Budget Book

2020-21

Approved by County Council 13 February 2020

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KCC BUDGET BOOK 2020-21

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Budget Book

SECTION 1

Capital Strategy

Capital Strategy

Introduction

1.1 This capital strategy was a new requirement for 2019-20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes highly technical areas. To complement this new presentation, the fuller Capital Programme Strategy is at Section 3 of this document.

Capital Expenditure and Financing

1.2 Capital expenditure is where the Council spends money on assets, such as property, highways assets or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are deemed *de-minimis* and not capitalised and are charged to revenue in year.

1.3 Details of the Council's policy on capitalisation are included in the Council's annual Statement of Accounts, the relevant extract is set out below:

"Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

1.4 All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above our *de-minimis* of £10k (£2k in schools) is capitalised on an accruals basis. In this context, enhancement means work that has substantially increased the value or use of the assets. Work that has not been completed by the end of the year is carried forward as "assets under construction".

1.5 In 2020-21, the Council is planning capital expenditure of £471.9m as shown in the following table:

Table 1: Prudential Indicator 1: Estimates of Capital Expenditure in £millions

	2018-19 Actuals	2019-20 Forecast	2020-21 budget	2021-22 budget	2022-23 budget
General Fund services	200.5	253.7	429.9	310.6	197.8
Capital investments	0.1	37.0	42.0	34.0	0.0
TOTAL	200.6	290.7	471.9	344.6	197.8

1.6 The main General Fund capital projects include investments in additional school places to increase capacity (£168m), highways, structures & waste enhancement (£82m), highways and other transport improvements (£76m), modernisation and improved utilisation of council premises (£31m), other school projects (£31m), economic development initiatives (£26m), community projects (£10m) and adults projects (£5m).

1.7 The Council has up to £42m available in 2020-21 for acquisition of strategic properties.

1.8 **Governance**: Service managers bid to include projects in the Council's capital programme. Bids are collated by the Capital Team in Corporate Finance who review the bids and calculate the financing cost (which can be nil if the project is fully externally financed). The Infrastructure Commissioning Board (ICB) appraised all the bids for the 2020-23 capital programme against the Capital Strategy Drivers and made recommendations for inclusion in the final capital programme. Going forward there will be a revised governance process which will undertake this function. The final capital programme is then presented to Cabinet in January and to County Council in February each year for approval.

- Full details of the Council's capital programme are set out in Sections 5 and 6 of this document.

1.9 All capital expenditure must be financed, either from external sources (government grants, developer contributions and other external funding), the Council's own resources (revenue, reserves and capital receipts from sale of assets) or borrowing. The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £millions

	2018-19 actual	2019-20 forecast	2020-21 budget	2021-22 budget	2022-23 budget
External sources*	153.9	178.9	248.0	238.3	134.9
Own resources	24.7	36.2	30.7	11.6	10.9
Borrowing	22.0	75.6	193.2	94.7	52.0
TOTAL	**200.6**	**290.7**	**471.9**	**344.6**	**197.8**

*External sources include funding from loan repayments. The Council operates a number of revolving loan schemes, the majority of which are funded from external sources. However, this will also include an element of funding that was originally from the Council's own resources but cannot now be separately identified.

1.10 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Borrowing is a combination of external loans and internal borrowing (from cash reserves). Debt is usually only repaid when a loan matures. Occasionally the Council can refinance debt with replacement borrowing at a lower rate of interest, this is rare as there are usually excessive penalties to repay loans earlier than their normal maturity. Planned MRP debt during the medium-term planning period is as follows:

Table 3: Replacement of debt finance (MRP) in £millions

	2018-19 actual	2019-20 forecast	2020-21 budget	2021-22 budget	2022-23 budget
MRP	60.0	59.3	60.2	64.8	64.6

- The Council's full minimum revenue provision statement is at Appendix 3 to the County Council Budget report.

1.11 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with repayments from MRP and capital receipts used to replace debt. The CFR is expected to increase by £133.0m during 2020-21. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator 2: Estimates of Capital Financing Requirement £millions

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
TOTAL CFR	1,284.5	1,300.8	1,433.8	1,463.8	1,451.2

The in-year movement in the total row equals borrowing from table 2 less MRP from table 3

1.12 **Asset management:** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. This sets the framework for managing the property portfolio effectively over the next 3 to 5 years. It will guide future strategic property decisions to make sure the property portfolio is managed sustainably and efficiently so that it can adapt to remain fit for the future and support frontline delivery. Property assets are an important part of supporting and enabling the Council to transform the way public services are delivered with partners and it is therefore essential that an innovative and forward-thinking strategy is in place.

- The Council's asset management strategy can be read here: https://www.kent.gov.uk/about-the-council/strategies-and-policies/corporate-policies/asset-management-strategy

1.13 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt.

1.14 Repayments to the Council of capital grants, loans to third parties and investments also generate capital receipts. The timing of when capital receipts are banked and applied to fund the capital programme will not necessarily match, and where necessary, timing differences will be managed through short term internal borrowing from cash balances. The following table shows when the Council plans to apply capital receipts and loan repayments in the coming financial years:

Table 5: Capital receipts to be applied in £millions

	Prior Years	2020-21 budget	2021-22 budget	2022-23 budget
Application of asset sales	37.7	20.1	2.1	1.4
Loan repayments	31.6	13.9	14.6	12.7

- The Council's Flexible Use of Capital Receipts Policy is at Appendix 4 to the County Council Budget report.

Treasury Management

1.15 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

1.16 As at 31 December 2019 the Council had £898m external borrowing, at an average interest rate of 4.51% and £382m treasury investments at an average rate of 2.71%.

1.17 **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

1.18 Projected levels of the Council's total outstanding debt comprising external borrowing and other long-term liabilities identified in the balance sheet (including PFI liabilities, leases, etc) are shown below, compared with the capital financing requirement (see above) and the resulting balance funded from internal borrowing (cash balances).

Table 6: Prudential Indicator 3: Gross Debt and the Capital Financing Requirement in £millions

	31.3.2019 actual	**31.3.2020 forecast**	**31.3.2021 budget**	**31.3.2022 budget**	**31.3.2023 budget**
Other Long-term Liabilities	254.9	254.9	254.9	254.9	254.9
External Borrowing	906.2	884.0	944.0	915.0	891.6
Total Debt	1,161.1	1,138.9	1,198.9	1,169.9	1,146.5
Capital Financing Requirement	1,284.5	1,300.8	1,433.8	1,463.8	1,451.2
Internal Borrowing (cash balances)	123.4	161.9	234.9	293.9	304.7

1.19 Statutory guidance is that total debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

1.20 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. Both limits are set with reference to the Council's plans for capital expenditure and financing. The authorised limit provides headroom over and above the operational boundary sufficient for unusual cash movements.

Table 7: Prudential Indicator 4: Authorised limit and operational boundary for external debt in £millions

	2019-20 limit	2020-21 limit	2021-22 limit	2022-23 limit
Authorised limit – borrowing	1,013	1,020	992	959
Authorised limit – PFI and leases	263	246	246	246
Authorised limit – total external debt	1,276	1,266	1,238	1,205
Operational boundary – borrowing	988	995	964	935
Operational boundary – PFI and leases	263	246	246	246
Operational boundary – total external debt	1,251	1,241	1,210	1,181

It is likely that the lease liability figure on the balance sheet will increase as a result of IFRS16. If this results in the expectation that the Council will exceed the authorised limit during 2020-21, then a revised limit will be brought back to County Council for approval.

- Further details on borrowing are in the Treasury Management Strategy – see Section 4.

1.21 **Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

1.22 The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, in particular in Money Market Funds, with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, equity and property funds, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments in £millions

	31.3.2019 actual	**31.3.2020 forecast**	**31.3.2021 budget**	**31.3.2022 budget**	**31.3.2023 budget**
Near-term investments	217	179	100	100	100
Longer-term investments	261	268	300	300	300
TOTAL	**478**	**447**	**400**	**400**	**400**

- Further details on treasury investments are in the Treasury Management Strategy at Section 4.

1.23 **Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

1.24 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Governance and Audit Committee with half-yearly and annual reports going to County Council. The Treasury Management Advisory Group (TMAG) is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

1.25 The Council makes investments to assist local public services, including making loans to or buying shares in other organisations (service investments). In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to generate a surplus after all costs.

1.26 **Governance:** Decisions on service investments are made by the relevant service manager after consultation with and approval of the Corporate Director of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are in the Investment Strategy at Section 2.

Commercial Activities

1.27 With central government financial support for local public services declining, the Council has strategically invested in commercial property purely or mainly for financial gain. The capital programme for Strategic and Corporate Services has included provision for Property Investment and Acquisition Funds (PIF1 and PIF2) for a number of years. PIF1 was funded from capital receipts, PIF2 is funded by internal borrowing (cash balances). The objectives of PIF are threefold: to create a pipeline of capital assets for future disposal to support the capital programme; to deliver a return to the Council through income from the assets and/or capital growth; to support regeneration of the Kent economy.

1.28 This strategy also makes provision for the acquisition of strategic assets, where business cases will be subject to approval by external review to ensure that these generate an income stream and will not create a financial burden on the County Council. That is, income streams must cover the total debt costs, including the minimum revenue provision over the medium term, and the short term consequences will have to be reflected in the medium term revenue budget. The external advisors will be appointed by the S151 Officer.

1.29 The approval process and tests that need to be satisfied for the business case to proceed are as follows:

a) That the rate of return meets the set criteria
b) That all revenue costs are identified including debt costs and are covered by the income stream
c) Signed approval of business case by external company review
d) Sign off by S151 Officer
e) Sign off by Head of Paid Service
f) Sign off by Monitoring Officer
g) Approval through the appropriate formal governance route

1.30 As and when these business cases are agreed, they will be added to the capital programme.

1.31 With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include void periods when properties are empty and reductions in market value. These risks are managed by a rigorous appraisal process prior to any acquisition decision. Total commercial investments as at 31st March 2019 were valued at £9.2m with the largest being the former Royal Mail site in Maidstone and Eurogate Business Park in Ashford.

1.32 **Governance:** Decisions on commercial investments and disposals are made by the Director of Infrastructure in accordance with the Councils constitution, and more relevantly the Property Management Protocol, and following consultation with and approval of the Corporate Director of Finance. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on commercial investments and limits on their use are included in the investment strategy – section 2.
- The Council also has commercial activities in a number of trading companies, details of which are included in the investment strategy – section 2.

Liabilities

1.33 In addition to debt of £883.4m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £1,333.8m). It has also set aside £37.1m in general reserves to cover unforeseen risks as identified in the Assessment of Level of Reserves – Appendix B to this document. The Council has identified a number of budget risks but has not put aside any money because the Council has sufficient reserves to cover these eventualities should they arise. These risks are identified in the Budget Risks Register at Appendix C to this document.

1.34 **Governance:** Decisions on incurring new discretional liabilities are taken by service managers after consultation with and approval of the Corporate Director of Finance. The risk of liabilities crystallising and requiring payment is monitored by Corporate Finance and included in monitoring reports.

Revenue Budget Implications

1.35 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator 5: Proportion of financing costs to net revenue stream

	2018-19 actual	2019-20 forecast	2020-21 budget	2021-22 budget	2022-23 budget
Proportion of net revenue stream	11.8%	10.9%	10.3%	10.9%	10.7%

1.36 In light of the one year revenue spending round for 2020, the future year net revenue budgets are likely to change significantly, which will impact on future year's indicators.

1.37 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Corporate Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the rigour which has been applied to the appraisal of schemes and the application of an affordable future borrowing strategy based on an absolute fiscal limit that the costs of borrowing cannot exceed 15% of the annual revenue budget.

Knowledge and Skills

1.38 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Corporate Director of Finance is a Fellow of the Association of Chartered Certified Accountants (FCCA) with 20 years' post-qualification experience, and the Council's finance team at the last review included 43 qualified accountants who are members of professional accountancy bodies including ACCA, CIMA, CIPFA and ICAEW. In addition, KCC Finance are an approved employer with professional accreditations from ACCA and CIPFA.

1.39 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Amey/Kier/Skanska as property consultants/facilities management contractors. The Council will use the services of other specialists and consultants as necessary. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

1.40 The Council's policy on the use of external advisers is that where a contract for a consultant is estimated to cost £50,000 or more; details of the proposed award must be forwarded to the relevant Cabinet Member prior to the appropriate officer making the award.

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SECTION 2

Investment Strategy

INVESTMENT STRATEGY

Introduction

1.1 This investment strategy meets the statutory guidance issued by the government in January 2018 (Statutory Guidance on Local Government Investments 3rd Edition).

1.2 The Authority invests its money for three broad purposes:

- Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- To support local public services by lending to or buying shares in other organisations (service investments), and
- To earn investment income (known as commercial investments where this is the main purpose).

1.3 The Investment Strategy focusses on the second and third of these categories. Treasury management investments are covered separately in the Treasury Management Strategy - see Section 4.

Service Investments: Loans

1.4 As at 31.03.19 the Council had the following amounts outstanding in relation to loans distributed by its own funding:

Loans in relation to:	Investment Value £
Kent Empty Property Initiative - No Use Empty	9.0m
Marsh Millions	0.2m
Kent PFI Company 1 Ltd	2.5m
Marlowe Theatre	2.0m
Invicta Law	1.8m
Total service investments - loans	**15.5m**

Kent Empty Property Initiative - No Use Empty

1.5 The Council runs a "No Use Empty" initiative, which was set up in 2005 with the aim of returning long term empty properties back into use. This operates as a revolving loan fund and is open to those who currently own or have acquired a long-term empty property which needs financial assistance to bring the property back into use for rental or sale. As at 31 March 2019 the debt due to KCC under the scheme totalled £9.0m. The scheme has been running since 2005 and since then has awarded £33.6m in loans, of which only £143k has been written off as a bad debt. This represents a mere 0.4% of the total loans awarded. The extremely low value of bad debts is aided by the scheme operating a robust application and assessment process, which includes ID checks and proof of additional funds. The applicant must provide at their cost an independent valuation undertaken by a Chartered Surveyor (RICS) to establish current and future values. This is also used within the assessment process as any loan awarded is secured as a charge and registered with Land Registry or Companies House if applicable. Loans are typically offered over 2 or 3 years.

Marsh Millions

1.6 KCC contributed to the Marsh Millions loan scheme. This was set up to aid small businesses in the Romney Marsh area. As at 31.03.19 the balance outstanding to KCC was £0.2m.

Kent PFI Company 1 Ltd

1.7 In 2013-14 KCC purchased loan notes in Kent PFI Company 1 Ltd, which is the holding company to the contractor who runs six schools for KCC under a Private Finance Initiative (PFI) arrangement. As at 31.03.19 the balance outstanding to KCC was £2.5m.

Marlowe Loan

1.8 In 2010-11 KCC loaned £2m to aid the refurbishment of the Marlowe Theatre in Canterbury. Repayments are due to commence in 2020-21.

Invicta Law Ltd

1.9 Invicta Law Ltd is a law firm, wholly owned by KCC. It commenced trading on 1 June 2017. KCC provided a £1.8m working capital loan to aid the start up of this company.

Others

1.10 During 2019-20, two additional loan agreements were drafted, one with EDSECo, trading as The Education People, for £2.2m to aid the start-up of the company and one for Kent Holdco Ltd for £0.5m.

Service Investments: Shares

1.11 As at 31.03.19 the Council had the following equity investments:

Company	Investment Value £
GEN2 Property Ltd	1
Kent County Trading Ltd (Commercial Services)	4.0m
Invicta Law Ltd	2.0m
Kent PFI Company 1 Ltd	1.9m
Cantium Business Solutions	1.9m
Total service investments - shares	**9.8m**

1.12 The Council considers each investment on a case by case basis and uses a number of criteria to obtain a risk/benefit analysis for the Council. Overall the value of loans outstanding and equity investments as at 31.03.19 are immaterial in relation to the Council's balance sheet as a whole. The service benefits derived from these investments are deemed to outweigh the risks. The Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue payments.

1.13 During 2019-20 Kent Holdco Ltd was established and the shares that the Council held in Gen2, Cantium Business Solutions and Kent County Trading were all transferred to Kent Holdco Ltd. Any future dividends will come through Kent Holdco Ltd.

Commercial Investments: Property

1.14 The Council operates a Property Investment Fund (PIF) which is currently capped at £17m. This was established in 2015-16 the purpose of which is threefold:

- To create a pipeline of capital assets for future disposals to support the capital programme,
- To deliver a return to the Council either through income generation and /or capital growth,
- To support the regeneration and economy in Kent.

1.15 Within the capital programme there is also up to £100m which is set aside for acquisition of strategic assets, which will create an income stream and cover the associated debt costs. Opportunities are considered on a case by case basis with a rigorous investment appraisal process prior to requesting a decision to invest or acquire. Decisions to invest or acquire are made in accordance with the Council's constitution, in particular the Property

Management Protocol, and after consultation with the Corporate Director of Finance.

1.16 The following table provides details of the individual properties that meet the definition of investment (as per the Statutory Guidance on Local Government Investments), that were owned by KCC as at 31 March 2019:

Property	**Purchase cost (including fees)**	**Value in accounts as at 31.03.19**
	£m	£m
Sheehan House	0.723	1.140
Royal Mail Site	3.309	3.413
Eurogate	2.275	4.621
Total commercial investments - property	**6.307**	**9.174**

1.17 The Royal Mail site is being held for future regeneration purposes. For this reason, the value in the accounts is based on existing use value, rather than fair value, in accordance with CIPFA guidance.

1.18 Towards the end of 2019-20, the Council purchased 2 office buildings at Kings Hill, totalling £23m, which is forecast to provide an income stream over the short to medium term.

1.19 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs, which the table above shows is the case for all such properties.

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2019-20 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments including any revenue consequences.

1.20 The total value of property investments is immaterial compared to the total asset value on the Council's balance sheet. The Council is not specifically relying on the sale of these assets to fund future expenditure, therefore the risk relating to fluctuations in the property market is minimal.

Investment Indicators

1.21 The Council has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions:

1) Total Risk Exposure: the first indicator shows the Council's total exposure to potential investment losses.

Total investment exposure	**31.03.19 Actual £**
Service investments: Loans	15.5m
Service investments: Shares	9.8m
Commercial investments: Property	9.174m

2) Rate of return received: this indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred. It should be noted that it is not always the Council's aim to achieve the highest rate of return on investments, for example, some loans are given at a rate below market value in order to encourage take up, for regeneration or other service delivery reasons. These are correctly treated and accounted for as soft loans in the Statement of Accounts.

Investments net rate of return	**2018-19**
Service investments: Loans*	12.0%
Service investments: Shares**:	
- Kent County Trading Ltd	0.0%
- Kent PFI Co 1 Ltd	5.8%
- Invicta Law	0.0%
- Cantium Business Solutions	17.9%
Commercial investments: Property:	
- Eurogate	12.0%
- Royal Mail Site***	See note below

*only includes Kent PFI Company 1 Ltd as loans on Empty Property Initiative and Marsh Millions are at 0%, and repayments are not yet due on the loans to the Marlowe Theatre and Invicta Law.

**Rate of return excludes Gen2 as the £1 shareholding is immaterial.

***Royal Mail Site – The short-term strategy was implemented during 2017-18 and continues to generate income to mitigate the site holding costs. It is anticipated that a small surplus will be generated from 2019-20 onwards. The main purpose of this site is for future regeneration rather than rental income.

It is not possible to accurately forecast dividends or asset values for the current or future years, so these have not been included.

3) Other investment indicators:

As the Council's overall investment exposure in relation to service investments – loans, service investments – shares and commercial investments – property, is immaterial, it is not considered necessary to publish any additional investment indicators at this time, but this will be reviewed annually.

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SECTION 3

Capital Programme Strategy

INTRODUCTION

1.1 The Capital Programme has invested on average £200m per annum over the last three years. The most significant areas of capital investment have been, and continue to be, in schools and highways. In order to provide more stability to services in light of the one-year spending plans from Government, the capital programme now looks at a ten-year planning window, with greater detail in years 1-3.

Capital Strategy Principles

1.2 The Capital Strategy sets out the strategic direction for KCC's capital management and investment plans and is an integral part of our medium to long term financial and service planning and budget setting process. It sets out the principles for prioritising our capital investment and incorporates requirements from the prudential system. Prudential Indicators which are required under the 2017 Prudential Code are included within the Capital Strategy (see Section 1).

1.3 The core principles of the Council's Capital Strategy are as follows:

The Capital Strategy will:

- Be based on delivering the Council's strategic priorities,
- Set out and deliver its statutory responsibilities on a risk-based approach,
- Ensure the capital programme is long term (10 years), deliverable, realistic and affordable,
- Exclude property investments where loans are provided to third parties, such as No Use Empty – these will be considered as part of the Treasury Management Strategy,
- View borrowing as a last resort – affordability across the medium to long term will be key.

1.4 The development of the capital strategy is underpinned by a number of actions that will be undertaken during the year:

- An evaluation matrix based on the priorities agreed by Members will be developed,
- The evaluation matrix will be used to evaluate bids and make recommendations to the Corporate Management Team and Corporate Board,
- A rolling 10-year capital programme will be developed and updated annually,
- The planning and delivery timescales of all capital projects will be reviewed and revised to minimise slippage,
- The monitoring and reporting requirements will be reviewed and revised to provide a council wide position,

- Set up an earmarked fund for feasibilities to ensure more robust estimates and achieve more realistic planning and delivery,
- Set up an earmarked fund for ICT linked to the Technology Strategy and Technology Strategy Board.

The Council's Strategic Outcomes

1.5 The Council's strategic outcomes are set out in the *"Increasing Opportunities, Improving Outcomes"* Strategic Statement (2015-2020) and comprise:

a. Children and young people in Kent get the best start in life.
b. Kent communities feel the benefits of economic growth by being in-work, healthy and enjoying a good quality of life.
c. Older and vulnerable residents are safe and supported with choices to live independently.

1.6 As work on the new five-year strategic statement develops for 2020-2025, the capital strategy will be refreshed annually to incorporate this, and the capital programme will continue to be aligned with the 3-year rolling Strategic Delivery Plan.

1.7 Capital investment should also evidence how it will support the priorities and principles set out in significant strategies. The following are examples of the Council's key strategies:

- Kent and Medway Growth and Infrastructure Framework – this sets out the future strategic infrastructure requirements for the county
- Local Transport Plan 4 – this plan sets out strategic transport priorities
- Commissioning Plan for Education Provision – this sets out changes to existing schools and commissioning of new schools
- Kent Environment Strategy – this sets out priorities to support economic growth whilst protecting and enhancing Kent's environment
- ICT Strategy – this sets out how innovation in technology will support the delivery of the Council's strategic priorities outcomes
- Asset Management Strategy – this sets the framework for managing the Council's property portfolio effectively

Affordability

1.8 Capital plays an important role in delivering long term priorities as it can be targeted in creative and innovative ways. However, capital is not unlimited or "free money" – capital funding decisions can have significant revenue implications. Every £10m of prudential borrowing costs approximately £0.7m per annum in revenue financing costs (including repayment of the principal) for 25 years, assuming an asset life of 25 years. For Information Technology projects the revenue costs are much higher per annum as the life is shorter. This is in addition to any ongoing maintenance and running costs associated with the investment. The more revenue that is tied up to repay borrowing, the less is available for service provision, and this is considered alongside revenue pressures.

1.9 In assessing affordability, indicators set by the Prudential Code and the Council's own internal set of fiscal indicators need to be considered. The fiscal indicator "net debt costs should not exceed 15% of net revenue spending" is key to capital investment decisions, and should be seen as a ceiling. This indicator was calculated in times of austerity to allow capital investment to continue to avoid significant increases to backlogs in terms of maintenance of highways and structures and of the office estate. As the period of fiscal restraint lengthened the aim was to stay well within this limit. In recent years this indicator has been reducing as a positive result of prudent spending.

1.10 Projects must come forward with alternative options for delivering outcomes, and with a variety of funding options. All projects must be supported by a business case, using the agreed template which captures this information. The business case must also show realistic phasing of the proposed project, with project plans to support this. If a project slips, funding assigned to that project could have been attributed to other worthy projects that were ready to proceed. As stated above, a critical element of the business case is to identify revenue costs and revenue savings as these will be integral to the budget setting process.

Statutory Requirements

1.11 The Council will ensure that appropriate capital funding is allocated on a risk based approach, to meet immediate statutory requirements, such as basic need, health and safety, disability discrimination act (DDA) and other legal requirements. Increasingly, it is anticipated that satisfying statutory requirements and avoidance of legal challenges will need to play a more prominent role in capital investment decisions. Nonetheless, whilst there may be a statutory requirement, capital bids will still need to explore alternative options to satisfy the affordability requirement. Capital spend may not always be necessary to achieve the minimum or required outcomes. Funding for capital projects will be applied in the most logical and efficient way, for example, to use specific grants for their intended purpose or time limited funding first, and where grant is not sufficient other sources of external funding will be explored, before using the Council's resources.

Invest/Spend to save bids

1.12 Invest/spend to save bids are encouraged as these will be integral to achieving additional savings/income which is increasingly important to ease the pressure on the revenue budget, although not at the expense of meeting the Council's statutory obligations and strategic priorities. Any bids under this category will be rigorously reviewed and challenged to ensure all relevant costs including any costs of borrowing or other revenue impacts have been adequately accounted for and the identified savings are realistically achievable within a reasonable period.

Enhancement of Existing Estate and Roads

1.13 Maintenance of the estate and highway roads and structures network is coming under increasing pressure following years of reactive works. The development of a longer-term capital planning period will help provide the service with future funding stability and the ability to highlight forthcoming pressures for early consideration by Members. The level of investment in this area will ensure our statutory responsibilities are met, again using a risk-based approach.

FUNDING

1.14 There are a variety of different sources of capital funding, each having different implications and risks attached.

Borrowing

1.15 The Council currently has external borrowing of just under £900m and a further circa £163m of internal debt (including Private Finance Initiative and leases). This results in a Capital Financing Requirement (CFR) of £1.3bn in 2019-20. The Council's fiscal rule is that net debt costs must not exceed 15% of the net revenue budget. The level of borrowing to fund the capital programme must take into account the revenue implications, i.e. for every £10m of borrowing our annual revenue borrowing costs are around £0.7m for 25 years, when considering borrowing the Prudential Code must be taken into account. In line with the Code, borrowing is not undertaken in advance of need. The longer term capital programme planning period will assist in more effective management of borrowing levels over the longer term.

Grants

1.16 The challenging financial environment means that national government grants are reducing or changing in nature and becoming more heavily prescribed. These prescriptions reduce the freedom to decide where and how to spend grants– they are largely tied to particular areas such as education or highways. An increasing number of funding schemes directly relate to housing and economic growth such as Local Growth Funding (LGF) from Local Enterprise Partnerships (LEPs). This funding is specific to individual projects and has to be closely monitored. The Council's aim is to use other, less specific grants for their intended purpose in a way that meets statutory obligations. Therefore where the grant is not sufficient, other sources of external funding such as Central Government grants and s106/Community Infrastructure Levy (CIL) will be explored first, before using the Council's resources such as capital receipts and borrowing.

Developer Contributions: Community Infrastructure Levy (CIL)/S106

1.17 Developer contributions continue to be a challenging issue and need careful consideration when they are put forward to fund major projects. The nature of s106 agreements means that once the total funding figure has been secured with a s106 contract, the funding is received by the County Council in staged payments as the development is built out, with the full funding potentially not received until the development has been fully completed. Depending on size, a development can take several years to be fully completed. Developer contributions will be built into the programme at the point they are secured within s106 agreements, but it must also be recognised that at this point there are still risks around housing development and realisation of the funding. Careful monitoring of expenditure against this funding is critical.

1.18 Any forward funding arrangements of developer contributions must be approved to ensure appropriate debt costs of forward funding are built into the repayments. The repayment schedule must be formalised by being built into the s106 agreement.

1.19 The Government intends to largely replace the use of s106 agreements with the Community Infrastructure Levy (CIL), a flat rate tariff charge. CIL rates are set by districts as the Charging Authorities, they are also responsible for collection and spend of the levy. To date only four districts in the county have adopted CIL, others are at varying stages of introducing CIL although some may choose not to. The share of CIL funding which the Council will receive in the future is unknown and cannot currently be forecast as unlike s106 agreements the money raised through CIL is administered by the district council and KCC does not automatically receive a share.

1.20 The latest regulations on developer contributions have removed the “pooling restriction” which prevented local authorities using more than five section 106 obligations to fund a single infrastructure project. This is a positive move as it will help to unlock funds. However, the monitoring requirements have increased significantly, and revised arrangements will need to be put in place to ensure compliance with the new regulations.

Capital Receipts

1.21 The Council has had a rigorous disposal programme over the past few years which has helped to minimise the level of borrowing. Going forward the same level of receipts will not be achievable as the majority of surplus assets have already been sold. Increasingly capital receipts will need to be generated from underutilised assets rather than surplus assets. In some cases this may require additional capital investment to develop these assets which would need to be included and approved on an individual scheme basis as part of refreshing future capital programmes. The Council’s Infrastructure division will continue to work with service directorates and public sector partners to explore options to release property and maximise capital receipts, with a view to creating a sustainable pipeline of funds in the future, through the following initiatives:

- Asset Utilisation Strategy

  In a similar way to New Ways of Working, the Asset Utilisation strategy is aimed at increased utilisation of operational assets in order to generate surplus assets/capital receipts. This is being achieved through a number of initiatives including more efficient and effective ways of working, exploring alternative, more flexible uses of assets and increasing overall utilisation. This programme is dependent on decisions about future local service delivery.

- Kent Estates Partnership (One Public Estate)

  The Council is an active partner in the One Public Estate "Kent Estates Partnership"; other partners include District Councils, and the NHS. The One Public Estate Programme aims to improve the occupational efficiency of buildings and identify surplus assets for disposal which result in economic or regenerative benefits. Funding is available from Central Government through a bidding process which can be used to improve the viability of marginal projects, masterplan and extend scope to include other partners etc. Within its Asset Utilisation and Disposal work streams, the Council now considers opportunities to collaborate within the Kent Estate Partnership as part of its initial appraisal of options and in the event that it identifies financial or operational synergy, explores further the merits of including them within the One Public estate work stream.

- Transformational Reviews

  As the Council transforms to become a commissioning authority, the requirement for publicly owned assets reduces, generating more surplus assets.

- Property Investment Fund

  The Property Investment Fund (comprising PIF I and PIF II), which is part of our current capital programme, aims to achieve a net revenue income and/or to maximise the capital return from various investment opportunities. These may include (but are not limited to) commercial investments, properties/sites where there is potential to add value (e.g. through gaining planning permission prior to disposal) and surplus properties available from public sector partners.
  The Property Investment Fund is currently capped, and any surplus capital generated on the sale of each investment (i.e. after initial acquisition and development costs) is released back to the Council. If the Fund were to reinvest all of its returns, there would be potential to generate more capital and revenue receipts over the longer term. This would also create the opportunity to invest in development opportunities where the returns are higher, although the risks are also increased.

- Strategic Acquisitions

  This strategy also makes provision for the acquisition of strategic assets, where business cases will be subject to approval by external review to ensure that these generate an income stream and will not create a financial burden on the County Council. That is, income streams must cover the total debt costs, including the minimum revenue provision over the medium term, and the short term consequences will have to be reflected in the medium term revenue budget. The external advisors will be appointed by the S151 Officer.

  The approval process and tests that need to be satisfied for the business case to proceed are as follows:

  a) That the rate of return meets the set criteria
  b) That all revenue costs are identified including debt costs and are covered by the income stream
  c) Signed approval of business case by external company review
  d) Sign off by S151 Officer
  e) Sign off by Head of Paid Service
  f) Sign off by Monitoring Officer
  g) Approval through the appropriate formal governance route

  As and when these business cases are agreed, they will be added to the capital programme.

  With financial return being the main objective, the Council accepts higher risk on commercial investment. The principal risk exposures include void periods when properties are empty and falls in capital values. These risks are managed by a rigorous appraisal process prior to any acquisition decision.

- Disposal Strategy

  As part of its disposal strategy the Council has identified that there may be opportunities to further maximise the capital return from its assets through participating in development activity, either directly or through partnering arrangements with third parties. This may include the establishment of joint venture(s) and other company structures.

Other potential funding sources to be further explored:

Business Rates Growth Pool

1.22 The business rate growth pool which was developed with districts continues to be a success. In 2019-20 the pool enabled an estimated additional £10m to be retained by pool members to support local services and the financial sustainability of individual authorities. 30% of the pool resources were identified to be spent on jointly agreed projects between districts and the

County Council to promote future business growth. There is potential for this element of the pool, in agreement with the relevant district, to fund capital projects that support the agreed objectives.

Public Partnerships

1.23 The Council has been developing various strategic relationships with other public sector bodies (primarily the NHS through the Sustainability and Transformation Partnership) which have the potential to generate an enhanced capital receipt for the Council, to reduce the Council's requirement for capital and/or to generate income to fund prudential borrowing. The opportunities are varied, but could include the following:

- Enhancing capital gains by utilising the Council's superior covenant strength (with the Council retaining the additional capital receipt).
- Utilising the Council's property experience to enhance the value of surplus land prior to disposal/letting or to dispose of 'less desirable' sites at a profit.
- Linking adjacent land holdings to improve the overall value of the sites.
- Accessing cheaper borrowing (than would otherwise be available) to fund partner's capital projects.
- Entering into joint development projects with the benefit of spreading the risks/costs in order to generating greater gains.
- Funding partners' invest to save projects (and taking a share of the gains).
- Developing joint service initiatives that generate savings (including a reduced requirement for space).
- Removing duplication in services and/or solving joint problems again to generate savings (including a reduced requirement for space).

Privately Funded Initiatives

1.24 There are a number of ways in which the Council can work with the private sector to leverage private sector capital funding. The majority of opportunities will involve the Council (or its partners) committing to long term revenue payments in return for the provision of capital assets. This is likely to be more expensive than funding the provision of the asset through prudential borrowing, however this is an important funding source where capital available to the Council is restricted.

1.25 Other opportunities include:

- Using Council funding to subsidise private sector investment. For example, it might be possible to subsidise a project that would otherwise be unattractive to the private sector because the returns are too low. A capital injection from the Council may make the rest of the investment attractive to the private sector. The Council may be able to recover its capital injection over the longer term.

- Partner with the private sector to fund capital projects, potentially on behalf of other public sector bodies, e.g. a hospital. The Council's contribution to the partnership would be low cost borrowing (in return for guaranteed repayments). The Council would expect to share in any returns (commensurate with their contribution).

- PFIs and similar variants. Whilst traditional PFIs (subsidised by PFI credits i.e. revenue funding) are no longer available, there are a number of other similar initiatives, such as Social Impact bonds, that are available to Councils.

1.26 Any such initiatives will need to be considered on their own merits, and the relative value to the Council. This will need to include an assessment of risk to the Council, particularly where the opportunity is over the long term, and of any other impacts on the Council, such as on the partial exemption calculation for VAT.

Other Sources

1.27 Where relevant, consideration should be given to other forms of funding that are not traditionally used by Local Authorities, such as variants on crowd funding, levies (such as tolls on roads), bond issues.

Governance Arrangements

1.28 The governance arrangements for the capital programme are as set out in the Council's constitution.

Budget Book

SECTION 4

Treasury Management Strategy

Treasury Management Strategy

Introduction

1. Treasury management is the management of Kent County Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the liquidity of invested funds, maturity of debt and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

2. The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) as described in Section 5 of the Code and treasury risk management at the Council is conducted within the framework of the CIPFA Code.

3. The Code requires the Council to approve a treasury management strategy before the start of each financial year and this report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4. Investments held for service purposes or for commercial profit are considered in the separate Appendix 5 - Investment Strategy.

Governance

5. The Corporate Director of Finance is responsible for the Council's treasury management operations and day to day responsibility is delegated to the Head of Finance (Policy, Planning & Strategy) / Head of Finance (Operations) and Treasury and Investments Manager. The detailed responsibilities are set out in the Council's Treasury Management Practices.

6. The Treasury Management Advisory Group (TMAG) has been established to work with Officers on treasury management. The agreed terms of reference are "The Treasury Management Advisory Group will be responsible for advising the Cabinet and Corporate Director of Finance on treasury management policy within KCC's overarching Treasury Management Strategy". TMAG meets the requirement in the CIPFA Code for a member body focussing specifically on treasury management. TMAG meets half yearly and members of the group receive detailed information on a monthly basis.

7. Council will agree the Treasury Management Strategy and receives annual and half yearly reports on treasury management activity. Governance and Audit Committee receives annual and half-yearly reports and makes recommendations to County Council. It also receives quarterly updates.

External Context

Economic background

8. The UK's progress in negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2020-21. The General Election has removed some uncertainty within the market, however following the expected Withdrawal Bill, uncertainties around the future trading relationship with the EU remain.

9. GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Services, construction and production added positively to growth, by 0.5%, 1.2% and 0.1% respectively, while agriculture recorded a fall of 0.1%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping yearly GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

10. UK Consumer Price Inflation in December 2019 was 1.3% year-on-year, continuing to fall from highs of 2.1% in July and April 2019, as part of a trend which has seen the rate of inflation decline since autumn 2017, below the Bank of England (BoE) target of 2%. Labour market data continues to be positive. The International Labour Organisation (ILO) unemployment rate continues to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses was 3.4% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages increased by 1.8% in the three months to November 2019 (and wages have only been rising by more than inflation since early 2018) and only likely to have a moderate impact on household spending.

11. Domestic inflationary pressures have abated, as domestic gas and electricity price freezes have taken effect until 2020. The price of oil has fallen through the year, despite a rise in prices in December 2019. The limited inflationary pressure from real wages will likely keep inflation below the BoE target of 2%. The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee (MPC). Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

12. The US economy has continued to perform relatively well compared to other developed nations; however, the Federal Reserve has started to unwind its monetary tightening through 2019. The Federal Reserve has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP growth has started to fall (to 2.1%).

13. The fallout from the US-China trade war continues and risks contributing to a slowdown in global economic activity in 2019. Recent suggestions have been an initial compromise and potential unwinding of tariffs; however, this can change quickly. Slow

growth in Europe, combined with changes in leadership at the European Central Bank (ECB) and International Monetary Fund (IMF) has led to a change of stance in 2019. Quantitative easing has continued and been extended.

Credit outlook

14. The recent Bank of England stress tests assessed all seven UK banking groups. The tests scenarios include deep simultaneous recessions in the UK and global economies that are more severe overall than the global financial crisis, combined with large falls in asset prices and a separate stress of misconduct costs. All seven banks passed the test on both a CET1 ratio and a leverage ratio basis. Major banks have steadily increased their capital for many years now.

15. In 2020 the Bank of England plan to add Virgin Money/Clydesdale to the testing group and separate tests will be included of ringfenced banks.

16. Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

17. Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020-21 and a cautious approach to bank deposits remains advisable.

Interest rate forecast

18. The Council's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. Substantial risks to this forecast remain, arising primarily from the government's policy around Brexit and the transitionary period. Arlingclose judges that the risks are significantly weighted to the downside.

19. Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.10% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

20. For the purpose of setting the budget, it has been assumed that new internally managed treasury investments will be made at an average rate of 0.70% and that new long-term loans will be borrowed at an average rate of 2.5%.

<u>Local Context</u>

21. At 31 December 2019 the Council held £898m of external borrowing and £382m of treasury investments. This is set out in further detail in Annexe A.

22. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to

maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

23. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years and the Council expects to comply with this recommendation.

Borrowing Strategy

24. On 31 December 2019, the Council's £898m external debt included £31.4m attributable to Medway Council, as part of its strategy for funding previous years' capital programmes. This represents a decrease of £9m on 31 March 2019 and reflects the Council's strategy of maintaining borrowing below their underlying levels.

25. The Council may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1,020m.

Objective

26. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy

27. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability or sustainability of the debt portfolio.

28. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Using cash available on the Council's balance sheet is also known as internal borrowing and at the end of March 2019 the Council had supplemented external debt with £123m of internal borrowing. Internal borrowing is not cost free as it is at the expense of investment returns and does not remove the need for Minimum Revenue Provision (MRP) to be made.

29. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council will use the services of its treasury advisor to develop this 'cost of carry' and breakeven analysis and based on the results the Council will determine whether to borrow additional sums at long-term fixed rates in 2020-21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

30. The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB) but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Council will now look

to borrow any long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

31. Alternatively, the Council may arrange forward starting loans during 2020-21, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

32. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

33. **Prudential Indicators:** The Council's capital strategy prudential indicator 3 indicates that the Council will increase its external borrowing in 2020-21 but it retains the flexibility to consider borrowing either long term or short term as well as using its cash balances.

34. **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
    - Public Works Loan Board (PWLB) and any successor body
    - any institution approved for investments (see below)
    - any other bank or building society authorised to operate in the UK
    - any other UK public sector body
    - UK public and private sector pension funds (except the Kent County Council Superannuation Fund)
    - capital market bond investors
    - UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
    - UK Government backed funding initiatives

35. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
    - leasing
    - hire purchase
    - Private Finance Initiative
    - sale and leaseback

36. **LOBO (Lender's Option Borrower's Option) loans:** The Council holds £90m of LOBO loans (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the e Council has the option to either accept the new rate or to repay the loan at no additional cost. LOBOs totalling £40m have option dates during 2020-21, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if the opportunity arises.

37. **Short-term and variable rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

38. **Debt rescheduling:** The PWLB allows councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk in the current interest rate environment

Investment Strategy

39. The Council holds significant cash balances, representing income received in advance of expenditure plus balances and reserves held. Since the beginning of April 2019 the Council's cash balance has ranged between £333m and £537m. The average balance is expected to reduce in 2020-21 reflecting the Council's policy of using cash balances to repay maturing loans and internally funding capital expenditure.

40. **Objectives:** The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults, the liquidity of investments and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

41. **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments the Council has continued its strategy of investing in pooled investment funds during 2019-20 adding a further £30m to its existing pooled fund portfolio. It will consider investing more in these higher yielding asset classes during 2020-21 which invest in a diversified range of assets primarily focussed on an income return rather than capital growth. It will however continue to invest in money market funds and Government including local authority deposits to meet its liquidity requirements.

42. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved Investment Counterparties

43. The Council may invest its surplus funds with any of the counterparty types listed below:

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

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

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

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

48. **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

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

50. **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed.

51. **Loans:** Loans to entities set up on an arms-length basis from the Council, and other suitable opportunities, on which the Council will take advice from Arlingclose on the appropriate structure of the loans and applicable rate of interest. Included are interest bearing loans to developers under the No Use Empty Development Programme.

52. **Pooled investment funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Pooled

funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

53. Pooled funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

54. **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

55. **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £50,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Credit ratings

56. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
    - no new investments will be made,
    - any existing investments that can be recalled or sold at no cost will be, and
    - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

Other information on the security of investments

58. The Council understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the entities in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the

quality financial press and analysis and advice from Arlingclose, the Council's treasury management adviser. No investments will be made with an entity if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

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

Investment limits

60. The Council may invest its surplus funds with any of the counterparty types listed above subject to the cash limits per counterparty and the durations shown in the table below.

61. The Council's cash reserves available to cover investment losses are forecast to be £429m on 31 March 2020. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one counterparty (other than the UK Government and the CCLA LAMIT property fund) will be £25m.

<u>Approved Investment Counterparties and limits</u>

	Minimum Credit rating	**Maximum Cash Limit**		**Maximum Duration**
		Individual	**Total**	
Government				
- UK Government		unlimited		50 years
- UK Local Authorities		£25m		10 years
- Supranational banks	AAA	£20m	£30m	25 years
- Non-UK Government	AA+	£20m	£30m	25 years
UK banks and building societies – unsecured	A-	£15m		13 months
Council's banking services provider		£20m		Overnight
Overseas banks - unsecured	Country limit AA+, Individual limit A-	£20m	£30m country limit	13 months

	Minimum Credit rating	Maximum Cash Limit		Maximum Duration
Short-term Money Market Funds	A+	£20m per fund or 0.5% of the fund size if lower		
Cashplus / short bond funds		£20m per fund		
Banks secured				
- Covered bonds	AAA	£20m	£100m	5 years
- Reverse repurchase agreements	collateral of AA or better	£20m each		5 years
Corporates (non- financials)	A	£2m per issuer	£20m	2 years
Registered Providers		£10m	£40m	5 years
Loans			£20m	
Pooled funds and real estate investment trusts			£250m	
- Absolute Return funds		£25m per fund		
- Multi Asset Income funds		£25m per fund		
- Property funds		£75m or 5% of total fund value if greater		
- Bond funds		£25m per fund		
- Equity Income Funds		£25m per fund		
- Real Estate Investment Trusts		£25m per fund		

62. **Liquidity management:** The Council forecasts its cash flow requirements to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

Treasury Management Indicators

63. The Council measures and manages its exposures to treasury management risks using the following indicators.

64. **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its internally managed investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of ach investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	AA

65. **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	**Target**
Total cash available within 3 months	£100m

66. **Interest rate exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Limit**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£10m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£10m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

67. **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	**Upper limit**	**Lower limit**
Under 12 months	100%	0%
12 months and within 5 years	50%	0%
5 years and within 10 years	50%	0%
10 years and within 20 years	50%	0%
20 years and within 40 years	50%	0%
40 years and longer	50%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

68. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	**2020-21**	**2021-22**	**2022-23**
Limit on principal invested beyond year end	£300m	£300m	£300m

Related Matters

69. The CIPFA Code requires the Council to include the following in its treasury management strategy.

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

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

72. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

73. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

74. **Markets in Financial Instruments Directive**: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Corporate Director of Finance believes this to be the most appropriate status.

Financial Implications

75. The budget for investment income in 2020-21 is £9.6m, based on an average investment portfolio of £440m at an interest rate of 2.18%. The budget for debt interest paid in 2020-21 is £42.8m, based on an average debt portfolio of £935m at an average interest rate of 4.58%. If actual levels of investments and borrowing, or actual interest rates, differ from forecast, performance against budget will be correspondingly different.

Other Options Considered

76. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Director of Finance, having consulted the Deputy Leader and Cabinet Member for Finance, Traded and Corporate Services, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Annexe A – Existing Investment & Debt Portfolio Position

	31-Dec-19 Actual Portfolio £m	31-Dec-19 Average Rate %
External borrowing		
Public Works Loan Board	475.6	4.96
LOBO loans from banks	90.0	4.15
Banks and other lenders (Fixed term)	321.9	4.08
Local Authorities	10.0	0.75
Total external borrowing	**897.5**	**4.51**
Treasury investments		
Covered bonds (secured)	87.9	1.13
Government (incl. local authorities)	65.4	0.90
Money Market Funds	45.0	0.73
Equity	2.1	
Total internally managed investments	**200.4**	**0.98**
Pooled investments funds		
- Property	59.2	3.57
- Multi Asset	62.3	2.76
- Absolute Return	5.0	1.81
- Equity UK	33.1	6.85
- Equity Global	21.8	3.24
Total externally managed investments	**181.4**	**4.63**
Total treasury investments	**381.8**	**2.71**
Net debt	**515.7**	

GLOSSARY
Local Authority Treasury Management Terms

Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
CET 1	Core equity tier 1 - the purest form of capital for a financial institution, which is available to absorb losses while it remains a going concern, usually expressed as a ratio to risk weighted assets.
CFR	Capital Financing Requirement. A local authority's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee, measured on a harmonised basis across the European Union
FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest 250 and the FTSE 350 combines the two
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
IFRS	International Financial Reporting Standards, the set of accounting rules in use by UK local authorities since 2010
IMF	International Monetary Fund
LOBO	Lender's Option Borrower's option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to CNAV and LVNAV funds with a WAM under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Monetary Policy	Measures taken by central banks to boost or slow the economy, usually via changes in interest rates. Monetary easing refers to cuts in interest rates, making it cheaper for households and businesses to borrow and hence spend more, boosting the economy, while monetary tightening refers to the opposite. See also fiscal policy and quantitative easing.
MPC	Monetary Policy Committee. Committee of the Bank of England responsible for implementing monetary policy in the UK by changing Bank Rate and quantitative easing with the aim of keeping CPI inflation at around 2%.
MRP	Minimum Revenue Provision – an annual amount that local authorities are required to set aside and charge to revenue for the repayment of debt associated with capital expenditure. Local authorities are required by law to have regard to government guidance on MRP. Not applicable in Scotland, but see Loans Fund
Municipal bond	Bond issued or guaranteed by local authorities.

Municipal bond Agency	Company that issues bonds in the capital market and lends the proceeds back to local authorities. The bonds are guaranteed by the local authorities
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Prudential Code	Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice. Local authorities are required by law to have regard to the Prudential Code
PWLB	Public Works Loan Board – a statutory body operating within the DMO that lends money from the National Loans Fund to local authorities and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
REIT	Real estate investment trust – a company whose main activity is owning investment property and is therefore similar to a property fund in many ways
Share	An equity investment, which usually also confers ownership and voting rights
Short-term	Usually means less than one year

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SECTION 5

Capital Investment Summary

SECTION 5 - CAPITAL INVESTMENT SUMMARY 2020-21 TO 2022-23 BY YEAR

Capital Investment Plans:

Row Ref	Directorate		Total Cost £000s	Prior Years Spend £000s	Cash Limits 2020-21 Year 1 £000s	2021-22 Year 2 £000s	2022-23 Year 3 £000s	Later Years Years 4-10 £000s
1	Adult Social Care & Health	ASCH	32,145	8,839	4,932	18,074	300	0
2	Children, Young People & Education	CYPE	779,689	429,348	200,227	104,614	45,500	0
3	Growth, Environment & Transport	GET	1,117,948	183,390	194,889	179,856	144,370	415,443
4	Strategic & Corporate Services	S&CS	204,724	49,647	71,846	42,081	7,650	33,500
5	**Total Cash Limit**		**2,134,506**	**671,224**	**471,894**	**344,625**	**197,820**	**448,943**

Funded By:

6	Borrowing	510,889	134,544	193,227	94,733	51,975	36,410
7	Property Enterprise Fund (PEF) 2	369	369	0	0	0	0
8	Grants	1,078,579	392,626	180,504	132,826	87,188	285,435
9	Developer Contributions	277,871	62,150	38,577	65,254	32,935	78,955
10	Other External Funding	85,411	7,504	15,062	25,630	2,090	35,125
11	Revenue and Renewals	34,408	4,708	10,553	9,485	9,506	156
12	Capital Receipts	62,287	37,687	20,098	2,102	1,400	1,000
13	Capital Receipts Loan Repayments	84,692	31,636	13,873	14,595	12,726	11,862
14	**Total Finance**	**2,134,506**	**671,224**	**471,894**	**344,625**	**197,820**	**448,943**

Budget Book

SECTION 6

Capital Investment Plans by Directorate

Adult Social Care & Health (ASCH)

Row Ref	Rolling Programmes	Description of Project	Three Year Budget £000s	Cash Limits 2020-21 Year 1 £000s	Cash Limits 2021-22 Year 2 £000s	Cash Limits 2022-23 Year 3 £000s
1	*Home Support Fund & Equipment*	*Provision of equipment and/or alterations to individuals' homes*	*900*	*300*	*300*	*300*
2	**Total Rolling Programmes**		**900**	**300**	**300**	**300**

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2020-21 Year 1 £000s	Cash Limits 2021-22 Year 2 £000s	Cash Limits 2022-23 Year 3 £000s	Cash Limits Later Years Years 4-10 £000s
3	*Developer Funded Community Schemes*	*A variety of community schemes to be funded by developer contributions*	*1,721*	*1,632*	*89*	*0*	*0*	*0*
	Kent Strategy for Services for Learning Disability (LD):							
4	*Learning Disability Good Day Programme*	*To provide dedicated space, accessible equipment and facilities for people with a learning disability within inclusive community settings across the county*	*5,666*	*2,333*	*3,333*	*0*	*0*	*0*
	Kent Strategy for Services for Older People (OP):							
5	*Extra Care Facilities*	*Provision of Extra Care Accommodation*	*16,800*	*0*	*0*	*16,800*	*0*	*0*
	System Development:							
6	Adult Social Care Case Management	Replacement of the Adult Social Care Case Management & finance system	5,163	4,804	359	0	0	0
	Other Individual Projects:							
7	Housing & Technology Fund	To provide appropriate accommodation for two severley disabled young adults	595	70	525	0	0	0
8	*Hedgerows*	*A new build purpose-built facility for people with complex needs, especially from the Children's services, and also for adult in-house service provision*	*1,300*	*0*	*326*	*974*	*0*	*0*
9	**Total Invidivual Projects**		**31,245**	**8,839**	**4,632**	**17,774**	**0**	**0**
10	**Total - Adult Social Care & Health**		**32,145**	**8,839**	**4,932**	**18,074**	**300**	**0**

Italic font : these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

Children, Young People & Education (CYPE)

Row Ref	Rolling Programmes	Description of Project	Three Year Budget £000s	Cash Limits 2020-21 Year 1 £000s	Cash Limits 2021-22 Year 2 £000s	Cash Limits 2022-23 Year 3 £000s
1	*Annual Planned Enhancement Programme**	*Planned and reactive capital projects to keep schools open and operational*	*23,900*	*7,900*	*8,000*	*8,000*
2	Devolved Formula Capital Grants for Schools*	Enhancement of schools	13,500	4,500	4,500	4,500
3	Schools Revenue Contribution to Capital*	Schools spend on capital projects	18,000	6,000	6,000	6,000
4	Youth - Modernisation of Assets	To purchase vehicles and equipment for youth services	122	72	0	50
5	*Modernisation Programme**	*Improving and upgrading school buildings including removal of temporary classrooms*	*4,519*	*650*	*1,869*	*2,000*
6	**Total Rolling Programmes**		**60,041**	**19,122**	**20,369**	**20,550**

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2020-21 Year 1 £000s	Cash Limits 2021-22 Year 2 £000s	Cash Limits 2022-23 Year 3 £000s	Cash Limits Later Years Years 4-10 £000s
	Basic Need Schemes - to provide additional pupil places:							
7	*Basic Need Kent Comissioning Plan (KCP) 2016 & previous years*	*Increasing the capacity of Kent's schools*	*315,562*	*284,187*	*28,501*	*2,874*	*0*	*0*
8	*Basic Need KCP 2017*	*Increasing the capacity of Kent's schools*	*136,320*	*37,063*	*80,602*	*14,655*	*4,000*	*0*
9	*Basic Need KCP 2018*	*Increasing the capacity of Kent's schools*	*60,761*	*2,313*	*17,045*	*41,403*	*0*	*0*
10	*Basic Need KCP 2019***	*Increasing the capacity of Kent's schools*	*65,183*		*25,025*	*19,208*	*20,950*	*0*
	Other Projects							
11	Barton Court Free School	New secondary school in Canterbury	25,105	2,500	17,000	5,605	0	0
12	Special Schools Review Phase 2	Major programme of building works to ensure facilities are fit for purpose	84,265	83,965	300	0	0	0
13	Priority School Build Programme (PSBP) 1 & 2	Additional works under the PSBP programme not funded by the Education and Skills Funding Agency (ESFA)	22,637	19,255	3,382	0	0	0
14	School Roofs	Structural repairs to school roofs	8,265	65	7,700	500	0	0
15	*Nest 2*	*To provide a residential facility for children and young people in Kent and Medway with Autistic Spectrum Conditions (ASC)*	*1,550*	*0*	*1,550*	*0*	*0*	*0*
16	**Total Invidivual Projects**		**719,648**	**429,348**	**181,105**	**84,245**	**24,950**	**0**
17	**Total - Children, Young People & Education**		**779,689**	**429,348**	**200,227**	**104,614**	**45,500**	**0**

Italic font : these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
* Estimated allocations have been included for 2021-22 and 2022-23
** Basic need allocations for 2021-22 and beyond are not yet known. This programme will be restricted to the grant/external funding available

Growth, Environment & Transport (GET)

Row Ref	Rolling Programmes	Description of Project	Three Year Budget £000s	Cash Limits 2020-21 Year 1 £000s	2021-22 Year 2 £000s	2022-23 Year 3 £000s
	Environment, Planning & Enforcement					
1	*Country Parks Access and Development*	*Improvements and adaptations to country parks*	*278*	*118*	*100*	*60*
2	*Public Rights of Way*	*Structural improvements of public rights of way (PROW)*	*2,700*	*900*	*900*	*900*
3	Public Sports Facilities Improvement - Capital Grant	Capital grants for the new provision/refurbishment of sports facilities and projects in the community	225	75	75	75
	Economic Development					
4	Village Halls and Community Centres - Capital Grants	Capital Grants for improvements and adaptations to village halls and community centres	225	75	75	75
	Highways, Transportion & Waste					
5	*Highway Major Enhancement / Other Capital Enhancement / Bridge Assessment and Strengthening**	*Maintaining Kent's roads*	*221,854*	*81,818*	*70,018*	*70,018*
6	*Integrated Transport Schemes under £1 million**	*Improvements to road safety*	*10,689*	*3,563*	*3,563*	*3,563*
7	Major Schemes - Preliminary Design Fees	Preliminary design of new roads	231	231	0	0
8	Old Highways Schemes, Residual Works, Land Compnsation Act (LCA) Part 1	Old Highways Schemes, Residual Works, LCA Part 1	297	288	9	0
9	**Total Rolling Programmes**		**236,499**	**87,068**	**74,740**	**74,691**

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2020-21 Year 1 £000s	2021-22 Year 2 £000s	2022-23 Year 3 £000s	Later Years Years 4-10 £000s
	Environment, Planning & Enforcement							
10	Digital Autopsy	To provide a body storage and digital autopsy facility. This is an innovative project which will achieve significant revenue savings, reduce reliance on external pathologists, reduce future unfunded pressures and providing greater resilience. It also recognises the increasing public "want" for non-invasive post-mortems	3,000	250	2,000	750	0	0
11	Energy and Water Efficiency Investment Fund - External	Energy Efficiency works	2,778	2,344	118	87	73	156
12	Energy Reduction and Water Efficiency Investment - KCC	Energy Efficiency works	2,238	1,967	75	63	133	0
13	Essella Road Bridge (PROW)	Urgent works to ensure footbridge in Ashford remains open	300	40	260	0	0	0
14	*Leigh (Medway) Flood Storage Area*	*To contribute to partnership-funded projects to provide flood defences for the River Medway*	*4,000*	*50*	*1,450*	*0*	*2,500*	*0*

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2020-21	2021-22	2022-23	Later Years
					Year 1	Year 2	Year 3	Years 4-10
			£000s	£000s	£000s	£000s	£000s	£000s
15	*Open Golf*	*To enable transport improvements in relation to hosting The Open in Sandwich in 2020*	*3,545*	*1,400*	*2,145*	*0*	*0*	*0*
16	*Public Mortuary*	*To consider options for the provision of a public mortuary. Removes reliance on NHS providers and so introduce greater control of budgets and future unfunded pressures providing greater service resilience. No detailed work and so a high level estimate of £3m based on it being a modular add-on to the Digital Autopsy facility. This could provide a mass fatalities facility*	*3,000*	*0*	*0*	*0*	*0*	*3,000*
17	Sustainable Access to Education & Employment	Targeted improvements to Public Rights of Way	1,038	888	150	0	0	0
18	*Thanet Parkway*	*Construction of Thanet Parkway Railway Station to enhance rail access in east Kent and act as a catalyst for economic and housing growth*	*34,513*	*2,309*	*9,275*	*20,425*	*2,504*	*0*
19	*Windmill Weatherproofing*	*Works to ensure windmills are in a safe and weatherproof condition*	*953*	*248*	*221*	*179*	*180*	*125*
	Libraries, Registration & Archives							
20	*Herne Bay Library Plus*	*Project to refurbish the library and address long-term building issues. Once refurbished the top floor will be marketed as part of asset utilisation to bring partners in*	*469*	*13*	*456*	*0*	*0*	*0*
21	*Southborough Hub*	*Development of a hub including library, community rooms, and other facilities*	*12,956*	*7,058*	*5,898*	*0*	*0*	*0*
22	*Tunbridge Wells Cultural Hub*	*KCC contribution to the development of a cultural and learning hub in partnership with Tunbridge Wells Borough Council, including library, registration and adult education*	*400*			*400*	*0*	*0*
	Economic Development							
23	*Broadband Contract 2*	*To extend the reach of superfast broadband so that 95% of homes and businesses can access superfast broadband*	*11,814*	*10,465*	*1,349*	*0*	*0*	*0*
24	Innovation Investment Initiative (i3)	Provision of loans to small and medium enterprises with the potential for innovation and growth, helping them to improve their productivity and create jobs	11,345	5,871	1,459	1,102	971	1,942
25	*Javelin Way Development*	*To provide access and accomodation for creative industries including the Jasmin Vardimon Dance Company and the creation of industrial units*	*9,183*	*556*	*6,650*	*1,977*	*0*	*0*
26	Kent & Medway Business Fund	A fund using recycled receipts from former Regional Growth Fund schemes to provide loans that create new jobs, deliver business growth and improve productivity	42,038	14,381	7,900	8,150	11,607	0
27	Kent Empty Property Initiative - No Use Empty (NUE)	The NUE Programme brings long term empty properties including commercial buildings and vacant sites back into use as quality housing accommodation	37,287	27,729	3,160	5,105	61	1,232
28	No Use Empty - Rented Affordable Homes	To expand the existing Empty Property Initiative offer to return large family-sized empty properties back into use as affordable rented homes	4,824	2,105	1,111	0	0	1,608
29	Marsh Million	Fund to support economic growth on Romney Marsh to develop new jobs and business opportunities following the decommissioning of Dungeness Power Station	1,397	968	269	73	87	0

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2020-21	2021-22	2022-23	Later Years
					Year 1	Year 2	Year 3	Years 4-10
			£000s	£000s	£000s	£000s	£000s	£000s
30	The Kent Broadband Voucher Scheme	Voucher scheme to benefit properties in hard to reach locations	2,862	150	2,712	0	0	0
31	*Turner Contemporary*	*To extend and refurbish to make the building function more efficiently to service the high levels of visitor numbers*	*2,000*	*500*	*1,500*	*0*	*0*	*0*
	Highways, Transportion & Waste							
32	*A2 Off Slip Wincheap, Canterbury*	*To deliver an off-slip in the coastbound direction*	*4,400*	*300*	*3,758*	*342*	*0*	*0*
33	*A226 St Clements Way*	*Road improvement scheme*	*6,903*	*6,818*	*30*	*44*	*11*	*0*
34	*A2500 Lower Road Improvements*	*Junction improvements to increase capacity*	*6,486*	*5,261*	*57*	*37*	*1,131*	*0*
35	*A28 Chart Road, Ashford*	*Strategic highway improvement*	*26,247*	*3,897*	*329*	*51*	*982*	*20,988*
36	A290 Safer Roads Fund	Grant funded scheme	1,501	50	1,451	0	0	0
37	Dartford Town Centre	A package of works to improve economic performance of Dartford Town Centre	12,000	2,886	4,152	4,960	2	0
38	*Dover Bus Rapid Transit*	*To provide a high quality and reliable public transport service in the Dover area, funded from Housing Infrastructure funding*	*16,084*	*791*	*3,330*	*11,963*	*0*	*0*
39	*Fastrack Full Network - Bean Road Tunnels*	*Construction of a tunnel linking Bluewater and the Eastern Quarry Development, enabling the Fastrack bus rapid transit exclusive access, leading to faster journey times and mode shift. To be funded by revenue from the Fastrack service.*	*14,150*	*841*	*6,471*	*5,228*	*1,610*	*0*
40	*Faversham Swing Bridge*	*Restoration of an opening bridge*	*2,550*	*250*	*250*	*1,450*	*600*	*0*
41	*Herne Relief Road*	*Developer funded scheme providing an alternative route between Herne Bay and Canterbury to avoid Herne village*	*7,691*	*289*	*302*	*2,505*	*2,897*	*1,698*
42	*Housing Infrastructure Fund - Swale Infrastructure Projects*	*Improvements to A249 Junctions at Grovehurst Road and Keycol Roundabout*	*37,090*	*800*	*500*	*10,000*	*15,790*	*10,000*
43	*Kent Medical Campus (National Productivity Investment Fund - NPIF)*	*NPIF project in Maidstone to ease congestion*	*11,399*	*5,257*	*4,772*	*1,370*	*0*	*0*
44	Kent Strategic Congestion management programme across growth areas	Package of measures to reduce congestion and carbon footprint	5,024	3,668	1,356	0	0	0
45	Kent Sustainable interventions programme for growth	Highway improvements	2,782	1,811	971	0	0	0
46	Kent Thameside LSTF - Integrated door-to-door journeys	Package of measures using Local Sustainable Transport Fund (LSTF) to reduce congestion	4,959	4,177	782	0	0	0
47	*Kent Thameside Strategic Transport Programme*	*Strategic highway improvement in Dartford & Gravesham*	*39,316*	*2,489*	*8,764*	*6,484*	*21,579*	*0*
48	LED Conversion	Upgrading street lights to more energy efficient LED lanterns & implementation of Central Monitoring System	40,750	39,600	1,150	0	0	0
49	Live Labs	A trial project, grant funded, to research into use of digital technology and intelligent analytics within Highways Asset Management	1,975	500	1,475	0	0	0
50	*Maidstone Integrated Transport*	*Improving transport links with various schemes in Maidstone*	*10,850*	*2,868*	*4,377*	*2,577*	*1,028*	*0*
51	M20 Junction 4 Eastern over bridge	Carriageway widening	*6,195*	6,154	41	0	0	0

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme	Prior Years Spend	Cash Limits 2020-21	2021-22	2022-23	Later Years
					Year 1	Year 2	Year 3	Years 4-10
			£000s	£000s	£000s	£000s	£000s	£000s
52	New Transfer Station - Folkestone & Hythe	To provide a new waste transfer station in Folkestone & Hythe	6,665	0	500	5,554	611	0
53	*Newingreen A20 Junction Improvement*	*Junction improvement scheme*	*3,038*	*27*	*835*	*1,976*	*123*	*77*
54	Rathmore Road Link	Road improvement scheme in Gravesend	8,190	7,907	199	69	15	0
55	*Sturry Link Road, Canterbury*	*Construction of bypass*	*29,600*	*1,560*	*11,796*	*11,060*	*5,184*	*0*
56	*Tunbridge Wells Junction Improvements*	*Improvements at a number of junctions in Tunbridge Wells, including A26 London Road, Speldhurst Road and Yew Tree Road*	*1,957*	*1,296*	*661*	*0*	*0*	*0*
57	Waste Compactor Replacement	To replace waste compactors at Household Waste Recycle Centres to ensure efficient waste site operation	1,070	300	385	385	0	0
58	*West Kent local sustainable transport - tackling congestion*	*Package of measures to reduce congestion and carbon footprint*	*6,020*	*4,301*	*969*	*750*	*0*	*0*
59	*A228 Colts Hill Strategic Link - Road Scheme*	*Construction of bypass*	*45,000*	*0*	*0*	*0*	*0*	*45,000*
60	*Orchard Way Railway bridge, Ashford*	*Strategic highway improvement*	*15,000*	*0*	*0*	*0*	*0*	*15,000*
61	*South East Maidstone Strategic Link - Road Scheme*	*Construction of bypass*	*35,000*	*0*	*0*	*0*	*0*	*35,000*
62	*A229 Bluebell Hill M2 & M20 Interchange Upgrades*	*Scheme to upgrade junctions to increase capacity and provide freeflowing interchange wherever possible*	*99,657*	*0*	*0*	*0*	*0*	*99,657*
63	*M2/A2 Brenley Corner and A2/A251 Upgrade Scheme*	*Junction improvement scheme*	*80,960*	*0*	*0*	*0*	*0*	*80,960*
64	*A28 Birchington, Acol and Westgate-on-Sea Relief Road*	*Creation of a relief road*	*49,000*	*0*	*0*	*0*	*0*	*49,000*
65	*Thanet Way*	*Structural improvement to the Thanet Way A299*	*50,000*	*0*	*0*	*0*	*0*	*50,000*
66	**Total Invidivual Projects**		**881,449**	**183,390**	**107,821**	**105,116**	**69,679**	**415,443**
67	**Total - Growth, Environment & Transport**		**1,117,948**	**183,390**	**194,889**	**179,856**	**144,370**	**415,443**

Italic font : these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
* Estimated allocations have been included for 2020-21, 2021-22 and 2022-23

Strategic & Corporate Services (S&CS)

Row Ref	Rolling Programmes	Description of Project	Three Year Budget £000s	Cash Limits 2020-21 Year 1 £000s	Cash Limits 2021-22 Year 2 £000s	Cash Limits 2022-23 Year 3 £000s
1	*Corporate Property Strategic Capital**	*Costs associated with delivering the capital programme*	*7,500*	*2,500*	*2,500*	*2,500*
2	*Disposal Costs*	*Costs of disposing of surplus property*	*1,950*	*650*	*650*	*650*
3	Modernisation of Assets (MOA)	Maintaining KCC estates	10,071	3,071	3,000	4,000
4	**Total Rolling Programmes**		**19,521**	**6,221**	**6,150**	**7,150**

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2020-21 Year 1 £000s	Cash Limits 2021-22 Year 2 £000s	Cash Limits 2022-23 Year 3 £000s	Cash Limits Later Years Years 4-10 £000s
5	*Acquisition of strategic assets*	*To acquire opportunistic assets which create an income stream and cover the associated debt costs*	*100,000*	*25,000*	*41,000*	*34,000*	*0*	*0*
6	Asset Utilisation	Strategic utilisation of assets in order to achieve revenue savings and capital receipts	2,043	590	1,453	0	0	0
7	Asset Utilisation - Oakwood House Transformation	Reconfiguration of Oakwood House to relocate other KCC services and release assets	7,831	716	7,115	0	0	0
8	Community Sexual Health Services	Development of premises for delivery of community sexual health services	882	382	500	0	0	0
9	*Dover Discovery Centre*	*Refurbishment to make the building fit for purpose*	*6,521*	*254*	*4,836*	*1,431*	*0*	*0*
10	*LIVE Margate*	*Replace empty and poorly managed housing in Margate with high quality and well managed family housing to regenerate the area*	*10,211*	*8,111*	*2,100*	*0*	*0*	*0*
11	*MOA Plus*	*Works required to ensure KCC buildings are fit for purpose and are in a statutory compliant condition*	*15,715*	*8,594*	*7,121*	*0*	*0*	*0*
12	Property Investment & Acquisition Fund II (PIFII)	To fund strategic acquisitions of land and property	7,000	6,000	1,000	0	0	0
13	*Options for Strategic Estate*	*To consider options for the future strategic estate.*	*35,000*	*0*	*500*	*500*	*500*	*33,500*
14	**Total Invidivual Projects**		**185,203**	**49,647**	**65,625**	**35,931**	**500**	**33,500**
15	**Total - Strategic & Corporate Services**		**204,724**	**49,647**	**71,846**	**42,081**	**7,650**	**33,500**

Italic font : these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved
* Estimated allocations have been included for 2021-22 and 2022-23

Budget Book

SECTION 7

Detailed One-year Revenue Planned Changes by Directorate
(formerly known as Appendix A)

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
2019-20 Base	Approved budget by County Council on 14th February 2019	430,413.2	195,792.7	172,442.5	78,492.5	109,233.5	986,374.4	
Base Adjustments (internal)	Changes to budgets which have nil overall affect on net budget requirement	-54,903.8	55,209.8	368.2	458.6	-1,132.8	0.0	
Revised 2019-20 Base		**375,509.4**	**251,002.5**	**172,810.7**	**78,951.1**	**108,100.7**	**986,374.4**	**986,374.4**
Additional Spending Pressures								
Net Budget Realignment	*Necessary adjustments to reflect current and forecast activity levels from in-year monitoring reports*							
Household Waste Recycling Centres (HWRC)	Increased cost for HWRC contracts as they are due for renewal under the current terms over the next three years			716.0			716.0	10,153.4
Kent 16+ Travel Saver	Reduction in income for the Kent 16+ Travel Saver (formerly Kent 16+ Travel Card) due to lower take-up by low frequency users		350.0				350.0	
Facilities Management	Extension and renegotiation of Facilities Management contracts				229.3		229.3	
Coroners - Pathology costs	Realignment of budget for Pathologists fees due to increased use of agency staff as NHS pathologists not willing to commit to Coroners work at the national pay rate			277.0			277.0	
Non specific prices provision	Release of uncommitted non specific prices funding provided in previous years budget					-990.0	-990.0	
Waste Tonnage	Reduction in household waste tonnage partly as a consequence of implementing charging for non-household waste			-575.0			-575.0	
0-25 Lifespan Pathway	Full year effect of existing placements for 18-25 year olds where the number and complexity of placements was higher than budgeted		545.0				545.0	
Children's Social Work	Underlying pressures arising from 2019-20 monitoring relating to increased costs of placements for both Looked After Children and Care Leavers.		1,785.7				1,785.7	
Asset Utilisation	Re-phasing of asset rationalisation savings plans from 2019-20				-650.0		-650.0	
Special Educational Needs & Disability (SEND)	Additional staffing costs arising from increasing numbers of Education, Health & Care Plan assessments including the costs of supporting Tribunals which cannot be funded by Dedicated Schools Grant (DSG), and therapy services which are a health responsibility but unfunded		603.0				603.0	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adult Social Care	Full year effect of care packages in 2019-20 due to changes in number and complexity of care packages							
	- Older People	1,172.5					1,172.5	
	- Learning Disability	2,300.0					2,300.0	
	- Physical Disability & Mental Health	-226.1					-226.1	
SEN Transport	Underlying pressure from 2019-20 monitoring related to SEN Home to School Transport		2,598.0				2,598.0	
Mainstream Home to School Transport	Realignment to reflect underlying underspend on mainstream home to school transport in 2019-20		-823.4				-823.4	
LED Street Lighting	Over achievement of savings as a result of the roll out of LED street lighting			-700.0			-700.0	
Highways non recoverable works	The costs of damage caused to highway infrastructure which we are not able to recover and for which there is no longer capacity within the highways budgets to absorb			400.0			400.0	
Emerging Base Budget Pressures	Provision for future budget realignment based on 2019-20 budget monitoring for the remainder of the year					2,000.0	2,000.0	
Other	Other smaller budget realignments of £200k or less			688.9	252.5	200.0	1,141.4	
Replace use of one-offs	Impact of not being able to repeat one-off use of reserves and underspends in approved base budget for 2019-20	9,425.9				11,689.3	21,115.2	21,115.2
Reduction In Grant Income	20% reduction to the historic commitments element of the Dedicated Schools Grant: Central Services for Schools Block		1,400.0				1,400.0	1,400.0
Pay and Prices								
<u>Pay</u>								
Pay and Reward	Contribution to performance reward pot and impact on base budget of uplifting pay grades in accordance with single pay reward scheme. This contribution together with the savings from staff turnover will provide a pay pot capable of enabling staff increases to keep pace with average earnings (+3.6%) and maintain the differentials for outstanding and excellent awards	2,579.9	2,649.5	1,213.8	956.3	0.5	7,400.0	7,893.0
Other	Other changes to pay and reward of £200k or less including an increase in the employer pension contribution following the actuarial revaluation and reform of lower pay grades	91.4	73.8	152.2	113.8	61.8	493.0	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Inflation								23,806.5
KCC Estate Energy	Anticipated price increases on energy contracts for the KCC estate as estimated by Commercial Services				229.8		229.8	
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	6,846.2	327.3			5,297.0	12,470.5	
Children's Social Care	Provision for price negotiations with external providers and uplift to in-house foster carers in line with DFE guidance		2,022.1				2,022.1	
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+ Kent Travel Saver		895.4				895.4	
Kent Travel Saver (formerly Young Person's Travel Pass)	Provision for price inflation related to the Kent Travel Saver (formerly Young Person's Travel Pass) which is recovered through uplifting the charge for the pass			450.1			450.1	
Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services (based on contractual indices)			1,949.6			1,949.6	
Facilities Management	Estimated future price uplift to existing providers for the two year extension to the Facilities Management contract				391.1		391.1	
Other Public Transport Related inflation	Provision for price inflation related to other public transport services including subsidised bus services			310.7			310.7	
Public Health - NHS Pay & Pensions	Estimated increase in contract prices due to NHS Agenda for Change pay increases and increases in NHS Pension costs (2019-20 & 2020-21) - currently unclear how this will be funded pending announcement from Department of Health and Social Care - assumed at this stage to be a pressure on the ringfenced Public Health grant				4,092.0		4,092.0	
Public Health - Substance Misuse	Increased costs of prescription drugs (Buprenorphine)				245.0		245.0	
Other	Other price increases of £200k or less		181.9	181.7	354.9	31.7	750.2	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Demand & Demography	*Additional spending associated with change in demand, particularly increasing population and demographic make-up of the population*							
Adult Social Care	Estimated gross impact of change in client numbers and/ or client weeks							21,229.0
	- Older People Residential & Nursing	-1,972.0					-1,972.0	
	- Older People Community	-1,814.3					-1,814.3	
	- Learning Disability Residential & Nursing	-2,665.0	-733.6				-3,398.6	
	- Learning Disability Community	5,237.7	1,777.0				7,014.7	
	- Physical Disability & Mental Health Residential & Nursing	777.3	-89.3				688.0	
Adult Social Care	Estimated impact on income collection of change in client numbers and/or client weeks							
	- Older People Residential & Nursing	673.6					673.6	
	- Older People Community	492.8					492.8	
	- Learning Disability Residential & Nursing	225.7	30.0				255.7	
	- Learning Disability Community	-493.1	-127.5				-620.6	
Adult Social Care	Increase in unit costs resulting from existing and new clients whose needs are becoming more complex and from changes to contracts that have resulted in higher unit costs							
	- Older People Residential & Nursing	2,921.2					2,921.2	
	- Older People Community	4,106.3					4,106.3	
	- Learning Disability Residential & Nursing	1,818.0	-98.7				1,719.3	
	- Learning Disability Community	1,001.7	1,326.6				2,328.3	
	- Physical Disability & Mental Health Community	1,426.0	28.4				1,454.4	
Adult Social Care	Impact of one-off reduction to demographic pressures from savings & activity which slowed the rate of demographic growth during 2018-19 but will not affect the ongoing rate of growth							
	- Older People Residential & Nursing	420.3					420.3	
	- Learning Disability Community	796.1	114.3				910.4	
Children's Social Care	Estimated impact of an increase in the population of children in Kent, leading to increased demand for children's social work and disabled children's services		2,912.3				2,912.3	
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport		1,669.0				1,669.0	
Home to School transport - Mainstream	Estimated impact of rising pupil population on Mainstream Home to School transport		377.2				377.2	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Waste tonnage	Estimated impact of changes in waste tonnage as a result of population and housing growth			637.3			637.3	
Public Health - Sexual Health & Health Checks	Increased demand for sexual health services, particularly home testing, based on anticipated service trends and increase in invites and health checks based on predicted population growth for 40-74 year olds				256.0		256.0	
Other	Other minor Demographic Pressures of £200k or less	35.5	127.5	34.7			197.7	
Government & Legislative								
Other	Other Government & Legislative pressures of £200k or less			-38.0	135.0	-87.5	9.5	9.5
Service Strategies & Improvements								
Special Educational Needs & Disability (SEND)	Implementation of our joint Written Statement of Action with the Kent Clinical Commissioning Groups to improve services for children with Special Educational Needs and Disabilities following inspection by Ofsted and the Care Quality Commission		2,367.9				2,367.9	21,867.3
Capital Programme	Additional debt costs to fund the capital programme					2,961.6	2,961.6	
Adult Technology Enabled Change (TEC)	Reduction in temporary funding for training, maintenance and licence costs leading up to the implementation of the new Adults performance system (MOSAIC)	-100.0			-148.2		-248.2	
Facilities Management	Renegotiation of two year contract with a new provider of the East Kent Facilities Management contract				756.1		756.1	
Highway Maintenance Contract	Estimated market uplift in core cost of Highways urban grass cutting contract			202.5			202.5	
Highway Maintenance Contract	One-off set up costs associated with the recommissioning of the highways term maintenance contract, including procurement and pre-commencement costs			575.0			575.0	
Highway Maintenance Contract	Estimated market uplift in core cost of the highways term maintenance contract due to existing contract being below current market expectations			1,444.3			1,444.3	
Oakwood House Development	Holding costs and loss of income once Oakwood House is no longer operational				550.0		550.0	
County Council Time Limited Debate on travel for disabled people to work	Provision to respond to the 12th September 2019 County Council time limited debate on supporting disabled people with travelling to work					200.0	200.0	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Public Health	Additional investment in drug-related referrals and services for Children and Young People, and promoting sexual health services through advertising online testing and investment in technology e.g video conferencing and self-checking				600.0		600.0	
County Council Time Limited Debate on Council Tax Exemption for Young Care Leavers	Commitment to ensure that young care leavers receive a full exemption from paying Council Tax until the age of 21 to help with transitioning to adult life		600.0				600.0	
Education	KCC contribution to Kent Association of Headteachers		215.0				215.0	
County Council Climate Emergency Time Limited Debate	Initial contribution to a new climate change target reserve to assist with accelerating progress on climate change					1,000.0	1,000.0	
Waste enforcement	Strengthen waste enforcement activity to work in conjunction with the District Councils to combat fly tipping			250.0			250.0	
Growth for Strategic Statement Priorities	Funding for high impact improvements in support of the new 5-Year Plan (Strategic Statement) priorities					3,500.0	3,500.0	
Learning Disability, Mental Health & Physical Disability Residential Care retender	Provision for increased costs of contract retender for residential care for adult clients with disabilities					3,226.0	3,226.0	
Sleep In Nights	Estimated additional costs of paying providers National Living Wage for Sleep In Nights as part of the Learning Disability, Mental Health & Physical Disability Residential Care retender					1,166.0	1,166.0	
Kent Public Services Network (KPSN)	Provision for potential loss of business from schools thereby increasing the cost to KCC of core provision					424.7	424.7	
Detached Responsive Youth Work	Programme of detached street based youth work to respond to the needs of often hard to reach young people and the communities in which they live. Includes the associated infrastructure and equipment to assist delivery		500.0				500.0	
Other	Other minor service improvements of £200k or less	50.0	160.0	997.2	369.2		1,576.4	
	Total Additional Spending Demands	**35,127.6**	**23,764.4**	**9,168.0**	**8,732.8**	**30,681.1**	**107,473.9**	**107,473.9**

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Savings and Income								
Transformation Savings								
Adults - Transformation	Final stage of efficiency savings arising from the implementation of the new ASCH operating models	-3,700.0					-3,700.0	-6,200.0
Adults - Transformation	The Whole System Programme of Change for Adult Social Care & Health will deliver savings within systems, processes and practice	-2,500.0					-2,500.0	
Service Integration within CYPE directorate	Moving to different service delivery model following integration of Children's Services across the Children, Young People and Education Directorate		-1,250.0				-1,250.0	-1,733.0
People & Communications	Transformation of our Human Resources and Organisational Development function within People Services to strengthen support for business change across the organisation and the delivery of the People Strategy				-250.0		-250.0	
Other	Other minor savings to be achieved through transformation of £200k or less		-15.0	-88.0	-130.0		-233.0	
Income	*uplifts from applying existing policy*							
Review of Charges for Service Users - existing service income streams & inflationary increases	Uplift in social care client contributions in line with estimated benefit and other personal income uplifts for 2019-20, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams	-3,306.1	-25.2	-65.5			-3,396.8	-6,253.0
Kent Travel Saver (formerly Young Person's Travel Pass)	Kent Travel Saver price realignment to offset bus operator inflationary fare increases			-450.1			-450.1	
Income return from our companies	Estimated increase in income contribution from our limited companies					-340.1	-340.1	
Investment Income	Increase in investment income resulting from revised treasury management strategy and higher cash balances					-2,000.0	-2,000.0	
Other	Other minor changes in income of £200k or less			-66.0			-66.0	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Increases in Grants & Contributions								
BREXIT grant	Removal of one-off grant funding from Government in 2019-20 to help fund the additional costs associated with BREXIT					87.5	87.5	4,451.9
Adult Social Care Winter pressures funding announced in Chancellor's Autumn 2018 budget	Removal of the additional Section 31 specific grant provided by Government in 2018-19 and 2019-20 to help alleviate winter pressures on the NHS, which is being replaced in 2020-21 by being rolled into the Improved Better Care Fund (iBCF) which is held centrally	6,164.4					6,164.4	
Public Health Grant	Anticipated increase in Public Health Grant pending announcement from Department of Health and Social Care				-1,800.0		-1,800.0	
Efficiency Savings								
Staffing								
Staffing Restructures	Service re-design, integration of services and more efficient ways of working resulting in a reduction of staff and staff related costs			-40.0			-40.0	-40.0
Infrastructure								
Established Programmes	Existing savings plans arising from phase 2 of the rationalisation of the office estate				-110.0		-110.0	-110.0
Contracts & Procurement								
Waste	Full year effect of the new cost saving initiative within the South West Kent Waste Partnership			-811.0			-811.0	-4,245.2
Waste	New waste contract efficiencies including reduction in payments to Kent Resource Partnership; new contract enabling separate disposal of currently co-mingled food waste; savings on tipping away payments in East Kent; and reassessing recycling performance payments			-503.2			-503.2	
Public Health - Commissioned Services	Estimated savings needed in Public Health spend if grant income is insufficient to cover assumed cost increases				-2,817.0		-2,817.0	
Other	Other minor contracts & procurement savings of £200k or less			-64.0	-50.0		-114.0	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Other								
Adult Social Care Projects	Remove the one-off saving in 2019-20 from review of project activity within adult social care	520.0					520.0	-842.0
Children, Young People & Education contracts & projects	Remove the one-off saving in 2019-20 from review of contract and project spend within Children, Young People and Education services		400.0				400.0	
Provision for Bad Debt	Net reduction in bad debt provision from investment and improvement in debt collection	-500.0					-500.0	
Central Services for Schools	Efficiency savings within central services for schools to offset the reduction in Dedicated Schools Grant: Central Services for Schools Block		-700.0				-700.0	
External Venue Hire	Reduction in cross directorate use of third party venues for conferences and meetings					-500.0	-500.0	
Other	Other minor efficiency savings of £200k or less			-218.0		156.0	-62.0	
Financing Savings								
Debt repayment	Reduction in overall level of prudential borrowing as a result of assessment of government funding levels to finance the capital programme and review amounts set aside for debt repayment (MRP) based on review of asset life					-1,500.0	-1,500.0	-14,127.5
Draw-down corporate reserves	Net draw-down of corporate reserves to fund specific one-off pressures until sustainable alternatives can be found					-653.1	-653.1	
Modernisation of the Council	Reduce the annual budget for Modernisation of the Council/ Workforce Reduction and fund any excess costs from the reserve					-500.0	-500.0	
Carbon Reduction Commitment	Removal of annual base budget following cessation of the Carbon Reduction Commitment scheme					-566.0	-566.0	
Drawdown directorate reserves	Release of directorate reserves following confirmation of continuation of winter pressures funding in 2020-21 and review of residual balances held	-7,739.4					-7,739.4	
Transformation Reserve	One year payment holiday from annual contribution to Transformation Reserve					-2,500.0	-2,500.0	
Public Health Reserves	Use of Public Health reserves to fund invest to save initiatives and one-off costs				-669.0		-669.0	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Policy Savings								
Library, Registration & Archives Service	Full year effect of saving from delivery of the Libraries Registration & Archives (LRA) Ambition, which defines the future strategy and outcomes of the service and informs where future savings opportunities will arise			-500.0			-500.0	-1,095.2
Adult Social Care Charging	Make changes to the charging policy for Adult Social Care in a person's own home or in the community (subject to the outcome of the current consultation)	-107.6	-142.6				-250.2	
Member Community Grants	Remove the 2019-20 one-off reduction in Member Community Grants from £20k to £15k per Member				405.0		405.0	
Intermediaries Legislation	Remove the base budget for IR35, tax legislation introduced by HMRC in 2017 to eliminate the avoidance of tax and NI contributions by contractors through the use of intermediaries such as companies or partnerships, and fund any future costs from reserves					-500.0	-500.0	
Other	Other smaller policy savings of £200k or less			-250.0			-250.0	
Total savings and Income		**-11,168.7**	**-1,732.8**	**-3,055.8**	**-5,421.0**	**-8,815.7**	**-30,194.0**	**-30,194.0**
Approved Budget		**399,468.3**	**273,034.1**	**178,922.9**	**82,262.9**	**129,966.1**	**1,063,654.3**	**1,063,654.3**

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Funding								
Estimated Settlement	*KCC estimate of the Government settlement based on published Spending Round and technical consultation on the Local Government Finance Settlement which hasn't yet been notified*							
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 one year roll forward settlement announced in Spending Round 2019 on 4th September 2019.						9,641.7	9,641.7
New Social Care Grant for 2020-21	Additional grant funding for Adult & Children Social Care announced by the Chancellor in the Spending Round 2019 Statement on 4th September 2019						23,835.9	23,835.9
Social Care Support Grant	Further one-off extension of the Adult Social Care Support Grant per the one year roll forward settlement announced in Spending Round 2019 on 4th September 2019						10,530.9	10,530.9
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 one year roll forward settlement announced in the Spending Round 2019						138,429.0	138,429.0
Improved Better Care Fund (iBCF)	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, and the winter pressures funding provided in 2018-19 and 2019-20 which is rolled into iBCF for 2020-21						48,544.2	48,544.2
New Homes Bonus Grant	MHCLG un-ring-fenced grant allocated according to increase in tax base, as per the one year roll forward settlement announced in the Spending Round 2019						6,430.2	20,830.0
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)						12,661.9	
Un-ring-fenced grants	Un-ring-fenced grants from other Government Departments						1,737.9	

Section 7 - Detailed 2020-21 Revenue Planned Changes by Directorate

Heading	Description	ASCH	CYPE (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	Estimated local share of business rates baseline in the Local Government Finance Settlement based on historical average with annual uplift in line with business rate multiplier, as per the one year roll forward settlement announced in the Spending Round 2019						49,468.9	55,938.0
Business Rate Local Share	KCC 9% share of local tax base growth as notified by district councils less baseline share identified above						6,469.1	
Business Rate Collection Fund	KCC share of surpluses and deficits on business rate collection in prior years						2,562.9	2,562.9
Local Taxation								
Council Tax Base	Provisional KCC band D equivalent tax base notified by district councils						669,277.8	683,653.7
Council Tax Increase	Impact of increase in Council Tax up to the assumed 2% referendum limit						14,375.9	
Adult Social Care Levy	Impact of further 2% increase in Council Tax for Adult Social Care Levy (total shown relates to 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 increases combined)						65,789.7	65,789.7
Council Tax Collection Fund	KCC share of surpluses and deficits on Council Tax collection in prior years						3,898.3	3,898.3
Total Funding							**1,063,654.3**	**1,063,654.3**

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

Budget Book

SECTION 8

Revenue Budget Summary

SECTION 8 - REVENUE BUDGET - SUMMARY

Revenue Spending:

Row ref	2019-20 Revised Base (Net Cost) £000s	Directorate		2020-21 Approved Budget: Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Net Change from 2019-20 £000s
1	375,509.4	Adult Social Care & Health	ASCH	91,593.0	459,978.7	**551,571.7**	-137,146.7	-14,956.7	**399,468.3**	23,958.9
2	251,002.5	Children, Young People & Education (excluding Schools' Delegated Budgets)	CYPE	122,441.5	425,842.2	**548,283.7**	-53,035.3	-222,214.3	**273,034.1**	22,031.6
3	0.0	Children, Young People & Education (Schools' Delegated Budgets)	CYPE	513,147.4	174,717.7	**687,865.1**	-49,287.4	-638,577.7	**0.0**	0.0
4	172,810.7	Growth, Environment & Transport	GET	54,710.2	169,259.5	**223,969.7**	-39,500.8	-5,546.0	**178,922.9**	6,112.2
5	78,951.1	Strategic & Corporate Services	S&CS	38,424.7	141,167.5	**179,592.2**	-23,023.5	-74,305.8	**82,262.9**	3,311.8
6	108,100.7	Financing Items & Unallocated	FI&U	1,032.0	147,904.8	**148,936.8**	-18,961.7	-9.0	**129,966.1**	21,865.4
7	**986,374.4**	**Budget Requirement**		**821,348.8**	**1,518,870.4**	**2,340,219.2**	**-320,955.4**	**-955,609.5**	**1,063,654.3**	**77,279.9**
8	986,374.4	**Budget Requirement** (excluding Schools' Delegated Budgets)		308,201.4	1,344,152.7	1,652,354.1	-271,668.0	-317,031.8	1,063,654.3	77,279.9
		Funded By:								
9	-717,471.3	Council Tax Yield including Collection Fund						-753,341.7	**-753,341.7**	-35,870.4
10	-54,468.9	Local Share of Business Rates & Business Rate Collection Fund						-58,500.9	**-58,500.9**	-4,032.0
		Unringfenced Grants:								
11	-9,487.1	Revenue Support Grant (RSG)						-9,641.7	**-9,641.7**	-154.6
12	-10,530.9	Social Care Support Grant						-10,530.9	**-10,530.9**	0.0
13	0.0	New Social Care Grant (Spending Round 2019)						-23,835.9	**-23,835.9**	-23,835.9
14	-136,209.7	Business Rate Top-Up						-138,429.0	**-138,429.0**	-2,219.3
15	-7,665.5	Business Rate Compensation Grant						-12,661.9	**-12,661.9**	-4,996.4
16	-42,379.7	Improved Better Care Fund (iBCF)						-48,544.2	**-48,544.2**	-6,164.5
17	-6,388.1	New Homes Bonus (NHB)						-6,430.2	**-6,430.2**	-42.1
18	-1,773.2	Other Unringfenced Grants						-1,737.9	**-1,737.9**	35.3
19	**0.0**	**Total**		**821,348.8**	**1,518,870.4**	**2,340,219.2**	**-320,955.4**	**-2,019,263.8**	**0.0**	**0.0**

Budget Book

SECTION 9

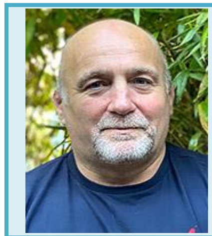
Revenue Budget
Key Services

The hierarchy illustrates the Council's structure, and which Divisions sit within each Directorate, along with the net budget for 2020-21 in £000s

Kent County Council (KCC) 1,063,654.3

Directorate	Division	Net budget
Adult Social Care & Health (ASCH) 399,468.3	Strategic Management & Directorate Budgets (SMDBA)	19,057.5
	Adult Social Care & Health Operations (ASCHO)	335,526.7
	Business Delivery Unit (BDU)	12,631.7
	Service Provision (SP)	32,252.4
Children, Young People & Education (CYPE) 273,034.1	Strategic Management & Directorate Budgets (SMDBC)	4,179.2
	Education (EDU)	47,335.3
	Integrated Children's Services (East & West) (ICS)	152,882.3
	Special Educational Needs and Disabilities (SEND)	68,637.3
	Schools' Delegated Budgets (SDB)	0.0
Growth, Environment & Transport (GET) 178,922.9	Strategic Management & Directorate Budgets (SMDBG)	1,552.8
	Economic Development (ED)	4,355.0
	Highways, Transportation & Waste (HTW)	146,921.6
	Environment, Planning & Enforcement (EPE)	16,968.5
	Libraries, Registration & Archives (LRA)	9,125.0
Strategic & Corporate Services (S&CS) 82,262.9	Strategic Management & Directorate Budgets (SMDBS)	-1,244.3
	People & Communication (P&C)	13,137.6
	Finance (FIN)	10,109.0
	Governance, Law & Democracy (GLD)	7,739.4
	Infrastructure (INF)	21,598.6
	Corporate Landlord (CL)	21,332.6
	Strategic Commissioning including Public Health (SCincPH)	7,779.1
	Strategy, Policy, Relationships & Corporate Assurance (SPRCA)	1,810.9
Financing Items & Unallocated (FI&U) 129,966.1	Financing Items - General	112,020.6
	Financing Items - Unallocated	17,945.5

Adult Social Care & Health (ASCH)



Interim Corporate Director: **Richard Smith**

Net Revenue Budget for 2020-21:	**£399,468.3k**
Gross Capital Budget over 3 year period:	**£23,306k**
Full Time Equivalent (FTE) Staff at March 2020:	**2,364.6**

Adult Social Care & Health (ASCH) directorate consists of four divisions;

1. Adult Social Care & Health Operations
2. Service Provision
3. Business Delivery Unit
4. Strategic Management & Directorate Budgets (ASCH).

We aim to promote people's independence and wellbeing and to support individuals to achieve their outcomes. Within this core purpose, a key priority is to discharge our statutory safeguarding responsibilities for adults, working with our key partner organisations. Our commissioning decisions drive the delivery of quality services that improve outcomes for the people of Kent.

As a Directorate, we face both external pressures and internal challenges, including pre-existing budgetary pressures and the continued rise in the numbers of people with complex needs. We recognise that our services will need to demonstrate organisational resilience to assist us in achieving the improvements we have planned for the year ahead. We are confident we have the necessary resourcefulness, skills, and abilities in place to deliver our intended outcomes for the people of Kent.

Adult Social Care & Health Operations (ASCHO): The Division commissions and provides a range of services to improve outcomes for older people, physically disabled adults, adults with learning disabilities, people with mental health issues, and their carers.

The Older People and Physical Disability (OPPD) operating model was implemented in August 2018, this is aligned to the emerging Local Care Model and focuses on prevention, maximising independence and choice, and providing targeted personalised support where required. Our services for adult mental health and learning disability work in integrated teams with health colleagues. Social care staff previously within the KMPT Community Mental Health Teams transferred back to KCC in the 2018-19 financial year, ensuring the robust delivery of social care statutory responsibilities.

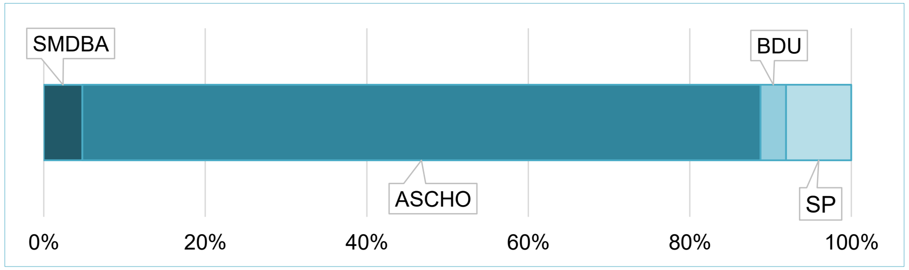
Service Provision (SP): This division provides a range of in-house services to improve outcomes for individuals and to provide support to carers. The service includes; Short Breaks, Shared Lives, Community Support Services, Community Based Enablement Services, and Integrated Care Centres.

Business Delivery Unit (BDU): This Division manages the operational business support function for the Directorate to achieve the operational business outcomes. This area also incorporates a multi-agency partnership to ensure a coherent policy and arrangements for the protection of vulnerable adults.

Strategic Management & Directorate Budgets (SMDBA): This area incorporates the costs of the Strategic Management Team. Additionally, this division leads on the development of sustainable relationships with all partner agencies through the Sustainability and Transformation Partnership, including the wider community with a strong focus on voluntary sector partnership working.

We will lead on commissioning intentions to influence the direction and content of service developments to ensure the delivery and implementation of Local Care.

How is the ASCH budget split between Services?



Directorate Level Variation Statement

2019-20 Revised Base	Spending Pressures	Savings & Income	2020-21 Proposed Budget
£375,509.4k	£35,127.6k	-£11,168.7k	£399,468.3k

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Adult Social Care & Health (ASCH) Interim Corporate Director: Richard Smith							**£399.5m**
		Strategic Management & Directorate Budgets (SMDBA) Interim Corporate Director: Richard Smith							
1	214.5	Transfers to and from reserves	0.0	-7,524.9	**-7,524.9**	0.0	0.0	**-7,524.9**	Transfers to and from KCC's reserves to support the ASCH directorate
2	13,380.4	Community Based Preventative Services	0.0	18,758.5	**18,758.5**	-4,627.0	-751.1	**13,380.4**	Social Support Services provided by the voluntary sector to prevent social isolation and provide information and early intervention / preventative services to enable Service Users to remain independent. Including services for residents with immediate need and who are in crisis, to live independently by signposting to alternative appropriate services and helping with the purchase of equipment and supplies to ensure the safety and comfort of the most vulnerable in our society. This service line also includes Local Healthwatch which is a statutory service commissioned by KCC to ensure that patients, users of social care services and their carers, and the public, have a say in how these services are commissioned and delivered on their behalf.
3	6,991.4	Housing Related Support	0.0	8,439.4	**8,439.4**	-1,266.3	-181.7	**6,991.4**	Housing related support for 7,800 vulnerable households via supported housing, Home Improvement Agencies, women's refuges and community based support to enable them to gain the skills they need to live independently in their own home including emergency welfare assistance and advice to households in an emergency or crisis
4	0.0	Partnership Support Services	0.0	10,425.6	**10,425.6**	-10,425.6	0.0	**0.0**	Manages a number of operational support services, which enable the Directorate to achieve its partnership agenda. Includes pooled budgets with health which fund community infrastructure to facilitate discharges from specialist hospitals and prevent new admissions for people with Learning disabilities (LD) or (Autism spectrum conditions (ASC).
5	2,950.3	Social Support for Carers	0.0	4,697.0	**4,697.0**	-1,746.7	0.0	**2,950.3**	Services supporting carers provided by the voluntary sector
6	-10,581.7	Strategic Management & Directorate Support (ASCH)	1,261.4	2,212.2	**3,473.6**	-160.0	-53.3	**3,260.3**	Central Directorate costs including the costs of the Corporate Director, Directors, and associated Officers
7	**12,954.9**	**Total - Strategic Management & Directorate Budgets (SMDBA)**	**1,261.4**	**37,007.8**	**38,269.2**	**-18,225.6**	**-986.1**	**19,057.5**	

SECTION 9 - REVENUE BUDGET - KEY SERVICES

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Adult Social Care & Health Operations (ASCHO) Director: Vacant							
8	456.6	ASCH Operations - Divisional Management & Support	450.0	13.1	**463.1**	0.0	0.0	**463.1**	Divisional management costs enabling the business to achieve its strategic aims.
9	73,656.8	Adult Learning Disability - Community Based Services & Support for Carers	0.0	87,346.9	**87,346.9**	-6,466.1	-852.6	**80,028.2**	Commissioned Community-Based Services for Learning Disability Service Users (aged 26+) including homecare, direct payments, day care and supported living.
10	60,204.7	Adult Learning Disability - Residential Care Services & Support for Carers	0.0	66,538.3	**66,538.3**	-5,525.0	0.0	**61,013.3**	Commissioned Residential Care Services (and Short Breaks) for Learning Disability Service Users (aged 26+)
11	5,231.3	Adult Learning Disability - Case Management & Assessment Service	5,842.0	234.2	**6,076.2**	-267.6	-11.1	**5,797.5**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
12	5,173.5	Adult Mental Health - Community Based Services	0.0	6,681.9	**6,681.9**	-509.4	-13.9	**6,158.6**	Commissioned Community-Based Services for Mental Health Service Users (aged 18+) including homecare, direct payments, day care and supported living.
13	13,325.4	Adult Mental Health - Residential Care Services	0.0	14,082.4	**14,082.4**	-780.2	0.0	**13,302.2**	Commissioned Residential Care Services for Mental Health Service Users (aged 18+)
14	9,852.5	Adult Mental Health - Case Management & Assessment Services	10,118.8	295.4	**10,414.2**	-296.2	-11.1	**10,106.9**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Mental Health professionals
15	16,461.6	Adult Physical Disability - Community Based Services	0.0	20,465.7	**20,465.7**	-2,124.0	-1,008.8	**17,332.9**	Commissioned Community-Based Services for Physical Disability Service Users (aged 26+ and those with an acquired long-term condition aged 18-25) including domiciliary care, direct payments, day care and supported living.
16	14,464.8	Adult Physical Disability - Residential Care Services	0.0	16,373.3	**16,373.3**	-2,376.1	0.0	**13,997.2**	Residential Care Services for Physical Disability Service Users (aged 26+ and those with an acquired long-term condition aged 18-25)
17	34,224.3	Older People - Community Based Services	0.0	62,577.3	**62,577.3**	-24,879.0	-249.7	**37,448.6**	Commissioned Community-Based Services for Older People (aged 65+) including homecare, direct payments, day care and supported living.
18	46,120.6	Older People - Residential Care Services	0.0	103,857.8	**103,857.8**	-52,624.3	-130.7	**51,102.8**	Commissioned Residential and Nursing Care Services for Older People (aged 65+)
19	23,826.9	Older People & Physical Disability - Assessment and Deprivation of Liberty Safeguards Services	25,627.9	1,575.0	**27,202.9**	-2,065.3	-471.9	**24,665.7**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
20	528.1	Older People & Physical Disability Carer Support - Commissioned	0.0	2,149.6	**2,149.6**	-1,535.6	-12.3	**601.7**	Commissioned services to support carers
21	3,925.8	Older People & Physical Disability - In House Community Homecare Service	9,058.5	621.9	**9,680.4**	-5,756.4	0.0	**3,924.0**	In-House Community-Based Enablement Services at point of first referral to enable Adult Service Users to continue living independently

SECTION 9 - REVENUE BUDGET - KEY SERVICES

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
22	5,874.2	Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Community Based Services	0.0	7,273.5	**7,273.5**	-803.9	0.0	**6,469.6**	Commissioned Community-Based Services for Physical Disability Service Users (aged 26+) with long-term conditions from birth or early childhood, Autism and Sensory Service Users (aged 18+) including homecare, direct payments, day care and supported living.
23	1,004.6	Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Residential Care Services	0.0	1,324.7	**1,324.7**	-111.0	0.0	**1,213.7**	Commissioned Residential Care Services (and Short Breaks) for Physical Disability Service Users (aged 26+) with long-term conditions from birth or early childhood, Autism and Sensory Service Users (aged 18+)
24	1,827.8	Sensory & Autism - Assessment Service	1,785.6	115.1	**1,900.7**	0.0	0.0	**1,900.7**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
25	**316,159.5**	**Total - Adult Social Care & Health Operations (ASCHO)**	**52,882.8**	**391,526.1**	**444,408.9**	**-106,120.1**	**-2,762.1**	**335,526.7**	
		Business Delivery Unit (BDU) Head of Service: Helen Gillivan							
26	2,659.2	Adaptive & Assistive Technology	820.0	8,948.6	**9,768.6**	-7,021.0	0.0	**2,747.6**	Occupational Therapy Services working in partnership with Health to provide equipment and telecare
27	11,939.2	Business Delivery	9,089.9	994.1	**10,084.0**	-362.4	-215.7	**9,505.9**	Manages the operational business support function for the Directorate to achieve the operational business outcomes. This includes Project Management, Practice and Quality Assurance, Professional Strategic and Collaborative Working, the Principal Social Worker (PSW) and Principal Occupational Therapist (OT) who support operations to oversee quality assurance and the continual improvement of social work and OT practice, Customer Experience, Customer Care and Complaint, Systems and Operational Analytics, Purchasing, Communications and Business Resilience.
28	367.6	Safeguarding Adults	484.8	57.4	**542.2**	-164.0	0.0	**378.2**	A multi-agency partnership / framework to ensure a coherent policy and arrangements for the protection of vulnerable adults
29	**14,966.0**	**Total - Business Delivery Unit (BDU)**	**10,394.7**	**10,000.1**	**20,394.8**	**-7,547.4**	**-215.7**	**12,631.7**	

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Service Provision (SP) Head of Service: Damien Ellis							
30	685.2	Service Provision - Divisional Management & Support	640.6	66.7	**707.3**	0.0	0.0	**707.3**	Divisional management costs enabling the Directorate to achieve its business aims.
31	2,552.5	Adult In House Carer Services	2,438.3	164.0	**2,602.3**	0.0	0.0	**2,602.3**	In-House residential respite services to support carers
32	7,020.3	Adult In House Community Services	6,357.0	918.3	**7,275.3**	-70.7	0.0	**7,204.6**	In-House Community-Based Services for Learning Disability Service Users (aged 18+) and Physical Disability (aged 18-25) including In-house Day centres and other services to enable Service Users to remain independent
33	3,213.9	Adult In House Enablement Services	3,163.9	5,786.2	**8,950.1**	-189.1	-5,584.9	**3,176.1**	In-House Community-Based Enablement Services to enable Adult Service Users to return to living independently
34	2,723.4	Looked After Children (with Disability) - In House Provision	3,780.9	8.6	**3,789.5**	-981.2	0.0	**2,808.3**	In-House Residential Respite and Enablement Services to support Looked After Children and families
35	15,233.7	Older People - In House Provision	10,673.4	14,500.9	**25,174.3**	-4,012.6	-5,407.9	**15,753.8**	In-House provision for Older People, including in-house residential and day care centres, and integrated care centres.
36	**31,429.0**	**Total - Service Provision (SP)**	**27,054.1**	**21,444.7**	**48,498.8**	**-5,253.6**	**-10,992.8**	**32,252.4**	
37	**375,509.4**	**Total - Adult Social Care & Health (ASCH)**	**91,593.0**	**459,978.7**	**551,571.7**	**-137,146.7**	**-14,956.7**	**399,468.3**	

Children, Young People & Education (CYPE)

Corporate Director: **Matt Dunkley CBE**	
Net Revenue Budget for 2020-21:	**£273,034.1k**
Gross Capital Budget over 3 year period:	**£350,341**
Full Time Equivalent (FTE) Staff at March 2020:	**2,744.6**

Children, Young People and Education (CYPE) Directorate comprises of five Divisions: Integrated Children's Services (East & West); Education; Special Education Needs and Disability (SEND) and Strategic Management and Directorate Budgets.

Our driving ambition is to ensure all Kent children have a good education and a good childhood. The CYPE vision is to make Kent a County that works for all children. We aim to ensure that all children feel safe, secure, loved, fulfilled, happy and optimistic so as they develop and achieve their maximum potential. In order to achieve this, we are focused upon:

- Securing the best childcare, education and training opportunities;
- Joining up services to support families at the right time in the right place;
- Being the best Corporate Parent we can be;
- Developing a culture of high aspiration and empathy for children and their families;
- Valuing and listening to children and young people's voices.

We work hard to minimise the impact of reduced resources and continued demand from the most vulnerable in our communities. We aim to keep vulnerable families out of crisis, by providing them with timely support. The Directorate continues to respond creatively to the demands placed upon it by forming new partnerships, reshaping services and adopting new ways of working. Our ambitious Change for Kent Children (CfKC) programme is improving the integration of all elements of the Directorate's work focused on two clear priorities:

- To improve the outcomes and the life chances of the children and young people of Kent
- To deliver outstanding services to children and their families in Kent and to have this recognised by Ofsted

Phase 1 of CfKC was focused on designing new services, structures and ways of working including the bringing together of Early Help and Children's Social Care in 2019. This has enabled greater integration amongst our partners and services, which has required working smarter and differently with families. By focusing on prevention and working with families to reduce the risk of harm to children, CYPE are securing improvements to the efficiency and effectiveness of service delivery.

CYPE are looking to build on these achievements during 2020-21 by examining further how to better support front line delivery to families and deliver new and innovative practice. This has included the creation of two new Divisions: Education and Special Educational Needs & Disabilities to provide further strategic leadership and capacity to design better inclusive systems, processes and services.

Education (EDU): This Division's purpose is to secure high quality school places in every community so that every child and young person can have the best start in life, so that they are ready to succeed at school, have excellent foundations for learning and are well equipped for achievement in life, regardless of their social background. This Division commissions one of KCC's companies 'The Education People' to deliver traded and statutory elements of education support services, providing a continual focus on improving attainment and standards. The Division is also responsible for the strategy and delivery of Community Learning & Skills across the county.

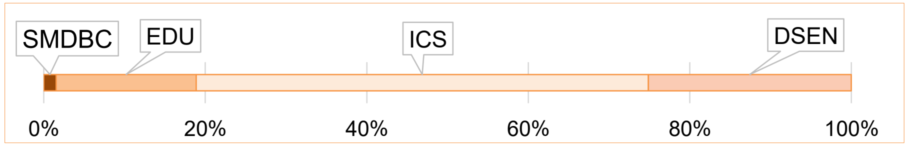
Special Educational Needs and Disabilities (SEND): The Division is responsible for the delivery of all services to disabled children and young people and those with SEND (0-25 year olds), ensuring that services match needs, are developed in partnership with parents and young people and continually adapt to Kent's changing demography. The Division is focused on securing the improvements required following a challenging SEND Ofsted Inspection, concentrating particularly on improving SEND support in mainstream schools, making practitioners more confident and inclusive and ensuring that we have the right SEND provision in Kent, along with ensuring improved pathways and provision for disabled children and young people with SEND, autism and complex health needs.

Schools' Delegated Budgets (SDB): This area holds the budget for Kent schools.

Integrated Children's Services (West and East) (ICS): These two Divisions have a statutory duty to safeguard and promote the welfare of some of Kent's most vulnerable children and young people. The Divisions focusses on providing an effective and consistent integrated children's service across Kent, supporting staff to prevent the escalation of need and deliver services that provide timely and appropriate support for children and families earlier, when they are most in need.

Strategic Management & Directorate Budgets (SMDBC): This area incorporates the Directorate centrally held costs, which includes the budgets for the Strategic Directors and support, historic pension costs, the Change for Kent Children Programme, Directorate communications and Member interface.

How is the CYPE budget split between Services?



Directorate Level Variation Statement

2019-20 Revised Base	Spending Pressures	Savings & Income	2020-21 Proposed Budget
£251,002.5k	£23,764.4k	-£1,732.8k	£273,034.1k

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Children, Young People & Education (CYPE) Corporate Director: Matt Dunkley CBE							**£273.0m**
		Strategic Management & Directorate Budgets (SMDBC) Corporate Director: Matt Dunkley CBE							
38	3,836.7	Strategic Management & Directorate Budgets (CYPE)	1,212.1	6,824.7	**8,036.8**	-684.0	-3,173.6	**4,179.2**	Central Directorate costs including the Strategic Director and Directorate pension costs
39	-400.0	Budget & Saving Plans to be allocated	0.0	0.0	**0.0**	0.0	0.0	**0.0**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services lines
40	**3,436.7**	**Total - Strategic Management & Directorate Budgets (SMDBC)**	**1,212.1**	**6,824.7**	**8,036.8**	**-684.0**	**-3,173.6**	**4,179.2**	
		Education (EDU) Director: David Adams							
41	-991.1	Community Learning & Skills (CLS)	9,573.5	3,658.1	**13,231.6**	-3,269.3	-10,683.1	**-720.8**	Provision of adult education courses and family and responsive learning, together with the delivery of English and Maths learning, to help people improve their employability skills
42	0.0	Early Years Education	0.0	72,953.7	**72,953.7**	0.0	-72,953.7	**0.0**	Parents' statutory entitlement to free Early Years education provision, most commonly from private, voluntary and independent providers for which KCC provides reimbursement from the Dedicated Schools Grant. There is a universal entitlement of 15 hours per week for all 3 and 4 year olds, increasing to 30 hours for children of working parents. This budget also provides entitlement to eligible 2 year olds for up to 15 hours per week
43	3,490.7	Education Services provided by The Education People	0.0	8,960.8	**8,960.8**	0.0	-5,080.5	**3,880.3**	A range of statutory education services provided by The Education People, including School Improvement, Education Safeguarding, Skills & Employability, Schools Financial Services, and Outdoor Education
44	9.6	Fair Access & Planning Services	2,198.0	690.9	**2,888.9**	-58.0	-2,820.6	**10.3**	Planning the provision of school places and managing the schools admissions and eligibility for school transport services
45	39,232.1	Home to School & College Transport	198.2	47,467.9	**47,666.1**	-3,362.3	0.0	**44,303.8**	Transport to education establishments for all entitled pupils including specialist transport to school and college for children and young people with Special Educational Needs & Disabilities, together with free mainstream school transport, and the partly subsidised Kent 16+ Travel Saver (which includes an individual contribution). A small team support specific pupils with their travel arrangements to schools to enable them to become independent as they transition to secondary school

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
46	-1,093.8	Other School Services	0.0	39,216.1	**39,216.1**	-19,765.2	-20,517.0	**-1,066.1**	Provision of a wide range of support services to schools (most of which operate on a traded basis)
47	917.8	Education Management & Division Support	1,267.7	885.7	**2,153.4**	-310.0	-915.6	**927.8**	Includes Area Education Officers and their direct support, costs associated with Academy conversions, and other Divisional management and support costs
48	**41,565.3**	**Total - Education (EDU)**	**13,237.4**	**173,833.2**	**187,070.6**	**-26,764.8**	**-112,970.5**	**47,335.3**	

Integrated Children's Services (East & West) (ICS)
Directors: Stuart Collins (Early Help & Preventative Services Lead) & Sarah Hammond (Children's Social Work Lead)

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Key Service Description
49	6,422.6	Early Help & Preventative Services	10,455.5	5,932.9	**16,388.4**	-2,823.3	-6,746.3	**6,818.8**	Early intervention and prevention services for families, children and young people, including services provided under the Tackling Troubled Families Scheme and Headstart project to improve the mental health and emotional wellbeing of 10-16 year olds
50	3,448.2	Children's Centres	6,376.0	1,194.6	**7,570.6**	-4,012.2	0.0	**3,558.4**	Provides integrated early childhood services to young children and their families (many of whom are disadvantaged), in order to improve their development and life chances so that children are school ready and parents have support and opportunity to gain parenting skills
51	3,912.6	Youth Services	4,832.6	2,234.9	**7,067.5**	-1,214.0	-1,310.4	**4,543.1**	Youth Services enable young people to access positive educational and recreational leisure time activities to improve their wellbeing and personal and social development. The Youth Justice Service assesses, plans and intervenes with 10-17 year olds who have come to the attention of the Police or judicial system, to prevent them offending
52	0.0	Pupil Referral Units & Inclusion	1,613.8	7,032.6	**8,646.4**	-267.0	-8,379.4	**0.0**	Pupil Referral Units (PRU's) are short-stay centres which provide education for children who are excluded, sick, or otherwise unable to attend a mainstream school, until they are reintegrated. Inclusion Advisers work with pupils, families, and schools to improve pupil behaviour and attendance, which reduces the need for permanent or fixed-term exclusion
53	58,393.8	Looked After Children - Care & Support	4,413.9	60,382.9	**64,796.8**	-1,056.4	-3,354.8	**60,385.6**	Looked After Children Services including residential, fostering, and supported accommodation for under 18s, and Virtual Schools Kent
54	3,255.1	Children in Need - Care & Support	0.0	3,315.5	**3,315.5**	-45.4	0.0	**3,270.1**	Service for Children in Need (aged 0-18) including day care, direct payments, payments to voluntary organisations, and short breaks for carers
55	45,081.9	Children's Social Work Services - Assessment & Safeguarding Service	47,617.0	2,670.3	**50,287.3**	-3,022.8	-299.6	**46,964.9**	Social care staffing providing assessment of children and families' needs, ongoing support to looked after children, and Safeguarding Service

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
56	14,382.3	Adoption & Special Guardianship Arrangements & Service	2,111.6	12,798.8	**14,910.4**	-103.0	0.0	**14,807.4**	The Adoption Service works to achieve alternative permanent care arrangements for Looked after Children within a family setting. This includes family finding, assessing and matching, and offering support services to adoptive families and children. Special guardianship arrangements are also supported, so a child may live with someone other than their parent(s) on a long term basis
57	5,286.1	Care Leavers Service	4,022.5	6,665.3	**10,687.8**	-2,192.1	-1,009.7	**7,486.0**	Enables and assists care leavers (post 18) to develop their skills and enhance their life opportunities as they progress into adulthood
58	0.0	Asylum	851.3	17,494.1	**18,345.4**	-1,514.7	-16,830.7	**0.0**	Supporting unaccompanied asylum seekers under the age of 18 and those aged 18 or over (who were previously in care when aged under 18) as Care Leavers
59	4,916.5	Integrated Services (Children's) Management & Directorate Support	6,105.4	1,428.0	**7,533.4**	-323.5	-2,161.9	**5,048.0**	Directorate support costs including practice development for both early help and children social work functions along with the provision of management information for the whole Directorate
60	**145,099.1**	**Total - Integrated Children's Services (East & West) (ICS)**	**88,399.6**	**121,149.9**	**209,549.5**	**-16,574.4**	**-40,092.8**	**152,882.3**	
		Special Educational Needs and Disabilities (SEND) Director: Mark Walker							
61	22,259.1	Adult Learning & Physical Disability Pathway - Community Based Services	0.0	27,460.2	**27,460.2**	-1,098.5	-17.2	**26,344.5**	Commissioned Community Based Services for Physical Disability Service Users and Learning Disability Service Users (aged 18+) including domiciliary care, direct payments, day care, and supported living to enable Service Users to remain independent
62	9,179.5	Adult Learning & Physical Disability Pathway - Residential Care Services & Support for Carers	0.0	8,451.2	**8,451.2**	-502.9	0.0	**7,948.3**	Residential Care Services (and Short Breaks) for Learning Disability Service Users and Physical Disability Service Users (aged 18+) and services to support carers
63	5,122.6	Children in Need (Disability) - Care & Support	0.0	5,294.6	**5,294.6**	-2.8	0.0	**5,291.8**	Service for Children in Need (aged 0-18) with a Disability including day care, direct payments, payments to voluntary organisations, and short breaks for carers
64	1,691.6	Childrens Disability 0-18 Commissioning	0.0	1,768.8	**1,768.8**	-77.2	0.0	**1,691.6**	Commissioned Community Based Services (aged 0-18) including short breaks, direct payments and group day care services.

SECTION 9 - REVENUE BUDGET - KEY SERVICES

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
65	7,497.5	Disabled Children & Young People Service (0-25 LD & Complex PD) - Assessment Service	7,395.8	536.8	**7,932.6**	0.0	0.0	**7,932.6**	Social care staff providing assessment and support services for Service Users (aged 0-25) with Learning Disability, Complex Physical Disabilities and Sensory Impairment
66	8,852.7	Looked After Children (with Disability) - Care & Support	0.0	11,695.5	**11,695.5**	-1,758.5	0.0	**9,937.0**	Commissioned services for Looked After Children (aged 0-18) with a Disability including both short and long term residential care and fostering services
67	6,298.4	Special Educational Needs & Psychology Services	12,196.6	68,827.3	**81,023.9**	-5,572.2	-65,960.2	**9,491.5**	Assessment and placement of children and young people with Special Educational Needs including those with Education Health Care Plans (EHCPs)
68	**60,901.4**	**Total - Special Educational Needs and Disabilities (SEND)**	**19,592.4**	**124,034.4**	**143,626.8**	**-9,012.1**	**-65,977.4**	**68,637.3**	
69	**251,002.5**	**Total - Children, Young People & Education (CYPE) excluding Schools' Delegated Budgets**	**122,441.5**	**425,842.2**	**548,283.7**	**-53,035.3**	**-222,214.3**	**273,034.1**	
		Schools' Delegated Budgets (SDB) Corporate Director: Matt Dunkley CBE							
70	0.0	Schools' Delegated Budgets	**513,147.4**	**174,717.7**	**687,865.1**	**-49,287.4**	**-638,577.7**	**0.0**	Holds the Dedicated Schools Grant (DSG) for Kent schools
71	**251,002.5**	**Total - Children, Young People & Education (CYPE) including Schools' Delegated Budgets**	**635,588.9**	**600,559.9**	**1,236,148.8**	**-102,322.7**	**-860,792.0**	**273,034.1**	

Growth, Environment & Transport (GET)

Corporate Director: **Barbara Cooper**	
Net Revenue Budget for 2020-21:	**£178,922.9k**
Gross Capital Budget over 3 year period:	**£519,115k**
Full Time Equivalent (FTE) Staff at March 2020:	**1,369.0**

Growth, Environment & Transport (GET) consists of five divisions; Economic Development (ED), Environment, Planning & Enforcement (EPE), Highways, Transportation & Waste (HTW), Libraries, Registration & Archives (LRA) and Strategic Management & Directorate Budgets (SMDBG).

GET is considerable in terms of its breadth, the number of services and projects, as well as a considerable capital programme. GET is responsible for an array of visible services that shape our communities, such as maintaining and improving Kent's roads, protecting communities against flooding, disposing of and recycling our waste as well as fostering a lifelong love of reading through our libraries. We also provide loans to help local businesses thrive or convert empty properties into much needed residences, encourage physical activity through our Country Parks, protect vulnerable residents against rogue traders, and actively working on an energy and low emissions strategy for Kent and Medway.

By delivering good services we can improve the normal, everyday lives of the people and businesses of Kent and make the County a better place to live, work, and do business. Our services are mainly focused on delivering KCC's Strategic Outcome 2: Kent communities feel the benefits of economic growth by being in-work, healthy and enjoying a good quality of life. We also deliver services which support Strategic Outcomes 1 (Children and young people in Kent get the best start in life) and 3 (Older and vulnerable residents are safe and supported with choices to live independently).

Economic Development (ED): The strategic vision of this Division is to create the conditions that enable economic growth to deliver better outcomes and a good quality of life for Kent's communities, workforce, and visitors. The four main areas of activity are; Business and Enterprise, Economic Strategy & Partnerships, Infrastructure, and Arts & Culture.

Environment, Planning & Enforcement (EPE): EPE fundamentally supports sustainable economic growth, facilitates a quality environment across Kent, and improves the safety, health, and quality of life for Kent's residents. It comprises six groups delivering 19 services which together create the environment in which Kent residents and businesses live and grow.

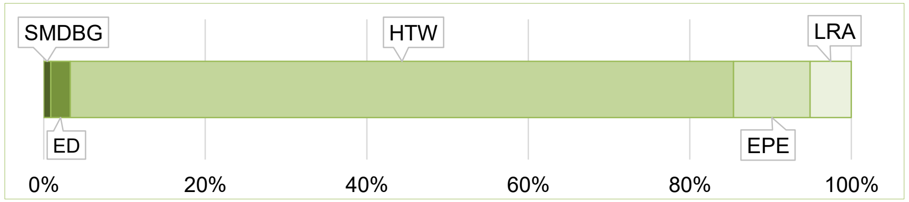
EPE delivers a range of strategic and frontline services to create a quality and safe environment for sustainable economic and housing growth. From managing 4,310 miles of Public Rights of Way, to attracting and lobbying for millions of pounds of infrastructure investment, its services deliver against a host of wider Kent County Council outcomes, including a healthier lifestyle for our residents, as well as a safer and more resilient environment for our younger, older and vulnerable residents.

Highways, Transportation & Waste (HTW): This Division delivers services that are used by most, if not all, residents and businesses in Kent and those who travel through it. HTW has a duty to ensure the effective discharge of the Council's statutory duties and powers as Local Transport & Highway Authority, in particular it's duty of care to help ensure safe passage for all road users and the processing and disposal of household waste. The Division's core purposes are; the management, maintenance, emergency response and improvement of Kent's 5,400 miles of highway network and associated assets, the processing and disposal of over 700,000 tonnes of waste and recyclate collected by the 12 District and Borough Councils and disposed of by residents at Household Waste Recycling Centres in Kent, as well as enabling access to education, health, and community services for diverse users across Kent, through the planning, procurement and management of public transport services.

Libraries, Registration & Archives (LRA): This Division which delivers services that support people throughout their lives. The services are open to everyone, but also targeted to help those who most need them. The Library Service is delivered through library buildings, mobile library service, online offer, and a range of outreach services such as the home library and postal loan services. The Registration Service enables people to register a birth or death, and get married. The Archives Service works to conserve, protect, and provide access to the remarkable collection of over 14 kilometres of unique and precious historical archive material.

Strategic Management & Directorate Budgets (SMDBG): This area incorporates the Directorate centrally held costs.

How is the GET budget split between Services?



Directorate Level Variation Statement

2019-20 Revised Base	Spending Pressures	Savings & Income	2020-21 Proposed Budget
£172,810.7k	£9,168.0k	-£3,055.8k	£178,922.9k

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Growth, Environment & Transport (GET) Corporate Director: Barbara Cooper							**£178.9m**
		Strategic Management & Directorate Budgets (SMDBG) Corporate Director: Barbara Cooper							
72	1,232.1	Strategic Management & Directorate Budgets (GET)	621.3	999.5	**1,620.8**	-68.0	0.0	**1,552.8**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services Lines
73	0.0	Budget & Savings Plans to be allocated (GET)	0.0	0.0	**0.0**	0.0	0.0	**0.0**	Cross Directorate costs, including the Corporate Director
74	**1,232.1**	**Total - Strategic Management & Directorate Budgets (SMDBG)**	**621.3**	**999.5**	**1,620.8**	**-68.0**	**0.0**	**1,552.8**	
		Economic Development (ED) Director: David Smith CBE							
75	2,807.8	Economic Development	2,538.0	2,691.0	**5,229.0**	-1,141.6	-1,167.1	**2,920.3**	Working with public, private, and voluntary sectors to support Kent's economic growth (including Kent and Medway Business Loan Fund)
76	1,577.9	Arts	312.8	1,216.7	**1,529.5**	-94.8	0.0	**1,434.7**	Supporting Kent's creative and cultural economy (including Turner Contemporary)
77	**4,385.7**	**Total - Economic Development (ED)**	**2,850.8**	**3,907.7**	**6,758.5**	**-1,236.4**	**-1,167.1**	**4,355.0**	
		Highways, Transport & Waste (HTW) Director: Simon Jones							
78	5,369.6	Highway Transportation (including School Crossing Patrols)	6,858.4	1,529.0	**8,387.4**	-2,613.5	-143.1	**5,630.8**	Reducing casualties and traffic congestion on Kent's roads by enabling the delivery of a £300m+ capital programme of engineering schemes by managing traffic and through road safety improvements, education and campaigns. Assisting developers in identifying and delivering solutions to protect our network from the negative impacts of development traffic
79	11,676.2	Highway Asset Management (Roads and Footways)	5,965.9	7,347.8	**13,313.7**	0.0	0.0	**13,313.7**	Safety inspections, emergency and routine maintenance, and minor repairs to Roads, Footways and Cycleways (including repairing damage by Third Parties), Traffic Management, Fly Tipping removal

SECTION 9 - REVENUE BUDGET - KEY SERVICES										
Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget						Key Service Description
			Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	
80	17,014.3	Highway Asset Management (Other)	5,164.2	16,430.0	**21,594.2**	-3,987.5	0.0	**17,606.7**	Safety inspections, routine maintenance and minor repair of traffic signals, CCTV cameras, highway drainage cleansing, repairs and soakaways, highway trees, shrubs and grass cutting, weed spraying, bridges and tunnels, permitting, inspection and coordination of all works undertaken by utility companies, developers and KCC contractors, winter service and adverse weather, street lighting and lit signs and bollards maintenance and energy costs of street lighting, Kent lane rental scheme, permits and licences, Third Party damage to other assets
81	6,179.1	Subsidised Buses and Community Transport	100.0	9,899.3	**9,999.3**	-2,421.7	-1,087.8	**6,489.8**	Financial support for otherwise uneconomic bus routes (including the Kent Karrier service), as well as community transport schemes
82	17,224.6	Concessionary Fares	0.0	17,271.6	**17,271.6**	-47.0	0.0	**17,224.6**	A statutory concessionary travel scheme, providing free bus travel for the elderly, disabled and disabled user companions
83	8,057.5	Kent Travel Saver	0.0	15,458.3	**15,458.3**	-7,360.8	0.0	**8,097.5**	Provides discounted travel on the Kent bus network for young people aged 11-16.
84	39,877.5	Residual Waste	0.0	40,509.2	**40,509.2**	-442.3	0.0	**40,066.9**	Statutory waste services for Kent residents including treatment and disposal of residual household waste
85	31,617.1	Waste Facilities & Recycling Centres	0.0	35,061.3	**35,061.3**	-2,124.3	0.0	**32,937.0**	Statutory waste services for Kent residents including Household recycling centres, cost of recycling, and composting household waste
86	4,789.6	Highways, Transport & Waste Management Costs and Commercial Operations	4,332.5	3,917.4	**8,249.9**	-2,695.3	0.0	**5,554.6**	Management, planning, procurement and monitoring of transport services, work with Environment Agency to reduce waste, pollution monitoring at landfill sites, commissioning and contract management of care waste management service, business services including provision of Speed Awareness courses, and business support for Highways, Transportation & Waste
87	**141,805.5**	**Total - Highways, Transport & Waste (HTW)**	**22,421.0**	**147,423.9**	**169,844.9**	**-21,692.4**	**-1,230.9**	**146,921.6**	

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Environment, Planning & Enforcement (EPE) Interim Director: Stephanie Holt-Castle							
88	10,052.9	Public Protection (Enforcement)	8,999.4	4,846.7	**13,846.1**	-2,967.3	0.0	**10,878.8**	Public Protection services including Trading Standards, Community Wardens, Coroners, Kent Scientific Services (KSS), Resilience, and Emergencies
89	5,328.0	Environment & Planning	7,636.7	8,051.2	**15,687.9**	-7,123.7	-3,148.0	**5,416.2**	Covers a wide range of services including Country Parks, development of sports and physical activity, Kent Downs Area of Outstanding Natural Beauty (AONB), Public Rights of Way (PROW), Gypsy & Traveller Unit, delivery of key strategic transport improvement, heritage services, sustainable business and communities, planning, and climate change projects
90	643.2	Environment, Planning & Enforcement Management Costs	665.6	16.1	**681.7**	-8.2	0.0	**673.5**	Divisional management costs
91	**16,024.1**	**Total - Environment, Planning & Enforcement (EPE)**	**17,301.7**	**12,914.0**	**30,215.7**	**-10,099.2**	**-3,148.0**	**16,968.5**	
		Libraries, Registration & Archives (LRA) Head of Service: James Pearson							
92	9,363.3	Libraries, Registration & Archives	11,515.4	4,014.4	**15,529.8**	-6,404.8	0.0	**9,125.0**	The Libraries, Registration & Archives (LRA) service is delivered through a network of 99 libraries, 5 Register Offices, 5 mobile libraries, an archive centre, the stock distribution and support function building at Quarry Wood, the information service which includes the public 'Ask a Kent Librarian' service, and the 24 hour accessible online services. The LRA service also delivers the records management service on behalf of KCC, is contracted to deliver 5 prison libraries in Kent and the registration service on behalf of the London Borough of Bexley
93	**172,810.7**	**Total - Growth, Environment & Transport (GET)**	**54,710.2**	**169,259.5**	**223,969.7**	**-39,500.8**	**-5,546.0**	**178,922.9**	

Strategic & Corporate Services (S&CS)

Corporate Director: **David Cockburn**	
Net Revenue Budget for 2020-21:	**£82,262.9k**
Gross Capital Budget over 3 year period:	**£121,577k**
Full Time Equivalent (FTE) Staff at March 2020:	**726.7**

The Strategic & Corporate Services Directorate provides core services which support frontline service delivery to achieve better outcomes for Kent's residents and our customers. The Directorate supports the political and managerial leadership in setting the strategic direction for the Council.

Strategic & Corporate Services also supports the organisation to deliver and respond to changes in our operating environment. Priorities include leading the revenue and capital budget process for the Council, ensuring effective governance and assurance processes and providing support for extensive business change across the Council as we continue to embed our strategic commissioning authority and traded service arrangements. Our Directorate also plays a significant role in ensuring the Council is well placed to meet its statutory and regulatory duties.

Strategic & Corporate Services has the following roles and responsibilities:

People and Communications (P&C): The Division is responsible for employment practice and policy, organisation design and development, health and safety, and the communications, customer, and engagement functions for the authority. The Division holds the client-side responsibility for the Contact Point and Digital Services provided by Agilisys.

Finance (FIN): The Division comprises of three key functions that together provide strategic financial and audit support to the Council. These functions are; Operations, Internal Audit, and, Policy, Planning & Strategy. The Vision Statement of the Division is to, "Work together as one market leading team that always put the customers at the heart of everything we do".

Governance, Law & Democracy (GLD): Provides democratic services including support of the 81 elected Members of the County Council. The division manages information governance and data protection considerations for the Council including co-ordination of responses to Freedom of Information (FOI) requests. The Division also holds the client-side responsibility for Invicta Law Ltd which provides legal advice and services to KCC, public bodies, and other local authorities.

Infrastructure (INF): The Division is responsible for the provision of the Authority's Property & ICT Services which support our frontline service delivery; it sets the Council's technology and asset strategy and delivers the Council's disposal and capital programmes. The Division holds the client side responsibility for Cantium Business Solutions Ltd and GEN² Property Ltd.

Corporate Landlord (CL): The Division is responsible for day to day costs relating to the running of the Council's complex estate of operational front line buildings; the office estate and holding costs of non-operational buildings.

Strategic Commissioning including Public Health (SCincPH):

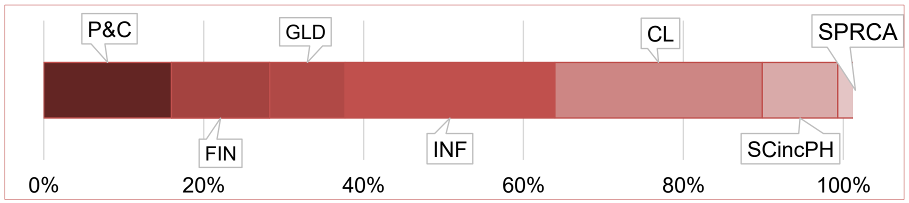
Strategic Commissioning leads and shapes the process for deciding how best to use the total resources available to improve outcomes in the most efficient, effective, equitable, and sustainable way. Those resources could be within KCC, or across the public, voluntary, and private sectors. The Division provides capability in commercial leadership and judgement, evidence-based decision making, and performance reporting and analysis. The Division also incorporates Public Health which aims to improve and protect the health and wellbeing of Kent's residents.

The **Public Health** function has three overriding aims, to improve the health of the Kent population, to protect the health of the Kent population, and to improve the quality, effectiveness, and access to health and social care services. By achieving these aims, we will not only improve the wellbeing of the people of Kent, but also reduce the need for expensive acute interventions, thereby reducing the pressure on other KCC services, and the wider public sector.

Strategy, Policy, Relationships & Corporate Assurance (SPRCA): The Division's role is to help prepare the organisation to meet future challenges through environment scanning, medium term planning, corporate and service policy development, and, relationship management, as well as leading the equality, risk, and corporate assurance frameworks.

Strategic Management & Directorate Budgets S&CS (SMDBS): This area incorporates the Directorate centrally held costs and external grant income.

How is the S&CS budget split between Services?



Directorate Level Variation Statement

2019-20 Revised Base	Spending Pressures	Savings & Income	2020-21 Proposed Budget
£78,951.1k	**£8,732.8k**	**-£5,421.0k**	**£82,262.9k**

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Strategic & Corporate Services (S&CS) Corporate Director: David Cockburn							**£82.3m**
		Strategic Management & Directorate Budgets (SMDBS) Corporate Director: David Cockburn							
94	-1,259.1	Strategic Management & Directorate Budgets (S&CS)	527.5	2,904.0	**3,431.5**	-625.8	-4,050.0	**-1,244.3**	Central Directorate costs and grant contributions to Corporate Services' overheads
		People & Communications (P&C) Corporate Director: Amanda Beer							
95	7,634.6	Human Resources Related Services	4,936.8	3,733.6	**8,670.4**	-952.9	-1.0	**7,716.5**	Strategic and operational Human Resource (HR) services to KCC. Advisory role to ensure that KCC meets its statutory responsibility in terms of Health & Safety, Employment Law, and Equality Legislation in relation to employment. Transactional HR services commissioned from Cantium Business Solutions Ltd
96	5,476.9	Customer Contact, Communications & Consultations	1,950.6	4,057.2	**6,007.8**	-497.7	-89.0	**5,421.1**	Responsible for communicating with the public, customer contact services, effective consultation, and information provision
97	**13,111.5**	**Total - People & Communications (P&C)**	**6,887.4**	**7,790.8**	**14,678.2**	**-1,450.6**	**-90.0**	**13,137.6**	
		Finance (FIN) Corporate Director: Zena Cooke							
98	9,831.2	Finance	11,393.0	5,172.4	**16,565.4**	-5,551.6	-904.8	**10,109.0**	Provision of finance advice to support both managers and Members in planning, managing, and reporting upon the Council's financial resources. Transactional financial services commissioned from Cantium Business Solutions Ltd

SECTION 9 - REVENUE BUDGET - KEY SERVICES

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Governance, Law & Democracy (GLD) Director: Ben Watts							
99	5,811.7	Governance & Law	2,800.5	3,652.7	**6,453.2**	-298.8	-35.0	**6,119.4**	Includes the cost of supporting the 81 elected Members of the County Council and their responsibilities, together with the management of the contract with Invicta Law Ltd for legal advice and services to KCC, public bodies, and other local authorities. Co-ordination of responses to Freedom of Information (FOI) requests
100	1,215.0	Local Member Grants	0.0	1,620.0	**1,620.0**	0.0	0.0	**1,620.0**	Member Grants made to a wide range of community based groups, individuals and organisations
101	**7,026.7**	**Total - Governance, Law & Democracy (GLD)**	**2,800.5**	**5,272.7**	**8,073.2**	**-298.8**	**-35.0**	**7,739.4**	
		Infrastructure (INF) Director: Rebecca Spore							
102	4,449.0	Property Related Services	2,417.8	4,894.2	**7,312.0**	-2,243.1	0.0	**5,068.9**	Strategic management of KCC's estate. Leads on delivery of the Council's Property Asset Management Strategy together with the commissioning of Gen² Property Ltd to deliver the day to day management of the KCC estate
103	16,457.2	ICT Related Services	2,089.7	17,451.4	**19,541.1**	-2,862.4	-149.0	**16,529.7**	Leads on defining future provision and strategy for ICT, ensuring the best use of available technology to support the needs of the Council. ICT services commissioned from Cantium Business Solutions Ltd. Business Partnership providing service delivery assurance and monitoring of deliverables
104	**20,906.2**	**Total - Infrastructure (INF)**	**4,507.5**	**22,345.6**	**26,853.1**	**-5,105.5**	**-149.0**	**21,598.6**	
		Corporate Landlord (CL) Director: Rebecca Spore							
105	20,060.1	Corporate Landlord	0.0	28,701.9	**28,701.9**	-7,182.3	-187.0	**21,332.6**	Day to day costs relating to the running of the Council's complex estate of operational front line buildings; the office estate and holding costs of non-operational buildings

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
		Strategic Commissioning including Public Health (SCincPH) Directors: Vincent Godfrey (Strategic Commissioning) & Andrew Scott-Clark (Public Health)							
106	7,522.6	Strategic Commissioning	8,023.8	449.8	**8,473.6**	-653.5	-41.0	**7,779.1**	Responsible for developing and delivering a commissioning and procurement strategy for the Authority. Includes commissioning, contract management, and procurement functions
107	-407.2	Public Health - Children's Programme	0.0	32,730.3	**32,730.3**	0.0	-32,730.3	**0.0**	Includes provision for 0-19 year olds and their families including: Health Visiting, School Public Health, Oral Health, services delivered through Children's Centres and Adolescent services
108	76.9	Public Health - Mental Health, Substance Misuse & Community Safety	0.0	11,676.2	**11,676.2**	-394.0	-11,282.2	**0.0**	Includes the provision of drug and alcohol services, domestic abuse services and Mental Health early intervention.
109	267.0	Public Health - Sexual Health	0.0	13,261.0	**13,261.0**	-1,300.0	-11,961.0	**0.0**	Commissioning of mandated contraception and sexually transmitted infection advice and treatment services
110	25.0	Public Health - Healthy Lifestyles	0.0	7,782.5	**7,782.5**	0.0	-7,782.5	**0.0**	Improving health and lifestyles through provision of Integrated Lifestyle services and NHS Health Checks to support the following outcomes; reduction in smoking, improved exercise and healthy eating to tackle obesity levels
111	38.3	Public Health - Advice and Other Staffing	2,508.9	1,359.5	**3,868.4**	-25.4	-3,843.0	**0.0**	Includes cost of management, commissioning, and operational staff to deliver statutory Public Health advice
112	**7,522.6**	**Total - Strategic Commissioning including Public Health (SCincPH)**	**10,532.7**	**67,259.3**	**77,792.0**	**-2,372.9**	**-67,640.0**	**7,779.1**	
		Strategy, Policy, Relationships & Corporate Assurance (SPRCA) Director: David Whittle							
113	1,751.9	Strategy, Policy, Relationships & Corporate Assurance	1,776.1	1,720.8	**3,496.9**	-436.0	-1,250.0	**1,810.9**	Supports the political and managerial leadership of KCC through strategic policy development
114	**78,951.1**	**Total - Strategic & Corporate Services (S&CS)**	**38,424.7**	**141,167.5**	**179,592.2**	**-23,023.5**	**-74,305.8**	**82,262.9**	

Financing Items & Unallocated (FI&U)

Corporate Director: Zena Cooke

£130.0m

Row Ref	2019-20 Revised Budget (Net Cost) £000s	Division & Key Service	2020-21 Approved Budget Staffing £000s	Non Staffing £000s	**Gross Expenditure £000s**	Income £000s	Grants £000s	**Net Cost £000s**	Key Service Description
115	101,035.7	Financing Items - General	970.2	130,021.1	**130,991.3**	-18,961.7	-9.0	**112,020.6**	Includes net debt costs (including investment income), transfers to and from reserves, net contributions from KCC owned companies, and others including Insurance Fund, audit fees and Apprenticeship Levy
116	7,065.0	Financing Items - Unallocated	61.8	17,883.7	**17,945.5**	0.0	0.0	**17,945.5**	
117	**108,100.7**	**Total - Financing Items & Unallocated (FI&U)**	**1,032.0**	**147,904.8**	**148,936.8**	**-18,961.7**	**-9.0**	**129,966.1**	
118	**986,374.4**	**Total Budget**	**821,348.8**	**1,518,870.4**	**2,340,219.2**	**-320,955.4**	**-955,609.5**	**1,063,654.3**	
119	**986,374.4**	**Total Budget (excluding Schools' Delegated Budgets on Row 70)**	**308,201.4**	**1,344,152.7**	**1,652,354.1**	**-271,668.0**	**-317,031.8**	**1,063,654.3**	

Budget Book

APPENDICES

Appendix A – Council Tax

1.1 The approved budget includes the precept KCC has agreed to make from Council Tax. This is based on the final taxbase figures provided by District Councils and represents an overall increase of 1.51%.

1.2 KCC will increase council tax by 3.99% to help balance the 2020-21 budget. This 3.99% increase is made up of a 1.995% general increase, which is below the referendum limit announced in the provisional local government finance settlement, and a further 1.995% for the Adult Social Care Levy. The Adult Social Care Levy (ASCL) is an additional levy councils can raise from Council Tax to support Adult Social Care spending. The impact of each of these increases on individual bands is set out in Table 1. Table 2 shows the cumulative impact of the ASCL since it was first introduced in 2016-17.

Table 1

Band	Proportion of Band D Tax Rate	2019-20 (incl. ASCL)	2020-21 (excl. increase in ASCL)	2020-21 (incl. increase in ASCL)
A	6/9	£866.28	£883.56	£900.84
B	7/9	£1,010.66	£1,030.82	£1,050.98
C	8/9	£1,155.04	£1,178.08	£1,201.12
D	9/9	£1,299.42	£1,325.34	£1,351.26
E	11/9	£1,588.18	£1,619.86	£1,651.54
F	13/9	£1,876.94	£1,914.38	£1,951.82
G	15/9	£2,165.70	£2,208.90	£2,252.10
H	18/9	£2,598.84	£2,650.68	£2,702.52

Table 2

Year	Band D excl. ASCL	Band D ASCL	Band D Total
2016-17	£1,111.77	£21.78	£1,133.55
2017-18	£1,134.36	£44.46	£1,178.82
2018-19	£1,169.64	£68.04	£1,237.68
2019-20	£1,206.72	£92.70	£1,299.42
2020-21	£1,232.64	£118.62	£1,351.26

1.3 There are more homes in band C than in any other band in Kent. The 3.99% increase in Council Tax equates to approximately 88p extra per week for a band C household. Table 3 illustrates how Council Tax has changed since last year for a band C property. The general Council Tax and the ASCL will be shown as two separate lines on the Council Tax bill as shown in Table 3. Other authorities i.e. Police, Fire & Rescue, Districts, Parish and Town Councils are responsible for setting their own share of council tax as part of the overall bill. The final council tax bills will be based on the tax rates set by each of the relevant authorities.

Table 3

Typical Council Tax Bill Breakdown	**% increase on 2019-20 Council Tax bill**	**Amount for Band C**
Kent County Council	**1.995%**	**£1,095.68** (The share of Council Tax that Kent County Council will receive in 2020-21. This amount does not include the 2% increase for ASCL each year since 2016-17)
Kent County Council (for ASCL)	**1.995%** (Kent County Council's share of Council Tax will increase by 3.99% in 2020-21, which is this amount and the amount above)	**£105.44** (This is the 2% increase for adult social care funding for 2020-21 added to the 2% increases for ASCL each year since 2016-17.)
Kent Police and Crime Commissioner	**5.18%**	**£180.58**
Kent and Medway Fire and Rescue	**1.97%**	**£70.48**
District or Borough Council	These amounts will vary depending on which district council you pay your council tax to	
Parish Council		
Total		

1.4 Table 4, on the next page, shows the main changes to the taxbase and the impact of this on the County precept between 2019-20 and 2020-21.This includes both the change in the number of houses in Kent and the Council Tax increase explained in paragraph 1.2. The taxbase is calculated as the number of band D equivalent properties. County Council agreed the Council Tax precept in 13 February 2020.

1.5 The taxbase includes the impact of local decisions on the level of Council Tax discounts for working age tax payers in receipt of benefits/on low incomes through Council Tax Reduction Scheme (CTRS) and other additional local discretion on Council Tax discounts and exemptions on empty properties permitted under the Local Government Finance Act 2012. KCC have an agreement with Districts covering local CTRS's and the impact on the County Council taxbase. As part of this agreement KCC pays a proportion of the county's share of the tax yield to individual District Councils towards local collection costs and to incentivise maximum collection.

Table 4	2019-20		2020-21							
District	Notified Band D Equivalent Taxbase	Precept @ £1,299.42 £000s	Band D Equivalent Taxbase	Precept @ £1,325.34 (up to 2% referendum limit) £000s	Precept @ £1,351.26 (including ASCL) £000s	Change in Band D Equivalent Taxbase	Change in Precept £000s	Change in Precept due to Taxbase £000s	Change in Precept due to Tax Rate up to Referendum	Change in Precept due to ASCL £000s
Ashford	46,500.00	60,423.0	47,300.00	58,303.9	63,914.6	800.00	3,491.6	1,039.5	1,226.0	1,226.0
Canterbury	50,206.55	65,239.4	51,300.41	63,234.9	69,320.2	1,093.86	4,080.8	1,421.4	1,329.7	1,329.7
Dartford	37,747.03	49,049.2	38,756.93	47,773.3	52,370.7	1,009.90	3,321.4	1,312.3	1,004.6	1,004.6
Dover	38,526.26	50,061.8	39,029.75	48,109.6	52,739.3	503.49	2,677.5	654.2	1,011.7	1,011.7
Folkestone & Hythe	39,057.21	50,751.7	39,109.15	48,207.5	52,846.6	51.94	2,094.9	67.5	1,013.7	1,013.7
Gravesham	33,930.46	44,089.9	34,334.50	42,322.1	46,394.8	404.04	2,304.9	525.0	890.0	890.0
Maidstone	62,033.40	80,607.4	63,319.80	78,050.5	85,561.5	1,286.40	4,954.1	1,671.6	1,641.2	1,641.2
Sevenoaks	50,772.34	65,974.6	51,207.88	63,120.9	69,195.2	435.54	3,220.6	565.9	1,327.3	1,327.3
Swale	47,344.08	61,519.8	48,072.67	59,256.3	64,958.7	728.59	3,438.8	946.7	1,246.0	1,246.0
Thanet	43,763.27	56,866.9	44,546.40	54,909.7	60,193.8	783.13	3,326.9	1,017.6	1,154.6	1,154.6
Tonbridge & Malling	50,820.61	66,037.3	51,371.02	63,322.0	69,415.6	550.41	3,378.3	715.2	1,331.5	1,331.5
Tunbridge Wells	45,693.60	59,375.2	46,277.10	57,043.0	62,532.4	583.50	3,157.2	758.2	1,199.5	1,199.5
Total	546,394.81	709,996.3	554,625.61	683,653.7	749,443.4	8,230.80	39,447.1	10,695.3	14,375.9	14,375.9

Appendix B - Assessment of Level of Reserves

1 Introduction

Each year, reviewing the level of reserves the Council holds is an important part of the budgetary process. The review must be balanced and reasonable, factoring in the current financial standing of the Council, the funding outlook into the medium term and beyond, and most importantly, the financial risk environment the Council is operating in.

2 Background

The Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that the following factors should be taken into account when considering the level of reserves and balances:

- Assumptions regarding inflation and interest rates
- Estimates of the level and timing of capital receipts
- The capacity to manage in-year budget pressures and strategy for dealing with demand and service delivery in the longer term
- Strength of financial reporting and ability to activate contingency plans if planned savings cannot be delivered
- Risks inherent in any new partnerships, major outsourcing arrangements and major capital developments
- Financial standing of the Authority (level of borrowing, debt outstanding, use of reserves etc.)
- The Authority's record of budget and financial management including robustness of medium-term plans
- Virement and year-end procedures in relation to under and overspends
- The availability of reserves and government grants/other funds to deal with major unforeseen events
- The general financial climate including future expected levels of funding
- The adequacy of insurance arrangements

It should be made clear that the assessment of the adequacy of reserves is subjective. There is no 'right' answer as to the precise level of reserves to be held. There is also no formula approach to calculating the correct level; it is a matter of judgement, responsibility for which lies with the Council's Section 151 Officer.

3 Spending Round and Local Government Finance Settlement (LGFS)

The government's spending plans for 2020-21 were announced on 4th September 2019. For local government (and many other public services) this amounted to a one-year settlement, with a repeat of 2019-20 grants plus an additional £2.9bn (6%) from Council Tax increases, inflationary uplifts to business rates and an additional £1bn government grant to support social care spending pressures.

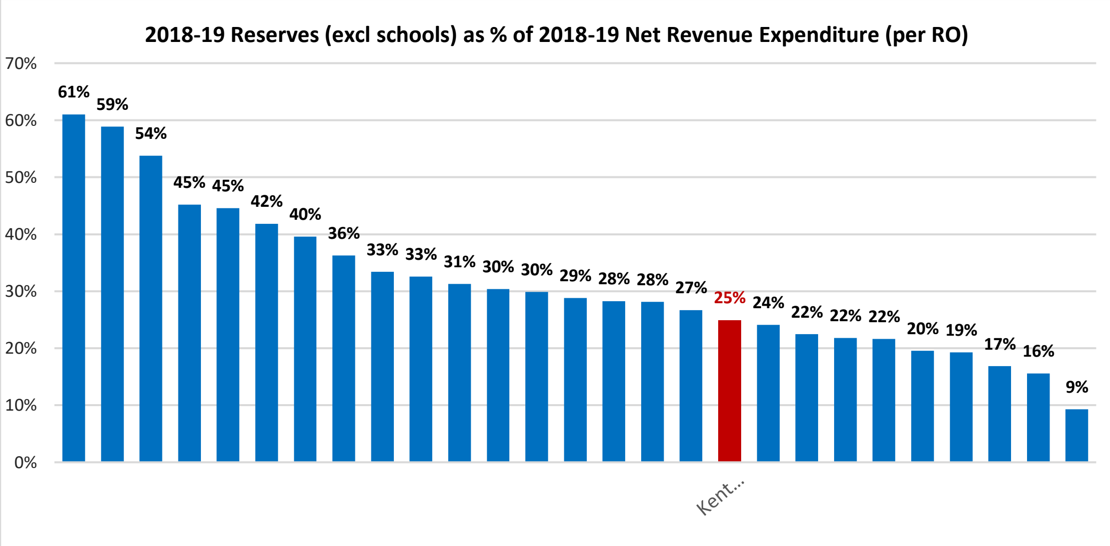
A technical consultation on the Local Government Finance Settlement was launched on 3rd October 2019. This included detailed proposals on the allocation of Revenue Support Grant, social care and other grants, and Council Tax referendum principles. The provisional Local Government Finance Settlement, which was published on 20 December, incorporated the government's response to this technical consultation.

The approved Budget was prepared based on the provisional Local Government Finance settlement, notified estimates of Council Tax base, Business Rates base and collection fund balances, and assumptions on Council Tax increases in line with the referendum principles in the provisional settlement. The assessment of the reserves is made against the background of these estimates, including the reduced risk from a better than expected 2020-21 settlement compared to the forecast in the 2019-22 MTFP, and the heightened medium-term uncertainty arising from only having a one-year settlement and potential changes in central government policy following the 12th December general election. The final Local Government Finance settlement published on 6th February is unchanged from the provisional settlement for KCC.

4 Comparison with other County Councils

Each council must make its own decisions about the level of reserves they hold, taking into account all of the issues referred to in Section 2 above.

A graphical analysis of the 2018-19 reserves for county councils is shown below. Kent is ranked 18th out of 27 county councils in terms of the percentage of reserves held (Rank number 1 being the highest level of reserves as a percentage of annual net revenue expenditure). This is the same ranking from last year despite an increase in the overall reserves of £27.6m compared to 2017-18. Kent has used some of its earmarked reserves to support the revenue budget in recent years but has also been able to set aside additional reserves to offset higher financial risks, particularly in 2018-19 from better than expected additional business rates from the retention pilot and roll-forwards approved at the end of the year. The Council has maintained a general reserve at approx. 4% of net revenue budget. The overall picture is that total reserves have been relatively stable at around an average of £200m in most years and £223.5m on 31st March 2019 (25%) but this is below the average of other county councils.

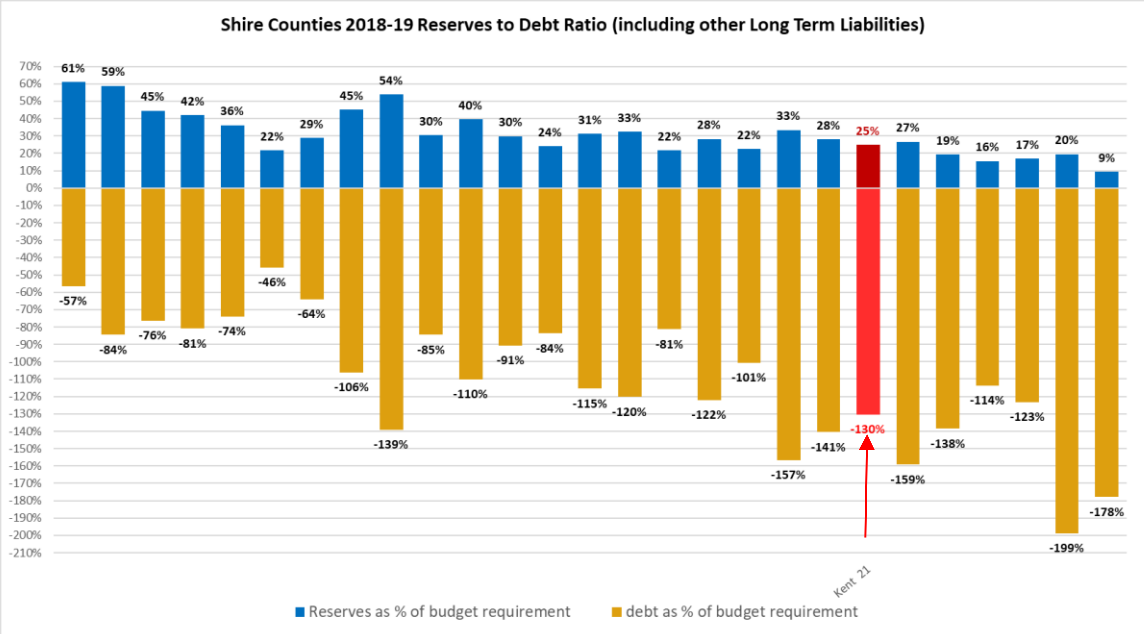


There is a wide range of reserves held as a percentage of net revenue spend; the lowest Authority at 9%, up to the highest at 61%. The Council's figure is 25%. This figure of 25% is made up of the General Reserve of £37.1m and Earmarked Reserves (including Public Health and trading surpluses but excluding Schools, Capital Receipts and Capital Grants unapplied) of £186.4m, totalling £223.5m. Details of all the Council's reserves can be found in the 2018-19 Statement of Accounts, which includes a summary of all usable reserves in note 23 on page 84, and details of all the earmarked reserves in note 25 on pages 93-97.

It is important to consider reserves alongside borrowing to fund the capital programme. Capital spending can be funded from borrowing to protect levels of reserves, or alternatively reserves can be used as a substitute to reduce the need for borrowing. The graph below shows the percentage reserves to percentage debt ratio, with the Council ranked 21st out of the 27 Counties (Rank number 1 being the highest percentage of reserves compared to percentage borrowing i.e. most resilient). This year the calculation has changed to include other long-term liabilities as well as borrowing to be consistent with the gross external debt position used by CIPFA in their Financial Resilience index. This index is an analytical tool designed to provide councils with a clear understanding on their position in terms of financial risk. The index is made up of a set of indicators, which can be used to compare against similar authorities. As a result, the Council has moved from 20th to 21st in the rankings. This position reflects the relatively high levels of historic external debt of £906.2m at 31st March 2019, despite the Council's more recent approach to rely on internal borrowing.

There is little that can be done in the short term to affect borrowing levels as most debt is long-term with significant early repayment penalties which would far exceed the benefits of redeeming debt. The Council will continue with the policy of supporting capital spending with internal borrowing rather than external debt whilst the Council has sufficient cash balances, but the continuing need to finance capital expenditure with borrowing presents a significant risk to the level of reserves and financial resilience of the Council.

The Council's borrowing costs have been capped at a maximum of 15% of net revenue budget in recent years (and have remained under that cap), and have stabilised overall borrowing during that time. Consideration is being given to applying a further cap based on the pressure of interest costs on the revenue budget to support borrowing.



5 Financial Resilience

Following well publicised financial difficulties in some authorities, and the heightened risk of more councils getting into financial difficulties over the coming years, there has been a much greater emphasis from government on the financial resilience of councils. As part of this, CIPFA has reviewed its range of guidance, tools and services to promote better financial management and to provide early warning systems. Part of this package has been the development of a financial resilence index. This tool is not a performance measure of service outcomes or quality, nor a comment on the quality of leadership. It aims to be an authorative measure of a council's financial resilience drawing on published information. It is designed as a dashbord warning indicator and not a full diagnostic tool.

The tool is based on the following eleven measures:

1. Reserves sustainability measure (the number of years it will take for a council to deplete their reserves if they continue to use them at the same rate as the average of the last three years)
2. Level of reserves
3. Change in reserves
4. Interest payable as a proportion of net revenue expenditure
5. Gross external debt

6. Social care ratio (proportion of net revenue spending accounted for by children's social care and adult social care)
7. Fees and charges to service expenditure ratio (sales, fees and charges as a proportion of gross service expenditure)
8. Council Tax requirement to net revenue expenditure ratio
9. Growth above baseline (the difference between the baseline funding level and retained rates income, over the baseline funding level)
10. Auditors VFM judgement
11. Children's Social Care judgement (Ofsted rating for children's social care)

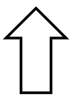
The financial resilience index based on 2018-19 outturn has very recently been published and it is currently being analysed to determine what the indicies mean for the Council's reslience. In future this will sit alongside the newly released CIPFA Financial Management Code to support good practice in the planning and execution of sustainable finances.

The initial overall assessment is that the Council is not in imminent danger of financial failure, but it is in the lower half of the resilience range, and therefore the Council cannot be complacent and must continue to maintain financial rigour.

The Council needs to remain vigilant, particularly in relation to accumulated debt and associated financing costs.

6 Analysis of Risk

Listed in Section 2 of this appendix are the factors that CIPFA recommend should be taken into account when considering the level of reserves and balances. Below, each of those factors is given a 'direction of travel' indicator since last year's budget was set. An upward direction means an improved position for this council (i.e. the risk is less than it was last year).



- Assumptions regarding inflation and interest rates:

  Inflation has been on a general continual downward trend since its peak of 2.8% in Autumn 2017 (barring the occasional seasonal fluctuation) and at the time of setting the 2020-21 budget is below the Government target of 2%. Forecasts suggest further falls in the rate of inflation for the remainder of 2019 and remaining below the 2% target throughout much of 2020. The medium-term forecast is still slightly above the target. Interest rates are largely determined by the Bank of England base rate which has remained at 0.75% since August 2018. The Bank of England has indicated the rate may have to be reduced if economic growth continues to be weak but could rise if growth improves as predicted. Overall in the short term the lower forecast rate of inflation reduces the Council's risk especially if interest rates rise a little. Longer term, inflation at or close to the 2% target and low interest rates result in a broadly neutral impact.

- Estimates of the level and timing of capital receipts:

  The Council's reliance on capital receipts is significant in order to part fund the capital programme. Delivery of receipts against the target in the programme has fallen behind in recent years necessitating additional short-term borrowing/use of reserves.

- The capacity to manage in-year budget pressures and strategy for dealing with demand and service delivery in the longer term:

  Although 2018-19 was the 19th consecutive year that the Council has ended the year with a small net surplus, and the 2019-20 forecast is better than at the same time in recent years, concern remains about the capacity to deal with in-year pressures and longer term trends. In spite of the better than estimated settlement for 2020-21, the additional funding is still not sufficient to cover all forecast spending pressures, although it does represent a marked shift from previous years and provides added short term security which offsets the longer term uncertainty. The Council has had to find alternative ways to resist some of the pressures and still needs to find additional savings and income to balance the budget. As each year passes and this trend continues it becomes ever harder to resist pressures or find savings/income despite the overall funding increasing. The Council has less and less spend that can be de-commissioned at short notice. The longer-term trends for demand-led services are leading to rising costs. The lack of future government spending plans makes it impossible to forecast potential funding with any degree of accuracy to determine whether there will be sufficient funding to cover these rising cost drivers such as demographic trends, market pressures or cost pressures from inflation.

- Strength of financial reporting and ability to activate contingency plans if planned savings cannot be delivered:

  There is confidence in the validity of financial reporting and reporting has been enhanced to better focus on the major factors affecting financial performance. Some progress towards enhancing outcomes based budgeting within the Council has been made but there is scope for further improvement. There are still some areas of spending that can be changed at short notice if required without compromising either the Council's statutory responsibilities or strategic objectives. Although these have reduced in recent years, the better settlement for 2020-21 means the risk is no greater in the short term.

- Risks inherent in any new partnerships, major outsourcing arrangements and major capital developments:

  The financial difficulties in the health sector mean there are risks in relation to the partnership arrangements with NHS partners in the county. The returns from some of the Council's trading companies have not been as good or have taken longer to be generated than originally estimated in business cases. There is also a real risk that retendering of major contracts could result in higher prices due to market conditions. There are also significant concerns about the Council's ability to continue to sustain a capital programme with competing demands to tackle statutory responsibilities and make infrastructure improvements. In the longer term both these objectives cannot be delivered with an increasing reliance on borrowing.

- Financial standing of the Authority (level of borrowing, debt outstanding, use of reserves etc.):

  The planned use of corporate reserves to support the 2020-21 revenue budget has been limited to a small number of specific spending pressures pending the identification of longer-term sustainable alternatives. This is an improvement on previous years where reserves have been used to balance the overall budget. Some directorate reserves have also been released in the 2020-21 budget following the announcement of the continuation of grants for 2020-21 which were previously identified as at risk. Although reserves at the end of 2018-19 were higher than forecast when the 2019-22 MTFP was presented, the forecast for the end of 2019-20 per the half year monitoring of reserves is that they are expected to reduce to the level previously anticipated for 31 March 2020. Whilst the plan is to use reserves in 2020-21 that are no longer required for the purpose they were set up for, the use of these reserves will impact on future resilience indices even though the Council's actual resilience is no weaker. The overall level of reserves is more stable in comparison to other authorities, although remain relatively low. Consequently, the general financial health of the Council remains fairly static, however there is no room for complacency.

  The level of borrowing to support previous capital investments remains relatively high compared to other counties. Much of the accumulated debt is long term with only 15% due to mature over the next 5 years. The debt represents a combination of loans taken out under the previous "supported borrowing" regime and more recent loans under the "prudential regime". In recent years the Council has been able to use cash reserves to support the capital programme (internal borrowing) rather than increasing external debt as this represented a lower overall financing cost. However, the Council's ability to finance future capital spending from borrowing remains a significant concern. Should the Fair Funding review proposals be implemented, this will be better reflected in future settlements including the restoration of revenue for legacy capital financing of supported borrowing.

- The Authority's record of budget and financial management including the robustness of medium-term plans:

  This continues to be excellent with effective financial management resulting in nineteen consecutive years of underspend up to 2018-19. The additional funding for social care announced in the Spending Round, together with the continuation of the adult social care Council Tax precept for a further year has contributed towards funding rising social care demands and costs, although there continues to be significant concern about the viability of social care funding over the medium to long term and thus the sustainability of the market. The ability to continue to deliver an underspend or a balanced budget becomes increasingly more difficult with rising demands and insufficient, short term funding.

- Virement and year-end procedures in relation to under and overspends:

  The Council continues to adhere to sound financial governance and virement procedures set out in its financial regulations. The Council continues to have a good record of closing its accounts in a timely manner including agreeing rollovers for over and underspends.

- The availability of reserves and government grants/other funds to deal with major unforeseen events:

  There are three major concerns in this area which could impact on the Council's reserves and financial resilience.

  The first, and by far the most significant, is the overspending and accumulated deficit on the High Needs Block of the Dedicated Schools Grant (DSG). This relates to spending to support children and young people with Special Educational Needs and Disabilities (SEND). Since the introduction of the Children and Families Act 2014, the Council has seen an unprecedented rise in the number of children and young people assessed for Education and Health Care Plans (EHCPs). The high needs funding within the DSG has not kept pace resulting in in-year overspends and an accumulated deficit on the unallocated DSG reserve. This is a national problem but has been particularly acute in Kent and a number of other large county councils. To date the government has not provided councils with sufficient funding and have not introduced structural reforms to eliminate the overspends or repay the deficits. They have also not provided satisfactory arrangements for the treatment of deficits.

  The second major concern in this area is the grant funding available to prepare for BREXIT or to deal with significant disruption in the event of a disorderly withdrawal. Whilst additional funding has been allocated to all councils, with extra funding for councils with major ports, this has not been sufficient for the Council to cover additional costs and without further funding these costs will need to be met from the Council's reserves.

  The third major concern is a long standing issue with grant funding for unaccompanied asylum seeking children and care leavers. Whilst the Council has had some success in negotiating sufficient grant with the Home Office for under 18s, the funding for care leavers and those staying in care beyond 18 has been insufficient and if unresolved will continue to put pressure on the Council's reserves.

- The general financial climate:

  The current Spending Round only covers 2020-21. There are no indicative government spending plans beyond this or the final settlement for local government for 2020-21. This severely limits the Council's ability to make meaningful medium-term multi-year financial plans. This shortening of medium-term financial planning horizons for local government is one of the reasons which has prompted the CIPFA resilience indices and the new Financial Management Code. 2020-21 will be the first year since 2013-14 that the Council has been unable to produce meaningful multi-year plans as although spending trends can be forecast with sufficient accuracy, the delay to the full Spending Review, Fair Funding Review and additional business rate retention means likely funding cannot be predicted with any accuracy. This means it is impossible to predict whether funding will be sufficient to cover rising demands and costs and whether the Council will continue to need to find savings and to what extent, to compensate for real-terms reductions in funding.

- The adequacy of insurance arrangements:

  The Council's insurance policies were reviewed in January 2016, insuring the same levels of risk as previously, albeit at a higher premium. Since then the Council's exposure to risk and levels of insurance reserves have been reassessed and a higher level of excess has been accepted on some policies in return for a lower premium. Evidence to date is that this has reduced the net cost to the Council.

Of the eleven factors, one has shown an improvement from twelve months ago, seven are relatively unchanged, and three have deteriorated. No weighting has been applied to the individual factors, but the general financial risk to the Council should now be regarded as increased compared with a year ago, which in turn, was increased from the year before, so the cumulative effect can be seen.

Only the general reserves of £37.1m (as at 31st March 2019) are available to the Council to offset any in-year overspends and these are largely unchanged from the previous year. However, these can only be used once.

The overall conclusion is that the Council has an increased risk profile since the 2019-20 budget was approved, and on a like-for-like basis the Council will have a similar level of earmarked reserves available during the year. This means the Council is marginally less resilient than before, but this is not a cause for concern at this stage. Whilst no immediate action is required, the Council's resilience will continue to be monitored and the trend will need to be reversed as much as possible in the medium term.

7 The detail of the Council's reserves

The Statement of Accounts that is produced each year details **Earmarked Reserves** and explains why these reserves are held. There will continue to be draw-down and contributions to these reserves in line with the patterns of expenditure anticipated when the reserves were created. The council's reserves policy and the reserves held will be reviewed during 2020-21 to ensure the policy and the reserves are held corporately to support the Council's strategic objectives.

A review of the earmarked reserves, in light of the forecast funding estimates, has resulted in plans within the 2020-21 budget to:

- drawdown £8.4m from specific directorate earmarked reserves to cover individual service pressures (including release of reserves where winter pressures grant has now continued);
- net drawdown £0.7m from corporate reserves to fund specific one-off pressures until sustainable alternatives can be found;

In addition, there is a net drawdown from corporate reserves of £1.2m within the 2019-20 base budget which will continue in 2020-21 which comprises a £2.5m drawdown from the Kingshill smoothing reserve and a repayment of £1.3m of previous "loans" from long term reserves. Therefore, the overall use of reserves in the 2020-21 budget is £10.3m. The budget also assumes reduced contributions to reserves of £2.5m. These reserves/contributions are either no longer needed (e.g. Directorate specific reserves to offset potential grant reductions which have now not occurred following the rollover settlement), or were created for exactly this situation or a one year contribution holiday can be taken where risks and the potential call on reserves have been reduced or eliminated.

8 Role of the Section 151 Officer

The duties of the Council's Section 151 Officer include the requirement 'to ensure that the Council maintains an adequate level of reserves, when considered alongside the risks the Council faces and the general economic outlook'. The reserves that this council will hold as at 1 April 2020 are, in the opinion of the Section 151 Officer, adequate.

Appendix C: Budget Risks Register 2020-21

TOTAL	22,294.0	71,092.7

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
CYPE	High Needs Demand	The Dedicated Schools Grant (DSG) High Needs Block is insufficient to meet the cost of demand for placements in schools, academies, colleges and independent providers.	We will accrue an unacceptable deficit on the unallocated Schools Budget (DSG) Reserve. We have partially mitigated this risk by agreeing with the Schools' Forum and submitting an application to the Secretary of State to transfer 1% of the Schools Block into the High Needs Block over two years. However, this will still leave a forecast overspend on high needs budget in 2020-21 and increase the accumulated deficit on the unallocated Schools Budget (DSG) Reserve in excess of the threshold requiring submission of a formal recovery plan.	Alternative options need to be considered to stay within budget along with raising the profile of this national issue with Central Government. Any reductions to existing funding rates could have an adverse impact on schools, academies, colleges and independent providers. (Continuation of policy of not using general KCC reserves to top up DSG). The government has consulted on introducing a requirement to carry the total deficit on the schools budget and not allow local authorities to offset with general funds without express approval from the Secretary of State. We have welcomed this clarification but it does not resolve how deficits will be eliminated and thus still poses a substantial risk due to the magnitude of DSG deficit	5	17,000.0	29,000.0
S&CS / CYPE	Total Facilities Management (Schools) (TFM2)	Extension and renegotiation of Total Facilities Management contracts.	Unable to reduce costs / service level to be able to provide statutory inspections within the funding available for schools resulting in KCC subsidising schools	Increased pressure in the MTFP which could be mitigated by redirecting DfE grant funding from other schools related spending, or will result in an overspend	5	0.0	286.5
CYPE	2019-20 Monitoring / Placement costs	Current underlying activity pressure from increased use of higher cost settings to place children coming into care due to the lack of suitable more cost-effective provision resulting from the continued challenge of retaining and recruiting in-house foster carers, and increased competition from other local authorities placing in Kent	Final 2019-20 outturn confirms the forecast activity levels	If the current trend in children being placed in more costly external placements continues there will be an overspend on the revenue budget	4	0.0	7,000.0
GET	Coroners restructure of service	Potential settlement required if service transforms to one Senior Coroner with Area Coroners instead of multiple Senior Coroners	Service implements new structure	Additional pressure to be added to MTFP, or alternative savings required or a bid against the Transformation Fund	4	0.0	500.0

Appendix C: Budget Risks Register 2020-21

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
ALL	BREXIT	The Council requires full reimbursement from Central Government for the additional costs in preparing for BREXIT and dealing with significant disruption in the event of a no-deal	Full reimbursement not received. The grants received to date in 2018-19 and 2019-20 have not been sufficient to cover the council's additional spending on BREXIT preparations (£1.2m anticipated shortfall over the two years)	Unfunded Budget Pressure. Urgent alternative savings need to be found which could have an adverse impact on service users and/or Kent residents, or will require the use of reserves.	3	5,000.0	7,000.0
CYPE	Change for Kent Children Programme (Service Integration)	The programme is reliant on recruiting and retaining sufficient newly qualified social workers	Inability to recruit and retain sufficient newly qualified social workers resulting in continued reliance on agency staff, at additional cost	Budgeted saving not delivered resulting in an overspend on the revenue budget. Urgent alternative savings need to be found which could have an adverse impact on service users and/or Kent residents.	3	0.0	3,000.0
ASCH	2019-20 Monitoring	Current underlying activity pressure (based on Sept 19 monitoring) not covered by demography increase in 2020-21 budget because of timing of calculations (i.e Mar 18 to Mar 19 SWIFT data)	Final 2019-20 outturn confirms the forecast activity levels.	Overspend on the revenue budget. It is expected that following the implementation of the new case management system (MOSAIC), there will be an improvement in the management information upon which the financial forecasts are based which will help to address this concern for future years	3	0.0	3,000.0
ASCH	Market Sustainability	The local social care market is destabilised because of the price differential offered for KCC funded clients and self funders	Providers seek higher price uplifts than provided for in the budget	Providers exit the market leaving the council short of capacity or the council has to pay higher than budgeted increase in fees resulting in budget overspend and increased pressures on future years budgets	3	0.0	2,500.0
CYPE	Unaccompanied Asylum Seeking Children	The Council requires full reimbursement from Central Government for the cost of supporting Unaccompanied Asylum Seeking Children (UASC) including when they become Care Leavers.	Full reimbursement not received. We have been able to negotiate improved rates with Home Office in recent years but there is still an imbalance between the rates received for under 18s which currently subsidise support for over 18s for both those opting to "stay put" in care or being supported as care leavers	Unfunded Budget Pressure. Urgent alternative savings need to be found which could have an adverse impact on service users and/or Kent residents.	3	0.0	2,000.0

Appendix C: Budget Risks Register 2020-21

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
ASCH	NHS Properties occupied by ASCH free of charge under prior agreements	NHS Property Services took over management of these properties several years ago and have issued retrospective invoices for rent and service charges. These are disputed by KCC as no agreements are in place to pay rent and service charges.	New leases agreed with NHS Property Services Ltd	Under new Leases, KCC would be liable to pay rent and service charges for buildings that have always been occupied free of charge. Consequently rent and service charges for these buildings are not currently reflected in the MTFP, so this would result in an overspend.	3	0.0	2,000.0
CYPE	Troubled Families	The Government grant was due to cease in March 2020 but the Spending Round 2019 Statement confirmed that this will now continue, however the recently confirmed 2020-21 grant of £2.953m is insufficient to cover the spend commitments of £4.275m. We also don't yet know whether the continuation of the grant is just for one more year, so the full risk of £4.3m potentially applies in 2021-22.	In prior years there has been significant roll forward of grant due to re-phasing of the Troubled Families Programme but this has now all been used. There is a risk that the service is unable to reduce costs sufficiently to match the recently confirmed reduced level of grant funding and achieve the Government's expected outcomes.	Either these costs will need to be curtailed to match the funding available or there will be a budget overspend.	3	0.0	1,322.2
S&CS	KPSN	Loss of business to KPSN - Schools move to other Broadband providers as they are cheaper	Large percentage of existing contracts with schools come to an end in March 2020. Risk that schools choose not to renew and to procure with an alternative internet service provider with consequential loss of income to cover fixed irreducible costs	Too many schools exit the KPSN contract (or take up discounted package) meaning costs to other users and core cost to KCC increases, raising questions over the viability of the service. There is a further potential consequence where schools choose alternative providers, that their package is not fully GDPR compliant and/or raises the risk of cyber security breaches. One possible mitigation is to mandate maintained schools and other areas of KCC e.g Highways to stay with KPSN on the grounds that alternatives may not be fully GDPR compliant	3	0.0	1,000.0
S&CS / FI	CBS dividend	Impact of loss of schools business from KPSN contract on Cantium dividend as they have a surplus built in for selling this service	Too many schools exit from the KPSN contract resulting in a loss of surplus on this service and consequently a reduced dividend from CBS Ltd	New pressure/reduced saving to be reflected in MTFP or overspend and alternative savings need to be found which could have an adverse impact on service users and/or Kent residents.	3	0.0	400.0

Appendix C: Budget Risks Register 2020-21

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
CYPE / S&CS	Reduction in Dedicated Schools Grant (DSG): Central Services for Schools Block	The government is making a 20% reduction to the historic commitments element of the DSG Central Services for Schools Block which equates to £1.4m for KCC	£0.7m of savings have been identified to offset this reduction with the remaining £0.7m being met from reserves in 2020-21 pending further discussions with the Education & Skills Funding Agency (ESFA) regarding possible exemptions and internally with Corporate Management Team to find a longer term solution. There is also the risk of further cuts to the DSG Central Services for Schools Block in the future.	If this remains unresolved there is a risk that this will also have to either be met from reserves in future years or result in an overspend until a longer term solution is identified	3	0.0	700.0
S&CS	MOSAIC	Replacement Adult Social Care Performance Management System (change from SWIFT to MOSAIC)	SWIFT maintenance and support end in April 2020 and the costs have been assumed to end. If the service still require access to SWIFT beyond April 2020, the costs will continue.	If the service still require access to the legacy system this will result in a budget pressure. ICT will need to find a solution which minimises the cost of access to reduce the risk of overspend.	3	150.0	380.0
GET	Trading Standards Border Control	Impact of trading arrangements with the EU at the end of the transitional period requiring increased Border Controls on a permanent basis	Unavoidable consequence of EU negotiations	This pressure will need to be added to the MTFP	3	144.0	144.0
ASCH	Sleep in Nights	Court of Appeal ruling in favour of MENCAP that sleep nights do not constitute paid work and thus are not subject to requirement to comply with National Living Wage is overturned by the Supreme Court. The new contracts provide for sleep nights from April 2020 so the risk only remains if this Court of Appeal rules that this needs to be backdated.	UNISON has already lodged an appeal to the Supreme Court which results in a ruling that directs us to pay higher than budgeted sums for sleep in nights	Unfunded Budget Pressure. Urgent alternative savings need to be found which could have an adverse impact on service users and/or Kent residents, or will require the use of reserves.	3	0.0	?
GET	Highways Maintenance Contract transition	Contract due to be recommissioned in August 2020	Existing contract to be extended until May 2021 to cover winter service and emergency response. A new provider for the remaining services will require a handover. Potential costs of demobilisation of existing contractor.	The one-off pressure included in MTFP is insufficient resulting in an in-year overspend or alternative savings being required.	3	?	?

Appendix C: Budget Risks Register 2020-21

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
ASCH	New Social Care Legislation	The Deprivation of Liberty Safeguards (DoLS) is being replaced with new legislation Liberty Protection Safeguards (LPS) in 2020 and changes are also proposed to the Mental Health Act - Independent Mental Capacity Advocacy (ICMA)	Additional costs arise as a result of these changes in legislation - at this stage this is not known.	Overspend on the revenue budget or alternative offsetting savings required.	3	?	?
ALL	Capital Costs	Pre-Capital Works Expenditure.	Scheme doesn't proceed as planned and capital costs are transferred to revenue.	Overspend on the revenue budget and impact on reserves (reducing financial resilience)	3	?	?
ALL	Inflation	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Inflation rises above the current MTFP assumptions.	Overspend on the revenue budget.	3	?	?
ALL	Demand	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Demand for services exceeds the Budget available e.g. children's services, older people, waste, winter impact, public transport, coroners etc.	Overspend on the revenue budget.	3	?	?
Various	Various budget risks that have been categorised as unlikely (likelihood rating of 2)				2	0.0	10,860.0

Likelihood Rating

Very Unlikely	1
Unlikely	2
Possible	3
Likely	4
Very Likely	5

Background Documents and Useful Links

1. County Council Budget report from 13 February 2020

   https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=113&MId=8192&Ver=4

   This report includes the following key documents that are not reproduced within this budget book:
   - Annual MRP Statement (Appendix 3)
   - Flexible Use of capital receipts policy (Appendix 4)

2. KCC's budget web page https://www.kent.gov.uk/about-the-council/finance-and-budget/our-budget

   This page includes links to the following additional budget information:
   - Revenue Budget Variation Statements
   - Revenue budget - how financed, distributed & spent
   - Capital budget - how financed, distributed & spent

3. KCC report on 2019 Budget Consultation https://www.kent.gov.uk/__data/assets/pdf_file/0012/103530/Summary-and-analysis-of-budget-consultation-responses.pdf

4. Provisional Local Government Finance Settlement 2020-21 (20th December 2019) https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2020-to-2021

5. Response to Provisional Local Government Finance Settlement https://www.kent.gov.uk/__data/assets/pdf_file/0017/104426/Provisional-Local-Government-Finance-Settlement-2020-21-response.pdf

6. Final Local Government Finance Settlement 2020-21 (6th February 2020) https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021

7. Chancellor's Spending Round 2019 (4th September 2019) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/829177/Spending_Round_2019_web.pdf

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Budget Book

2020-21

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