7**	**BUDGET REQUIREMENT**	**796,529.2**	**1,365,025.3**	**2,161,554.5**	**-72,015.3**	**-261,556.1**	**-921,024.3**	**906,958.8**	**-4,090.9**
8	***911,049.7***	***BUDGET REQUIREMENT (excl Schools Budgets)***	***303,293.8***	***1,191,726.4***	***1,495,020.2***	***-72,015.3***	***-211,741.3***	***-304,304.8***	***906,958.8***	***-4,090.9***
		Funded by:								
9	-583,181.2	Council Tax Yield							-620,526.8	-37,345.6
10	-11,202.9	Council Tax Collection Fund							-12,494.2	-1,291.3
11	-51,413.5	Local Share of Business Rates							-50,024.1	1,389.4
12	2,136.6	Business Rates Collection Fund							-500.0	-2,636.6
		Un-ringfenced Grants								
13	-111,424.6	Revenue Support Grant						-66,475.8	-66,475.8	44,948.8
14	-5,682.3	Transitional Grant						-5,684.7	-5,684.7	-2.4
15	0.0	Social Care Support Grant						-6,192.0	-6,192.0	-6,192.0
16	-123,963.5	Business Rate Top-Up						-128,863.8	-128,863.8	-4,900.3
17	-3,341.7	Business Rate Compensation Grant						-3,341.7	-3,341.7	0.0
18	0.0	Improved Better Care Fund						-301.2	-301.2	-301.2
19	-12,375.0	Education Services Grant (ESG)						0.0	0.0	12,375.0
20	0.0	ESG: one-year transitional protection						-3,372.1	-3,372.1	-3,372.1
21	-9,305.9	New Homes Bonus (NHB) & NHB Adjustment Grants						-7,813.2	-7,813.2	1,492.7
22	-1,295.7	Other Un-ringfenced Grant						-1,369.2	-1,369.2	-73.5
23	**0.0**	**TOTAL**	**796,529.2**	**1,365,025.3**	**2,161,554.5**	**-72,015.3**	**-261,556.1**	**-1,144,438.0**	**0.0**	**0.0**

Section 9 - 2017-18 Revenue Budget by Directorate

Directorate: **Education & Young People Services**

Corporate Director: **Patrick Leeson**

Row Ref	2016-17 Revised Budget	2016-17 FTE	Division	Unit	Accountable Manager	FTE	2017-18 Proposed Budget						
							Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost
							£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	5,693.9		Strategic Management & Directorate Budgets		Patrick Leeson		660.1	7,768.8	8,428.9	0.0	-684.0	-2,960.6	4,784.3
			Education Planning & Access - *Director: Keith Abbott*										
2	-8.9			Area Education Officers	Marisa White		105.7	22.7	128.4	-132.0	-174.3	0.0	-177.9
3	1,586.1			Special Educational Needs	Julie Ely		6,026.1	51,794.3	57,820.4	-304.7	-4,410.4	-52,193.0	912.3
4	30,611.1			Fair Access	Scott Bagshaw		2,239.9	36,934.9	39,174.8	-688.0	-3,082.4	-2,820.6	32,583.8
5	2,188.0			Education Psychology	Andy Heather		3,054.4	108.1	3,162.5	-868.2	-261.3	0.0	2,033.0
6	-2,289.9			School Resources	Keith Abbott		2,176.6	104,185.3	106,361.9	-14,368.0	-4,253.3	-90,492.5	-2,751.9
7	204.0			Divisional Budget	Keith Abbott		716.4	23.6	740.0	0.0	-48.0	-642.0	50.0
8	**32,290.4**		Total - Education, Planning & Access				**14,319.1**	**193,068.9**	**207,388.0**	**-16,360.9**	**-12,229.7**	**-146,148.1**	**32,649.3**
			Early Help & Preventative Services - *Director: Stuart Collins (Interim)*										
9	2,304.9			Information & Intelligence	Katherine Atkinson		2,966.8	847.8	3,814.6	-168.0	-42.0	-2,189.8	1,414.8
10	3,112.4			Integrated Preventative Services - North Kent	Nick Moor (Interim)		4,279.6	330.0	4,609.6	-1,206.9	0.0	-1,226.6	2,176.1
11	3,716.5			Integrated Preventative Services - South Kent	Louise Fisher		4,828.8	662.5	5,491.3	-1,189.5	-37.5	-1,564.5	2,699.8
12	4,024.2			Integrated Preventative Services - East Kent	Nigel Baker		6,517.0	934.2	7,451.2	-1,876.3	-1,069.0	-1,832.5	2,673.4
13	3,095.7			Integrated Preventative Services - West Kent	Nick Fenton		4,210.3	293.1	4,503.4	-1,189.6	-0.5	-1,193.5	2,119.8
14	144.7			Pupil Referral Units and Inclusion	Ming Zhang		1,656.6	2,670.6	4,327.2	0.0	-267.0	-4,060.2	0.0
15	0.0			Troubled Families	David Weiss		138.8	1,072.0	1,210.8	0.0	-339.0	-871.8	0.0
16	400.6			Youth Offending Service	Louise Fisher (Interim)		1,511.2	581.3	2,092.5	-323.6	-311.1	-1,137.2	320.6
17	5,295.9			Commissioned Service - Other Early Help & Preventative Services	Stuart Collins (Interim)		0.0	7,709.7	7,709.7	-270.3	0.0	-2,393.5	5,045.9
18	546.1			Divisional Budget	Stuart Collins (Interim)		320.4	225.7	546.1	0.0	0.0	-192.4	353.7
19	**22,641.0**		Total - Early Help & Preventative Services				**26,429.5**	**15,326.9**	**41,756.4**	**-6,224.2**	**-2,066.1**	**-16,662.0**	**16,804.1**
			Education Quality & Service Standards - *Director: Graham Willett (Interim)*										
20	-1,366.4			Community Learning Skills (CLS)	Terry Burgess		8,791.2	3,905.9	12,697.1	0.0	-3,381.9	-10,681.6	-1,366.4
21	1,297.3			Early Years & Childcare	Alex Gamby		4,451.2	1,833.8	6,285.0	-548.7	-857.8	-3,655.2	1,223.3
22	368.4			Education Safeguarding	Claire Ray		577.6	96.8	674.4	-161.4	-223.2	0.0	289.8
23	1,441.3			Skills & Employability	Sue Dunn		2,146.5	756.4	2,902.9	-456.0	-131.5	-1,004.1	1,311.3
24	2,371.6			Standards & School Improvement	Anton Francic		4,757.9	2,410.1	7,168.0	-4,635.3	-782.6	-198.5	1,551.6
25	182.9			Divisional Budget	Graham Willett (Interim)		-27.5	10.4	-17.1	0.0	0.0	0.0	-17.1
26	**4,295.1**		Total - Education Quality & Service Standards				**20,696.9**	**9,013.4**	**29,710.3**	**-5,801.4**	**-5,377.0**	**-15,539.4**	**2,992.5**
27	0.0		Schools' Delegated Budgets		Patrick Leeson		493,235.4	173,298.9	666,534.3	0.0	-49,814.8	-616,719.5	0.0
28	**64,920.4**	**1,529.3**	**Sub Total - Education & Young People Services**			**1,608.3**	**555,341.0**	**398,476.9**	**953,817.9**	**-28,386.5**	**-70,171.6**	**-798,029.6**	**57,230.2**

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APPENDIX 4

Section 9 - 2017-18 Revenue Budget by Directorate

Directorate: **Growth, Environment & Transport**

Corporate Director: **Barbara Cooper**

Row Ref	2016-17 Revised Budget	2016-17 FTE	Division	Unit	Accountable Manager	FTE	Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost
							2017-18 Proposed Budget						
							£000s	£000s	£000s	£000s	£000s	£000s	£000s
29	1,371.7		Strategic Management & Directorate Budgets		Barbara Cooper		374.4	910.3	1,284.7	0.0	-68.0	0.0	1,216.7
			Economic Development - *Director: David Smith*										
30	2,768.3			Economic Strategy & Partnerships	Nigel Smith		2,604.4	2,620.4	5,224.8	0.0	-1,992.4	-828.7	2,403.7
31	2,009.4			Business Engagement & Economic Development	David Hughes		371.9	1,524.8	1,896.7	0.0	-17.4	0.0	1,879.3
32	0.0			International Policy	David Hughes		46.5	66.5	113.0	-48.6	-109.4	0.0	-45.0
33	**4,777.7**		Total - Economic Development				**3,022.8**	**4,211.7**	**7,234.5**	**-48.6**	**-2,119.2**	**-828.7**	**4,238.0**
			Highways, Transportation & Waste - *Director: Roger Wilkin*										
34	26,539.4			Highway Asset Management	Andrew Loosemore		8,649.9	20,398.7	29,048.6	0.0	-4,054.2	0.0	24,994.4
35	5,692.5			Highway Transportation	Tim Read		5,186.3	2,384.9	7,571.2	-28.0	-2,209.7	-107.4	5,226.1
36	32,945.4			Public Transport	Philip Lightowler		1,274.3	39,383.7	40,658.0	-517.0	-6,479.5	-1,087.8	32,573.7
37	67,593.3			Waste & Business Services	David Beaver		2,237.2	71,772.2	74,009.4	0.0	-4,570.8	0.0	69,438.6
38	**132,770.6**		Total - Highways, Transportation & Waste				**17,347.7**	**133,939.5**	**151,287.2**	**-545.0**	**-17,314.2**	**-1,195.2**	**132,232.8**
			Environment, Planning & Enforcement - *Director: Katie Stewart*										
39	1,029.4			Countryside, Leisure & Sport	Stephanie Holt		2,354.7	2,376.8	4,731.5	-288.0	-3,510.9	-76.2	856.4
40	23.4			Kent Downs AONB	Nick Johannsen		381.4	213.9	595.3	0.0	-425.7	-146.2	23.4
41	569.8			Planning Applications	Sharon Thompson		991.6	35.2	1,026.8	-232.0	-230.0	0.0	564.8
42	9,748.3			Public Protection	Mike Overbeke		8,492.3	4,068.9	12,561.2	-66.0	-2,569.4	0.0	9,925.8
43	539.5			Sustainable Business & Communities	Carolyn McKenzie		609.3	1,875.3	2,484.6	-262.0	-163.0	-1,565.1	494.5
44	2,237.2			Strategic Planning & Policy	Tom Marchant		1,674.5	1,029.0	2,703.5	0.0	-311.3	-147.0	2,245.2
45	316.6			Divisional Budget	Katie Stewart		311.2	5.4	316.6	0.0	0.0	0.0	316.6
46	**14,464.2**		Total - Environment, Planning & Enforcement				**14,815.0**	**9,604.5**	**24,419.5**	**-848.0**	**-7,210.3**	**-1,934.5**	**14,426.7**
47	10,899.9		Libraries, Registration & Archives		James Pearson (Interim)		11,328.1	4,665.0	15,993.1	-463.7	-5,836.3	0.0	9,693.1
48	**164,284.1**	**1,288.9**	**Sub Total - Growth, Environment & Transport**			**1,264.6**	**46,888.0**	**153,331.0**	**200,219.0**	**-1,905.3**	**-32,548.0**	**-3,958.4**	**161,807.3**

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APPENDIX 4

Section 9 - 2017-18 Revenue Budget by Directorate														
Directorate:			**Social Care, Health & Wellbeing**											
Corporate Director:			**Andrew Ireland**											
							2017-18 Proposed Budget							
Row Ref	2016-17 Revised Budget	2016-17 FTE	Division	Unit	Accountable Manager	FTE	Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost
							£000s	£000s	£000s	£000s	£000s	£000s	£000s
49	4,108.1			Strategic Management & Directorate Budgets	Andrew Ireland		1,117.0	15,806.3	16,923.3	0.0	-160.0	-201.9	16,561.4
			Commissioning - *Director: Mark Lobban*										
50	1,143.5			Commissioned Services - Accommodation Solutions	Christy Holden		1,137.5	37.0	1,174.5	-40.0	0.0	-41.0	1,093.5
51	16,288.0			Commissioned Services - Community Support	Emma Hanson		1,341.1	22,290.6	23,631.7	-2,693.9	-4,137.4	-716.4	16,084.0
52	1,121.4			Performance & Information Management	Steph Smith		786.7	134.7	921.4	0.0	0.0	0.0	921.4
53	1,796.4			Children's Commissioning	Karen Sharp (Interim)		1,691.1	43.3	1,734.4	0.0	0.0	0.0	1,734.4
54	1,562.8			Safeguarding Adults	Annie Ho (Interim)		1,381.5	937.7	2,319.2	0.0	-111.1	-126.4	2,081.7
55	100.0			Commisioned Services - KDAAT LASAR	Annie Ho (Interim)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
56	18,674.4			Commissioned Services - Supporting People & KSAS	Emma Hanson		584.9	18,956.9	19,541.8	-393.2	0.0	-1,431.7	17,716.9
57	137.5			Divisional Budget	Mark Lobban		128.1	9.4	137.5	0.0	0.0	0.0	137.5
58	**40,824.0**		Total - Commissioning				**7,050.9**	**42,409.6**	**49,460.5**	**-3,127.1**	**-4,248.5**	**-2,315.5**	**39,769.4**
			Disabled Children, Adult Learning Disability & Mental Health - *Director: Penny Southern*										
59	41,259.6			Disabled Children & Young People Service (0-25 Learning Disabilities & Complex Physical Disabilities)	Mark Walker		4,757.2	40,828.2	45,585.4	-547.3	-2,564.3	-19.9	42,453.9
60	117,016.4			Community Learning Disabilities Team (26+)	Christine Beaney		3,966.4	128,033.1	131,999.5	0.0	-10,336.8	-993.2	120,669.5
61	14,508.7			In-house Provider Unit (Children & Adult Disability Services)	Damien Ellis		13,336.5	2,827.7	16,164.2	-12.7	-874.9	-912.9	14,363.7
62	885.3			Disabled Children & Adult Learning/Physical Disability Divisional Budget	Penny Southern		818.8	-2,050.1	-1,231.3	0.0	-3.4	0.0	-1,234.7
63	10,681.0			Mental Health - East Kent	Penny Southern		3,164.2	8,901.6	12,065.8	0.0	-779.2	0.0	11,286.6
64	7,512.4			Mental Health - West Kent	Penny Southern		2,939.3	5,296.9	8,236.2	0.0	-382.3	0.0	7,853.9
65	3,407.1			Mental Health - Social Work	Cheryl Fenton		2,248.6	1,440.0	3,688.6	0.0	-265.6	0.0	3,423.0
66	1,290.2			Mental Health Divisional Budget	Penny Southern		1,725.0	-949.8	775.2	0.0	-479.5	-281.0	14.7
67	6,093.4			Operational Support	David Oxlade		4,567.5	1,532.2	6,099.7	0.0	-256.3	0.0	5,843.4
68	**202,654.1**		Total - Disabled Children, Adult Learning Disability & Mental Health				**37,523.5**	**185,859.8**	**223,383.3**	**-560.0**	**-15,942.3**	**-2,207.0**	**204,674.0**
			Older People & Physical Disability - *Director: Anne Tidmarsh*										
69	27,597.5			OPPD - Ashford & Canterbury Coastal	Mike Powe		7,043.3	36,663.9	43,707.2	-37.2	-16,476.4	-233.5	26,960.1
70	40,553.5			OPPD - Dartford, Gravesham, Swanley & Swale	Jane Barnes		14,278.5	47,656.0	61,934.5	0.0	-20,876.4	-2,265.7	38,792.4
71	34,727.8			OPPD - West Kent	Mary Silverton		13,604.8	48,889.9	62,494.7	-51.0	-28,171.6	-391.7	33,880.4
72	30,867.8			OPPD - Thanet & South Kent Coast	Janice Duff		5,350.1	45,331.6	50,681.7	0.0	-20,290.6	-324.9	30,066.2
73	4,535.2			OPPD - Adaptive & Assistive Technology	Jane Miller		0.0	9,284.1	9,284.1	0.0	-4,748.9	0.0	4,535.2
74	5,500.8			Divisional Budget	Anne Tidmarsh		1,075.0	11,142.3	12,217.3	0.0	-2,859.4	-8,452.7	905.2
75	**143,782.6**		Total - Older People & Physical Disability				**41,351.7**	**198,967.8**	**240,319.5**	**-88.2**	**-93,423.3**	**-11,668.5**	**135,139.5**

APPENDIX 4

Section 9 - 2017-18 Revenue Budget by Directorate

Directorate: **Social Care, Health & Wellbeing**

Corporate Director: **Andrew Ireland**

Row Ref	2016-17 Revised Budget	2016-17 FTE	Division	Unit	Accountable Manager	FTE	2017-18 Proposed Budget						
							Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost
							£000s	£000s	£000s	£000s	£000s	£000s	£000s
			Public Health - *Director: Andrew Scott-Clark*										
76	0.0			Health Delivery	Allison Duggal		2,118.3	2,867.8	4,986.1	-9.8	-508.7	-4,467.6	0.0
77	0.0			Health Commissioning	Karen Sharp		1,218.7	68,644.4	69,863.1	0.0	-6,055.4	-63,807.7	0.0
78	0.0			Divisional Budget	Andrew Scott-Clark		340.0	752.7	1,092.7	0.0	0.0	-1,092.7	0.0
79	**0.0**		Total - Public Health				**3,677.0**	**72,264.9**	**75,941.9**	**-9.8**	**-6,564.1**	**-69,368.0**	**0.0**
			Specialist Children's Services - *Director: Philip Segurola*										
80	15,392.5			North Kent	Mark Thorn		6,000.9	10,904.9	16,905.8	-546.5	-70.0	0.0	16,289.3
81	29,840.2			South Kent	Stephen Fitzgerald		11,679.8	23,363.1	35,042.9	-985.5	-162.8	0.0	33,894.6
82	32,723.0			East Kent	Karen Graham		12,436.5	22,986.3	35,422.8	-728.6	-259.6	0.0	34,434.6
83	8,424.5			West Kent (including Asylum)	Sarah Hammond		6,674.1	25,852.9	32,527.0	-546.5	-271.7	-23,076.0	8,632.8
84	9,210.0			Corporate Parenting	Naintara Khosla		8,370.4	8,404.9	16,775.3	-2,575.2	-105.8	-4,410.6	9,683.7
85	6,706.8			Safeguarding	Patricia Denney		6,735.5	837.4	7,572.9	-270.4	-439.8	0.0	6,862.7
86	4,119.8			Divisional Budget	Philip Segurola		1,355.9	2,713.8	4,069.7	-1,230.7	-252.9	0.0	2,586.1
87	**106,416.8**		Total - Specialist Children's Services				**53,253.1**	**95,063.3**	**148,316.4**	**-6,883.4**	**-1,562.6**	**-27,486.6**	**112,383.8**
88	**497,785.6**	**3,552.1**	**Sub Total - Social Care, Health & Wellbeing**			**3,516.1**	**143,973.2**	**610,371.7**	**754,344.9**	**-10,668.5**	**-121,900.8**	**-113,247.5**	**508,528.1**

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Section 9 - 2017-18 Revenue Budget by Directorate

Directorate: **Strategic & Corporate Services**

Corporate Director: **David Cockburn**

Row Ref	2016-17 Revised Budget	2016-17 FTE	Division	Unit	Accountable Manager	FTE	Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost
							2017-18 Proposed Budget						
							£000s	£000s	£000s	£000s	£000s	£000s	£000s
			Strategic Management & Directorate Budgets - *Director: David Cockburn*										
89	-2,448.5			Strategic Management & Directorate Budgets	David Cockburn		703.0	2,146.4	2,849.4	-716.9	-132.0	-4,388.0	-2,387.5
			Engagement, Organisation Design & Development - *Corporate Director: Amanda Beer*										
90	1,553.5			Business Service Centre Client Commissioning	Amanda Beer		0.0	1,343.0	1,343.0	0.0	-90.5	0.0	1,252.5
91	558.4			Business Management & Client Relationship	Amanda Beer		494.0	30.4	524.4	-11.0	0.0	0.0	513.4
92	1,631.1			Human Resources	Paul Royel		1,496.7	124.8	1,621.5	-175.3	0.0	0.0	1,446.2
93	738.3			Engagement & Consultation	Diane Trollope		425.0	102.3	527.3	0.0	0.0	0.0	527.3
94	8,196.5			Kent Communications & Member Grants	Christina Starte		1,434.7	6,606.4	8,041.1	-373.7	-259.6	-89.0	7,318.8
95	494.9			Health & Safety	Flavio Walker		447.2	34.1	481.3	-24.0	0.0	0.0	457.3
96	2,062.4			Organisational Development	Julie Cudmore		307.9	1,759.2	2,067.1	0.0	-320.0	0.0	1,747.1
97	1,115.0			Divisional Budget	Amanda Beer		1,040.9	97.5	1,138.4	0.0	-172.6	0.0	965.8
98	**16,350.1**		Total - Engagement, Organisation Design & Development				**5,646.4**	**10,097.7**	**15,744.1**	**-584.0**	**-842.7**	**-89.0**	**14,228.4**
			Finance & Procurement - *Corporate Director: Andy Wood*										
99	3,091.0			Business Service Centre Client Commissioning	Cath Head		148.8	2,820.7	2,969.5	0.0	-11.5	0.0	2,958.0
100	0.0			External Contracts	Nick Vickers		45.0	0.0	45.0	0.0	-45.0	0.0	0.0
101	2,801.3			Finance Operations	Cath Head		6,287.0	806.4	7,093.4	-856.2	-2,732.2	-889.8	2,615.2
102	2,991.1			Finance Planning, Policy & Strategy	Dave Shipton		1,423.8	2,016.9	3,440.7	-245.7	-541.9	-15.0	2,638.1
103	904.7			Internal Audit	Bob Patterson		778.3	189.5	967.8	0.0	-144.0	0.0	823.8
104	1,739.8			Strategic Sourcing & Procurement	Henry Swan		1,669.8	50.9	1,720.7	-15.0	-150.0	0.0	1,555.7
105	1,068.9			Divisional Budget	Andy Wood		507.2	104.2	611.4	0.0	-134.5	0.0	476.9
106	**12,596.8**		Total - Finance & Procurement				**10,859.9**	**5,988.6**	**16,848.5**	**-1,116.9**	**-3,759.1**	**-904.8**	**11,067.7**
			General Counsel - *Director: Ben Watts*										
107	4,213.0			Democratic Services	John Lynch		1,439.8	2,835.2	4,275.0	0.0	-107.0	-35.0	4,133.0
108	-2,413.5			General Counsel & Legal Services Contract Management	Ben Watts		374.5	-1,445.4	-1,070.9	0.0	-1,057.4	0.0	-2,128.3
109	349.9			Information Resilience & Transparency	Caroline Dodge		372.9	30.0	402.9	0.0	-53.0	0.0	349.9
110	**2,149.4**		Total - General Counsel				**2,187.2**	**1,419.8**	**3,607.0**	**0.0**	**-1,217.4**	**-35.0**	**2,354.6**

Section 9 - 2017-18 Revenue Budget by Directorate

Directorate: **Strategic & Corporate Services**

Corporate Director: **David Cockburn**

Row Ref	2016-17 Revised Budget	2016-17 FTE	Division	Unit	Accountable Manager	FTE	2017-18 Proposed Budget Staffing	Non staffing	Gross Expenditure	Internal Income	External Income	Grants	Net Cost
							£000s	£000s	£000s	£000s	£000s	£000s	£000s
			Infrastructure - *Director: Rebecca Spore*										
111	0.0			Commercial Business Operations	Victoria Seal		31.0	1,995.3	2,026.3	-607.3	-1,419.0	0.0	0.0
112	4,198.3			Business Service Centre Client Commissioning	Michael Lloyd		0.0	4,133.3	4,133.3	0.0	-250.4	-147.3	3,735.6
113	8,572.1			Technology, Commissioning & Strategy	Michael Lloyd		833.2	7,431.9	8,265.1	-28.6	-9.5	-1.7	8,225.3
114	246.6			Strategic Infrastructure Partnership	Carol Patrick		410.8	917.8	1,328.6	0.0	-1,135.5	0.0	193.1
115	19,910.1			Property Operations	Victoria Seal		16.0	29,188.2	29,204.2	-5,473.8	-4,283.8	-187.0	19,259.6
116	263.9			Property Commissioning & Strategy	Victoria Seal		353.9	0.0	353.9	0.0	0.0	0.0	353.9
117	1,514.2			Property Services Commissioned from LATCO	Victoria Seal		0.0	2,659.9	2,659.9	-886.0	-620.1	0.0	1,153.8
118	592.4			Infrastructure Business Relationship	Ros Adby		487.4	0.0	487.4	0.0	-50.0	0.0	437.4
119	961.7			Divisional Budget	Rebecca Spore		371.7	810.5	1,182.2	0.0	0.0	0.0	1,182.2
120	**36,259.3**		Total - Infrastructure				**2,504.0**	**47,136.9**	**49,640.9**	**-6,995.7**	**-7,768.3**	**-336.0**	**34,540.9**
121	0.0		Business Services Centre - *Director: Rebecca Spore*		Vacant		21,677.8	5,995.9	27,673.7	-21,641.5	-6,032.2	0.0	0.0
122	1,328.5		Strategic Business Development & Intelligence		Vincent Godfrey		1,078.6	127.9	1,206.5	0.0	0.0	0.0	1,206.5
123	2,166.4		Strategy, Policy, Relationships & Corporate Assurance		David Whittle		1,640.1	377.3	2,017.4	0.0	-42.0	0.0	1,975.4
124	0.0		Transformation *The costs of contracts with our transformation partners are to be met from a transfer from reserves, both of which are within the non staffing category, resulting in a zero budget reflected here.*		Vincent Godfrey		0.0	0.0	0.0	0.0	0.0	0.0	0.0
125	**68,402.0**	**1,363.8**	**Sub Total - Strategic & Corporate Services (excl. Financing Items)**			**1,196.7**	**46,297.0**	**73,290.5**	**119,587.5**	**-31,055.0**	**-19,793.7**	**-5,752.8**	**62,986.0**
			Financing Items (including Unallocated) - *Director: Andy Wood*										
126	68,274.0			Finance Operations	Cath Head		1,130.0	69,334.0	70,464.0	0.0	0.0	-36.0	70,428.0
127	44,858.0			Finance Planning, Policy & Strategy	Dave Shipton		0.0	49,756.0	49,756.0	0.0	-10,342.0	0.0	39,414.0
128	2,525.6			Corporate Director of Finance & Procurement	Andy Wood		2,900.0	13,465.2	16,365.2	0.0	-6,800.0	0.0	9,565.2
129	0.0			Strategic Sourcing & Procurement	Henry Swan		0.0	-3,000.0	-3,000.0	0.0	0.0	0.0	-3,000.0
130	**115,657.6**		Total - Financing Items (including Unallocated)				**4,030.0**	**129,555.2**	**133,585.2**	**0.0**	**-17,142.0**	**-36.0**	**116,407.2**
131	**184,059.6**	**1,363.8**	**Sub Total - Strategic & Corporate Services**			**1,196.7**	**50,327.0**	**202,845.7**	**253,172.7**	**-31,055.0**	**-36,935.7**	**-5,788.8**	**179,393.2**
132	**911,049.7**	**7,734.1**	**KCC Total**			**7,585.7**	**796,529.2**	**1,365,025.3**	**2,161,554.5**	**-72,015.3**	**-261,556.1**	**-921,024.3**	**906,958.8**

The 2016-17 FTE numbers reflect actual numbers in post as at end of February 2016. The 2017-18 FTE numbers reflect actual numbers in post at the end of December 2016. Both figures exclude agency staff and vacancies, as these are not recorded in the HR system. The December 2016 data will be updated in the final published budget book to reflect latest FTE numbers.

APPENDIX 5

Treasury Management Strategy Statement and Investment Strategy 2017-18

Introduction

5.1 In February 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

5.2 In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

5.3 This strategy fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

5.4 The Council has borrowed and invested substantial sums of money and therefore needs to be aware of the financial risks including the possible loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

5.5 On 20 October 2016 the Council agreed significant changes to the 2016/17 treasury strategy which are reflected in this report.

External Context

Economic Background

5.6 Post the Brexit referendum result the Bank of England reduced the base rate to 0.25% and undertook further Quantitative Easing. This led to an across the board reduction in bank deposit rates. The very pessimistic forecasts of the impact on growth have not been borne out to date.

5.7 The fall in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

5.8 The impact of geo political risk in global financial markets also remains significant over the next year.

Credit Outlook

5.9 Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

5.10 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. This continues to increase the credit risk associated with making unsecured bank deposits.

Interest rate forecast

5.11 The Council's treasury adviser Arlingclose's central case is for the UK Bank Rate to remain at 0.25% during 2017/18.

5.12 Gilt yields remain at low levels and the Arlingclose central case is for yields to decline when the Government triggers Article 50. Further QE in support of the UK economy in 2017/18 remains a possibility to keep long-term interest rates low.

5.13 A more detailed economic and interest rate forecast provided by Arlingclose is included in the appendix to this strategy.

Borrowing Strategy

5.14 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), together with balances and reserves, are the core drivers of treasury management activity.

5.15 As at 30 November 2016 long term borrowing was £984m including £37m attributable to Medway Council.

5.16 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans in the future is also an important consideration.

5.17 Given the significant reduction in public expenditure and in particular in local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use internal resources.

5.18 By using its internal resources instead of Prudential borrowing to support its capital programme the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. At the end of March 2016 the level of internal borrowing was £157m. The benefits of internal borrowing will be closely monitored and with long term rates relatively low KCC will selectively take opportunities to borrow whilst being very aware of the revenue budget implications.

5.19 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Kent Superannuation Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- UK Government backed funding initiatives

5.20 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

5.21 In June 2016 Barclays Bank cancelled all the embedded options within their standard Lender's Option Borrower's Option (LOBO) loans and this action converted the Barclays LOBOs, totalling £281.8m, into fixed rate loans. The Council now holds £160m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

5.22 The Council retains the ability to take short-term and variable rate loans.

5.23 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The current structure of PWLB rates makes it prohibitively expensive to do this. In 2016 the Government announced proposals to abolish the PWLB and transfer its powers to the Treasury. Following a consultation the government now plans to lay a draft Order before Parliament to implement the change. The exact timetable is unclear.

Investment Strategy

Approach

5.24 The Council holds significant invested funds, averaging £340m in year to December 2016. This is a combination of balances, reserves and net cash flow. In common with most local authorities the actual level of funds available for investment has been increasing.

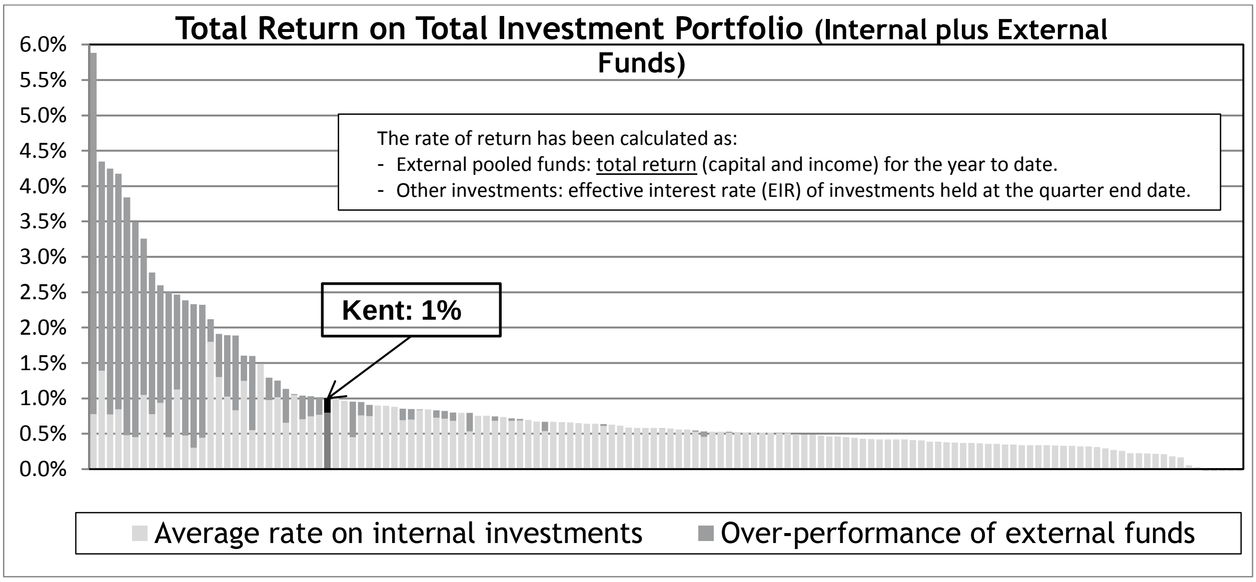
5.25 Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently with highest regard to the security and liquidity of its investments before seeking the highest return, or yield.

5.26 It must also be recognised that given the Council's overall budget position the return achieved is important. The 2017/18 treasury strategy represents a continuation of the 2016/17 strategy, amended in October 2016, in particular to diversify into more secure and / or higher yielding asset classes. The Council estimates that some 60% of its cash is available for investment in longer term investments and the investments will be targeted over the period to March 2018.

5.27 To meet its liquidity requirements the Council's strategy is to primarily use Money Market Funds, unsecured bank and building society instant access accounts, term deposits and certificates of deposit.

Treasury performance and investment risk

5.28 Performance and risk is monitored using comparative data from Arlingclose for all of their 147 clients. The following chart shows that the Council has achieved above average returns up to September 2016.



5.29 Over the last year the average return on the Council's internally managed investments has slightly increased while the level of counterparty credit risk (measured by credit ratings) has reduced, largely due to the investment in Covered Bonds and other bail-in exempt investments. In summary this means a higher return has been achieved for a lower level of risk.

Approved Investment Counterparties

5.30 The Council will make use of the following asset classes:

(1) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

(2) **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks, with a minimum credit rating of A-. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investments with banks rated below the agreed minimum rating of A- are restricted to overnight deposits with the Council's current banking services provider.

(3) **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

(4) **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

(5) **Money Market Funds:** Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts,

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

(7) **Registered Providers of Social Housing (Housing Associations):** Loans and bonds issued by, guaranteed by or secured on the assets of RPs. These bodies are tightly regulated by the Homes and Communities Agency; as providers of public services they retain the likelihood of receiving government support if needed.

(8) **Opportunistic loans:** Loans to entities set up on an arms-length basis from the Council, and other suitable opportunities. The Council will take advice from Arlingclose on the appropriate structure of the loans and applicable rate of interest

(9) **Pooled Investment Funds:** Property Funds, Absolute Return Funds, Multi Asset Income Funds, Equity Income Funds and Fixed Income/Bond Funds offer enhanced returns over the longer term but are more volatile in the short-term. These funds will be used for longer investment periods. They have the advantage of providing wide diversification of investment risks but require the services of a professional fund manager in return for a fee. Because these funds have no defined maturity date and are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings

5.31 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.32 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

5.33 The Council understands that credit ratings are useful, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

5.34 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Specified Investments

5.35 The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local Council, parish council or community council, or
  - a body or investment scheme of "high credit quality".

5.36 The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and cashplus / short bond funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified Investments

5.37 Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality including the Council's banking services provider.

Investment Limits

5.38 The Council may invest its surplus funds with any of the counterparty types listed at paragraph 5.30 subject to the cash limits per counterparty and the durations shown in the table below:

Approved Investment Counterparties and limits

	Minimum Credit rating	**Individual Cash Limit**	**Total Cash Limit**	**Duration**
Government				
- UK Government		unlimited		50 years
- UK Local Authorities		£25m		10 years
- Supranational banks	AAA	£30m	£30m	25 years
- Non UK Government	AA+	£20m	£30m	25 years
UK banks and building societies – unsecured	A-	£30m		13 months
Council's banking services provider		£20m		Overnight
Overseas banks - unsecured	Country limit AA+, Individual limit A-	£20m	£30m country limit	13 months
Short-term Money Market Funds		£20m per fund		
Cashplus / short bond funds		£20m per fund		
Banks secured				
- Covered bonds	AAA	£20m per issuer	£150m	5 years
- Reverse purchase agreements	collateral of AA or better	£20m each		5 years
Corporates (non-financials)	A	£2m per issuer	£20m	2 years
Registered Providers		£5m	£25m	5 years
Pooled investment portfolio			£130m	
- Absolute Return funds		£25m per fund		
- Multi Asset Income funds		£25m per fund		
- Property funds		£25m or 5% of total fund value if greater		
- Bond funds		£25m per fund		
- Equity Income Funds		£25m per fund		
Opportunistic loans			£50m	

5.39 In accordance with advice from its treasury advisor, Arlingclose, the Council's policy is to limit its exposure to certain funds; in particular Short-term Money Market Funds – 0.5% of Fund size, and Long-term property funds – 5% of Fund value.

Other Items

5.40 There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives

5.41 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

5.42 KCC will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Investment Training

5.43 The needs of the Council's treasury management staff for training in investment management are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

5.44 Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment Advisors

5.45 The Council appointed Arlingclose Limited as its treasury advisors for a 3 year contract from August 2016. Arlingclose provides advice on investment, debt and capital finance issues.

Investment of Money Borrowed in Advance of Need

5.46 The Council may borrow in advance of need where this is expected to deliver the best long term value for money. Amounts borrowed will be invested until required to meet capital expenditure. The Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

Financial Implications

5.47 The Council has set a budget for investment income in 2017/18 of £5.5m and a budget for debt interest paid in 2017/18 of £47m. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

KCC Governance

5.48 The Corporate Director of Finance and Procurement is responsible for the Council's treasury management operations, with day to day responsibility delegated to the Head of Financial Services and Treasury and Investments Manager. The detailed responsibilities are set out in the Council's Treasury Management Practices.

5.49 The Treasury Management Advisory Group (TMAG), a sub-committee of Cabinet, has been established to work with the officers on treasury management issues. The group consists of the Deputy Leader and Cabinet Member for Finance and Procurement, Deputy Cabinet Member for Finance and Procurement, Chairman Policy and Resources Cabinet Committee, Chairman Superannuation Fund Committee, Leader UKIP Group, Finance Spokesman Labour Group and Finance Spokesman Liberal Democrat Group.

5.50 TMAG's agreed terms of reference are that it "will be responsible for advising the Cabinet and Corporate Director of Finance and Procurement on treasury management policy within KCC's overarching Treasury Management Policy". TMAG meets the requirement in the CIPFA Treasury Management Code for a member body focussing specifically on treasury management. TMAG meets regularly and members of the group receive detailed information on a weekly and monthly basis.

5.51 Governance and Audit Committee receives quarterly Treasury Management update reports and a report is made to Council twice a year.

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2016

Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.

- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.

- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.

- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.

- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.

- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.

- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.
- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	**0.12**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.40**
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.18**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.29**
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.34**

1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.60**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.60**	**0.70**	**0.85**	**0.90**	**0.90**	**0.90**	**0.65**
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.24**
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**0.50**	**0.40**	**0.35**	**0.35**	**0.35**	**0.40**	**0.40**	**0.40**	**0.45**	**0.50**	**0.55**	**0.60**	**0.65**	**0.45**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.15**	**0.95**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.90**	**0.95**	**1.00**	**1.05**	**1.10**	**1.15**	**0.96**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.70**	**1.50**	**1.40**	**1.40**	**1.40**	**1.40**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.65**	**1.70**	**1.75**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.60**	**1.40**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.41**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**

Appendix A (i) - High Level 2017-20 Budget Summary

APPENDIX 6

2016-17			2017-18		2018-19		2019-20	
£000s	£000s		£000s	£000s	£000s	£000s	£000s	£000s
	916,479	**Revised 2016-17 Base Budget**		**911,050**		**906,959**		**902,678**
		Additional Spending Pressures						
10,994		Net budget realignments from previous year	8,660		60		-40	
12,379		Replacement of one-off use of reserves to fund base budget	10,852		7,609		2,500	
25,767		Pay & Prices	23,753		25,500		26,412	
10,333		Demand & Demographic	15,413		15,577		15,920	
4,939		Government & Legislative	2,572		450			
10,921		Service Strategies and Improvements	10,713		1,552		492	
	75,333	**Total Pressures**		**71,963**		**50,748**		**45,284**
		Savings & Income						
		Transformation Savings						
-10,228		Adults Transformation Programmes	-11,106		-12,173		-447	
-6,396		Other Transformation Programmes	-3,316		-2,372		-1,426	
-6,999		Income Generation	-8,405		-4,029		-2,315	
		Efficiency Savings						
-5,097		Staffing	-8,564		-1,707			
-1,444		Premises	-406		-1,251		-750	
-11,539		Contracts & Procurement	-13,960		-5,201			
-9,112		Other	-6,479		-657		-7	
-22,664		Financing Savings	-14,303					
		Use of Capital Receipts	-2,500					
-7,283		Policy Savings	-3,653		-8,896		-2,950	
	-80,761	**Total Savings & Income**		**-72,694**		**-36,286**		**-7,896**
		Public Health & Other Grants						
		Estimated reduction in Public Health Grant	1,753					
		Public Health Service Reducations	-1,753					
		Retained element of former ESG transferred into DSG	-3,360					
				-3,360				
		Unidentified				-18,743		-11,499
	911,050	**Net Budget Requirement**		**906,959**		**902,678**		**928,568**
		Funded by						
111,425		Revenue Support Grant	66,476		37,640		9,487	
5,682		Transition Grant	5,685					
N/A		Social Care Support Grant	6,192					
123,964		Business Rate Top-Up Grant	128,864		133,010		137,741	
12,375		Education Services Grant	3,372					
N/A		Improved Better Care Fund	301		17,525		33,683	
13,943		Other un-ringfenced grants (estimate)	12,524		10,225		9,865	
51,414		Local Share of Retained Business Rates	50,024		51,524		53,235	
-2,137		Business Rate Collection Fund (estimate)	500					
571,976		Council Tax Yield	597,123		615,583		634,884	
11,205		Proposed Social Care Levy	23,404		36,172		49,673	
11,203		Council Tax Collection Fund (estimate)	12,494		1,000			
	911,050	**Total Funding**		**906,959**		**902,678**		**928,568**

(Figures subject to rounding)

Appendix 6

Appendix B
Prudential Indicators

1. Estimate of capital expenditure (including PFI)

Actual	2015-16	£251.462m
Estimate	2016-17	£327.059m
	2017-18	£261.303m
	2018-19	£196.179m
	2019-20	£178.358m

2. Gross Debt and the Capital Financing Requirement (CFR):

The Corporate Director of Finance and Procurement reports that, in light of current commitments and plans reflected in the budget forecast, gross debt is not envisaged to exceed the CFR in 2016-17, nor are there any difficulties envisaged in meeting this requirement for future years.

3. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

Capital financing requirement at 31 March

	2015-16 Actual £000	2016-17 Forecast £000	2017-18 Estimate £000	2018-19 Estimate £000	2019-20 Estimate £000
Capital Financing Requirement	1,348,259	1,371,627	1,369,445	1,327,933	1,273,544
Annual increase (decrease) in underlying need to borrow	(34,597)	23,368	(2,182)	(41,512)	(54,389)

4. Estimates of ratio of financing costs to net revenue stream

Actual	2015-16	13.90%
Estimate	2016-17	13.74%
	2017-18	13.55%
	2018-19	13.46%
	2019-20	13.25%

5. Estimates of the incremental impact of capital investment decisions on the Council Tax (over and above capital investment decisions taken in previous years)

	2017-18 £	2018-19 £	2019-20 £
Impact on Band D – cumulative	0.48	0.51	0.67

6. **Adoption of the CIPFA Treasury Management Code:**

Kent County Council has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes

7. **Actual External Debt:**

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2016	**£m**
Borrowing	980
Other Long Term Liabilities	245
Total	**1,225**

8. **Authorised Limit and Operational Boundary for External Debt:**

The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet. It has been set on the estimate of the most likely, prudent scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt relating to KCC assets and activities

	2016-17 Approved £m	**2016-17 Revised £m**	**2017-18 Estimate £m**	**2018-19 Estimate £m**	**2019-20 Estimate £m**
Borrowing	1,015	1,015	1,020	1,036	1,043
Other Long Term Liabilities	248	245	245	245	245
Total	**1,263**	**1,260**	**1,265**	**1,281**	**1,288**

Authorised Limit for External Debt managed by KCC including that relating to Medway Council (pre Local government reorganisation)

	2016-17 **Approved £m**	2016-17 **Revised £m**	2017-18 **Estimate £m**	2018-19 **Estimate £m**	2019-20 **Estimate £m**
Borrowing	1,055	1,055	1,058	1,072	1,077
Other Long Term Liabilities	248	245	245	245	245
Total	**1,303**	**1,300**	**1,303**	**1,317**	**1,322**

The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt relating to KCC assets and activities

	2016-17 Approved £m	**2016-17 Revised £m**	**2017-18 Estimate £m**	**2018-19 Estimate £m**	**2019-20 Estimate £m**
Borrowing	975	975	980	996	1,003
Other Long Term Liabilities	248	245	245	245	245
Total	**1,223**	**1,220**	**1,225**	**1,241**	**1,248**

Operational Boundary for total debt managed by KCC including that relating to Medway Council etc

	2016-17 Approved £m	**2016-17 Revised £m**	**2017-18 Estimate £m**	**2018-19 Estimate £m**	**2019-20 Estimate £m**
Borrowing	1,015	1,015	1,018	1,032	1,037
Other Long Term Liabilities	248	245	245	245	245
Total	**1,263**	**1,260**	**1,263**	**1,277**	**1,282**

9. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding amounts.

The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the Revenue Budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

The limits provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

	2016-17 Approved %	2016-17 Revised %	2017-18 Estimate %	2018-19 Estimate %	2019-20 Estimate %
Upper limit for Fixed interest rate exposure	100	100	100	100	100
Upper limit for Variable rate exposure	40	40	50	50	50

10. Maturity Structure of Fixed Rate borrowing:

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %
under 12 months	0	10
12 months and within 24 months	0	10
24 months and within 5 years	0	15
5 years and within 10 years	0	15
10 years and within 20 years	5	20
20 years and within 30 years	5	25
30 years and within 40 years	10	25
40 years and within 50 years	10	30
50 years and within 60 years	10	30

11. Upper limit for total principal invested over 364 days:

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. The increased limits from 2016-17 onwards reflect the Council's proposed investment in bonds and establishment of an investment portfolio.

Upper limit for total principal invested over 364 days	2016-17 Approved £m	2016-17 Revised £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
	230	230	260	260	260