

From: Paul Carter, Leader of the Council
John Simmonds, Cabinet Member for Finance

To: County Council – 20th February 2017

Subject: Capital Programme 2018-21, Revenue Budget 2018-19
and Revenue Medium Term Financial Plan 2018-20
(including Council Tax setting 2018-19)

Classification: Unrestricted

Summary: This report is a summary of the proposed capital programme for 2018-21, revenue budget for 2018-19, and revenue medium term financial plan 2018-20. All these separate plans are outlined in the draft document released on 15th January (hereafter referred to as the Budget Book). This was a single document bringing together the previous separate documents for the Medium Term Financial Plan (MTFP) and Budget Book. This report is a guide to the published document, a summary of the key issues, and outlines any material changes since its publication.

The County Council has a statutory duty to set an annual budget and the amount to be levied through council tax. In approving the budget, the County Council is not only agreeing the total amounts planned to be spent, but is also delegating authority to manage the budget in compliance with the authority's financial regulations.

Members are asked to bring to this meeting the draft (black combed) Budget Book released on 15th January.

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

1. Introduction

- 1.1 The Local Government Finance Act 1992 requires the Council to formally consult on and ultimately set a budget and council tax precept for the forthcoming financial year, 2018-19. The accompanying draft Budget Book sets out the detailed proposals. The proposed 2018-19 revenue budget enables the Corporate Director of Finance to satisfy Section 25 of the Local Government Act 2003, which requires an opinion on the robustness of the budget estimates and the level of reserves held by the Council.
- 1.2 An updated draft of KCC's revenue MTFP for 2017-20 was reported to County Council on 19th October (agenda item "Autumn Budget

Statement”). The publication of that report marked the start of a budget communication and consultation campaign launched on 12th October. The consultation closed on 3rd December. A separate report on the results from this campaign is published as a background document to this report. The campaign highlighted the need to further improve communication about KCC’s budget and the financial challenge the Council is facing.

- 1.3 The draft Budget Book (black combed) was released on 15th January 2018. It included updates following the Chancellor’s Autumn Statement on 22nd November 2017, the provisional Local Government Finance Settlement on 19th December 2017, provisional council tax base estimates from districts, as well as updated spending and savings proposals based on the latest plans. It also included the proposed solution to the unidentified £8m of savings in the October report and KCC’s response to consultation feedback.
- 1.4 Publication of the draft Budget Book in early January allows time for consideration by Cabinet Committees in the January round of meetings, endorsement by Cabinet (and subject to scrutiny), as well as allowing a short period for final comment prior to the County Council meeting. We have previously recognised that publishing the draft budget this early to facilitate the scrutiny process (and so soon after the provisional funding announcements) exposes the risk that further changes may be necessary. This is preferable to deferring the scrutiny process.
- 1.5 Rather than producing a “revised draft for County Council” version of the Budget Book to incorporate all the up to date information since the January draft was published, this report details all the material changes. These material changes are set out in section 5 of this report. There are also several minor technical adjustments which are not material to the approval of the budget, these are included in the attached appendices (which provide updates to the key sections in the Budget Book) but not covered in detail in the report:
 - Appendix 1 – Revised Council Tax precepts 2017-18 and 2018-19 (table 1 from section 8)
 - Appendix 2 – Summary of Revised Capital Investment Plans 2018-19 to 2020-21 (first two pages of section 9)
 - Appendix 3 – Revised Directorate Revenue Budget Summary (section 10)
 - Appendix 4 – Revised key services summary (first page of section 11)
 - Appendix 5 – High Level 2018-20 Revenue Budget Summary (appendix A(i) of the Budget Book)
 - Appendix 6 – Detailed 2018-19 Revenue Plan by Directorate (appendix A(ii) of the Budget Book)
 - Appendix 7 – Revised Prudential Indicators (appendix B of the Budget Book)Other sections of the Budget Book will be amended as a consequence of the changes in the final version to be published in March, in order to be consistent with the revised summaries above
- 1.6 The County Council motion is based on a combination of the January draft and these subsequent updates. The motion also includes delegated

powers to make any other non-material/technical changes to avoid the need for minor adjustments in the first monitoring report. Any such changes made under these delegated powers will also be reflected in the final Budget Book to be published in March.

- 1.7 The draft Budget Book on 15th January showed a net revenue budget requirement of £946.6m for 2018-19. This was more than the £929.4m we forecast in the October Autumn Budget Statement. This is principally due to a combination of:
 - ↑ Higher than anticipated provisional council tax base (2.16% compared to 1.5% assumed in October)
 - ↑ Higher council tax referendum threshold (3% compared to 2%)
 - ↑ Announcement of 100% business rate retention pilot for Kent & Medway
 - ↑ Net effect of the lower indexation of retained business rates by Consumer Price Index (CPI) and additional compensation grant for loss against Retail Price Index (RPI)
- 1.8 Some changes to the published draft have arisen before we received the final local government finance settlement. The material changes are included in section 5 of this report. These changes include an increase in the provision for staff pay, additional investment in highways drainage and pot-hole repairs, reduction in draw down from reserves, and final estimates of amounts from savings proposals. These changes are funded from the final notification of council tax base and collection fund estimates from districts (as required by 31st January), and revised calculation of KCC proceeds from business rate retention based on final business tax base estimates, business rate collection fund balance, and changes to grant calculations in the provisional settlement. The most significant of these funding changes are higher than forecast estimated council tax collection fund balance (£10.3m), leading to an increase in net funding of £4.3m compared to the published draft, and the better than originally estimated proceeds from the business rate pilot (additional £3m).
- 1.9 The final local government finance settlement was announced on 6th February and included an additional £150m for all upper tier councils to reflect ongoing pressures on social care budgets, and an additional £16m for rural authorities. For KCC the social care announcement equates to an additional £3.85m on top of the revisions summarised in paragraph 1.8, which together with other minor changes in the settlement further increases the net budget requirement to £958.5m. We have increased planned spending on social care in the revised budget proposals for County Council approval following this announcement (although the full detail will need to be developed over the coming weeks as there was not sufficient time between the announcement and the publication of County Council papers). KCC does not benefit from any of the additional funding for rural authorities.
- 1.10 In summary the changes since the black combed draft have increased the net revenue budget requirement for 2018-19 by £11.9m. This has arisen from a combination of higher than estimated council tax collection fund balance, higher than estimated proceeds from the 100% business rate

retention pilot, and additional government funding in the final local government finance settlement. Mainly these are one-off sources for 2018-19. This extra money has been used to fund £6.9m of additional spending, reduce proposed savings by £0.6m and reduce drawdown from central reserves by £4.4m.

- 1.11 The overall capital programme for 2018-21 is unchanged from the published draft at £794.7m. The only minor change is the transfer of the project for community sexual health services (total cost £360k, 2018-19 planned spend £110k) from Adult Social Care & Health to Strategic and Corporate Services.
- 1.12 The capital programme has not been the subject of formal consultation and is subject to separate governance arrangements granting approval to plan and approval to spend. The capital strategy is set out in section 4 of the Budget Book and focuses on achieving maximum effect from capital investment, with a sharper focus on the Council's strategic priorities and to obtain maximum value from our assets. This strategy reinforces the commitment to a fiscal indicator, which limits the cost of borrowing to 15% of net revenue budget. This 15% limit should be seen as an absolute ceiling, and not a target. The proposed capital programme includes £210.2m of borrowing, which will count against this indicator (although we are more than likely to cover a proportion of this in the short to medium term from internal loans against cash deposits rather than external borrowing).
- 1.13 Any unavoidable late changes to the proposed budget after this report has been published will be reported separately to the County Council meeting.

2. Financial Implications

- 2.1 Setting the annual budget is one of the most significant decisions the County Council takes each year. It sets the County Council's share of council tax and the overall resource framework in which the Council operates. It also gives delegated authority to manage the budget to Corporate Directors and Directors within the parameters set out in the Council's Constitution and Financial Regulations. Corporate Directors and Directors will be held to account for spending decisions within delegated powers via the budget monitoring arrangements throughout the year.
- 2.2 The budget proposes a council tax increase up to the maximum permitted within the 3% referendum limit. This would increase the County Council's band C charge (the most common band) from £1,047.84 to £1,079.20 (2.993%). Consultation responses from 67% of respondents supported an increase up to, or more than, the referendum limit to cover additional spending demands and protect services from reductions in central government funding.
- 2.3 At the time of the consultation we identified that the referendum limit was currently 2%, although this was subsequently increased to 3% in the provisional local government finance settlement announced on 19th

December. We do not believe that this change in government policy warranted a further consultation as the question specifically sought views on increases against the referendum level, and not a specific percentage.

- 2.4 We are also proposing to levy an additional 2% council tax specifically for adult social care. This would increase the band C charge by a further £20.96 to £1,100.16. 2018-19 is the third year of the social care levy introduced in the 2016-17 local government settlement which allowed councils to levy an additional 2% of their total council tax requirement each year in the four-year settlement. An additional flexibility was introduced in 2017-18 allowing councils to levy up to 3% in any one year up to 2019-20 providing the total increase over the three-year period does not exceed 6%. KCC is not proposing to use this additional flexibility.
- 2.5 Raising the additional 2% social care levy was supported by 66% of respondents to our local consultation. KCC will satisfy the requirement that the social care levy will ensure that spending on adult social care has been supported by at least the extra amount raised in comparison to other council spending. The Corporate Director of Adult Social Care and Section 151 officer will need to make a joint statutory declaration to this effect showing spending on adult social care (excluding the Improved Better Care ring-fenced spending) has increased by more than spending on other un-ring-fenced/non-statutory services i.e. excluding schools, children’s social care, public health and youth justice).
- 2.6 Last year we trialled a simple breakdown of council tax showing how much of a typical band C charge contributes to the main areas of council spending. We intend to continue with this approach although to avoid confusion we will only produce this after the budget has been finalised including the late changes identified in this report. This additional analysis of council tax will be included as part of the final budget publication in March. Information on council tax is presented in section 8 of the Budget Book which needs to be updated with the revised table 1 shown in appendix 1 to this report following notification of the final tax base for 2018-19.
- 2.7 The impact of the proposed increases in each Council Tax band is set out in table 2 in section 8 and reproduced below. The total social care levy on a band D property (as shown on tax bills) would be £68.04, comprising of the 2% of council tax for each of 2016-17 2017-18 and 2018-19.

<u>Table 2</u>	2017-18 (incl. Social Care Levy)	2018-19 (excl. Social Care Levy)	2018-19 (incl. Social Care Levy)
Band A	£785.88	£809.40	£825.12
Band B	£916.86	£944.30	£962.64
Band C	£1,047.84	£1,079.20	£1,100.16
Band D	£1,178.82	£1,214.10	£1,237.68
Band E	£1,440.78	£1,483.90	£1,512.72
Band F	£1,702.74	£1,753.70	£1,787.76
Band G	£1,964.70	£2,023.50	£2,062.80
Band H	£2,357.64	£2,428.20	£2,475.36

3. The Budget Proposals

- 3.1 This section of the report provides further background to the construction of the draft 2018-19 budget proposals in the Budget Book published on 15th January. This was based on the provisional local government finance settlement and initial estimates for council tax base, local share of business rates and collection fund balances. The approved budget must include the final local government finance settlement and final tax base and collection fund notifications from district councils.

Realignment

- 3.2 The baseline for the draft budget is the September budget monitoring reported to Cabinet on 11th December 2017. The draft budget includes the realignment of budgets for known issues that have arisen during the current financial year e.g. re-phasing of savings from the original approved budget. The draft budget also includes provision of £12m, held unallocated at this stage to reflect potential spending pressures which cannot be fully quantified at this stage. This provision will be allocated to services when the impact of these pressures has been confirmed. Allocations will be made in compliance with the Council's Financial Regulations and Procedures, including where necessary key decisions. Realignment is necessary to ensure that budgets are up to date for key demand led services to satisfy the statutory declaration that the budget is based on reasonable estimates.
- 3.3 The 2017-18 budget was balanced by £11.3m one-off use of underspends and reserves. We cannot continue to use reserves to support recurring expenditure and the £11.3m must be replaced in 2018-19 with on-going base budget provision (or new one-off initiatives). This should not be confused with replenishing reserves (which we're not doing), which may be necessary in future to ensure the Council has adequate earmarked reserves to smooth expenditure and cover known risks, and general reserves to cover unforeseeable events.

Pay and Reward

- 3.4 The draft budget includes an additional £4.453m contribution towards the pay and reward package for Kent Scheme staff. This contribution is sufficient to ensure the pay and reward package is managed within an overall pot equivalent to 2.8% of pay. The additional budget has been increased from the 15th January draft by £0.6m following a recalculation of the contribution from staff turnover (the net saving from new staff appointed lower in the pay range than staff they replace). This ensures the pot is at the upper end of the range identified in the October County Council report.
- 3.5 A 2.8% pot is likely to result in a payment of around 2.3% to 2.5% for all those staff assessed as 'achieving' under the Council's Total Contribution Pay (TCP) appraisal system. The final rewards will depend on the number and salaries of staff assessed at each level to ensure the cost is contained

within the overall pot. The budget provision is sufficient to ensure pay in the Kent Range (KR) continues to exceed the National Living Wage (NLW) and National Minimum Wage (NMW) requirements and would see all staff in KR2 increase to a single salary of £8.10 an hour. The provision is also enough to ensure the bottom of KR3 continues to be more than KR2, and the top and bottom of all other ranges can be increased by around ½ of the achieving %. The final proposed distribution of the pay and reward pot will be agreed by the Cabinet Member for Corporate & Democratic Services.

- 3.6 The single reward payment either increases an individual's salary via progression through the pay range, or is a non-consolidated lump sum payment for staff on the top of the grade. These arrangements differ from other public sector pay schemes including the National Joint Council (NJC) scheme used by most local authorities. Under the Kent arrangements there is no separate "cost-of living" award. This makes direct comparison impossible, however, the additional contribution in the budget equates to a net increase in KCC's pay costs of 2%, with the remainder of the pay pot being funded through turnover.

Price Inflation

- 3.7 The draft budget includes provision for specific contractual price increases. In the main, these are index-linked and summarised on page 156 in Appendix A(ii) of Budget Book (an updated version of this analysis is shown in appendix 6 of this report).
- 3.8 We have also included provision for non-specific increases in negotiated contracts. This calculation includes a proportion of the NLW/NMW which the council considers is reasonable for contractors to pass on as price increases. This has been based on the assumed proportion of prices which relate to workers eligible for the increases announced in the Chancellor's Autumn Budget (4.4% NLW/4.68% NMW), an appropriate increase for the proportion relating to staff above NLW/NMW, and general inflation on non-staffing element.
- 3.9 Managers will be expected to negotiate prices within the inflation parameters outlined in paragraphs 3.7 and 3.8. We have not made any provision for general inflation on goods and services procured by the council and managers will be expected to cover the impact of any inflation within their overall budget.

Other Spending Demands

- 3.10 The draft budget includes the forecast impact of population changes and estimated additional demand arising during the forthcoming year. The forecasts not only reflect changes in client numbers/service users but also changes in complexity of need. The major areas of growth forecast for 2018-19 include older persons, adults with learning disabilities, mental health services, children's social care, mainstream home to school transport, transport for children with special educational needs, take-up of concessionary bus travel, and waste tonnage. The draft budget also includes additional staffing to improve adult safeguarding practice.

- 3.11 The draft budget also includes the impact of additional spending imposed by legislation and government, principally in relation to the Deprivation of Liberty Safeguards (DoLS) assessments following the Cheshire Judgement 2014. The legislative changes include the reduction in the additional ring-fenced iBCF allocation for 2018-19 as included in the March 2017 Budget announcement.
- 3.12 The draft budget includes a limited number of service strategies and improvements under local discretion. These include the continued roll-out of KCC Select Committee recommendations on mainstream home to school transport support, staffing increases for Specialist Children's Services in response to the inspection recommendations, investment in establishment of new trading companies, investment in a replacement adults social care performance system, and the changes to Member allowances agreed by the County Council in July 2017.
- 3.13 A summary of all the additional spending proposals is set out on pages 155 to 158 in Appendix A(ii) of the Budget Book (updated by appendix 6 of this report).

Use of Reserves and Debt Repayment

- 3.14 The black combed draft Budget Book included a proposed £11.4m of savings from additional draw down from central/directorate earmarked reserves. This would leave an estimated balance of around £180m (of which £36.7m is in general reserves). The final balance will be determined by the 2017-18 outturn. The general reserve represents a contingency of just under 4% of net revenue budget and is deemed to be sufficient to reflect the risk inherent in the budget and deliverability of savings plans. (See Appendix G of the Budget Book). As part of the late changes to our funding as set out in Section 5, and the potential cliff-edge from it being one-off, we are now proposing a reduced draw-down from reserves.
- 3.15 The criteria for use of our earmarked reserves are maintained by the Finance Division. These are reviewed each year, but few changes generally come from those reviews. There are no significant revisions proposed for 2018-19 budget and the drawdown from central reserves will come from the existing earmarked "reserve to support future year's budget" in accordance with existing criteria. The criteria for use of reserves and the balances, is ultimately a decision for the Council's Section 151 Officer.
- 3.16 The draft budget proposals also include a reduction in the amount we need to set aside for future debt repayments. This reduction is simply a recalculation of the Minimum Revenue Provision (MRP) to cover capital finance requirements based on an updated asset schedule. It does not represent a change to the Council's MRP policy as set out in appendix C of the Budget Book for full council approval.

Savings Proposals

- 3.17 The savings and income proposals in the draft budget are summarised on pages 159 to 162 in Appendix A(ii) of the draft Budget Book. This has

been updated based on the latest phasing and estimates of the amounts that can be achieved as shown in appendices 5 and 6 of this report (with the consequential changes in revenue budgets summarised in appendices 3 and 4). We have not set out all the changes in detail as we have concluded this is unnecessary as County Council is being asked to agree the latest final plans rather than the evolution of plans from earlier drafts. Savings are sub-divided between transformation savings, income generation, efficiency savings, and policy savings, as well as the financing savings referred to above. Inevitably these categories can never be precise but have been developed as a guide to the broad impact.

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

3.19 To support local authorities to deliver more efficient and sustainable services the government allows revenue spending on transformation projects to be funded up to 100% from capital receipts. This allows local authorities (Kent being one) to treat as capital expenditure, expenditure which:

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

The proposed budget includes £2.5m of revenue spending in 2018-19 from using capital receipts in this way. This spending is identified in the capital programme and is the same as the amount supported in 2017-18. This means no change to the revenue budget for 2018-19 compared to 2017-18. At this stage our plan assumes there are not sufficient receipts available to continue this arrangement in 2019-20, and this £2.5m will need to be replaced (and thus represents part of the amount to replace one-offs identified in appendix A(i) of the Budget Book).

Later Years

3.20 The MTFP includes indicative plans for 2019-20. Inevitably these are less well developed than 2018-19 and are liable to change. Spending demands for future years are a forecast (which inevitably has a degree of uncertainty), and not all the savings necessary to balance 2019-20 have yet been identified. The process to identify the additional savings required to balance these years has already begun.

3.21 Although the plan shows the Council's net budget increasing year on year compared to 2017-18 in cash terms, these increases still represent real-term reductions. This is because the increases are less than the amount needed to fund all the additional spending demands thus requiring additional savings. The overall savings needed for 2018-19 and forecast for 2019-20 are less than the amounts we have made in recent years, but will continue to pose a significant challenge as they come on top of the

circa £600m of base budget savings the council has had to find over the last 7 years.

- 3.22 The 2019-20 forecast assumes that the County Council agrees a 2% increase in council tax (i.e. less than the current 3% referendum level) and the final 2% social care precept. These assumed increases combined with estimated tax base growth would increase council tax revenues by 5%. These assumptions leave some headroom while at the same time signalling a clear intention to keep council tax increases as low as possible and as a last resort.

4. Navigating the Budget Book

- 4.1 This section of the report is aimed at helping Members to navigate the Budget Book publication. We have reproduced this section this year as many of our Members are new to the County Council, and to highlight the significant changes to the presentation which are aimed at producing a single slimmer publication, and to align the approved budget with responsibilities of senior managers as reported in monitoring reports throughout the year.
- 4.2 Section 1 of the Budget Book is a short executive summary. It is designed to give a very high-level overview of the spending context for local government, KCC's capital and revenue spending proposals and council tax. We have produced the executive summary as a separate short document for those only interested in the high-level view on KCC's budget website <http://www.kent.gov.uk/about-the-council/finance-and-budget/our-budget>
- 4.3 Section 2 of the Budget Book provides a more comprehensive evaluation of the national financial and economic context and its impact on local authority financial planning. Local government financial planning and spending still contains a fair amount of central influence (it has been described as one of the most centralised systems compared to those in other countries). This section of the document is a reference document and includes links to key government financial announcements including the annual UK Budget, economic and fiscal forecasts from the Office for Budget Responsibility (OBR) which underpin the budget, and the Local Government Finance Settlement.
- 4.4 Sections 3 and 4 set out KCC's overall revenue and capital budget strategies. These provide important context to the proposals in both the capital and revenue budgets including a more detailed examination of the financial challenge, funding sources and the rationale for spending priorities. The revenue strategy will need to be updated in the final publication in March to reflect the changes in the final local government finance settlement announced on 6th February.
- 4.5 Section 5 is the Council's proposed Treasury Management strategy for 2018-19. This strategy sets out the approach to managing the Council's accumulated borrowing from previous and forecast capital investment, and

the investment of cash balances. It is important the treasury strategy complements the budget strategy and sets the right balance between minimising the financial cost of borrowing, optimising financial gains from investments, and risks. Following changes introduced in 2017, formal approval of the Treasury Management Strategy can now be delegated to a Council Committee (pending approval of the capital strategy by full Council), although for 2018-19 we are still seeking full Council approval. The Treasury Management Advisory Group (TMAG) is an advisory Board which scrutinises the treasury strategy and operations and has no decision-making powers.

- 4.6 Section 8 of the Budget Book sets out the estimated tax base notification from each district (with the slight amendment outlined in paragraph 5.3 below and appendix 1 to this report). This section also sets out the proposed changes to the County Council's share of council tax, and the council tax precept on each district. Setting the council tax and the precepts on district councils is a function which must be approved by full council. The proposed council tax does not exceed the limit beyond which a referendum would be required.
- 4.7 Section 9 of the Budget Book sets out the proposed capital investment planned for the following 3 years. Capital spending is for the purchase and enhancement of assets. For each directorate capital spending is split between rolling programmes (usually related to the on-going enhancement of assets) and individual projects. There are two schedules for each directorate, the first sets out a brief description of each programme/project and the planned phasing of spending and funding. Individual projects will only proceed when specific funding has been secured. The second schedule combines the three years of the capital programme and sets out in more detail the funding sources for each programme/project.
- 4.8 Sections 10 to 14 of the Budget Book set out the proposed revenue budget for 2018-19. Revenue spending is that spent on the day-to-day provision of council services. Section 10 provides a high-level summary for each directorate together with the principal sources of funding for the net budget requirement. Gross expenditure is split between staffing (salaries and employer's costs for national insurance and pension contributions) and other costs. Income is divided between service income from charges/contributions/etc. and specific grants from government departments (funding which can only be spent in accordance with specific grant conditions). Expenditure less income produces the net cost of the budget requirement which is funded from the un-ring-fenced sources of council tax, retained business rates and government grants.
- 4.9 Section 11 has been completely revised for 2018-19 to show planned spending on key services lines aligned to the responsibilities of senior managers. This reflects the Council's directorate structures and means budgets are set at the start of the year in the same format as monitoring reports throughout the year. This is a more efficient process requiring less staff time and reduced printing costs than previous year's budgets presented in an A to Z service format. Sections 12 and 14 can only be produced for the final Budget book in March.

- 4.10 The directorate capital and revenue spending plans set out in sections 9 to 11 are part of the formal approval of the budget. This approval is one of the statutory functions of the full council. Sections 12 to 14 provide additional information and are not part of the approval process (and thus will be fully populated in the final publication in March).
- 4.11 The detailed variation statement for each line in the revenue budget showing the impact of additional spending and savings proposals has not been published as a paper document for 2018-19. Instead we have published a searchable database on the Council's budget website (see link above). This database shows the detailed breakdown of how individual budgets have changed between 2017-18 and 2018-19 and provides a direct reconciliation between the Budget Book and the revenue financial plan shown in appendix A(ii) of the Budget Book. Appendix A(ii) has had to be recalculated for latest updates and changes for the final budget approval (as shown in appendix 6 of this report). The on-line database of variation statements will be updated to reflect this revised analysis in advance of the Council meeting on 20th February (with a clear identity from the previous version that reconciles to the black combed draft which will be archived).
- 4.12 The format of appendix A(i) is the same as the previous MTFP. This provides a high level multi-year analysis of the 2018-19 revenue budget plan and forecasts for the following year(s). We would normally show the following two years. However, the current four-year settlement and agreement we have with central government only goes up to 2019-20, and we have no detailed government spending plans or indicative allocations for local authorities for 2020-21 and beyond. Consequently, we have only been able to include a two-year plan for 2018-20.
- 4.13 The black combed draft showed a balanced budget for 2018-19 (meeting the statutory requirement) but an unresolved savings gap of £10.2m for 2019-20. This is not unusual, and the statutory requirement does not apply to future year's forecasts. Appendix A(i) has been updated for the subsequent changes referred to in paragraphs 1.8 and 1.9 (and detailed in section 5 of this report). The updated analysis has been included as appendix 5 of this report, this still shows a balanced budget for 2018-19 but the unresolved gap for 2019-20 has increased to £15m. This is due to the additional one-off funding announcements, and latest updates to forecast spending and savings proposals.
- 4.14 The format of appendix A(ii) is also the same as the previous MTFP. This shows a more detailed breakdown of the 2018-19 revenue plan (the black combed draft had a typing error which incorrectly had the heading 2018-20 plan). Appendix A(ii) shows a detailed breakdown of additional spending pressures and savings proposals by directorate. The reconciliation of this presentation and the key budget lines is shown in the variation statement database described in paragraph 4.11. Appendix A(ii) has been updated for the subsequent changes referred to in paragraphs 1.8 and 1.9 (and detailed in section 5 of this report). The updated analysis has been included as appendix 6 of this report.

4.15 Appendix B shows a range of prudential indicators which we are required to report to, and be agreed by full Council under the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. Appendix C is the Council's policy for making Minimum Revenue Provision (MRP) to cover capital borrowing. The MRP statement needs to be approved by full Council. The proposed policy for 2018-19 is unchanged, although we have recalculated the required amount based on an updated asset schedule (which delivers a significant revenue saving based on the pre 2018-19 capital spend).

5. Changes since the Draft Budget and MTFP Publication

5.1 We have not re-published the draft Budget Book in full to take account of changes since the original publication on 15 January. Experience has shown this has made the approval process more complex and added confusion, as well as incurring additional printing costs for a whole document which has a very short life between the County Council meeting and the publication of the final Budget Book in March. Instead we have outlined all the material changes in this section of the report and produced revised statements of the key aspects of the Budget Book as the appendices to this report. There are also some minor adjustments which are not material to the approval of the budget, these are included in the appendices but not covered in this section. All the changes have been incorporated into the recommendation to County Council at the end of this report and will be reflected in the final Budget Book to be published in March.

5.2 Much of the information in the Budget Book is unchanged from the draft released on 15th January. This section provides a brief description of the following material changes:

- Council tax base and collection fund balances
- Local share of business rates and collection fund balances
- Grant announcements
- Budget Re-alignment
- Additional spending proposals
- Savings proposals
- Use of Reserves
- Prudential Indicators

Council Tax & Business Rates

5.3 The final council tax base notification from districts shows a minor change from the 15th January draft budget. The tax base estimate is now 100 higher at 537,889.71 band D equivalent properties. This results in a revised council tax precept of £665.735m based on the proposed council tax rates outlined in section 2. This produces an additional £124k towards the net budget requirement.

5.4 We always have an issue with the estimated balances on council tax and business rate collection funds. These need to be included in the budget as they represent the over/under collection on the budgeted tax base for the current year. District councils are required to notify us of these

balances by 31st January, and often notification is close to the wire. For the 15th January publication we estimated a council tax collection fund surplus of £6m, and nil for business rate collection fund.

- 5.5 The final notification from districts shows KCC's share is £10.338m of the estimated net surplus on council tax collection funds (an increase of £4.3m). In total, eleven out of twelve districts have identified a surplus ranging from £0.172m (0.36% of the 2018-19 tax base) to £2.954m (6.51% of 2018-19 tax base). Surpluses (and deficits) can arise from changes in the number of dwellings liable to pay council tax, changes in discounts and exemptions and changes in collection rates.
- 5.6 The amount we have included in the budget for the Council's local share of retained business rates is an estimate determined by KCC finance staff. Under the previous 50% retention arrangements KCC's share of the growth in the local tax base would be modest, estimated £0.4m for 2018-19. However, the approval of the Kent and Medway pilot for 100% retention means more of the business rates will be retained by all the councils in the local area. We have not yet had confirmation of KCC's share under these arrangements and this is unlikely to be finalised in time for the budget approval. The KCC estimate represents a prudent amount taking into consideration the business rate tax base estimate from collection authorities (not available until 31st January), the estimated collection fund balance for 2017-18, the pilot agreement and potential risks and opportunities from business rate retention.
- 5.7 Overall the notification of collection fund balances, tax base and business rate retention has contributed significantly (approx. £7.3m) to the increased net funding from £946.6m in the 15th January draft to £958.5m recommendation to County Council in this report. The remainder of this £11.9m increase is from additional grant announcements.

Grant Announcements

- 5.8 As outlined in paragraph 1.9, the final local government finance settlement on 6th February included additional one-off funding for social care with the extension of the Social Care Support Grant (initially this was provided as a one-off in 2017-18). In 2017-18 a total of £241m was made available to all 152 English authorities with responsibility for social care. The extension announcement provides an additional £150m compared to the provisional local government finance settlement announced on 19th December. For KCC this amounts to an additional £3.853m.
- 5.9 The final proposed budget includes additional spending in social care following this announcement. The late timing of the announcement means the detailed allocations cannot be confirmed in time for the publication of this report. Final allocations will be made in compliance with the Council's Financial Regulations and Procedures, including where necessary key decisions.
- 5.10 The final settlement also included a recalculation of the compensation grant for the uplift in the business rate multiplier based on Consumer Price Index (CPI) following a revised calculation of the impact of the 2017

revaluation. The revised calculation for KCC shows an increase of £0.457m in the compensation grant compared to the provisional settlement. The final compensation grant will include other changes to business rates e.g. extension of reliefs for public houses, extension of small business rate relief, etc., which have been granted in UK Budget announcements and have a detrimental impact on local authority retained business rates. We have not yet been notified of the final calculation of these other elements in the business rate compensation grant and thus this grant funding remains an estimate to allow approval of the final budget and council tax. Any changes in the final grant allocation should not be material to this decision.

- 5.11 The final settlement included an additional £16m to be allocated via the Rural Services Delivery Grant. This is allocated to selected authorities based on super sparsity indices. KCC does not qualify for any funding via this grant.
- 5.12 Since we published the draft budget on 15th January we have received notification of the grants for Extended Rights to Free School Travel and Inshore Fisheries and Conservation Authorities (IFCA). These are small un-ring-fenced grants which contribute towards the Council's net budget requirement. The announcements were £0.348m more than the estimates we had included in the draft Budget Book publication.
- 5.13 In total the additional grant allocations contribute £4.6m towards the overall increase in the net budget requirement.

Budget Realignment and Spending Demands

- 5.14 The draft budget released on 15th January included £12m unallocated for a range of known issues but where amounts have not yet been finally quantified (as per paragraph 3.2 of this report). As part of finalising the budget we have re-assessed these risks, and are confident that the £12m is an adequate sum to cover these issues.
- 5.15 As outlined in paragraph 3.4 to 3.6 we have increased the provision for Kent Scheme pay by £0.6m since the 15th January draft publication. This enables the overall pay pot to be set at 2.8%, the upper end of the range reported to County Council in October, and to increase our lowest hourly rate to £8.10. Approx. 2% is funded from the additional funding in the final proposed budget, with the remainder funded through turnover. The final distribution of this pot will need to be agreed by the Cabinet Member for Corporate & Democratic Services.
- 5.16 The final proposed budget includes an additional £3.853m earmarked for social care following the final local government finance settlement announcement. Within this we have initially allocated £1.5m for children's social care in response to increased demand and placements, and the remaining £2.353m for adult's social care to fund the emerging cost of 'sleep nights'. These are draft high-level allocations for the purposes of setting the overall Council budget and council tax. The timing of the announcement has not left sufficient time to determine a more detailed

allocation or precisely how this additional money will be spent within the range of services under these broad headings. Final allocations will be made in compliance with the Council's Financial Regulations and Procedures, including where necessary key decisions.

- 5.17 The final proposed budget includes an additional £2.4m for highways drainage and pot-hole repairs. The proposal is that this funding could be available through a time limited rolling budget reserve to provide additional revenue funding to address urgent and safety critical highway repairs and maintenance, equating to an average of £1.2m per annum additional highways revenue spending over the next 2 years. Alternatively, the Corporate Director and Cabinet Member may offer a differing profile of spend.
- 5.18 In total the additional spending in the final proposed budget amounts to £6.874m more than the draft released on 15th January
- 5.19 It is proposed that of the remaining balance of the £11.9m additional funding, £4.433m is used to reduce the amount of draw-down of reserves, recognising that virtually all the £11.9m is one-off funding and some of the proposed spend of that extra funding is likely to be base budget. By reducing the draw-down from reserves, this can be used in 2019-20 to avoid the cliff-edge of lost one-off funding.

Savings Proposals

- 5.20 Some of the savings proposals in the draft Budget Book released on 15th January have been revised to reflect the latest planned delivery. In total these revisions have reduced or re-phased a total of £0.628m of savings from 2018-19. None of the individual changes are material to the budget and are reflected in the revised revenue budget summaries in appendices 3 and 4 of this report (sections 10 and 11 of the Budget Book), and the revised 2018-19 revenue plan in appendices 5 and 6 of this report (Appendix A(i) and A(ii) of the Budget Book). These changes are essential to ensure the plan is deliverable and based on robust estimates, and were possible following the additional flexibility from collection fund balances.

Prudential Indicators

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

6. Robustness of Estimates and Adequacy of Reserves

- 6.1 As required by the Local Government Act 2003, the Section 151 officer (for Kent this is the Corporate Director of Finance) must formally give opinion as to the robustness of the budget estimates and the level of reserves held by the Council.
- 6.2 The estimates have been produced from a challenging process with Cabinet Members, Corporate Directors and Directors resulting in agreement on the level of service delivery within the identified financial resources. In addition, the Budget Book sets out the main budget risks, alongside the proposed management action for dealing with these.
- 6.3 The Budget Book also clearly sets out the recommended strategy for ensuring adequate reserves. This has been set in consideration of key factors, such as our continued excellent record on budgetary control, the internal financial control framework, our strong approach to risk management and the expected level of General Reserves at 31st March 2018. The level of general reserves is in line with best practice as recommended by CIPFA and the Audit Commission.
- 6.4 To conclude, the Section 151 officer can formally report that the budget estimates are robust and the level of reserves adequate, as required by the Local Government Act 2003. The proposed budget has been formulated following a robust process of internal challenge with Cabinet Members and Corporate Directors, public consultation and scrutiny by Members of all political groups.
- 6.5 There are no immediate concerns about the financial sustainability of the Council, although given the pressures on local government funding, the increasing demands, and the uncertain outcomes from the major national funding reviews (business rate retention and fair funding), the sustainability situation needs to be kept under close review.

7. Recommendations

Recommendations:

The County Council is asked to agree the following:

- (a) Net revenue budget requirement of £958.488m for 2018-19
- (b) Capital investment proposals of £794.707m over three years from 2018-19 to 2020-21 together with the necessary funding and subject to approval to spend arrangements
- (c) The Treasury Management Strategy as per section 5 of the draft Budget Book released on 15th January
- (d) Prudential Indicators as set out in revised Appendix B to the draft Budget Book (appendix 7 of this report)
- (e) The Minimum Revenue Provision (MRP) Statement as set out in Appendix C to the draft Budget Book
- (f) The directorate capital programmes as set out in the draft Budget Book released on 15th January as amended by the changes in this report (summarised in appendix 2 of this report)
- (g) The directorate revenue budget proposals as set out in draft Budget Book released on 15th January as amended by the latest updates included in this report (summarised in appendices 3, 4, 5 and 6 of this report)
- (h) Delegate responsibility to Cabinet Members and Corporate Directors to manage the budget within the parameters set out in the Constitution and Financial Regulations (summary delegations to managers as set out in appendix 4 to this report)
- (i) To increase council tax band rates up to the maximum permitted without a referendum as set out in paragraph 2.7 table 2
- (j) To levy the additional 2% social care precept (raising an additional £13,194,425 and taking the total social care precept to £36,598,016 out of precept set out in (k) below)
- (k) The total council tax requirement of £665,735,336 to be raised through precepts on districts as set out in revisions to section 2 of the Budget Book (appendix 1 to this report)

In addition:

- (l) To note that the Cabinet Member for Corporate and Democratic Services will determine the TCP reward thresholds for staff assessed as achieving, achieving above, and outstanding, and the single value of KR2, within the 2.8% overall funding available
- (m) To delegate authority to the Corporate Director of Finance (in consultation with the Leader, Cabinet Member for Finance and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement
- (n) The changes made in (m) above to be reflected in the final version of the Budget Book and MTFP due to be published in March
- (o) To note that final distribution of unallocated amounts will be made in compliance with the Council's Financial Regulations and Procedures, including where necessary key decisions

- (p) To note the financial outlook for 2019-20 with further anticipated funding reductions and additional spending demands offset by provisional council tax increases and additional savings (some of which are yet to be identified)

8. Background Documents

8.1 KCC's Budget webpage

<http://www.kent.gov.uk/about-the-council/finance-and-budget/our-budget>

8.2 KCC's approved 2017-18 Budget and 2017-20 Medium Term Financial Plan

http://www.kent.gov.uk/_data/assets/pdf_file/0006/66534/budget-book-2017-18.pdf

<http://www.kent.gov.uk/about-the-council/strategies-and-policies/corporate-policies/medium-term-financial-plan>

8.3 Autumn Budget Report to County Council 19th October 2017

<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=113&MId=7567>

8.4 KCC Budget Consultation launched 12th October 2017

<https://consultations.kent.gov.uk/consult.ti/BudgetConsultation2018/consultationHome>

8.5 Chancellor's Autumn Budget 2017 22nd November 2017

<https://www.gov.uk/government/topical-events/autumn-budget-2017>

8.6 Office for Budget Responsibility fiscal and economic outlook 22nd November 2017

<http://obr.uk/efo/economic-fiscal-outlook-november-2017/>

8.7 Provisional Local Government Finance Settlement 19th December 2017

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019>

8.8 KCC Draft Budget Book 15th January 2018

http://www.kent.gov.uk/_data/assets/pdf_file/0005/78170/Draft-BB-and-MTFP-Black-Combed-Version-10012018-FINAL.pdf

http://www.kent.gov.uk/_data/assets/pdf_file/0006/78171/Budget-Exec-Summary.pdf

8.9 Response to Provisional Local Government Finance Settlement dated 15th January 2015

<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=SD5286&ID=5286&RPID=19850579>

- 8.10 Budget reports to Cabinet Committees in January/February
Policy & Resources
<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=750&MId=7563>
Growth, Economic Development and Communities
<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=833&MId=7558>
Environment and Transport
<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=831&MId=7548>
Adult Social Care
<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=896&MId=7752>
Children's, Young People and Education
<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=894&MId=7729>
- 8.11 Minutes of Scrutiny Committee 30th January 2018
<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=752&MId=7524>
- 8.12 Cabinet 5th February 2018
<https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=115&MId=7591>
- 8.13 Final Local Government Finance Settlement 6th February 2018
<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2018-to-2019>

9. Contact details

Report Author

- Dave Shipton
- 03000 419418
- dave.shipton@kent.gov.uk

Relevant Corporate Director:

- Andy Wood
- 03000 416854
- Andy.wood@kent.gov.uk

APPENDIX 1

Table 1	2017-18		2018-19							
	Notified Band D Equivalent Taxbase	Precept @ £1,178.82	Provisional Band D Equivalent Taxbase	Precept @ £1,214.10 (up to 3% referendum level)	Precept @ £1,237.68 (including Social Care Levy)	Change in Band D Equivalent Tax Base	Change in Precept	Change in Precept due to Tax Base	Change in Precept due to Tax Rate up to referendum level	Change in Precept due to Social Care Levy
		£000s		£000s	£000s		£000s	£000s	£000s	£000s
Ashford	44,671.70	52,659.9	45,680.00	55,460.1	56,537.2	1,008.30	3,877.3	1,188.6	1,611.6	1,077.1
Canterbury	48,906.74	57,652.2	49,764.97	60,419.7	61,593.1	858.23	3,940.9	1,011.7	1,755.7	1,173.5
Dartford	35,334.88	41,653.5	36,685.06	44,539.3	45,404.4	1,350.18	3,750.9	1,591.6	1,294.2	865.0
Dover	37,204.40	43,857.3	37,962.69	46,090.5	46,985.7	758.29	3,128.4	893.9	1,339.3	895.2
Gravesham	33,329.79	39,289.8	33,988.23	41,265.1	42,066.6	658.44	2,776.7	776.2	1,199.1	801.4
Maidstone	59,439.30	70,068.2	60,921.60	73,964.9	75,401.4	1,482.30	5,333.2	1,747.4	2,149.3	1,436.5
Sevenoaks	49,382.42	58,213.0	49,902.89	60,587.1	61,763.8	520.47	3,550.8	613.5	1,760.6	1,176.7
Shepway	37,431.37	44,124.8	38,312.22	46,514.9	47,418.3	880.85	3,293.4	1,038.4	1,351.7	903.4
Swale	45,299.89	53,400.4	46,590.79	56,565.9	57,664.5	1,290.90	4,264.1	1,521.7	1,643.7	1,098.6
Thanet	42,068.58	49,591.3	42,904.67	52,090.6	53,102.3	836.09	3,511.0	985.6	1,513.7	1,011.7
Tonbridge & Malling	48,878.88	57,619.4	49,924.51	60,613.3	61,790.6	1,045.63	4,171.2	1,232.6	1,761.3	1,177.2
Tunbridge Wells	44,448.64	52,396.9	45,252.08	54,940.6	56,007.6	803.44	3,610.6	947.1	1,596.5	1,067.0
Total	526,396.59	620,526.8	537,889.71	653,051.9	665,735.3	11,493.12	45,208.5	13,548.3	18,976.7	12,683.4

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SUMMARY

SECTION 9 - CAPITAL INVESTMENT PLANS 2018-19 TO 2020-21 BY YEAR

Row Ref		Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits			
				2018-19 £000s	2019-20 £000s	2020-21 £000s	Later Years £000s
				1	Strategic and Corporate Services	140,686	57,608
2	Adult, Social Care & Health	34,510	6,179	7,622	10,165	9,500	1,044
3	Children, Young People & Education	666,766	330,442	131,863	102,794	101,667	0
4	Growth, Environment and Transport	762,837	317,515	127,479	127,782	90,257	99,804
5	Capitalised Transformation Costs	5,000	2,500	2,500	0	0	0
6	Total Cash Limit	1,609,799	714,244	295,449	264,981	234,277	100,848
Funded by:							
7	Borrowing	276,681	104,700	106,357	53,396	50,408	-38,180
8	Property Enterprise Fund (PEF) 2	369	369	0	0	0	0
9	Grants	790,262	444,131	112,679	146,328	86,556	568
10	Developer Contributions	237,715	48,642	26,843	24,386	44,773	93,071
11	Other External Funding	98,061	23,447	4,666	16,707	17,241	36,000
12	Revenue and Renewals	32,858	5,505	9,856	8,712	8,785	0
13	Capital Receipts	93,279	60,954	17,279	4,704	13,542	-3,200
14	Capital Receipts to Fund Transformation	5,000	2,500	2,500	0	0	0
15	Recycling of Loan Repayments	75,574	23,996	15,269	10,748	12,972	12,589
16	Total Finance	1,609,799	714,244	295,449	264,981	234,277	100,848

SUMMARY

SECTION 9 - CAPITAL INVESTMENT PLANS 2018-19 TO 2020-21 BY FUNDING

Row Ref		Total Cost of Scheme	Prior Years Spend	2018-21 Funded By:								
				Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	Later Years
				£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	Strategic and Corporate Services	140,686	57,608	46,017	13,250	0	10,000	310	13,501	0	83,078	0
2	Adult, Social Care & Health	34,510	6,179	22,269	1,342	1,176	0	1,500	1,000	0	27,287	1,044
3	Children, Young People & Education	666,766	330,442	108,316	163,923	29,864	300	24,000	9,921	0	336,324	0
4	Growth, Environment and Transport	762,837	317,515	33,559	167,048	64,962	28,314	1,543	11,103	38,989	345,518	99,804
5	Capitalised Transformation Costs	5,000	2,500	0	0	0	0	0	2,500	0	2,500	0
6	Total Cash Limit	1,609,799	714,244	210,161	345,563	96,002	38,614	27,353	38,025	38,989	794,707	100,848

Page 28		Three Year Budget	2018-21 Funded By:									
			Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21		
			£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
	ROLLING PROGRAMMES											
7	Strategic and Corporate Services	16,990	7,540	7,500	0	0	0	1,950	0	16,990		
8	Adult, Social Care & Health	1,500	0	0	0	0	1,500	0	0	1,500		
9	Children, Young People & Education	65,118	1,050	39,769	0	0	24,000	299	0	65,118		
10	Growth, Environment and Transport	102,194	8,370	93,544	17	3	0	260	0	102,194		
11	Total Rolling Programmes	185,802	16,960	140,813	17	3	25,500	2,509	0	185,802		

		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	Later Years									
													£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
														INDIVIDUAL PROJECTS							
12	Strategic and Corporate Services	123,696	57,608	38,477	5,750	0	10,000	310	11,551	0	66,088	0									
13	Adult, Social Care & Health	33,010	6,179	22,269	1,342	1,176	0	0	1,000	0	25,787	1,044									
14	Children, Young People & Education	601,648	330,442	107,266	124,154	29,864	300	0	9,622	0	271,206	0									
15	Growth, Environment and Transport	660,643	317,515	25,189	73,504	64,945	28,311	1,543	10,843	38,989	243,324	99,804									
16	Capitalised Transformation Costs	5,000	2,500	0	0	0	0	0	2,500	0	2,500	0									
17	Total Individual Projects	1,423,997	714,244	193,201	204,750	95,985	38,611	1,853	35,516	38,989	608,905	100,848									
18	Total Cash Limit	1,609,799	714,244	210,161	345,563	96,002	38,614	27,353	38,025	38,989	794,707	100,848									

SECTION 10 - REVENUE BUDGET SUMMARY BY DIRECTORATE

WHO IS RESPONSIBLE FOR THE BUDGET?

Revenue Spending

Row ref	2017-18 Base Budget (Net Cost) £000s	Directorate	2018-19 Proposed Budget						
			Staffing	Non Staffing	Gross Expenditure	Income	Grants	Net Cost	Net Change
			£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	416,630.3	Adult Social Care & Health (ASCH)	85,087.7	469,614.0	554,701.7	-121,498.7	-16,185.0	417,018.0	387.7
2	169,795.4	Children, Young People & Education (excl Schools Budgets) (CYPE)	100,192.9	328,831.8	429,024.7	-48,226.0	-204,860.1	175,938.6	6,143.2
3	0.0	Children, Young People & Education (Schools Budgets) (CYPE)	483,280.2	154,048.5	637,328.7	-50,757.3	-586,571.4	0.0	0.0
4	162,307.3	Growth, Environment and Transport (GET)	47,067.7	160,176.0	207,243.7	-37,409.6	-4,327.5	165,506.6	3,199.3
5	69,071.4	Strategic and Corporate Services (S&CS)	52,668.9	142,373.8	195,042.7	-52,366.0	-73,207.8	69,468.9	397.5
6	115,172.4	Financing Items & Unallocated (FI&U)	5,328.0	142,928.7	148,256.7	-17,682.9	-18.0	130,555.8	15,383.4
7	932,976.8	BUDGET REQUIREMENT	773,625.4	1,397,972.8	2,171,598.2	-327,940.5	-885,169.8	958,487.9	25,511.1
8	932,976.8	BUDGET REQUIREMENT (excl Schools Budgets)	290,345.2	1,243,924.3	1,534,269.5	-277,183.2	-298,598.4	958,487.9	25,511.1
Funded by:									
9	620,526.8	Council Tax Yield					-665,735.3	-665,735.3	-45,208.5
10	-12,494.2	Council Tax Collection Fund					-10,338.4	-10,338.4	2,155.8
11	-50,599.9	Local Share of Business Rates					-59,048.9	-59,048.9	-8,449.0
12	140.3	Business Rates Collection Fund					247.3	247.3	107.0
<u>Un-ringfenced Grants</u>									
13	-66,475.8	Revenue Support Grant					-37,640.1	-37,640.1	28,835.7
14	-5,684.7	Transitional Grant					0.0	0.0	5,684.7
15	-6,192.0	Social Care Support Grant					-3,852.8	-3,852.8	2,339.2
16	-128,863.8	Business Rate Top-Up					-133,568.9	-133,568.9	-4,705.1
17	-3,341.7	Business Rate Compensation Grant					-6,163.4	-6,163.4	-2,821.7
18	-301.2	Improved Better Care Fund					-17,525.1	-17,525.1	-17,223.9
19	-26,090.8	Adult Social Care Allocation					-17,493.8	-17,493.8	8,597.0
20	-3,372.1	ESG: one-year transitional protection					0.0	0.0	3,372.1
21	-7,804.9	New Homes Bonus (NHB) & NHB Adjustment Grants					-5,782.4	-5,782.4	2,022.5
22	-1,369.2	Other Un-ringfenced Grants					-1,586.1	-1,586.1	-216.9
23	0.0	TOTAL	773,625.4	1,397,972.8	2,171,598.2	-327,940.5	-1,843,657.7	0.0	0.0

SECTION 11 - KEY SERVICES STATEMENT

BUDGET BY DIRECTORATE & DIVISION

The hierarchy illustrates the Council's structure, and which Divisions sit within each Directorate, along with the Net Cost.

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*including budgets still to be allocated

Appendix A (i) - High Level 2018-20 Revenue Plan

APPENDIX 5

2017-18			2018-19		2019-20	
£000s	£000s		£000s	£000s	£000s	£000s
	911,049.7	Revised 2017-18 Base Budget		932,976.8		958,487.9
		Additional Spending Pressures				
	8,660.2	Net budget realignments from previous year	12,495.0		-339.2	
	10,851.8	Replacement of one-off use of reserves to fund base budget	11,343.7		10,658.6	
		Reduction in Grant Funding	1,784.0		1,785.0	
	23,753.2	Pay & Prices	25,124.6		24,962.5	
	15,412.5	Demand & Demographic	17,142.9		15,848.0	
	28,663.0	Government & Legislative	-6,895.0		-8,346.6	
	11,302.1	Service Strategies and Improvements	12,718.0		1,550.6	
	98,642.8	Total Pressures		73,713.2		46,118.9
		Savings & Income				
		<u>Transformation Savings</u>				
	-11,106.4	Adults Transformation Programmes	-3,788.2		-4,594.8	
	-3,316.1	Other Transformation Programmes	-4,054.4		-3,394.6	
	-8,405.4	Income Generation	-6,036.5		-2,563.3	
		Increases in Grants & Contributions	0.0		0.0	
		<u>Efficiency Savings</u>				
	-8,564.0	Staffing	-6,402.4		-2,331.3	
	-406.0	Premises	-980.5		-180.0	
	-13,960.3	Contracts & Procurement	-10,802.5		-3,901.6	
	-6,479.0	Other	-1,092.5		-228.0	
	-15,465.1	Financing Savings	-12,256.6		-11,345.8	
	-2,500.0	Use of Capital Receipts				
	-3,153.4	Policy Savings	-2,788.5		-5,806.3	
	-73,355.7	Total Savings & Income		-48,202.1		-34,345.7
		Public Health & Other Grants				
	1,753.0	Estimated reduction in Public Health Grant				
	-1,753.0	Public Health Service Reductions				
	-3,360.0	Retained element of former ESG transferred into DSG				
	-3,360.0			0.0		0.0
		Unidentified		0.0		-14,975.2
	932,976.8	Net Budget Requirement		958,487.9		955,285.9

Appendix A (i) - High Level 2018-20 Revenue Plan

APPENDIX 5

2017-18			2018-19		2019-20	
£000s	£000s		£000s	£000s	£000s	£000s
		<u>Funded by</u>				
66,475.8		Revenue Support Grant	37,640.1		9,487.1	
5,684.7		Transitional Grant				
6,192.0		Social Care Support Grant	3,852.8			
128,863.8		Business Rate Top-Up Grant	133,568.9		136,111.6	
3,372.1		Education Services Grant (transitional protection)				
26,392.0		Improved Better Care Fund (incl additional Adult Social Care allocation announced in Chancellor's Spring 2017 budget)	35,018.9		42,379.7	
12,515.8		Other un-ringfenced grants	13,531.9		14,939.4	
50,599.9		Local Share of Retained Business Rates	59,048.9		53,132.5	
-140.3		Business Rate Collection Fund	-247.3			
597,123.2		Estimated Council Tax Yield (including proposed increase up to referendum limit)	629,137.3		648,874.6	
23,403.6		Proposed Social Care Levy	36,598.0		50,361.0	
12,494.2		Estimated Council Tax Collection Fund	10,338.4			
	932,976.8	Total Funding		958,487.9		955,285.9

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
2017-18 Base	Approved budget by County Council on 11th February 2016	169,614.0	422,735.1	162,307.3	63,148.0	115,172.4	932,976.8	
Base Adjustments (internal)	Changes to budgets which have nil overall affect on net budget requirement	1,224.4	-5,494.1	-76.9	7,625.2	-3,278.6	0.0	
Revised 2017-18 Base		170,838.4	417,241.0	162,230.4	70,773.2	111,893.8	932,976.8	932,976.8
Additional Spending Pressures								
Net Budget Realignment	<i>Necessary adjustments to reflect current and forecast activity levels from in-year monitoring reports</i>							
Commercial Services (CSD)	Reversal of one-off draw-down from CSD reserves and realignment of budget to reflect anticipated dividend after allowing for CSD to retain 20% of profit in their reserves					2,400.0	2,400.0	12,495.0
Adults Phase 3 Transformation	Re-phasing of Phase 3 savings		1,700.0				1,700.0	
Housing Related Support	Re-phasing of 2016-17 and 2017-18 HRS savings		198.0				198.0	
Market support Funds	Removal of one-off funding.		-5,508.6				-5,508.6	
PREVENT	Embedding of budget for PREVENT following the pilot project		114.6				114.6	
Allocation of retained Business Rates	Reversal of 17-18 savings relating to use of retained business rates to assist with funding Regeneration activity			500.0			500.0	
Unallocated	Provision for budget realignment based on 2017-18 half year monitoring					12,500.0	12,500.0	
Highways	Reduction in demand for Driver Diversion Courses			471.0			471.0	
S106 staffing costs	Alternative funding for staff involved in securing S106 developer contributions, following a change in the capital grant rules			120.0			120.0	
Replace use of one-offs	Impact of not being able to repeat one-off use of reserves and underspends in approved base budget for 2017-18		1,500.0	250.0	3,000.0	6,593.7	11,343.7	11,343.7
Reduction In Grant Income	Impact of Reduction in Public Health Grant				1,784.0		1,784.0	1,784.0

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE £000s	ASCH (incl DCS Age 0-25) £000s	GET £000s	S&CS (incl PH) £000s	FI&U £000s	Total £000s	£000s
Pay and Prices								
Pay and Reward	Additional contribution to performance reward pot and impact on base budget of uplifting pay grades in accordance with single pay reward scheme					4,453.0	4,453.0	25,124.6
Inflation								
Energy	Anticipated price increases on energy contracts for the KCC estate as estimated by Commercial Services				320.5		320.5	
Utility related inflation	Provision for price inflation related to Streetlight energy as estimated by Commercial Services			170.7			170.7	
Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages including nursing, residential, domiciliary, supporting independence and direct payments. Contracted services already allow for separate uplifts for National Living Wage/National Minimum Wage and Consumer Prices elements through formulaic approach		10,874.2				10,874.2	
Children's Social Care	Provision for price negotiations with external providers and uplift to in-house foster carers in line with DFE guidance	1,495.6	328.6				1,824.2	
Home to School Transport	Provision for inflation on contracted services and season tickets for mainstream & SEN Home to School and College Transport and the 16+ travel card	1,181.2					1,181.2	
Young Person's Travel Pass	Provision for price inflation related to the Young Person's Travel Pass which is recovered through uplifting the charge for the pass			508.2			508.2	
Transport related inflation	Provision for price inflation related to other Public Transport services			793.6			793.6	
Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services			2,872.8			2,872.8	
Levies	Increase in Environment Agency Levy					21.0	21.0	
Non specific price provision	Non specific provision for CPI inflation on other negotiated contracts without indexation clauses	189.2		1.3	294.7	1,620.0	2,105.2	

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE £000s	ASCH (incl DCS Age 0-25) £000s	GET £000s	S&CS (incl PH) £000s	FI&U £000s	Total £000s	£000s
Demography	<i>Additional spending associated with increasing population and demographic make-up of the population</i>							
Older People & Physical Disability	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs		4,964.4				4,964.4	17,142.9
Adults with a Learning Disability (age 18+)	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs		5,010.2				5,010.2	
Mental Health	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs		850.1				850.1	
Children's Social Care	Estimated impact of an increase in the population of children in Kent, leading to increased demand for specialist and disabled children's services	1,955.0	527.4				2,482.4	
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport	890.0					890.0	
Home to School transport - Mainstream	Estimated impact of rising pupil population on Mainstream Home to School transport	512.0					512.0	
YPTP, ENCTS & Waste tonnage	Estimated impact of changes in activity across usage of Young Person's Travel Pass, English National Concessionary Transport Scheme and waste tonnage as a result of population and housing growth			933.8			933.8	
Adult Safeguarding	Delivery of improvement in adult safeguarding practice and management and outcomes in Adult Social Care and Health		1,500.0				1,500.0	
Government & Legislative								
Deprivation of Liberty Safeguards	Additional DOLS assessments following the Cheshire Judgment 2014		1,540.0				1,540.0	-6,895.0
Adult Social Care Spring Budget 2017 Allocation	Planned reduction in specific adult social care allocation via the iBCF.		-8,597.0				-8,597.0	
Other changes to existing legislation and responsibilities	Changes to existing services and responsibilities as a result of regulatory reform			162.0			162.0	

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE £000s	ASCH (incl DCS Age 0-25) £000s	GET £000s	S&CS (incl PH) £000s	FI&U £000s	Total £000s	£000s
Service Strategies & Improvements								
Home to School transport - Mainstream	Impact of Grammar School Select Committee transport recommendations	100.0					100.0	12,718.0
Home to School transport - Mainstream	Contracted Home to School transport services required to replace private subsidised bus services no longer provided	100.0					100.0	
Specialist Children's Services staffing	Additional staffing requirements following the Ofsted inspection in March 2017 required to ensure reasonable workloads are maintained and we continue to meet our statutory obligations in safeguarding children.	1,100.0					1,100.0	
Adult Technology Enabled Change (TEC)	Training, maintenance and licence costs for the new Adults performance system (MOSAIC)		530.9		201.9		732.8	
Corporate Landlord	Rates and other revenue costs relating to some properties transferring to Corporate Landlord and others being held for re-provision of services.				600.0		600.0	
Education Services Company	Impact of up front investment required for the establishment of the Education Services Company.	1,808.4					1,808.4	
Business Services Centre	Impact of up front investment required for the establishment of the Business Services Centre as an external company.				1,462.0		1,462.0	
Member Allowances	Impact of changes to Member Allowances				300.7		300.7	
Social Care Support	Initial allocations following the extension of the Social Care Support grant announced in the final Local Government Finance settlement. Final allocations will be made in compliance with Financial Regulations and Procedures.	1,500.0	2,352.8				3,852.8	
Highway Maintenance	To set up a highway maintenance reserve to be used over two years to fund pothole repairs, and minor repair and cleansing of road drainage gullies & soakaways			2,400.0			2,400.0	
Other	Other minor service improvements			193.3	68.0		261.3	
Total Additional Spending Demands		10,831.4	17,885.6	9,376.7	8,031.8	27,587.7	73,713.2	73,713.2

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE £000s	ASCH (incl DCS Age 0-25) £000s	GET £000s	S&CS (incl PH) £000s	FI&U £000s	Total £000s	£000s
<u>Savings and Income</u>								
<u>Transformation Savings</u>								
Adults Older People / Physical Disability - Phase 2	Continued roll out of Phase 2 transformation including initiatives aimed at promoting better integration with health services and a better range of support services for clients leaving hospital back to home		-815.6				-815.6	-3,788.2
Adults - Transformation	Transformation of core operating model for Adult Social Care		-2,972.6				-2,972.6	
Conversion of Streetlight assets to LED technology	Continuation of programme to convert streetlight network to better, more cost and energy efficient LED technology and implementation of a central monitoring system			-805.0		-46.0	-851.0	-4,054.4
GEN2 LATCo	Increased dividend from Gen2 Property LATCo					-363.4	-363.4	
Contact Centre and Digital Web Platform	Removal of one-off investment in 2016-17 for new contact centre and digital web platform.				-250.0		-250.0	
Strategic Commissioning	Reduction to be delivered from the formation and restructure of the Strategic Commissioning division				-1,790.0		-1,790.0	
Business Services Company	Phased recruitment in the establishment of the Business Services Company				-300.0		-300.0	
Modernisation of the Council	One-off saving pending review of fund balance following future claims for costs associated with transforming services and workforce reduction					-500.0	-500.0	

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE £000s	ASCH (incl DCS Age 0-25) £000s	GET £000s	S&CS (incl PH) £000s	FI&U £000s	Total £000s	£000s
Income								
Trading	Increased income from traded services with schools, academies, other local authorities and public bodies	-677.2					-677.2	-6,036.5
Review of Charges for Service Users - existing service income streams & inflationary increases	Uplift in social care client contributions in line with benefit uplifts for 2018-19, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams		-2,099.1	-522.0			-2,621.1	
Review of Charges for Service Users - new income streams & initiatives	A review of fees and charges in relation to new income streams and initiatives			-915.0			-915.0	
Capital Investment Fund	Revised Treasury Management strategy					-1,200.0	-1,200.0	
Partner contributions	To attract investment from Partners in light of the preventative benefits the Community Wardens deliver			-115.0			-115.0	
Young Persons Travel Pass	Travel pass price realignment to offset bus operator inflationary fare increases			-508.2			-508.2	
Efficiency Savings								
Staffing Restructures	Service re-design, integration of services and more efficient ways of working resulting in a reduction of staff and staff related costs. The delivery of these savings will be with appropriate stakeholder engagement and detailed consultations	-696.0		-532.5	-2,348.9	-750.0	-4,327.4	-6,402.4
Service Integration within CYPE directorate	Integration of Children's Services across the Children, Young People and Education Directorate	-2,000.0					-2,000.0	
Disabled Children's Services	Staffing efficiencies within in-house respite units		-75.0				-75.0	
Infrastructure								
Established Programmes	Existing savings plans arising from asset rationalisation, facilities management and utility contracts				-980.5		-980.5	-980.5

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE £000s	ASCH (incl DCS Age 0-25) £000s	GET £000s	S&CS (incl PH) £000s	FI&U £000s	Total £000s	£000s
<u>Contracts & Procurement</u>								
Infrastructure	Reduction in ICT spend on third party contracts and equipment, and centralise remaining ICT contract spend				-227.0		-227.0	-10,802.5
SEN Home to School transport	SEN transport re-tendering & school led management	-175.0					-175.0	
Early Help & Preventative Services	Review of grant payments to other public sector organisations	-600.0					-600.0	
Review of grants & contracts within GET directorate	A review of the level of grants, subscriptions and contract cost efficiencies			-1,222.3			-1,222.3	
Review of non staffing costs	A review of non staffing expenditure			-295.5			-295.5	
Public Health	Review of Commissioned services				-2,795.7		-2,795.7	
Early Help & Preventative Services	Review of commissioned Early Help & Preventative Children's Services including Children's Centres, matching reduction in funding transfer from Public Health	-1,000.0					-1,000.0	
Housing Related Support - Older People	Modernising and using the new benefits system to support older people in sheltered housing		-2,781.0				-2,781.0	
Social Support	Rationalisation of contracts for preventative services		-1,238.3				-1,238.3	
Older People Residential Care	Proposed transfer of Older People in-house services		-112.7				-112.7	
External Audit Fee	Reduction in Audit Commission Fee					-100.0	-100.0	
Kent Public Services Network (KPSN)	Changes to the KPSN contract including extending the customer base				-120.0		-120.0	
Other	Other minor contracts and procurement savings		-25.0		-110.0		-135.0	
<u>Other</u>								
Kent Support and Assistance Service	Embed 2017-18 underspend on the service		-263.0		-31.5		-294.5	-1,092.5
ICT Single System	Removal of one-off funding provided in 2017-18 for commissioning a new ICT hosted solution	-333.0					-333.0	
Education Pensions	Reduction in Education staff pension costs	-250.0					-250.0	
Other	Other minor efficiency savings			-40.0	-150.0	-25.0	-215.0	

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financing Savings								
Draw-down central reserves	Net draw-down of central reserves to support future years' budgets					-643.3	-643.3	-12,256.6
Debt repayment	Net impact of new borrowing and review amounts set aside for debt repayment (MRP)					-5,298.0	-5,298.0	
Draw-down Directorate reserves	Draw-down directorate reserves to smooth expenditure across years		-6,315.3				-6,315.3	
Policy Savings								
Soft Landscaping	This is the full year effect of the review of soft landscaping which was effective from December 2017			-290.0			-290.0	-2,788.5
Adults with a Learning Disability	Implementation of accommodation model for the short breaks service		-300.0				-300.0	
Housing Related Support - Other Adults	Reviewing with partners specialist accommodation with an expectation that suitable alternative accommodation will be jointly commissioned		-261.0				-261.0	
Council Tax Support Arrangements with Districts	Rationalise current support payments				-45.0		-45.0	
Older People / Physical Disability Day Care	Development of in-house Day Services		-250.0				-250.0	
Older People / Physical Disability Charging	Full roll out of policy change in 2017-18, to take second properties into consideration when calculating client contributions to non-residential services		-600.0				-600.0	
Partnership Arrangements with Districts	Review existing incentive payments and reinvest savings from existing schemes to achieve an increased tax base.				-150.0		-150.0	
Winter Service	A review of the salting routes and runs that will be delivered over the winter period			-300.0			-300.0	
Highway Maintenance	Reviewing the level of spend on verge, as well as lit signs and bollards, maintenance			-100.0			-100.0	
Subsidised Buses	Review of the level of support given to non-commercial bus routes			-455.0			-455.0	
Finance	Reduce engagement in national finance working groups and responding to government consultations				-37.5		-37.5	
Total savings and Income		-5,731.2	-18,108.6	-6,100.5	-9,336.1	-8,925.7	-48,202.1	
Proposed Budget		175,938.6	417,018.0	165,506.6	69,468.9	130,555.8	958,487.9	958,487.9

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding								
Final Settlement	<i>Notification of funding from central government</i>							
Revenue Support Grant	Comprises share of previous Formula Grant, Early Intervention Grant, Learning Disability Grant, Council Tax Freeze Grant, Care Act Grant etc. allocated as revenue support grant, including impact of overall reductions in the provisional local government finance settlement						37,640.1	37,640.1
Social Care Support Grant	One-off extension of the Adult Social Care Support Grant as announced in the 2018-19 final Local Government Finance Settlement						3,852.8	3,852.8
Business Rate Top-up	Top-up derived by comparing local share of business rates according to historical average and business rate baseline share of previous grants including annual uplift in line with business rate multiplier, as per the alternative presentation of the provisional local government finance settlement excluding the impact of 100% business rates pilots						133,568.9	133,568.9
Improved Better Care Fund	MHCLG un-ring-fenced grant allocated towards improved integration between social care and health, including the additional adult social care funding announced in the Chancellor's Spring Budget on 8th March 2017.						35,018.9	35,018.9
New Homes Bonus Grant	MHCLG un-ring-fenced grant allocated according to increase in tax base, as per the provisional local government finance						5,782.4	13,531.9
Business Rate Compensation	Compensation for additional reliefs on business rates for small businesses, retail premises and reduction in multiplier paid as un-ring-fenced grant by MHCLG (estimate)						6,163.4	
Un-ring-fenced grants	Un-ring-fenced grants from other Government Departments						1,586.1	

Appendix A(ii) - Detailed 2018-19 Revenue Plan by Directorate

APPENDIX 6

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Business Rates								
Business Rate Baseline	Local share of business rates baseline based on historical average with annual uplift in line with business rate multiplier, as per the alternative presentation of the provisional local government finance settlement excluding the impact of 100% business rates pilots						47,174.7	59,048.9
Business Rate Local Share	KCC 9% share of local tax base as notified by district councils less baseline share identified above and anticipated proceeds from the 100% Business Rates retention pilot						11,874.2	
Business Rate Collection Fund	KCC share of surpluses and deficits on business rate collection in 2017-18						-247.3	-247.3
Local Taxation								
Council Tax Base	KCC band D equivalent tax base as notified by district councils based on 2017-18 Council Tax						610,160.6	629,137.3
Council Tax Increase	Impact of proposed increase in Council Tax up to the 3% referendum level						18,976.7	
Social Care Levy	Impact of proposed further 2% increase in Council Tax for Social Care Levy (total shown relates to 2016-17, 2017-18 and 2018-19 increases combined)						36,598.0	36,598.0
Council Tax Collection Fund	KCC share of surpluses and deficits on Council Tax collection in 2017-18						10,338.4	10,338.4
Total Funding							958,487.9	958,487.9

Key:

CYPE Children, Young People and Education
ASCH Adult Social Care and Health
DCS Disabled Children's Services
GET Growth, Environment & Transport
S&CS Strategic & Corporate Services
PH Public Health
FI&U Financing Items and Unallocated

Appendix B Prudential Indicators

1. Estimate of capital expenditure (including PFI)

Actual	2016-17	£241.263m
Estimate	2017-18	£240.421m
	2018-19	£295.449m
	2019-20	£264.981m
	2020-21	£234.277m

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

The Corporate Director of Finance and Procurement reports that, in light of current commitments and plans reflected in the budget forecast, gross debt is not envisaged to exceed the CFR in 2017-18, nor are there any difficulties envisaged in meeting this requirement for future years.

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

	2016-17 Actual £000	2017-18 Forecast £000	2018-19 Estimate £000	2019-20 Estimate £000	2020-21 Estimate £000
Capital Financing Requirement	1,362.394	1,328.287	1,373.692	1,361.799	1,344.566
Annual increase (decrease) in underlying need to borrow	14.135	-34.107	45.406	-11.894	-17.233

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

Actual	2016-17	13.41%
Estimate	2017-18	13.04%
	2018-19	11.99%
	2019-20	12.40%

5. Adoption of the CIPFA Treasury Management Code:

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

6. Actual External Debt:

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

Actual External Debt as at 31/03/2017	£m
Borrowing	966
Other Long Term Liabilities	271
Total	1,237

7. Authorised Limit and Operational Boundary for External Debt:

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

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

Authorised Limit for External Debt relating to KCC assets and activities

	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Borrowing	1,020	1,020	1,043	1,026	1,000
Other Long Term Liabilities	245	271	271	271	271
Total	1,265	1,291	1,314	1,297	1,271

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

	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Borrowing	1,058	1,058	1,078	1,060	1,033
Other Long Term Liabilities	245	271	271	271	271
Total	1,303	1,329	1,349	1,331	1,304

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

APPENDIX 7

Operational Boundary for External Debt relating to KCC assets and activities

	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Borrowing	980	980	1,003	986	960
Other Long Term Liabilities	245	271	271	271	271
Total	1,225	1,251	1,274	1,257	1,231

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

	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Borrowing	1,018	1,018	1,038	1,020	993
Other Long Term Liabilities	245	271	271	271	271
Total	1,263	1,289	1,309	1,291	1,264

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

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

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

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

	2017-18 Approved %	2017-18 Revised %	2018-19 Estimate %	2019-20 Estimate %	2020-21 Estimate %
Upper limit for Fixed interest rate exposure	100	100	100	100	100
Upper limit for Variable rate exposure	50	50	50	50	50

9. Maturity Structure of Fixed Rate borrowing:

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

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

Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %
under 12 months	0	10
12 months and within 24 months	0	10
24 months and within 5 years	0	15
5 years and within 10 years	0	15
10 years and within 20 years	5	20
20 years and within 30 years	5	25
30 years and within 40 years	10	25
40 years and within 50 years	10	35
50 years and within 60 years	10	15

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

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

Upper limit for total principal invested over 364 days	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
	260	260	250	250	250