



Finance Monitoring Report

As at December 21-22

By Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services,
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Corporate Directors

To Cabinet – 3 March 2022

Unrestricted

Contents

Section

- 1 Introduction
- 2 Recommendations
- 3 Revenue
- 4 Covid-19
- 5 Adult Social Care & Health
- 6 Children, Young People & Education
- 7 Growth, Environment & Transport
- 8 Strategic & Corporate Services
- 9 Non-Attributable Costs
- 10 Schools' Delegated Budgets
- 11 Savings
- 12 Capital
- 13 Capital Budget Changes
- 14 Treasury Management Monitoring

Appendices

- A1 Revenue Variances Table
- A2 Monitoring of Prudential Indicators
- A3 Reserves Monitoring

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1 Introduction

This report sets out the Council's financial position up to the end of December 21-22, setting out both business as usual activities and the impact of Covid-19 on our resources. The Revenue General fund forecast is a +£13.9m overspend which has decreased by £4.7m compared to the previous reported overspend of +£18.6m. The decrease is mainly due to the -£4.6m underspend forecast in the GET directorate. ASCH and CYPE continue to forecast significant overspends of +£14m and +£7.1m respectively. Capital budget adjustments are also included which require Cabinet approval.

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| 1.1 | Additional sections will be included in future reports. | Further sections will be added in future monitoring reports, including: <ul style="list-style-type: none">• A high-level analysis by expenditure type• Key Financial Health Indicators• Financial Resilience indices |
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| 1.2 | The overall Revenue General Fund forecast is a +£13.9m overspend. This is a decrease of £4.7m compared to the previous reported overspend of +£18.6m. | <p>The Revenue General Fund forecast position is a net overspend of +£13.9m. The forecast net spend of £1,141.9m includes a net contribution to reserves of £3.4m; the source of funding will be determined at year-end, once the final position is presented.</p> <p>The largest variance is +£14m in ASCH, with an overspend also forecast in CYPE (+£7.1m). Underspends are being forecast in GET (-£4.6m), S&CS (-£2.1m) and NAC (Corporately Held Budgets) (-£0.5m). The previously reported position by directorate were overspends in ASCH (+£13.9m) and CYPE (+£6.8m); and underspends were being forecast in S&CS (-£1.4m), NAC (-£0.5m) and GET (-£0.2m). Details can be found in the individual directorate sections.</p> <p>Without the one-off Covid grants our forecast overspend would be £36.7m higher, bringing the total overspend to £50.6m.</p> |
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| 1.3 | £0.6m is requested to be rolled forward to 2022/23 | The final outturn position may change if any roll forwards are agreed. |
| <hr/> | | |
| 1.4 | The Covid-19 forecast is a total spend of £36.7m. This is shown as a breakeven position as the additional spend is being met from the Covid-19 emergency reserve. | <p>The additional spend of £20.6m above the corporately held budget of £16.1m for Covid-19 is being funded from a drawdown from the Covid-19 emergency reserve, bringing the current position to breakeven.</p> <p>There is £55.6m held in the emergency reserve. £12.3m needs to be rolled forward for Helping Hands and Reconnect into 2022/23, which leaves £22.7m for any further Covid related costs during the remainder of this financial year or into 2022/23.</p> <p>Details can be found in the Covid-19 section and the individual directorate sections.</p> |
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1 Introduction

1.5 The Schools' Delegated Budgets are reporting a +£54m overspend. The overspend position of +£54m reflects the impact of high demand for additional SEN support and high cost per child of High Needs Placements. The projected deficit on the High Needs budget has increased by £49m in this year from £62m at the end of the 2020-21 and will be in excess of £105m by the end of this financial year. The High Needs deficit is the Council's single most significant financial risk which therefore requires continued action.

1.6 The Capital forecast is an underspend of -£144.3m. The underspend is made up of +£2.0m real and -£146.3m rephasing variance, which represents 30% of the budget.

The largest real variance is an overspend of +£26.0m in GET. Details can be found in the capital sections.

The major rephasing variances are -£71.6m in GET and -£61.5m in CYPE. Details can be found in the capital section.

2 Recommendations

Cabinet is asked to:

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|-----|---|---|
| 2.1 | Note the forecast Revenue monitoring position and endorse the need to continue taking urgent action to balance the budget by the year end. | Action to address the current £13.9m overspend is critical to ensure we achieve a balanced budget by the year end. Any overspend at the year end, that is over and above the £10m set aside to meet pressures in this financial year will need to be funded from reserves and will put pressure on the 2022/23 revenue budget. The position regarding previously agreed savings will also need to be reviewed, including those identified as no longer achievable in this year. |
| 2.2 | Note the forecast Capital monitoring position and the development of the 10-year capital programme to address the level of slippage in the programme. | The Capital programme is reporting slippage of £146.3m which represents 30% of the budget. The level of slippage in the Capital programme has increased by £21m since the last monitoring report. The development of a 10-year programme from 2022/23 together with a new capital monitoring and reporting IT solution should ensure capital programme budgets and delivery are more realistic. |
| 2.3 | Note the way we are monitoring the financial impact of Covid-19 | Please refer to Section 4 for details. |
| 2.4 | Note and agree the Capital budget adjustments | Please see Section 13 for details. |
| 2.5 | Note the Prudential Indicators report | Please refer to Appendix 2. |
| 2.6 | Note the Reserves monitoring position | Please refer to Appendix 3. |
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3 Revenue

General Fund forecast +£13.9m overspend
Dedicated Schools Grant (DSG) +£54m overspend
Covid-19 forecast breakeven

| General Fund | | Forecast position as overspend/(underspend) | | | | |
|------------------------------------|----------------|---|-------------------------------|-------------------------------|----------------|--|
| Directorate | Revenue Budget | Revenue Forecast Outturn | Net Revenue Forecast Variance | Last reported position (Sept) | Movement (+/-) | |
| | £m | £m | £m | £m | £m | |
| Adult Social Care & Health | 431.1 | 445.1 | 14.0 | 13.9 | 0.1 | |
| Children, Young People & Education | 302.3 | 309.4 | 7.1 | 6.8 | 0.3 | |
| Growth, Environment & Transport | 182.4 | 177.8 | (4.6) | (0.2) | (4.4) | |
| Strategic & Corporate Services | 95.8 | 93.7 | (2.1) | (1.4) | (0.7) | |
| Non Attributable Costs | 115.8 | 115.8 | 0.0 | 0.0 | 0.0 | |
| Corporately Held Budgets | 0.5 | 0.0 | (0.5) | (0.5) | 0.0 | |
| General Fund | 1,128.0 | 1,141.9 | 13.9 | 18.6 | (4.7) | |
| Ringfenced Items | | | | | | |
| Schools' Delegated Budgets | 0.0 | 54.0 | 54.0 | 52.8 | 1.2 | |
| Overall Position | 1,128.0 | 1,195.9 | 67.9 | 71.4 | (3.5) | |

Covid Forecast position as overspend/(underspend)

| Directorate | Covid-19 Allocation | Covid-19 Forecast | Covid-19 Variance |
|--|---------------------|-------------------|-------------------|
| | £m | £m | £m |
| Adult Social Care & Health | 7.0 | 10.9 | 3.9 |
| Children, Young People & Education | 5.3 | 12.7 | 7.4 |
| Growth, Environment & Transport | 0.4 | 3.5 | 3.1 |
| Strategic & Corporate Services | 1.3 | 9.3 | 8.0 |
| Non-Attributable Costs | 2.1 | 0.3 | (1.8) |
| Variance to Covid-19 Budgets held corporately | 16.1 | 36.7 | 20.6 |
| Drawdown from COVID-19 Reserve | | | (20.6) |
| Total Covid-19 Position | | | 0.0 |

General Fund

The General Fund forecast position is a net overspend of +£13.9m, all of which relates to Adult Social Care and Children, Young People and Education. The forecast of £1,141.9m includes a net contribution to reserves of £3.4m; the source of funding will be determined at year-end. There is £10m set aside in a risk reserve as agreed as part of

the 20-21 outturn that can be used to mitigate in part the projected overspend, but action will be required to address the remaining overspend.

There are currently £0.6m of roll forward requests and the final outturn position may change if any roll forwards are agreed.

Covid-19

The Council's response to the pandemic continues to be considerably complex, causing uncertainty to the forecast. This is due to the nature of the financial impact, ranging from additional expenditure, market sustainability payments, loss of income, and unachieved savings. The forecasting in this area is also impacted by the effect of the relaxation in restrictions, ongoing costs, and the expected withdrawal of a range of government support schemes.

Each directorate has a corporately held, COVID 19 budget amounting to £16.1m in total. Any additional expenditure will be met from the COVID-19 reserve. The forecast is breakeven after contributions from reserves of £20.6m. There is £55.6m held in the COVID-19 reserve. £12.3m needs to be rolled forward for Helping Hands and Reconnect into 2022/23, which leaves £22.7m for any further Covid related costs during the remainder of this financial year or into 2022/23. Further details of Covid-19 related costs are detailed in Section 4 and the individual directorate sections.

Without the one-off COVID grants, our forecast overspend position would be £36.7m higher, bringing it to £50.6m. The impact of COVID on our spend may be ongoing, particularly in Adults and Children's social care and if this pressure continues, we could see a significant impact on our 3-year medium term plan.

Schools' Delegated Budgets

The forecast overspend is +£54m. The DSG deficit will increase from £51m to £105.1m in 2021/22. This is almost entirely due to an increase in the High Needs budget deficit, which is the Council's single biggest financial risk which therefore requires continued action. The Council continues to work with the Schools' Funding Forum to set out the challenge and agree and deliver a plan to address the deficit. The Department for Education has made contact to discuss the detail of our plan and next steps as to how we will address the deficit. For more information, please refer to section 10.

| Categories | ASCH | CYPE | GET | S&CS | NAC | Total |
|--|-------------|-------------|------------|------------|--------------|---------------|
| | £m | £m | £m | £m | £m | £m |
| Covid-19 Allocation held corporately | 7.0 | 5.3 | 0.4 | 1.3 | 2.1 | 16.1 |
| Contribution from Public Health Reserve* | | | | | | 0.0 |
| Forecast Real spend | 10.2 | 11.9 | 5.4 | 9.8 | 0.0 | 37.3 |
| Underspend | (0.1) | (2.5) | (13.4) | (1.6) | 0.0 | (17.6) |
| Loss of income | 0.2 | 1.1 | 2.9 | 1.1 | 0.3 | 5.6 |
| Unrealised savings | 0.0 | 2.1 | 0.1 | 0.0 | 0.0 | 2.2 |
| Market sustainability - loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Market sustainability - one off payments | 0.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.6 |
| Payments for undelivered services (fixed fee) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payments for undelivered services (variable fee) | 0.1 | 0.0 | 8.5 | 0.0 | 0.0 | 8.6 |
| Total Covid-19 Forecast | 10.9 | 12.7 | 3.5 | 9.3 | 0.3 | 36.7 |
| Variance to Covid-19 Budgets held corporately | 3.9 | 7.4 | 3.1 | 8.0 | (1.8) | 20.6 |
| Contribution from Covid-19 Reserve | (3.9) | (7.4) | (3.1) | (8.0) | 1.8 | (20.6) |
| Total Covid-19 Position | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

* Any Public Health net spend relating to Covid-19 will be funded by a drawdown from the Public Health reserve.

As a consequence of Covid-19, the total additional expenditure impact (excluding ring-fenced grants spend) on General Fund services is forecast to be £36.7m. There is £16.1m of budget allocated for Covid-19 which is held corporately. £20.6m additional expenditure will be funded from a drawdown from the Covid-19 reserve.

There is £55.6m held in the Covid-19 reserve. £12.3m needs to be rolled forward for Helping Hands and Reconnect into 2022/23, which leaves £22.7m for any further Covid related costs during the remainder of this financial year or into 2022/23.

| | Budget | Revenue Forecast Outturn | Forecast Variance | | |
|---|--------------|-----------------------------|----------------------------------|----------------------------------|----------------|
| | | | Net Revenue Forecast Variance | Last reported position (Sept) | Movement (+/-) |
| | | | £m | £m | £m |
| Adult Social Care & Health Operations | 388.3 | 404.4 | 16.1 | 14.3 | 1.8 |
| Strategic Management & Directorate Budgets (ASCH) | 33.4 | 31.5 | (1.8) | (0.4) | (1.4) |
| Public Health | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Business Delivery | 9.5 | 9.2 | (0.3) | 0.0 | (0.3) |
| Adult Social Care & Health | 431.1 | 445.1 | 14.0 | 13.9 | 0.1 |

| | Budget | Revenue Forecast Outturn | Net Revenue Forecast Variance | Contribution to/(from) Reserves | Net impact on General Fund |
|-----------------------------------|------------|-----------------------------|----------------------------------|---------------------------------|----------------------------|
| | | | | | £m |
| | | | | | £m |
| Covid-19 forecast position | 7.0 | 10.9 | 3.9 | (3.9) | 0.0 |

The Adult Social Care & Health directorate has a projected overspend of +£14m.

The £445.1m forecast includes a net £1.2m drawdown from reserves. The drawdowns include £0.8m for the Digital Implementation (Mosaic) project and £0.7m for use of the community discharge grant reserve. In addition, there is a contribution to the Leap year reserve of £0.2m.

There is an underlying Covid-19 projected additional spend of +£3.9m, which is offset by a contribution from reserves to show a breakeven position. Uncertainty remains around the ongoing impact Covid-19 will have on services.

Details of the significant variances on the General Fund are shown below:

| Key Service (Division) | Variance | Summary | Detail |
|--|----------|--|---|
| Older People - Residential Care Services (Adult Social Care & Health Operations) | +£19.0m | High levels of complexity requiring additional support & non-achievement of savings. | <p>This is largely due to people leaving hospital with increased complex needs requiring additional support. The impact of lockdown restrictions has also resulted in individuals delaying receiving support and less access to the use of preventative services. There has also been an increase in situations where it is considered detrimental to move an individual to a lower cost placement as a result of Covid restrictions affecting how quickly people are discharged from hospital and the care that was provided at that point.</p> <p>A range of actions are underway or planned to mitigate this budget pressure. These include:</p> <ul style="list-style-type: none"> Ensuring that appropriate health contribution is secured to meet care and support needs where continuing health care is applicable Increased scrutiny of requests where it is deemed that it |

- would be detrimental to move a client
- Commissioning and completion of a bed brokerage review
- Additional therapy resources being deployed to support a more streamlined hospital discharge process

In addition, a portion of this overspend is due to delays in delivering the service redesign, as referenced in the savings section of this report.

| | | | |
|---|--------|--|--|
| Older People - Community Based Services (Adult Social Care & Health Operations) | -£7.2m | The number of clients receiving a community care service has not increased as expected. | There is severe pressure in the social care market especially relating to workforce capacity. This has manifested partially as lack of availability of suitable homecare packages resulting in more clients receiving alternative support. There is a resulting underspend within this budget due to lower than anticipated number of clients remaining at home and receiving support in the community and may be the cause of corresponding overspends against the budget for residential care. The 21-22 budget anticipated increasing numbers of clients receiving support in the community rather than residential care. This has not been achieved as referenced in the savings section of this report. |
| Adult Learning Disability - Residential Care Services & Support for Carers (Adult Social Care & Health Operations) | +£3.9m | Learning Disability Residential Care has high levels of complexity and high-cost packages transferring from Children's Services. | The high level of additional complex needs seen in young people transitioning from Children's Services into Adult Social Care has resulted in a significant increase in care costs above negotiated contract price increases. CQC inspections of some providers and home closures have resulted in a need to find alternative placements, some of which are at a higher cost. |
| Adult Mental Health - Community Based Services (Adult Social Care & Health Operations) | +£2.6m | Mental Health Supported Living numbers increasing. | The majority of the overspend relates to clients receiving Supported Living care packages. The number of people with packages of care has increased over and above anticipated levels, and at a more significant rate than before the start of the pandemic |
| Adult Physical Disability - Community Based Services (Adult Social Care & Health Operations) | +£2.5m | Increased complexity and higher costs than anticipated. | Most of the overspend relates to clients receiving Supported Living care packages where the Council is seeing increased complexity of need increasing costs. Action is being taken to resist these increasing costs including commissioning community voluntary sector pilots to provide support in the home. |
| Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Community Based Services (Adult Social Care & Health Operations) | -£1.8m | Decrease in one-off Direct Payments. | Most of the underspend (£1m) on these services relates to Direct Payments where the normal level of one-off payments to clients has significantly decreased during the year. The remainder is partially due to a misalignment of sensory and autism budgets which will be resolved in 2022-25 Medium Term Financial Plan. |

| | | | |
|---|--------|--|--|
| Adult Learning Disability - Community Based Services & Support for Carers (Adult Social Care & Health Operations) | +£1.7m | Learning Disability (LD) 26+ Supported Living has seen an increase in activity numbers and average weekly costs. | Learning Disability Community Based Services are seeing similar overspends to Physical Disability and Mental Health (described above). There are higher than average package costs for young adults transitioning into Adult Services from Children’s services. Clients with particularly high packages of care will be under regular review to ensure that care needs can be met using the most efficient use of resources. |
| Strategic Management & Directorate Support (ASCH) (Strategic Management & Directorate Budgets (ASCH)) | -1.8m | Centrally held funds to cover underlying overspends elsewhere. | This underspend relates to central funds held for new initiatives which have now been released to cover underlying overspends already recognised within the forecast. A budget realignment process has corrected this for 2022-23. |
| Adult Mental Health - Residential Care Services (Adult Social Care & Health Operations) | -1.5m | Planned retender exercise delayed to the end of the year. | This underspend relates to a planned retender exercise for the Residential Service which has slipped to the end of this year. The budget held for this retender will not be used in this year but is required for the full year effect in 2022-23. |
| Adult In House Enablement Services (Adult Social Care & Health Operations) | -1.0m | Vacancy slippages and delayed recruitment. | Most of this underspend relates to vacancy slippage and delays in recruitment. |

Details of the Covid-19 forecast are shown here:

| Grant Category | Forecast | Explanation |
|--|---------------|--|
| Covid-19 Allocation held corporately | £7.0m | |
| Forecast Real Spend | £10.2m | The cost of supporting additional demand for services resulting from Covid-19, including a range of projects to tackle backlogs in addition to increased staffing requirements. Includes £1.6m of costs related to “Helping Hands” schemes; an emergency fund designed to help Kent’s most vulnerable households and businesses hardest hit by the pandemic. |
| Underspends | (£0.1m) | Underspends in day care relating to the first quarter of 2021-22 as some centres have remained closed during this period due to COVID-19. |
| Loss of income | £0.2m | Relates to where day services are still not providing the same level and type of service as before meaning that clients cannot be charged for those periods |
| Market Sustainability | £0.5m | We are expecting to have to continue to support the social care market during the recovery period of the pandemic in 2021-22 so are assuming a £0.5m cost at this stage. |
| Payments for undelivered services (variable fee) | £0.1m | Relates to instances when providers are unable to complete a call due to Covid (for example, the client is shielding, or the provider has staff who are isolating), the Council will still pay for the call. |
| Total Covid-19 Forecast | £10.9m | |
| Covid-19 additional spend | £3.9m | |

Contribution from Reserves (£3.9m)

Revised Covid-19 position £0.0m

| | Budget £m | Revenue Forecast Outturn £m | Forecast Variance | | Movement (+/-) £m |
|---|--------------|--------------------------------------|--|--|-------------------------|
| | | | Net Revenue Forecast Variance £m | Last reported position (Sept) £m | |
| Integrated Children's Services (East & West) | 159.3 | 159.4 | 0.1 | 0.2 | (0.1) |
| Special Educational Needs & Disabilities | 82.7 | 85.7 | 3.0 | 1.0 | 2.0 |
| Education | 56.2 | 61.0 | 4.7 | 6.1 | (1.4) |
| Strategic Management & Directorate Budgets (CYPE) | 4.0 | 3.3 | (0.7) | (0.5) | (0.2) |
| Children, Young People & Education | 302.3 | 309.4 | 7.1 | 6.8 | 0.3 |

| | Budget £m | Revenue Forecast Outturn £m | Net Revenue Forecast Variance £m | Contribution to/(from) Reserves £m | Net impact on General Fund £m |
|-----------------------------------|--------------|--------------------------------------|--|---|--|
| Covid-19 forecast position | 5.3 | 12.7 | 7.4 | (7.4) | 0.0 |

The Children, Young People & Education directorate is projected to be overspent by +£7.1m. This is due to a delay in the implementation of the Special Educational Needs (SEN) transport re-procurement coupled with higher demand along with pressures across the children social work service and higher costs of supporting looked after children. This is partially offset by lower accommodation costs of supporting Care Leavers.

The £309.4m forecast includes a net £1.3m drawdown from reserves. This includes a £1.5m drawdown relating to the Reconnect project. There are smaller drawdowns and contribution relating to PFI equalisation and Change for Kent Children transformation programme.

The Covid-19 underlying additional expenditure is £7.4m (before contributions from reserves of £7.4m), mainly due to higher number of referrals for Special Educational Needs services and delays in the ability to achieve budgeted social care savings. COVID restrictions at the start of the year have also meant a greater dependency on use of temporary accommodation to provide sufficient school places and reductions in income from adult education courses. Uncertainty remains around the ongoing impact that Covid-19 will have on services. This also includes the contribution to the Reconnect Programme agreed by Cabinet in the 2020-21 Outturn Report.

Details of the significant variances on the General Fund are shown here:

| Key Service (Division) | Variance | Summary | Detail |
|---|----------|--|--|
| Home to School Transport (Education) | +£5.1m | Delays in re-procurement of transport contracts and increase in demand | The re-procurement of the SEN transport contracts has been put back due to delays in the implementation of new software to support this project (+£3.0m). The September pupil numbers indicate a significant increase in the number of children requiring SEN transport with 10% year on year increase in the number travelling. This is a consequence of the higher EHCP numbers and greater number of children with SEN not being educated in their local school. This forecast includes an allowance for further increases in the coming months (total pressure of +£2.1m) |
| Other School Services (Education) | -£0.5m | Various school related costs | Delays in basic need projects due to archaeological/environmental factors have resulted in use of more temporary accommodation to ensure sufficient school places from September (+£0.6m). This is offset by other underspends totalling -£1.1m including the use of the School Improvement Grant to meet the costs of existing services, and lower costs associated with statutory testing/maintenance of school properties. |
| Care Leaver Services (Integrated Children Services) | -£2.4m | Lower accommodation related costs of supporting care leavers | The service has been working to reduce the number of children in semi-independent placements to ensure young people are placed in the most cost-efficient placements. This has resulted in an underspend of approximately -£1.5m. The number of young people requiring support with their council tax continues to remain lower than initially estimated leading to a further -£0.6m underspend. The balance relates to an underspend on staffing (-£0.3m). |
| Children's Social Work Services - Assessment & Safeguarding Service (Integrated Children Services) | +£0.8m | Additional social workers required to meet demand | Higher sickness and maternity levels coupled with increased complexity of Children in Need cases has led to a requirement for more social workers and higher number of agency staff to meet demand. |
| Looked After Children - Care & Support (Integrated Children Services) | +£1.7m | Increased number and cost of residential placements | The number of looked after children has remained fairly static but the cost of placements continues to rise with a greater number being placed in more expensive external settings as no suitable alternative is available. The average cost of residential placement has risen by over 20% in 2 years. |

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|--|--------|---|--|
| Adult Learning & Physical Disability Pathway - Residential Care Services & Support for Carers (Special Educational Needs & Disabilities) | +£0.7m | Increased cost of residential placements | The number of young people has reduced in residential care but the average cost of placements has increased due to complexity and lack of availability of suitable placements. |
| Looked After Children (with Disability) - Care & Support (Special Educational Needs & Disabilities) | +£0.8m | Increased number and cost of residential placements | We have seen a significant number of new placements earlier in the year than expected. The average cost of residential placement has risen by over 20% in 2 years. |
| Special Educational Needs & Psychology Services (Special Educational Needs & Disabilities) | +£0.6m | Increased use of agency | Difficulties in the recruitment of suitably qualified Education Psychologist and SEN officers has led to an increasing use of agency staff. |
| Strategic Management & Directorate Budgets | -£0.7m | Lower early retirement costs | Fewer redundancies in schools' staff over the past year has resulted in lower early retirement commitments. |
| Asylum (Integrated Children Services) | £0.0m | Forecasting breakeven | The Asylum service is currently forecasting a breakeven position following an increase in the grant rate paid for care leaver services and a new financial arrangement to fund the Reception & Safe Care service, ensuring new referrals are fully funded prior to moving through the national transfer scheme or, where there is capacity, remaining in Kent. |

Details of the Covid-19 forecast are shown here:

| Grant Category | Forecast | Explanation |
|--------------------------------------|----------|---|
| Covid-19 Allocation held corporately | £5.3m | |
| Forecast Real Spend | £11.9m | <ul style="list-style-type: none"> Latent demand estimates for Children Social Services: additional staffing to cover increased staff sickness and increased complexity of children in need cases. Court delays resulting in higher legal costs due to protracted court proceedings & increased number of hearings. Delays in the basic need capital programme resulting in greater use of temporary accommodation to meet demand for school places and higher contractor costs. Increased demand for Education, Health and Care Plan assessments and supportive services following interruption to schooling due to COVID restrictions. Reconnect programme: community-based programme to support children post COVID. |

| | | |
|----------------------------------|---------------|--|
| Underspends | (£2.5m) | <ul style="list-style-type: none"> • Delay in recruitment in detached youth workers • Delay in the commissioning of the SEND parenting programme • Savings from the phased re-opening of children centres and youth services at the start year |
| Loss of income | £1.1m | <ul style="list-style-type: none"> • Reduction in income whilst the adult learning services recovers following prolonged closures due to COVID restrictions. • Reduction in 16+ travel saver income where numbers of children have not yet recovered to pre-COVID levels. |
| Unrealised savings | £2.1m | <p>Delay in the delivery of children social care savings due to:</p> <ul style="list-style-type: none"> • COVID restrictions delaying or reducing the impact of new initiatives to increase the number of children supported in in-house foster care rather than more expensive alternatives. • The demand for children's social workers increasing during COVID, due to increased staff sickness and increased complexity of children in need cases therefore delaying the planned reduction in agency staff. |
| Market Sustainability | £0.1m | Additional payments to support tutors in adult learning services |
| Total Covid-19 Forecast | £12.7m | |
| Covid-19 additional spend | +£7.4m | |
| Contribution from Reserves | (£7.4m) | |
| Revised Covid-19 Position | £0.0m | |

| | Budget £m | Revenue Forecast Outturn £m | Forecast Variance | | |
|--|--------------|--------------------------------------|--|---|----------------------------------|
| | | | Net Revenue Forecast Variance £m | <i>Last reported position (Sept) £m</i> | <i>Movement (+/-) £m</i> |
| Highways, Transportation & Waste | 150.5 | 147.3 | (3.2) | 0.3 | (3.5) |
| Environment, Planning & Enforcement | 17.5 | 16.5 | (1.0) | (0.4) | (0.6) |
| Libraries, Registration & Archives | 8.6 | 8.4 | (0.2) | (0.1) | (0.1) |
| Economic Development | 4.4 | 4.4 | 0 | 0.1 | (0.1) |
| Strategic Management & Directorate Budgets (GET) | 1.4 | 1.2 | (0.2) | (0.1) | (0.1) |
| Growth, Environment & Transport | 182.4 | 177.8 | (4.6) | (0.2) | (4.4) |

| | Budget £m | Revenue Forecast Outturn £m | Net Revenue Forecast Variance £m | Contribution to/(from) Reserves £m | Net impact on General Fund £m |
|-----------------------------------|--------------|--------------------------------------|--|---|--|
| Covid-19 forecast position | 0.4 | 3.5 | 3.1 | (3.1) | 0.0 |

The Growth, Environment & Transport directorate is projected to be underspent by -£4.6m, excluding Covid. The underspend has increased by -£4.4m since the September monitoring report, with the most significant change in Highways, Transportation & Waste and is predominately due to staff vacancies, additional income and favourable recycling prices. The directorate is requesting roll forwards totalling £0.5m, predominantly due to projects that have been re-phased and will now occur in quarter 1 of 2022-23. After roll forward requests the underspend is -£4.1m.

The £177.8m forecast includes a net £1.2m drawdown from reserves. The drawdowns include £0.7m relating to Brexit costs in Traffic Management and Trading Standards.

The Covid-19 underlying expenditure is £3.0m above budget, before contributions from reserves of £3.0m are applied to present a breakeven position. Uncertainty remains around the ongoing impact that Covid-19 will have on services and whether current activity levels are still part of recovery or are indeed the new-normal baseline going forward.

Details of the significant variance on the General Fund are shown below:

| Key Service (Division) | Variance | Summary | Detail |
|---|----------|---|---|
| Highway Asset Management (Roads & Footways), (Highways, Transportation & Waste) | +£1.4m | Shortfall in income and other minor variances | Reduction in fee income relating to managing the coordination and construction of the White Cliffs inland border facility near Dover, which will now be managed through DEFRA rather than the County Council (+£1.0m). This was a one-off target so has not been reflected in the 2022-23 budget build. |
| Kent Travel Saver (Highways, Transportation & Waste) | -£0.3m | Payments to operators lower than anticipated. | This is due to anticipated additional costs not materialising. |
| Public Protection (Enforcement) (Environment, Planning & Enforcement) | -£0.7m | Staffing, additional income and other minor variances. | Staffing vacancy management and several other minor variances including additional income within Trading Standards. Within this position are underspends totalling -£0.2m that the division would like to request to be rolled forward including -£0.1m relating to the Serious and Organised Crime pilot which has been delayed (this is funded from a roll forward from 2020/21 rather than base budget). |
| Highway Asset Management (Other), (Highways, Transportation & Waste) | -£1.0m | Additional income and other minor variances slightly offset by staffing overspends. | Additional permit and street works income (-£1.4m) plus volume and price savings in streetlights energy (-£0.4m), partially offset by overspends within drainage (+£0.6m) and soft landscaping costs (+£0.2m second weed spray). |
| Highways, Transport & Waste Management Costs & Commercial Operations (Highways, Transportation & Waste) | -£1.2m | Staffing, additional income and other minor variances. | Staffing vacancy management and several other minor variances including additional grant income within the Public Transport Business. |
| Waste Facilities & Recycling Centres (Highways, Transportation & Waste) | -£2.1m | Favourable recycling prices | Favourable prices relating to the material recycling facility and anaerobic digester contracts, as well as additional income for paper, card and metal (-£2.7m). This improved position has been reflected in the 2022-23 budget build. These savings are offset in part by pressures including one-off costs relating to new contracts in East Kent and some refurbishments at HWRCs (+£0.7m). |

Details of the Covid-19 forecast are shown here:

| Grant Category | Forecast | Explanation |
|--|----------|---|
| Covid-19 Allocation held corporately | £0.4m | |
| Forecast Real Spend | £5.4m | Primarily relates to the sustained increase in kerbside tonnes being presented at Waste Transfer Stations (including increased cost of haulage) (£3.7m overall), Helping Hands schemes within Economic Development (0.6m), provision for emergency mortuary provision (£0.4m) together with other minor costs within Coroners, Libraries, and Economic Development around backlogs and social distancing/self-isolating measures. The increase in kerbside waste tonnages has been reflected in the 2022-23 budget build as whilst linked to Covid, this appears to be the new baseline given more people are home-working and will continue to do so, so this represents a shift from commercial waste disposal to KCC waste disposal costs. |
| Underspends | (£13.4m) | Public Transport costs eligible for Government grant and a reduction in English National Concessionary Travel Scheme (ENCTS) journeys is the primary element. Other general underspends across the directorate due to homeworking and reduced activity. Reduced activity levels have been reflected in the 2022-23 budget build, on the assumption that this will be the budgeted level of usage going forward. The reduced activity for ENCTS and Kent Travel Saver (KTS) has been reflected in the 2022-23 budget as this is forecast to be the new baseline usage. |
| Loss of income | £2.9m | Income loss primarily relates to the Kent Travel Saver (less passes in issue), as well as reduced operations at Libraries, Registration and fewer Driver Awareness Courses with other minor income impacts across various services. |
| Unrealised savings | £0.1m | |
| Payments for undelivered variable fee services | £8.5m | Support to maintain financial stability, mainly in public transport (ENCTS and KTS), partially offset by Government grant. This is in line with the Government request to continue paying operators at budgeted levels, even if activity is lower than expected. |
| Total Covid-19 Forecast | £3.5m | |
| Covid-19 additional spend | £3.1m | (includes £0.4m allocation held corporately) |
| Contribution to/ (from) Reserves | (£3.1m) | |
| Revised Covid-19 position | £0.0m | |

| | Forecast Variance | | | | |
|---|-------------------|--------------------------|-------------------------------|-------------------------------|----------------|
| | Budget | Revenue Forecast Outturn | Net Revenue Forecast Variance | Last reported position (Sept) | Movement (+/-) |
| | £m | £m | £m | £m | £m |
| Infrastructure | 28.2 | 27.5 | (0.7) | (0.7) | 0 |
| Corporate Landlord | 25.3 | 24.9 | (0.4) | (0.5) | 0.1 |
| People & Communication | 13.7 | 13.6 | (0.1) | (0.1) | 0 |
| Finance | 12.3 | 12.4 | 0.1 | 0.1 | 0 |
| Strategic Commissioning | 7.3 | 6.8 | (0.5) | (0.1) | (0.4) |
| Governance, Law & Democracy | 6.9 | 7.1 | 0.2 | 0.2 | 0 |
| Strategy, Policy, Relationships & Corporate Assurance | 3.8 | 3.6 | (0.2) | 0.0 | (0.2) |
| Strategic Management & Directorate Budgets (S&CS) | (1.7) | (2.2) | (0.4) | (0.3) | (0.1) |
| Strategic & Corporate Services | 95.8 | 93.7 | (2.1) | (1.4) | (0.7) |

| | Budget | Revenue Forecast Outturn | Net Revenue Forecast Variance | Contribution to/(from) Reserves | Net impact on General Fund |
|-----------------------------------|------------|--------------------------|-------------------------------|---------------------------------|----------------------------|
| | £m | £m | £m | £m | £m |
| Covid-19 forecast position | 1.3 | 9.3 | 8.0 | (8.0) | 0.0 |

The Strategic & Corporate Services directorate is projected to underspend by -£2.1m excluding Covid. The directorate are requesting roll forwards totalling £0.1m. After roll forward requests the underspend is -£2.0m.

The £93.7m forecast includes a £4.0m net drawdown from reserves. The drawdowns include £2.8m for the Strategic Reset Programme, £1.8m to cover election costs, netted off by one-off contributions to reserves of £0.6m.

The Covid-19 underlying expenditure is +£8.0m (before contributions from reserves of £8.0m). Uncertainty remains around the ongoing impact Covid-19 will have on services.

Details of the significant variance on the General Fund are shown below:

| Key Service (Division) | Variance | Summary | Detail |
|------------------------|----------|--|--|
| Infrastructure | -£0.7m | Staff vacancies held whilst new structure is finalised | Underspend against staffing budgets in both Property and ICT services due to vacancies unfilled until new structure is agreed. One-off underspend -£91k on Kent Enterprise Partnership Shared Workspace project delayed start which will be the subject of a roll forward request. Unbudgeted income from school meals contract rebates related to prior years. Staffing underspend on emergency planning service due to the early delivery of a 2022-23 saving from ending the on-call payments scheme. |

| | | | |
|---|--------|---------------------------------------|---|
| Strategic Commissioning | -£0.5m | Additional new burdens Grant funding | Additional grant New Burdens funding for Domestic Violence Team; staff saving due to vacancy management; underspend on CIPS -£50k which will be subject to a roll forward request. Increased recharge to CYPE for Asylum commission work. |
| Strategic Management and Directorate Budgets | -£0.4m | Reduced early retirement costs | Due primarily to reduced early retirement costs and reduced spend on controllable budgets to offer an underspend. |
| Corporate Landlord | -£0.4m | Refunds due to business rates reviews | Reduced costs on business rates due to rates reviews. Review of open purchase orders leading to cancellation of accruals no longer needed. |
| Governance Law & Democracy | +£0.2m | Increased specialist fees | Mainly due to staffing in members services and specialist fees in General Counsel partially offset by additional appeals income. |
| Strategy Policy Relationships & Corporate Assurance | -£0.2m | Staff vacancies | Vacancy management within the policy team. |

Details of the Covid-19 forecast are shown here:

| Grant Category | Forecast | Explanation |
|--------------------------------------|--------------|--|
| Covid-19 Allocation held corporately | £1.3m | |
| Forecast Real spend | £9.8m | Council Tax and hardship fund support payments to district councils, part of the Helping Hands project. Crowd funding match funding, and Members' Local Covid Support Grants. Increased revenue contribution to capital because of delays to capital projects due to Covid-19. Additional ICT infrastructure to enable staff to work from home, such as laptops and licenses for A2K and Microsoft Teams, and mobile handheld devices. Call diversion costs on SIP exchange and early implementation of Microsoft E5 licences. Enhanced cleaning specification. Replacement chairs for Hybrid working. Additional staffing costs in Client Financial services. Costs of taking appropriate Covid secure measures in elections. |
| Underspends | (£1.6m) | Reduced costs for printing and copying with an offsetting reduction included in Loss of Income (below). There are savings on Total Facilities Management and utility costs due to some properties being closed for the early part of the year. |
| Loss of income | £1.1m | For Managed Print there is forecast reduced income with an offsetting cost saving in underspends (above). Forecast loss of rental income on various properties. |
| Total Covid-19 Forecast | £9.3m | |

| | |
|---------------------------|--------|
| Covid-19 additional spend | +£8.0m |
|---------------------------|--------|

| | |
|----------------------------|---------|
| Contribution from Reserves | (£8.0m) |
|----------------------------|---------|

| | |
|---------------------------|-------|
| Revised Covid-19 position | £0.0m |
|---------------------------|-------|

9 Non-Attributable Costs

General Fund forecast (£0.5m) underspend
Covid-19 forecast breakeven

| | Budget £m | Revenue Forecast Outturn £m | Forecast Variance | | Movement (+/-) £m |
|--|--------------|--------------------------------------|---------------------------------------|--|-------------------------|
| | | | Revenue Forecast Variance £m | Net Revenue Forecast Variance £m | |
| Non-Attributable Costs | 115.8 | 115.8 | 0.0 | 0.0 | 0.0 |
| Earmarked Budgets Held Corporately | 0.5 | 0.0 | (0.5) | (0.5) | 0.0 |
| Net Total incl provisional share of CHB | 116.3 | 115.8 | (0.5) | (0.5) | 0.0 |

| | Budget £m | Revenue Forecast Outturn £m | Net Revenue Forecast Variance £m | Contribution to/(from) Reserves £m | Net impact |
|-----------------------------------|--------------|--------------------------------------|--|---|--------------------------|
| | | | | | on General Fund £m |
| Covid-19 forecast position | 2.1 | 0.3 | (1.8) | 1.8 | 0.0 |

The Non-Attributable Costs are projected to be breakeven. The £115.8m forecast includes a net contribution to reserves of £11.1m. The main contributions are £5.5m relating to the expected return from our wholly owned subsidiaries, £3.5m estimated business rate levy which will be transferred to reserves as per the Reserves Review and £1.9m due to MRP recalculation. There are other smaller contributions linked to retained business rates levy and the Insurance Fund. In addition, there is a drawdown of £1.1m to fund the shortfall in S31 grant for Covid related Business Rate reliefs.

There is an underlying Covid-19 projected spend less than budget of (£1.8m). Uncertainty remains around the ongoing impact Covid-19 will have on services. At year-end any underspend will be transferred to reserves.

Details of the significant variances on the General Fund are shown below:

| Key Service (Division) | Variance | Summary | Detail |
|------------------------|----------|------------------------------------|--|
| Non-Attributable Costs | £0.0m | Compensating under and overspends. | <p>There are a number of compensating under and overspends, of which the main variances are:</p> <ul style="list-style-type: none"> +£0.9m reduction in Council Tax Income Guarantee (TIG) compared to the budget assumption. +£0.8m net shortfall in compensation for 2020-21 covid related losses of sales, fees and charges compared to the accrual in the 2020-21 accounts and estimated compensation losses in the first quarter of 2021-22. -£0.7m Business Rates TIG that had not been reflected in the budget due to the timing of information. -£0.5m increase in Extended Rights to Free Travel grant. -£0.3m underspend on net debt costs. |

Details of the Covid-19 forecast are shown here:

| Grant Category | Forecast | Explanation |
|--|----------------|---------------------------|
| Covid-19 Allocation held corporately | £2.1m | |
| Loss of income | £0.3m | Loss of investment income |
| Total Covid-19 Forecast | £0.3m | |
| Covid-19 spend less than budget | (£1.8m) | |
| Contribution to Reserves | £1.8m | |
| Revised Covid-19 position | £0.0m | |

The latest forecast for the Schools' Delegated Budget reserves is a surplus of £56.1m on individual maintained school balances, and a deficit on the central schools' reserve of £105.1m.

The balances of individual schools cannot be used to offset the overspend on the central schools reserves and therefore should be viewed separately. The table below provides the detailed movements on each reserve.

The Central Schools Reserve holds the balance of any over or underspend relating to the Dedicated Schools Grant (DSG). This is a specific ring-fenced grant payable to local authorities to support the schools' budget. It is split into four main funding blocks, schools, early years, high needs and central, each with a different purpose and specific rules attached. The Council is required to hold any under or overspend relating to this grant in a specific reserve and is expected to deal with any surplus or deficits through future years' spending plans.

| | Individual School Reserves | Central Schools Reserve | <i>Note: a negative figure indicates a drawdown from reserves/deficit</i> |
|--|----------------------------------|-------------------------------|---|
| Balance brought forward | 56.0 | -51.0 | |
| Forecast movement in reserves: | | | |
| Academy conversions and closing school deficits | 0.1 | | |
| School Block Related Spend | | -11.7 | |
| High Needs Placements, Support & Inclusion Fund | | -42.9 | |
| Underspend on Early Years | | 0.6 | |
| Overspend on Central DSG Budgets | | -0.1 | |
| Forecast reserve balance | 56.1 | -105.1 | |

In accordance with the statutory override implemented by the Ministry of Housing, Communities & Local Government (MHCLG) during 2020-21, and in line with the Department for Education (DfE) advice that local authorities are not expected to repay deficits on the DSG from the General Fund and can only do so with Secretary of State approval, the central DSG deficit of £105m will be held in a separate unusable reserve from the main council reserves. This statutory override is expected to be in place until April 2023 whilst Councils implement recovery plans. The Council continues to work with the Schools Funding Forum to set out the challenge and agree a plan to address the deficit. The Department for Education has made contact to discuss the detail of our plan and next steps as to how we will address the deficit. The DSG deficit is the Council's single biggest financial risk; therefore the finalisation and successful implementation of the Council's deficit recovery plan is critical. This plan will be influenced by the long awaited outcome of the national review of SEND that is expected to be published in late Spring.

| Key Issues | Details |
|---|--|
| School Block: One-off Settlement | <p>The DSG Reserve as at 31st March 2021 of £51m is formed from a net surplus on the Schools Block of £11m and a net deficit on the High Needs block of £62m. The two blocks of funding have different purposes and rules and Secretary of State Approval is needed to transfer funding from the schools block to other funding blocks. The Schools Block funds primary and secondary schools' budgets, and the accumulated balance from previous years underspend of £11m, has been fully committed to be paid to schools in 2021-22, as a one-off additional payment to support the cost of changes to the calculation of pay for term time only staff.</p> |
| Early Years: general underspend | <p>The Early Years Block is used to fund early years' providers the free entitlement for eligible two, three and four-year olds. Each year, when setting the funding rate an estimate must be made as to likely hours that will be provided to ensure it is affordable within the grant provided. This can lead to minor under or overspends if activity is slightly lower or higher than expected. This has led to an underspend of £0.6m, which will be used to offset 20-21 overspend on this grant.</p> |
| Reduction in government funding for Central Services | <p>Since 2020-21, the Government has reduced the funding used to support some of the central services currently funded from the DSG (£2.5m). In the short-term this has been addressed through the Medium-Term Financial Plan (£1.8m) without any direct impact to schools; however, during the next year we will need to review our relationship with schools in line with Government policy and funding and implement changes that will eliminate the funding shortfall.</p> |
| Higher demand and higher cost for high needs placements | <p>The High Needs Block (HNB) is intended to support the educational attainment of children and young people with special educational needs and disabilities (SEND) and pupils attending alternative education provision. The HNB funds payments to maintained schools and academies (both mainstream and special), independent schools, further education colleges, specialist independent providers and pupil referral units. Some of the HNB is also retained by KCC to support some SEND services (staffing/centrally commissioned services) and overheads.</p> <p>The net deficit on the high needs block was £62m as at 31st March 2021 and is estimated to increase to over £105m by 31st March 2022. The overspend on the high needs block has been growing significantly over recent years and is the most significant financial risk to the council.</p> <p>The forecast in-year funding shortfall for High Needs placements and support in 21-22 is +£49m due to a combination of both higher demand for additional SEN support and higher cost per child resulting from greater demand for more specialist provision. The levels of growth are similar to previous years, since the introduction of the legislative changes in 2014, which also saw the expansion of duties to the age of 25 without sufficient extra funding. However, the increases locally are increasing at a faster rate than the other comparative councils and the council is now placing a greater proportion of children in both special and independent schools compared to other local authorities, and a smaller proportion of children with SEND included in mainstream schools. The tables below detail the trend in both spend and number of HNB funded places or additional support across the main placement types. In 2021-22 this pressure is being partially offset by a one-off underspend on activities to support inclusive practices in mainstream schools (-£9m).</p> |

Work has been underway to establish how this fund should be used but activity in relation to this programme of spend did not start until September 2021 due to Covid-19 related delays.

Table: Total Spend on High Needs Block by main spend type

| | 18-19 £'ms | 19-20 £'ms | 20-21 £'ms | 21-22 £'ms |
|---|---------------|---------------|---------------|---------------|
| Maintained Special School | 87 | 97 | 106 | 124 |
| Independent Schools | 36 | 40 | 49 | 61 |
| Mainstream Individual Support & SRP* ** | 31 | 38 | 46 | 54 |
| Post 16 institutions*** | 16 | 16 | 17 | 19 |
| Other SEN Support Services | 42 | 44 | 49 | 50 |
| Total Spend | 212 | 234 | 264 | 308 |

*Specialist Resource Provision

** Please note this data excludes any costs incurred by primary & secondary schools from their own school budget.

***Individual support for students at FE College and Specialist Provision Institutions (SPIs)

Table: Average number of HNB funded pupils receiving individualised SEN Support/placements. This is not the total number of children with SEN or number of EHCPs.

| | 18-19 No | 19-20 No | 20-21 No | 21-22 No |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Maintained Special School | 4,349 | 4,751 | 5,118 | 5,587 |
| Independent Schools | 796 | 907 | 1,126 | 1,360 |
| Mainstream Individual Support & SRP* | 3,278 | 39,22 | 4,510 | 5,297 |
| Post 16 institutions*** | 1,046 | 1,196 | 1,281 | 1,451 |
| Total Number of Pupils | 9,468 | 10,776 | 12,035 | 13,695 |

Table: Average cost of HNB funded pupils receiving individualised SEN Support or placement cost.

| | 18-19 £s per pupil | 19-20 £s per pupil | 20-21 £s per pupil | 21-22 £s per pupil |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Maintained Special School | £20,010 | £20,330 | £20,629 | £21,693 |
| Independent Schools | £44,871 | £43,851 | £43,734 | £44,853 |
| Mainstream Individual Support & SRP* ** | £9,461 | £9,691 | £10,294 | £10,113 |
| Post 16 institutions*** | £15,723 | £13,393 | £13,309 | £13,241 |

The Government has launched a major review into support for children with SEN; however, the outcome has been delayed again and is not expected until Spring 2022. In the interim, further funding is being provided; however, as can be seen from the forecast, this has been insufficient to meet the demand and Kent will need to take further actions to ensure we are able to support children with SEN sustainably, in partnership with the Schools Funding Forum.

The Written Statement of Action (WSOA), put in place to address a number of areas of concern raised in the 2019 Ofsted/CQC Local Area SEND Inspection, overlaps in a number of places with our strategy for reducing the pressure on the High Needs budget which includes:

- Reviewing our commissioning strategy for SEN provision across the county including supporting the development of new special schools and Specialist Resource Provisions to reduce our increasing reliance on independent schools including the opening of two new special schools last year which when fully opened will avoid over 350 higher cost placements.
- Reviewing commissioning arrangements including independent providers, home tuition and therapy services.
- Improving parental confidence through supporting inclusive practice and capacity building in mainstream schools to reduce reliance on special and independent schools. This will support the Local Authorities ambition set out in the recent report presented to Cabinet in January setting out the Local Authorities intention to support a model of provision where the proportion of children and young people supported in each provision type (mainstream and specialist provision) will move more closely reflect both statistical neighbours and national averages.
- Further collaborative working with Health and Social Care partners

Work is progressing; however, progress has been slower/paused/stopped due to the Covid-19 pandemic. There are also wider concerns on the longer-term impact of children being out of school during the last year on this budget. However, we are unlikely to know the full impact of the pandemic until 2022-23.

| Directorate | 21-22 Target £m | Previous year saving delivered in 2021- 22 £m | Not achieved in 2021- 22 £m | Saving no longer required £m | Not Deliverable £m | Over Recovery £m | Forecast Savings 2021-22 £m |
|------------------------------------|-----------------------|---|---|--|--------------------------|------------------------|--------------------------------------|
| Adult Social Care & Health | 13.0 | | (5.0) | | | | 8.0 |
| Public Health | 4.7 | | | (1.2) | | | 3.5 |
| Children, Young People & Education | 5.9 | 2.2 | (5.9) | | | | 2.2 |
| Growth, Environment & Transport | 8.5 | | (0.4) | | (1.0) | | 7.1 |
| Strategic & Corporate Services | 1.4 | | | | | | 1.4 |
| Non Attributable Costs | 5.9 | | | | | 2.2 | 8.1 |
| Total | 39.4 | 2.2 | (11.3) | (1.2) | (1.0) | 2.2 | 30.3 |

The savings target for 2021/22 is £39.4m with £30.3m forecast to be achieved.

- £28.1m of the £39.4m 2021/22 savings are on track to be delivered.
- CYPE have identified a saving of £2.2m in relation to the previous year's savings. This brings the total forecast saving to £30.3m in 2021/22
- A net position of £11.3m is forecast for ASCH, CYPE and GET as not achieved in 2021/22 and will slip into future years due to timing issues;
- £1.4m has been identified by GET as undeliverable in 2021/22, with £0.3m of this due to Covid and this element has been funded from the Covid grant. £1m is due to a one-off management fee income target that is no longer deliverable;
- The Public Health grant announcement in March 2021, which was after the 2021/22 budget was set, means that £1.2m of the budgeted savings are no longer required;
- The S&CS budget savings for 2021-22 are £1.4m and are on track to be delivered;
- The NAC overachieved saving is due to MRP underspend and reduction in debt charges.

Explanation of the Directorate Savings variances are shown below:

| | | |
|------|---|--|
| 11.1 | The ASCH budget savings for 2021-22 are £13.0m of which £8.0m is identified as being on track to be delivered and £5.0m forecast to slip into future years. | The slippage is due to delays in delivering the service redesign because of the immense pressure on the service due to the COVID pandemic, both in terms of increased demand and people with more complex needs requiring support. In addition, there are severe pressures in the social care market especially relating to workforce capacity, meaning that it has been more difficult for some of the proposed new ways to commission and arrange support to be delivered in the original time frames. |
|------|---|--|

| | |
|--|---|
| 11.2 The CYPE budget savings for 2021-22 £5.9m plus a £2.2m previous year saving. £2.2m has been identified as on track to be achieved and the remaining £5.9m has been slipped into future years. | CYPE budget savings for 2021/22 were set at £5.9m and £2.2m of a prior year savings target has been added to the 2021/22 target, a total of £8.1m. £2.2m is forecast to be achieved this year, of which £1.3m relates to the 2021/22 savings and £0.9m relates to the prior year savings target. |
| | The remaining £5.9m savings has been slipped into future years and is due to: |
| | <ul style="list-style-type: none">• the restructure and retender of SEN transport network not being delivered until 2022/23 due to delays in re-procurement.• efficiency savings to offset the anticipated 20% annual reduction in Dedicated Schools Grant: Central Services for Schools Block has not been achieved and is to be considered as part of a wider review of the DSG and services currently paid for on behalf of the schools.• £2.1m of CFKC savings has been slipped to future years where COVID has continued to delay delivery. |
| 11.3 The GET budget savings for 2021/22 are £8.5m, of which £7.1m is identified as being on track to be delivered and £1.4m has been identified as undeliverable in the current year. | Of this £1.4m shortfall, £0.3m has been funded from the Covid grant. The key challenge for the remaining £1.1m shortfall is a forecast under-recovery (£1.0m) of the £2m management fee income target relating to works delivered on behalf of Government. The second of the two key projects will now be commissioned directly and therefore KCC will not benefit from the income from managing and coordinating the contract/works. Despite this significant shortfall in one-off income target, hence no impact on future years' budgets, the directorate overall is forecasting a net underspend. |
| 11.4 The NAC budget savings for 2020-21 are £5.9m with £8.1m forecast to be achieved. | Of the £2.2m over achievement, £1.9m relates to additional Minimum Revenue Provision (MRP) saving due to fewer assets becoming operational in 2020-21 due to slippage in the programme, but this is simply re-phasing of MRP into future years. In addition, there is a reduction in PWLB borrowing costs due to using cash balances or short-term borrowing to fund capital expenditure. |

| Directorate | Capital Budget | Variance excl. Covid-19 | Real Variance | Rephasing Variance | Covid-19 Forecast |
|------------------------------------|----------------|-------------------------|---------------|--------------------|-------------------|
| Adult Social Care & Health | 3.7 | -3.1 | -0.2 | -2.9 | 0.0 |
| Children, Young People & Education | 163.1 | -85.5 | -24.0 | -61.5 | 3.5 |
| Growth, Environment & Transport | 288.6 | -49.6 | 26.0 | -75.6 | 0.1 |
| Strategic & Corporate Services | 24.9 | -6.1 | 0.2 | -6.3 | 0.8 |
| TOTAL | 480.3 | -144.3 | 2.0 | -146.3 | 4.4 |

The total approved General Fund capital programme in 2021/22 is £480.3m. This includes a total of £58.3m slippage rolled forward from the previous year.

The current estimated capital programme spend for the year is forecast at £336.0m (excluding covid), which represents 70.0% of the approved budget. The spend to date is £238.9m, representing 49.7% of the total approved budget.

The directorates are projecting a -£144.3m underspend against the budget, this is split between a +£2.0m real variance and -£146.3m re-phasing variance.

The major variances (>£0.1m real variances and >£1.0m rephasing variances) are described below. Previously reported variances are shown in italics:

Adult Social Care & Health:

| Project | Real Variance £m | Rephasing Variance £m | Detail |
|---------|---------------------|--------------------------|--------|
|---------|---------------------|--------------------------|--------|

New variances to report:

No new variances to report

Previously Reported Variances:

Learning Disability Good Day Programme

-1.8

All projects within this programme are on hold pending review. Previously reported -£1.6m.

Children, Young People & Education:

| Project | Real Variance £m | Rephasing Variance £m | Detail |
|---|------------------------|-----------------------------|--|
| <u>New Variances to Report:</u> | | | |
| Annual Planned Enhancement Programme | +0.9 | -2.4 | The real variance reflects schemes to be completed under the Decarbonisation Fund, for which there is additional funding (+£1.2m), and -£0.25m grant to be vired to the High Needs Provision budget. The rephasing is due to delays on projects across the programme due to covid. |
| Basic Need Kent Commissioning Plan 2016 | -1.3 | | The main projects making up the real underspend are as follows: -£1.635m Wilmington Grammar, due to an additional contribution of Condition Improvement Funding (CIF). +£0.491m Wilmington Academy, due to additional highways works. +£0.107m Seal Primary due to retention that was previously excluded from the forecast. -£0.180m Sellindge Primary, final costs are less than expected. -£0.120m Harrietsham Primary, project complete with final costs less than expected. |
| Basic Need Kent Commissioning Plan 2017 | -22.9 | -18.8 | The real variance is due to: -£19.0m Park Crescent Academy due to the project no longer progressing. -£1.2m savings due to 3 projects completing early. +£0.2m Canterbury Academy, due to original budget allocation being incorrect. -£0.2m St Gregory's – project is complete. Costs were negotiated due to variations added without approval. -£0.2m River Mill – project was completed by the DfE. The rephasing variance is due to: -£5.2m Meopham School, delays due to a highways planning objection, redesign required and re-submission for planning approval. -£3.8m Thamesview School, school not now required until 2023. -£3.5m SEN satellite required in West Kent, site to be determined. -£3.5m Beacon Satellite, commercial strategy with procurement has led to delays in obtaining approval. -£1.8m Ursuline College, rephasing due to design clarifications required. -£1.0m Westlands – this is a school managed project. |

| | | | |
|---|------|-------|--|
| Basic Need Kent Commissioning Plan 2018 | -0.1 | -14.8 | <p>Rephasing is due to:</p> <ul style="list-style-type: none"> +£1.7m Sevenoaks Selective School – early completion on the main project. -£5.2m Gravesend Grammar School, first design has been rejected and a redesign is required. -£4.0m Simon Langton Boys School, rephasing due to planning issues. -£3.7m The Abbey School, although internal works have been completed during the summer of 2021, the main scheme has been deferred until next year. -£2.9m Dartford Bridge Primary, project rephased as it is not now required until a later year. -£0.6m Garlinge Primary, rephasing due to a change to the location of the expansion. |
| Basic Need Kent Commissioning Plan 2019 | 0.1 | -14.2 | <p>Rephasing is due to:</p> <ul style="list-style-type: none"> -£3.6m Wrotham School, rephasing pending confirmation of a CIF bid. -£3.1m Chilmington Green Secondary – the agreement required to forward fund the early works has been delayed. -£2.4m Invicta Grammar, rephasing pending funding agreement with the school. -£1.7m Queen Elizabeth’s Grammar, rephasing due to feasibilities being re-done. -£1.4m Nexus, rephasing due to feasibility studies taking longer than anticipated due to site constraints. -£0.9m Borden Grammar – project is still in design stage, and abnormalities have been identified. -£0.8m Maidstone Grammar – project has been pushed back to 2023. |
| Basic Need Kent Commissioning Plan 2021-25 | -2.5 | -5.5 | <p>Real variance is due to:</p> <p>A project has been removed from this line as it is included within an earlier KCP (-£4.3m). There is forecast spend on early feasibilities for projects which are expected to go ahead in future years which has reduced this underspend to -£2.5m.</p> <p>Rephasing is due to:</p> <ul style="list-style-type: none"> -£3.5m the Abbey School, subsequent phase of this project has been deferred. -£0.6m St Peters Primary, Aylesford – due to a delay in receiving a formal instruction to proceed. -£0.5m Dover Christ Church Academy – the project has been pushed back to 2022-23. -£0.4m Guston CEPS – the project has been pushed back to 2022-23. -£0.4m St Mary of Charity – a change of headteacher has required a revised feasibility. |

| | | | |
|---------------------------------------|-----|------|---|
| Overall Basic Need Programmes | | | Over the life of the Basic Need Programmes there is currently a forecast overspend of £5.2m. This is being carefully monitored and funding streams such as developer contributions are being sought to reduce the overall pressure. All projects follow specification BB103 and BB104 and value engineering is undertaken to ensure best value. |
| High Needs Provision | 0.3 | -1.3 | Real variance is due to a virement from Annual Planned Enhancement programme. |
| <i>Previously Reported Variances:</i> | | | |
| Annual Planned Enhancement Programme | 0.2 | -1.6 | The rephasing is due to delays on projects across the programme due to covid. |
| Barton Court Academy Free School | | +1.5 | This is a Department for Education (DfE) project being managed by KCC. The project is now progressing well and is ahead of schedule. |
| School Roofs | | -4.3 | The works on Birchington Primary will now be completed in summer 2022. Previously reported -£4.2m |
| Priority School Build Programme | 0.4 | | Real variance is due to: +£0.1m contribution from Annual Planned Enhancement Programme (cash limit change requested). The remaining overspend is to be funded from additional grant. |
| Nest 2 | | -1.5 | The project is still at discussion/planning stage hence the rephasing. |

Growth, Environment & Transport:

| Project | Real Variance £m | Rephasing Variance £m | Detail |
|--|------------------------|-----------------------------|--|
| <u>New Variances to Report:</u> | | | |
| Highway Major Enhancement (Highways, Transportation & Waste) | | -17.9 | The works on the Thanet Way cannot be undertaken until the start of 2022-23 due to COVID recovery of businesses and lack of road space during the period of recovery. There have also been delays to the works on structures/tunnels and lighting due to both internal and external resource shortages. These are both grant funded projects. The remainder of asset management works will be completed in the early part of the new financial year. |
| Government Transition Works (Highways, Transportation & Waste) | 16.5 | | This project is fully grant funded from the Department for Transport who have requested further works at the Ashford Sevington site. Additional grant funding is being claimed to cover these works. <i>(Previously reported +£19.6m).</i> |
| Dover Inter Border Facility (Highways, Transportation & Waste) | +£4.6m | | The project is fully grant funded, initially from the Department of Transport, and now from Department for Environment, Food and Rural Affairs (Defra) for the remainder of the works. <i>(Previously reported -£3.0m).</i> |
| Tunbridge Wells Junction Improvements (Highways, Transportation and Waste) | -0.2 | | The scheme is now complete and the funding being reduced accordingly. <i>(Previously reported -£0.6m).</i> |
| Dartford Town Centre (Highways, Transportation & Waste) | | -3.2 | This project is delayed due to COVID resulting in contracting and procurement delays. |
| Faversham Swing Bridge (Highways, Transportation & Waste) | | -1.2 | The outline design on this project has been progressed but there are delays with the engagement of partners therefore the budget has been rephased to 22/23. |
| Decarbonisation Fund –Solar Farms (Environment, Planning & Enforcement) | +2.9 | | The Kings Hill Solar Farm project is now underway. The real variance is due to the funding not yet being reflected in the budget. The project is expected to be funded from the decarbonisation fund grant and climate change fund. <i>(Previously reported +£0.2m).</i> |

Previously reported variances:

| | | |
|---|-------|---|
| Thanet Parkway (Environment, Planning & Enforcement) | 8.8 | Phasing of the scheme has been brought forward in line with latest project plans. The overall cost of the scheme has increased due to Network Rail cost increases and higher than expected costs for the level crossings. Alternative funding is being sought and will be closely monitored. (Previously reported +£6.4m). |
| Public Rights of Way (Environment, Planning & Enforcement) | 0.4 | Additional schemes have been added for which additional grant and external funding is expected. |
| Kent Scientific Services Equipment & Vehicles (Environment, Planning & Enforcement) | 0.4 | Purchase of new equipment and a vehicle to be funded from revenue. |
| Leigh Flood Storage Areas (Environment, Planning & Enforcement) | -1.5 | The rephasing is due to awaiting the decision from the Secretary of State on this scheme following a public enquiry earlier this year. |
| Digital Autopsy (Environment, Planning & Enforcement) | -2.2 | Delivery of this project has been pushed back due to delays in the procurement of the digital autopsy provider as the revenue and capital elements of the scheme are inter-linked. |
| Kent Thameside Strategic Transport Programme (Highways, Transportation and Waste) | -5.0 | There has been a delay to the Thames Way project due to the designation of a "site of specific scientific interest" of the Swanscombe peninsular and Ebbsfleet Central area. |
| Maidstone Integrated Transport (Highways, Transportation and Waste) | -3.4 | The rephasing is due to various planning issues and amendments to the programme. A full overhaul of the programme and spend profile is currently underway. |
| Market Square, Dover (Highways, Transportation and Waste) | -1.1 | Dover District Council have agreed to increase their contribution by £0.7m which is now required in 2022-23. The delays on the project are due to more extensive archaeology surveys being required. (Previously reported +£0.7m real and -£1.6m rephasing). |
| Fastrack Full Network – Bean Road Tunnels (Highways, Transportation and Waste) | -10.0 | The construction start has been delayed due to the design being more challenging than originally expected. Construction will now start at the end of 2022. (Previously reported -£9.4m). |

| | | |
|---|------|---|
| <i>Housing Infrastructure Fund – Swale (Highways, Transportation and Waste)</i> | -5.0 | <i>Spend was reprofiled to reduce KCC liability and risk in year 20-21, with a knock-on effect of delays on the programme through planning and construction. Although a funding agreement has been signed with Homes England this is conditional on the M2 Junction 5 project being delivered by Highways England coming forward. An extension to the funding agreement has been accepted by Homes England with funding extension granted until June 2024. This scheme is grant funded. (Previously reported -£4.4m).</i> |
| <i>Herne Relief Road (Highways, Transportation and Waste)</i> | -1.9 | <i>The rephasing is due to planning delays and delays securing the land agreements which are now in place. (Previously reported -£2.0m).</i> |
| <i>Kent Strategic Congestion Management (Highways, Transportation and Waste)</i> | 0.9 | <i>The A2/A251 priority junction scheme was added to this project within the Local Growth Fund programme in 20/21 following approval by KMEP and SELEP Boards. It aims to make improvements to the junction capacity and promote journey time improvements through the signalisation of the junction. The real variance is the external funding that has been received into the programme and which is required to complete this scheme. (Previously reported +£0.9m).</i> |
| <i>National Productivity Investment Fund – Kent Medical Campus (Highways, Transportation and Waste)</i> | -4.6 | <i>There is a delay in commencing the construction works caused by delays of two planning applications that are now expected to go to the committees in February 22. Works are expected to start in April 22 and take about a year to complete. (Previously reported -£3.7m).</i> |
| <i>Sturry Link Road (Highways, Transportation & Waste)</i> | -6.0 | <i>The project has been delayed by approximately 6 months due to waiting for planning permission, which has now been granted. (Previously reported -£6.0m).</i> |
| <i>Green Corridors (Highways, Transportation and Waste)</i> | -3.0 | <i>The programme is just getting started and some stages will not begin until 22-23. (Previously reported -£2.4m).</i> |
| <i>A2 Off Slip Wincheap, Canterbury (Highways, Transportation and Waste)</i> | -1.5 | <i>All budgets rephased to future years as the Homes England bid was not successful but alternative funding is being sought.</i> |
| <i>Trees Outside Woodlands (Highways, Transportation & Waste)</i> | 0.1 | <i>The project is funded by the Department for Environment, Food and Rural Affairs (DEFRA) and the real variance reflects expected funding; the cash limits for which will be amended once funding is received. (Previously reported £0.1m real).</i> |
| <i>Javelin Way Development (Economic Development)</i> | 0.1 | <i>To be funded by additional external funding.</i> |

| | | | |
|--|------|------|---|
| <i>Marsh Million (Economic Development)</i> | -0.3 | | <i>The project has come to an end. It is proposed that this will be transferred to the No Use Empty budget line and will be prioritised for spend on projects within the Romney Marsh area.</i> |
| <i>Kent Empty Property Initiative (Economic Development)</i> | +0.5 | | <i>Additional external funding received. (Previously reported +£0.9m)</i> |
| <i>Kent & Medway Business Fund (Economic Development)</i> | 2.2 | -9.4 | <i>Real variance is due to transfer from the Recovery Loan Fund and the Capital Growth Fund, both of which have come to an end. Rephasing variance is due to funds not being able to be defrayed in the current environment and due to availability of other grant and loan schemes during the pandemic. (Previously reported -£8.6m).</i> |
| <i>Kent & Medway Business Fund – Recovery Loan Fund (Economic Development)</i> | -1.2 | | <i>Transferred back to the Kent and Medway Business Fund as this fund has come to an end.</i> |
| <i>Kent & Medway Business Fund – Capital Growth (Economic Development)</i> | -1.0 | | <i>Transferred back to the Kent and Medway Business Fund as this fund has come to an end.</i> |
| <i>Innovation Investment Initiative (i3) (Economic Development)</i> | | -2.6 | <i>The rephasing reflects that there is unlikely to be another application round during this financial year due to time constraints and the focus on the Kent & Medway Business Fund Scheme. (Previously reported -£2.0m).</i> |

Strategic & Corporate Services:

| Project | Real Variance £m | Rephasing Variance £m | Detail |
|---------------------------------------|------------------------|-----------------------------|--|
| <u>New variances to report:</u> | | | |
| Modernisation of Assets | 0.2 | -2.7 | Real variance is due to additional funding available. Rephasing is due to delays caused by covid. |
| <u>Previously reported variances:</u> | | | |
| Dover Discovery Centre | | -1.9 | Rephasing due to planning risk which could delay the project. (Previously reported -£1.5m). |
| Live Margate | | -1.7 | The actual plots of the surplus properties on the Royal School for the Deaf site are still being confirmed, therefore the majority of the Live Margate acquisition and development costs are now expected to be incurred in 22-23. |

13 Capital Budget Changes

Cabinet is asked to note the following changes to the Capital Budget:

| Project | Year | Amount (£m) | Reason |
|---|-------|----------------|--|
| Government Transition Works (GET) | 21-22 | 16.466 | Additional DfT grant to fund works at Sevington. |
| Dover Inter Border Facility (GET) | 21-22 | 1.127 3.485 | Additional revenue contribution to the scheme. Additional grant funding for the scheme. |
| Tunbridge Wells Junction Improvements A26 (GET) | 21-22 | -0.166 | Reduction of developer contributions as the scheme has come to an end. |

Cabinet is asked to approve the following changes:

| Project | Year | Amount (£m) | Reason |
|---|-------|-------------|--|
| Annual Planned Enhancement Programme (CYPE) | 21-22 | -0.250 | Transfer of high needs grant to the High Needs budget line. |
| High Needs Provision | 21-22 | +0.250 | Transfer of grant from the Annual Planned Enhancement Programme. |

14 Treasury Management Monitoring

Treasury management relates to the management of the Council's debt portfolio (accumulated borrowing to fund previous and current capital infrastructure investments) and investments of cash balances. The Council has a comparatively high level of very long-term debt, a significant proportion of which was undertaken through the previous supported borrowing regime. The Council's policy now is to minimise borrowing as far as possible given the impact on revenue.

14.1 Total external debt outstanding in December was £828.52m down by £25.21m since 31st March 2021

KCC debt includes £428.28m of borrowing from the Public Works Loans Board (PWLB). The vast majority is maturity debt (debt is only repaid upon maturity) at a fixed rate of interest. The average length to maturity of PWLB debt is 15.93 years at an average interest rate of 4.69%.

Outstanding loans from banks amount to £291.8m. This is also at fixed term rates with average length to maturity of 36.76 years at an average interest rate of 4.4%.

The council has £90m of Lender Option Borrower Option (LOBO) loans. These loans can only be renegotiated should the lender propose an increase in interest rates. The average length to maturity of LOBO loans is 42.13 years at an average interest rate of 4.15%.

The balance of debt relates to loans from Salix Finance for LED streetlighting programme. The outstanding balance is £18.45m with average of 10.7 years to maturity at an average rate of 1.51%.

KCC's principal objective for borrowing is to achieve an appropriately low risk balance between securing low interest rates and certainty of financing costs. This is achieved by seeking to fund capital spending from internal resources and short-term borrowing, only considering external long-term borrowing at advantageous interest rates. The Council's policy is now to minimise borrowing as far as possible given the impact on revenue.

14.2 Majority is long term debt with 12.76% due to mature within 5 years

Maturity 0 to 5 years £105.74m (12.76%)
Maturity 5 to 10 years is minimal
Maturity 10 to 20 years £215.17m (25.97%)
Maturity over 20 years £507.6m (61.27%)

14.3 Total cash balance at end of December was £507m, up by £4m from the end of November but down by £90m from the end of September

Cash balances accrue from the council's reserves and timing differences between the receipt of grants and other income and expenditure. Balances are forecast to decline throughout the remainder of the year to £479m (£18m less than the same balance as at 31st March 2021)

14.4 Cash balances are invested in a range of short-term, medium term and long term deposits

Investments are made in accordance with the Treasury Management Strategy agreed by full Council alongside the revenue and capital budgets. The treasury strategy represents a prudent approach to achieve an appropriate balance between risk, liquidity and return, minimising the risk of incurring losses on the sum invested. Longer term investments aim to achieve a rate of return equal or exceeding prevailing inflation rates.

Short term deposits (same day availability) are held in bank accounts and money market funds. Current balances in short-term deposits in December were £124.9m (24.5% of cash balances). Short-term deposits enable the Council to manage liquidity. Bank accounts and money market funds are currently earning an average rate of return of 0.07%.

Deposits are made through the Debt Management Office (an executive agency responsible for debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds). As at December the Council had £69m in DMO deposits and a further £7m in government bonds. In total these deposits represent 14.9% of cash investments with an average rate of return of 0.06%.

Loans to other local authorities now total £11m achieving an average rate of return of 0.04%. Since the end of March 2021 £40m of loans have been allowed to mature and not renewed. Each request to borrow or to renew an existing loan is assessed in terms of our own cashflow requirements and within our effective lending policies and procedures.

Medium term deposits include covered bonds, a form of secured bond issued by a financial institution that is backed by mortgages or public sector loans. In the UK the covered bond programmes are supervised by the Financial Conduct Authority (FCA). King and Shaxson acts as the Council's broker and custodian for its bond portfolio. Currently the Council has £96m invested in covered bonds earning an average rate of return of 0.45%.

The Council has lent £13.2m through the No Use Empty Loans programme which achieve a return of 1.5% that is available to fund general services. This total includes £7.6m of loans made since March.

Long term investments are made through Strategic Pooled Funds. These include a variety of UK and Global Equity Funds, Multi Asset Funds and Property Funds. In total the Council has £187.2m invested in pooled funds (36.7% of cash balances). These funds have earned a total of £34.6m since investment at an average annual rate of 4.14%. Returns on pooled funds can be volatile.

14 Treasury Management Monitoring

| | | |
|------|---------------------------------|---|
| 14.5 | Treasury Management Advice | The Council secures external specialist treasury management advice from Arlingclose. They advise on the overall strategy as well as borrowing options and investment opportunities. Arlingclose provide regular performance monitoring reports. |
| 14.6 | Quarterly and Bi-annual reports | A fuller report is presented to Governance and Audit Committee on a regular quarterly basis. A report on treasury performance is reported twice a year to full Council. |

Appendix 1 - Key Service Summary as at December 2021-22

| | Revenue Budget £m | Variance excl. Covid- 19 £m | Covid-19 Forecast £m | Variance incl. Covid-19 £m |
|--|-------------------------|--------------------------------------|----------------------------|----------------------------------|
| Community Based Preventative Services | 17.2 | (0.7) | 1.6 | 0.9 |
| Housing Related Support | 6.9 | 0.1 | 0.0 | 0.1 |
| Statutory and Policy Support | 1.2 | 0.2 | 0.0 | 0.2 |
| Strategic Management & Directorate Support (ASCH) | 4.5 | (1.8) | 1.0 | (0.8) |
| Social Support for Carers | 3.1 | 0.4 | 0.0 | 0.4 |
| Partnership Support Services | 0.0 | 0.0 | 0.0 | 0.0 |
| Strategic Safeguarding | 0.5 | 0.0 | 0.0 | 0.0 |
| Strategic Management & Directorate Budgets | 33.4 | (1.8) | 2.6 | 0.7 |
| Public Health - Advice and Other Staffing | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Health - Children's Programme | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Health - Healthy Lifestyles | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Health - Mental Health, Substance Misuse & Community Safety | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Health - Sexual Health | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Health | 0.1 | 0.0 | 0.0 | 0.0 |
| Adult In House Carer Services | 2.6 | 0.0 | 0.0 | 0.0 |
| Adult In House Community Services | 6.9 | (0.9) | 0.0 | (0.9) |
| Adult In House Enablement Services | 7.1 | (1.0) | 0.0 | (1.0) |
| Adult Learning Disability - Case Management & Assessment Service | 5.1 | (0.4) | 0.2 | (0.3) |
| Adult Learning Disability - Community Based Services & Support for Carers | 92.5 | 1.7 | 0.0 | 1.7 |
| Adult Learning Disability - Residential Care Services & Support for Carers | 65.8 | 3.9 | 0.0 | 3.9 |
| Adult Mental Health - Case Management & Assessment Services | 8.7 | 0.2 | 0.0 | 0.2 |
| Adult Mental Health - Community Based Services | 8.5 | 2.6 | 2.7 | 5.4 |
| Adult Mental Health - Residential Care Services | 16.9 | (1.5) | 0.0 | (1.5) |
| Adult Physical Disability - Community Based Services | 18.5 | 2.5 | 0.2 | 2.7 |
| Adult Physical Disability - Residential Care Services | 17.3 | 0.3 | 0.1 | 0.4 |
| ASCH Operations - Divisional Management & Support | 6.7 | (0.0) | 0.3 | 0.3 |
| Older People - Community Based Services | 46.3 | (7.2) | 0.9 | (6.2) |
| Older People - In House Provision | 15.2 | (0.8) | (0.0) | (0.8) |
| Older People - Residential Care Services | 34.5 | 19.0 | 3.5 | 22.5 |
| Older People & Physical Disability - Assessment and Deprivation of Liberty Safeguards Services | 22.3 | (0.3) | 0.3 | 0.0 |
| Older People & Physical Disability - In House Community Homecare Service | 0.0 | 0.0 | 0.0 | 0.0 |
| Older People & Physical Disability Carer Support - Commissioned | 0.8 | 0.3 | 0.0 | 0.3 |
| Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Community Based Services | 7.2 | (1.8) | 0.0 | (1.8) |
| Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Residential Care Services | 1.4 | (0.4) | 0.0 | (0.4) |
| Sensory & Autism - Assessment Service | 1.8 | (0.1) | 0.0 | (0.1) |
| Service Provision - Divisional Management & Support | 0.0 | 0.0 | 0.0 | 0.0 |
| Adaptive & Assistive Technology | 2.1 | (0.1) | 0.0 | (0.1) |
| Adult Social Care & Health Operations | 388.3 | 16.1 | 8.2 | 24.3 |
| Business Delivery | 8.8 | (0.3) | 0.1 | (0.2) |
| Safeguarding Adults | 0.0 | 0.0 | 0.0 | 0.0 |
| Independent Living Support | 0.7 | 0.0 | 0.0 | 0.0 |
| Business Delivery Unit | 9.5 | (0.3) | 0.1 | (0.2) |
| Adult Social Care & Health | 431.1 | 14.0 | 10.9 | 24.8 |

| | Revenue Budget £m | Variance excl. Covid- 19 £m | Covid-19 Forecast £m | Variance incl. Covid-19 £m |
|---|-------------------------|--------------------------------------|----------------------------|----------------------------------|
| Strategic Management & Directorate Budgets | 4.0 | (0.7) | (0.1) | (0.8) |
| Community Learning & Skills (CLS) | (0.6) | 0.0 | 0.7 | 0.7 |
| Early Years Education | 0.0 | 0.0 | 0.0 | 0.0 |
| Education Management & Division Support | 1.4 | (0.1) | 0.0 | (0.1) |
| Education Services provided by The Education People | 4.7 | 0.1 | 0.0 | 0.1 |
| Fair Access & Planning Services | 0.3 | 0.1 | 0.0 | 0.1 |
| Home to School & College Transport | 44.5 | 5.1 | 0.4 | 5.5 |
| Other School Services | 6.0 | (0.5) | 6.9 | 6.3 |
| Education | 56.2 | 4.7 | 8.0 | 12.7 |
| Adoption & Special Guardianship Arrangements & Service | 15.2 | 0.2 | 0.0 | 0.2 |
| Asylum | (0.1) | 0.1 | 0.0 | 0.1 |
| Care Leavers Service | 7.7 | (2.4) | 0.0 | (2.4) |
| Children in Need - Care & Support | 3.3 | (0.1) | 0.2 | 0.1 |
| Children's Centres | 3.6 | 0.0 | (1.2) | (1.2) |
| Children's Social Work Services - Assessment & Safeguarding Service | 47.7 | 0.8 | 2.0 | 2.8 |
| Early Help & Preventative Services | 8.0 | 0.2 | (0.3) | (0.1) |
| Integrated Services (Children's) Management & Directorate Support | 5.6 | (0.3) | 0.0 | (0.3) |
| Looked After Children - Care & Support | 63.5 | 1.7 | 2.0 | 3.7 |
| Pupil Referral Units & Inclusion | (0.0) | 0.0 | 0.0 | 0.0 |
| Youth Services | 4.8 | 0.0 | (0.5) | (0.5) |
| Integrated Children's Services (East & West) | 159.3 | 0.1 | 2.2 | 2.3 |
| Adult Learning & Physical Disability Pathway - Community Based Services | 30.2 | 0.0 | 0.3 | 0.3 |
| Adult Learning & Physical Disability Pathway - Residential Care Services & Support for Carers | 9.1 | 0.7 | 0.0 | 0.7 |
| Children in Need (Disability) - Care & Support | 5.1 | 0.3 | 0.0 | 0.3 |
| Children's Disability 0-18 Commissioning | 1.7 | 0.0 | 0.0 | 0.0 |
| Disabled Children & Young People Service (0-25 LD & Complex PD) - Assessment Service | 8.1 | 0.4 | 0.1 | 0.5 |
| Looked After Children (with Disability) - Care & Support | 13.2 | 0.8 | 0.8 | 1.6 |
| Looked After Children (with Disability) - In House Provision | 3.5 | 0.2 | 0.0 | 0.2 |
| Special Educational Needs & Disability Management & Divisional Support | 0.2 | 0.0 | 0.0 | 0.0 |
| Special Educational Needs & Psychology Services | 11.6 | 0.6 | 1.3 | 2.0 |
| Special Educational Needs & Disabilities | 82.7 | 3.0 | 2.7 | 5.6 |
| Children, Young People & Education | 302.3 | 7.1 | 12.7 | 19.8 |

| | Revenue Budget £m | Variance excl. Covid- 19 £m | Covid-19 Forecast £m | Variance incl. Covid-19 £m |
|--|-------------------------|--------------------------------------|----------------------------|----------------------------------|
| Strategic Management & Directorate Budgets | 1.4 | (0.2) | 0.0 | (0.2) |
| Arts | 1.4 | (0.1) | 0.0 | (0.1) |
| Economic Development | 3.1 | 0.1 | 0.9 | 1.0 |
| Economic Development | 4.4 | 0.0 | 0.9 | 0.9 |
| Highway Transportation (including School Crossing Patrols) | 6.3 | (0.2) | 0.0 | (0.2) |
| Highway Asset Management (Roads and Footways) | 13.4 | 1.4 | 0.0 | 1.4 |
| Highway Asset Management (Other) | 18.9 | (1.0) | 0.0 | (1.0) |
| Subsidised Buses and Community Transport | 6.5 | 0.0 | 0.0 | 0.0 |
| Concessionary Fares | 17.2 | 0.0 | (1.3) | (1.3) |
| Kent Travel Saver | 7.6 | (0.3) | (0.9) | (1.2) |
| Residual Waste | 40.0 | 0.2 | 2.7 | 2.8 |
| Waste Facilities & Recycling Centres | 34.0 | (2.1) | 1.0 | (1.0) |
| Highways, Transport & Waste Management Costs and Commercial Operations | 6.6 | (1.2) | 0.0 | (1.2) |
| Highways, Transportation & Waste | 150.5 | (3.2) | 1.5 | (1.7) |
| Environment & Planning | 6.1 | (0.3) | 0.1 | (0.2) |
| Environment, Planning & Enforcement Management Costs | 0.7 | 0.0 | 0.4 | 0.4 |
| Public Protection (Enforcement) | 10.6 | (0.7) | 0.3 | (0.4) |
| Environment, Planning & Enforcement | 17.5 | (1.0) | 0.8 | (0.2) |
| Libraries, Registration & Archives | 8.6 | (0.2) | 0.3 | 0.1 |
| Growth, Environment & Transport | 182.4 | (4.6) | 3.5 | (1.2) |

| | Revenue Budget £m | Variance excl. Covid- 19 £m | Covid-19 Forecast £m | Variance incl. Covid-19 £m |
|---|-------------------------|--------------------------------------|----------------------------|----------------------------------|
| Strategic Management & Directorate Budgets | (1.7) | (0.4) | 0.0 | (0.4) |
| Customer Contact, Communications & Consultations | 5.7 | 0.1 | 0.1 | 0.2 |
| Human Resources related services | 8.0 | (0.2) | 0.0 | (0.2) |
| People & Communication | 13.7 | (0.1) | 0.1 | 0.0 |
| Finance | 12.3 | 0.1 | 6.0 | 6.1 |
| Governance & Law | 6.1 | 0.2 | 0.1 | 0.3 |
| Local Member Grants | 0.8 | 0.0 | 0.5 | 0.5 |
| Governance, Law & Democracy | 6.9 | 0.2 | 0.6 | 0.7 |
| ICT related services | 22.4 | (0.2) | 0.9 | 0.7 |
| Property related services | 5.8 | (0.5) | 1.1 | 0.6 |
| Infrastructure | 28.2 | (0.7) | 2.0 | 1.3 |
| Corporate Landlord | 25.3 | (0.4) | 0.4 | 0.0 |
| Strategic Commissioning | 7.3 | (0.5) | 0.0 | (0.5) |
| Strategy, Policy, Relationships & Corporate Assurance | 3.8 | (0.2) | 0.3 | 0.1 |
| Total - Strategic & Corporate Services | 95.8 | (2.1) | 9.4 | 7.3 |
| Non Attributable Costs | 115.8 | 0.0 | 0.3 | 0.3 |
| Corporately Held Budgets (to be allocated) | 0.5 | (0.5) | 0.0 | (0.5) |
| Total excluding Schools' Delegated Budgets | 1,128.0 | 13.9 | 36.8 | 50.6 |

Appendix 2 - Monitoring of Prudential Indicators as at 31 December 2021

The prudential indicators consider the affordability and impact of capital expenditure plans, in line with the prudential code.

Prudential Indicator 1 : Estimates of Capital Expenditure (£m)

| | 20-21 Actuals | 21-22 Budget | 21-22 Forecast |
|-------|------------------|-----------------|-------------------|
| Total | 340.63 | 424.2 | 340.30 |

Prudential Indicator 2: Estimate of Capital Financing Requirement (CFR) (£m)

The CFR is the total outstanding capital expenditure not yet financed by revenue or capital resources. It is a measure of the Council's underlying borrowing need.

| | 20-21 Actuals | 21-22 Budget | 21-22 Forecast |
|-----------|------------------|-----------------|-------------------|
| Total CFR | 1,269.16 | 1,402.50 | 1,301.19 |

Prudential Indicator 3: Gross Debt and the Capital Financing Requirement (£m)

Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the CFR.

| | 20-21 Actuals | 21-22 Budget | 21-22 Forecast |
|-------------------------------|------------------|-----------------|-------------------|
| Other Long-term Liabilities | 235.80 | 245.20 | 245.20 |
| External Borrowing | 853.73 | 826.00 | 828.52 |
| Total Debt | 1,089.53 | 1,071.20 | 1,073.72 |
| Capital Financing Requirement | 1,269.16 | 1,402.50 | 1,301.19 |
| Internal Borrowing | 179.63 | 331.30 | 227.47 |

Prudential Indicator 4 : Authorised Limit and Operation Boundary for External Debt (£m)

The Authority is legally obliged to set an affordable borrowing limit (the authorised limit for external debt). A lower "operation boundary" is set should debt approach the limit.

| | 20-21 Actuals | 21-22 Limit | 21-22 Forecast |
|--|------------------|----------------|-------------------|
| Authorised Limit - borrowing | 854 | 1,016 | 850 |
| Authorised Limit - PFI and leases | 246 | 245 | 245 |
| Authorised Limit - total external debt | 1,100 | 1,261 | 1,095 |
| Operational Boundary - borrowing | 854 | 991 | 850 |
| Operational Boundary - PFI and leases | 246 | 245 | 245 |
| Operation Boundary - total external debt | 1,100 | 1,236 | 1,095 |

Prudential Indicator 5: Proportion of Finance Costs to Net Revenue Stream (%)

Financing costs comprise interest on loans and minimum revenue provision (MRP) and are charged to revenue.

This indicator compares the net financing costs of the Authority to the net revenue stream.

| | 20-21 Actual | 21-22 Budget | 21-22 Forecast |
|----------------------------------|-----------------|-----------------|-------------------|
| Proportion of net revenue stream | 9.57% | 9.59% | 9.20% |

Appendix 3 - Reserves Monitoring as at 31 December 2021

| | Balance as at 1 April 2021 £m | Forecast Contribution to/(from) Reserve £m | Projected Balance at 31 March 2022 £m |
|---|--|--|---|
| General Fund (GF) Balance | 42.5 | | 42.5 |
| Budgeted contribution to/(from) in MTFP | | 14.0 | 14.0 |
| | 42.5 | 14.0 | 56.5 |

| Earmarked reserves: | | | |
|----------------------------------|-------|--------|-------|
| Vehicle, Plant & Equipment (VPE) | 16.2 | 0.0 | 16.2 |
| Smoothing | 121.8 | (10.7) | 111.1 |
| Major Projects | 54.7 | 0.8 | 55.5 |
| Partnerships | 26.9 | (0.5) | 26.4 |
| Grant/External Funds* | 90.8 | (49.8) | 41.0 |
| Departmental Under/Overspends** | 13.7 | (15.6) | (1.9) |
| Insurance | 13.8 | 0.8 | 14.6 |
| Public Health | 11.1 | 1.9 | 13.0 |
| Trading | 0.7 | 0.0 | 0.7 |
| Special Funds | 0.6 | 0.0 | 0.6 |

| | | | |
|---------------------------------|--------------|---------------|--------------|
| Total Earmarked Reserves | 350.3 | (73.1) | 277.2 |
|---------------------------------|--------------|---------------|--------------|

| | | | |
|--|--------------|---------------|--------------|
| Total GF and Earmarked Reserves | 392.8 | (59.1) | 333.7 |
|--|--------------|---------------|--------------|

| | Balance as at 1 April 2021 £m | Forecast Contribution to/(from) Reserve £m | Projected Balance at 31 March 2022 £m |
|---|--|--|---|
| Schools Reserves | | | |
| School delegated revenue budget reserve - committed | 21.9 | 0.0 | 21.9 |
| School delegated revenue budget reserve - uncommitted | 33.9 | 0.1 | 34.0 |
| Community Focussed Extended Schools Reserves | 0.1 | 0.0 | 0.1 |
| Total School Reserves | 55.9 | 0.1 | 56.0 |

DSG Adjustment Account - Unusable Reserve

| | Balance as at 1 April 2021 £m | Forecast Contribution to/(from) Reserve £m | Projected Balance at 31 March 2022 £m |
|-----------------------------------|--|--|---|
| Unallocated Schools Budget | (51.0) | (54.1) | (105.1) |

The General fund Reserve has been increased as agreed by County Council in the 2021-22 MTFP.

The earmarked reserves are decreasing mainly due to the following:

- Grant/External Funds*

| | £m | £m |
|------------------------------------|-------|---------------|
| Balance as at 1 April 2021 | | 90.8 |
| S31 Compensation grants | | (28.0) |
| ASCH additional COVID-19 spend | (3.9) | |
| CYPE additional COVID-19 spend | (7.4) | |
| GET additional COVID-19 spend | (3.1) | |
| S&CS additional COVID-19 spend | (8.0) | |
| NAC reduction in COVID-19 spend | 1.8 | |
| COVID-19 Emergency Grant: | | (20.6) |
| ASCH - Community Discharge Grant | | (0.6) |
| GET - Bus Services Operators Grant | | (0.4) |
| GET - Supported Bus Grant | | (0.2) |
| Balance as at 31 March 2022 | | 41.0 |

- Anticipated but not agreed funding of the business as usual forecast outturn overspend**
- Each of the Directorates have referenced net drawdowns from reserves. ASCH £1.2m, CYPE £1.3m, GET £1.2m, SCS £4.0m and NAC £11.1m contribution to reserves. These are mainly funded from the Strategic Reset and ICT reserves which are held within Major Projects.
- The majority of the drawdown of the smoothing reserves is the one off funding that was agreed to support the 2021-22 budget.

The DSG Adjustment Account deficit has increased due to pressures in Schools Funding. More details can be found in Section 10.

The net £59.1m drawdown reflected in the table above covers more than the reserve drawdowns set out in the Directorate sections of this report, as this includes funding elements, which are roll forwards and the S31 Compensation grants.