

By: Deputy Leader and Cabinet Member for Finance and Traded Services,
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To: Cabinet – 22 June 2020

Subject: **REVENUE & CAPITAL BUDGET OUTTURN 2019-20**

Classification: Unrestricted

1. SUMMARY

- 1.1 This report provides the provisional revenue and capital budget outturn position for 2019-20, including a final update on key activity data for our highest risk budgets.
- 1.2 The report includes:
- This covering summary report which provides a high level financial summary and highlights only the most significant issues and movements since the last financial monitoring report to Cabinet in March;
 - Appendix 1 – details of proposed revenue budget roll forwards;
 - Appendix 2 – details of capital re-phasing;
 - Appendix 3 – details of proposed capital programme cash limit changes;
 - Appendix 4 – details of the Asylum service outturn and key activity information;
 - Appendix 5 – High Needs and Dedicated Schools Grant Key Indicators;
 - Appendix 6 – details of the impact of the provisional outturn on our reserves;
 - Appendix 7 – final monitoring of prudential indicators for 2019-20.

2. RECOMMENDATIONS

Cabinet is asked to:

- i) **Note** the report, including the provisional outturn position for 2019-20 for both revenue and capital.
- ii) **Agree** that £1.355m of the 2019-20 revenue underspending is rolled forward to fund existing commitments, as detailed in section 2 of Appendix 1.
- iii) **Agree** that £0.187 of the 2019-20 revenue underspending is rolled forward to fund the re-phasing of existing initiatives, as detailed in section 3 of Appendix 1.
- iv) **Agree** that £1.564 of the 2019-20 revenue underspending is rolled forward to fund the bid relating to Local Member Grants detailed in section 4 of Appendix 1.
- v) **Agree** that the £3.121m remaining underspend is set aside in the earmarked reserve to support future years' budgets.
- vii) **Agree** that the £32.654m of capital re-phasing from 2019-20 will be added into the 2020-21 and later years capital budgets, as detailed in Appendix 2.
- viii) **Agree** the proposed capital cash limit changes outlined in Appendix 3.
- ix) **Agree** the contributions to and from reserves as reflected in Appendix 6, which includes all appropriate and previously agreed transfers to and from reserves.

3. SUMMARISED PROVISIONAL REVENUE BUDGET OUTTURN POSITION

- 3.1 For the 20th consecutive year the Council is able to demonstrate sound financial management, by containing its revenue expenditure within the budgeted level (excluding schools). This is a considerable accomplishment considering the forecast position throughout the year. It should be noted that within the overall out-turn position there is a significant overspend in Children's Services totalling £8m, which is offset by underspends elsewhere. The provisional outturn against the combined directorate revenue budgets is an underspend of -£6.226m (excluding schools and roll forward requests of £3.106m). There may be minor variations to the figures during the final stage of the year end process and the external audit.
- 3.2 Details of the proposals for the use of the £6.226m revenue budget underspending are provided in Appendix 1. This identifies those projects where there is already a commitment or a request to spend in 2020-20, leaving a balance of £3.121m. It is recommended that this remaining underspend is transferred to the earmarked reserve to support future years' budgets. This is particularly important in the context of the current financial climate and the budget pressures the Council is facing.
- 3.3 The report also provides details of the impact the provisional outturn has on reserves in Appendix 6. In addition, the final monitoring of key activity indicators for 2019-20 is detailed in Appendices 4 and 5.

3.4 Table 1a: Directorate **revenue** position – provisional outturn

Directorate	Cash Limit £m	Outturn £m	Variance £m	Previous Variance £m*	+/- £m
Adult Social Care & Health	366.069	367.392	1.324	-0.574	1.898
Children, Young People & Education	239.046	247.083	8.038	6.808	1.230
Growth, Environment & Transport	174.159	171.744	-2.416	0.118	-2.534
Strategic & Corporate Services	81.284	79.287	-1.998	-1.827	-0.171
Financing Items & Unallocated	179.842	168.667	-11.174	-8.659	-2.515
Total excluding Schools	1040.400	1034.173	-6.226	-4.134	-2.092
Schools' Delegated Budgets	0.000	13.046	13.046	22.498	-9.452
Total including Schools	1040.400	1047.219	6.819	18.364	-11.545

	Variance £m	Previous Variance £m*	+/- £m
Variance from above (excl Schools) £m	-6.226	-4.134	-2.092
Roll Forwards - committed	1.355	0.471	0.884
- re-phased	0.187	2.658	-2.471
- bids	1.564	1.197	0.367
Total Roll Forward Requirements	3.106	4.326	-1.220
(-ve) Uncommitted balance / (+ve) Deficit	-3.121	0.192	-3.313

*Previous variance reported to Cabinet on 23 March 2020 for January 2019-20

3.5 Table 1b: Provisional Directorate **revenue** position after proposed roll forwards:

Directorate	Variance £m	Roll Forwards			Revised Variance £m
		Committed £m	Re-Phased £m	Bid £m	
Adult Social Care & Health	1.324	0.119	0.000	0.000	1.442
Children, Young People & Education	8.038	0.014	0.082	0.000	8.133
Growth, Environment & Transport	-2.416	1.145	0.055	0.000	-1.216
Strategic & Corporate Services	-1.998	0.078	0.050	1.564	-0.306
Financing Items & Unallocated	-11.174	0.000	0.000	0.000	-11.174
Total excluding Schools	-6.226	1.355	0.187	1.564	-3.121

4. REVENUE BUDGET OUTTURN HEADLINES

The Directorate outturn position by division and key service including narrative of the most significant variances against cash limit is detailed below.

4.1 Adult Social Care and Health

	Cash Limit	Provisional Outturn	Variance	Previous Variance (January)	Movement
	Net	Net	Net	Net	Net
	£m	£m	£m	£m	£m
Strategic Management & Directorate Budgets (ASCH)					
Additional Adult Social Care Allocation	-8.730	-8.730	0.000	0.000	0.000
Budget & Saving Plans to be allocated	3.215	0.146	-3.070	-3.070	0.001
Strategic Management & Directorate Support (ASCH)	3.204	2.982	-0.222	-0.149	-0.073
Total - Strategic Management & Directorate Budgets (ASCH)	-2.311	-5.602	-3.291	-3.219	-0.072
Older People & Physical Disability					
Adult Physical Disability - Community Based Services	21.365	22.310	0.945	0.949	-0.004
Adult Physical Disability - Residential Care Services	14.811	15.644	0.832	0.361	0.471
Carer Support - Commissioned	0.567	-0.045	-0.612	-0.693	0.081
Older People - Community Based Services	30.797	32.454	1.657	2.042	-0.385
Older People - Residential Care Services	45.140	46.199	1.059	-1.383	2.442
Older People & Physical Disability - Assessment and Deprivation of Liberty Safeguards Services	23.947	22.935	-1.013	-0.730	-0.283
Older People & Physical Disability - In House Community Homecare Service	3.926	3.945	0.019	0.090	-0.071
Operational Budget & Savings Plans to be allocated	0.000	0.000	0.000	0.000	0.000
Total - Older People & Physical Disability	140.552	143.440	2.888	0.636	2.252
Learning Disability 26+, Mental Health and Sensory & Autism Services					
Adult Learning Disability - Assessment Service	5.231	4.850	-0.382	-0.349	-0.033
Adult Learning Disability - Community Based Services & Support for Carers	71.815	75.214	3.399	3.170	0.229
Adult Learning Disability - Residential Care Services & Support for Carers	61.452	61.808	0.356	0.159	0.197
Adult Mental Health - Assessment Services	9.743	9.396	-0.347	-0.272	-0.075
Adult Mental Health - Community Based Services	5.214	5.699	0.485	0.278	0.207
Adult Mental Health - Residential Care Services	12.233	12.408	0.174	0.258	-0.084
Physical Disability 26+ Lifespan Pathway & Autism - Community Based Services	0.390	0.396	0.007	0.013	-0.006
Physical Disability 26+ Lifespan Pathway & Autism - Residential Care Services	0.460	0.508	0.048	0.112	-0.064
Sensory & Autism - Assessment Service	1.828	2.059	0.231	0.229	0.002
Learning Disability 26+, Mental Health and Sensory & Autism Division Management	0.258	0.197	-0.061	-0.058	-0.003
Total - Learning Disability 26+, Mental Health and Sensory & Autism Services	168.624	172.535	3.911	3.540	0.371

	Cash Limit	Provisional Outturn	Variance	Previous Variance (January)	Movement
	Net	Net	Net	Net	Net
	£m	£m	£m	£m	£m
Partnerships & Engagement					
Community Based Preventative Services	13.108	13.229	0.121	0.236	-0.115
Housing Related Support	6.847	6.889	0.041	-0.128	0.169
Partnership Support Services	2.148	1.672	-0.476	-0.251	-0.225
Social Support for Carers	2.950	2.537	-0.414	-0.228	-0.186
Total - Partnerships & Engagement	25.053	24.326	-0.727	-0.371	-0.356
Service Provision					
Adult In House Carer Services	2.187	2.187	-0.000	-0.022	0.022
Adult In House Community Services	7.083	6.942	-0.142	-0.102	-0.040
Adult In House Enablement Services	-1.772	-1.800	-0.027	-0.120	0.093
Divisional Management	0.353	0.640	0.287	0.292	-0.005
Looked After Children (with Disability) - In House Provision	2.640	3.266	0.626	0.564	0.062
Older People - In House Provision	11.257	10.692	-0.565	-0.322	-0.243
Total - Service Provision	21.748	21.927	0.179	0.291	-0.111
Business Delivery Unit					
Adaptive & Assistive Technology	2.972	2.262	-0.711	-0.788	0.077
Divisional & Directorate Support	9.013	8.220	-0.792	-0.513	-0.279
Safeguarding Adults	0.418	0.284	-0.134	-0.150	0.016
Total - Business Delivery Unit	12.403	10.766	-1.637	-1.451	-0.186
Total - Adult Social Care & Health	366.069	367.392	1.324	-0.574	1.899

4.1.1 Adult Social Care and Health:

The outturn position for Adult Social Care and Health (ASCH) is an overspend of +£1.3m. After requested roll-forwards of +£0.1m there is an overspend of +£1.4m. An explanation of significant variances is explained below.

When setting the ASCH budget, estimates are made on which service lines will see demographic pressures during the year, and the funding is allocated accordingly, impacting both the gross and income budgets. This estimate is based primarily on looking at historic trends but with some judgement about current practice. As the year has progressed some of the increased activity and costs have occurred on different service lines. Several of the variances explained below are attributable to this. A review of the way in which demographic and other cost drivers are estimated will be undertaken during 2020-21 to inform future years' budgets.

4.1.2 Strategic Management & Directorate Budgets (ASCH):

Most of this variance (-£3.0m) relates to centrally held funds that weren't allocated to cover pressures that are shown in this outturn position. These monies will be allocated as part of the budget realignment in 2020-21.

4.1.3 Older People & Physical Disability

The pressure within ASCH for Older People and Physical Disabilities (OPPD) is greater than anticipated at the time the budget was set; this is due to clients entering the service at higher cost.

The Older People and Physical Disability service is increasingly succeeding in supporting people in their own homes for longer periods of time. This means that more complex care needs (which may have previously been met by a residential care placement) are being supported within the community. Pressures within community services have therefore increased.

Within 'Adult Physical Disability – Community Based Services' there is a pressure of +£0.9m. Predominately this relates to Supporting Independent Living and Homecare services for clients with physical disabilities as a result of higher than anticipated demand.

Within 'Older People – Community Based Services' there is a net pressure of +£1.7m. This chiefly relates to under-recovery of non-residential income; work undertaken during the year has indicated that demographic pressures against this line were not adequately funded during the 2019-20 budget setting. The cash limit has been rebased to address this as part of 2020-21 budget setting process. There is also higher than budgeted demand for Direct Payments.

The division is working to tackle pressures within community care services by investing in Prevention and Early Intervention services which offer Care Navigation options and Home Improvements designed to support service users before their care needs escalate. This gives people options to access the care and information which best meets their social care needs, resulting in fewer admissions to social care and lower cost support options.

Within the 'Residential' and 'Carer Support' Key Service Lines there is a net pressure of +£1.3m. Service Users will only enter registered care settings when their complex needs cannot be met safely in the community. For service users aged 65+ this has resulted in fewer than anticipated Residential Care admissions (-£0.5m) and a pressure against Nursing Care (+£2.4m).

There is an underspend against assessment services which relates to delays in recruitment, and some external funding received against several posts.

4.1.4 Learning Disability 26+, Mental Health and Sensory & Autism Services

This division is an area of increasing pressure within Adult Social Services. This is partly because younger working age adults are now more likely to maintain their independence in a supported home environment, rather than entering registered care settings. The impact of this is that the demand for Supporting Independent Living services (SIS) is increasing rapidly, along with complex care needs. This mirrors the same pressures seen for service users with physical disabilities.

Within 'Adult Learning Disability – Community Based Services & Support for Carers' there is a net pressure of +£3.4m. There is an overspend of +£4.3m against SIS which is driven by higher than anticipated demand and complexity. £0.4m of this pressure is funded by one-off income received to support the after care costs of the 'Transforming Care' programme (which provides enhanced or intense support for adults with a learning disability and/or autism who display behaviours that challenge, to enable them to live safe and well within their community).

The division is working to reduce community care pressures by investing in services such as the 'Kent Pathway Service' which works with adults with a learning disability to improve their independence by developing life skills and improving outcomes.

Service Users who are cared for within registered care settings are increasingly receiving one to one support. There are also Continuing Healthcare improvers who are now eligible for Local Authority funded Social Care. These people have complex care needs which has resulted in a greater than anticipated pressure. The Residential Care Key Service Lines (for Mental Health, Learning Disability and Physical Disability 26+ Lifespan Pathway and Autism) are showing a net pressure of +£0.6m. The underlying pressure against this service is +£1.7m. +£1.1m of this pressure is funded by one-off income received to support the after-care costs of the 'Transforming Care' programme.

The underspends against the Assessment Service Key Services are due to continued delays in recruitment.

4.1.5 Business Delivery Unit

There is a variance of -£0.7m reported against Adaptive & Assistive Technology as efficiencies within the procurement and running of this service which came into full effect in 2018-19 continue to deliver economies. There are also staffing underspends within the Business Delivery Unit related to delays in recruitment and vacancy slippages.

4.1.6 The following underspends have been requested to roll forward into 2020-21.

- Within 'Safeguarding Adults', KCC's element of the Kent & Medway Safeguarding Board (£0.1m) has been requested as a roll forward into 2020-21.
- There is (£0.1m) within 'Partnerships & Engagement' which is legally committed to match-fund on-going Interreg project delivery, which is requested to be roll-forward into 2020-21.

4.2 Children, Young People and Education

	Cash Limit	Provisional Outturn	Variance	Previous Variance (January)	Movement
	Net	Net	Net	Net	Net
	£m	£m	£m	£m	£m
Strategic Management & Directorate Budgets (CYPE)					
Budget & Saving Plans to be allocated (CYPE)	-1.912	0.000	1.912	1.094	0.818
Strategic Management & Directorate Budgets (CYPE)	4.860	4.807	-0.053	-0.032	-0.021
Total - Strategic Management & Directorate Budgets (CYPE)	2.948	4.807	1.859	1.062	0.797
Education Planning & Access					
Community Learning & Skills (CLS)	-0.992	-0.801	0.190	0.094	0.096
Early Years Education	0.000	-0.000	-0.000	0.000	-0.000
Education Services & Planning Resources Management & Division Support	0.918	1.002	0.085	0.011	0.074
Education Services provided by EDSECO Ltd (trading as The Education People)	5.708	5.853	0.145	0.000	0.145
Fair Access & Planning Services	0.009	0.011	0.001	0.004	-0.003
Home to School & College Transport	39.232	41.060	1.828	1.563	0.265
Other School Services	-18.182	-18.659	-0.477	-0.022	-0.455
Special Educational Needs & Psychology Services	6.297	7.940	1.644	1.695	-0.051
Total - Education Planning & Access	32.990	36.406	3.416	3.345	0.071
Integrated Children's Services (East & West)					
Adoption & Special Guardianship Arrangements & Service	14.382	14.199	-0.182	-0.316	0.134
Asylum	0.056	0.079	0.023	0.000	0.023
Care Leavers Service	5.505	7.428	1.924	1.377	0.547
Children in Need - Care & Support	3.255	3.244	-0.011	-0.001	-0.010
Children's Centres	3.448	3.508	0.060	0.171	-0.111
Children's Social Work Services - Assessment & Safeguarding Service	46.542	45.416	-1.126	-0.296	-0.830
Early Help & Preventative Services	7.060	6.433	-0.626	-0.727	0.101
Integrated Services (Children's) Management & Directorate Support	4.836	4.286	-0.551	-0.314	-0.237
Looked After Children - Care & Support	58.053	60.932	2.879	3.236	-0.357
Pupil Referral Units & Inclusion	-0.001	-0.237	-0.236	-0.004	-0.232
Youth Services	4.457	4.477	0.020	-1.278	1.298
Total - Integrated Children's Services (East & West)	147.592	149.766	2.174	1.850	0.326

	Cash Limit	Provisional Outturn	Variance	Previous Variance (January)	Movement
	Net	Net	Net	Net	Net
	£m	£m	£m	£m	£m
0-25 Disability (Lifespan Pathway)					
Adult Learning & Physical Disability Pathway - Community Based Services	23.562	22.711	-0.851	-1.061	0.210
Adult Learning & Physical Disability Pathway - Residential Care Services & Support for Carers	8.744	10.164	1.420	1.919	-0.499
Children in Need (Disability) - Care & Support	5.123	4.748	-0.375	-0.499	0.124
Childrens Disability 0-18 Commissioning	1.692	1.583	-0.108	-0.084	-0.024
Disabled Children & Young People Service (0-25 LD & Complex PD) - Assessment Service	7.547	7.387	-0.160	0.070	-0.230
Looked After Children (with Disability) - Care & Support	8.849	9.512	0.663	0.206	0.457
Total - 0-25 Disability (Lifespan Pathway)	55.516	56.104	0.589	0.551	0.038
Total - Children, Young People & Education	239.046	247.083	8.038	6.808	1.232

4.2.1 The outturn for Children, Young People and Education Directorate is an overspend of +£8.0m.

4.2.2 Strategic Management & Directorate Budgets (CYPE)

In 2018, the Directorate was tasked with delivering a total saving of £4.5m over a 3-year period (a total of £3.25m in 2019-20). This saving was originally attached to the integration of services across the Directorate. At an early stage, on arrival of the new Corporate Director, it was identified this saving could not be achieved from the restructure of services alone and the remaining savings would be delivered through a number of workstream within the Change for Kent Children (CFKC) programme. The timing of the revised saving plan does not match the budget savings taken from the Directorate leading to a one-off overspend of +£1.9m. This has been partially offset by one-off savings achieved elsewhere within the service (See paragraph 4.2.5: £0.4m Early Help contract and £1.1m Children Social Work staffing saving).

4.2.3 Education Planning & Access

The outturn for the Special Education Needs (SEN) Service is an overspend of +£1.6m. This includes additional spend relating to the SEND Statement of Written Action submitted to OFSTED to address the outcomes of the recent SEND inspection report along with additional staffing pressures of supporting an increasing number of Education, Health & Care Plan assessments. Additional funding for these activities has been agreed as part of the 2020-23 Medium Term Financial Plan. This budget should be considered in conjunction with the Schools High Needs budget pressure outlined in section 4.6 and Appendix 5 resulting from the continual rise in demand for Special Education Needs & Disability (SEND) assessment and support. The cost pressures relating to SEN are a national issue and are the subject of a review by Government.

There is an overspend of +£1.8m within the Home to School & College Transport budget, due to the transporting of children with SEN. The number of children being transported is significantly higher than originally estimated and this can be linked to the unprecedented demand on SEN generally. This overspend is expected to

continue and has been addressed in 2020-23 Medium Term Financial Plan. Home to School Transport is a SEN related cost pressure also being experienced nationally.

Other School Services has an underspend of -£0.5m. Additional expenditure on school related items including school mobiles and maintenance contracts has resulted in an overspend of £0.5m which is offset by an underspend of -£1.0m on the School Improvement Grant. Commitments against this grant in 2020-21 will be reviewed as part of the recasting of the budget due to be presented to Cabinet in September.

4.2.4 0-25 Disability (Lifespan Pathway):

Disability Services has an overspend of +£0.6m, this is formed from a number of compensating variances but it is mainly due to an overall pressure on 18-25 placement costs where the number of residential care placements has been higher than originally budgeted.

4.2.5 Integrated Children's Services

The service has an underspend of -£0.4m this is formed from a number of significant compensating variances:

- The Care Leavers Service has an overspend of +£1.7m due to higher than anticipated placement and additional support costs. The Division has recently invested in new floating support and accommodation services which are anticipated to deliver savings in the longer term by reducing the average cost of supporting young people. The transition period to the new service offer and resulting savings has taken longer than expected which has resulted in a pressure on this service. This has been compounded by an increasing number of looked after children transitioning to the Care Leavers service with higher cost packages of care. These pressures have been recognised in the 2020-23 Medium Term Financial Plan).
- The Looked After Children budget has an overspend of +£2.9m mainly due to increases in the number of externally purchased placements, particularly with independent fostering agencies, rather than a significant increase in the numbers of looked after children. There is an increasing shortage of suitable foster carers resulting in a greater reliance on the external market. This has come at a time when other local authorities are experiencing similar problems resulting in more Other Local Authority (OLA) Looked After Children being placed in the County than a year ago. A shortage of suitable placements and greater competition means providers have a greater ability to dictate prices. This overspend was identified as a risk in the 2020-21 Budget agreed by County Council in February and work is progressing to reverse this trend but delays in the delivery of savings within the CFKC fostering workstream has also added a further +£0.3m overspend in 2019-20.
- Early Help and Preventative Services has an underspend of -£0.6m, of which -£0.4m is due to the repayment of monies from 2018-19 on an Early Help contract due to underperformance by the provider. This saving is partly offsetting the pressure within the Strategic Management & Support budget discussed above.

- Children's Social Work Services – Assessment & Safeguarding Service has an underspend of -£1.1m. This is due to staffing underspends and is partly offsetting the pressure within the Strategic Management & Support budget discussed above.

4.2.6 Specialist Children's Services – Asylum Seekers:

The outturn for the Asylum service is an almost breakeven position. This takes into account the recent conclusions of the Unaccompanied Asylum-Seeking Children (UASC) review where the grant rate paid for supporting 16- and 17- year olds had been increased to mirror the rate paid for under 16-year olds. There is still a significant shortfall in funding to support Care Leavers, as the rate paid for Care Leavers remains unchanged from previous years.

On the 8th June, the Home Office announced changes to some of the funding rates in 2020-21. The impact of this on KCC is being worked through. However, the Council continues to pursue the Home Office for further funding to address the historic shortfall in grant received for asylum services in both 2017-18 and 2018-19 totalling £6.1m along with the need to address current demand.

Over the last year, the service has seen a significant rise in the number of UASC being supported, due to an increasing number of referrals, and the stopping of the National Transfer Scheme which had been previously used by the Home Office to encourage other local authorities to support UASC (see Appendix 4). The increase in the grant rate for 16- and 17- year olds has helped to ensure this rise in the number of UASC has not resulted in a shortfall in funding in 2019-20, as seen in previous years however if the number of children continues to rise it will become increasingly difficult to place in the most cost effective accommodation. In addition to the longer-term financial pressure when these children age into the Care Leavers service and the funding rate reduces. This position also does not include the substantial impact COVID has had on the placing of UASC. The service are in ongoing discussions with the Home office and the Department for Education in relation to both the increase in demand and the impact of COVID 19 on placement of UASC since the beginning of lockdown.

4.3 Growth, Environment and Transport

	Cash Limit	Provisional Outturn	Variance	Previous Variance (January)	Movement
	Net	Net	Net	Net	Net
	£m	£m	£m	£m	£m
Strategic Management & Directorate Budgets (GET)					
Budget & Savings Plans to be allocated (GET)	-0.057	0.000	0.057	0.057	0.000
Strategic Management & Directorate Budgets (GET)	1.334	1.218	-0.116	-0.101	-0.015
Total - Strategic Management & Directorate Budgets (GET)	1.277	1.218	-0.059	-0.044	-0.015
Economic Development					
Arts	1.617	1.579	-0.038	0.020	-0.058
Economic Development	2.960	2.671	-0.289	-0.095	-0.194
Total - Economic Development	4.577	4.250	-0.327	-0.074	-0.252
Highways, Transportation & Waste					
Concessionary Fares	17.225	17.207	-0.017	0.059	-0.076
Highway Asset Management (Other)	16.866	16.128	-0.739	0.091	-0.830
Highway Asset Management (Roads and Footways)	11.967	12.515	0.548	0.757	-0.209
Highway Transportation (including School Crossing Patrols)	5.416	5.614	0.198	-0.280	0.478
Highways, Transport & Waste Management Costs and Commercial Operations	4.954	4.913	-0.041	0.149	-0.190
Residual Waste	39.878	39.174	-0.703	-0.399	-0.304
Subsidised Buses and Community Transport	6.370	6.445	0.075	0.250	-0.175
Waste Facilities & Recycling Centres	31.345	31.837	0.492	0.117	0.375
Young Person's Travel Pass	8.103	7.607	-0.496	-0.245	-0.251
Total - Highways, Transportation & Waste	142.122	141.440	-0.682	0.498	-1.181
Environment, Planning & Enforcement					
Environment & Planning	5.534	5.191	-0.344	-0.015	-0.329
Environment, Planning & Enforcement Management Costs	0.653	0.677	0.024	0.019	0.005
Public Protection (Enforcement)	10.518	10.078	-0.440	-0.188	-0.252
Total - Environment, Planning & Enforcement	16.706	15.946	-0.760	-0.185	-0.576
Libraries, Registration & Archives	9.477	8.889	-0.588	-0.077	-0.511
Total - Growth, Environment & Transport	174.159	171.744	-2.416	0.118	-2.535

4.3.1 The final position for the GET Directorate is a net underspend of -£1.2m, once roll forwards requests of £1.2m have been reflected. This is an improvement (-£1.6m) from the position reported to Cabinet in March.

The value of the roll forward requests increased significantly from the previously reported position and now include, amongst other small requests, committed underspends on externally funded projects (£0.5m – these are not known until year end), and transport modelling (£0.6m). The latter was expected to be spent within the financial year and represents a slight timing issue only. The Winter Service (£0.5m) will be funded in 2020-21 and considered as part of the review of reserves. The Volunteer Warden pilot (£0.2m) will now be funded from within 2020-21 budgets. These two commitments have been removed from the roll forward schedule accordingly.

4.3.2 Economic Development

The variance of -£0.3m includes £0.2m of underspends on externally funded projects which are committed in the new financial year. The remaining balance is made up of several small variances.

4.3.3 Highways, Transportation & Waste

The division is showing an underspend of -£0.1m, after roll forwards of £0.6m have been reflected, which is an improvement of -£0.6m from the previously reported position.

The Highway Asset Management (Roads and Footways) overspend of +£0.5m comprises increased safety critical/other urgent works, additional staffing costs, and non-recoverable damage to the highway which in total add up to +£1.5m. This has been offset by a -£1.0m underspend for the cost of developing a new transport model that will identify the transport impact of new developments, assist funding bids to Government to relieve congestion as well as enhanced commercial opportunities such as supporting developer contribution requests. The cost of the model is reflected against Highway Transportation (including School Crossing Patrols) budget line and £400k is reflected as an overspend in the current year, with the remaining £600k committed and requested as a roll forward.

Despite a considerable and sustained pressure on the drainage budget (+£2.1m) from persistent rainfall, as well as the impact of a number of storms during the year, the Highways Asset Management (Other) budget ended the year with an underspend of -£0.7m. Within this is an underspend of -£0.5m for winter service. In prior years, and in line with a Key Decision (following discussions at Cabinet and County Council) the in-year underspend declared would have been requested as a committed roll forward to be used to fund the additional soft landscaping pressures that a mild winter causes. In this report, it is now proposed that this will be funded in 2020-21 and considered as part of the review of reserves.

One-off savings/underspends in streetlight energy/maintenance (-£1.5m), as well as additional and unbudgeted street work and permit scheme income (-£0.8m) helped to mitigate the pressure in the drainage and other budgets. There was also a significant drawdown (-£0.4m) from the Adverse Weather Reserve, which leaves little resilience should such adverse weather be repeated in future years.

Highway Transportation (including School Crossing Patrols) shows a variance of +£0.2m. This is due to spend (£0.4m) on a new integrated transport model (see above), but with compensating funding held against Highway Asset Management (Roads and Footways) budget. Small underspends resulting from staff vacancies and additional income (-£0.2m) help to mitigate the overspend.

Subsidised Buses and Community Transport is reporting a small overspend (+£0.1m) following increased costs as a result of variations, and new contracts relating to school services. The underspend (-£0.5m) against the Kent Travel Saver scheme (formerly Young Persons Travel Pass) in part is where activity has seen a modest reduction. The overall position for Public Transport has improved due to certain costs, and income forgone, being attributed to Covid-19 and funded by Central Government and without this the outturn position would have been closer to balance.

The final position for Residual Waste is an improved underspend (-£0.7m). Overall tonnage is almost -3,500 tonnes below budgeted levels and there has been increased income from trade waste throughout the year.

Waste Facilities and Recycling Centres show an increased overspend (+£0.5m). Tonnage price pressures across all recycling contracts (primarily Material Recycling Facility and paper/card recyclables income) and increased tipping away payments are largely offset by a combination of savings on volume/tonnes, haulage fees and staffing costs. These savings are following the introduction of the charging policy (for soil, rubble and hardcore) at our HWRC and where the reduction in tonnages received has been higher than anticipated, with a positive impact on capacity.

The Highways, Transport & Waste Management Costs and Commercial Operations variance has improved (-£0.2m) to leave the budget in a breakeven position.

4.3.4 Environment, Planning & Enforcement

The improved position of -£0.8m includes £0.4m of roll forward requests, giving the division a net underspend of -£0.4m once these are taken into account.

The -£0.4m variance includes an overspend of +£0.2m relating to the Gypsy and Traveller Service. This is due to urgent asset maintenance, as well as a shortfall in the income target due primarily to delays to the review of fees and charges. The other adverse variance within the division relates to the Coroners' service (+£0.2m), due to the need to employ agency pathologists reflecting the national shortage of NHS pathologists available to work Coroners' cases.

These are offset, in the most part, by a number of small underspends against other budgets including Strategic Planning & Policy (-£0.2m of additional one-off income), Emergency Planning (-£0.1m) and Community Safety (-£0.1m).

Rather than a request for roll forward the Volunteer & Apprentice Warden pilot scheme (-£0.2m) will be considered as part of 2020-21 budget review.

The roll forward requests comprise: the Doorstep Intelligence project (£0.1m) and £0.3m of underspends on externally funded projects which are committed in the new year. The former was committed in the 2018-19 outturn and straddles two years.

4.3.5 Libraries, Registration and Archives

The underspend of -£0.6m includes a roll forward request of less than £0.1m for a small project which is committed. It is proposed that spend on small IT related projects which has re-phased into 2020-21 will be funded from the ICT reserve (-£0.1m). The remaining underspend relates to delays in refurbishment work at a number of libraries, as a result of COVID-19 and Lockdown, and which will now be funded from capital budgets in the new year. Additional registration income, and an underspend on staffing, make up the remaining balance.

4.4 Strategic and Corporate Services

	Cash Limit	Provisional Outturn	Variance	Previous Variance (January)	Movement
	Net	Net	Net	Net	Net
	£m	£m	£m	£m	£m
Strategic Management & Directorate Budgets (S&CS)	-1.269	-1.437	-0.168	-0.160	-0.008
People & Communication					
Customer Contact, Communications & Consultations	5.509	5.278	-0.231	0.013	-0.244
Human Resources related services	7.413	7.151	-0.262	-0.244	-0.018
Total - People & Communication	12.923	12.429	-0.493	-0.232	-0.262
Finance	9.499	8.991	-0.508	-0.313	-0.195
Governance, Law & Democracy					
Governance & Law	5.489	5.427	-0.062	-0.008	-0.054
Local Member Grants	2.549	0.978	-1.571	-1.198	-0.373
Total - Governance & Law	8.039	6.405	-1.633	-1.206	-0.427
Infrastructure					
ICT related services	15.976	15.849	-0.126	0.036	-0.162
Property related services	5.193	4.780	-0.413	-0.051	-0.362
Total - Infrastructure	21.169	20.629	-0.540	-0.014	-0.525
Corporate Landlord	21.451	23.306	1.855	0.310	1.545
Strategic Commissioning including Public Health					
Strategic Commissioning	7.534	6.999	-0.535	-0.289	-0.246
Public Health - Advice and Other Staffing	0.000	-0.000	-0.000	0.000	-0.000
Public Health - Children's Programme	0.000	-0.000	-0.000	0.000	-0.000
Public Health - Healthy Lifestyles	0.006	-0.005	-0.011	0.000	-0.011
Public Health - Mental Health, Substance Misuse & Community Safety	0.042	-0.021	-0.063	0.000	-0.063
Public Health - Sexual Health	0.000	-0.004	-0.004	0.000	-0.004
Total - Strategic Commissioning including Public Health	7.582	6.970	-0.612	-0.289	-0.323
Strategy, Policy, Relationships & Corporate Assurance	1.891	1.966	0.075	0.076	-0.001
Business Services Centre	0.000	0.027	0.027	0.000	0.027
Total - Strategic & Corporate Services	81.284	79.287	-1.998	-1.827	-0.170

- 4.4.1 The overall position for the Directorate, is a net underspend of -£2.0m with Directorate net underspends of -£3.9m being partially offset by a pressure of +£1.9m within the Corporate Landlord estate.
- 4.4.2 Almost half of the total underspend is in Governance, Law and Democracy division where the variance of -£1.6m relates to the forecast underspend on Local Member Grants. This underspend is the subject of a bid to Cabinet for roll forward.
- 4.4.3 Strategic Management has an underspend of -£0.2m due to a reduction in historic premature retirement costs.
- 4.4.4 There is an underspend on Strategic Commissioning of -£0.6m mainly due to staffing vacancies and under-forecast income from the asylum grant. Of this underspend, £0.05m is the subject of a roll forward request in Strategic Commissioning to fund a project re-phased to next financial year due to the staffing vacancies and another £0.1m for projects within Public Health which are funded from European grants.
- 4.4.5 The Finance division is underspent by -£0.5m due to in year staffing vacancies and a delay on operational reviews due to Covid 19.
- 4.4.6 The People & Communications division is underspent by -£0.5m due to in-year staffing vacancies.
- 4.4.7 Infrastructure division is showing an underspend of -£0.5m consisting of -£0.4m Property Related Services and -£0.1m for ICT Related Services. The property underspend contains several offsetting variances relating to a number of areas such as Oakwood House, where there is reduced income in the lead up to its change of use from conference centre to office accommodation in 2021; reduced income on client services due to reduced take up of the service by Schools; increased capitalisation of staff costs in the capital projects and disposals team and the part re-phasing of the procurement of condition surveys.
- 4.4.8 Corporate Landlord (CLL) ended the year with an overall net pressure of +£1.9m. Across the 570 cost centres within the CLL portfolio, there are thousands of off-setting variances however, the primary reasons for this overall variance are as follows:
- +£0.3m due to the re-phased deliverability of the Asset Utilisation savings target, where the plans for several front-line service buildings require public consultation before progression
 - +£0.7m backdated change request notices finalised as part of the year-end Total Facilities Management (TFM) reconciliation together with costs relating to the transfer of TFM provider in East Kent
 - +£0.4m delayed delivery of TFM savings
 - +£0.2m costs passed to revenue from capital relating to disposal of properties where the capital allowance for this work has been exceeded
 - £0.4m underspend on survey work which will now be completed in 2020-21

4.5 Financing Items and Unallocated

	Cash Limit	Provisional Outturn	Variance	Previous Variance (January)	Movement
	Net	Net	Net	Net	Net
	£m	£m	£m	£m	£m
Financing Items & Unallocated	179.842	168.667	-11.174	-8.659	-2.515

4.5.1 The outturn for Financing Items is an underspend of -£11.2m and the most significant variances relate to underspending against the net debt costs budget (£3.6m) mainly as a result of higher forecast dividends from externally managed funds, underspending against the Adult Social Care Sustainability provision due to the re-phasing to 2020-21 of the Community Supporting Independence Service retender (£4.6m) and underspending against the emerging pressures budget (£0.4m).

There are a number of small under and overspends including:

- a) an increase in the level of dividend to be received from Cantium Business Solutions (£0.2m)
- b) unclaimed income (£0.1m)
- c) additional Extended Rights to Free Travel grant notified by Government since the 2019-20 budget was set (£0.1m)
- d) an overspend +£0.2m relating to the Apprenticeship Levy

The base budget for the impact of Intermediaries legislation has been released (£0.5m). The costs resulting from this legislation have been minimal and therefore this saving has been reflected in the draft 2020-23 MTFP and any future costs will be managed through reserves.

In addition to this, the Carbon Reduction Commitment which has now ceased (£0.6m) and the release of uncommitted non-specific price provision (£1.0m) have also been reflected in the 2020-21 budget.

Minimum Revenue Provision (MRP) has been recalculated based on assets completed in 2018-19. This has resulted in a saving of (£0.3m). In line with usual practice this underspend has been transferred to the MRP smoothing reserve to be used to fund future fluctuations in MRP, therefore there is no overall impact on the outturn position.

There is also an underspend of (£0.2m) as a result of selling our excess carbon reduction allowances for 2018-19. Cabinet agreed at the October meeting that this is transferred to a new Climate Change Target reserve to assist with accelerating our progress on climate change, therefore there is no overall impact on the outturn position.

£10.7m of Business Rates receipts have been transferred to reserves in 2019-20 in accordance with Cabinet approval at the July meeting.

4.6 Schools delegated budgets:

The schools delegated budget reserves have ended the financial year in surplus by £13.8m, compared to £26.9m at the start of the financial year. This is made up of a surplus of £35.3m on individual maintained school balances and a deficit on the central schools' reserve of £21.5m. The table below provides the detailed movements on each reserve. Appendix 2 also provides further detail on the High Needs pressure and the history of the Dedicated Schools Grant reserve. DSG budgets held centrally overspent by £0.8m and this is predominately linked to the additional costs of supporting Special Education Needs services:

	Individual School Reserves (£m)	Central Schools Reserve (£m)	Total School Reserves (£m)
Balance b fwd	33.384	(6.500)	26.884
Forecast movement in reserves:			
Academy conversions and closing school deficits	(1.672)	0.185	(1.487)
Movement in school reserves	3.631		3.631
School Growth		3.128	3.128
High Needs Placement Costs		(18.922)	(18.922)
Various		1.46	1.46
Overspend on Central DSG budgets		(0.856)	(0.856)
Forecast reserve balance	35.343	(21.505)	13.839

Note: a negative figure indicates a draw down from reserves/deficit

The in-year 2019-20 deficit has reduced from £21.7m to £13m since the last reported position following the inclusion of Maintained Schools 2019-20. Individual schools' balances have increased by £1.9m, an improvement of £7m since last reported. This trend is not uncommon as schools have historically been very prudent with their forecasts and their final outturn position tends to be much improved.

In 2020-21, the Government will be reducing the amount used to support some of the central services currently funded from the DSG. In the short-term this has been addressed in the 2020-23 Medium Term Financial Plan without any direct impact to schools however during the next year we will be reviewing our relationship with schools in line with Government policy and funding.

4.8 Table 2: Performance of our wholly owned companies

Dividends/Contributions (£m)	Budget	Outturn	From trading surplus	from reserves
Commercial Services	4.400	4.400	4.400	
Cantium Business Solutions (via Kent Holdco Ltd)	1.760	1.960	1.960	

5. REVENUE BUDGET VIREMENTS/CHANGES TO BUDGETS

5.1 All changes to cash limits are in accordance with the virement rules contained within the constitution, with the exception of those cash limit adjustments which are considered “technical adjustments” i.e. where there is no change in policy, including the allocation of grants and previously unallocated budgets where further information regarding allocations and spending plans has become available since the budget setting process.

6. SUMMARISED CAPITAL MONITORING POSITION

6.1 There is a reported variance of -£150.288m on the 2019-20 capital budget. This is made up of -£1.438m real variance and -£148.850m rephasing variance. Headline variances are detailed below by Directorate.

6.2 Table 3: Directorate **capital** position

Directorate	Working Budget £m	Variance £m	Real Variance £m	Rephasing Variance £m	Last Reported Position		+/-	
					Real £m	Rephasing £m	Real £m	Rephasing £m
Children, Young People & Education	108.822	-27.217	0.825	-28.042	2.534	-19.387	-1.709	-8.655
Adult Social Care & Health	11.733	-8.010	-4.714	-3.296	-1.825	-5.811	-2.889	2.515
Growth, Environment & Transport	193.530	-78.743	1.681	-80.424	0.636	-71.196	1.045	-9.228
Strategic & Corporate Services	74.563	-36.318	0.770	-37.088	0.386	-38.639	0.384	1.551
Total	388.648	-150.288	-1.438	-148.850	1.731	-135.033	-3.169	-13.817

6.3 The 2020-21 Capital Programme will now be revised to reflect the re-phasing and other variations arising from the 2019-20 outturn. £116.196m of rephasing has already been reflected as part of the 2020-23 budget build process, so only “new” rephasing totalling £32.654m will be actioned. Details of the capital re-phasing are provided in Appendix 2, and further proposed cash limit changes as a result of revised funding and timing are provided in Appendix 3. Final prudential indicators for 2019-20 are shown in Appendix 7.

6.4 SCHOOLS DEVOLVED CAPITAL

Capital expenditure incurred directly by schools in 2019-20 was £11.514m. As at 31 March 2020 schools capital reserves were in surplus by £1.554m. This has decreased from the surplus of £4.003m held by schools as at 31 March 2019.

6.5 Capital budget monitoring headlines

The real variances over £0.100m and rephasing variances over £1.000m are as follows:

Previously reported variances that are still relevant are in italic font.

6.5.1 Children, Young People & Education

New variances to report:

- Modernisation Programme: Real variance of -£1.768m, the majority of which is due to funding the Singlewell Roof project which is within the Annual Planned Enhancement Programme.
There is rephasing of +£2.008m which is due to urgent works at Archbishop's Secondary School (£1.0m) and Thanet Skills Studio (£0.8m) being brought forward.
- Basic Need, Basic Need Kent Commissioning Plan (KCP) 2017 and KCP 2018 and KCP 2019: Rephasing variance of -£27.963m. *(Previously reported -£19.085m)*. Due to the change in the variance this is being reported as a "new variance".
On the Basic Need (2016) programme the rephasing has reduced by £3.1m from previously reported which is mainly due to: +£1.1m St Peters CEPS for expenditure on construction of Integra Units incurred earlier than forecast. +£0.795m Whitfield and Aspen, due to an updated contract sum meaning increased main contractor payments, which have also occurred earlier than anticipated. +£0.698m Wilmington Academy and +£0.537m Mayfield Grammar as the projects are ahead of schedule.
On the Basic Need 2017 programme the rephasing has increased by £10.9m due to: -£6m for the purchase of the Royal School for the Deaf which completed on 1st April 2020. -£2.0m Westlands School, this is a payment due to a school managed project but this is pending completion of section 278 works. -£1.8m River Mill Primary School relates to payment of developer contributions due to the DfE, but have not yet been invoiced. -£1.5m Tunbridge Wells Boys Grammar as drainage issues have delayed the project. The completion date has been moved from September 2020 to March 2021. +£1.7m rephased into 2019-20 due to payment of developer contributions to the DfE for Hope Primary School which had not been previously forecast.

Previously reported variances:

- Priority School Building Programme: Real variance of +£0.770m *(previously reported +£0.799m)*. *The majority of the real variance is due to Benenden Primary (+£0.824m)*. *Due to an error by the design consultants the spoil mound was larger than expected and had to be removed before the school opened. It is expected that these costs will be recovered.*
Rephasing variance of +£1.132m *(Previously reported +£1.015m)*. *The majority of this relates to Benenden Primary, works for which were originally planned for the next financial year.*
- Special Schools Review Phase 2: Rephasing variance of -£1.391m *(previously reported -£1.384m)*. *This is due to a delay at Foreland Fields School due to design clarifications and archaeology issues.*
- Annual Planned Enhancement Programme: Real variance of +£1.390m *(previously reported +£1.750m)*. *This is due to a real overspend on the Singlewell primary roof. This has been funded from the Education Modernisation Programme.*

There is also rephasing of -£1.335m (*previously reported -£0.865m*). A few large projects were delayed for a number of reasons including design issues, the Kier TUPE process and staff changes within Amey.

6.5.2 Adults, Social Care & Health

New variances to report:

- Learning Disability Good Day Programme: Real variance of -£0.853m. The majority of this is due to cash limit being transferred to Hedgerows – which now has its own budget line.

Previously reported variances:

- Home Support Fund and Equipment: Real variance of -£0.268m (*previously reported -£0.186m*). This is a reactive budget, funded by revenue grant and is subject to in year fluctuations.
- Developer Funded Community Schemes: Real variance of -£1.543m (*Previously reported -£1.599m*). Previously reported as rephasing, it has now been decided to only forecast identified schemes. Future projects to be funded by developer contributions will be reported as and when identified.
- Learning Disability Good Day Programme: Rephasing variance of -£1.651m. (*Previously reported -£2.268m*). Projects at Meadowside and Southfields are now progressing, feasibilities have been completed and the projects are now at full design stage, however progress on other projects within the programme has been slower than expected, resulting in the rephasing.
- Adult Social Care Case Management: Real variance of -£1.118m. (*Previously reported -£1.053m rephasing*). This is mainly due to cash limit for “phase 2” of the project was removed during the 2020-23 budget process.
- Extra Care Facilities: Rephasing of -£1.000m while options are being considered.
- OP Strategy Specialist Care Facilities: Real variance of -£1.000m (*previously reported rephasing variance of -£1.000m*). This cash limit has been removed during the 2020-23 budget process.

6.5.3 Growth, Environment & Transport

Highways, Transportation & Waste

New variances to report:

- Highway Major Enhancement: Rephasing variance of -£4.375m. This variance reflects a myriad of elements and delays including: drainage works due to resource issues; Wantsum Bridge works due to land and Environment Agency consents; Sandwich Toll Bridge works due to a burst water main on the A256; and COVID 19 delays.

Works have been reprogrammed for late summer, when the weather improves, and when resources/consents will be available. There was also a slight adjustment to the re-phasing of the £10m Pothole programme, that commenced in February and will continue beyond the summer.

Real variance of -£0.362m. This consists of additional external funding, offset by the transfer of the highways budget allocation/costs to date for Faversham Swing Bridge, which is now being reflected on its own budget line (see below).

- Faversham Swing Bridge: Real variance of +£0.463m. This project is now a stand-alone project, with funding (transferred) from the Highway Major Enhancement budget, covering the 2019-20 spend. The permanent solution for this scheme will be reflected in due course, as will partnership funding.
- Integrated Transport Schemes: Rephasing variance of -£1.050m. This is due to re-profiled public transport vehicle purchases and delayed bus stop schemes.
- LED Conversion: Rephasing of -£1.264m. The original conversion programme (c118k) is now, to all intents and purposes, completed. The project, including those streetlights that have been adopted/are due to be adopted (so c124k in total), will be delivered within the original funding envelope. The re-phasing relates to the costs retained for those streetlights that are yet to be adopted/converted and work in progress at the year-end.
- Dover Bus Rapid Transit: Real variance of +£0.228m. This is a new project which is part of the new 2020-23 Capital Budget and is grant funded.

Previously reported variances:

- *Most of the re-phasing experienced in 2019-20 is due to Local Growth Fund or externally grant funded projects, often outside of KCC's control.*
- *A2 Off Slip Wincheap, Canterbury: Rephasing variance of -£2.201m. The project's funding stream has changed due to the Highways England element of the Growth & Housing Fund being abruptly closed. Highways England have since raised queries with the design and alternatives are being explored. A new bid for funding has been prepared and submitted to Homes England.*
- *A252 Safer Roads Fund: Rephasing of -£2.023m (previously reported -£2.026m). Delays have occurred following changes being required to the original scheme design.*
- *A28 Chart Road: Rephasing variance of -£1.674m (previously reported -£1.031m). The road scheme is dependent on housing development and associated developer contributions. These are being secured/received slower than anticipated.*
- *Kent Thameside Strategic Transport: Real variance of +£0.065m (previously reported +£0.330m) and rephasing of -£6.663m (previously reported -£5.413m). The real variance reflects the expected underspends from the Rathmore Road scheme, £0.065m of which are to be paid back into this programme in 19-20 and the remaining £0.265m in future years. How this additional funding is then allocated is yet to be determined. The rephasing reflects the push back of the*

Bean and Ebbsfleet junction improvements which are subject to the findings of last October's public inquiry that have been delayed as a result of COVID 19. Thanet Parkway: Rephasing of -£9.163m (previously reported -£8.697m). Ongoing technical discussions with, and cost estimates from, Network Rail, as well as determining the appropriate planning application route has resulted in a re-profiling of the budget. The planning application will be considered over the summer. Progress is also being made with regards to refining the cost and scope of the level crossing works. The design and build phase is now scheduled to commence towards the end of 2020-21.

- *Kent Medical Campus (National Productivity Investment Fund Kent): Rephasing of -£7.062m (previously reported -£7.038m). There has been a reduction in the budget in previous months due to land being gifted for the scheme. This then led to delays to the planning application submission, tender document finalisation and land transfer arrangements. All have now been resolved and the scheme is progressing. Contract award is expected in summer 2020, with construction potentially starting in Autumn 2020.*
- *Maidstone Integrated Transport: Rephasing of -£3.490m (previously reported -£3.985m). This programme of schemes has been developed further, with approval in place from the South East Local Enterprise Partnership, and this has led to a minor re-profiling of the expenditure.*
- *Housing Infrastructure Fund: Rephasing of -£2.587m. The rephasing is due to a review of the programme of works to ensure the budget matches both the level and profile of developer contributions that are currently available.*
- *Sturry Link Road: Rephasing variance of -£1.920m (previously reported -£1.897m). Spend for the current year has been re-profiled due to project delays in securing planning and confirmation of match funding.*
- *Leigh (Medway) Flood Storage Areas: Rephasing variance of -£1.500m. The Leigh part of the scheme is progressing, however further discussions with the partners are required on the Yalding element, so the budget has been rephased accordingly.*
- *Integrated Transport Schemes: Real variance of +£1.366m. (Previously reported +£1.360m). This relates to additional schemes and will be covered by developer contributions and external funding.*
- *Rathmore Road Link: Real variance of -£0.330m. The project is nearing completion and final cost profiles are forecasting an underspend of £0.330m. Any underspend will be passed back to the Kent Thameside Programme.*

Environment, Planning and Enforcement and Libraries, Registration and Archives

New variances to report:

- *Tunbridge Wells Cultural Hub: Real variance of +£0.147m. A collaboration agreement has been signed and the project spend will now go through Tunbridge Wells Borough Council accounts. The remaining spend in KCC books for 2019-20 is covered by external funding and developer contributions.*

Previously reported variances:

- None

Economic Development

New variances to report:

- None.

Previously reported variances:

- Kent Empty Property Initiative – No Use Empty: Real variance of +£0.281m (*previously reported +£0.210m*), which reflects additional funding from Districts.
- Kent & Medway Business Fund: Re-phasing of -£13.998m (*previously reported -£13.742m*), in line with latest application profile.
- • Turner: Rephasing variance of -£0.902m (*previously reported -£1.000m*). *The application for funding to the Arts Council Small Scale Capital Fund has been successful. The forecast expenditure has been re-profiled following revisions to the scheme as well as preparing for and submitting the new funding application. Phase 1 of the works is now complete, with Phases 2 & 3 scheduled for completion by quarter 4 of 2020-21.*
- Javelin Way Development: Rephasing of -£4.891m (*previously reported -£4.824m*). *Confirmation of the successful ACE funding bid was not announced until after the budget book was approved, so forecast expenditure has been re-profiled accordingly.*
- Broadband Contract 2: *Rephasing of -£1.349m to reflect ongoing contract negotiations on how the scheme will be delivered.*
- No Use Empty – Rented Affordable Homes: Rephasing variance of -£1.038m (*previously reported -£1.041m*). *The forecast reflects the latest loans approved and repayment profile.*
- Southborough Hub: Re-phasing of -£5.926m (*previously reported -£4.500m*) *This is due to a revised start on site of November 2019.*

6.5.4 Strategic & Corporate Services

New variances to report:

- Corporate Property Strategic Capital: Real variance of +£0.315m, funded from education grant. Capital costs for holding and maintaining ex-school sites which Education may require in the future, is putting pressure on this budget.
- Community Sexual Health Services: Real variance of -£0.221m, mainly due to one site which was the first sexual health premises and the budget was not sufficient to cover all the unknown costs. Lessons have been learned from this

site to allow more accurate forecasting in 2020-21, however the current pandemic may delay works.

- Live Margate: Rephasing variance of -£2.819m to reflect acquisition of a property now expected in 2020-21.

Previously reported variances:

- Modernisation of Assets (MOA): Real variance of +£0.300m (*previously reported +£0.290m*) – *additional Salix funding for solar panel projects and developer contributions.*
- Modernisation of Assets: Rephasing of -£2.195m (*previously reported -£1.156m*). *Projects have been delayed while the transfer of undertakings between facilities management (FM) providers are resolved.*
- Asset Utilisation: Rephasing variance of -£1.124m (*previously reported -£1.102m*). *As part of a wider review of the estate the budget has been rephased for wider district projects rather than various smaller, local projects.*
- Property Investment Fund (PIF) and PIF2: Rephasing variance of -£11.531m (*previously reported -£11.502m*). *Spend on this project is unpredictable and depends on opportunities arising.*
- Acquisition of Strategic Assets: Rephasing variance of -£9.164m (*previously reported -£8.000m*). *Spend on this project is unpredictable and depends on opportunities arising.*
- Dover Discovery Centre: Rephasing variance of -£2.919m (*previously reported -£2.896m*). *The construction period is now scheduled to start mid 2020-21 and the spend profile has been adjusted to reflect this.*
- Asset Utilisation – Oakwood House Transformation: Rephasing variance of -£5.038m (*previously reported -£5.060m*) *due to ongoing stakeholder project board negotiations.*
- Business Intelligence Tool: Real overspend of +£0.221m (*previously reported +£0.224m*). *The project has taken longer than anticipated due to issues around producing report to replace BOXI, as well as additional project requirements. This has led to an increase in the resources needed in the delivery of the project. The overspend is to be met by a drawdown from reserves.*
- MOA Plus: Rephasing variance of -£6.647m (*previously reported -£8.911m*). *Projects have been delayed while the transfer of undertakings between FM providers are resolved.*

7. CONCLUSIONS

- 7.1 For the 20th consecutive year the Council is able to demonstrate sound financial management by managing its revenue expenditure within the budgeted level (excluding schools). The approved 2019-20 budget required the council to find approximately £45m of savings and income to close the gap between rising spending demands and costs in excess of the funding available from council tax, retained business rate growth and un-ringfenced government grants. The savings included a range of transformation and efficiency programmes, income generation and financing items including draw down from reserves in order to protect frontline services as far as possible. 2019-20 was the final year of the four-year settlement from central government following the 2015 Spending Review.
- 7.2 This performance needs to be considered in the context of £641m of savings delivered over the preceding 8 years which taken together with the need to manage spending on a range of demand-led services (such as adults' and childrens' social care, special educational needs, waste recycling and disposal), where spending is not always predictable, means an overall underspending position is a considerable achievement. It should be noted that within the overall out-turn position there is a significant overspend in Children's Services totalling £8m, which is offset by underspends elsewhere.
- 7.3 The approved net budget for 2020-21 shows an increase of £77m, the largest increase we have seen since the period of austerity was introduced. However, this can only be achieved with a further £30m of savings and income to balance £107m of additional spending demands and costs. Continuing to find year on year savings becomes ever more difficult as the easier options have already been taken. We must not be complacent that these further savings can easily be achieved and in view of the high level of uncertainty about the local government settlement for 2021/22 and beyond. The 2020-21 settlement was a one-year temporary arrangement following the delay to the Spending Review. The Covid-19 outbreak and subsequent economic fallout from lockdown has added significantly to the uncertainty and financial insecurity, hence the recommendation to put the uncommitted underspend from 2019-20 into reserves pending future budget decisions to bolster the authority's financial resilience.
- 7.4 The levels of reserves must not be interpreted that the council has plenty of spare cash. Councils hold reserves for a range of reasons to include prudent assumptions to cover future eventualities and risks. The Section 151 assurance of the 2020-21 budget concluded that KKC's reserves are adequate to cover foreseeable risks but cautioned that the Council continues to be at the lower end of the resilience range for county councils, so there is no room for complacency and the Council must continue to maintain financial rigour. This assessment was made before the Covid-19 outbreak which has added significantly to financial risks and requires the 2020-21 budget to be reassessed and be taken back for reapproval at County Council in September 2020.

8. RECOMMENDATIONS

Cabinet is asked to:

- i) **Note** the report, including the provisional outturn position for 2019-20 for both the revenue and capital budgets.

- ii) **Agree** that £1.355m of the 2019-20 revenue underspending is rolled forward to fund existing commitments, as detailed in section 2 of Appendix 1.
- iii) **Agree** that £0.187m of the 2019-20 revenue underspending is rolled forward to fund the re-phasing of existing initiatives, as detailed in section 3 of Appendix 1.
- iv) **Agree** that £1.564m of the 2019-20 revenue underspending is rolled forward to fund the bid detailed in section 4 of Appendix 1.
- v) **Agree** that the £3.121m remaining 2019-20 underspend is set aside in the earmarked reserve to support future years' budgets.
- vi) **Agree** that the £42.326m of capital re-phasing from 2019-20 will be added into the 2020-21 and later years capital budgets, as detailed in Appendix 2.
- vii) **Agree** the proposed capital cash limit changes outlined in Appendix 3.
- viii) **Agree** the contributions to and from reserves as reflected in Appendix 6, which includes all appropriate and previously agreed transfers to and from reserves.

9. BACKGROUND DOCUMENTS

None

10. CONTACT DETAILS

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