Medium Term Financial Plan
2018-20

Budget Information
2018-19

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Leader's Foreword to the Budget and Medium Term Financial Plan

KCC is approaching another year where we face an immense challenge in setting the Council's budget in the fiscal climate of the ongoing squeeze on public spending. The Council has a tremendous record of planning and achieving a deliverable budget, 2016-17 was the 17th consecutive year that KCC has ended the year with a small net surplus. Whilst we have experienced some difficulties during the current year I am still confident that the authority has the capacity to make 2017-18 the 18th year. This is all the more remarkable considering that since 2010 we have faced substantial reductions in real terms funding, which includes keeping council tax increases to a minimum.

In order to achieve this we have to find savings/additional income of £600m on the Council's net budget of approximately £1bn. Savings of this magnitude have been necessary in order to meet the challenge of rising spending demands on Council services, particularly social care, and meeting the rising cost of providing council services due to inflation/National Living Wage and government legislative changes, at the same time as funding from government has been reducing and we have kept council tax increases low. In any year dealing with one of these would be a challenge but to deal with rising spending demands and reduced funding over seven consecutive years, is truly unprecedented.

We have achieved this through the early identification of the challenges, carrying out an innovative programme of service transformation, a ruthless drive on efficiencies, a relentless focus on commissioning and procurement, and judicious use of the council's reserves in order to protect front line services. Unlike other councils this has meant that we have not had to make drastic slash and burn type savings, and have not had to rely too much on the unsustainable use of reserves. However, we have been making an ever more vocal case to central government that this trend cannot continue, and that elastic for many councils including KCC, is fast reaching breaking point.

I am pleased that the Government has had some regard to our case. In particular an additional £2bn of funding nationally to address mounting concerns over delayed transfer of care and market sustainability in the social care market was made available over 3 years in the March 2017 budget. The timing of this announcement has presented us with some practical issues although we were able to make a very rapid decision to increase the hourly rates we pay to home care providers to enable them to improve staff pay and adequately compensate for the cost/time of travel.

We are also very pleased that the Government accepted the Kent and Medway bid to pilot 100% business rate retention in 2018-19. Our bid was very innovative working with the 12 district councils, Medway Council and Kent & Medway Fire and Rescue Authority, and shows the benefit of the very good collaborative working and recognising the wider needs of the whole geographical area rather than just the needs of individual authorities. The pilot will enable the 15 authorities to keep all of the proceeds from business rate growth in the Kent and Medway area to support further economic development and enhance the financial sustainability of all the councils in the area over the next few years in advance of the much needed reforms to local government funding.

We were less pleased that that the government could not respond to our concerns about the further funding reductions originally planned for 2018-19 and 2019-20 in the 2015 Spending Review and subsequent local government settlements. We have been urging ministers that the transitional funding made available in 2016-17 and 2017-18 to help soften the blow for the worst affect councils needs to be maintained for a further two years in advance of a more fundamental review of local government funding scheduled for 2020-21. This funding, worth nearly £15m in 2017-18, was a vital lifeline and has now been confirmed that it is still intended to be removed in 2018-19. This has a huge effect on the council's budget, especially when coupled with a further reduction in the main revenue support grant of £29m. I will continue to campaign until the very last minute that this transitional funding is maintained.

The additional social care money I have already referred to, whilst welcome, is being spent on improvements in social care, such as increasing the price we pay home care providers. Therefore, contrary to the impression given in some quarters, it does not compensate for the substantial reductions in transitional grants and RSG. Those grants have been vital in protecting services, which are now at severe risk. Similarly the business rate pilot, while extremely welcome, is only one-off money and this does not compensate for the loss of the revenue support and transitional grants.

The December 2017 settlement included an increase in the amount we can raise through council tax by an additional 1% without a referendum. For KCC this would raise an additional £6m towards the budget challenge for 2018-19 and 2019-20, and would mean that the KCC element of the average council tax bill for 2018-19 would increase by £52.32 (including the additional 2% for social care). Whilst we continue to strive to keep council tax increases as low as possible, we have concluded that such is the strain on the Council's budget that we will need to raise the additional 1% in 2018-19 whilst we continue the campaign to get a better deal from government.

Our consultation over many years has consistently shown that respondents will accept manageable council tax increases if these are directed to protect front line services. Whilst the additional 1% by no means compensates for the loss of grants it will go some way to protect services. We should be in no doubt that this additional increase, whilst undesirable, still leaves us with a very difficult budget challenge as outlined in this document. We believe that such consultation is a much more cost effective way of seeking views on council tax than a costly (and time consuming) referendum.

Not only do we face a challenging revenue budget (the amount we can spend on the provision of day to day services) but we also have many challenges for the Council's capital programme. By far the biggest of these is a pressing need to provide additional school places to meet the rapidly growing demand, particularly in the secondary sector. Once again the funding from government is inadequate and we have not been able to secure additional free schools to meet some of this demand. We would not want to mortgage the Council's future by taking out additional loans to fund the additional school buildings needed. This would put large demands on future revenue budgets for many, many years to come to finance those loans. We will have to make some loan funding available in 2018-19 for school places as there is no other alternative but we must continue to push government to find a solution which means there are enough school places for Kent children.

We are also facing an ever more pressing need to provide additional capital funding to maintain other Council buildings, and the local road network, if these are not to deteriorate to such an extent they become unusable. We also have capital needs to improve the availability of extra care housing and provide bridging finance for a number of key economic development projects which require significantly more funding that will be available from the business rate pilot.

As I indicated at the beginning of this introduction we still face challenges in delivering the current year's budget in 2017-18. A number of budgets, particularly in adults and children's social care, are forecasting overspends despite the rigorous budget setting and monitoring regime we have in place. I am still confident that the outstanding professionalism and dedication of our staff and managers will mean that we can find solutions and not break our exemplary financial management track record.

I believe our proposed council tax increase, which will see KCC's share for a band C property increase from £1,047.84 to £1,100.16 next year is justifiable in the current financial circumstances, and will enable us to continue to provide vital social care, preventative and community services which we would otherwise have to consider stopping or scaling back. Whilst we would have liked to keep increases lower these are in line with the government's spending plans.

I am confident that we will be able to rise to the financial challenge over the coming years. We will emerge as an even more outcome focussed organisation targeting our limited resources where we know they will make the most difference to people's everyday lives.

Paul Carter CBE
Leader of Kent County Council

KCC
Medium Term Financial Plan 2018-20
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KCC Medium Term Financial Plan

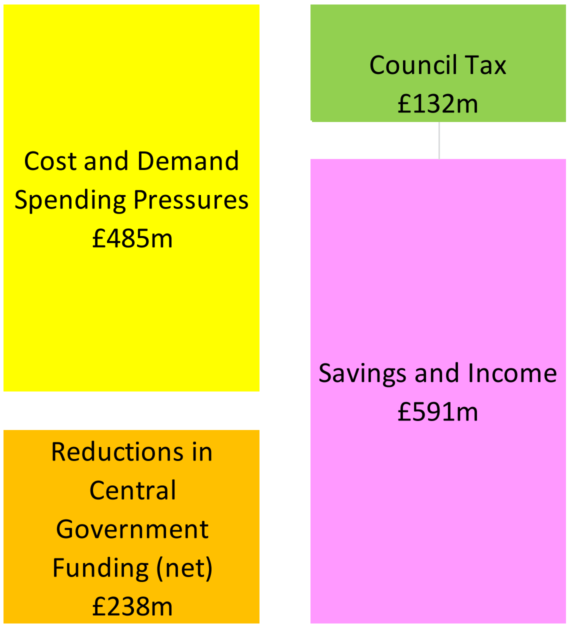
SECTION 1

Executive Summary

INTRODUCTION

1.1 Kent County Council (KCC) has a tremendous financial management track record. The Council has delivered a small net surplus on its revenue budget in each of the last 17 years up to 2016-17. This is built on a robust budget setting and medium term financial planning, combined with a rigorous budget management and monitoring regime. Together these are designed to ensure the budget reflects the Council's core strategic objectives but at the same time builds in financial prudence and resilience. The Council is determined to continue to develop and improve this financial management record so that spending decisions yield excellent value for money for Kent residents, businesses and taxpayers.

1.2 In recent years, and for the foreseeable future, KCC has faced an enormous and unprecedented financial challenge. This challenge arises from a combination of rising spending demands, reductions in central government funding and freezes/limits on raising council tax. Combined, this has led the Council to make annual savings in the region of £80m to £90m per annum each year since 2010. A simple depiction of the scale of this challenge over the last 7 years up to 2017-18 is represented in the graphic below

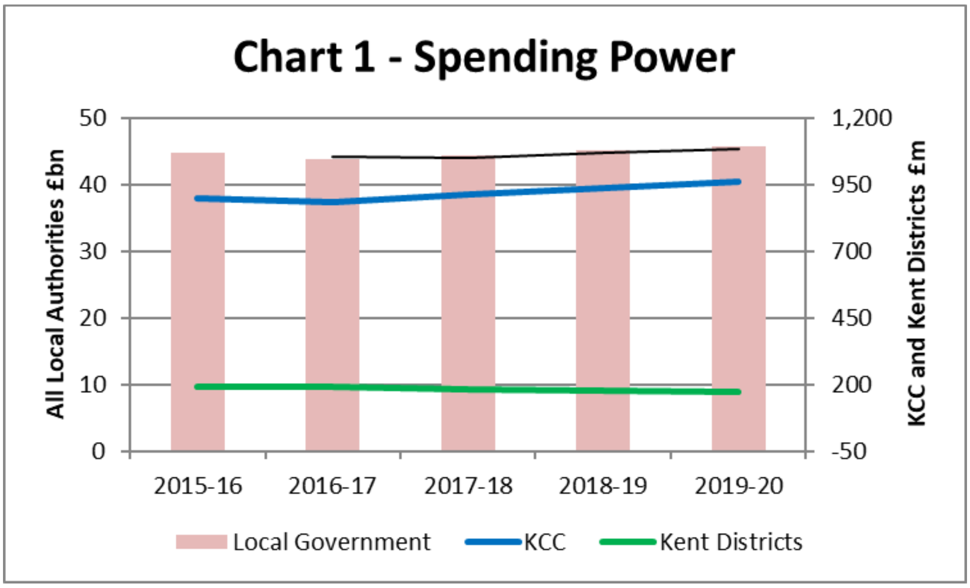


SPENDING CONTEXT FOR LOCAL GOVERNMENT

1.3 The overall spending context is based on the outcome of the 2015 Autumn Spending Review as amended by subsequent updates in local government finance settlements and Budget statements in the intervening years. The Spending Review set out a "flat cash" plan for revenue spending between 2015-16 and 2019-20, meaning that local government as a whole sector would have the same amount to spend in cash terms in 2019-20 as it had in 2015-16. This includes the amounts received from the Ministry of Housing, Communities and Local Government (MHCLG) grants, council tax, and locally retained share of business rates. There are no detailed Government spending plans beyond 2019-20 and thus KCC's revenue spending in the Medium Term Financial Plan (MTFP) can only include 2018-19 and provisional figures for 2019-20.

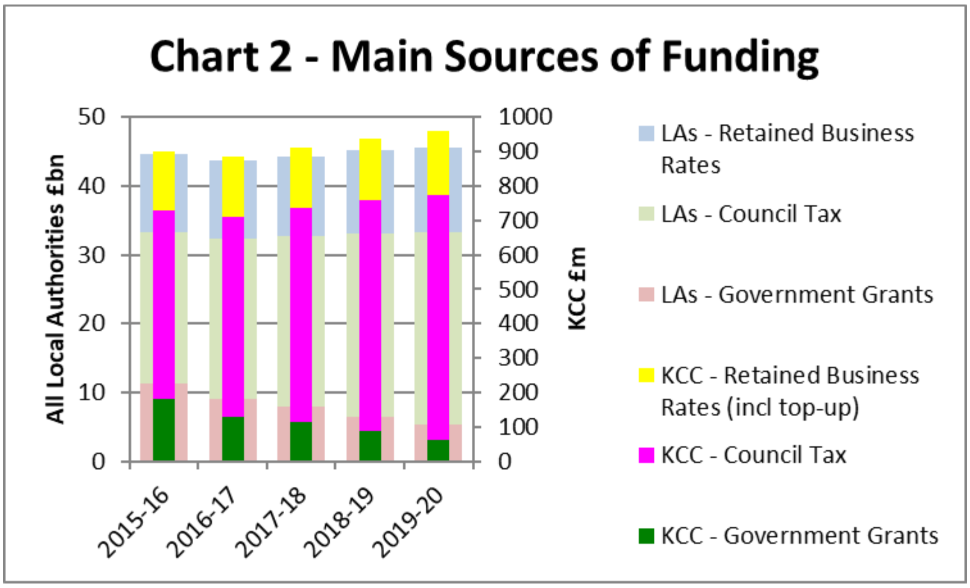
1.4 This flat cash represented a substantial real terms reduction as local government has no additional money to pay for rising demand for services, rising cost of delivering services due to inflation and other market factors, or additional demands imposed by legislation or local service priorities. Flat cash does not take into account any changes in grants from other government departments e.g. Department for Education, Department for Transport, etc.

1.5 The subsequent changes have marginally improved the flat cash equation and the final 2018-19 settlement shows a spending power increase of £0.956bn (2.1%) over the 4 years to 2019-20 for the whole sector. This excludes the additional local retention for 100% business rate pilots. The increase is largely due to higher than originally forecast tax base, the ability to raise more council tax without a referendum than originally planned, and additional money for adult social care services announced in the March 2017 Budget. The national totals are depicted in chart 1 against left hand axis in £bn. This shows a small net rise over the period (black line). The spending power for KCC (blue line) and Kent districts (green line) is shown in £m against the right hand axis.



1.6 The overall spending context is based on the government reducing its contribution through central grants and expecting local authorities to increase council tax in line with inflation and the social care levy[1], and that retained business rates will increase in line with inflation. The forecast amounts for each are shown in chart 2; the total for all local authorities is shown as the fatter bar against the left hand vertical axis in £bn and KCC is shown as the thinner bar against the right hand vertical axis in £m.

[1] Additional 2% per annum levy introduced in 2016. Under new powers from 2017 up to 3% per annum can be raised in any year provided the 3 year levy between 2017-20 does not exceed 6%



1.7 Chart 2 demonstrates the government's assumption that a greater proportion of KCC's spending will be funded by council tax (74.2% by 2019-20) than the average for all authorities (61.5% by 2019-20). Charts 1 and 2 do not include any additional income from business rates growth under retention arrangements, both for those authorities piloting 100% retention (which includes Kent & Medway) and the 50% arrangements for all other authorities.

KCC REVENUE BUDGET

1.8 The Council's revenue strategy is set out in section 3 of the MTFP. The revenue budget relates to the day to day spending on services provided by the Council. The budget strategy is based on identifying the scale of the budget challenge i.e. the amounts needed to cover the impact of rising spending demand and rising costs, combined with the impact of reductions in central government funding. To offset this challenge the budget solution is based on identifying the amount that can be raised through council tax[2] and local share of business rates[3]; increases in government grants[4]; and savings that need to be made from reducing costs/generating income/use of reserves. The equation for 2018-19 and forecasts for 2019-20 are set out in Table 1.

[2] The amount raised through increases in estimated tax base, council tax increases approved by County Council on 20th February (including increases under the referendum arrangements and social care levy), and estimated collection fund balances
[3] The locally retained share under the existing 50% retention arrangements (9%), and the estimated proceeds from the 100% retention pilot (final amount still to be determined with all the pilot authorities) and collection fund balances.
[4] The planned net increase in Improved Better Care Fund, indexation of business rate top-up, and additional compensation for the lower indexation of business rates

Table 1 - Revenue Budget Equation	2018-19 £m	2019-20 £m
Spending Demands	75.7	46.1
Government Grant Reductions	42.3	32.1
Total	118.0	78.2
Government Grant Increases	16.3	11.4
Council Tax & Business Rates	51.5	17.5
Savings, Income and Reserves	50.2	49.3
Total	118.0	78.2

1.9 The additional spending demands include the following:

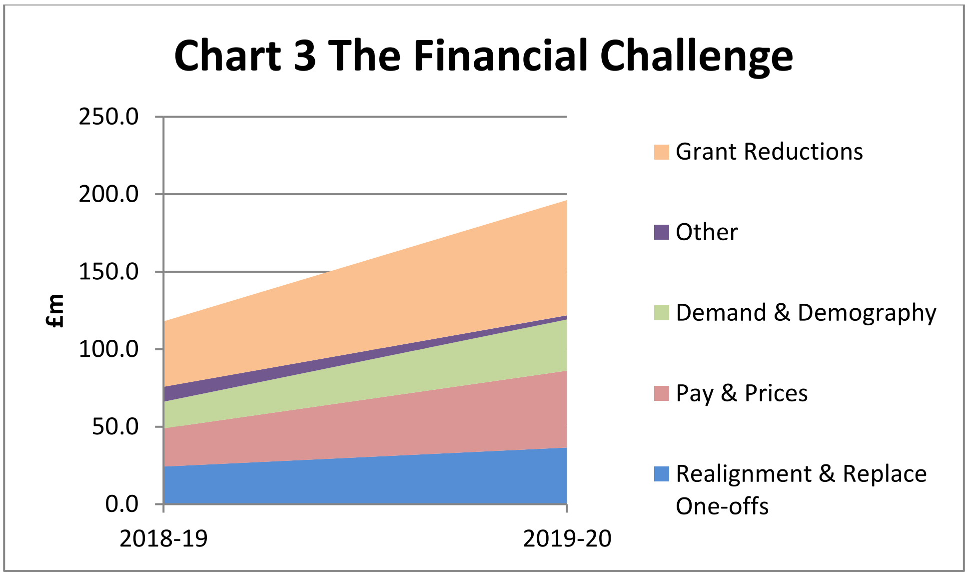
- Budget Realignment – Adjustments to base budgets to reflect over/under performance in the current year, including provision for realignment for emerging pressures, which has not yet been fully allocated to individual services as it is dependent on the outcome of current management actions
- Replacing Use of One-Offs – The current year's budget includes a number of one-off actions e.g. draw down from reserves, which cannot be repeated in subsequent years. Consequently the base needs to be adjusted to reflect this (not to be confused with replenishing reserves)
- Pay and Prices – Provision for staff pay awards for the forthcoming years and increases in contract prices. Some contracts are index linked, others are negotiated. Both pay and prices include the impact of escalation in National Living Wage and National Minimum Wage
- Demand & Demography – Impact of changes in the number of clients/service users due to demographic trends. This also includes increased costs due to clients with ever more complex needs
- Other – Includes impact of new legislation and local policy decisions e.g. revenue impact of capital investment

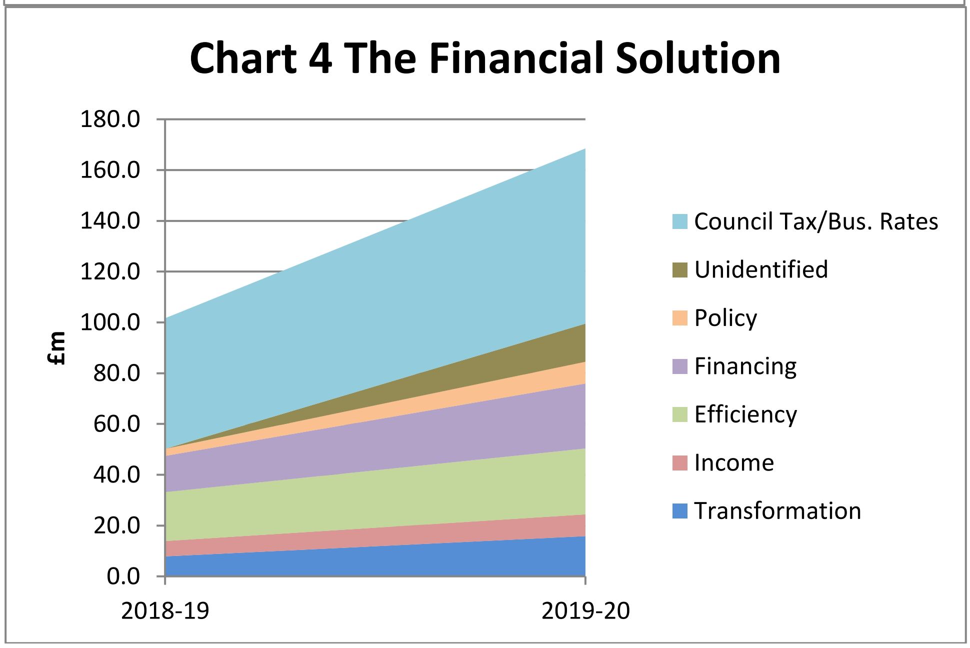
1.10 The reductions in government funding include the elements listed below (as included in the core spending power calculation in the final local government finance settlement) plus the removal of the transitional Education Services Grant (ESG) paid in 2017-18:

- Phased removal of Revenue Support Grant (RSG) as originally identified in the 4 year funding agreement
- Removal of Transitional Grant available in 2016-17 and 2017-18
- Removal of Social Care Support Grant for 2019-20 (additional extension of grant for 2018-19 announced in the final settlement)
- Reform and update of the New Homes Bonus Grant

1.11 Changes from the provisional grant allocations were reflected in a revised budget for approval at County Council. The cumulative impact of spending demands and grant reductions which make up the financial challenge are shown in chart 3. The cumulative elements of the financial solution are shown in chart 4. Further details of both the financial challenge and the solution are set out later in this new combined MTFP and Budget Book.

1.12 All the amounts in table 1 and charts 3 and 4 represent net cost as reflected in the MTFP. KCC's annual revenue budget shows both gross expenditure i.e. the total amount spent on staff, buildings, contracts, goods and services, etc., and net cost. Net cost is gross expenditure less income from charges, specific government grants, etc. This equates to KCC's net budget requirement i.e. the amount needed to be raised through council tax, local retention of business rates and un-ring-fenced government grants.





KCC CAPITAL INVESTMENT PROGRAMME

1.13 The capital strategy is set out in section 4 of the MTFP. Capital spending relates to investment in new or enhanced infrastructure. As with revenue, this needs to respond to the national context whilst ensuring infrastructure is maintained to a reasonable and safe standard, and is sufficient to meet the needs of local communities. The capital programme aims to strike a balance between ensuring that we meet our strategic priorities and vision whilst at the same time ensuring schemes represent value for money and maximise value from the Authority's asset stock. In particular we want to aim for schemes which help reduce the Authority's running costs through invest to save projects, support Kent residents and help with the economic regeneration within the county.

1.14 Capital plays an important role in delivering long term priorities as it can be targeted in creative and innovate ways. However, capital is not unlimited or "free money" – our capital funding decisions can have significant revenue implications. Every £10m of prudential borrowing costs approximately £0.8m per annum in financing costs (revenue) for 25 years. This is in addition to any on-going maintenance and running costs associated with the project itself. KCC has resolved that no more than 15% of the revenue budget will be spent in servicing debt related to the capital programme. A number of our capital schemes rely on grants from Government departments. We will have to limit capital spending on projects and schemes to the amount raised through external funding as we are unlikely to be able to commit to any additional borrowing.

1.15 The capital programme is presented in directorate format in section 9 of this book. Individual schemes within each directorate continue to be identified in detail and separated from rolling programmes. The programme is analysed according to the total cost and phasing for individual projects and programmes, with a separate analysis showing the funding for 2018-19 to 2020-21. The programme includes significant new investment in additional school places, essential maintenance of public infrastructure, and a number of projects to support economic development.

COUNCIL TAX

1.16 The budget includes the approved increase in council tax by just under 5% in 2018-19. This includes 2.99% for the increase permitted without holding a referendum plus a further 2% for the social care levy. The County Council agreed this increase at its meeting on 20th February. This increases the annual KCC element for a band C household from £1,047.84 in 2017-18 to £1,100.16 in 2018-19. Of this the total social care levy for a band C household in 2018-19 would be £60.48[5], all of which will be spent on the rising cost of adult social care services.

1.17 The total council tax households will have to pay will be affected by decisions from other authorities in Kent including District Councils, Police Authority, Fire and Rescue and, where applicable, Parish and Town Councils. This will include decisions on the levels of non-mandatory discounts and exemptions. We are anticipating an increase in council tax receipts, due to continued growth in the number of council tax payers in the County, and an on-going programme to review the application of discounts and exemptions.

[5] This comprises of £19.36 for the 2016-17 levy, £20.16 for the 2017-18 levy and £20.96 for the proposed 2018-19 levy.

REVENUE BUDGET AND MEDIUM TERM FINANCIAL PLAN FORMAT

1.18 We have made some presentational changes to the revenue budget for 2018-19 to more closely align the approved budget with the financial management arrangements within the authority. This is a more efficient process which results in a much more streamlined budget presentation in the published book (meaning we are able to produce a single MTFP and Budget Book document). This aligns the budgets with the responsibilities of senior managers and means budgets are in the same format at the beginning of the year as monitoring reports throughout the year. We have also produced variation statements providing further detail, to accompany the new presentation which are available on the kent.gov.uk website. Additionally, a lower level of detail is held which can be made available to Members on request to supplement this more streamlined presentation.

1.19 The format of the Medium Term Financial Plan is unchanged and still includes detailed narrative sections exploring the national financial and economic context, and KCC's revenue budget, capital budget, treasury management and risk management strategies. The financial appendices include a high level two year plan at appendix A(i), and a more detailed one year plan setting out for each directorate the significant spending changes (additional spending demands and savings) at appendix A(ii).

CONCLUSION

1.20 The Revenue and Capital MTFP set out in this document represent the culmination of nearly a year's work in developing how the Council can respond to the unique financial challenge of reduced Government funding while at the same time there is growing demand for Council services, particularly in adult social care, and rising cost of goods and services we purchase. We also need to take account of the changed national context which assumes a rebalancing of the relative contributions from central government and local taxation.

1.21 Budget assumptions and medium term forecasts are based on sustained economic prosperity. Should there be a decline in the economy this could have a significant impact on future central government funding, local tax receipts and demand on local services. The Council maintains an appropriate reserve to help mitigate against any such economic and other risks to the Council's finances.

KCC Medium Term Financial Plan

SECTION 2

National Financial and Economic Context

INTRODUCTION

2.1 KCC's financial and service planning takes place within the context of the national economic and public expenditure plans. This section explores that context and identifies the broad national assumptions within which KCC's Budget and Medium Term Financial Plan (MTFP) have been framed.

2.2 The Government's economic and fiscal strategy was updated in the 2017 Autumn Budget (AB2017). This was the first time that a full budget statement has been produced in autumn to replace the previous March budgets. This change means that government tax and spending policy decisions have been brought forward and will be taken in the autumn for the forthcoming year rather than in March. In future budget statements in March will provide an update on current progress (effectively replacing the previous autumn statements).

2.3 AB2017 was based on updated economic forecasts from the Office for Budget Responsibility (OBR). These OBR forecasts showed that growth in the UK economy has slowed over the year as households' real incomes and spending have been squeezed by higher inflation. This has resulted in weaker growth in the Gross Domestic Product (GDP) than was previously forecast for the March 2017 Budget. Future growth forecasts have also been lowered each year for the next five years reflecting a significant downward revision in potential productivity growth and slower economic recovery.

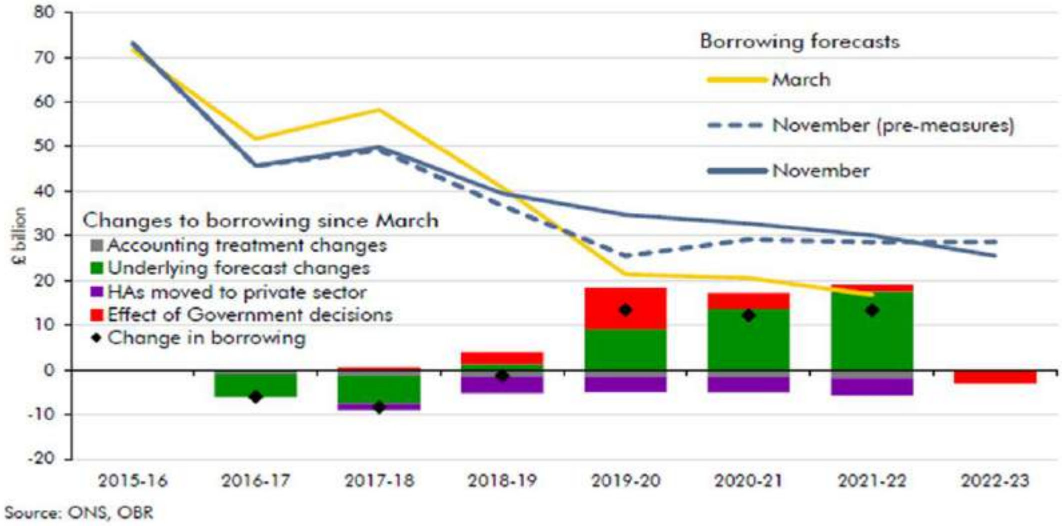
2.4 The OBR analysis also identified that public finances have performed better in 2016-17 than previously forecast and government borrowing is lower than previously anticipated. This trend looks likely to continue into 2017-18 and the forecast annual deficit has been reduced by £8.4bn to £49.9bn (this is still slightly higher than 2016-17 due to a number of one-off timing boosts in that year).

2.5 The better performance of public finances gave the Chancellor some scope to address growing pressures on public services and allow some additional spending. However, the lower economic growth forecasts meant that he had less headroom against the fiscal target of a budget deficit no more than 2% of GDP by 2020-21 than the previous forecast.

2.6 AB2017 included a short-term fiscal giveaway with both increased public spending; most notably on Health and preparing for EU exit, and some tax reductions; most notably lower increases in business rates, removing stamp duty for first time buyers, and fuel/alcohol duty freezes. These tax and spend measures and lower growth forecasts meant the Chancellor used up some, but not all, of the headroom and the deficit for 2020-21 was forecast to be 1.5% of GDP (the March 2017 forecast was 0.9%).

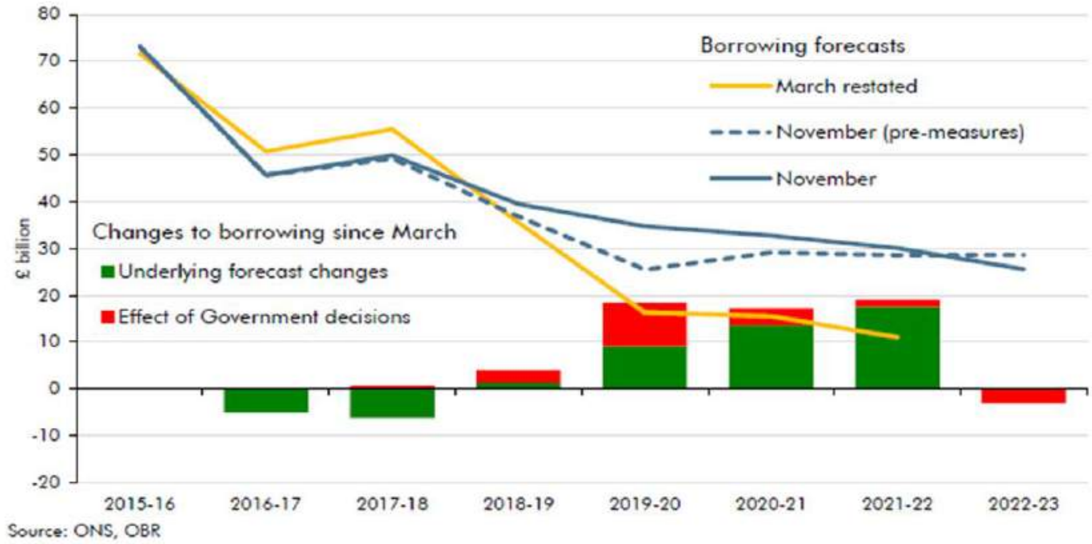
2.7 The impact of the revised economic forecasts and the budget measures were depicted by the OBR in graph form, which has been reproduced as chart 1 below.

Chart 1 – Public Sector Net Borrowing (as at AB2017)



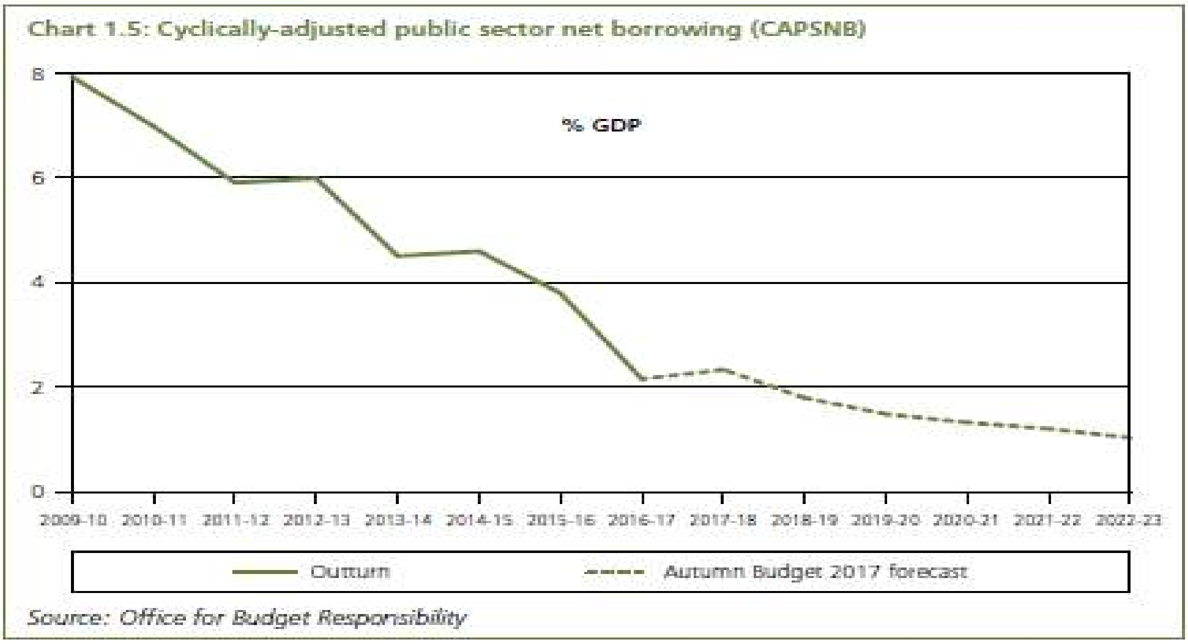
2.8 The OBR also produced a version of this graph which included restating the original March forecast on a consistent basis by excluding housing associations from public spending and other accounting changes. This is reproduced as chart 2 below

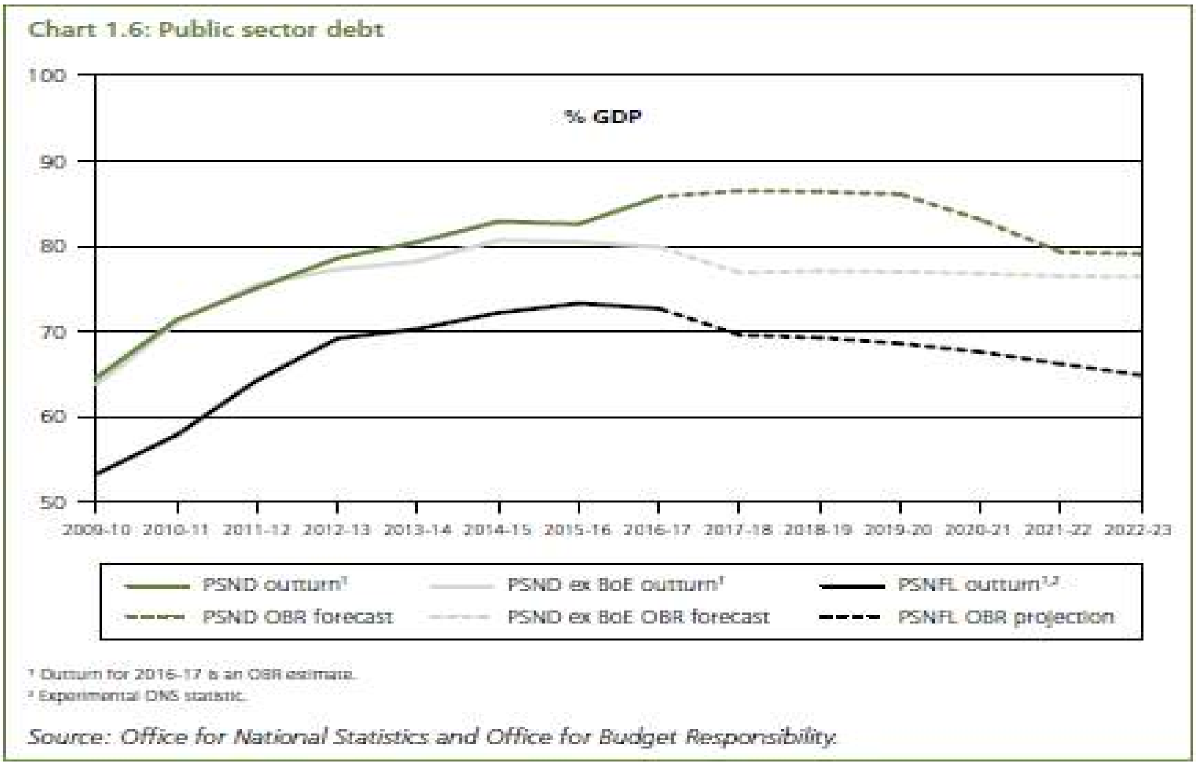
Chart 2 – Public Sector Net Borrowing on a consistent definition (as at Spring Budget 2017)



2.9 Performance against the government's fiscal targets (deficit not exceeding 2% of GDP in 2020-21 and total accumulated debt as % of GDP to be falling by 2020-21) was also shown in the chancellor's AB2017 statement. These are reproduced in chart 3 below.

Chart 3 – Performance against Fiscal Targets from AB2017





2.10 The delegated departmental spending (departmental Resource DEL) was largely unchanged in AB2017 from the March Budget. There was an increase in funding announced for the Health Service and adjustments to devolved administrations due to changes in devolved taxation powers. The Resource DEL (RDEL) for local government shows a reduction in 2018-19 although this is merely presentational to reflect the impact of additional business rates pilots, where grants currently within RDEL will be funded from the additional business rate retention, and therefore part of Annually Managed Expenditure (AME). Table 1 shows the comparison of departmental DELs.

Table 1 – Departmental Resource DEL Comparison

Departmental Resource DEL	March 2017 Budget				Autumn 2017 Budget			
	2017-18	2018-19	2019-20		2017-18	2018-19	2019-20	
	£bn	£bn	£bn		£bn	£bn	£bn	
Defence	27.5	28.2	29.0		27.5	28.2	29.0	
Single Intelligence Account	1.8	1.9	2.0		2.0	1.9	2.0	
Home Office	10.8	10.7	10.7		10.6	10.7	10.7	
Foreign & Commonwealth Office	1.2	1.2	1.3		2.0	1.2	1.2	
International Development	8.0	9.1	9.1		7.6	8.7	8.2	Reduced due to lower GDP
Health	117.6	120.3	123.2		119.2	121.9	124.2	Increased due to new monies
Work & Pensions	6.3	6.0	5.4		6.2	6.0	5.4	
Education	61.4	62.1	62.7		61.3	62.4	63.3	
Business, Energy Industrial Strategy	2.0	1.9	1.7		1.7	1.8	1.6	
Transport	2.1	2.1	1.7		2.0	2.1	1.7	
Exiting the European Union	0.1	0.1	0.1		0.1	0.1	0.1	
Digital, Culture, Media and Sport	1.4	1.5	1.5		1.4	1.5	1.5	
DCLG Communities	3.1	2.3	2.2		2.8	2.3	2.2	
DCLG Local Government	6.5	5.5	5.4		6.7	4.8	5.6	New 100% Businsess Rate Pilots
Scotland	14.2	13.6	13.2		14.3	13.8	13.5	Adjusted for delayed devolution of Air Passenger Duty
Wales	13.4	13.4	13.5		13.4	13.2	11.2	Adjusted for devolution of tax income
Northern Ireland	10.0	10.0	10.0		10.0	10.0	10.0	
Justice	6.6	6.2	6.0		6.6	6.2	6.0	
Law Officers Department	0.5	0.5	0.5		0.6	0.5	0.5	
Environment, Food and Rural Affairs	1.6	1.5	1.4		1.6	1.5	1.5	
HM Revenue & Customs	3.5	3.2	2.9		3.6	3.4	3.2	
HM Treasury	0.1	0.1	0.1		0.2	0.2	0.1	
Cabinet Office	0.3	0.2	0.2		0.5	0.3	0.3	
International Trade	0.3	0.3	0.3		0.4	0.3	0.3	
Small & Independent Bodies	1.4	1.3	1.3		1.4	1.3	1.3	
Reserves	5.1	4.9	7.2		3.5	6.5	7.2	
Adjustment for Budget Exchange	-0.4	0.0	0.0		-0.4	0.0	0.0	
Adjustment for planned efficiency savings	0.0	0.0	-3.5					
	306.1	308.1	309.2		306.7	310.9	311.9	
OBR Allowance for underspends	-0.8	-0.8	-0.8		-2.8	-1.3	-1.3	
OBR Resource DEL	305.4	307.4	308.5		304.0	309.6	310.7	

2.11 The budget and MTFP are also heavily influenced by the provisional Local Government Finance Settlement which was announced on 19th December. This settlement provides detailed grant allocations and spending power assumptions for each local authority. The settlement increased the council tax referendum threshold from 2% to 3% (or £12 for Police & Crime Commissioners). The 2018-19 settlement also included the announcement of ten additional 100% business rate retention pilots for the year (on top of the five pilots from 2017-18 and the previously announced London pilot). Other than for these pilots the settlement is largely unchanged from the provisional amounts for 2018-19 and 2019-20 included in last year's settlement, with the only changes being to uplift the business rate baseline (including tariffs and top-ups) by CPI (3%) rather than the estimated RPI uplift (with a separate 0.83% compensation grant) and revised calculation of the impact of the 2017 revaluation on tariffs and top-ups.

2.12 The final settlement was announced on 6th February 2018 and included an additional £150m in grants for social care and an additional £16m rural services grant from the provisional settlement. The social care grant is effectively an extension of the one-off grant paid in 2017-18 and is un-ring-fenced. The additional grant was included in the revisions to the budget presented to County Council on 20th February

2.13 Since the Council's budget was agreed we have had the Chancellor's Spring Budget Statement on 13th March. This did not include any tax or spending policy changes and focussed on the latest OBR economic and fiscal outlook. This was largely unchanged from the previous forecast with slightly higher tax receipts than previously forecast, slightly lower net budget deficit and slightly higher economic growth forecasts in the short term (offset by slightly lower growth in the medium term). The overall picture remains that the government is on course to meet its fiscal targets with some headroom. We have not updated this document for the latest forecasts as they were announced after the Council's budget was agreed.

PUBLIC SPENDING AND RECEIPTS

2.14 As already outlined in the introduction to this section of the MTFP the most significant features of AB2017 are:

- Better than forecast performance of public finances in 2016-17 and 2017-18 (leading to reduced deficit);
- The use of some of the headroom within the 2% deficit target to increase public spending and reduce taxation;
- Impact of lower GDP forecasts.

These are explored in more depth in the following paragraphs.

2.15 The improved performance in 2016-17 and forecast for 2017-18 are shown in the extract from the November OBR report reproduced as chart 4 below. The improved performance is highlighted in green. The extract includes the original March forecast and a like for like comparison taking account of the definition changes in AB2017 (principally reclassification of English Housing Associations). The later years show the higher than forecast deficit due to the budget giveaways, highlighted in amber.

Chart 4 – Changes in Forecast Budget Deficit

	£ billion						
	Outturn	Forecast					
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
March forecast	51.7	58.3	40.8	21.4	20.6	16.8	
Reclassification of English HAs		*-1.4*	*-3.9*	*-3.5*	*-3.4*	*-4.1*	
Other ONS changes	*-1.0*	*-1.3*	*-1.4*	*-1.5*	*-1.6*	*-1.7*	
March forecast restated	50.7	55.5	35.5	16.3	15.5	11.0	
November forecast	45.7	49.9	39.5	34.7	32.8	30.1	25.6
Like-for-like difference	-5.0	-5.6	4.0	18.4	17.3	19.1	
Note – latest Spring 2018 forecast	*45.8*	*45.2*	*37.1*	*33.9*	*28.7*	*26.0*	*21.4*

2.16 The 2016-17 improvement is due higher than previously forecast tax receipts (£726.7bn compared to previous forecast of £721.1bn), most notably from employment taxes (income tax and National Insurance which collectively account for £3.4bn of the £5.6bn improvement). The 2017-18 improvement comes from reduced spending (£795.3bn compared to previous forecast of £802.4bn). This reduced spending is on the AME element, most notably lower welfare spending (down £1.3bn), transfers to EU institutions (down £1.6bn), interest costs (down £1.8bn) and depreciation (down £1.4bn).

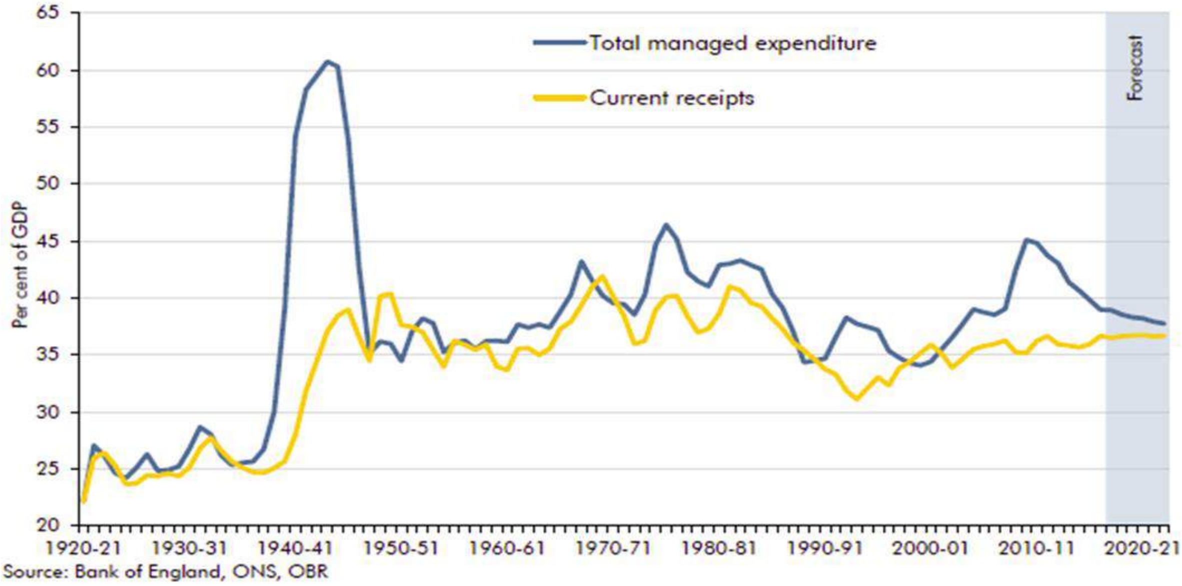
2.17 Table 2 represents an extract from a number of tables in the OBR report summarising the latest receipts and spending forecasts, and comparison with the previous March Budget forecasts. The full tables can be found at http://www.kent.gov.uk/about-the-council/finance-and-budget/our-budget. The OBR forecasts include a slightly different measure of RDEL than the individual departmental totals listed in Table 1. A reconciliation of the two is published by the OBR and can be found at http://www.kent.gov.uk/about-the-council/finance-and-budget/our-budget.

Table 2 – Forecast Current Receipts and Total Managed Expenditure

	2016-17 Outturn £bn	2017-18 Forecast £bn	2018-19 Forecast £bn	2019-20 Forecast £bn	2020-21 Forecast £bn	2021-22 Forecast £bn	2022-23 Forecast £bn
Autumn Budget 2017							
Total Receipts	726.7	745.4	769.8	792.0	817.2	841.6	871.3
Total Expenditure:	772.4	795.3	809.3	826.7	849.9	871.7	896.8
of which							
Public Sector Current Expenditure in RDEL	312.5	316.8	323.3	327.1	330.3	336.2	342.2
Public Sector Current Expenditure in AME	380.5	395.7	406.9	413.0	422.1	436.7	452.9
Public Sector Gross Investment in CDEL	46.1	48.2	52.6	59.7	68.3	68.2	70.6
Public Sector Gross Investment in AME	33.2	34.6	26.5	26.9	29.3	30.6	31.1
Budget Deficit	-45.7	-49.9	-39.5	-34.7	-32.8	-30.1	-25.6
March Budget 2017							
Total Receipts	721.1	744.2	776.4	806.5	834.8	869.5	
Total Expenditure:	772.8	802.4	817.2	827.9	855.4	886.4	
Change in Receipts Forecast	5.6	1.3	-6.6	-14.5	-17.6	-27.9	
Change in Expenditure Forecast	-0.4	-7.1	-7.9	-1.2	-5.4	-14.6	
Source: OBR Econonomic & Fiscal Outlook November 2017 - Tables 4.6, 4.7, 4.16 and 4.17							

2.18 Total public sector spending remains relatively high in recent historical context. The OBR forecast that spending by 2022-23 will equate to 37.7% of GDP and current receipts will reach 36.7% of GDP in 2020-21 (the highest proportion of GDP since 1986-87). Chart 5 shows the receipts and totally managed expenditure since 1920-21 reproduced from the OBR report.

Chart 5 – Total Public Sector Spending and Receipts



2.19 The most notable features of the OBR spending forecasts affecting local government are the presumption that authorities will draw down reserves to fund higher recurrent spending in the short term, and fund additional capital investments from prudential borrowing. These OBR assumptions are demonstrated in table 3 together with the relevant paragraph from the report. KCC's revenue and capital strategies should be considered with regard to these OBR assumptions covered in the following pages.

Table 3 – OBR Forecasts for Local Government

	2016-17 Outturn £bn	2017-18 Forecast £bn	2018-19 Forecast £bn	2019-20 Forecast £bn	2020-21 Forecast £bn	2021-22 Forecast £bn	2022-23 Forecast £bn
Locally Financed Current Expenditure							
OBR November Forecast	45.2	47.8	50.2	49.3	50.4	52.0	53.7
Change since March Forecast	1.4	1.2	1.5	0.3	0.0	0.0	0.0
Locally Financed Capital Expenditure							
OBR November Forecast	9.1	11.1	10.3	9.4	9.0	9.5	9.6
Change since March Forecast	1.4	3.9	3.9	3.5	4.0	3.9	0.0
Source: OBR Econonomic & Fiscal Outlook November 2017 - 4.16 and 4.17							

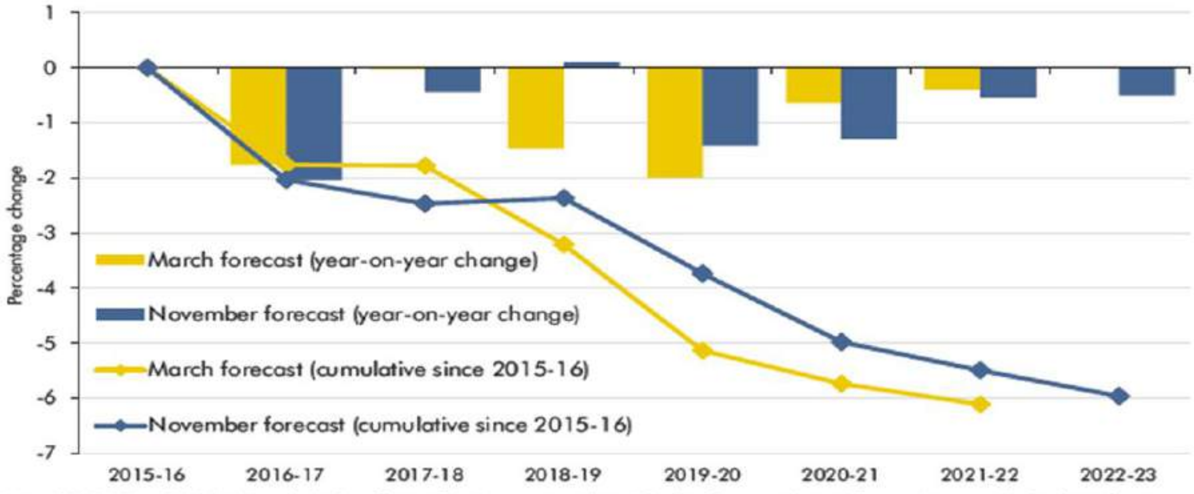
Relevant Extract from OBR Economic & Fiscal Outlook November 2017

Spending by **local authorities and public corporations** has been revised up significantly, particularly in 2017-18 and 2018-19. The largest changes reflect our assumptions that local authorities will carry out more capital spending financed by prudential borrowing (as they did in 2016-17). This assumption increases spending in each year, and by particularly large amounts in the earlier years. Lower proceeds from asset sales increase net capital expenditure. And in the short term we assume greater drawdowns from local authorities' reserves to finance their current expenditure.

2.20 The OBR has also undertaken an evaluation of public spending plans per head of population. This shows that RDEL spending per head of population is forecast to fall over the period 2015-16 to 2022-23, with only a very small increase per head in 2018-19. Bearing in mind these forecasts include the additional spending for Health in the budget giveaways it can be concluded that the reductions per head for other public services, particularly local government, are likely to continue to show significant reductions per head, which at best may be compensated by locally financed expenditure (local tax increases).

2.21 Chart 6 shows the forecast RDEL spending per capita reductions reproduced from the OBR report. We have also reproduced the relevant paragraphs from the OBR report from this section as they provide important contextual background to the assumptions.

Chart 6 – Changes in RDEL spending per capita



Note: 2017-18 and 2018-19 exclude the effects of business rates pilots. All other figures adjusted for consistency with the latest forecast.
Source: OBR

Relevant Extract from OBR Economic & Fiscal Outlook November 2017

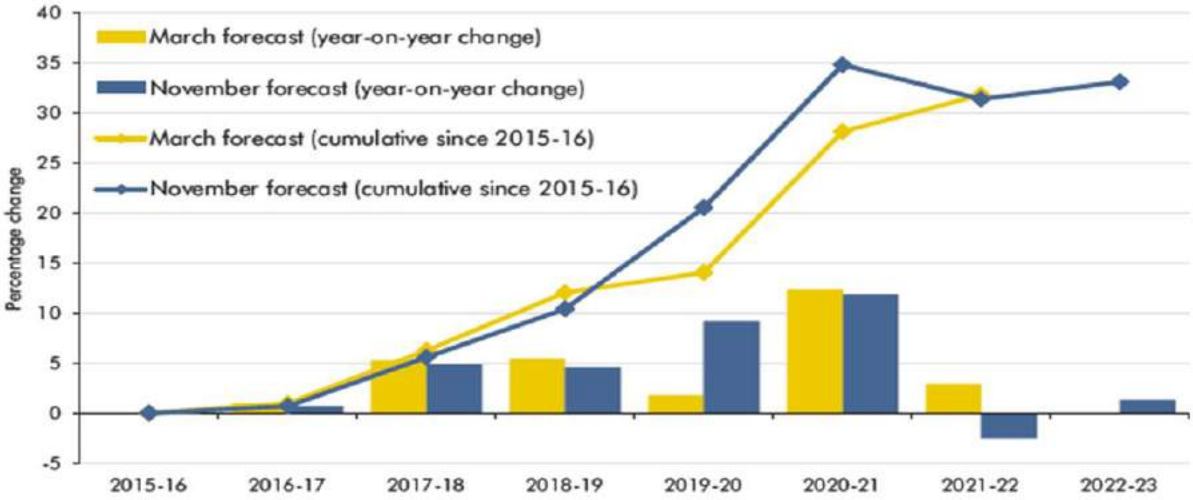
4.113 The Government has boosted departmental resource spending by around £2.0 billion a year on average from 2017-18 (excluding the effects of the extension of business rates pilots, which switch spending from DEL to AME). The largest increases are in 2018-19 and 2019-20, where Government decisions increase spending by £3.1 and £4.2 billion (again abstracting from business rates pilots changes).

4.114 The combined effect of a large expected underspend in 2017-18 and the extra spending in 2018-19 is to reverse the significant real per person spending cut previously planned for that year. We expect RDEL spending to rise by 2.1 per cent in cash terms in 2018-19, sufficient to show a small rise in real spending per person. Despite higher spending in 2019-20 than planned in March, there is still a relatively steep year-on-year fall in real spending per person (1.4 per cent) in that year, though it is less steep than the drop seen in 2016-17.

4.115 Resource spending per person is now forecast to fall by 4.0 per cent in real terms between 2016-17 and 2022-23, with these cuts no longer planned to start until 2019-20 (see Chart 5). As a result, while the 2018-19 pressure shown in our March forecast has been eased, the sizeable falls thereafter mean that future spending plans remain challenging. Beyond the Spending Review period in 2021-22 and 2022-23, the Government's policy assumption is for overall resource spending to rise in line with whole economy prices. It therefore falls by an average of 0.5 per cent a year in real per capita terms due to population growth. These falls will take place against a backdrop of upward pressure on spending – particularly health spending – from an ageing population.

2.22 In contrast the OBR assessment of capital spending shows a significant increase per capita over the period, reflecting the Government's prioritisation on infrastructure. Chart 7 shows the forecast departmental capital spending per capita reproduced from the OBR report. We have also reproduced the relevant paragraphs from the OBR report from this section. The amount of this additional capital which ends up funding local authority infrastructure will depend on individual departmental plans.

Chart 7 – Changes in CDEL per capita



Note: 2017-18 and 2018-19 exclude the effects of business rates pilots. All other figures adjusted for consistency with the latest forecast.
Source: OBR

Relevant Extract from OBR Economic & Fiscal Outlook November 2017

4.116 In contrast to resource spending, the Government plans to ramp up departmental capital spending in the coming years. As Chart 7 shows, in real per capita terms, this translates into 33.8 per cent growth between 2016-17 and 2020-21. Beyond the Spending Review period it broadly stabilises on this metric. Changes to the path of departmental capital spending since March mainly reflect Government decisions to increase spending in 2019-20 and 2020-21. The very sharp rise planned for 2020-21 remains in place (currently a 11.8 per cent rise in real per capita terms), although not all of this jump has yet been allocated to individual departments.

2.23 The Government's objective to repair public finances continues to have a big impact on local authority financial plans. However, in setting the Council's budget we must also have regard to the other national policy objectives and how they impact on our financial planning. In particular we need to have regard to welfare reforms and how these may impact on families' ability to pay council tax (including impact on the tax base arising from council tax reduction schemes for those on low incomes) and demand for Council services, the continued roll-out of the National Living Wage, reforms to create a sustainable health and social care system, housing initiatives, and the potential reform of the local authority funding through business rate retention (including further devolution of responsibilities to local authorities).

2.24 The AB2017 announcement to bring forward the planned switch from Retail Prices Index (RPI) to Consumer Prices Index (CPI) for the indexation of business rates, and the extension of discounts for public houses, should have no impact on local authority budgets and financial plans as the announcement confirmed local government will be fully compensated. This compensation comes via a separate grant, often notified after the provisional/final settlement.

2.25 The roll-out of the National Living Wage (NLW) continues to impact on the Council's budget. The Autumn Statement 2016 announced an increase from £7.20 an hour in 2016-17 to £7.50 an hour in 2017-18. AB2017 announced a further increase to £7.83 an hour from April 2018. The latest OBR forecast is that the rate will need to increase further to £8.56 by 2020 to meet the 60% median wage target, with further forecast increases after that to keep in line with this target. As part of decisions on the Kent pay scheme the Council will need to decide how it complies with the escalation in NLW, although the much more significant impact will come from increases in prices for contracted services.

2.26 AB2017 did not include any new announcements on social services (although as already identified did include an additional £2.8bn of current expenditure over 3 years, and additional £3.5bn capital expenditure over 6 years, for Health Services). Public Health funding continues to be ring-fenced in 2018-19 (including further reductions).

2.27 The AB2017 announcement allowing an increase in the council tax premium on empty homes from 50% to 100% will require primary legislation and is unlikely to be in place before 1st April 2019.

2.28 A full version of the Autumn Budget Statement is available at:

https://www.gov.uk/government/publications/autumn-budget-2017-documents

OBR EVALUATION OF LOCAL AUTHORITY SPENDING

2.29 The OBR report also included a detailed analysis of likely spending for local government. This analysis concludes that up to 2016-17 local authorities were able to underspend revenue budgets and add to their reserves. However, increasing spending pressures and continued reductions in real terms spending means authorities are likely to need to draw down from these reserves. The OBR analysis also shows increasing trend of overspends on social care budgets only partially offset by underspends on other services.

2.30 The OBR analysis mirrors our experience over recent years and future forecasts with pressures on social care absorbing an ever increasing share of the County Council's budget. Owing to the very close match to our experience we have reproduced the OBR analysis for local government in full as part of the national fiscal context in the MTFP.

Relevant Extract from OBR Economic & Fiscal Outlook November 2017

Locally financed current expenditure

4.143 We forecast local authority spending by forecasting the sources of income that local authorities use to finance their spending – including grants from central government and local sources of finance – and the extent to which authorities will spend more or less than that income through changes to their reserves or borrowing. Our forecast therefore encompasses spending financed by grants, which are mostly in DELs, and local authority self-financed expenditure (LASFE), which is in AME. Tables 4.30 and 4.31 focus on LASFE, which has been the largest source of upward revision to our public spending forecast since March. Further detail is available in supplementary tables on our website.

4.144 There are a number of important policy developments and associated uncertainties affecting this forecast. Converting schools into academies switches grant-financed local authority spending into central government spending, which affects all years of our forecast, but with uncertain speed and magnitude. The rollout of universal credit, also uncertain in speed and magnitude, switches grant-financed local authority spending on housing benefit into central government spending. In our forecast presentation, this only affects 2017-18, because of the way universal credit is treated in our welfare spending forecast (described earlier in this section). But in reality it will affect all years. There is also uncertainty around the 100 per cent business rates retention policy, which will raise LASFE and reduce central government spending. The legislation through which this was to be implemented has not been laid in Parliament and the Government has not set out when it will be.

4.145 Table 4.30 summarises the main changes to our current LASFE forecast. When looking at these changes, it is important to distinguish between those related to council tax and business rates – which have offsetting effects on our receipts forecast and are therefore neutral for borrowing – and those related to the net use of current reserves or changes in the amounts set aside to repay debt – which affect our borrowing forecast.

4.146 Our March forecast assumed that English local authorities would underspend against their current budgets by £2.5 billion in 2016-17 and that they would draw £1.3 billion from their reserves to finance higher spending. Provisional outturn data point to smaller underspends (only £1.2 billion), with half the difference from our March forecast reflected in current LASFE and half in central government grants. Local authorities drew down a net £1.5 billion from their reserves to finance higher spending, which is significantly larger than any of the drawdowns seen over the last decade. Even so, local authorities in England still had significant reserves outstanding at the end of 2016-17. The extent to which these are used over the forecast period is an important source of uncertainty in our borrowing forecast. Recent trends are discussed in Box 4.4.

4.147 We have revised up our forecast for how much English local authorities will draw down from their reserves over the next three years. This reflects:

- Outturn data: local authorities have drawn down reserves in 2015-16 and 2016-17.

  The amount drawn down last year was higher than in 2015-16 and higher than we had assumed in our March forecast.

- Scope for reserves drawdown: English local authorities' stocks of reserves have risen from £16.3 billion in 2010-11 to a peak of £24.8 billion in 2014-15 and stood at £23.1 billion in 2016-17. Relative to their current expenditure (excluding housing benefit), local authorities' stock of reserves have risen from 15.9 to 25.5 per cent between 2010-11 and 2016-17 (although some of the rise is attributable to schools funding moving to central government through 'academisation'). We assume that these reserves have been accumulated for a purpose and that they will be used to ease the intensifying pressures on spending.

- Increasing pressures from social care responsibilities: despite the additional funding for adult social care announced in March, local authorities remain under pressure as demand and costs for both adult and children's social care rise. In 2016-17, English local authorities with social care responsibilities drew down £1.4 billion from their reserves while those without such responsibilities (excluding the Greater London Authority) increased them by £0.2 billion.

- Other pressures: higher inflation and the knock-on effects for local authorities of changes in public sector pay policy create further pressures within the context of real- terms budget cuts.

4.148 We now expect English local authorities to draw down £1.7 billion in total between 2017-18 and 2019-20, compared to our March forecast of £0.9 billion over that period. The largest drawdown (£1 billion) is expected in 2017-18. This is smaller than in 2016-17, which was the toughest year of the latest Local Government Finance Settlement, with a 4.3 per cent year-on-year real terms cut in core spending power. From 2020-21 onwards, we assume no net addition to or drawdown of reserves. We have assumed similar paths for Scottish and Welsh local authorities' use of reserves.

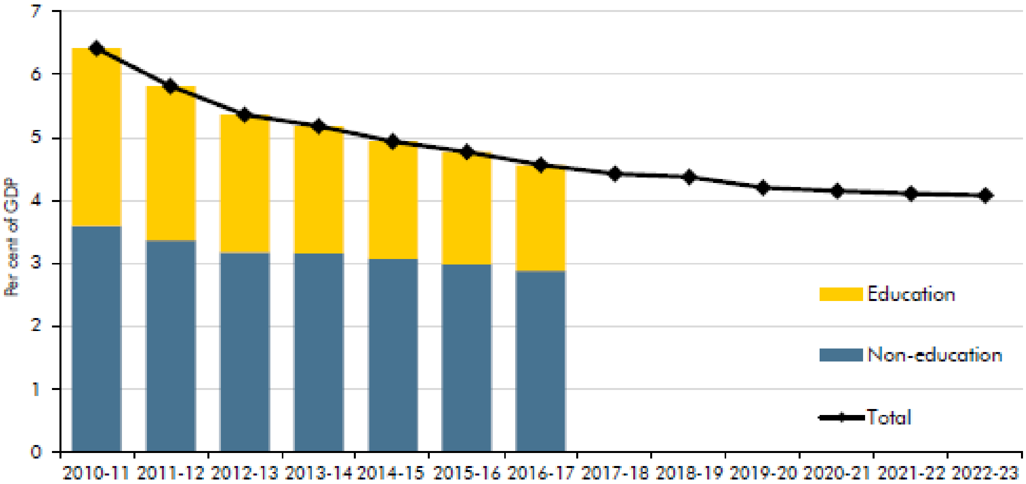
4.149 Charts 4.8 and 4.9 update the analysis we presented in March of two of the trends that inform our forecast judgement on local authorities' use of reserves. Respectively, they show:

- The downward trend in local authorities' current spending as a share of GDP. This includes spending financed by grants from central government as well as locally financed spending. Some of the decline reflects the 'academisation' of schools, but non-education spending has been on a declining path, too.[13]

- Recent trends in local authority under- and over-spending against specific budget areas. Data published since March show that the trends we noted in our previous EFO intensified in 2016-17. Spending on children's social services has exceeded budgets since 2010-11, and by increasing amounts since 2013-14, while spending on adult social care has exceeded plans by increasing amounts since 2014-15. Authorities also overspent against their total non-education budgets in 2016-17 for the first time since the financial crisis, in contrast to previous years when underspends in other areas outweighed overspends on social care.

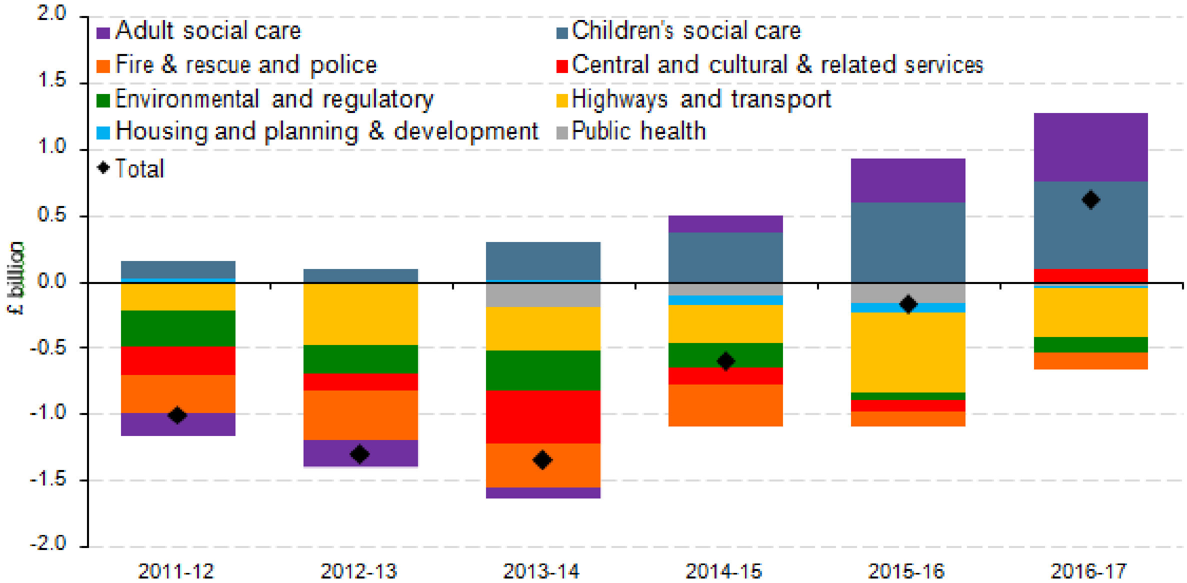
[13] The chart below shows local authority total service expenditure as this excludes spending on housing benefit, the series for which is subject to the discontinuity discussed above in this section.

Chart 4.8: Local authority current spending (England)



Note: Responsibility for spending on public health was transferred to local authorities from 2013-14, so numbers in previous years are not directly comparable. Figures exclude housing benefit, as the rollout of universal credit creates a discontinuity in the series.
Source: DCLG, OBR

Chart 4.9: English local authority under- and over-spends against revenue budgets by service area



Note: Excludes spending on education and 'other' spending (which has not been allocated to one of the service areas listed). Housing services covers general fund revenue account (GFRA) spending only. Responsibility for spending on public health was transferred to local authorities from 2013-14, so numbers in previous years are not directly comparable.
Source: DCLG, OBR

4.150 Much recent focus of social care analysis – including our own – has been on the pressures from ageing and the National Living Wage on adult social care spending. But as Chart 4.9 shows, pressures are apparent on children's social care spending too, which are likely to reflect a combination of both demand and unit cost factors. This is an issue we plan to consider more fully in due course. Developments that could influence demand include trends in the prevalence of factors known to reduce parental capacity to meet their children's needs (e.g. poor mental health, substance abuse, alcohol abuse and domestic abuse), the response to newly identified needs (such as child sexual exploitation, increased recognition of the vulnerability of adolescents and trends in deprivation levels) and general population growth. Costs per intervention could be influenced by changes in the complexity and duration of need and the availability of suitably qualified staff.

4.151 We have incorporated the effects of two policy changes:

- One that the Treasury has chosen not to report on its scorecard: the extension of 100 per cent business rates retention pilots to London boroughs in 2018-19. This policy is neutral for spending (and borrowing) but increases current LASFE.

- One that is reported on the Treasury's scorecard: bringing forward the switch from RPI to CPI indexation for business rates to 2018-19 (the receipts effects of which are described earlier in this chapter). This reduces current LASFE spending financed by retained business rates by an average of £0.2 billion a year from 2018-19, but the effect on total local authority spending is offset by higher DEL grants so that the full cost is borne by the Exchequer.

Box 4.4: Local authorities' use of reserves

In 2015-16 and 2016-17, English local authorities drew down from their stock of reserves by £0.4 and £1.5 billion respectively. This reversed the post-crisis build-up of reserves, which saw them rise by an average of just under £2 billion a year between 2010-11 and 2014-15.

We had expected the squeeze on local authority finances to prompt reserves drawdowns much earlier than has been the case, but the corner does now seem to have been turned. This may reflect budget pressures finally reaching the point at which authorities use reserves to maintain current levels of spending, although it is also possible that the reserves had been earmarked for use on specific projects that have now commenced. Prior to 2015-16, English local authorities last drew down from their reserves in 2009-10 (by £0.3 billion).

One striking feature of the net reserves drawdown last year was the difference in behaviour between local authorities with and without social care responsibilities. While the behaviour of individual authorities differed across years, Charts E and F show that within broad categories:

- The stock of reserves increased between 2011-12 and 2014-15 for each of the three identified categories of local authority identified – with the only exception being the Greater London Authority (GLA) in 2014-15.

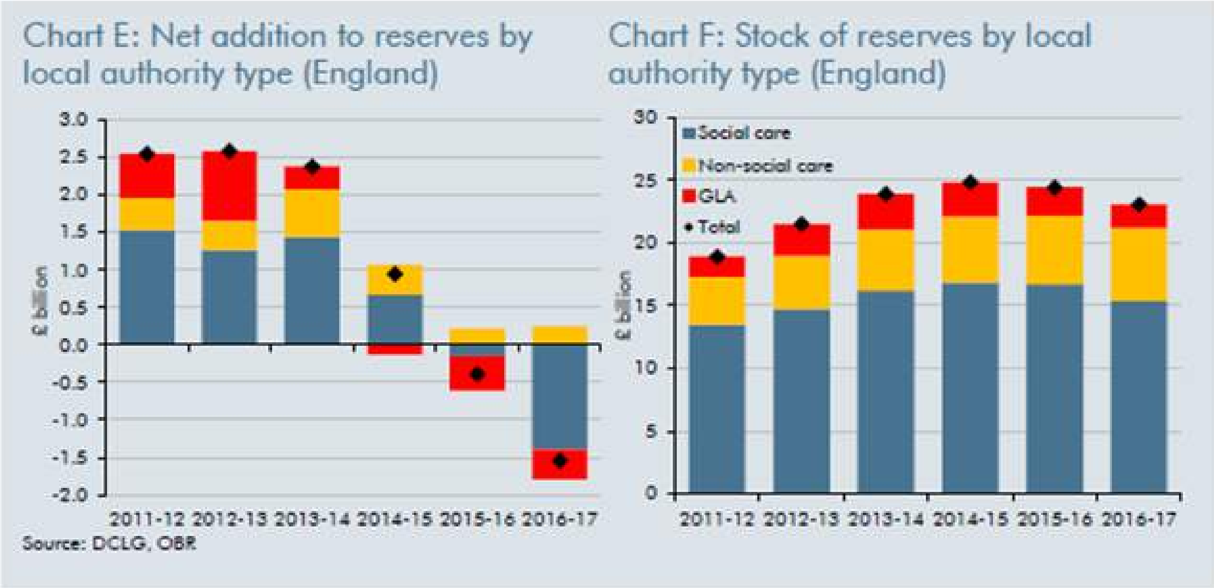
- This trend was reversed in 2015-16, when local authorities with upper-tier responsibilities, including education and social care, and the GLA both drew down from their reserves (by£0.2 and £0.5 billion respectively). Other authorities, without upper-tier responsibilities, added £0.2 billion to their stocks of reserves. In total, English local authorities drew down£0.4 billion in net terms from reserves in 2015-16.

- In 2016-17, upper-tier authorities drew down again, and by more than in 2015-16 (£1.4 billion). The GLA once again drew down from reserves (by £0.4 billion), while other authorities added further to their stock of reserves (by £0.2 billion).

- In terms of outstanding reserves, this has left the total stock in 2016-17 £4.2 billion (22.0 per cent) higher than in 2011-12. For upper-tier authorities, the stock was £1.9 billion (13.9 per cent) higher, for the GLA it was £0.3 billion (16.2 per cent) higher and for other authorities it was £2.0 billion (53.2 per cent) higher.

Local authorities with upper-tier responsibilities also set aside less to repay debt in 2016-17, whereas other authorities increased their voluntary provisions for repayment of principal.

Looking ahead, despite the £2.0 billion of additional funding for social care announced in March, we assume that local authorities' budgets remain under pressure as the demand for both adult and children's social care continues to rise. As authorities are under statutory obligations to balance their budgets, we assume some of these drawdowns eventually (by 2020-21) taper off to zero. This is a key assumption in our forecast and is subject to significant uncertainty, not least because recent trends have tended to contrast with local authorities' own budget plans.



4.152 The remaining changes to our forecast for current LASFE include:

- Small increases to the spending that can be financed by council tax receipts, mostly due to upward revisions to our council tax base forecast. Compared to our March forecast, outturn data also revealed that a slightly higher proportion of authorities with social care responsibilities took up an additional flexibility announced in December2016 to increase council tax by up to 3 per cent in 2017-18. This sees more frontloading of receipts in 2017-18 and 2018-19, with offsetting reductions from2019-20 onwards.

- Small downward revisions to the locally retained share of business rates that reflect similar revisions to our business rates forecast, discussed in the receipts section above.

- Small upward revisions to other items (by an average of £0.2 billion a year), largely reflecting upward revisions to our forecast of interest receipts.

Table 4.30: Key changes to locally financed current expenditure since March

	£ billion				
	Forecast				
	2017-18	2018-19	2019-20	2020-21	2021-22
March forecast	46.6	48.7	49.1	50.5	52.0
November forecast	47.8	50.2	49.3	50.4	52.0
Change	1.2	1.5	0.3	0.0	0.0
of which, changes in sources of local finance:					
Forecast changes	1.2	0.9	0.5	0.2	0.3
of which:					
Council tax	0.2	0.2	0.2	0.2	0.2
Retained business rates	0.1	0.0	-0.1	-0.1	0.0
Net use of current reserves	0.5	0.3	0.3	0.0	0.0
Other	0.4	0.4	0.1	0.1	0.0
Effect of Government decisions	0.0	0.6	-0.2	-0.2	-0.2
of which:					
Scorecard measures	0.0	-0.2	-0.2	-0.2	-0.2
Non-scorecard policy change: business rates pilots extension	0.0	0.8	0.0	0.0	0.0

Locally financed and public corporations capital expenditure

4.153 Our latest forecasts for locally financed capital expenditure (capital LASFE) and public corporations' capital spending are shown in Table 4.31. These are net of asset sales, forecasts for which are shown in the supplementary tables on our website. Capital LASFE is measured net of capital spending by local authorities' Housing Revenue Accounts (HRAs) and the Transport for London (TfL) subsidiaries that are treated as public corporations in the National Accounts.[14] All these items are switched out of capital LASFE in AME and included in our forecast for public corporations' capital expenditure to ensure it is consistent with the National Accounts.

4.154 We combine the changes for LASFE and public corporations' capital spending so that any changes to the switches net out and do not obscure the changes that affect TME. Abstracting from the reclassification of English housing associations, spending has been revised up by£4.4 billion in 2017-18 and by £3.3 billion a year on average thereafter. Over 60 per cent of the change over the full forecast period relates to local authorities' capital spending financed by 'prudential borrowing' – i.e. borrowing under the 'Prudential Code' that imposes certain conditions on local authorities. This reflects a much higher starting point, which increases spending in each year, and by particularly large amounts in the earlier years. These judgements reflect:

- A higher-than-expected 2016-17 outturn for local authority capital spending financed by prudential borrowing – of £8.5 billion versus our March forecast of £6.0 billion.
- The latest in-year spending position reported by local authorities up to the second quarter of 2017-18 suggests that higher capital spending.
- The favourable terms on which local authorities can borrow, for example from the Public Works Loan Board (PWLB), a statutory body that makes loans from the National Loans Fund (a central government entity) to local authorities in England, Scotland and Wales. New borrowing does not affect TME until it is actually spent on capital projects. Local authority capital spending in a given year can be financed by new borrowing or from capital reserves, which will reflect previous years' borrowing. So there is no straightforward relationship between existing stocks of debt and the expected level of capital spending financed by prudential borrowing in a particular year.

[14] These TfL transport subsidiaries trade under the company name 'Transport Trading Ltd' (TTL). The ONS currently classifies all the TTL subsidiaries as public corporations apart from Crossrail, which is classified as part of the local authority sector.

- An assumption that local authorities in aggregate will continue to engage in commercial activity at levels similar to those seen in 2016-17 over the next couple of years. Some local authorities may also use prudential borrowing to meet the costs of upgrading social housing following the Grenfell disaster.

4.155 Other like-for-like changes include:

- Downward revisions to our forecast of asset sales, which net off gross capital spending, has increased net capital expenditure by £0.5 billion a year on average. This is driven by lower-than-expected 2016-17 and year-to-date outturn data.

- Small downward revisions averaging £0.1 billion a year to reflect assumed slippage on TfL capital spending, related to its expected use of capital reserves and net lending to Crossrail. The largest change is in 2017-18, but this is neutral for total spending as it reduces the accounting adjustment related to local authority net lending by an equivalent amount. Accounting adjustments are discussed later in this chapter.

- Upward revisions to capital spending on artistic originals, aligning our forecast with the latest outturn data and ONS Blue Book 2017 revisions. Artistic originals' expenditure is neutral for borrowing as it is directly offset in public corporations' GOS (part of our receipts forecast).

- Other increases to public corporations' capital spending largely reflect the latest outturn data and Blue Book 2017 revisions, but we have also incorporated the latest capital spending plans for Scottish Water.[15]

- Budget policy decisions increase local authority housing-related capital spending by £0.3 billion a year on average from 2019-20 onwards.

Table 4.31: Key changes to locally financed capital expenditure and public corporations' capital expenditure since March

	£ billion				
	Forecast				
	2017-18	2018-19	2019-20	2020-21	2021-22
March forecast	25.7	25.6	24.1	23.6	25.5
Reclassification of English HAs	*-3.2*	*-8.1*	*-7.6*	*-7.5*	*-8.6*
March forecast restated	22.5	17.5	16.4	16.1	16.9
November forecast	26.9	20.7	19.6	19.5	20.2
Change on a like-for-like basis	4.4	3.3	3.2	3.4	3.3
of which:					
Forecast changes	4.4	3.3	2.8	3.1	3.0
of which:					
Prudential borrowing	3.8	2.3	1.7	1.7	1.6
Other local authority spending	-0.2	0.0	0.2	0.3	0.3
OBR timing adjustment for TfL spending	-0.5	-0.1	-0.1	0.1	0.0
Less local authority asset sales	0.5	0.5	0.5	0.5	0.5
Artistic originals	0.3	0.3	0.3	0.3	0.4
Other public corporations' spending	0.5	0.3	0.2	0.2	0.2
Scorecard measures	0.0	0.0	0.4	0.3	0.3

[15] See Scottish Water's delivery plan update, 2017.

PROVISIONAL LOCAL GOVERNMENT FINANCIAL SETTLEMENT

2.31 The provisional Local Government Finance Settlement was announced on 19th December. The settlement sets out the provisional allocation of key Government funding steams for 2018-19 and indicative allocations for 2019-20 (the last year of the current four year agreement). The settlement also includes the Government's estimate of the change in local authority overall spending power taking into account both Government funding and council tax. Chart 8 below shows the updated overall England core spending power between 2015-16 and 2019-20.

Chart 8 - Spending Power in provisional Local Government Finance Settlement

England

Illustrative Core Spending Power of Local Government;

	2015-16 £ millions	2016-17 £ millions	2017-18 £ millions	2018-19 £ millions	2019-20 £ millions
Settlement Funding Assessment[2]	21,249.9	18,601.5	16,632.4	15,574.0	14,397.9
Compensation for under-indexing the business rates multiplier	165.1	165.1	150.0	250.0	375.5
Council Tax of which;	22,035.9	23,247.3	24,665.8	26,600.2	28,047.4
Council Tax Requirement excluding parish precepts (including base and levels growth)	22,035.9	22,858.5	23,701.6	24,902.6	26,166.0
additional revenue from referendum principle for social care	0.0	381.8	948.2	1,661.2	1,824.4
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	7.0	16.0	36.4	57.0
Improved Better Care Fund	0.0	0.0	1,115.0	1,499.0	1,837.0
New Homes Bonus[3]	1,167.6	1,461.9	1,227.4	946.2	900.0
New Homes Bonus returned funding	32.4	23.1	24.5	0.0	0.0
Rural Services Delivery Grant	15.5	80.5	65.0	65.0	65.0
Transition Grant	0.0	150.0	150.0	0.0	0.0
The 2017-18 Adult Social Care Support Grant	0.0	0.0	241.1	0.0	0.0
Core Spending Power	**44,666.5**	**43,729.3**	**44,271.3**	**44,934.4**	**45,622.8**
Change over the Spending Review period (£ millions)					956.4
Change over the Spending Review period (% change)					2.1%

Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.

[1] The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Finance Assessment figures after adjustments for pilots please see Key Information for Local Authorities.

[2] 2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment.

[3] New Homes Bonus allocations for 2019-20 are for illustration purposes only. Actual payments will depend on housing delivery and are subject to change.

2.32 The changes in the core spending power have been highlighted in chart 8. Overall the context for Local Government spending over the medium term has improved from the original SR2015 "flat cash" between 2015-16 and 2019-20. The vast majority of this improvement comes from changes to council tax which authorities may or may not choose to raise. The 2.1% increase in spending power over the five years still falls well short of the amount needed to fund rising costs or demand pressures, therefore these will have to be compensated by savings and spending reductions. The changes to the spending power include the following:

- Lower increase in the retained business rate baseline within the settlement funding assessment (SFA) for 2018-19 and 2019-20 due to the uplift liked to CPI announced in the Autumn 2017 Budget (highlighted in yellow)
- Additional compensation grant for the lower uplift to the business rate baseline (highlighted in green).

- Revised council tax base for 2017-18 from individual local authority estimates (highlighted in blue)
- Higher assumed council tax increases for 2018-19 and 2019-20 as a result of the increased referendum threshold of 3% (highlighted in pink)
- Assumed take-up of the flexibility to raise up to 3% social care precept between 2017-18 and 2018-19 (but by no more than combined 6% over 3 years)(highlighted in orange)
- Roll-out of changes to New Homes Bonus to a four year allocation and updated tax base (highlighted in grey)

2.33 The settlement continues to include additional funding for social care through two key elements (it is important to note that without these elements the settlement would be less cash and thus their existence enables increases in social care spending at the expense of other council services):

- Social care council tax levy – allows up to 6% increase in council tax over the three years (2017-18 to 2019-20), with no more than 3% in any one year (as long as overall the 6% limit over 3 years is not breached);
- The Improved Better Care Fund (iBCF) outlined in the original SR2015 (with funding progressively increasing between 2017-18 and 2019-20) and the additional iBCF announced in the March 2017 Budget (which increased funding by more in 2017-18 than it did in 2018-19 or 2019-20).

2.34 The core spending power is based on a reduction in central Government funding and an increase in locally financed expenditure through council tax and local share of business rates. The phasing out RSG (included in Settlement Funding Assessment in chart 8 above) has not changed from the 2016-17 settlement and still includes reductions pro rata to both the value of RSG and council tax yields. The transitional grant which partly mitigated some of the largest reductions has been removed from 2018-19 (as originally announced) and the one-off social care support grant for 2017-18 (made available by bringing forward reforms to New Homes Bonus) has also been removed from 2018-19.

2.35 The Settlement Funding Assessment (SFA) also includes the locally retained 50% share of business rates, including the impact of tariffs and top-ups. It does not include locally retained growth over and above the baseline, this share of growth can only be determined once collection authorities have notified their business rate tax base estimate for 2018-19.

2.36 The business rate baseline and RSG within SFA have been adjusted for those authorities approved as 100% business rate pilots. This adjustment transfers the remaining RSG, Rural Services Delivery grant and other grants in pilot areas to be funded from the additional retention for 2018-19, and increases the baseline to 100% retention. The tariffs and to-ups have also been adjusted so that effectively the additional baseline in excess of the grants to be funded from pilot retention is returned to central government (maintaining fiscal neutrality). As with the existing retention scheme, the additional retained growth from 100% retention is determined from the tax base estimate and not through the settlement. The distribution of this additional growth between pilot authorities is determined based on the proposals in their bid.

The settlement for pilot authorities includes a separate alternative calculation for 2017-18 and 2018-19 as if the pilots did not exist. This alternative calculation has been used in the core spending power.

2.37 The baselines for all authorities have been adjusted to reflect the indexation of business rates based on CPI rather than RPI from April 2018; this will reduce the local share of business rates and be compensated by a separate grant (shown separately in the spending power). This spending power calculation also includes the compensation for the 2% indexation in 2014-15 and 2015-16 but not the compensation for other changes to businesses rates included in recent Budget statements e.g. relief for pubs. This additional compensation will continue to be allocated as a separate section 31 grant outside the main settlement.

2.38 The change in core spending power between 2015-16 and 2019-20 for different classes of Authority is shown in table 4. This shows the overall 2.1% increase in spending power over the five years (1.5% in 2018-19), the amount that is assumed to come from council tax within this (27.3% over 5 years, 7.8% in 2018-19), and therefore conversely the net reduction in central government funding for local authorities through RSG, iBCF and New Homes Bonus (£5.055bn over 5 years, £1.273bn in 2018-19).

Table 4 – Change in Core Spending Power

	2015-18 Core Spending Power	2016-17 Core Spending Power	2017-18 Core Spending Power	2018-19 Core Spending Power	2019-20 Core Spending Power	Change 2018-19 to 2017-18				Change 2019-20 to 2015-16			
	£m	£m	£m	£m	£m	£m		of which council tax £m		£m		of which council tax £m	
Inner London	2,861.3	2,771.7	2,786.4	2,799.5	2,826.2	13.1	0.5%	91.1	9.5%	-35.0	-1.2%	287.9	34.4%
Outer London	3,983.9	3,878.7	3,898.0	3,950.8	4,009.8	52.7	1.4%	187.3	8.8%	25.8	0.6%	562.7	29.7%
Greater London Authority	1,978.5	1,945.2	1,974.9	2,066.9	2,160.6	92.0	4.7%	65.1	8.1%	182.2	9.2%	137.6	17.2%
Metropolitan Areas	9,638.5	9,318.8	9,475.1	9,601.9	9,705.1	126.9	1.3%	344.2	8.0%	66.6	0.7%	1,089.1	28.6%
Shire Areas	26,199.5	25,810.1	26,131.9	26,510.3	26,916.0	378.4	1.4%	1,246.7	7.6%	716.5	2.7%	3,933.9	26.8%
Isles of Scilly	4.8	4.8	4.9	5.0	5.1	0.1	2.0%	0.1	6.3%	0.3	6.7%	0.3	19.9%
Total	44,666.5	43,729.3	44,271.3	44,934.4	45,622.8	663.1	1.5%	1,934.4	7.8%	956.4	2.1%	6,011.5	27.3%

FINAL LOCAL GOVERNMENT FINANCIAL SETTLEMENT

2.39 The final Local Government Finance Settlement was announced on 6th February. Chart 9 below shows the updated overall England core spending power between 2015-16 and 2019-20. As identified in the introduction the final settlement included additional one-off funding for social care and rural services as highlighted in chart 9

Chart 9 - Spending Power in final Local Government Finance Settlement

England					
Illustrative Core Spending Power of Local Government;					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment[2]	21,249.9	18,601.5	16,632.4	15,574.0	14,397.9
Compensation for under-indexing the business rates multiplier	165.1	165.1	175.0	275.0	374.8
Council Tax of which;	22,035.9	23,247.3	24,665.8	26,600.2	28,047.4
Council Tax Requirement excluding parish precepts (including base and levels growth)	22,035.9	22,858.5	23,701.6	24,902.6	26,166.0
additional revenue from referendum principle for social care	0.0	381.8	948.2	1,661.2	1,824.4
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	7.0	16.0	36.4	57.0
Improved Better Care Fund	0.0	0.0	1,115.0	1,499.0	1,837.0
New Homes Bonus[3]	1,167.6	1,461.9	1,227.4	947.5	900.0
New Homes Bonus returned funding	32.4	23.1	24.5	0.0	0.0
Rural Services Delivery Grant	15.5	80.5	65.0	81.0	65.0
Transition Grant	0.0	150.0	150.0	0.0	0.0
The Adult Social Care Support Grant	0.0	0.0	241.1	150.0	0.0
Core Spending Power	**44,666.5**	**43,729.3**	**44,296.3**	**45,126.7**	**45,622.1**
Change over the Spending Review period (£ millions)					955.6
Change over the Spending Review period (% change)					2.1%

EDUCATION FUNDING AND DEDICATED SCHOOLS GRANT (DSG)

2.40 The Dedicated Schools Grant (DSG) is funded 100% by Government with no funding from local taxation (Council Tax or business rates). The grant is specific and has to be spent on schools and education services (although local authorities are able to provide a top-up from Council Tax or other local sources). New arrangements for the calculation of DSG were introduced in 2013-14, these new arrangements allocated funding in 3 blocks; schools, early years and high needs.

2.41 For 2018-19 there are more fundamental changes to the calculation and distribution of the DSG. Following a two stage Government consultation during 2016 and 2017, the Government has decided to proceed with the introduction of National Funding Formula (NFF) methodology for the calculation of all Local Authority DSG funding blocks from 1 April 2018. Alongside this policy decision they have also provided an additional investment of £1.3 billion nationally, funded from savings within the Department for Education, which represents an approximate increase of +3%. In addition, the structure of DSG will be split into four blocks rather than three; schools, high needs, early years, and a new block for central school services.

2.42 For 2018-19 and 2019-20, the Schools' NFF will be soft. The methodology used to calculate a soft NFF for each Local Authorities Schools Block DSG allocation is as follows:

- The NFF factors and rates are applied to all Kent maintained schools, academies and free schools.
- Increases per school will be capped at +3% per pupil.
- All schools will receive a minimum increase of +0.5% per pupil.
- All school allocations are checked to ensure that they are funded at, or above, the newly introduced Minimum Funding Level (MFL). 2018-19 is

classified as a transitional year (in the context of MFLs) and the rates have been set at £3,300 for a Primary school pupil and £4,600 for a Secondary school pupil. These rates increase in 2019-20 to £3,500 for a Primary school pupil and £4,800 for a Secondary school pupil. The +3% gains cap does not apply to schools attracting the MFL.

These revised individual school allocations are then aggregated up to arrive at the total Schools Block DSG allocation for each year.

2.43 Local Authorities will continue to operate and set a local funding formula to distribute their Schools Block funding to their schools, in consultation with the Schools' Funding Forum.

2.44 The Government has stated their long term aim is to have all school budgets set on the basis of a single formula set nationally by Government, with no Local Government involvement – this is known as a hard NFF.

2.45 The Government confirmed on the 19 December 2017 the 2018-19 DSG settlement. In relation to the Schools Block, Kent is receiving £881.7m, which represents an increase of £42.3m (+5%) on 2017-18. This increase is due to the introduction of the NFF at £27.6m (+3.3%) and from growth in pupil numbers at £14.7m (+1.7%). The latter increase is matched by additional costs of funding schools for these pupils.

2.46 The impact of the introduction of the NFF will continue to provide additional funding to Kent in future years. In 2019-20 we are set to receive an additional £22.3m followed by a final balance of £12.2m once the NFF has been fully implemented. In total Kent will attract an additional £62.1m (+7.4% on 2017-18 baseline) from the introduction of the NFF once it has been fully implemented.

2.47 Although we are pleased with this additional investment into Kent schools, we remain disappointed that there continues to be significant disparity in funding rates per pupil between individual authorities which in our view are not justified. The introduction of a NFF has failed to deliver a fair distribution of the national funding available for school budgets.

2.48 The local authority is responsible for determining the formula used to allocate funding to individual schools, although changes to the regulations have significantly restricted the scope for local variations. The local authority is also responsible for setting a local Minimum Funding Guarantee (MFG) percentage. A MFG protects individual schools from losing no more than 1.5% per pupil year on year. The formula is agreed by the local authority following consultation with schools and the Schools' Funding Forum. As already outlined the allocation to schools will progressively move to a national formula with some aspects of local flexibility.

2.49 The Early Years Block amount per pupil is the same as 2017-18. The Early Years Block has separate amounts for 3 & 4 year olds and 2 year olds. The Early Years block includes additional funding for the additional 15 hours a week entitlement for 3 and 4 year old children of eligible working parents which commenced in September 2017. Eligibility for the additional 15 hours has been extended to now include Foster Carers.

2.50 The Early Years blocks allocation is initially based on the October 2017 pupil numbers and is then recalculated for any increase in January 2018 numbers, and will be recalculated again based on January 2019 pupil numbers with the final allocation based 5/12 on January 2018 numbers and 7/12 on January 2019.

2.51 The High Needs block is now based on a new NFF which consists of the following components.

- Basic entitlement at £4,000 per pupil in a special school.
- Historic spend factor
- Proxy factors including population, Disability Living allowance, Children in bad health, low prior attainment at key stage 2 and 4, free school meals and deprivation.
- Funding floor factor (this has been increased by +0.5%)
- Hospital education
- Import/export adjustment

2.52 Kent is a floor funded authority which means that we attract a minimal increase in our High Needs Block in 2018-19 of approx. £2m. However, this increase does not cover the anticipated growth in pupils with special educational needs and disability (SEND). Floor funded authorities take longer to receive additional funding and floor authorities are effectively "cash limited" irrespective of changes in need.

2.53 The High Needs Block will be adjusted during the year to reflect places funded directly by the Education Skills Funding Agency (ESFA) to academies and non-maintained schools and post 16 places funded through the sixth form grant to local authorities.

2.54 Local authorities currently have discretion about how they divide spending across the DSG blocks. Under the NFF this discretion would remain across High Needs, Early Years (with restrictions), and Central School Services blocks. For 2018-19 we are able to transfer 0.5% of the Schools Block into the High Needs Block to help meet the growth in SEND pupils. This transfer is supported by the Schools' Funding Forum.

2.55 In future local flexibility over transfers from the Schools Block is likely to be restricted and no details for 2019-20 or future years have been announced. This could impact on spending decisions on high needs and central services in future years.

2.56 A separate Pupil Premium was introduced in 2011-12. The amounts per pupil for 2018-19 will remain the same as 2017-18 i.e. £1,320 per primary age disadvantaged pupil, £935 per secondary age, and £300 for children from military services families. The only change is in relation to the Pupil Premium Plus which applies to looked after children/adopted from care, where the rate is increasing from £1,900 to £2,300 per eligible pupil. This increase is related to the introduction of a schools' NFF which does not include a looked after child factor. The pupil premium will continue to operate as a separate grant and will not be affected by the introduction of national formula for DSG and schools.

OTHER GOVERNMENT GRANTS AND FUNDING

2.57 A small number of separate individual un-ring-fenced grants will continue e.g. extended free school travel to disadvantaged families, compensation for additional discounts and reliefs on business rates, etc. Many of these grants have not yet been confirmed for 2018-19 in time for this version of the MTFP.

2.58 Asylum grants for 2018-19 have not yet been announced. The weekly amounts for unaccompanied asylum seeking children and those leaving care were increased during 2015-16 and have been the subject of further negotiation with the Home Office. In the budget for 2018-19 we have assumed these enhanced rates will continue to fund the cost of supporting unaccompanied asylum seeking children and asylum care leavers. Should the rates subsequently change we will need to change spending plans accordingly to manage within the budget although that will prove to be hugely challenging.

2.59 Public Health Grant for 2018-19 was announced on 21st December.

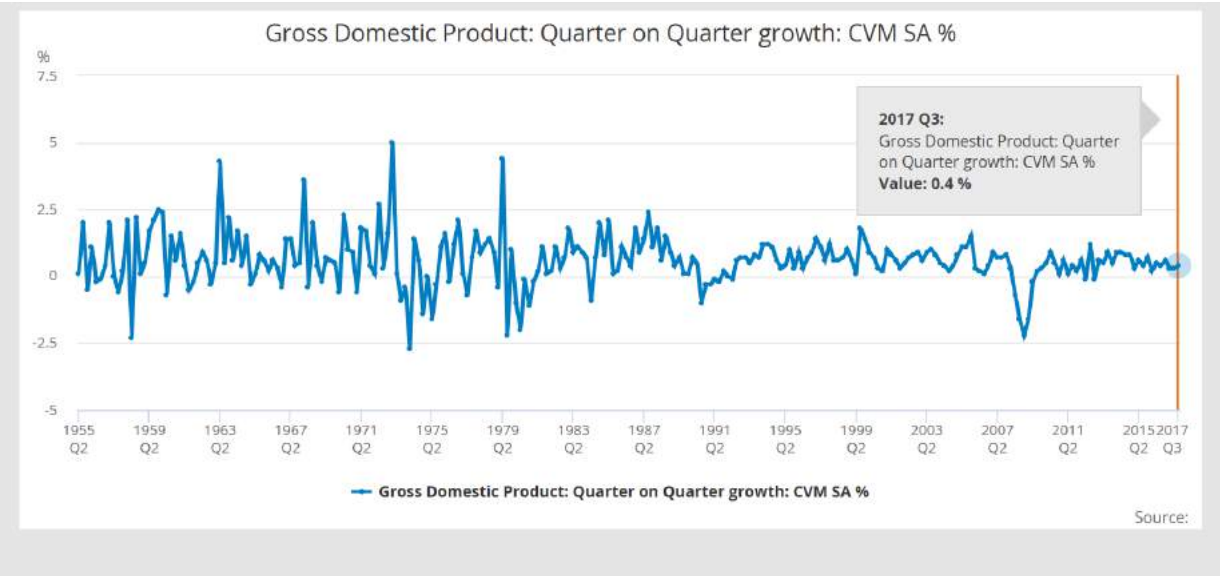
2.60 Individual Government departments will continue to provide local authorities with other specific ring-fenced grants for particular purposes. These grants are announced separately from the main Local Government finance settlement and will be reflected in budget monitoring during the year.

ECONOMIC FORECASTS

2.61 This section of the MTFP is drawn from the OBR November 2017 Economic and Fiscal Outlook and latest statistical information published by the Office for National Statistics (ONS). It focuses on key economic indicators for growth, inflation, unemployment and earnings. These key indicators are important for the County Council to take into account as they influence both the delivery of national policy objectives e.g. repairing the public finances, and local policy decisions within the budget e.g. provision for pay and prices, charges for services, council tax levels, etc.

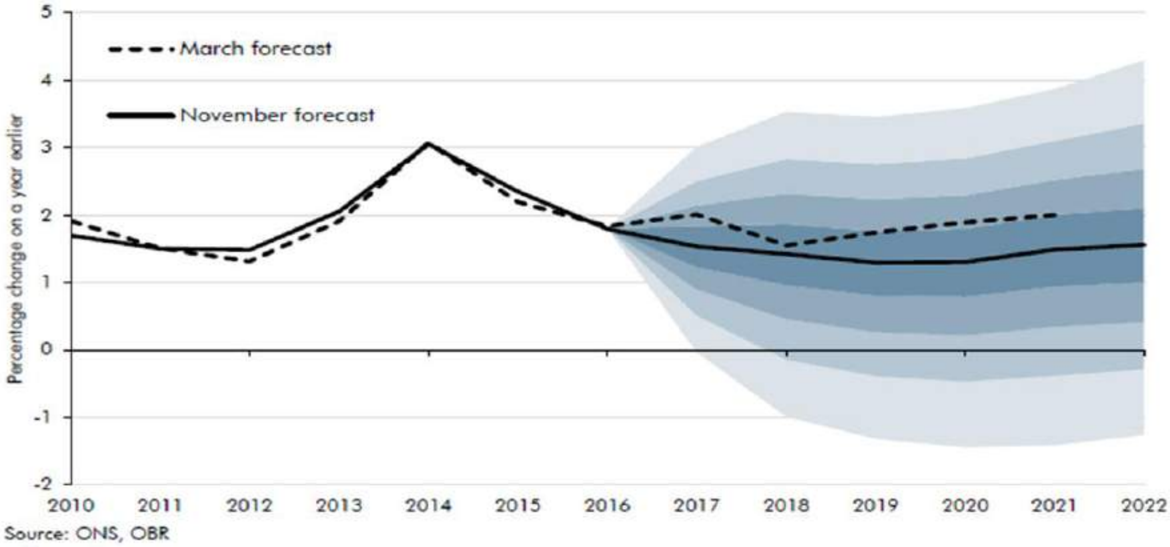
2.62 Overall economic activity is measured according to Gross Domestic Product (GDP). The latest preliminary estimate shows that GDP grew by 0.4% in the third quarter of 2017 following rates of 0.3% in each of the two preceding quarters. This equates to annual rate of growth of 1.5% from quarter 3 last year. Chart 9 shows the quarterly growth and total GDP as published by the ONS.

Chart 9 - Economic growth (GDP)



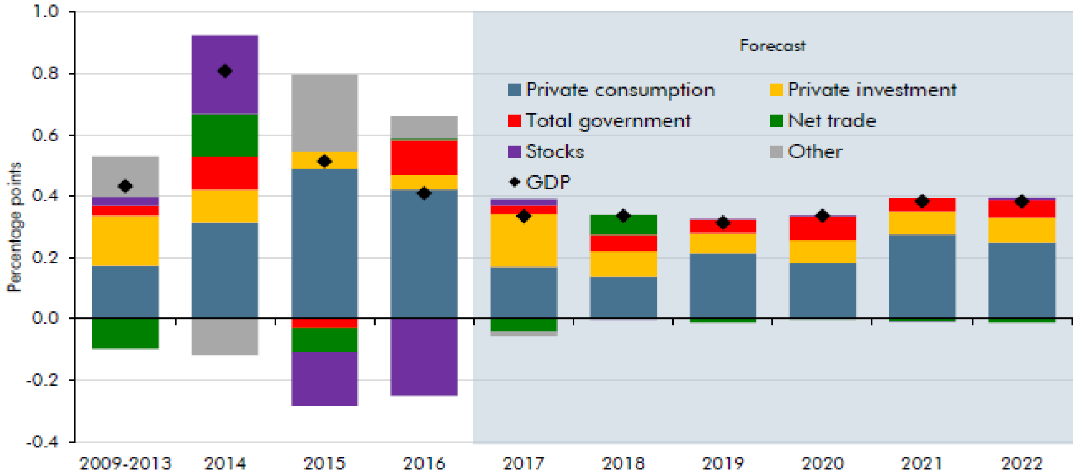
2.63 The OBR report included a forecast for future economic growth. As identified in the introduction to this section these growth forecasts have been lowered from previous forecasts on the back of lower consumer spending, and the slower pace of recovery in economic productivity. Chart 10 shows the OBR fan graph of growth predictions. The use of fan graphs has become a common as a way of showing the likelihood of predictions with the black line representing the median forecast, and the shaded areas representing 20% probability bands. The bands are determined according to forecast errors. The graph suggests there is an approximately a 1 in 4 chance that that economy shrinks in 2018-19 (recession).

Chart 10 - Real GDP growth fan chart



2.64 The OBR have analysed the contributory factors within the growth forecasts which shows the very stark reduction in the contribution from private consumption. Chart 11 is reproduced from the OBR report showing the contributory factors to average quarterly growth.

Chart 11 – Contributions to Average Quarterly GDP Growth



Note: 'Other' category includes the statistical discrepancy and the residual between GDP and the expenditure components prior to the base year (2015).
Source: ONS, OBR

2.65 The Government has set a target of 2% for the underlying rate of inflation as measured by the Consumer Price Index (CPI). CPI was first published in 1997 to measure inflation consistently across all European Union state. In 2003 CPI became the official Bank of England (BoE) inflation target. Retail Prices Index (RPI) has not been included in national statistics since 2013. This means that although it is recalculated each month the basket of indicators has not been updated. At the time it was removed, the UK Statistics Authority concluded RPI failed to meet international standards.

2.66 The UK Statistics Authority published a further independent review of UK price indices in January 2015. The review was led by the Institute for Fiscal Studies. Their report finds that other than not accounting for owner occupier's housing costs, the Consumer Prices Index (CPI) is a well-constructed measure of inflation. Instead of bringing the RPI up to date, Paul Johnston (Director of IFS) urged all public sector bodies to stop using the index "as soon as practicable" in settling pay, elements of the tax system and regulated prices such as rail fares.

2.67 A new measure of consumer inflation, CPIH which includes a measure of housing costs (owner occupier housing costs – OOH), has been introduced. From March 2017 CPIH has been published by ONS as the headline rate of inflation even though there were still some concerns about the measurement of OOH costs. CPIH is now included in national statistics and KCC recognises both CPI and CPIH as inflation measures for financial planning.

2.68 CPI in the year to September 2017 showed an increase of 3% over the previous year, CPIH showed an increase of 2.8%. Throughout the second half of 2016 and first half of 2017 we have witnessed a steady rise in inflation, mainly on the back of the fall in the value of the £ following EU Referendum result. This fall in the £ increased the cost of imported goods and services leading to higher prices than the previous year before the referendum. We would expect that this impact of the fall in the value £ would start to be less of a factor in the future as the year on year change is measured against broadly similar exchange rates, and consequently rates of inflation start to reduce closer to the 2% target.

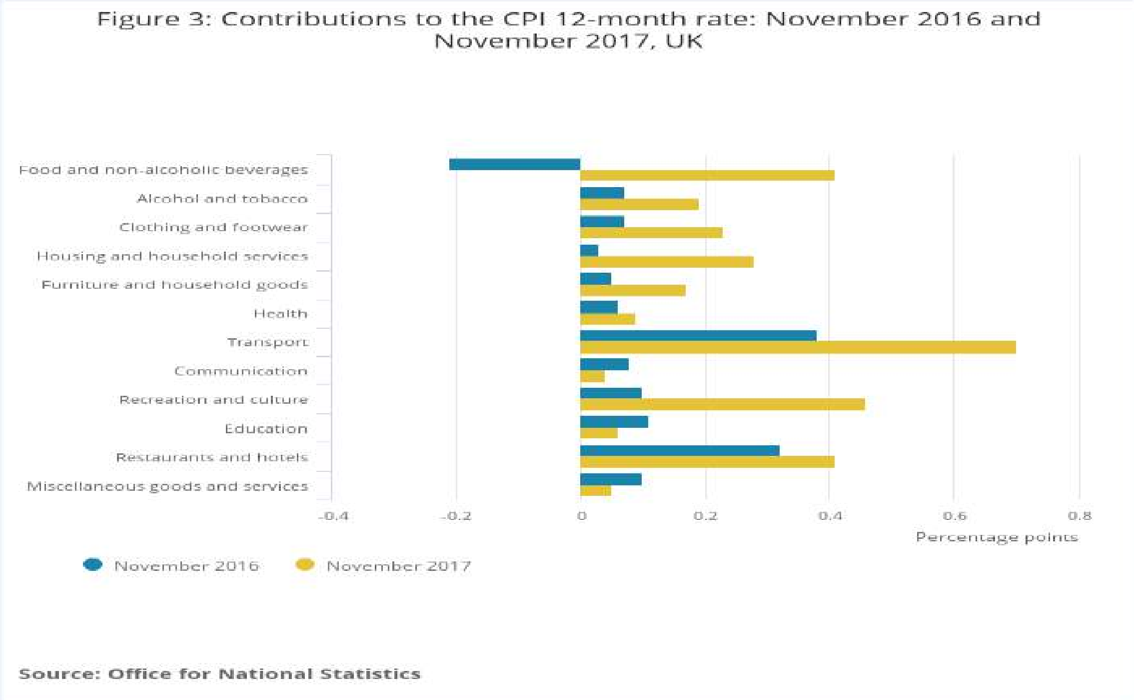
2.69 The September indices are important as they are used in the "triple lock" arrangements for state pensions (greater of increase in average earnings/CPI/2.5%). Disability benefits and carers allowances are also increased in line with September CPI. Most other working age benefits are to be frozen for 4 years from 2016. Business rates are to be increased in line with September CPI from April 2018.

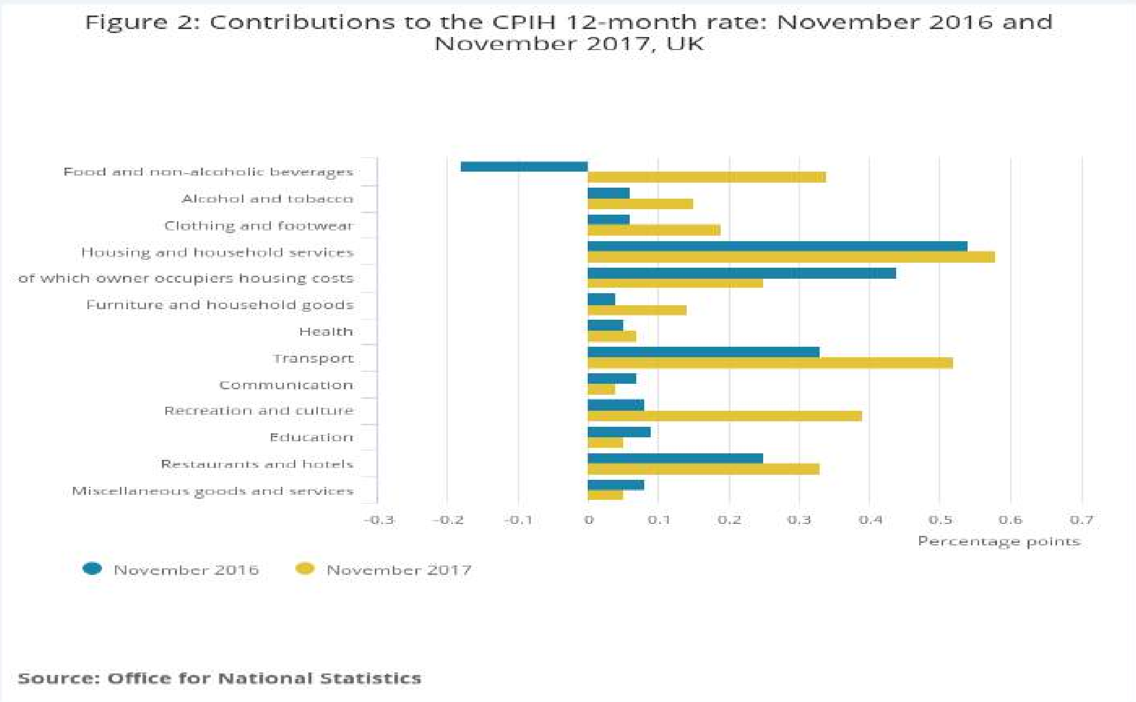
2.70 The October CPI remained at 3% and the latest November index shows 3.1% annual increase. October and November CPIH remained at 2.8%. The historical monthly consumer price indices (CPI and CPIH) are shown in chart 12 below (extracted from ONS).

Chart 12 - Monthly Consumer Price Index

2.71 Inflation indices are based on a basket of measures. Some items in the basket contribute to increasing inflation, some reduce it. Chart 13 shows the contributory factors to the November 2017 CPI and CPIH (extracted from ONS).

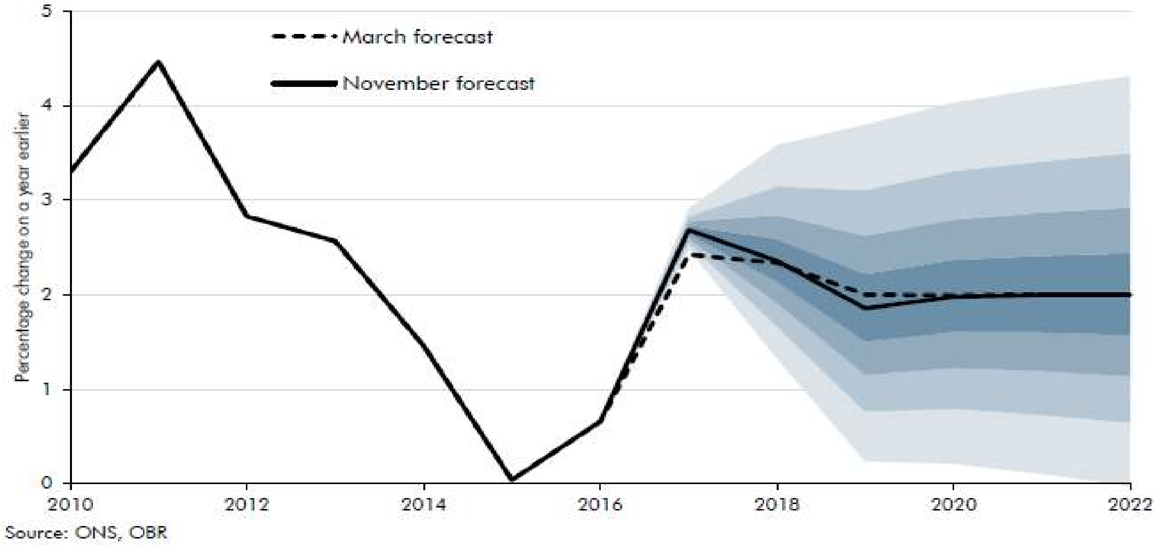
Chart 13 - Contributions to the 12 Month CPI Change November 2016





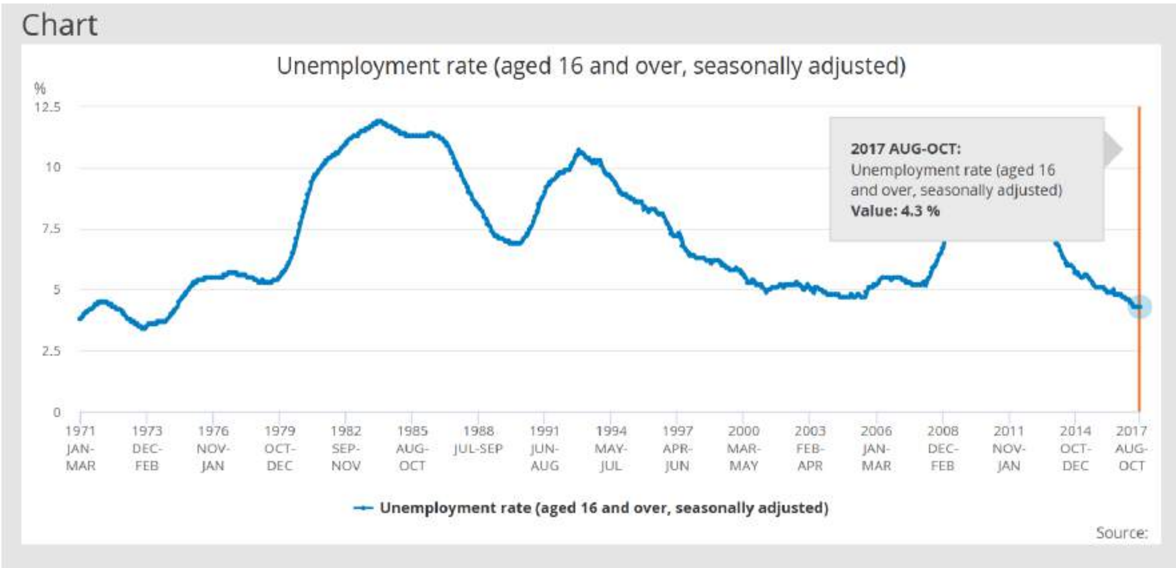
2.72 OBR expects inflation to fall back towards the 2% target during 2018-19 as the BoE's tightening of monetary policy starts to impact once the effects of the £s depreciation dwindles and domestic price pressures start to have a greater effect. The OBR inflation forecasts are reproduced in chart 14.

Chart 14 - CPI Inflation Forecast



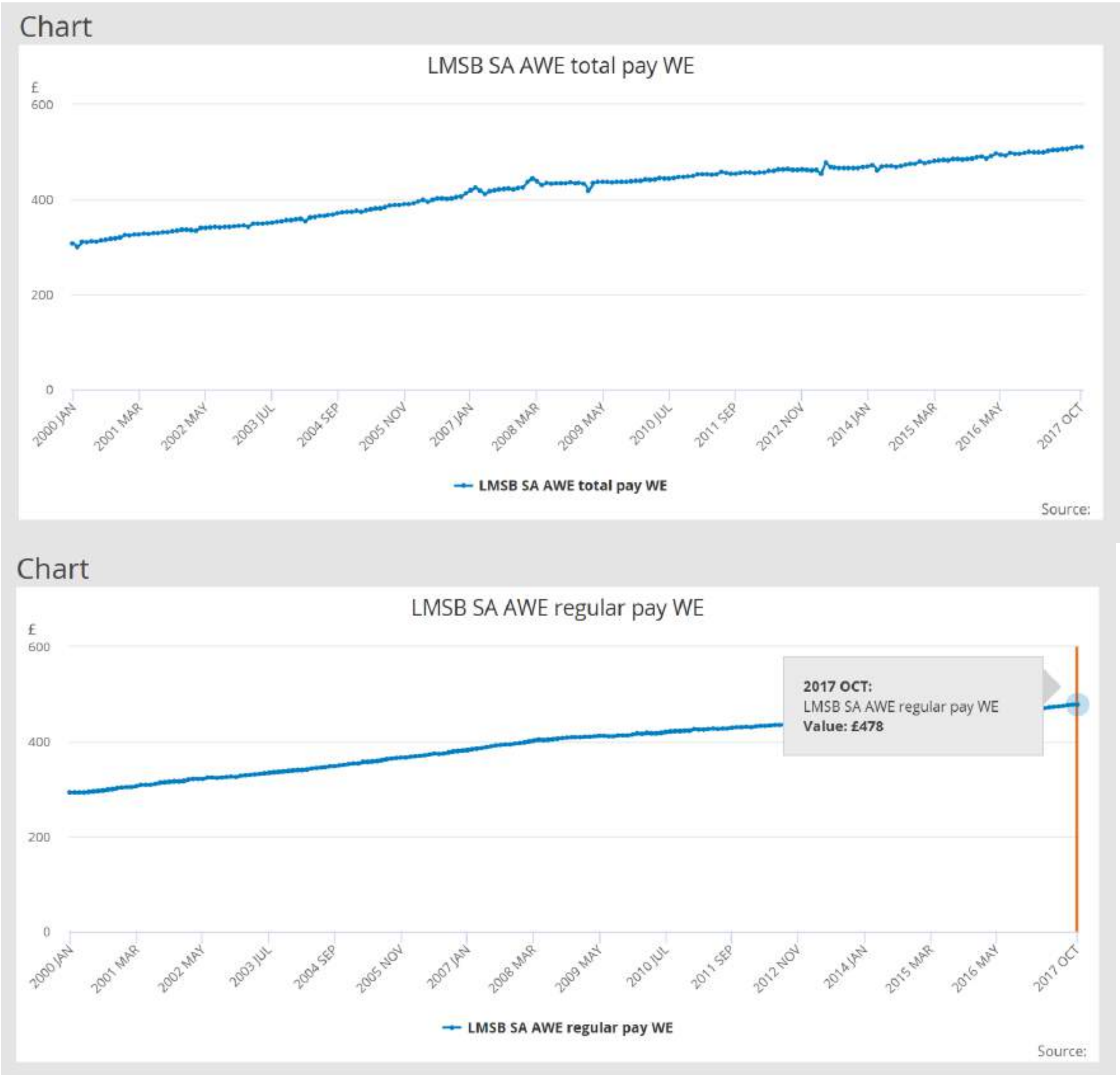
2.73 The unemployment rate continues to fall and stands at 4.3% at the end of the second quarter 2017, down from 4.8% at the same point last year. The historical unemployment rates published by ONS are reproduced in chart 15. The number unemployed as at October 2017 stood at 1.429m (down 0.183m from the same time last year). In total 32.08m people were in employment in October 2017 (75.1% of the population aged 16 to 64).

Chart 15 – Monthly Unemployment Rates



- The latest release from the Office for National Statistics shows that average weekly total pay for October 2017 were £510, an increase of £12 (2.4%) over the previous year. Regular weekly pay (excluding bonuses) averaged £478 in October 2017, an increase of £11 (2.35%) over the previous year. The change in average weekly pay published by ONS is reproduced in chart 16.

Chart 16 – Average Weekly Pay



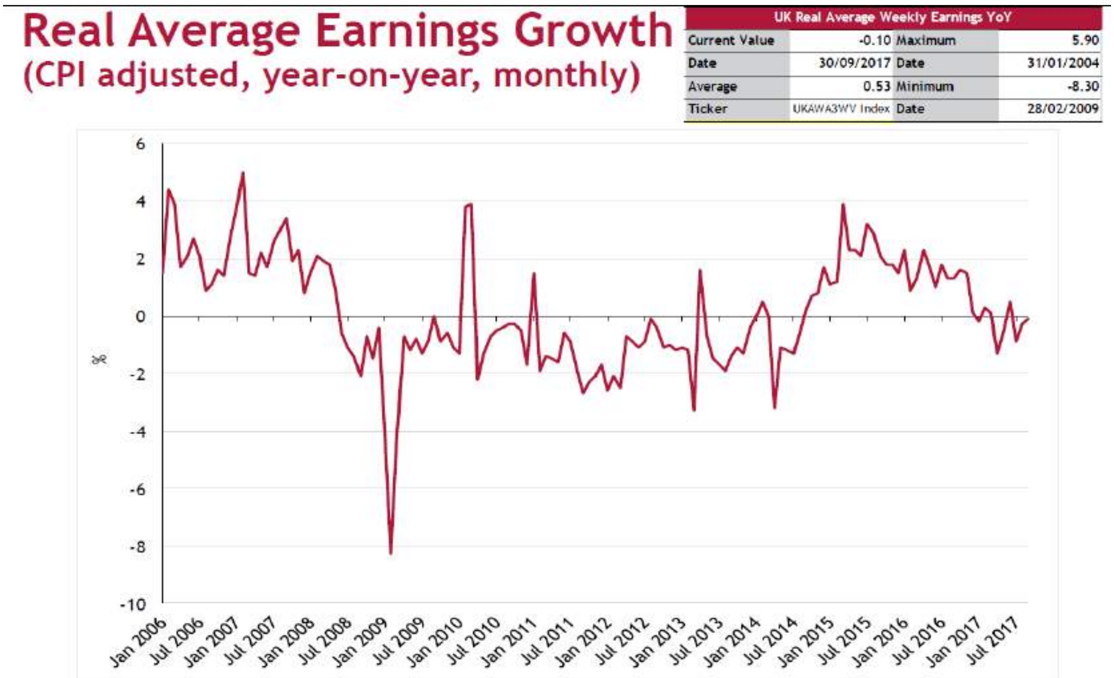
KCC's ASSESSMENT OF THE ECONOMIC AND FINANCIAL POSITION

2.74 The general state of the economy and public finances remain important considerations in setting the County Council's budget and MTFP. The previous budget and MTFP was developed against a background of much greater economic uncertainty following the EU referendum result and the impact on inflation. We have now seen that uncertainty unfold with reduction in consumer spending and consequential lower economic growth.

2.75 The adoption of new fiscal targets (deficit now more than 2% of GDP and total debt falling as % of GDP, by 2020) which left some headroom against forecast performance means that the Government has not had to reset public spending plans in order to still meet its targets despite gloomier economic forecast performance. This gives us greater short term assurance that the current four year settlement i.e. up to 2019-20, can be unchanged.

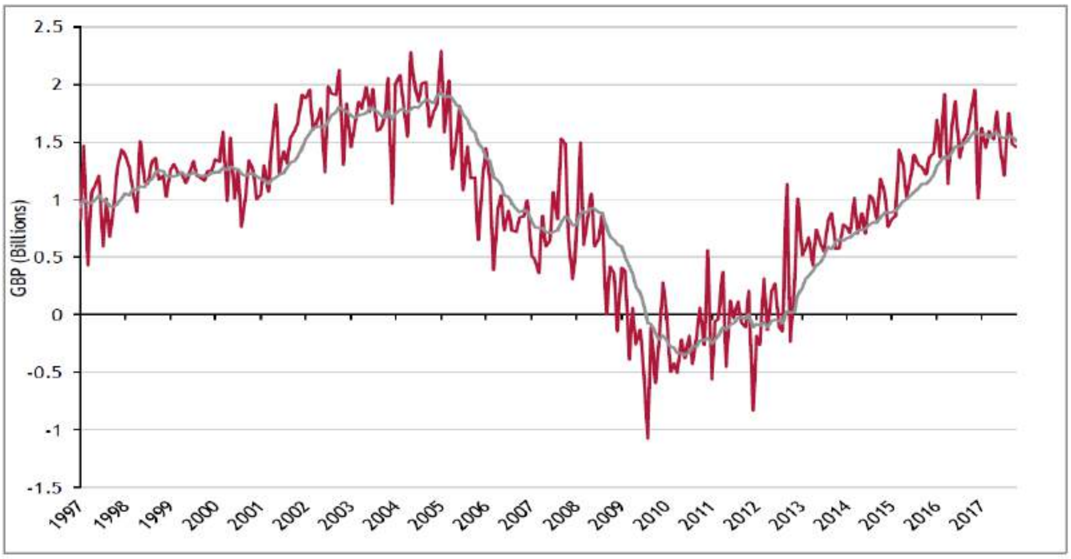
2.76 This year's MTFP is being developed against the background of continuing economic uncertainty. However, this is now combined with greater financial uncertainty as we come towards the end of the current four year funding settlement. As a result of this financial uncertainty we have only been able to publish a two year financial plan covering 2018-19 and 2019-20.

2.77 We have reached a similar conclusion to the OBR that economic growth forecasts should be weaker than previous forecasts. In particular we are concerned that this stems from pressure on household budgets which has reduced consumer spending. We have reproduced a series of graphs from the Council's treasury management advisors, Arlingclose, which shows recent trends on real earnings, consumer credit, savings, consumer confidence and ultimately retail sales.



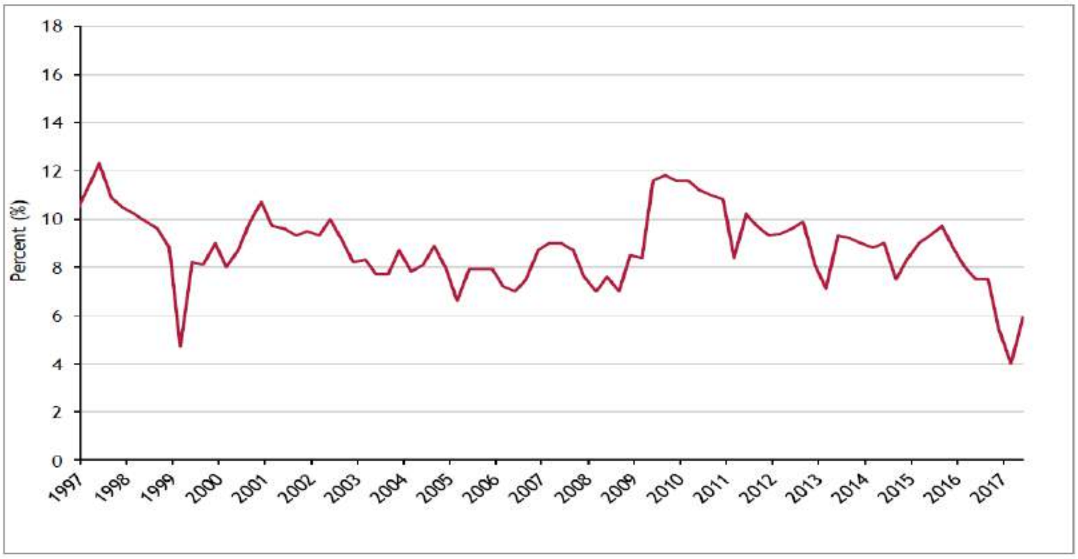
UK Consumer Credit Supplied (Monthly)

UK Consumer Credit Supplied			
Current Value	1.45	Maximum	2.29
Date	31/10/2017	Date	31/01/2005
Average	0.98	Minimum	-1.09
Ticker	UKMSB3PS Index	Date	31/08/2009



UK Savings Ratio (quarterly)

UK Savings Ratio			
Current Value	5.90	Maximum	14.10
Date	30/06/2017	Date	29/09/1995
Average	9.19	Minimum	4.00
Ticker	UKSVRATI Index	Date	31/03/2017

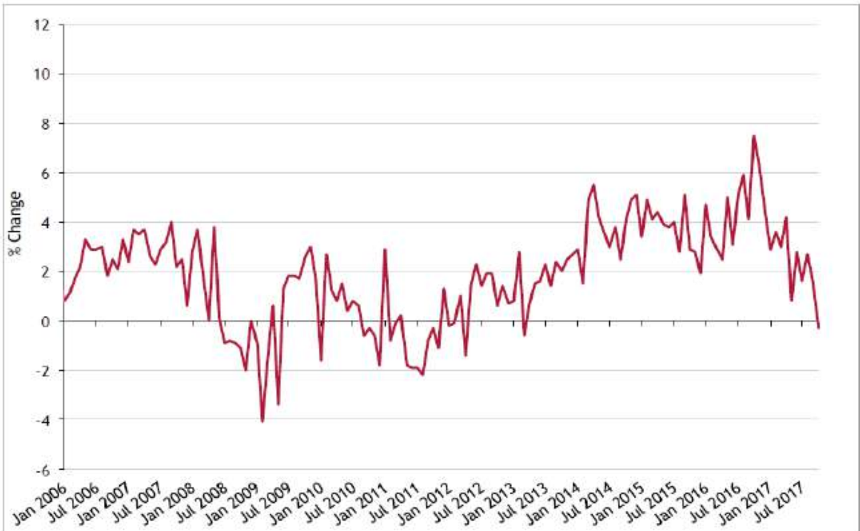


GFK UK Consumer Confidence (monthly)

GFK UK Consumer Confidence			
Current Value	-12.00	Maximum	7.00
Date	30/11/2017	Date	30/06/2015
Average	-12.77	Minimum	-39.00
Ticker	UKCCI Index	Date	31/07/2008

Retail Sales Excluding Auto Fuel YOY (monthly)

UK Retail Sales Excluding Auto Fuel YoY			
Current Value	-0.30	Maximum	7.50
Date	31/10/2017	Date	31/10/2016
Average	2.13	Minimum	-4.10
Ticker	UKRVAYOY Index	Date	28/02/2009



Retail Sales Monthly	
09/2016	0.0%
10/2016	2.0%
11/2016	-0.2%
12/2016	-2.2%
01/2017	-0.3%
02/2017	1.6%
03/2017	-1.2%
04/2017	2.2%
05/2017	-1.5%
06/2017	0.6%
07/2017	0.7%
08/2017	0.9%
09/2017	-.0.6%
10/2017	0.1%

2.78 The recent trends identified in these graphs show why we have concluded that lower growth on the back of reduced consumer spending is the most likely scenario. Incomes in real terms i.e. adjusted for prices, have been falling, consumer credit has started to reduce and household savings have started to rise. These three factors combined must mean there is less consumer money available to spend in the economy and results in low consumer confidence and fall in retail sales. At this stage the indications are that this will not lead to a full blown recession (two quarters of negative growth) but more likely the sluggish growth now predicted.

2.79 Sluggish growth means it will take even longer for the government to achieve its medium to long term goal of eliminating the budget deficit, and consequently without increasing borrowing also means that the end of austerity measures on public spending is not in sight for the foreseeable future.

2.80 The County Council recognises that overall pay within the economy has not kept pace with inflation and that household spending has been squeezed. Consequently significant increases in council tax are difficult to justify, particularly increases above the levels set out in the Core Spending Power calculations as part of the Local Government Finance Settlement. This Core Spending allows increases in line with inflation i.e. up to referendum limit, and the social care precept. These increases would have been factored into the consumer spending which informs the lower growth forecasts. Therefore, individual authority decisions about increases in line with referendum limits and social care precept should not make the economic situation any worse. Increases up to the referendum limit and for the 2% social care precept were included, and supported, in the Council's budget consultation.

2.81 The County Council recognises that some households have to manage on fixed incomes which do not keep pace with pay growth or inflation. These households will find any council tax increase difficult to cope with. District Councils are responsible for Local Council Tax Reduction Schemes (LCTRS) to provide discounts for households on benefits and low incomes. These schemes include "hardship funds" to provide additional help to households facing exceptional financial circumstances.

2.82 The County Council is proposing to raise the additional 2% social care precept over and above the standard referendum threshold. This proposed increase was supported by respondents to the budget consultation. Adult social care budgets continue to be under severe pressure due to a combination of cost, demographic and market factors. The social care levy will continue to be separately identifiable in the budget and linked to specific investments in adult social care.

2.83 The Council is not immune to inflationary pressures, particularly in relation to contracted and commissioned services. These include contracts with clauses linked to specific inflation indices which are higher than the general CPI. We also have a number of services where we have a statutory obligation to pay price increases imposed by contractors. We have some contracts which are negotiable. The Council has to meet any price increases either from council tax or other reductions in spending as there is no account of any spending increases in allocations from central Government (which are reducing in cash terms).

2.84 The County Council recognises the need to tackle the national budget deficit and the imperative for reductions in public spending. We intend to manage these through efficiency savings (doing the same for less) and by transforming the way we provide essential front-line services so that services are still available when people most need them. Through the transformation agenda we are aiming to deliver better outcomes and improved life opportunities for individuals at less cost to public spending. As part of the budget proposals we will continue to use the Council's reserves in order to manage the impact of funding reductions, although we have to recognise this only provides a short term solution and we will need to replace this with long term sustainable savings.

2.85 The Council will continue to put a high priority on stimulating economic growth in the County so that Kent residents and employers are in a position to derive maximum benefit from economic recovery.

KCC Medium Term Financial Plan

SECTION 3

Revenue Strategy

INTRODUCTION

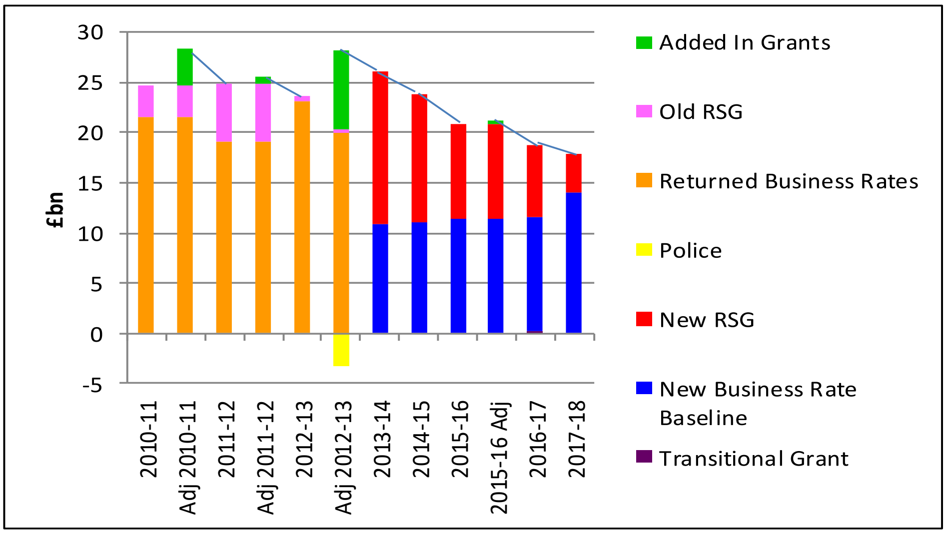
3.1 Revenue expenditure is what we spend on day to day services provided by the Council e.g. care for the elderly and vulnerable adults, ensuring access to high quality schools, libraries, running the road network, etc. It includes the cost of salaries for staff employed by the Council, contracts for services procured by the Council, the costs of financing borrowing to support the capital programme and other goods and services consumed by the Council. Our revenue spending priorities are determined according to the Council's statutory responsibilities and local priorities as set out within the Council's medium term financial plan.

3.2 Over the past 7 years we have had to make significant reductions in revenue spending in response to the national economic situation and the squeeze on public spending to tackle the national budget deficit. This was a period of significant change marked in the first 3 years by the transfer of previously separate grants into the main Local Government settlement. This effectively merged the previous Formula Grant distribution with the additional grants added in. Individual elements within the overall merged amounts were reduced by different proportions. The reductions in funding were disguised by these transfers, with reductions of between 8% and 12% per annum on a like for like basis in cash terms for the Local Government settlement.

3.3 From 2013-14 a new system was introduced with 50% of business rates retained locally and new Revenue Support Grant (RSG) based on the same individual elements from the previous system. RSG continued to be reduced with differing degrees of protection for individual elements. In 2016-17 further changes were introduced and while RSG continued to reduce, there was now no protection for individual elements, and RSG reductions were pro rata to both the original grant allocations and local authority council tax precept. The Spring Budget 2017 announced additional social care funding which, when combined with the "original" improved better care fund, provided a smoother funding stream for 2017-18 to 2019-20. The final local government settlement for 2018-19 included an extension of the social care support grant which was originally only provided as one off in 2017-18.

3.4 Chart 3.1 below shows the impact of these changes in the overall settlement for Local Government, on the best like for like basis, in order to give a picture of the funding scenario. This graph does not include a number of other lesser un-ring-fenced and ring-fenced grants, or council tax but demonstrates the scale in reductions in a significant element of local authority funding.

Chart 3.1



3.5 The revenue strategy for the next 2 years (2018-20) has evolved based on SR2015 and the 2016-20 Local Government finance settlement, which included indicative figures for 2017-18 to 2019-20. We have taken up the "four year" offer, which in return for the submission of an efficiency plan to DCLG provided a guarantee that these indicative allocations won't change other than in exceptional circumstances. KCC's estimated council tax precept, estimated additional spending demands and savings which would be necessary to ensure a balanced budget in each of 2018-19 to 2019-20, as shown in table 3.1.

	January Draft Budget (Black Combed)		Approved Budget		Changes	
Table 3.1	**2018-19 £m**	**2019-20 £m**	**2018-19 £m**	**2019-20 £m**	**2018-19 £m**	**2019-20 £m**
FINANCIAL CHALLENGE						
Spending Pressures	55.5	37.9	62.4	35.4	6.9	-2.5
Grant Reductions	46.2	28.2	42.3	32.1	-3.9	3.9
Impact of previous year's one-off savings	11.4	15.0	11.3	10.7	-0.1	-4.3
Total Challenge	**113.1**	**81.1**	**116.0**	**78.2**	**2.9**	**-2.9**
PROPOSED SOLUTION						
Increase in Council Tax base	13.4	6.7	13.5	6.7	0.1	0.0
Increase in Council Tax rate	31.7	26.8	31.7	26.8	0.0	0.0
Council Tax Collection Fund balance	-6.5	-6.0	-2.1	-10.3	4.4	-4.3
Change in local share of business rates	6.0	-3.3	8.4	-5.7	2.4	-2.4
Business Rate Top Up	4.2	3.0	4.7	2.5	0.5	-0.5
Improved Better Care Fund	8.6	7.4	8.6	7.4	0.0	0.0
Business Rates Compensation	2.4	1.9	2.8	1.5	0.4	-0.4
Other Grant increases	0.0	0.0	0.2	0.0	0.2	0.0
Identified savings	53.3	34.4	48.2	34.3	-5.1	-0.1
Total of solutions found to date	**113.1**	**70.9**	**116.0**	**63.2**	**2.9**	**-7.7**
Gap	0.0	10.2	0.0	15.0	0.0	4.8
Total Solution required	**113.1**	**81.1**	**116.0**	**78.2**	**2.9**	**-2.9**

3.6 As demonstrated in table 3.1 KCC's revenue budget strategy continues to be based on a holistic approach to setting our budget priorities, including estimating increased spending demands and identifying scope for savings to be made.

3.7 KCC's Budget Campaign and Consultation for 2018-19 was launched on 12th October 2017. This coincided with the publication of KCC's Autumn Budget Statement to County Council on 19th October. Further details of the funding, spending and savings assumptions were included in the County Council report and are not repeated in this document as they have now been updated.

https://consultations.kent.gov.uk/gf2.ti/f/862882/30542853.1/PDF/-/Autumn_Budget_Statement__Full_Report_201819.pdf

3.8 The final Local Government Finance Settlement included the announcement of an increase to the council tax referendum limit from 2% to 3% for 2018-19 and 2019-20. It was agreed at County Council on the 20th February that council tax would increase to the referendum limit and will raise an additional £6.3m in council tax receipts for 2018-19.

3.9 Since KCC's draft budget was published in January there have been a number of changes compared to the final approved budget, as shown in Table 3.1 and the main changes are explained as follows:

- The spending pressures have been revised due to the impact of population changes and estimated additional demand, including £2.4m for potholes/drainage repairs in response to severe weather; £3.9m additional social care funded from Social Care Support Grant.

- A smaller grant reduction in 2018-19 but a bigger grant reduction in 2019-20 which is largely due to the extension of the £3.9m of Social Care Support Grant announced as part of the final budget settlement.

- The council tax collection fund has increased by £4.4m, although the overall collection fund balance is £2.1m less than 2017-18.

- The local share of business rates has increased by £2.4m due to higher than estimated proceeds from the 100% business rate retention pilot.

- The identified savings have reduced by £5.1m to reflect the latest planned delivery and lower use of reserves.

LOCAL GOVERNMENT FINANCE SETTLEMENT 2018-20

3.10 The Local Government Finance Settlement sets out the Settlement Funding Assessment (SFA) and core spending power calculation for each authority. The SFA includes the provisional RSG allocation for 2018-19, and indicative for 2019-20. Table 3.2 highlights that the SFA decreased by £0.4m due to the recalculation of rateable values. There was no significant change between the provisional and final settlement for 2018-19.

Table 3.2	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
2017-18 Final Settlement				
Settlement Funding Assessment	283.4	241.9	218.8	197.0
of which:				
Revenue Support Grant	111.4	66.5	37.6	9.5
Baseline Funding Level	172.0	175.5	181.1	187.6
Tariff/Top-Up	124.0	128.9	133.0	137.7
Safety Net Threshold	159.1	162.3	167.5	173.5
2018-20 Provisional Settlement				
Settlement Funding Assessment	283.4	241.9	218.4	194.2
of which:				
Revenue Support Grant	111.4	66.5	37.6	9.5
Baseline Funding Level	172.0	175.5	180.7	184.8
Tariff/Top-Up	124.0	128.9	133.1	136.1
Safety Net Threshold	159.1	162.3	167.2	170.9
2018-20 Final Settlement				
Settlement Funding Assessment	283.4	241.9	218.4	194.2
of which:				
Revenue Support Grant	111.4	66.5	37.6	9.5
Baseline Funding Level	172.0	175.5	180.7	184.8
Tariff/Top-Up	124.0	128.9	133.6	136.1
Safety Net Threshold	159.1	162.3	167.2	170.9

3.11 Table 3.3 shows the alternative figures, now that KCC is included in the 100% Business Rate Retention Pilot for 2018-19. The SFA remains the same at £218.4m but as a result of the additional retention KCC is required to pay a tariff of £93.2m rather than receiving a top up of £133.6m. The safety net threshold has changed due to the additional retention and percentage changing from 92.5% to 97%.

Table 3.3	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
2018-20 Final Settlement				
Settlement Funding Assessment	283.4	241.9	218.4	194.2
of which:				
Revenue Support Grant	111.4	66.5	0.0	9.5
Baseline Funding Level	172.0	175.5	218.4	184.8
Tariff/Top-Up	124.0	128.9	-93.2	136.1
Safety Net Threshold	159.1	162.3	211.8	170.9

3.12 The Provisional Local Government Settlement on 19th December included confirmation that Kent and Medway is one of the 10 new areas approved to pilot 100% business rate retention in 2018-19. This will significantly increase the County Council’s share of business rates which will have to be used to fund RSG (rather than coming from a central grant). The additional retention also means that KCC will switch from receiving a top-up up to paying a tariff. The amount included in the budget for the Council's local share of retained business rates is an estimate determined by KCC finance staff. The approval of the Kent and Medway pilot for 100% retention means more of the business rates will be retained by all the councils in the local area. We have not yet had confirmation of KCC's share under these arrangements. Table 3.4 shows the overall funding for KCC for 2018-19 with and without the 100% Business Retention Rate Pilot.

Table 3.5	2018/19 Without Pilot £m	2018/19 With Pilot £m
Council Tax Funding		
Council Tax Yield	665.7	665.7
Council Tax Collection Fund	10.3	10.3
Business Rates		
Local Share of Business Rates	59.0	299.2
Business Rates Collection Fund	-0.2	-0.2
Government Funding		
Revenue Support Grant	37.6	0.0
Social Care Support Grant	3.9	3.9
Business Rate Top-up/Tariff	133.6	-93.2
Business Rates Compensation Grant	6.2	30.4
Improved Better Care Fund	35.0	35.0
New Homes Bonus & NHB Adjustment Grant	5.8	5.8
Other Un-ringfenced Grant	1.6	1.6
Total	**958.5**	**958.5**

3.13 The core spending power includes the settlement funding assessment plus the MHCLG estimate of the council tax precept (including extra social care levy), changes to New Homes Bonus grant, the phased introduction of iBCF, and the one-off extension into 2018-19 of the Social Care Support Grant. Extract 3.1 shows the original core spending power calculation from the 2017-20 final settlement.

<u>Extract 3.1: 2017-20 Final Settlement – Core Spending Power</u>

Kent

Illustrative Core Spending Power of Local Government;					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment[2]	340.0	283.4	241.9	218.8	197.0
Council Tax of which;	549.0	583.2	618.0	654.9	694.0
Council Tax Requirement excluding parish precepts (including base and levels growth)	549.0	572.0	594.5	617.9	642.2
Potential additional revenue from referendum principle for social care	0.0	11.2	23.5	37.1	51.9
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	0.0	0.0	0.0	0.0
Improved Better Care Fund	0.0	0.0	26.4	35.0	42.4
New Homes Bonus[3]	7.9	9.3	7.8	5.6	5.4
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0
Transition Grant	0.0	5.7	5.7	0.0	0.0
The 2017-18 Adult Social Care Support Grant	0.0	0.0	6.2	0.0	0.0
Core Spending Power	**896.9**	**881.6**	**906.0**	**914.3**	**938.9**
Change over the Spending Review period (£ millions)					41.9
Change over the Spending Review period (% change)					4.7%

Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.

[1] The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Finance Assessment figures after adjustments for pilots please see Key Information for Local Authorities.

[2] 2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment.

[3] New Homes Bonus allocations for 2018-19 and 2019-20 are for illustration purposes only. Actual payments will depend on housing delivery and are subject to change.

3.14 Extract 3.2 shows the revised core spending power calculation in the 2018-20 provisional settlement. The core spending power in 2018-19 is £19.6m higher than the indicative figure in the 2017-20 settlement. This is largely made up of:

- £9.2m extra from the higher council tax base and additional 1% Council Tax up to the increased referendum limit of 3%
- £6.7m potential additional from Adults Social Care Flexibility
- £3.8m extra to compensate local authorities for the under-indexing the business rate multiplier (including the compensation for the 2% indexation in 2014-15 and 2015-16).

Extract 3.2: 2018-20 Provisional Settlement – Core Spending Power

Kent

Illustrative Core Spending Power of Local Government;

	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment[2]	340.0	283.4	241.9	218.4	194.2
Compensation for under-indexing the business rates multiplier	2.5	2.5	2.3	3.8	5.7
Council Tax of which;	549.0	583.2	620.5	670.9	711.7
Council Tax Requirement excluding parish precepts (including base and levels growth)	549.0	572.0	596.9	627.1	658.9
additional revenue from referendum principle for social care	0.0	11.2	23.6	43.8	52.9
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	0.0	0.0	0.0	0.0
Improved Better Care Fund	0.0	0.0	26.4	35.0	42.4
New Homes Bonus[3]	7.3	8.9	7.4	5.8	5.8
New Homes Bonus returned funding	0.6	0.4	0.4	0.0	0.0
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0
Transition Grant	0.0	5.7	5.7	0.0	0.0
The 2017-18 Adult Social Care Support Grant	0.0	0.0	6.2	0.0	0.0
Core Spending Power	**899.4**	**884.0**	**910.8**	**933.9**	**959.8**
Change over the Spending Review period (£ millions)					60.4
Change over the Spending Review period (% change)					6.7%

Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.

[1] The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Finance Assessment figures after adjustments for pilots please see Key Information for Local Authorities.

[2] 2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment.

[3] New Homes Bonus allocations for 2019-20 are for illustration purposes only. Actual payments will depend on housing delivery and are subject to change.

3.15 Extract 3.3 shows the core spending power has increased by a further £4.2m between the 2018-19 provisional and final settlement. This is due to the one-off Adults Social Care Support Grant (£3.9m) and an increase in the compensation to local authorities the under-indexing the business rate multiplier (£0.3m).

Extract 3.3: 2018-20 Final Settlement – Core Spending Power

Kent

Illustrative Core Spending Power of Local Government;

	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment[2]	340.0	283.4	241.9	218.4	194.2
Compensation for under-indexing the business rates multiplier	2.5	2.5	2.6	4.1	5.6
Council Tax of which;	549.0	583.2	620.5	670.9	711.7
Council Tax Requirement excluding parish precepts (including base and levels growth)	549.0	572.0	596.9	627.1	658.9
additional revenue from referendum principle for social care	0.0	11.2	23.6	43.8	52.9
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	0.0	0.0	0.0	0.0
Improved Better Care Fund	0.0	0.0	26.4	35.0	42.4
New Homes Bonus[3]	7.3	8.9	7.4	5.8	5.8
New Homes Bonus returned funding	0.6	0.4	0.4	0.0	0.0
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0
Transition Grant	0.0	5.7	5.7	0.0	0.0
The 2017-18 Adult Social Care Support Grant	0.0	0.0	6.2	3.9	0.0
Core Spending Power	**899.4**	**884.0**	**911.2**	**938.1**	**959.8**
Change over the Spending Review period (£ millions)					60.4
Change over the Spending Review period (% change)					6.7%

Please see the Core Spending Power Explanatory note for details of the assumptions underpinning the elements of Core Spending Power.

[1] The figures presented in Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot authorities. For information about pilots please refer to the Pilots Explanatory Note. For the Settlement Finance Assessment figures after adjustments for pilots please see Key Information for Local Authorities.

[2] 2019-20 Settlement Funding Assessment has been modified to include a provisional tariff or top-up adjustment.

[3] New Homes Bonus allocations for 2019-20 are for illustration purposes only. Actual payments will depend on housing delivery and are subject to change.

3.16 There are also a number of other grants (both ring-fenced and un-ring-fenced) which are included as income in the budget (and thus reduce net expenditure and are not part of net budget requirement). A number of these grants have already been announced e.g. public health, etc. The budget includes estimates for other grants which have not yet been announced e.g. asylum grant.

COUNCIL TAX

3.17 The council tax base notification from District Councils shows a 2.18% increase over 2017-18 which is largely unchanged from the draft budget published in January. Initial analysis indicates that this larger than expected increase is due to a combination of more households being included on the valuation list and fewer discounts being applied (particularly council tax support), as well as higher estimates for new builds. We will produce a more detailed analysis of the underlying reasons for tax base increase following further investigation with district councils. This analysis will identify separately the impact of new households, changes in discounts and exemptions, and collection rates.

3.18 We have received notification of the collection fund balances from all districts which were reflected in the report to County Council on 20th February 2018. The statutory requirement to set a balanced budget must include a reasonable estimate of collection fund balances for the current year as well as the estimated tax base for the following year which are used to calculate the amounts to precept from district councils.

3.19 The strategy for the forthcoming MTFP is built on the assumption that the County Council element of council tax will be increased up to the revised referendum limit of 3% in 2018-19 and currently assumes 2% for 2019-20. This is consistent with the Council's low tax objectives, and the desire to drive out efficiency savings. However, there is still a budget gap in 2019-20 and increasing the council tax up to the 3% revised referendum limit is an option to help resolve this. This provides the Council with a sustainable source of income. The strategy is also based on levying the additional 2% social care precept each year until 2019-20. Despite planning for annual council tax increases this will not fully cover additional spending demands and reductions in Central Government funding. Significant savings are still forecast to be required to make up the difference.

3.20 The forecast council tax also includes an estimate of 1% annual growth in the tax base from new dwellings/discounts in future years. We will review these future forecasts considering the fuller analysis referred to in paragraph 3.16.

3.21 It is vital to the revenue strategy that the County Council continues to foster good relationships with district councils to maximise the collectable council tax base and collection rates, to our mutual benefit. For its part the County Council has committed to help district councils cover their additional costs in managing local council tax support schemes for a further 3 years, this includes a new "Incentive Scheme" and contribution towards local hardship schemes through collection funds. The County Council is also committed to supporting districts in other ways to maximise the council tax yield including removing erroneous claims for discounts and exemptions and tackling fraud.

This close collaboration is reflected in the larger than anticipated increase in the tax base for 2018-19.

SPENDING DEMANDS

3.22 Forecasts for spending demands are based upon a combination of in-year monitoring of budgets and estimates for the impact of anticipated changes over the forthcoming year. The impact of needing to replace one-off actions from reserves and underspends agreed as part of setting the 2017-18 budget is also shown as additional spending demand.

3.23 At the time of the budget consultation we estimated the following additional spending demands:

- £0.254m realignment of 2017-18 base budgets. Any additional forecast over spends in 2017-18 hadn't been included as corrective management action was still under development.
- £25.8m for estimated pay and price increases in 2018-19.
- £16.9m for estimated future demography and demand pressures on services.
- £10.2m for local service strategies (including additional funding for borrowing to support the capital programme).
- £10.8m to replace one-off use of reserves and underspends in the 2017-18 base budget.
- -£6.9m for government and legislative changes, including reduced Social Care allocation via the iBCF.
- £1.8m reduction in grant funding.

3.24 The approved budget has the following additional spending demands:

- £12.5m realignment of 2017-18 base budget and forecast over and underspends during 2017-18
- £25.1m for estimated pay and price increases in 2018-19
- £17.1m for increasing complexity of existing clients and forecast demand and demographic pressures on services from new clients and service users
- £12.7m for local service strategies, including an additional £2.4m for highways drainage and pot-hole repairs and £3.9m additional one-off funding for Social Care with the extension of the Social Care Support Grant into 2018-19 (initially provided as a one-off in 2017-18)
- £11.3m to replace one-off use of reserves and underspends in the 2017-18 base budget
- -£6.9m for government and legislative changes, which includes a reduction in the social care allocation via the iBCF.
- £1.8m reduction in grant funding.

3.25 Since the budget was approved by County Council a further £2m was agreed by Cabinet on 26th March 2018, to go into a pothole fund in response to the severe weather. The figures have been adjusted to reflect this change.

3.26 Full details of the additional spending demands for 2018-19 are set out in Appendix A(ii) of the MTFP and over the 2 year plan in Appendix A(i). All managers in the County Council must do all they can to find ways to reduce and avoid additional spending demands as this reduces the need to find savings to offset the impact of estimated future funding reductions. This will need to be a more significant feature of future revenue budget strategy in the future i.e. to try to avoid the need to find money to fund additional spending demands.

SAVINGS AND INCOME

3.27 Over the last few years the County Council has had to make unprecedented levels of savings to offset the impact of reduced Government funding and meeting the cost of additional spending demands. This trend looks likely to continue for the foreseeable future, although the Chancellor's recent Spring Statement indicated this may not be as severe as previously expected.

3.28 Council tax increases are included in the national financial and economic strategy as part of the fiscal consolidation to repair the public finances. This is reflected in KCC's revenue strategy, including the additional 1% council tax increase announced in the provisional settlement. However, council tax is only part of the solution and significant amounts are still anticipated to be needed from delivering further savings. For convenience we have separated these into separate sections covering transformation savings (providing the same or better outcomes from alternative approaches at less cost), income generation, efficiency savings (doing the same for less), financing savings and policy savings (things we accept we can do less of, restrict services or stop altogether).

3.29 At the time of the consultation we estimated the need to make £62.5m of savings in 2018-19 in order to balance the combination of additional spending demands, reduced central funding and council tax increase up to the referendum level and social care levy. Without the proposed increases in council tax £87.6m of savings would have been required.

3.30 The budget approved by County Council included £48.2m of savings and the final MTFP and budget identifies the need for £50.2m of savings in 2018-19. This represents an increase of £2m since the budget was approved at County Council on 20th February 2018 due to a further £2m drawdown from reserves to fund pothole repairs in response to the recent severe weather, as approved by Cabinet on 29th March 2018. Savings have reduced by £12.3m since the consultation which has been possible as a result of increases to our funding levels: the higher council tax base, additional 1% increase in council tax since consultation, extension of the Social Care Support Grant into 2018-19, minor changes to other grants and the proceeds from the 100% business rates pilot are funding a combination of both this reduction in savings and increased spending demands.

3.31 A significant amount of the savings for 2018-19 (£14.3m) is from financing savings. This includes one-off drawdown from long-term reserves in 2018-19 in addition to previous year's ongoing annual drawdowns and repayment of previous years borrowing against long term reserves and the outcome of a review of MRP amounts to repay debt when loans mature. This approach has knock-on consequences for 2018-19 and future years. The income proposals include additional returns on investments through revised treasury management strategy. Details of all the savings proposals for 2018-19 are set out in Appendix A(ii) of the MTFP and for 2 years in Appendix A(i).

BUDGET CONSULTATION AND ENGAGEMENT

3.32 A budget communication and consultation campaign was launched on 12th October 2017 to coincide with the publication of KCC's Autumn Budget Statement to County Council on 19th October. This was aimed at increasing public understanding of the financial challenge, particularly around growing demand for council services and central funding reductions, and KCC's council tax proposals. Consultation was open from 12th October to 3rd December 2017. The consultation sought views on council tax and KCC's budget strategy in response to the challenge of increasing spending demands/costs and reduced Central Government funding.

3.33 A separate report on public engagement with the campaign and consultation, is available at:

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

3.34 The consultation sought views on increasing council tax up to the referendum limit (assumed at 2% at the time of the consultation) and for the social care levy (2%). Responses indicated support for both increases in order to provide funding towards unavoidable spending demands and to protect frontline services. However, a third of respondents were opposed to the increase up to the referendum limit and Social Care Levy and therefore do not support council tax increases. This is consistent with responses in previous years.

3.35 The responses on how far the proposed budget effectively supports KCC's core strategic objectives were mixed. A similar number of respondents thought the budget proposals were right, compared to those who thought the council should go further to protect services which support these objectives, and those that thought additional protection should be given to other services.

3.36 It was agreed that this year's consultation strategy took an innovative and different approach to be more engaging through the use of social media rather than market research. This approach resulted in an increased response rate at a lower cost. The consultation information was published as part of the background information and appendices to Cabinet and County Council decisions. We accept that further work is needed to improve communication of the financial challenge and how the Council spends public money.

RESPONSE TO THE 2018-19 PROVISIONAL SETTLEMENT

3.37 The provisional settlement was announced on 19th December 2017. This year's settlement included the increase in the council tax referendum limit to 3%. Responses to the settlement needed to be submitted by 16th January 2018. We made a full response despite the exceedingly tight timescale, at the same time as preparing the final budget proposals.

3.38 KCC's response acknowledged the announcement that Kent and Medway have been approved as one of the business rate pilots in 2018-19 and that the Secretary of State was able to approve more pilots than originally envisaged. This will enable KCC to retain more business rate growth income locally to support the financial sustainability of local councils during a transitional phase in local authority funding as we move to a reformed system, and to promote further economic development.

3.39 The response affirms that the changes to the council tax referendum rules allow further taxes to be raised locally, and thus is a further shift from centralised grants to local taxation, placing additional financial burdens on residents. KCC believes the settlement was a missed opportunity and that a central solution is urgently needed. The financial strain on council budgets may mean we have no choice but to ask for the additional tax from local people.

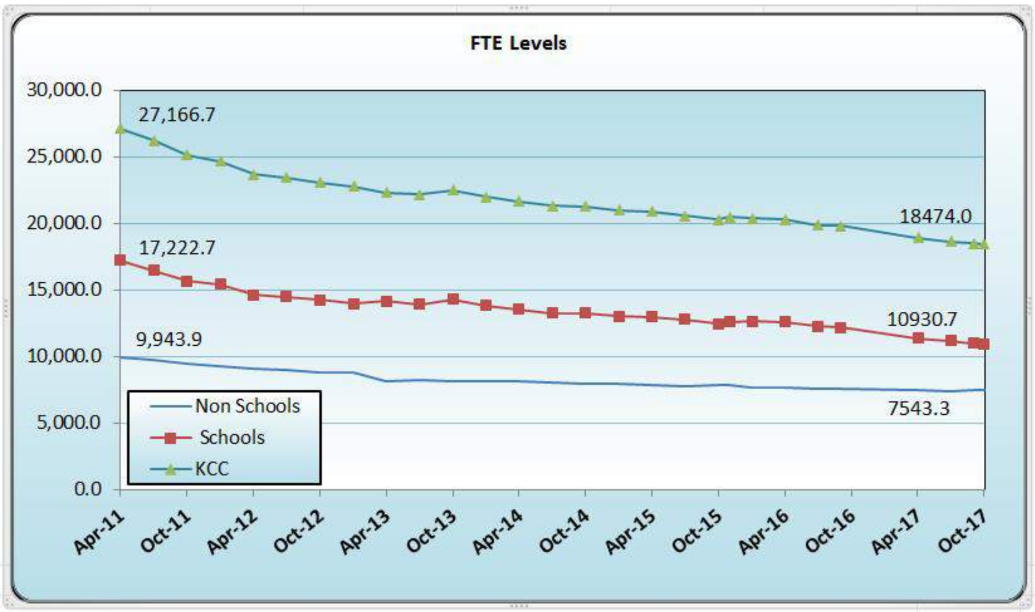
WORKFORCE STRATEGY

3.40 KCC's aim is to develop a workforce that is engaged and adaptable to change and has the skills, knowledge & behavioural competencies to support & deliver effective services to (external & internal) customers. This is delivered within well-constructed and appropriate terms and conditions and reward structure and organisational development plan.

3.41 KCC is committed to organisational design principles intended to ensure the alignment of our people, structure and processes to maximise the capacity and performance of the management structure and decision making accountability. We have developed an approach to succession planning and talent management to ensure we will continue to have a workforce that will meet our service requirements.

3.42 Chart 3.2 sets out the changes in full time equivalent (FTE) staff numbers since April 2011

Chart 3.2



Changes in staffing levels:

Between April 2011 and October 2017, the Authority's workforce decreased by over 8,600 full time equivalents.

Non Schools:

- Almost 30% of this reduction was from the non-schools sector (2,400 FTE) and changes included:
- Commercial Services leaving the Authority in April 2013, resulting in a reduction of around 470 FTE.
- Pupil Referral Units being reported under the 'Schools' sector from April 2013, accounting for a decrease of 265 FTE.
- 98 FTE staff transferred from the contact centre to Agilisys, 80 FTE staff transferred from Property to GEN2 and 111 FTE staff transferred from Legal Services to Invicta Law
- 1,516 redundancies in the non-schools sector during the period April 2011 to September 2017
- Sickness levels in the non-schools sector, calculated as an annual rolling average, showed a reduction from 7.8 days lost per FTE in April 2011, to 6.96 days lost in 2017.

Schools:

- The number of staff in the schools sector decreased by over 6,000 FTE in the period April 2011 to October 2017.
- Schools may opt to purchase HR and Payroll services from providers other than KCC and the number of schools buying KCC's services varies from year to year, which impacts on reported staffing numbers. Additionally, numbers have decreased as schools have left the Authority to adopt Academy status (230 schools since April 2012).

3.43 Despite the reduction in staffing numbers overall, we still have a large workforce that need effective mechanisms for recruitment, retention and performance management. The continued transformation agenda across all Directorates requires a suitably competent workforce in the right place at the right time. We maintain organisational wide programmes intended to increase resilience, empowerment, new working practices and eliminating duplication of effort and processes.

BUDGET 2018-19

3.44 Our budget provides £75.7m of additional spending demands including the following major new investments for 2018-19:

- £1.8m into Children's Social Care for contractual price increases.
- £2.6m into home to school transport for price and forecast demographic trend for 2018-19.
- £2.5m into Children's Social Care in response to increasing complexity of children in care and care leavers.
- £1.1m into Specialist Children's Services for additional social workers
- £1.8m investment into the Education Schools Company.
- £1.5m investment into Business Service Company.
- £10.9m to Adult Social Care for contractual price increases.

- £10.8m into Adult Social Care for higher than budgeted clients in 2017-18 and forecast increasing complexity of need and rising numbers of older people/vulnerable adults in receipt of council funded care in 2018-19.
- £12.5m of budget realignment related to emerging pressures in 2017-18 and underdelivered savings.
- £4.9m into Highways, Waste and Public Transport for contractual price increases and forecast demographic trends as a result of population and housing growth.
- £1.5m into Adults Social Care for additional safeguarding social workers.
- £1.5m into Adult Social Care for additional Deprivation of Liberty Safeguard (DOLS) assessments following the Cheshire Judgment 2014.
- £0.7m for training, maintenance & licence costs for the new Adult Social Care performance system.
- £4.5m into pay and reward.
- £3.9m additional spending funded by the social care funded by the extension to the Support Grant announced in the final Local Government Settlement.
- £2.4m into Highways Maintenance.
- £2.0m into a Pothole Fund in response to the recent severe weather.

3.45 Our budget includes the following major areas for £50.2m of savings and income in 2018-19:

- £3.8m Adults transformation programme.
- £4.6m Increased income from charges.
- £0.9m LED Lighting.
- £1.8m Strategic Commissioning restructure.
- £4.3m Staff restructures.
- £1.2m increased income from treasury management investment.
- £0.7m trading income.
- £2.0m Integration of Children Services.
- £2.8m Public Health commissioning.
- £1.0m Review of Commissioned Early Help and Preventative Children Services including Children Centres.
- £3.0m Housing related support savings.
- £1.2m Rationalisation of Adults Preventative Services.
- £6.3m Use of directorate reserves.
- £2.6m Drawdown from central reserves.
- £5.3m Review of debt repayments.
- £0.5m Subsidised Buses.
- £2.5m Review of Grants, Subscriptions and Contract Efficiencies.
- £1.0m Asset Rationalisation.

3.46 The previous paragraphs have set out where we have changed the budget to reflect our strategies and plans next year. What can often be overlooked are those services we have been able to protect, and these include (but not exclusively):

- Social Care services for the most vulnerable elderly, adults and children;
- Pothole repairs;
- Library services;
- Provision of waste recycling facilities;

- Home to school transport (including Young Person's Travel Pass (YPTP);
- Economic Development.

SENSITIVITY ANALYSIS

3.47 Our budgets are constructed using sound and prudent assumptions which cover spending, inflationary pressures and our ability to realise additional income generation, efficiencies and service transformation. We are confident that the budgets can be delivered. However, there are a number of budget areas that we need to keep a close eye on in case circumstances change. These are listed in Appendix F - Key Budget Risks 2018-19.

3.48 We are fully aware of the high risk budgets within the Council, which are largely those over which we have limited or no control in the short term. We will continue to focus support to the highest risk areas (financial, operational and reputational). The general reserve to meet unforeseen circumstances is forecast to be £36.7m at the end of 2017-18, which equates to just under 4% of 2017-18 net expenditure.

3.49 The budget includes a one-off drawdown of £6.3m from directorate earmarked reserves and £2.6m from central earmarked reserves in 2018-19, in addition to previous year's one-off drawdowns and borrowing against long term reserves. As a general rule we would not recommend using such reserves to balance the budget but in difficult times this is a necessary expediency.

CONCLUSION

3.50 The Government has set us a massive challenge to lead the way in making public expenditure reductions. In our budget, we have followed our revenue strategy, reflecting genuine and unavoidable spending demands and cost increases, and driving out efficiency savings across the organisation. It has been a real challenge, but our budget reflects the structural changes which will ensure we have a lean and efficient organisation, fit for the economic climate we face.

3.51 We are increasing council tax in line with the increased referendum limit announced in the provisional settlement and a further 2% increase specifically for adult social care services. It would be unreasonable to increase council tax beyond the proposals. This pattern of increasing spending demands imposed on council services, reduced central funding, and significant savings/spending reductions in order to balance the budget is likely to continue for the foreseeable future.

KCC Medium Term Financial Plan

SECTION 4

Capital Strategy

INTRODUCTION

4.1 The Capital Programme has invested on average £238m per annum over the last three years. The most significant areas of capital investment have been directed at Schools and Highways. The preceding capital strategy was implemented from the financial year 2013-14. This had a transformational stance which forced the Council to look at alternative ways of delivering outcomes, together with using less of the Council's own resources at a time of fiscal restraint and the change in emphasis towards capital investment by the government part way through the 2011-15 spending period. The aim is to build on this approach as part of developing a new strategy now that the period of fiscal restraint looks likely to continue for the foreseeable future.

4.2 The capital strategy has been refreshed to take account of the current financial climate and the impending pressures on the capital programme. This will be relevant for the 2018-21 medium term plan. New bids that have come forward for the 2018-19 budget setting process have been assessed against the existing criteria, and projects coming forward for 2019-20 and beyond will be assessed against the new strategy.

Capital Strategy Drivers

4.3 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 under the prudential system.

4.4 KCC's drivers for the Capital Strategy are (in no specific order):

- To align with the Council's strategic outcomes,
- To meet statutory requirements,
- To be affordable,
- Invest/spend to save schemes.

The Council's Strategic Outcomes

4.5 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.

4.6 Capital investment should also evidence how it will support the priorities and principles set out in significant strategies, including (but not limited to):

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

A full list can be found in KCC's Strategy and Policy Register.

New bids to the Capital Programme will be assessed against the Council's Strategic and Supporting Outcomes and the other Capital Strategy Drivers outlined above as part of the Capital budget setting process. Should the strategic objectives be reviewed as part of an update to Increasing Opportunities Improving Outcomes then uncommitted capital projects will be reassessed against the new criteria. Projects which are necessary to meet the Council's statutory requirements will inevitably be given a higher priority under the strategy than non-statutory projects even where these would deliver a higher contribution to the Strategic Objectives.

Affordability

4.7 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" – our capital funding decisions can have significant revenue implications. Every £10m of prudential borrowing costs approximately £0.8m per annum in revenue financing costs (including repayment of the principal) for 25 years, assuming an asset life of 25 years. For ICT 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 front line services, and this should be considered alongside revenue pressures.

4.8 In assessing affordability, indicators set by the Prudential Code and KCC's own internal set of fiscal indicators need to be considered. The most significant of these being "Net debt costs should not exceed 15% of net revenue spending". This fiscal indicator was first established in 2011 at the outset of the current period of austerity. At the time it was anticipated that the period of austerity would only last four years. The 15% was calculated so that it was not so draconian that capital investment was ceased leading to a backlog. However, as the period of fiscal restraint has lengthened we have sought to undershoot the target. Over the past three years this indicator has been reducing as a positive result of prudent spending, and at the end of 2016-17 this was around 13%.

4.9 Any additional borrowing will result in this indicator moving back towards the 15% limit, and will need to be carefully monitored and managed.

4.10 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, as rephasing is a common occurrence. If a project slips, funding assigned to that project could have been attributed to other worthy projects that were ready to go. 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.

4.11 Having taken into account the various affordability tests, it is considered that there is potential to borrow a maximum of an additional £100m over the medium term 2018-21. Projects will be assessed against the criteria to determine which go forward into the Capital Programme.

Statutory Requirements

4.12 KCC will ensure that appropriate capital budget is allocated on a risk assessed approach, to meet our 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, just because there is 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. For example, additional school places required on a temporary basis may have: option 1 as an extension, option 2 for mobile accommodation, and option 3 use of existing school buildings but staggering times. Funding options for capital projects will be to use specific grants for their intended purpose first, and where grant is not sufficient other sources of external funding will be explored, before tapping into KCC resources as a last resort.

Invest/Spend to save bids

4.13 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. 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 realistic within a reasonable period.

Enhancement of Existing Estate and Roads

4.14 Maintenance in our estate and highway roads and structures network is coming under increasing pressure after years of reactive works only. Bids for maintenance backlog will be assessed on a case by case basis, taking a risk based approach to asset management, but in the current financial climate it is unlikely that affordable investment levels will make significant inroads into the backlog. Maintenance priorities will increasingly need to be directed to areas where the Council is at risk of failing to meet statutory requirements or potential prosecution.

CAPITAL PROJECTS KEY PRINCIPLES

4.15 Consideration should be given to the following key principles before submitting a capital bid:

4.16 Spend included in business cases must conform to the definition of capital expenditure i.e. "the purchase or enhancement of assets where the benefits last longer than the year of expenditure". KCC applies a de-minimis level of £10k meaning that anything below this value individually is classed and treated as revenue.

4.17 Projects coming forward for KCC funding should comprise the bare minimum. Gold plating is no longer acceptable.

4.18 Feasibility/planning costs must be met from a revenue budget until approval to spend has been agreed through the relevant route, these should therefore be built into the revenue MTFP and be considered as part of the budget build process.

4.19 Ongoing revenue implications must be included within business cases and identified as pressures in the revenue budget.

4.20 Realistic phasing must be provided from the outset. Without this, the limited funding available could be assigned to a project which is delayed, preventing an alternative viable project from proceeding. In many cases grants and external funding are time limited and delays in the project could lead to losing precious external funds.

4.21 Match funding must be given appropriate consideration. Is the project significant enough in meeting our strategic outcomes to warrant the match funding? Consideration must also be given to grant or external funding conditions and officer time and cost it will take to comply.

4.22 Maximise use of existing assets where cost effective to do so. Look for full occupancy of the asset in terms of space and length of time the asset is in use. This could mean looking for synergies with other organisations (for example, the One Public Estate programme with key partners).

4.23 Longevity/flexibility of asset – consider how the asset will conform with longer term service delivery plans? Has flexibility of the use of the asset been considered?

4.24 Who will own the asset? Will value be added to KCC's balance sheet?

4.25 Officers and Members must not commit funds until projects have been through the correct procedure.

4.26 Minimise the requirement for capital outlay (having regard to any impact on the revenue budget). Can strategic outcomes be achieved in alternative ways? What are the implications of proceeding/not proceeding with the project?

4.27 A robust equalities impact assessment is needed for the Council's investment decision, as well as individual projects where appropriate.

FUNDING

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

Borrowing

4.29 KCC currently has borrowing of just under £1 billion and our policy is that net debt costs must not exceed 15% of the net revenue budget. We must continue to effectively manage our borrowing and look at alternative sources of funding to ensure that we stay within the 15% target over the Medium Term Financial Plan. The level of borrowing to fund the capital programme must take into account the revenue implications, i.e. for every £10m of borrowing our revenue borrowing costs are around £0.8m and we must also consider the Prudential Code. We have agreed that for next planning period 2018-21 we can afford a maximum additional £100m of borrowing over the 3 years. This should not be taken that we can therefore spend an additional £100m, and assessment of capital bids will continue to seek to undershoot this target in order to assist the revenue budget strategy.

Grants

4.30 The challenging financial environment means that national government grants (currently over 50% of our financing for capital projects) are reducing, or changing in nature and becoming more heavily prescribed. We will have to abide by these prescriptions and consequently freedom to decide where and how to spend grants will be diminished – 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 the Local Enterprise Partnerships (LEPs). This funding is specific to individual projects and has to be closely monitored. Our aim is to use other, less specific grants for their intended purpose yet also in a way that meets our 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 tapping into KCC resources of capital receipts and borrowing.

Developer Contributions: Community Infrastructure Levy (CIL)/S106

4.31 Developer contributions continue to be a challenging issue and need careful handling and consideration when they are put forward to fund major projects. The nature of s106 agreements mean that once the total funding figure has been agreed, the funding is received by the County Council in staged payments, with the full funding potentially not received until the development has been completed and fully occupied. Depending on size, a development can take several years to be fully completed. Developer contributions will be built into the programme at the point that planning permission is granted, 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.

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

4.33 The Community Infrastructure Levy (CIL) has been put forward by Government to replace the bulk of future s106 agreements. CIL is to be implemented and managed by districts as the charging authority.
To date only three 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 Kent 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. An independent panel undertook a review of CIL on behalf of MHCLG in 2016 - Government is considering its findings (which have not yet been published) and will announce any changes to the CIL in early 2017. The Capital Strategy will need to take account of any national changes, to find the best solution for Kent.

Capital Receipts

4.34 KCC 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 our surplus assets have already been sold. Increasingly we will have to look to generate capital receipts from underutilised assets rather than surplus assets. KCC's Infrastructure division will continue to work with the 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:

- New Ways of Working

  New Ways of Working is a programme looking at rationalising the office estate through more effective and efficient ways of working. Increased space utilisation is being achieved by having more flexible working spaces, reducing the space allocated per person and increasing the use of new technology to increase mobility of staff, leading to a reduction in the overall requirement for office space. Further advances in new ways of working will deliver more surplus assets for disposal and areas within buildings for sub-let to tenants (although more significant gains may be dependent on some capital expenditure in the short term).

- Asset Utilisation Strategy

  In a similar way to New Ways of Working, the Asset Utilisation strategy is aimed at increased utilisation of the 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)

  Kent County Council is an active partner in the One Public Estate “Kent Estates Partnership”; other partners include District Councils, Health and Blue Light Services. The One Public Estate Programme aims to improve 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 viability of marginal projects, masterplan and extend scope to include other partners etc. Within its Asset Utilisation and Disposal work streams, KCC 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 within the One Public estate work stream.

- Transformational Reviews

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

- Property Investment Fund

  The Property Investment Fund, which is part of our current capital programme aims to achieve a revenue income and/or to maximise the capital return from various investment opportunities. These include properties/sites where there is potential to add value (e.g. through gaining planning permission prior to disposal) or surplus properties available from our public sector partners (which offer a reasonable return on investment).
  The Property Investment Fund is currently capped with surplus capital receipts and income released back to the Authority. If the Fund were to

reinvest all of its returns in the short term, 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, but the risks are inevitably increased.

Other potential funding sources to be further explored:

Business Rates Growth Pool/Pilot

4.35 The business rate pool which was developed with districts continues to be a success. In 2017-18 the pool enabled an estimated £7m of the 50% local share of business rate income to be retained by pool members to support local services and promote business rate growth. There is potential for the pool, in agreement with the relevant district, to fund capital projects that support the agreed objectives. KCC has been confirmed to pilot retention of 100% of business rate growth in 2018-19. This will significantly increase the amount of business rate income retained within the Kent & Medway area opening the possibility of increased potential for capital funding.

Public Partnerships

4.36 The Authority has been developing various strategic relationships with other public sector bodies (primarily Health but also districts) which have the potential to generate a capital receipt for the Authority, to reduce the Authority'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 Authority's superior covenant strength (with the Authority retaining the additional capital receipt).
- Utilising the Authority'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 with the aim of generating greater gains.
- Funding partner's invest to save projects (and taking a share of the gains).
- Developing joint service initiatives that generate savings (including a reduced requirement for office space).
- Removing duplication in services and/or solving joint problems again to generate savings (including a reduced requirement for office space).

Privately Funded Initiatives

4.37 There are a number of ways in which the Authority can work with the private sector to leverage private sector capital funding. The majority of opportunities will involve the Authority (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 Authority is scarce.

Other opportunities include:

- Using KCC 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 KCC may make the rest of the investment attractive to the private sector. KCC 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. KCC's contribution to the partnership would be low cost borrowing and a vast array of intellectual property. The Authority 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 the phoenix project within Health (PFI) and social impact bonds, that are available to Authorities.

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

Other Sources

4.38 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

4.39 KCC operate a stringent internal process alongside the formal decision making process, when considering capital projects. The "Project Advisory Group" (PAG), consisting of lead officers and Members, reviews new bids, and revisits projects again when they reach the "approval to spend" stage, if they meet certain criteria.

4.40 All projects are required to complete a standard business case template, to ensure all key areas are covered and to achieve consistency. A scoring mechanism is in place which helps to identify projects most aligned to our strategic outcomes and capital strategy drivers.

4.41 PAG is not a decision making group and care must be taken to ensure all relevant informal advisory and formal approval and decision making routes are followed prior to project spend.

4.42 The PAG process is aligned with the Strategic Commissioning Board.

KCC Medium Term Financial Plan

SECTION 5

Treasury Management Strategy 2018-19

INTRODUCTION

5.1 In February 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code.

5.2 In addition, the Ministry of Housing, Communities and Local Government (MHCLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year. MHCLG is currently consulting on changes to its Investment Guidance.

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

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

5.5 There are no major changes to the Treasury Strategy other than to update it to reflect the Council's proposed budget, latest economic forecasts and outstanding consultations on Prudential borrowing and accounting treatment for investments (IFRS 9). The draft capital programme would require the council to take out additional borrowing to finance some of the projects.

EXTERNAL CONTEXT

Economic Background

5.6 The major external influence on the Authority's treasury management strategy for 2018-19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the 2016 referendum result but there are indications that uncertainty over the future is now weighing on growth. Economic growth is therefore forecast to remain sluggish throughout 2018-19.

5.7 Consumer price inflation reached 3.0% in September 2017 and remained at that level in October 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years.

With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

5.8 The US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit Outlook

5.9 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ring-fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

5.10 The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Interest rate forecast

5.11 The Council's treasury advisor Arlingclose's central case is for the UK Bank Rate to remain at 0.5% during 2018-19. The Monetary Policy Committee has re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

5.12 Longer-term interest rates have risen in the past year and Arlingclose forecasts these to remain broadly constant during 2018-19, but with some volatility as interest rate expectations wax and wane with press reports on the progress of EU exit negotiations.

5.13 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

LOCAL CONTEXT

5.14 On 30 November 2017 the Council held £981m of borrowing and £299m of investments. This is set out in further detail in Annex B.

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. During 2018-19 the Capital Financing Requirement (CFR) is forecast to grow by £45.4m and the Council will therefore be required to borrow over the next 12 months.

BORROWING STRATEGY

5.15 As at 30 November 2017 the Council held £961m of long term loans including £36m attributable to Medway Council, a decrease of £5m on 31 March 2017. The value of the Council's long term loans is expected to reduce to £943m at 31 March 2018 with a further £27m of maturing loans being repaid offsetting additional new borrowing of £9m relating to the Council's street lighting project.

Objective

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

Strategy

5.17 Given the significant reduction in public expenditure and in particular in local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use internal resources or to borrow short-term loans instead. By doing so, the Council is able to reduce its net borrowing costs (despite forgoing investment income) and reduce overall treasury risk. At the end of March 2017 the level of internal borrowing was £144m.

5.18 The Council, with support from its treasury advisors and being very aware of the revenue budget implications, will consider options for borrowing long term, as well as internal / short term borrowing arrangements. The benefits of internal / 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 may borrow additional sums at long-term fixed rates in 2018-19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

5.19 As at 30 November the Council had borrowed £20m short-term loans to enable it to fund its investment in pooled funds in August and September 2017. KCC may borrow further short-term loans to cover unplanned cash flow shortages.

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

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)

- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Kent Superannuation Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- UK Government backed funding initiatives

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

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

5.22 KCC has previously raised the majority of its long-term borrowing from the PWLB and banks but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

5.23 In August 2017 RBS waived its rights to exercise the Option on a £10m loan agreed in December 2009 and assigned the loan to Phoenix Life Assurance. The Council now holds £150m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £50m of these LOBOS have options during 2018-19, and although KCC 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 it has the opportunity to do so.

5.24 The Council retains the ability to take short-term and variable rate loans although these loans leave KCC exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

5.25 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The current structure of PWLB rates makes it prohibitively expensive to do this.

INVESTMENT STRATEGY

Approach

5.26 The Council holds significant invested funds, averaging £309m in the year to November 2017. This is a combination of balances, reserves and net cash flow, and similar levels are expected to be maintained in the forthcoming year.

5.27 Both the CIPFA Code and the MHCLG Guidance require the Council to invest its funds prudently with highest regard to the security and liquidity of its investments before seeking the highest return, or yield. 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 and the risk of receiving unsuitably low investment income.

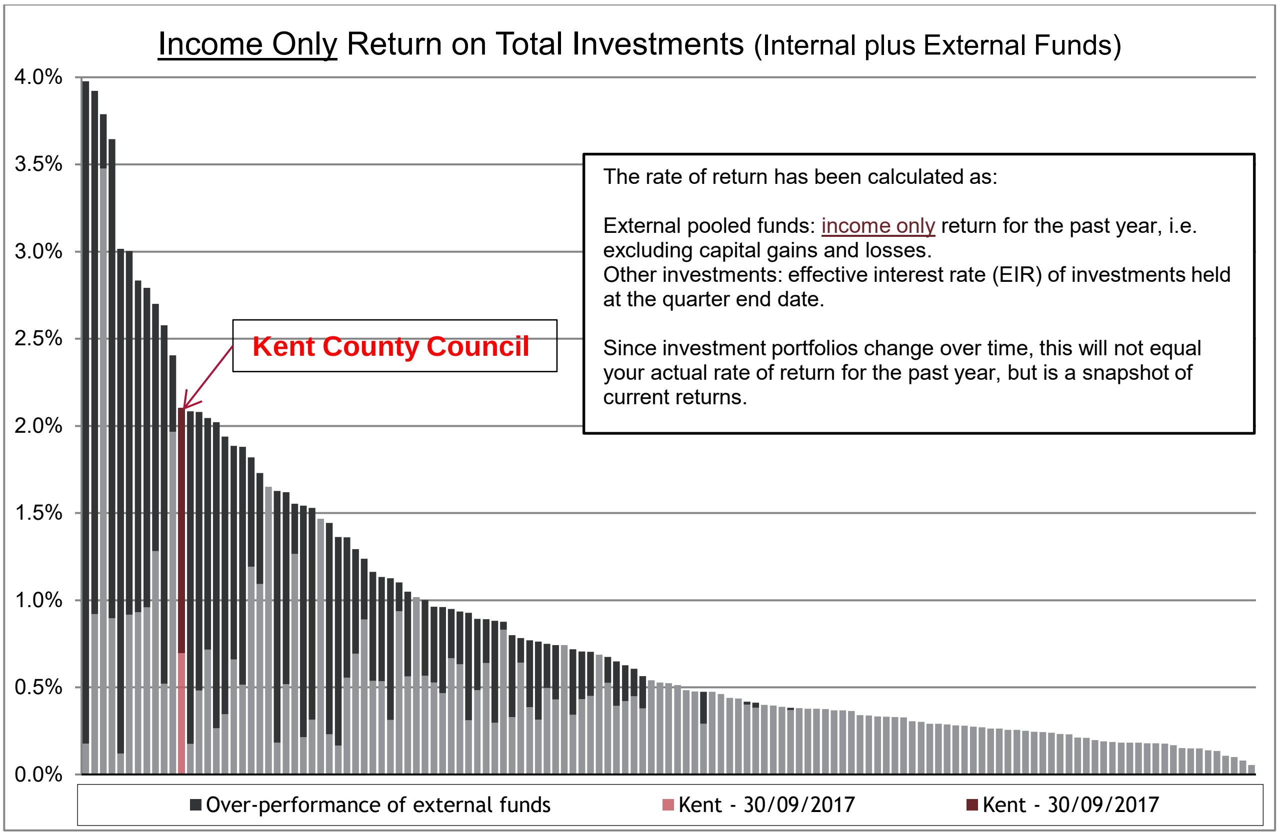
5.28 Given the increasing risk and very low returns from short-term unsecured bank investments the Council reduced its investment in these asset classes during 2017-18 while investing £20m in cash plus / short term bond funds, and making greater use of short term money market funds to meet its liquidity requirements.

5.29 Also, the return achieved on the investment of its surplus cash is important given the Council's overall budget position. During 2017-18 £55m was added to its existing pooled investment fund portfolio. These funds invest in a diversified range of assets primarily focussed on an income return rather than capital growth.

5.30 The 2018-19 investment strategy is a continuation of the strategy, adopted in 2017-18, of diversifying into more secure and / or higher yielding asset classes.

Treasury performance and investment risk

5.31 Performance and risk is monitored using comparative data from Arlingclose for all of their 140 or so clients. The following chart shows that the Council has achieved above average returns up to September 2017.



5.32 In addition the Council has reduced its counterparty credit risk, measured by credit ratings, relating to its internally managed investments over the last year largely due to the investment in Covered Bonds and other bail-in exempt investments.

Approved Investment Counterparties

5.33 The Council will make use of the following investment types:

Government	Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
Banks Unsecured	Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks, with a minimum credit rating of A-. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investments with banks rated below the agreed minimum rating of A- are restricted to overnight deposits with the Council's current banking services provider.
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.
Cash plus / Short Bond Funds	Pooled investment funds whose values change with market prices, and have a notice period, will be used as alternatives to unsecured bank deposits for longer investment periods.
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.
Corporates	Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.
Registered Providers	Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing (Housing Associations). These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services they retain the likelihood of receiving government support if needed.
Opportunistic loans	Loans to entities set up on an arms-length basis from the Council, and other suitable opportunities. The Council will take advice from Arlingclose on the appropriate structure of the loans and applicable rate of interest.
Pooled Investment Funds	Property, absolute return, multi asset income, equity and fixed income/bond funds offer enhanced returns over the longer term but are more volatile in the short-term. They have the advantage of providing wide diversification of investment risks but require the services of a professional fund manager in return for a fee. Because these funds have no defined maturity date and are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings

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

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.35 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 organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

5.36 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 organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

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

Specified Investments

5.38 The MHCLG Guidance defines specified investments as those:

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

5.39 The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds, cash plus / short bond and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified Investments

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

Non-specified investment limits

	Cash limit
Total long-term investments	£250m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£20m
Total non-specified investments	**£270m**

Investment Limits

5.41 The Council’s cash reserves available to cover investment losses are forecast to be £287 million on 31 March 2018. 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 organisation (other than the UK Government) will be £20m.

5.42 The Council may invest its surplus funds in the investment types listed in paragraph 5.33 above and with the following approved counterparties, subject to the cash limits and the durations shown below.

Approved Investment Counterparties and Limits

	Minimum Credit rating	Maximum Cash Limit		Maximum Duration
		Individual	Total	
Government				
- UK Government		unlimited		50 years
- UK Local Authorities		£20m		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
Short-term Money Market Funds		£20m per fund or 0.5% of fund size if lower		
Cash plus / 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	£25m	5 years
Opportunistic loans			£20m	
Pooled investment portfolio			£150m	
- Absolute Return funds		£25m per fund		
- Multi Asset Income funds		£25m per fund		
- Property funds		£35m or 5% of total fund value if greater		
- Bond funds		£25m per fund		
- Equity Income Funds		£25m per fund		

OTHER ITEMS

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

Policy on Use of Financial Derivatives

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

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

Investment Training

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

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

Investment Advisors

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

Investment of Money Borrowed in Advance of Need

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

Financial Implications

5.50 The Council has set a budget for investment income in 2018-19 of £6.7m based on an average investment portfolio of £300m at an interest rate of 2.2%. The budget for debt interest paid in 2018-19, net of that payable by Medway Council is £43.6m based on an average debt portfolio of £922m at an average rate of 4.7% and assumes 50% of the interest cost relating to the funding of the growth in the CFR is taken in 2018-19. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

5.51 Local authorities will adopt the new IFRS 9 accounting standard for financial instruments in 2018-19. It is likely that this change could result in additional costs to the Council as changes in the market value of some loans and investments will be charged to the General Fund. KCC and other local authorities are seeking both clarification from CIPFA and MHCLG as to which financial instruments are affected, as well as agreement of measures to minimise the additional financial pressure as a result of the adoption of IFRS 9.

Other Options Considered

5.52 The strategy is intended to give flexibility with regard to borrowing and investment options and represents an appropriate balance between risk management and cost effectiveness.

Annex A

Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.

- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.

- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.

- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.19**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.15**
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.22**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.20**
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.27**
Arlingclose Central Case	**0.70**	**0.70**	**0.70**	**0.70**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.77**
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	**-0.26**
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.80**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.05**	**1.10**	**0.89**
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.55**	**1.36**
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.85**	**1.85**	**1.85**	**1.85**	**1.85**	**1.90**	**1.90**	**1.95**	**1.95**	**2.00**	**2.05**	**2.05**	**2.05**	**1.93**
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.38**
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.75**	**1.80**	**1.85**	**1.90**	**1.95**	**1.95**	**1.95**	**1.95**	**1.82**
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.39**

Annex B

Existing Investment and Debt Portfolio Position

	30 November 2017 Actual Portfolio £m	30 November 2017 Average Rate %
External borrowing		
Public Works Loan Board	498.3	5.68
LOBO loans from banks	150.0	4.03
Banks and other lenders (Fixed term)	312.5	4.17
Temporary Borrowing (Fixed term)	20.0	0.31
Total external borrowing	**980.8**	**4.83**
Treasury investments		
Banks & building societies (unsecured)	35.4	
Covered bonds (secured)	76.1	
Money Market Funds	49.8	
Total internally managed investments	**161.3**	**0.76**
Cashplus and short term bond funds	20.0	
Pooled investment funds	115.5	
Equity	2.1	
Total externally managed investments	**137.6**	**4.94**
Total treasury investments	**298.9**	**2.67**
Net debt	**681.9**	

KCC Medium Term Financial Plan

SECTION 6

Risk Strategy

INTRODUCTION

6.1 As an organisation concerned with service provision and the social and economic development of the county it is essential that the risks to achieving our objectives are managed efficiently and effectively.

6.2 By implementing sound management of our risks and the threats and opportunities which flow from them we will be in a stronger position to deliver our business objectives, provide improved services to the community, achieve better value for money and demonstrate compliance with the Local Audit & Accounts regulations.

6.3 Risk management will therefore be at the heart of our good management practice and our corporate governance arrangements. Our risk management arrangements will be proactive and will enable decisions to be based on properly assessed risks that balance risk and reward, ensuring that the right actions are taken at the right time.

6.4 Our risk management framework is based on the Office of Government Commerce publication *Management of Risk: Guidance for Practitioners* which provides a 'best practice' reference point for risk management. It is derived from the HM Treasury 'Orange Book' and is closely aligned and informed by the international standard for risk management ISO: 31000.

CONTEXT

6.5 Additional spending demands and ongoing public sector austerity measures mean that KCC, like all local authorities, continues to face serious financial and operational challenges. This will mean that KCC is exposed to significant and increasing levels of risk in its operating environment, with less resource to manage those risks. Therefore the Authority is likely to be required to accept or tolerate greater levels of risk in conducting its business as it seeks to innovate and transform in order to protect the quality of services for services users and residents of Kent. This includes venturing into more commercial approaches and income generating activities.

6.6 The Council's desire to move towards a Strategic Commissioning Authority requires reviewing of the Council's governance arrangements, including the risk management framework, which will evolve as the Authority evolves. This is expected to require a greater focus on all elements of the risk framework – our culture, behaviours and values as well as processes and procedures.

RISK MANAGEMENT OBJECTIVES

6.7 In support of the Council's move towards a strategic commissioning authority and achievement of KCC's desired outcomes, the Council aims to:

- manage risks in line with its risk appetite, and thereby enable it to achieve its objectives more effectively;
- apply recognised best practice to manage risk using a balanced, practical and effective approach (Office of Government Commerce publication *Management of Risk: Guidance for Practitioners*);
- embed effective risk management into the culture of the Council;

- integrate the identification and management of risk into policy and operational decisions, anticipating and responding proactively to social, environmental and legislative changes and directives that may impact on delivery of our objectives;
- eliminate or reduce the impact, disruption and loss from current and emerging events;
- harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes;
- ensure effective intelligence sharing and collaboration between risk management disciplines across all Council activities;
- ensure fraud risks are proactively considered and embedded into the organisation’s risk management arrangements;
- benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; demonstrate a consistent approach to the management of risks when embarking on significant change activity; and
- ensure sound and transparent risk management arrangements are operated in partnership and commissioner / provider situations, underpinned by a culture that supports collaboration and the development of trust ensuring clear effective lines of communication and the management of relationships.

6.8 Over the period of this medium term financial plan, the risk management aims will be achieved by:

- maintaining the common links between business planning, performance and risk management;
- integrating effective risk management practices into the Council’s management, decision making and planning activities;
- using available business technology to store and share risk information and providing the business with access to a repository of risk knowledge and learning;
- maintaining the frequency and effectiveness of monitoring of key risks in line with the council’s internal control framework;
- embedding risk management into the *Kent Manager* standard and wider Leadership & Management Strategy;
- highlighting and promoting our attitude and approach to risk within KCC’s aims and values;
- providing a mix of risk management training, awareness sessions and support for both Officers and Members of the County Council;
- ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the council;

- subjecting KCC's risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity;
- ensuring risk management arrangements are embedded within the Council's change activity;
- providing continuous challenge and quality assurance to all elements of the risk management process;
- promoting a wide understanding of the Council's risk appetite and how it translates into tolerance levels within a service or programme setting;
- focusing on robust monitoring of mitigating actions to ensure that risks, once identified and assessed, are appropriately managed;
- working collaboratively with partners and providers (both internal and external) to develop effective risk ownership and risk sharing arrangements; striking a proportionate balance of oversight of risks of providers / partners without being over-constrictive.

RISK APPETITE

6.9 Kent County Council recognises that risk is inherent in delivering and commissioning services and does not seek to avoid all risk, but instead aims to have an 'open' approach to risk, appropriately balancing risk against reward, with risks managed in a proportionate manner.

6.10 As local authorities face increasing spending demands and continued reductions in Government funding in the coming years, the Authority's environment will, by default, contain greater risk, and therefore it is likely that KCC will need to accept higher levels of risk in order to meet its desired outcomes. This will require an approach that allows flexibility and support for well-informed and considered risk taking, promoting transparency and effective risk management, while maintaining accountability. Whilst risks defined as 'high' are to be managed down to a tolerable level, it is important that risks across the Authority are not over-controlled.

6.11 It is not realistic for the County Council, with its diverse range of services and duties, to have just one definitive application of risk appetite across the entire organisation. Instead, risk appetite should be set with reference to the strategy for service delivery in each particular area. However, examples of risks that would be seen as intolerable are those that are likely to:

- Negatively affect the safety of our service users, residents or employees;
- Severely damage the Authority's reputation;
- Lead to breaches of laws and regulations;
- Endanger the future operations of the County Council (i.e. by exceeding the risk capacity of the organisation – the amount of risk that the Authority can bear).

ROLES AND RESPONSIBILITIES

6.12 Responsibility for risk management runs throughout the Council; everyone has a role to play. However, to ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified. The key roles and responsibilities are set out below:

Group or Individual	Responsibilities
County Council	Ensure that an effective system of risk management is in place.
Governance & Audit Committee	On behalf of the Council ensure that risk management and internal control systems are in place that are adequate for purpose, and are effectively and efficiently operated.
Cabinet	Responsibility for the operation of the risk management system, including the establishment of the Council's risk appetite. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
Cabinet Member for Customers, Communications and Performance	On behalf of Cabinet ensure effective risk management arrangements are put in place
Cabinet Portfolio Holders	Responsibility for the effective management of risk within their portfolio areas and ensuring that they consider risks in all decisions they make.
Cabinet Committees	To provide scrutiny pre-decision to ensure that due consideration is given to associated risks.
Section 151 Officer	Active involvement in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered.
Corporate Management Team (CMT)	To ensure the Council manages risks effectively through the Risk Management Policy and actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register. Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.

Strategic Commissioning Board	Review risks arising from the ‘analyse’ and ‘plan’ phases of the commissioning cycle, including those associated with our strategic outcomes; data, customer and market analysis, service specifications and commissioning and procurement plans.
Budget & Programme Delivery Board	Investigate strategic risks where monitoring indicates that progress against mitigating actions is not sufficient. Review risks arising from the ‘do’ and ‘review’ phases of the commissioning cycle, including those associated with contract mobilisation, delivery and review and as part of the Board’s provider and contract monitoring role.
Change Portfolio / Programme / Project Boards	To ensure that portfolio, programme and project risks are effectively identified and managed and that any impacts on the business that may follow implementation are reported and managed.
Corporate Assurance function	Develop oversight, transparency and co-ordination of major change activity across Kent County Council, including reinforcing KCC’s risk management framework throughout project and programme activity.
Portfolio Delivery Managers	Establish and monitor that clear, effective and proportionate governance is in place for all projects and programmes within change portfolios, including risk management. Ensure that key risks and interdependencies within change portfolios are identified and escalated as appropriate.
Directorate Management Teams (DMT)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Corporate Management Team as appropriate.
Divisional Management Teams (DivMT)	Responsibility for the effective management of risk within divisions, including risk escalation, and reporting to DMT as appropriate.
Corporate Director Strategic & Corporate Services (Head of Paid Service)	Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate.
Director Strategy, Policy, Relationships and Corporate Assurance	Establish the organisational context and objectives for risk management and map the external and internal risk environment. Develop and maintain the risk management policy, strategy, management guidance and support resources.
Corporate Risk Manager	Promote a positive risk management culture within KCC, developing and implementing the risk management framework and strategic approach and

	continuing to develop and embed an effective infrastructure for managing and reporting risk. Facilitate maintenance of an up to date Corporate Risk Register and provide reports on corporate risk to Cabinet members and the Corporate Management Team. Facilitate the risk management process within the Council and advise on developments on risk management. Assist key individuals with implementing and embedding risk within key Council areas and provide guidance, training and support as required.
Corporate Risk Team	Day to day responsibility for developing and co-ordinating risk management across the Council and providing advice, support and training, and contributing to ongoing regular reporting on risk management.
Internal Audit	Assesses the effectiveness of the risk management framework and the control environment in mitigating risk.
Directors and Managers	Ensure that effective risk management arrangements are in place in their areas of responsibility to minimise the Council's exposure to risk and uncertainty. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
All elected Members and staff members	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.

6.13 Other officer groups deal with related risk specialisms such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security and Governance; Anti-fraud and corruption etc. These groups are linked into the governance arrangements of the Council so that their work is co-ordinated within the Council's overall risk management framework.

Embedding of Risk Management

6.14 The Governance & Audit Committee reviews and approves the Council's Risk Management Policy & Strategy annually, and its implementation is endorsed by the Council's Cabinet Members and Corporate Management Team. Management guidance is in place to aid effective implementation of the Policy and is published on our intranet site.

6.15 A dedicated Corporate Risk Team is in place to promote awareness of risk management throughout the organisation and ensure that it is widely understood, and in particular works closely with Risk and Control / Action Owners, in addition to a network of risk management contacts.

KCC Budget Information

SECTION 7

Introduction

Section 7 - Introduction

7.1 This introduction is a guide to help users navigate Sections 8-14, which identify spending plans for both capital and revenue.

7.2 Capital investment plans are presented in two formats: by year and by funding. The “by year” format shows how the expenditure is allocated over the next three financial years for each scheme or project and provides the sources of funding by year. The “by funding” format identifies the funding source for each individual scheme or project for the medium term.

7.3 There are two places where you can find changes to the Revenue Budget between 2017-18 and 2018-19. One of those is in Appendix A of the Medium Term Financial Plan, and the other is within Section 11.

7.4 Section 11 is a redesigned section for 2018-19 and is the primary presentation of the annual Revenue Budget and shows the Key Services of the Council split by Directorate and identifies the responsible Director. The expenditure budget figures for each Key Service have been split between Staffing and Non-Staffing and the Income figures between Service Income and Grants. Each Key Service line provides information with regards to the services included within the Key Service line. This presentation will be used for in-year monitoring.

7.5 In order to provide a more meaningful comparison between years, the 2017-18 approved budgets have been revised from what was published in the 2017-18 Budget Book to reflect Key Service line presentation.

7.6 Section 12 is a new section for 2018-19 and shows activity and financial information for the Key Demand Driven Services. The initial approach to identify the Key Demand Driven Services is that they have to meet two of the three following criteria:

- Gross budget over £20m
- A savings target over £1m
- Be a volatile and sensitive service.

KCC Budget Information

<u>SECTION 8</u>

Council Tax 2018-19

8.1 The budget and MTFP includes the precept KCC has agreed to make from council tax. This is based on tax base calculations provided by District Councils.

8.2 Table 1 shows the main changes to the tax base and the impact of this on the County precept between 2017-18 and 2018-19, including the council tax increase (the maximum permitted without triggering a referendum) and the additional Social Care Levy. County Council agreed the council tax precept on 20th February 2018.

Table 1	2017-18		2018-19							
	Notified Band D Equivalent Taxbase	Precept @ £1,178.82	Provisional Band D Equivalent Taxbase	Precept @ £1,214.10 (up to 3% referendum level)	Precept @ £1,237.68 (including Social Care Levy)	Change in Band D Equivalent Tax Base	Change in Precept	Change in Precept due to Tax Base	Change in Precept due to Tax Rate up to referendum level	Change in Precept due to Social Care Levy
		£000s		£000s	£000s		£000s	£000s	£000s	£000s
Ashford	44,671.67	52,659.9	45,680.00	55,460.1	56,537.2	1,008.33	3,877.4	1,188.6	1,611.6	1,077.1
Canterbury	48,906.74	57,652.2	49,764.97	60,419.7	61,593.1	858.23	3,940.9	1,011.7	1,755.7	1,173.5
Dartford	35,334.88	41,653.5	36,685.06	44,539.3	45,404.4	1,350.18	3,750.9	1,591.6	1,294.2	865.0
Dover	37,204.40	43,857.3	37,962.69	46,090.5	46,985.7	758.29	3,128.4	893.9	1,339.3	895.2
Gravesham	33,329.79	39,289.8	33,988.23	41,265.1	42,066.6	658.44	2,776.7	776.2	1,199.1	801.4
Maidstone	59,439.30	70,068.2	60,921.60	73,964.9	75,401.4	1,482.30	5,333.2	1,747.4	2,149.3	1,436.5
Sevenoaks	49,382.42	58,213.0	49,902.89	60,587.1	61,763.8	520.47	3,550.8	613.5	1,760.6	1,176.7
Shepway	37,431.37	44,124.8	38,312.22	46,514.9	47,418.3	880.85	3,293.4	1,038.4	1,351.7	903.4
Swale	45,299.89	53,400.4	46,590.79	56,565.9	57,664.5	1,290.90	4,264.1	1,521.7	1,643.7	1,098.6
Thanet	42,068.58	49,591.3	42,904.67	52,090.6	53,102.3	836.09	3,511.0	985.6	1,513.7	1,011.7
Tonbridge & Malling	48,878.88	57,619.4	49,924.51	60,613.3	61,790.6	1,045.63	4,171.2	1,232.6	1,761.3	1,177.2
Tunbridge Wells	44,448.64	52,396.9	45,252.08	54,940.6	56,007.6	803.44	3,610.6	947.1	1,596.5	1,067.0
Total	526,396.56	620,526.8	537,889.71	653,051.9	665,735.3	11,493.15	45,208.5	13,548.4	18,976.7	12,683.4

(Figures subject to rounding)

8.3 The overall tax base has increased by more than we estimated when we launched the budget consultation in October. We will analyse the underlying reasons for the change in the tax base, e.g. new dwellings, change in discounts, etc. but we have not received all the information necessary to complete this analysis in time for this version of the budget book.

8.4 The tax base 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 a three-year agreement with Districts covering local CTRS's and the impact on the County Council tax base. 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.

8.5 KCC is increasing council tax in line with the increased referendum limit announced in the provisional settlement. KCC has also increased council tax by a further 2% through the Social Care Levy, under powers to support adult social care spending. The impact of each of these increases on individual bands is set out in Table 2. Table 3 shows the cumulative impact of the Social Care Levy since it was introduced in 2016-17. 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 are based on the tax rates set by each of the relevant authorities.

Table 2	Proportion of Band D Tax Rate	2017-18 (incl. Social Care Levy)	2018-19 (excl. increase in Social Care Levy)	2018-19 (incl. increase in Social Care Levy)
Band A	6/9	£785.88	£809.40	£825.12
Band B	7/9	£916.86	£944.30	£962.64
Band C	8/9	£1,047.84	£1,079.20	£1,100.16
Band D	9/9	£1,178.82	£1,214.10	£1,237.68
Band E	11/9	£1,440.78	£1,483.90	£1,512.72
Band F	13/9	£1,702.74	£1,753.70	£1,787.76
Band G	15/9	£1,964.70	£2,023.50	£2,062.80
Band H	18/9	£2,357.64	£2,428.20	£2,475.36

Table 3	2016-17	2017-18	2018-19
Band D Excl. Social Care Levy	£1,111.77	£1,134.36	£1,169.64
Band D Social Care Levy	£21.78	£44.46	£68.04
Band D Total	£1,133.55	£1,178.82	£1,237.68

KCC Budget Information

SECTION 9

Capital Investment Plans

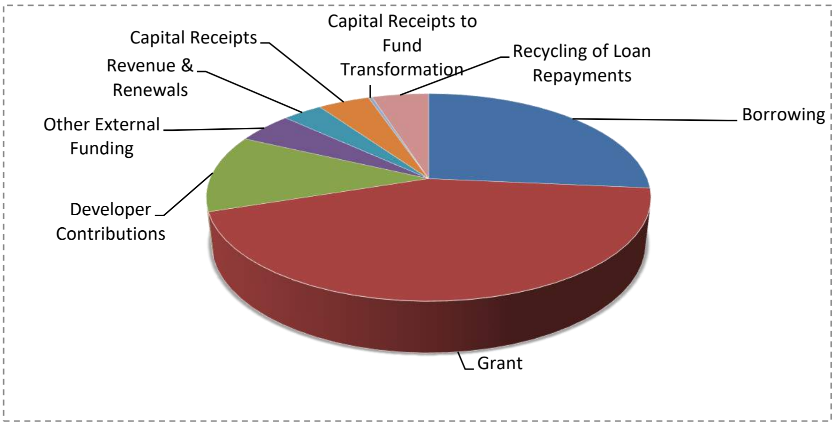
CAPITAL INVESTMENT PLANS SUMMARY

HOW FINANCED, DISTRIBUTED AND SPENT

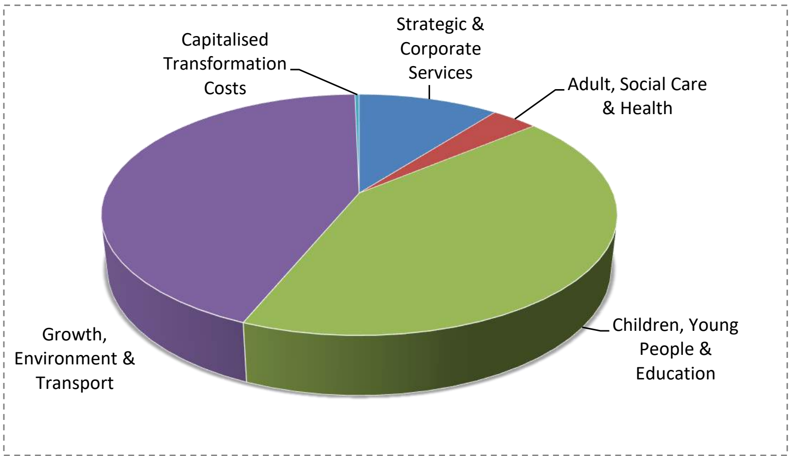
The Capital Budget for the three years 2018-21 is £794.7m and the following diagrams summarise how this expenditure is financed, distributed by Directorate and what it is spent on.

Financed by

	£m
Borrowing	210.2
Grant	345.6
Developer Contributions	96.0
Other External Funding	38.6
Revenue & Renewals	27.3
Capital Receipts	35.5
Capital Receipts to Fund Transformation	2.5
Recycling of Loan Repayments	39.0
Total	**794.7**



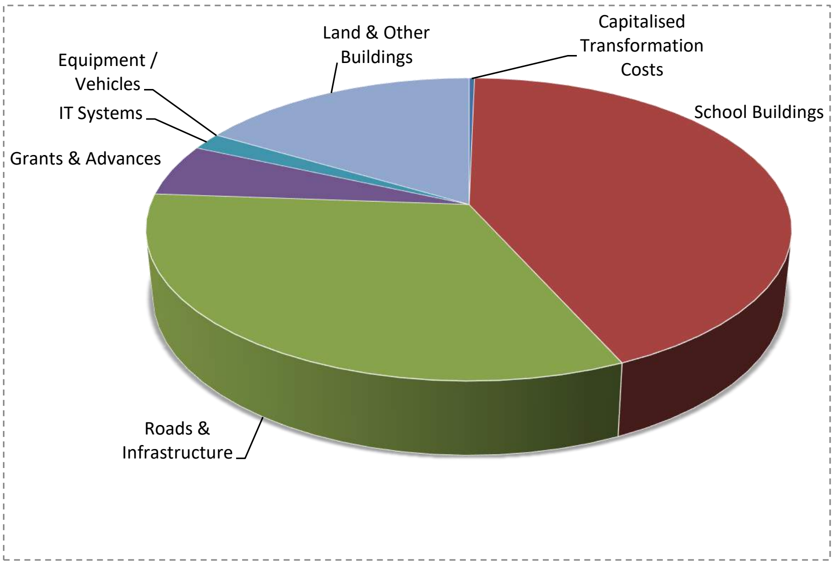
Spent by



	£m
Strategic & Corporate Services	83.1
Adult, Social Care & Health	27.3
Children, Young People & Education	336.3
Growth, Environment & Transport	345.5
Capitalised Transformation Costs	2.5
Total	**794.7**

Spent on

	£m
Capitalised Transformation Costs	2.5
School Buildings	341.7
Roads & Infrastructure	261.0
Grants & Advances	44.2
IT systems	14.4
Equipment / Vehicles	0.1
Land & Other Buildings	130.8
Total	**794.7**



SUMMARY

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

Row Ref		Total Cost of Scheme	Prior Years Spend	Cash Limits			
				2018-19	2019-20	2020-21	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s
1	Strategic & Corporate Services	140,686	57,608	25,985	24,240	32,853	0
2	Adult Social Care & Health	34,510	6,179	7,622	10,165	9,500	1,044
3	Children, Young People & Education	666,766	330,442	131,863	102,794	101,667	0
4	Growth, Environment & Transport	762,837	317,515	127,479	127,782	90,257	99,804
5	Capitalised Transformation Costs	5,000	2,500	2,500	0	0	0
6	**Total Cash Limit**	**1,609,799**	**714,244**	**295,449**	**264,981**	**234,277**	**100,848**
	Funded by:						
7	Borrowing	276,681	104,700	106,357	53,396	50,408	-38,180
8	Property Enterprise Fund (PEF) 2	369	369	0	0	0	0
9	Grants	790,262	444,131	112,679	146,328	86,556	568
10	Developer Contributions	237,715	48,642	26,843	24,386	44,773	93,071
11	Other External Funding	98,061	23,447	4,666	16,707	17,241	36,000
12	Revenue and Renewals	32,858	5,505	9,856	8,712	8,785	0
13	Capital Receipts	93,279	60,954	17,279	4,704	13,542	-3,200
14	Capital Receipts to Fund Transformation	5,000	2,500	2,500	0	0	0
15	Recycling of Loan Repayments	75,574	23,996	15,269	10,748	12,972	12,589
16	**Total Finance**	**1,609,799**	**714,244**	**295,449**	**264,981**	**234,277**	**100,848**

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

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

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

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

STRATEGIC & CORPORATE SERVICES (S&CS)

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

Row Ref	Rolling Programmes	Description of Project	Three Year Budget £000s		Cash Limits 2018-19 £000s	Cash Limits 2019-20 £000s	Cash Limits 2020-21 £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	Maintaining KCC estates	7,540		2,850	1,690	3,000	
4	**Total Rolling Programmes**		**16,990**		**6,000**	**4,840**	**6,150**	

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2018-19 £000s	Cash Limits 2019-20 £000s	Cash Limits 2020-21 £000s	Later Years £000s
5	Asset Utilisation	Strategic utilisation of assets in order to achieve revenue savings and capital receipts	4,500		1,500	1,500	1,500	
6	*Dover Discovery Centre*	*Refurbishment to make the building fit for purpose*	4,306	300	4,006			
7	Energy Invest to Save	Investment in energy reduction schemes to reduce greenhouse gas emissions	3,600		1,800	1,800		
8	Eurogate Business Park Car Park & Roof	To carry out structural repairs to extend the useful life of the car park and roof	850		400	250	200	
10	Invicta Car Park	To carry out structural repairs, protection & remedial works to extend the useful life of the structure	998	898	100			
11	Kent Public Service Network (KPSN)	Upgrade to KPSN, a system which a number of partners rely on for interconnectivity, internet, collaboration and secure connections to central government departments	500		500			
12	*LIVE Margate*	Replace empty and poorly managed housing in Margate with high quality and well managed family housing to regenerate the area	10,216	3,716	2,150	2,850	1,500	
13	*MOA Plus*	Works required to ensure KCC buildings are fit for purpose and are in a statutory compliant condition	19,753		3,000	10,000	6,753	

STRATEGIC & CORPORATE SERVICES (S&CS)

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

			Total Cost of Scheme	Prior Years Spend	Cash Limits 2018-19	Cash Limits 2019-20	Cash Limits 2020-21	Later Years
			£'000	£'000	£'000	£'000	£'000	£'000
1	*New Ways of Working*	Improving use of our technology and office accommodation to ensure a flexible solution in order to respond to Facing the Challenge	45,273	44,873	400			
2	*Property Investment & Acquisition Fund (PIF)*	To fund strategic acquisitions of land and property	10,590	7,571	3,019			
3	Property Investment & Acquisition Fund II (PIFII)	To fund strategic acquisitions of land and property	7,000		3,000	3,000	1,000	
4	*Rendezvous Hotel*	*Part of the Regeneration aspirations for Margate*	15,750				15,750	
5	Community Sexual Health Services	Development of premises for delivery of community sexual health services	360	250	110			
6	**Total Individual Projects**		**123,696**	**57,608**	**19,985**	**19,400**	**26,703**	**0**
7	**Directorate Total**		**140,686**	**57,608**	**25,985**	**24,240**	**32,853**	**0**

* Estimated allocations have been included for 2018-19, 2019-20 and 2020-21.

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

	Total Cost of Scheme	Prior Years Spend	Cash Limits 2018-19	Cash Limits 2019-20	Cash Limits 2020-21	Later Years
Funded by:	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	62,008	15,991	16,806	21,020	8,191	
Grants	13,512	262	2,500	2,500	8,250	
Other External Funding	17,408	7,408			10,000	
Revenue and Renewals	1,817	1,507	170	70	70	
Capital Receipts	42,276	28,775	6,509	650	6,342	
Recycling of Loan Repayments	3,665	3,665				
Total:	**140,686**	**57,608**	**25,985**	**24,240**	**32,853**	**0**

STRATEGIC & CORPORATE SERVICES (S&CS)

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

Row Ref		Three Year Budget		2018-21 Funded By: Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
	ROLLING PROGRAMMES											
1	Corporate Property Strategic Capital*	7,500			7,500						7,500	
2	*Disposal Costs*	1,950							1,950		1,950	
3	Modernisation of Assets	7,540		7,540							7,540	
4	**Total Rolling Programmes**	**16,990**		**7,540**	**7,500**	**0**	**0**	**0**	**1,950**	**0**	**16,990**	
		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	INDIVIDUAL PROJECTS											
5	Asset Utilisation	4,500		4,500							4,500	
6	*Dover Discovery Centre*	4,306	300	1,566					2,440		4,006	
7	Energy Invest to Save	3,600		3,600							3,600	
8	Eurogate Business Park Car Park & Roof	850		650				200			850	
9	Invicta Car Park	998	898	100							100	
10	Kent Public Service Network (KPSN)	500		500							500	
11	*LIVE Margate*	10,216	3,716	5,000					1,500		6,500	
12	*MOA Plus*	19,753		15,561					4,192		19,753	
13	*New Ways of Working*	45,273	44,873						400		400	
14	*Property Investment & Acquisition Fund (PIF)*	10,590	7,571						3,019		3,019	
15	Property Investment & Acquisition Fund II	7,000		7,000							7,000	
16	*Rendezvous Hotel*	15,750	0		5,750		10,000				15,750	
17	Community Sexual Health Services	360	250					110			110	
18	**Total Individual Projects**	**123,696**	**57,608**	**38,477**	**5,750**	**0**	**10,000**	**310**	**11,551**	**0**	**66,088**	**0**
19	**TOTAL CASH LIMIT**	**140,686**	**57,608**	**46,017**	**13,250**	**0**	**10,000**	**310**	**13,501**	**0**	**83,078**	**0**

* Estimated allocations have been included for 2018-19, 2019-20 and 2020-21.
Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.

ADULT SOCIAL CARE & HEALTH (ASCH)

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

Row Ref			Three Year Budget		Cash Limits			
					2018-19	2019-20	2020-21	
			£000s		£000s	£000s	£000s	
	Rolling Programmes	**Description of Project**						
1	*Home Support Fund & Equipment*	Provision of equipment and/or alterations to individuals' homes	1,500		500	500	500	
2	**Total Rolling Programmes**		**1,500**		**500**	**500**	**500**	
			Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2018-19	2019-20	2020-21	Later Years
			£000s	£000s	£000s	£000s	£000s	£000s
	Individual Projects	**Description of Project**						
3	*Developer Funded Community Schemes*	A variety of community schemes to be funded by developer contributions	3,891	2,054	793			1,044
	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	3,231	1,747	1,484			
	Kent Strategy for Services for Older People (OP):							
5	*Dartford Hub (formerly Lowfield Street)*	Provision of Community Hub in Dartford for families and social care services	338	97	241			
6	*OP Strategy - Specialist Care Facilities*	Older Persons Care Provision - Accommodation Strategy	2,281	1,281	1,000			
7	Extra Care Facilities	Provision of Extra Care Accommodation	16,800		600	7,200	9,000	
	System Development:							
8	Adult Social Care Case Management	Replacement of the Adult Social Care Case Management & Finance system	6,469	1,000	3,004	2,465		
9	**Total Individual Projects**		**33,010**	**6,179**	**7,122**	**9,665**	**9,000**	**1,044**
10	**Directorate Total**		**34,510**	**6,179**	**7,622**	**10,165**	**9,500**	**1,044**

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

ADULT SOCIAL CARE & HEALTH (ASCH)

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

	Total Cost of Scheme	Prior Years Spend	Cash Limits			
			2018-19	2019-20	2020-21	Later Years
Funded by:	£000s	£000s	£000s	£000s	£000s	£000s
Borrowing	22,605	336	3,604	9,665	9,000	
PEF2	369	369				
Grants	3,235	1,893	1,342			
Developer Contributions	4,325	2,105	1,176			1,044
Revenue and Renewals	1,500	0	500	500	500	
Capital Receipts	2,476	1,476	1,000			
Total:	**34,510**	**6,179**	**7,622**	**10,165**	**9,500**	**1,044**

ADULT SOCIAL CARE & HEALTH

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

Row Ref		Three Year Budget		2018-21 Funded By: Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
	ROLLING PROGRAMMES											
1	*Home Support Fund & Equipment*	1,500						1,500			1,500	
2	**Total Rolling Programmes**	**1,500**		**0**	**0**	**0**	**0**	**1,500**	**0**	**0**	**1,500**	
		Total Cost of Scheme	**Prior Years Spend**	**Borrowing**	**Grants**	**Dev Conts**	**Other External Funding**	**Revenue & Renewals**	**Capital Receipts**	**Recycling of Loan Repayments**	**Total 2018-21**	**Later Years**
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	INDIVIDUAL PROJECTS											
3	*Developer Funded Community Schemes*	3,891	2,054			793					793	1,044
	Kent Strategy for Services for Learning Disability (LD):											
4	Learning Disability Good Day Programme	3,231	1,747		1,342	142					1,484	
	Kent Strategy for Services for Older People (OP):											
5	*Dartford Hub (formerly Lowfield Street)*	338	97			241					241	
6	*OP Strategy - Specialist Care Facilities*	2,281	1,281						1,000		1,000	
7	Extra Care Facilities	16,800		16,800							16,800	
	System Development:											
8	Adult Social Care Case Management	6,469	1,000	5,469							5,469	
9	**Total Individual Projects**	**33,010**	**6,179**	**22,269**	**1,342**	**1,176**	**0**	**0**	**1,000**	**0**	**25,787**	**1,044**
10	**TOTAL CASH LIMIT**	**34,510**	**6,179**	**22,269**	**1,342**	**1,176**	**0**	**1,500**	**1,000**	**0**	**27,287**	**1,044**

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

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

Row Ref	Rolling Programmes	Description of Project	Three Year Budget £000s		Cash Limits 2018-19 £000s	Cash Limits 2019-20 £000s	Cash Limits 2020-21 £000s	
1	*Annual Planned Enhancement Programme**	Planned and reactive capital projects to keep schools open and operational	24,000		8,000	8,000	8,000	
2	Devolved Formula Capital Grants for Schools*	Enhancement of schools	8,400		2,800	2,800	2,800	
3	Schools Revenue Contribution to Capital*	Schools spend on capital projects	24,000		8,000	8,000	8,000	
4	*Pupil Referral Units*	Improving the provision of Pupil Referral Units	249		249			
5	*Youth - Modernisation of Assets*	To purchase vehicles and equipment for youth services	100		50		50	
6	*Modernisation Programme*	Improving and upgrading school buildings including removal of temporary classrooms	8,369		4,369	2,000	2,000	
7	**Total Rolling Programmes**		**65,118**		**23,468**	**20,800**	**20,850**	

Row Ref	Individual Projects	Description of Project	Total Cost of Scheme £000s	Prior Years Spend £000s	Cash Limits 2018-19 £000s	Cash Limits 2019-20 £000s	Cash Limits 2020-21 £000s	Later Years £000s
8	*Basic Need Programme*	Increasing the capacity of Kent's schools	329,202	238,496	71,500	19,206		
9	*Basic Need Programme Pressure*	Increasing the capacity of Kent's schools	166,385	660	26,590	60,510	78,625	
	Other Projects:							
10	Special Schools Review Phase 2	Major programme of building works to ensure facilities are fit for purpose	84,324	82,809	1,515			
11	John Wallis Academy	To provide a new primary school building to replace the current unsuitable accommodation	5,075	2,575	2,500			
12	Special Provision Fund	To make capital investment in provision for pupils with special educational needs and disabilities	6,578		2,193	2,193	2,192	
13	*Priority School Build Programme (PSBP) 1 & 2*	Additional works under the PSBP programme not funded by the EFA	10,084	5,902	4,097	85		
14	**Total Individual Projects**		**601,648**	**330,442**	**108,395**	**81,994**	**80,817**	**0**
15	**Directorate Total**		**666,766**	**330,442**	**131,863**	**102,794**	**101,667**	**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 2018-19, 2019-20 and 2020-21.

CHILDREN, YOUNG PEOPLE & EDUCATION (CYPE)

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

	Total Cost of Scheme	Prior Years Spend	Cash Limits			
			2018-19	2019-20	2020-21	Later Years
Funded by:	£000s	£000s	£000s	£000s	£000s	£000s
Borrowing	113,976	37,110	55,971	7,291	45,054	-31,450
Grants	394,349	230,426	42,567	82,918	38,438	
Developer Contributions	96,918	35,604	20,264	4,500	5,100	31,450
Other External Funding	425	125	300			
Revenue and Renewals	24,006	6	8,000	8,000	8,000	
Capital Receipts	37,092	27,171	4,761	85	5,075	
Total:	**666,766**	**330,442**	**131,863**	**102,794**	**101,667**	**0**

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

Row Ref		Three Year Budget		2018-21 Funded By: Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
	ROLLING PROGRAMMES											
1	*Annual Planned Enhancement Programme**	24,000		1,000	23,000						24,000	
2	Devolved Formula Capital Grants for Schools*	8,400			8,400						8,400	
3	Schools Revenue Contribution to Capital*	24,000						24,000			24,000	
4	*Pupil Referral Units*	249							249		249	
5	*Youth - Modernisation of Assets*	100		50					50		100	
6	*Modernisation Programme*	8,369			8,369						8,369	
7	**Total Rolling Programmes**	**65,118**		**1,050**	**39,769**	**0**	**0**	**24,000**	**299**	**0**	**65,118**	

Row Ref		Total Cost of Scheme	Prior Years Spend	2018-21 Funded By: Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	INDIVIDUAL PROJECTS											
	Basic Need Schemes - to provide additional pupil places:											
8	*Basic Need Programme*	329,202	238,496	31,449	40,248	18,764	300		-55		90,706	
9	*Basic Need Programme Pressure*	166,385	660	77,719	76,906	11,100					165,725	
	Other Projects:											
10	Special Schools Review Phase 2	84,324	82,809	173	22				1,320		1,515	
11	John Wallis Academy	5,075	2,575	-2,575					5,075		2,500	
12	Special Provision Fund	6,578			6,578						6,578	
13	*Priority School Build Programme (PSBP) 1 & 2*	10,084	5,902	500	400				3,282		4,182	
14	**Total Individual Projects**	**601,648**	**330,442**	**107,266**	**124,154**	**29,864**	**300**	**0**	**9,622**	**0**	**271,206**	**0**
15	**TOTAL CASH LIMIT**	**666,766**	**330,442**	**108,316**	**163,923**	**29,864**	**300**	**24,000**	**9,921**	**0**	**336,324**	**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 2018-19, 2019-20 and 2020-21.

GROWTH, ENVIRONMENT & TRANSPORT (GET)

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

Row Ref			Three Year Budget		Cash Limits 2018-19	2019-20	2020-21	Later Years
			£000s		£000s	£000s	£000s	£000s
	Rolling Programmes	**Description of Project**						
	Community & Regulatory Services							
1	*Country Parks Access and Development*	Improvements and adaptations to country parks	180		60	60	60	
2	*Public Rights of Way*	Structural improvements of Public Rights of Way (PROW)	2,505		835	835	835	
3	*Public Sports Facilities Improvement - Capital Grant*	Capital grants for the new provision/refurbishment of sports facilities and projects in the community	300		100	100	100	
4	*Village Halls and Community Centres - Capital Grants*	Capital Grants for improvements and adaptations to village halls and community centres	300		100	100	100	
	Planning, Highways, Transport & Waste							
5	*Highway Major Enhancement / Other Capital Enhancement / Bridge Assessment and Strengthening*^*	Maintaining Kent's roads	88,912		35,137	27,800	25,975	
6	*Integrated Transport Schemes under £1 million**	Improvements to road safety	9,300		3,100	3,100	3,100	
7	Major Schemes - Preliminary Design Fees	Preliminary design of new roads	680		200	250	230	
8	Land compensation and Part 1 claims	Land Compensation Part 1 Claims	17		17			
9	**Total Rolling Programmes**		**102,194**		**39,549**	**32,245**	**30,400**	**0**

GROWTH, ENVIRONMENT & TRANSPORT (GET)

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

			Total Cost of Scheme	Prior Years Spend	Cash Limits 2018-19	2019-20	2020-21	Later Years
			£000s	£000s	£000s	£000s	£000s	£000s
	Individual Projects	**Description of Project**						
	Community & Regulatory Services							
1	*Coroners Phase 1*	Reconfiguration to house Coroners Investigation Officers	248	198	50			
2	*Coroners Phase 2*	To enable a fully integrated Coroner Service to be delivered from a single location	2,118		2,118			
3	Herne Bay Library Plus	Project in partnership with Canterbury City Council to maximise the utilisation of an existing building. The project will also address long-term building issues.	251	1	250			
4	Southborough Hub	Re-provision of library within new Southborough Hub	11,329	1,879	3,000	6,450		
5	Sustainable Access to Education & Employment	Targeted improvements to Public Rights of Way (PROW)	1,188	588	200	200	200	
6	*Tunbridge Wells Cultural Hub*	Development of a cultural and learning hub in partnership with Tunbridge Wells Borough Council	12,886	760	1,300	6,210	4,616	
	Economic Development							
7	Broadband Contract 1	To provide 91% of Kent's properties with superfast broadband services	21,655	18,166	3,489			
8	*Broadband Contract 2*	To extend the reach of superfast broadband so that 95% of homes and businesses can access superfast broadband	11,200	6,224	4,976			
9	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	6,000	3,000	1,000	1,000	1,000	
10	Kent & Medway Business Fund	New fund using recycled receipts from Regional Growth Fund, TIGER, and Escalate	39,134	8,851	12,400	7,111	10,772	0
11	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 including an affordable homes project part funded by HCA through the provision of short-term secured loans	28,329	19,644	2,760	2,036	1,889	2,000
12	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	3,216	1,608		1,538	70	

GROWTH, ENVIRONMENT & TRANSPORT (GET)

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

			Total Cost of Scheme	Prior Years Spend	Cash Limits 2018-19	2019-20	2020-21	Later Years
			£000s	£000s	£000s	£000s	£000s	£000s
	Individual Projects	**Description of Project**						
1	No Use Empty - Rented Affordable Homes Extension	A continuation of the existing No Use Empty Rented Affordable Homes offer to return large family sized empty properties back into use as affordable rented homes	818	409			175	234
2	Marsh Million	Fund to support economic growth on Romney Marsh to develop new jobs and business opportunities following the decommissioning of Dungeness Power Station	1,360	949	179	82	75	75
3	*Turner*	To extend and refurbish to make the building function more efficiently to service the high levels of visitor numbers	6,025	225	1,750	4,050		
	Planning, Highways, Transport & Waste							
4	*A2 Off Slip Wincheap, Canterbury*	To deliver an off-slip in the coastbound direction	8,800	354	1,388	3,439	3,619	
5	*A226 St Clements Way*	Road improvement scheme	6,903	2,126	4,275	502		
6	*A2500 Lower Road Improvements*	Junction improvements to increase capacity	6,655	543	2,544	3,457	111	
7	*A28 Chart Road, Ashford*	Strategic highway improvement	26,248	5,399	9,329	11,520		
8	A28 Sturry Road integrated transport package, Canterbury	Construction of bus lane	447	327	120			
9	Dartford Town Centre	A package of works to improve economic performance of Dartford Town Centre	12,000	305	3,816	3,702	3,119	1,058
10	Drovers Roundabout junction	Construction of roundabout	23,610	23,590	20			
11	East Kent Access Phase 2 - Major Road Scheme	Construction of East Kent Access Road	85,425	85,018	322	85		
12	Energy and Water Efficiency Investment Fund - External	Energy Efficiency works	2,318	2,027	102	75	114	
13	Energy Reduction and Water Efficiency Investment - KCC	Energy Efficiency works	2,005	1,800	65	48	92	
14	Kent Medical Campus (National Productivity Investment Fund - NPIF)	NPIF project in Maidstone to ease congestion	11,819	210	5,500	5,690	419	

GROWTH, ENVIRONMENT & TRANSPORT (GET)

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

			Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2018-19	2019-20	2020-21	Later Years
			£000s	£000s	£000s	£000s	£000s	£000s
	Individual Projects	**Description of Project**						
1	Kent Strategic Congestion management programme across growth areas	Package of measures to reduce congestion and carbon footprint	5,024	2,400	906	918	800	
2	Kent Sustainable interventions programme for growth	Highway improvements	2,736	1,041	695	500	500	
3	Kent Thameside LSTF - Integrated door-to-door journeys	Package of measures to reduce congestion	4,558	3,458	400	400	300	
4	*Kent Thameside Strategic Transport Programme*	Strategic highway improvement in Dartford & Gravesham	32,754	652	1,052	5,300	5,173	20,577
5	LED Conversion	Upgrading street lights to more energy efficient LED lanterns & implementation of Central Monitoring System	40,000	30,522	8,805	673		
6	*Leigh (Medway) Flood Storage Area*	To provide flood defences for the River Medway, including property level resilience for Yalding and the surrounding area, increasing the capacity of Leigh Flood Storage area and to support the LGF3 bid for funds to support flood defences for Hildenborough and East Peckham	4,000		350	540	2,250	860
7	Maidstone Integrated Transport	Improving transport links with various schemes in Maidstone	10,550	1,640	3,660	4,935	315	
8	M20 Junction 4 Eastern over bridge	Carriageway widening	6,195	6,064	69	62		
9	North Farm development	Road Improvement scheme	7,428	7,396	6	15	11	
10	*Open Golf*	To enable transport improvements in relation to hosting The Open in 2020	4,289	451	1,919	1,919		
11	Rathmore Road Link	Road improvement scheme	9,500	8,192	297	1,011		
12	Rushenden Link (Sheppey) - Major Road Scheme	Construction of link road	10,892	10,857	35			
13	Sittingbourne Northern Relief Road - Major Road Scheme	Construction of relief road	29,147	28,815	277	55		

GROWTH, ENVIRONMENT & TRANSPORT (GET)

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

			Total Cost of Scheme	Prior Years Spend	Cash Limits			
					2018-19	2019-20	2020-21	Later Years
			£000s	£000s	£000s	£000s	£000s	£000s
	Individual Projects	**Description of Project**						
1	Street Lighting Column - Replacement Scheme	Street lighting column replacement new bid	2,629	735	1,605	289		
2	*Sturry Link Road, Canterbury*	Construction of bypass	29,600	848	1,405	12,110	15,237	
3	*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	21,420	1,060	3,160	8,800	8,400	
4	Tonbridge town centre	Town centre improvements	2,932	2,831	101			
5	Tunbridge Wells Junction Improvements	Junction improvements	1,958	985	973			
6	Victoria Way	Construction of relief road	17,870	17,856	14			
7	West Kent local sustainable transport - tackling congestion	Package of measures to reduce congestion and carbon footprint	5,275	3,070	905	700	600	
8	Westwood Relief Strategy - Poorhole Lane Improvement	Road scheme to relieve congestion	4,517	4,441	41	35		
9	Windmill Weatherproofing	Works to ensure Windmills are in a safe and weatherproof condition	382		302	80		
10	*A228 Colts Hill Strategic Link - Road Scheme*	Construction of bypass	25,000					25,000
11	*Orchard Way Railway bridge, Ashford*	Strategic highway improvement	15,000					15,000
12	*South East Maidstone Strategic Link - Road Scheme*	Construction of bypass	35,000					35,000
13	**Total Individual Projects**		**660,643**	**317,515**	**87,930**	**95,537**	**59,857**	**99,804**
14	**Directorate Total**		**762,837**	**317,515**	**127,479**	**127,782**	**90,257**	**99,804**

Italic font: these are projects that are relying on significant elements of unsecured funding and will only go ahead if the funding is achieved.
* Indicative allocations have been included for 2018-19, 2019-20 and 2020-21.
^ Includes Incentive Fund and Pot Hole Action Fund estimated funding for 2018-19

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

	Total Cost of Scheme	Prior Years Spend	Cash Limits			
			2018-19	2019-20	2020-21	Later Years
Funded by:	£000s	£000s	£000s	£000s	£000s	£000s
Borrowing	78,092	51,263	29,976	15,420	-11,837	-6,730
Grants	379,166	211,550	66,270	60,910	39,868	568
Developer Contributions	136,472	10,933	5,403	19,886	39,673	60,577
Other External Funding	80,228	15,914	4,366	16,707	7,241	36,000
Revenue and Renewals	5,535	3,992	1,186	142	215	
Capital Receipts	11,435	3,532	5,009	3,969	2,125	-3,200
Recycling of Loan Repayments	71,909	20,331	15,269	10,748	12,972	12,589
Total:	**762,837**	**317,515**	**127,479**	**127,782**	**90,257**	**99,804**

GROWTH, ENVIRONMENT & TRANSPORT (GET)

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

Row Ref		Three Year Budget		2018-21 Funded By: Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	
		£000s		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
	ROLLING PROGRAMMES											
	Community & Regulatory Services											
1	*Country Parks Access and Development*	180		120					60		180	
2	*Public Rights of Way*	2,505			2,505						2,505	
3	*Public Sports Facilities Improvement - Capital Grant*	300		200					100		300	
4	*Village Halls and Community Centres - Capital Grants*	300		200					100		300	
	Planning, Highways, Transport & Waste											
5	*Highway Major Enhancement / Other Capital Enhancement / Bridge Assessment and Strengthening*^*	88,912		7,520	81,392						88,912	
6	*Integrated Transport Schemes under £1 million**	9,300			9,300						9,300	
7	Major Schemes - Preliminary Design Fees	680		330	347		3				680	
8	Land compensation and Part 1 claims	17				17					17	
9	**Total Rolling Programmes**	**102,194**		**8,370**	**93,544**	**17**	**3**	**0**	**260**	**0**	**102,194**	
		Total Cost of Scheme	**Prior Years Spend**	**Borrowing**	**Grants**	**Dev Conts**	**Other External Funding**	**Revenue & Renewals**	**Capital Receipts**	**Recycling of Loan Repayments**	**Total 2018-21**	**Later Years**
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	INDIVIDUAL PROJECTS											
	Community & Regulatory Services											
10	Coroners Phase 1	248	198						50		50	
11	Coroners Phase 2	2,118		2,118							2,118	
12	Herne Bay Library Plus	251	1	250							250	
13	Southborough Hub	11,329	1,879		1,000		4,262		4,188		9,450	
14	Sustainable access to education & employment	1,188	588		450	150					600	
15	*Tunbridge Wells Cultural Hub*	12,886	760			400	10,126		1,600		12,126	
	Economic Development											
16	Broadband Contract 1	21,655	18,166	3,489							3,489	
17	*Broadband Contract 2*	11,200	6,224	122				1,000	3,854		4,976	
18	Innovation Investment Initiative (i3)	6,000	3,000		3,000						3,000	
19	Kent & Medway Business Fund	39,134	8,851							30,283	30,283	0
20	Kent Empty Property Initiative - No Use Empty (NUE)	28,329	19,644					47		6,638	6,685	2,000

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

				2018-21 Funded By:								
		Total Cost of Scheme	Prior Years Spend	Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	No Use Empty - Rented Affordable Homes	3,216	1,608							1,608	1,608	
2	No Use Empty - Rented Affordable Homes Extension	818	409							175	175	234
3	Marsh Million	1,360	949				51			285	336	75
4	*Turner*	6,025	225	2,900			2,900				5,800	
	Planning, Highways, Transport & Waste											
5	*A2 Off Slip Wincheap, Canterbury*	8,800	354		4,046	4,400					8,446	
6	*A226 St Clements Way*	6,903	2,126		2,198	2,579					4,777	
7	*A2500 Lower Road Improvements*	6,655	543		3,917	1,995	200				6,112	
8	*A28 Chart Road, Ashford*	26,248	5,399		5,025	15,824					20,849	
9	A28 Sturry Road integrated transport package, Canterbury	447	327		-27	147		0			120	
10	Dartford Town Centre	12,000	305		10,637						10,637	1,058
11	Drovers Roundabout junction	23,610	23,590	20							20	
12	East Kent Access Phase 2 - Major Road Scheme	85,425	85,018	316	91						407	
13	Energy and Water Efficiency Investment Fund - External	2,318	2,027					291			291	
14	Energy Reduction and Water Efficiency Investment - KCC	2,005	1,800					205			205	
15	Kent Medical Campus (NPIF)	11,819	210		9,189	1,920	500				11,609	
16	Kent Strategic Congestion management programme across growth areas	5,024	2,400		2,400		224				2,624	
17	Kent Sustainable interventions programme for growth	2,736	1,041		1,695						1,695	
18	Kent Thameside LSTF - Integrated door-to-door journeys	4,558	3,458		1,100						1,100	
19	*Kent Thameside Strategic Transport Programme*	32,754	652		102	11,423					11,525	20,577
20	LED Conversion	40,000	30,522	9,478							9,478	
21	*Leigh (Medway) Flood Storage Area*	4,000		2,390					750		3,140	860
22	Maidstone Integrated Transport	10,550	1,640		7,260	1,650					8,910	
23	M20 Junction 4 Eastern over bridge	6,195	6,064			131					131	
24	North Farm development	7,428	7,396			32					32	
25	*Open Golf*	4,289	451	240	2,525		1,073				3,838	
26	Rathmore Road Link	9,500	8,192		1,008				300		1,308	

GROWTH, ENVIRONMENT & TRANSPORT (GET)

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

		Total Cost of Scheme	Prior Years Spend	2018-21 Funded By: Borrowing	Grants	Dev Conts	Other External Funding	Revenue & Renewals	Capital Receipts	Recycling of Loan Repayments	Total 2018-21	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	Rushenden Link (Sheppey) - Major Road Scheme	10,892	10,857			35					35	
2	Sittingbourne Northern Relief Road - Major Road Scheme	29,147	28,815			332					332	
3	Street Lighting Column - Replacement Scheme	2,629	735	1,894							1,894	
4	*Sturry Link Road, Canterbury*	29,600	848		5,067	23,685					28,752	
5	*Thanet Parkway*	21,420	1,060	1,590	10,000		8,770				20,360	
6	Tonbridge town centre	2,932	2,831						101		101	
7	Tunbridge Wells Junction Improvements	1,958	985		807	166					973	
8	Victoria Way	17,870	17,856		14						14	
9	West Kent local sustainable transport - tackling congestion	5,275	3,070		2,000		205				2,205	
10	Westwood Relief Strategy - Poorhole Lane Improvement	4,517	4,441			76					76	
11	Windmill Weatherproofing	382		382							382	
12	*A228 Colts Hill Strategic Link - Road Scheme*	25,000									0	25,000
13	*Orchard Way Railway bridge, Ashford*	15,000									0	15,000
14	*South East Maidstone Strategic Link - Road Scheme*	35,000									0	35,000
15	**Total Individual Projects**	**660,643**	**317,515**	**25,189**	**73,504**	**64,945**	**28,311**	**1,543**	**10,843**	**38,989**	**243,324**	**99,804**
16	**TOTAL CASH LIMIT**	**762,837**	**317,515**	**33,559**	**167,048**	**64,962**	**28,314**	**1,543**	**11,103**	**38,989**	**345,518**	**99,804**

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

* Indicative allocations have been included for 2018-19, 2019-20 and 2020-21.

^ Includes Incentive Fund and Pot Hole Action Fund estimated funding for 2018-19

KCC Budget Information

SECTION 10

Directorate Revenue Budget Summary

SECTION 10 - REVENUE BUDGET SUMMARY BY DIRECTORATE

WHO IS RESPONSIBLE FOR THE BUDGET?

Revenue Spending

Row ref	2017-18 Base Budget (Net Cost)	Directorate	2018-19 Approved Budget Staffing	Non Staffing	Gross Expenditure	Income	Grants	**Net Cost**	Net Change
	£000s		£000s	£000s	£000s	£000s	£000s	**£000s**	£000s
1	416,630.3	Adult Social Care & Health (ASCH)	84,681.8	471,672.7	556,354.5	-121,498.7	-16,185.0	**418,670.8**	2,040.5
2	169,795.4	Children, Young People & Education (excl Schools' Budgets) (CYPE)	102,511.6	334,263.5	436,775.1	-48,026.0	-204,860.1	**183,889.0**	14,093.6
3	0.0	Children, Young People & Education (Schools' Budgets) (CYPE)	483,280.2	154,048.5	637,328.7	-50,757.3	-586,571.4	**0.0**	0.0
4	162,307.3	Growth, Environment & Transport (GET)	48,168.9	162,513.4	210,682.3	-37,249.6	-4,327.5	**169,105.2**	6,797.9
5	69,071.4	Strategic & Corporate Services (S&CS)	53,482.3	143,960.7	197,443.0	-52,840.6	-73,207.8	**71,394.6**	2,323.2
6	115,172.4	Financing Items & Unallocated (FI&U)	1,859.8	131,269.4	133,129.2	-17,682.9	-18.0	**115,428.3**	255.9
7	**932,976.8**	**BUDGET REQUIREMENT**	**773,984.6**	**1,397,728.2**	**2,171,712.8**	**-328,055.1**	**-885,169.8**	**958,487.9**	**25,511.1**
8	**932,976.8**	**BUDGET REQUIREMENT (excl Schools' Budgets)**	**290,704.4**	**1,243,679.7**	**1,534,384.1**	**-277,297.8**	**-298,598.4**	**958,487.9**	**25,511.1**
		Funded by:							
9	-620,526.8	Council Tax Yield					-665,735.3	**-665,735.3**	-45,208.5
10	-12,494.2	Council Tax Collection Fund					-10,338.4	**-10,338.4**	2,155.8
11	-50,599.9	Local Share of Business Rates					-59,048.9	**-59,048.9**	-8,449.0
12	140.3	Business Rates Collection Fund					247.3	**247.3**	107.0
		Un-ringfenced Grants							
13	-66,475.8	Revenue Support Grant					-37,640.1	**-37,640.1**	28,835.7
14	-5,684.7	Transitional Grant					0.0	**0.0**	5,684.7
15	-6,192.0	Social Care Support Grant					-3,852.8	**-3,852.8**	2,339.2
16	-128,863.8	Business Rate Top-Up					-133,568.9	**-133,568.9**	-4,705.1
17	-3,341.7	Business Rate Compensation Grant					-6,163.4	**-6,163.4**	-2,821.7
18	-301.2	Improved Better Care Fund					-17,525.1	**-17,525.1**	-17,223.9
19	-26,090.8	Adult Social Care Allocation					-17,493.8	**-17,493.8**	8,597.0
20	-3,372.1	ESG: one-year transitional protection					0.0	**0.0**	3,372.1
21	-7,804.9	New Homes Bonus (NHB) & NHB Adjustment Grants					-5,782.4	**-5,782.4**	2,022.5
22	-1,369.2	Other Un-ringfenced Grants					-1,586.1	**-1,586.1**	-216.9
23	**0.0**	**TOTAL**	**773,984.6**	**1,397,728.2**	**2,171,712.8**	**-328,055.1**	**-1,843,657.7**	**0.0**	**0.0**

KCC Budget Information

SECTION 11

Key Services Statement

(used for in-year Monitoring Reports)

BUDGET BY DIRECTORATE & DIVISION

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

Kent County Council £958,487.9k

Directorate	Division	Net Cost
Adult Social Care & Health (ASCH) £418,670.8k	Strategic Management & Directorate Budgets*	£43,284.6k
	Disabled Children, Adult Learning Disability & Mental Health*	£223,467.1k
	Older People & Physical Disability*	£151,919.1k
Children, Young People & Education (CYPE) £183,889.0k	Strategic Management & Directorate Budgets*	£2,180.7k
	Education Services & Planning Resources	£40,649.9k
	Early Help & Preventative Services	£16,369.1k
	Schools Delegated Budgets	£0.0k
	Specialist Children's Services*	£124,689.3k
Growth, Environment & Transport (GET) £169,105.2k	Strategic Management & Directorate Budgets*	£612.2k
	Economic Development	£4,341.6k
	Highways, Transportation & Waste	£140,434.6k
	Environment, Planning & Enforcement	£14,354.1k
	Libraries, Registration & Archives	£9,362.7k
Strategic & Corporate Services (S&CS) £71,394.6k	Strategic Management & Directorate Budgets*	£-2,262.1k
	Engagement, Organisation & Development	£13,362.4k
	Finance	£10,895.6k
	General Counsel	£4,850.2k
	Infrastructure (including Business Services Centre)	£35,416.0k
	Strategic Commissioning	£7,409.1k
	Strategy, Policy, Relationships & Corporate Assurance	£1,723.4k
	Public Health	£0.0k
Financing Items & Unallocated (FI&U) £115,428.3k	Financing Items & Unallocated	£115,428.3k

*including budgets still to be allocated

ADULT SOCIAL CARE & HEALTH (ASCH)

Interim Corporate Director: Penny Southern

Net Revenue Budget: £418,670.8k
Gross Capital Budget for over 3 year period: £27,287k

Full Time Equivalents (FTE's) as at February 2018: 2,319.17

Adult Social Care & Health (ASCH) consists of three divisions; Disabled Children, Adult Learning Disability & Mental Health (split into Adult's Disability and Children's Disability) (DCLDMH), Older People & Physical Disability (OPPD), and Strategic Management & Directorate Budgets (SMDBA). Our principle purpose is to work with people who need care and support and may therefore need any of the services we arrange or provide.

We work with people to understand their personal needs, and help them to build on their strengths and abilities wherever possible. We aim to promote people's independence and wellbeing and help them to achieve outcomes that are important to them. Within this core purpose, our top priority is to discharge our statutory safeguarding responsibilities for adults, working with our key partner organisations. We seize the opportunity to ensure we make sound commissioning decisions and drive the delivery of quality services that improve outcomes and wellbeing for the people of Kent.

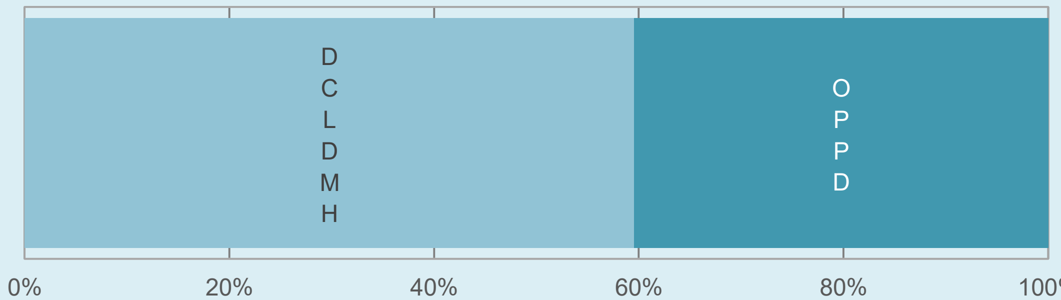
As a Directorate, we will undoubtedly continue to face significant external pressures and internal challenges, and we will do all we can to provide services with the ongoing financial challenges, on top of significant pre-existing budgetary pressures and the continuation of a trend which sees rising numbers of people living longer with increasingly 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, and we are confident we have the necessary resourcefulness, skills, and abilities in place to deliver our intended outcomes for the people of Kent.

Disabled Children, Adult Learning Disability & Mental Health (DCLDMH): The Division commissions and provides a range of services for children, young people, adults with disabilities, and people with mental health issues. The Division supports vulnerable adults and children to live independently by promoting their wellbeing, and supporting their independence. Our services for adult mental health and learning disability work in integrated teams with NHS colleagues. We have implemented a lifespan pathway for our service users, this will ensure continuity of support as soon as people enter our services, through transition to adulthood and throughout their lives. In support of the lifespan pathway, our Division is now made up of five key business areas; Disabled Children and Young People teams, Community Learning Disability teams, In-House Provision, Mental Health Services, and, the Operational Support Unit.

Older People & Physical Disability (OPPD): The Division commissions and provides a range of services to improve outcomes for older people and physically disabled adults and their carers. We support older and vulnerable adults wherever they live in our community to improve or maintain their wellbeing and live as independently as possible. The Division is made up of eight key business areas; Area Referral Management Service, Adults Central Referral Unit, Adult Community Teams, Kent Enablement at Home, Sensory and Autistic Spectrum Conditions Service, Integrated / Registered Care Centres, Day Centres, and the Health and Social Care Integration Team.

Strategic Management & Directorate Budgets (SMDBA): This area incorporates the costs of the Strategic Management Team and Office. The Improved Better Care Fund (IBCF) specific allocation for social care, and the provision for social care prices for the forthcoming year are also held initially in this area. Some housing related support is also incorporated here.

How is the ASCH budget split between services (excluding SMDBA)?



Directorate Level Variation Statement (please refer to Appendix A(ii))

2017-18 Revised Base Budget	Spending Pressures	Savings & Income	2018-19 Budget
417,241.0k	19,777.1k	-18,347.3k	418,670.8k

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description

Adult Social Care & Health (ASCH) - Interim Corporate Director: Penny Southern

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
		Strategic Management & Directorate Budgets - Adults - Interim Corporate Director: Penny Southern							
1	26,090.8	Additional Adult Social Care Allocation	0.0	17,493.8	17,493.8	0.0	0.0	**17,493.8**	Additional spending on Adult Social Care following the Chancellor's budget announcement in March 2017. Spending plans to be refined and allocated across other Key Services lines
2	13,711.2	Budgets and Savings Plans to be allocated	-236.5	9,989.8	9,753.3	-450.0	0.0	**9,303.3**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services lines
3	2,081.7	Safeguarding Adults	1,379.0	2,516.7	3,895.7	-111.1	-128.2	**3,656.4**	A multi-agency partnership / framework to ensure a coherent policy and arrangements for the protection of vulnerable adults and Deprivation of Liberty Safeguards
4	1,050.0	Community Based Preventative Services - Other Adults	67.2	2,332.6	2,399.8	-78.1	-1,730.1	**591.6**	Support service 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. Includes support to refugee families under the Government's Syrian Vulnerable Persons Relocation Scheme. 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
5	9,752.2	Housing Related Support - Other Adults	0.0	9,807.4	9,807.4	-703.0	-181.7	**8,922.7**	Housing related support for 3,500 vulnerable households via supported housing, women's refuges, and community based support to enable them to gain the skills they need to live independently in their own home. Emergency welfare assistance and advice to over 8,000 households in an emergency or crisis
6	2,668.8	Strategic Management & Directorate Support	1,352.2	2,248.9	3,601.1	-160.0	-124.3	**3,316.8**	Central Directorate costs including the costs of the Corporate Director, Directors, and associated Officers
7	**55,354.7**	**Total - Strategic Management & Directorate Budgets**	**2,561.9**	**44,389.2**	**46,951.1**	**-1,502.2**	**-2,164.3**	**43,284.6**	
		Disabled Children, Adult Learning Disability & Mental Health - Director: Penny Southern							
8	65,361.9	Adult Learning & Physical Disability Pathway - Residential Care Services	0.0	75,662.2	75,662.2	-6,309.7	0.0	**69,352.5**	Residential Care Services (and Short Breaks) for Learning Disability Service Users (aged 18+) and Physical Disability (aged 18-25)
9	82,133.1	Adult Learning & Physical Disability Pathway - Community Based Services	8,364.8	87,465.9	95,830.7	-5,764.2	-1,839.2	**88,227.3**	Community Based Services for Learning Disability Service Users (aged 18+) and Physical Disability (aged 18-25) including domiciliary care, direct payments, day care, supported living, and social support services provided by the voluntary sector to enable Service Users to remain independent
10	5,059.8	Adult Learning Disability - Assessment Service	4,748.0	259.9	5,007.9	-167.7	-11.1	**4,829.1**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
11	9,478.4	Adult Mental Health - Residential Care Services	0.0	11,305.5	11,305.5	-826.7	0.0	**10,478.8**	Residential Care Services for Mental Health Service Users (aged 18+)
12	4,373.6	Adult Mental Health - Community Based Services	1,247.3	4,327.3	5,574.6	-461.9	-269.9	**4,842.8**	Community based services for Mental Health Service Users (aged 18+) including domiciliary care, direct payments, day care, supported living, and social support services provided by the voluntary sector to enable Service Users to remain independent
13	8,546.2	Adult Mental Health - Assessment Services	9,128.5	289.4	9,417.9	-503.0	-11.1	**8,903.8**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Mental Health professionals
14	2,996.7	Community Based Preventative Services - Learning Disability & Mental Health	0.0	6,543.9	6,543.9	-3,438.5	-246.9	**2,858.5**	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
15	3,415.0	Carers Support (Learning Disability & Mental Health)	2,160.6	1,054.5	3,215.1	-182.5	0.0	**3,032.6**	Services supporting carers including both commissioned and in-house residential respite services
16	3,666.3	Housing Related Support (Learning Disability & Mental Health)	0.0	4,255.7	4,255.7	0.0	0.0	**4,255.7**	Supported housing for over 500 people with Learning Disabilities or Mental Health problems to enable independent living
17	8,263.8	Looked After Children (with Disability) - Care & Support	2,935.5	8,547.6	11,483.1	-2,154.4	0.0	**9,328.7**	Service for Looked After Children (aged 0-18) with a Disability including both short and long term residential care and fostering services
18	7,013.8	Children in Need (Disability) - Care & Support	0.0	7,471.6	7,471.6	-307.8	0.0	**7,163.8**	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
19	5,081.3	Disabled Children & Young People Service (0-25 LD & Complex PD) - Assessment Service	5,557.3	244.4	5,801.7	0.0	0.0	**5,801.7**	Social care staff providing assessment and support services for Service Users (aged 0-25) with Learning Disability and Complex Physical Disabilities
20	5,947.3	Divisional & Directorate Support	4,768.4	1,529.5	6,297.9	-256.3	0.0	**6,041.6**	Manages a number of operational support services allowing people to continue to live independently, supports Directorate to achieve business aims including Divisional management costs
21	0.0	Budgets and Savings Plans to be allocated	0.0	-1,649.8	-1,649.8	0.0	0.0	**-1,649.8**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services lines
22	**211,337.2**	**Total - Disabled Children, Adult Learning Disability & Mental Health**	**38,910.4**	**207,307.6**	**246,218.0**	**-20,372.7**	**-2,378.2**	**223,467.1**	
		Older People & Physical Disability - Director: Anne Tidmarsh							
23	11,913.5	Adult Physical Disability - Residential Care Services	0.0	13,073.6	13,073.6	-2,087.2	0.0	**10,986.4**	Residential Care Services for Physical Disability Service Users (aged 26+)
24	19,271.0	Adult Physical Disability - Community Based Services	0.0	23,112.2	23,112.2	-2,187.9	-1,082.9	**19,841.4**	Community Based Services for Physical Disability Service Users (aged 26+) including domiciliary care, direct payments, day care, supported living, and social support services provided by the voluntary sector to enable Service Users to remain independent
25	50,741.7	Older People - Residential Care Services	8,112.9	104,961.0	113,073.9	-56,090.6	-2,064.5	**54,918.8**	Residential and Nursing Care Services for Older People (aged 65+) including the in-house residential and integrated care centres

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
26	28,111.0	Older People - Community Based Services	8,967.1	52,771.0	61,738.1	-25,994.1	-8,331.9	**27,412.1**	Community based services for Older People (aged 65+) including domiciliary care, direct payments, day care, supported living, and social support services provided by the voluntary sector to enable Service Users to remain independent
27	6,416.5	Community Based Preventative Services - Older People & Physical Disability	0.0	6,989.5	6,989.5	-536.3	0.0	**6,453.2**	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
28	4,715.2	Adaptive & Assistive Technology	0.0	10,783.5	10,783.5	-6,500.2	0.0	**4,283.3**	Occupational Therapy & Sensory Disability Services working in partnership with Health, Hi Kent, and Kent Association for the Blind to provide equipment, including telehealth and telecare
29	5,826.9	Carers Support (Older People & Physical Disability)	0.0	9,290.5	9,290.5	-4,169.6	-13.4	**5,107.5**	Services supporting carers including residential respite services
30	3,290.0	Housing Related Support (Older People & Physical Disability)	0.0	686.1	686.1	0.0	0.0	**686.1**	Housing related support for 4,000 Older People or those with Physical Disabilities via supported housing, Home Improvement Agencies, and community based support to enable them to gain the skills they need to live independently in their own home
31	22,450.5	Older People & Physical Disability Assessment Services	25,791.4	1,440.2	27,231.6	-2,057.9	-109.8	**25,063.9**	Social care staff providing assessment of community care needs and safeguarding investigation undertaken by Case Managers
32	412.4	Children in Need (Disability) - Assessment Services	320.2	101.3	421.5	0.0	0.0	**421.5**	Social care staff providing assessment and support services for children with sensory impairment
33	-3,210.3	Divisional Management & Support Costs (including savings yet to be allocated)	175.2	579.6	754.8	0.0	-40.0	**714.8**	Older People & Physical Disability (OPPD) Management Costs
34	0.0	Budgets and Savings Plans to be allocated	-157.3	-3,812.6	-3,969.9	0.0	0.0	**-3,969.9**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services Lines
35	**149,938.4**	**Total - Older People & Physical Disability**	**43,209.5**	**219,975.9**	**263,185.4**	**-99,623.8**	**-11,642.5**	**151,919.1**	
36	**416,630.3**	**Total - Adult Social Care & Health**	**84,681.8**	**471,672.7**	**556,354.5**	**-121,498.7**	**-16,185.0**	**418,670.8**	

Base Budget Comment: The following changes, made as a result of the Directorate restructure during 2017-18, reconcile the Key Services pages and Appendix II of the MTFP:
181.4k has been moved **from** Adult Social Care & Health (ASCH) **to** Children, Young People & Education (CYPE) in relation to Strategic Management & Directorate budgets.
5,923.4k has been moved **from** Adult Social Care & Health **to** Strategic & Corporate Services (S&CS) in relation to the Strategic Commissioning budget.

CHILDREN, YOUNG PEOPLE & EDUCATION (CYPE)

Corporate Director: Matt Dunkley CBE

Net Revenue Budget: £183,889.0k
Gross Capital Budget for over 3 year period: £336,324k

Full Time Equivalents (FTE's) as at February 2018: 2,792.58

Children, Young People & Education (CYPE) consists of five divisions; Early Help & Preventative Services (EYPS), Education Services Planning & Resources (ESPR), Schools' Delegated Budgets (SDB), Specialist Children's Services (SCS), and, Strategic Management & Directorate Budgets (SMDBC). We want the best for all children in Kent. The CYPE vision is for Kent to be the best place for children and young people to grow up, be supported and safeguarded, so they can learn, develop and achieve their maximum potential.

Our driving ambition is to deliver the best outcomes we can for all children, young people and their families. We constantly aim for Kent to be the most forward looking area in England for care, education, and learning, supported by specialist and early help services, so that we are the best place for children and young people to grow up safely, learn, develop, and achieve.

We have worked hard to minimise the impact of reduced resources and increased demand on the most vulnerable in our communities. We know that we need to keep vulnerable families out of crisis, as well as children and young people out of KCC care, unless of course, care is the best place for them. We have responded creatively by forming new partnerships, reshaping services and adopting new ways of working to ensure children and families are supported where and when they need help.

A key focus is the whole integration of the new CYPE Directorate under a new single Corporate Director. Specialist Children's Services and Education colleagues are working together to better understand what factors enable us to deliver the most effective outcomes for the children and families we work with. The priority will be to integrate services across the directorate to take a whole systems approach to childhood, focussed on prevention and working with families to reduce risks of harm to children.

Another key priority will be the launch of the Education Services Company – The Education People. The purpose of this Company is to continue delivering both traded and statutory elements of education support services, increasing their long term sustainability and to maintain and enhance the strong partnership between KCC and Kent schools in the future. This development will allow schools to have a greater say in how services operate and continue the focus on improving attainment and standards.

Early Help & Preventative Services (EHPS): The purpose of the Division is to improve the life chances of vulnerable children and families to benefit society at large whilst being cost effective. The Division's priority is that we, "Provide early help for whole families in a timely and responsive way, so that they are safeguarded, their educational, social, and emotional needs are met, and they achieve good outcomes".

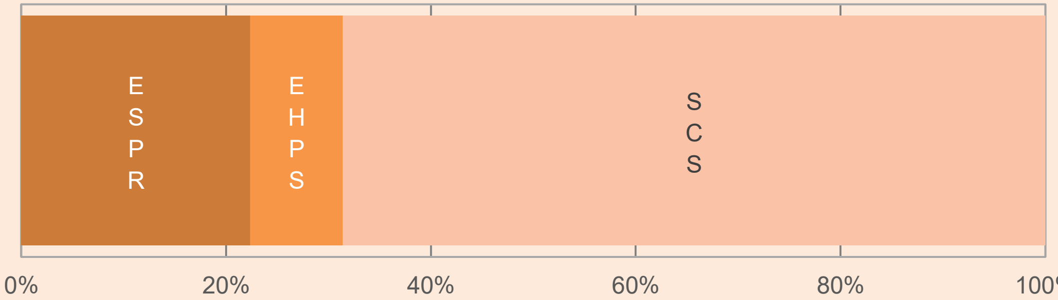
Education Services Planning & Resources (ESPR): This Division's purpose is to secure good quality school places in every community so that every young person can have the best start in life, so that they are ready to succeed at school, have excellent foundations for learning and are equipped well for achievement in life, no matter what their social background.

Schools' Delegated Budgets (SDB): The Division holds the budgets for Kent schools.

Specialist Children's Services (SCS): The Division has a statutory duty to safeguard and promote the welfare of children. Responsible for the protection, health, and wellbeing of Kent's most vulnerable children and young people, the Division's driving vision is to deliver the best outcomes for these children, young people, and their families. The Division is comprised of twelve key business units; Central Referral Unit (CRU), District Children's Social Worker Teams, Adolescent Support Teams, Children in Care Service, Fostering Service, Adoption Service, Care Leavers 18+ Service, Safeguarding and Quality Assurance Unit, Local Authority Designated Officer Service, Virtual School Kent (VSK), Family Group Conferencing, and the Management Information Team.

Strategic Management & Directorate Budgets (SMDBC): This area incorporates the Directorate centrally held costs, which includes the budgets for, amongst other things, the strategic directors and heads of service.

How is the CYPE budget split between services (excluding SMDBC)?



Directorate Level Variation Statement (please refer to Appendix A(ii))

2017-18 Revised Base Budget	Spending Pressures	Savings & Income	2018-19 Budget
170,838.4k	19,058.1k	-6,007.5k	183,889.0k

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
		Children, Young People & Education (CYPE) - Corporate Director: Matt Dunkley							
		Strategic Management & Directorate Budgets - Corporate Director: Matt Dunkley							
37	4,965.7	Strategic Management & Directorate Budgets	817.5	7,283.1	8,100.6	-684.0	-2,959.6	**4,457.0**	Central Directorate costs including the Strategic Director and Directorate pension costs
38	0.0	Budgets and Savings Plans to be allocated	-2,270.0	-6.3	-2,276.3	0.0	0.0	**-2,276.3**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services lines
39	**4,965.7**	**Total - Strategic Management & Directorate Budgets**	**-1,452.5**	**7,276.8**	**5,824.3**	**-684.0**	**-2,959.6**	**2,180.7**	
		Education Services & Planning Resources - Director: Keith Abbott							
40	912.3	Special Educational Needs	5,676.7	57,747.4	63,424.1	-4,678.8	-58,013.7	**731.6**	Assessment and placement of children and young people with Special Educational Needs including those with Education Health Care plans
41	0.0	Early Years Education	0.0	65,514.4	65,514.4	0.0	-65,514.4	**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
42	32,583.8	Home to School & College Transport	188.9	39,412.3	39,601.2	-3,712.4	0.0	**35,888.8**	Transport to education establishments for all entitled pupils including free specialist transport to school and college for children and young people with Special Educational Needs, together with free mainstream school transport, and the partly subsidised 16+ travel card (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
43	0.0	Fair Access & Planning Services	2,200.8	687.8	2,888.6	-58.0	-2,820.6	**10.0**	Planning the provision of school places and managing the schools admissions and eligibility for school transport services
44	5,107.0	Education Services to be provided by the Education Services Company	0.0	12,069.9	12,069.9	0.0	-5,922.0	**6,147.9**	A range of statutory education services to be provided through the newly created Education Services Company, including School Improvement, Education Psychology, Education Safeguarding, Skills & Employability, Schools Financial Services, and Outdoor Education
45	-1,366.4	Community Learning & Skills (CLS)	9,112.5	3,716.5	12,829.0	-3,307.1	-10,732.0	**-1,210.1**	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
46	-43.3	Education Services & Planning Resources Management & Divisional Support	1,153.9	889.6	2,043.5	-222.0	-795.0	**1,026.5**	Includes Area Education Officers and their direct support, costs associated with Academy conversions, and other divisional management and support costs

SECTION 11 - KEY SERVICES STATEMENT

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
47	-1,944.8	Other School Services	0.0	38,019.5	38,019.5	-19,229.3	-20,735.0	**-1,944.8**	Provision of a wide range of support services to schools (most of which operate on a traded basis)
48	**35,248.6**	**Total - Education Services & Planning Resources**	**18,332.8**	**218,057.4**	**236,390.2**	**-31,207.6**	**-164,532.7**	**40,649.9**	
		Early Help & Preventative Services - Director: Stuart Collins (Interim)							
49	7,453.1	Early Help & Preventative Services	11,514.4	7,522.1	19,036.5	-2,987.9	-8,878.6	**7,170.0**	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	3,641.0	Children's Centres	6,072.7	1,499.5	7,572.2	-3,728.1	0.0	**3,844.1**	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 the opportunity to gain parenting skills
51	4,334.7	Youth Services	4,449.6	2,147.2	6,596.8	-1,059.1	-1,493.6	**4,044.1**	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	1,656.6	2,280.4	3,937.0	-267.0	-3,670.0	**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	1,397.5	Early Help & Preventative Services Management & Directorate Support	3,116.0	571.1	3,687.1	-185.0	-2,191.2	**1,310.9**	Includes the provision of education and early help management information to the whole Directorate (Information & Intelligence)
54	**16,826.3**	**Total - Early Help & Preventative Services**	**26,809.3**	**14,020.3**	**40,829.6**	**-8,227.1**	**-16,233.4**	**16,369.1**	
55	**0.0**	**Schools' Delegated Budgets**	**483,280.2**	**154,048.5**	**637,328.7**	**-50,757.3**	**-586,571.4**	**0.0**	
		Specialist Children's Services - Director: Sarah Hammond							
56	48,342.1	Looked After Children - Care & Support	3,366.6	53,590.2	56,956.8	-1,264.7	-3,419.2	**52,272.9**	Looked After Children Services including residential, fostering, and supported accommodation for under 18s, and Virtual Schools Kent
57	2,110.7	Children in Need - Care & Support	0.0	2,474.4	2,474.4	-153.1	0.0	**2,321.3**	Children in Need services including Section 17 payments which are made in safeguarding, promoting the general welfare of a child in need and their family, and Commissioned Services (Health & Wellbeing Service)
58	42,172.5	Specialist Children's Service - Assessment & Safeguarding Service	47,809.3	2,842.3	50,651.6	-3,271.4	-242.2	**47,138.0**	Social Care staffing providing assessment of children and families' needs, ongoing support to looked after children, and Safeguarding Service

SECTION 11 - KEY SERVICES STATEMENT

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
59	13,705.2	Adoption Service & Permanency Arrangements	1,929.9	12,837.8	14,767.7	-103.0	0.0	**14,664.7**	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
60	3,055.1	Care Leavers Service	2,823.9	3,615.3	6,439.2	-2,864.4	-624.7	**2,950.1**	Enables and assists care leavers (post 18) to develop their skills and enhance their life opportunities as they progress into adulthood
61	550.0	Asylum	611.7	16,786.6	17,398.3	0.0	-16,848.3	**550.0**	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
62	2,819.2	Specialist Children's Service - Management & Support Costs	2,280.6	1,262.4	3,543.0	-250.7	0.0	**3,292.3**	Directorate Support Costs including Management Information and Development Budget
63	0.0	Budgets and Savings Plans to be allocated	0.0	1,500.0	1,500.0	0.0	0.0	**1,500.0**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services lines
64	**112,754.8**	**Total - Specialist Children's Services**	**58,822.0**	**94,909.0**	**153,731.0**	**-7,907.3**	**-21,134.4**	**124,689.3**	
65	**169,795.4**	**Total - Children, Young People & Education**	**585,791.8**	**488,312.0**	**1,074,103.8**	**-98,783.3**	**-791,431.5**	**183,889.0**	

Base Budget Comment: The following change, made as a result of the Directorate restructure during 2017-18, reconciles the Key Services pages and Appendix II of the MTFP:
181.4k has been moved **from** Adult Social Care & Health (ASCH) **to** Children, Young People & Education (CYPE) in relation to Strategic Management & Directorate budgets.

GROWTH, ENVIRONMENT & TRANSPORT (GET)

Corporate Director: Barbara Cooper

Net Revenue Budget: £169,105.2k
Gross Capital Budget for over 3 year period: £345,518k

Full Time Equivalents (FTE's) as at February 2018: 1,303.38

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

GET is considerable in its breadth and depth of services. With a net budget of £169 million and over 1,300 staff (FTE), GET is responsible for an array of familiar 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 support the low carbon sector.

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 help deliver supporting outcomes to Strategic Outcomes 1 and 3.

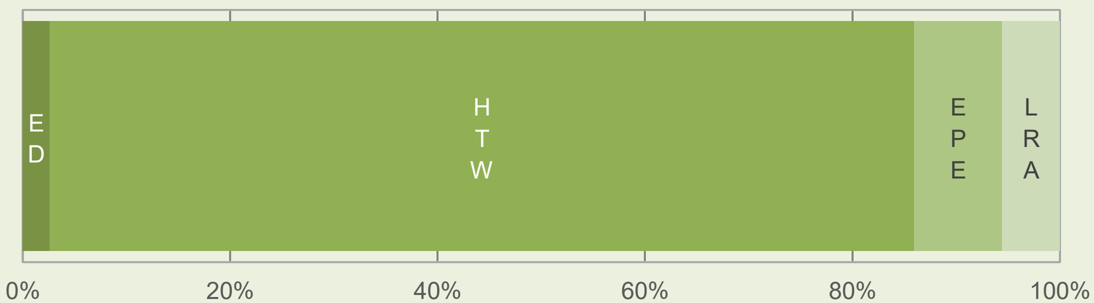
Economic Development (ED): The strategic vision of this Division is to create the conditions that enable economic growth to deliver better outcomes and a good quality of life for Kent's communities, workforce, and visitors. The three main areas of activity are; Business and Enterprise, Economic Strategy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

Environment, Planning & Enforcement: (EPE): EPE fundamentally supports economic growth, increases the viability of Kent's businesses, and improves the safety, health, and quality of life for Kent's residents. It comprises six teams 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 4,255 miles of Public Rights of Way to attracting and lobbying for millions of pounds in infrastructure investment, its services deliver against a host of wider Kent County Council outcomes, including a healthier lifestyle for our residents and a safer 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 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 its 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 the household waste and recyclate collected by the 12 District and Borough Councils in Kent, and, 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 is an internally commissioned service 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 Libraries 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, get married, and get their passport or settlement application forms checked. 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.

How is the GET budget split between services (excluding SMDBG)?



Directorate Level Variation Statement (please refer to Appendix A(ii))

2017-18 Revised Base Budget	Spending Pressures	Savings & Income	2018-19 Budget
162,230.4k	13,124.0k	-6,249.2k	169,105.2k

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
		Growth, Environment & Transport (GET) - Corporate Director: Barbara Cooper							
		Strategic Management & Directorate Budgets - Corporate Director: Barbara Cooper							
66	1,216.7	Strategic Management & Directorate Budgets	448.6	941.3	1,389.9	-68.0	0.0	**1,321.9**	Cross Directorate costs, including the Corporate Director
67	0.0	Budgets and Savings Plans to be allocated	-392.5	-317.2	-709.7	0.0	0.0	**-709.7**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services Lines
68	**1,216.7**	**Total - Strategic Management & Directorate Budgets**	**56.1**	**624.1**	**680.2**	**-68.0**	**0.0**	**612.2**	
		Economic Development - Director: David Smith							
69	2,406.2	Economic Development	2,767.3	3,530.0	6,297.3	-3,052.8	-678.7	**2,565.8**	Working with public, private, and voluntary sectors to support Kent's economic growth (includes Kent Foundation and the Hardelot Centre)
70	1,831.8	Arts	293.4	1,482.4	1,775.8	0.0	0.0	**1,775.8**	Supporting Kent's Arts and Cultural economy (includes the Turner Contemporary grant and the Kent Film Office)
71	**4,238.0**	**Total - Economic Development**	**3,060.7**	**5,012.4**	**8,073.1**	**-3,052.8**	**-678.7**	**4,341.6**	
		Highways, Transportation & Waste - Director: Roger Wilkin							
72	5,123.8	Highway Transportation (including School Crossing Patrols)	5,417.4	2,417.0	7,834.4	-2,237.7	-107.4	**5,489.3**	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 education. Assisting developers in identifying and delivering solutions to protect our network from the negative impacts of development traffic
73	8,600.0	Highway Asset Management (Roads and Footways)	4,636.1	8,508.2	13,144.3	0.0	0.0	**13,144.3**	Safety inspections, routine maintenance, and minor repair of the highway and pavements
74	16,760.4	Highway Asset Management (Other)	4,217.2	16,389.5	20,606.7	-4,054.2	0.0	**16,552.5**	Safety inspections, routine maintenance and minor repair of traffic signals, CCTV cameras, drainage gullies and soakaways, trees and shrubs, streetlights, bridges and tunnels, coordination of all roadworks undertaken by utility companies and KCC contractors, provision of salting runs during adverse weather, and energy costs of street lighting
75	6,102.7	Subsidised Buses & Community Transport	0.0	8,062.9	8,062.9	-1,019.0	-1,087.8	**5,956.1**	Financial support for otherwise uneconomic bus routes (including the Kent Karrier service), as well as community transport schemes
76	16,757.2	Concessionary Fares	0.0	17,226.2	17,226.2	-27.0	0.0	**17,199.2**	Concessionary fares for elderly and disabled users
77	8,382.5	Young Person's Travel Pass	0.0	15,051.9	15,051.9	-6,344.4	0.0	**8,707.5**	Provides discounted travel on the Kent bus network for young people aged 11-16
78	37,363.0	Residual Waste	0.0	39,366.8	39,366.8	-87.0	0.0	**39,279.8**	Statutory waste services for Kent residents including treatment and disposal of residual household waste

SECTION 11 - KEY SERVICES STATEMENT

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
79	29,175.6	Waste Facilities & Recycling Centres	0.0	31,639.7	31,639.7	-1,935.1	0.0	**29,704.6**	Statutory waste services for Kent residents including Household recycling centres, cost of recycling, and composting household waste
80	4,467.6	Highways, Transport & Waste Management Costs and Commercial Operations	3,800.0	3,776.3	7,576.3	-3,175.0	0.0	**4,401.3**	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
81	**132,732.8**	**Total - Highways, Transportation & Waste**	**18,070.7**	**142,438.5**	**160,509.2**	**-18,879.4**	**-1,195.2**	**140,434.6**	
		Environment, Planning & Enforcement - Director: Katie Stewart							
82	9,925.8	Public Protection (Enforcement)	9,024.3	3,918.9	12,943.2	-3,167.2	-42.0	**9,734.0**	Public Protection services including Trading Standards, Public Rights of Way (PROW), Community Wardens, Coroners, Kent Scientific Services (KSS), Gypsy & Traveller Unit, Resilience, and Emergencies
83	4,117.0	Environment & Planning	5,762.9	6,198.8	11,961.7	-5,568.2	-2,411.6	**3,981.9**	Covers a wide range of services including Country Parks, development of sports and physical activity, Kent Downs Area of Outstanding Natural Beauty (AONB), delivery of key strategic transport improvement, heritage services, sustainable business and communities, planning, and climate change projects
84	383.9	Environment, Planning & Enforcement Management Costs	613.3	24.9	638.2	0.0	0.0	**638.2**	Divisional management costs
85	**14,426.7**	**Total - Environment, Planning & Enforcement**	**15,400.5**	**10,142.6**	**25,543.1**	**-8,735.4**	**-2,453.6**	**14,354.1**	
86	**9,693.1**	**Libraries, Registration & Archives**	**11,580.9**	**4,295.8**	**15,876.7**	**-6,514.0**	**0.0**	**9,362.7**	The Libraries, Registration & Archives (LRA) service is delivered through a network of 99 libraries, 6 Register Offices, 5 mobile libraries, an archive centre, the stock distribution and support function building at Quarrywood, the information service comprising the public 'Ask a Kent Librarian' service, the KCC member information point, and the 24 hour accessible online services. The LRA service also delivers the records management service on behalf of KCC and is contracted to deliver 5 prison libraries in Kent and the registration service on behalf of the London Borough of Bexley
87	**162,307.3**	**Total - Growth, Environment & Transport**	**48,168.9**	**162,513.4**	**210,682.3**	**-37,249.6**	**-4,327.5**	**169,105.2**	

STRATEGIC & CORPORATE SERVICES (S&CS)

Corporate Director: David Cockburn

Net Revenue Budget: £71,394.6k
Gross Capital Budget for over 3 year period: £83,078k

Full Time Equivalents (FTE's) as at February 2018: 1,150.76

The Strategic & Corporate Services Directorate provides core services which support frontline service delivery and achieve better outcomes for our residents and customers.

A key focus for the Directorate is supporting the political and managerial leadership to set the strategic direction for the Council, support the organisation to deliver it and respond to changes in our operating environment. Priorities include leading the revenue and capital budget process for the Authority, 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:

Engagement, Organisation Design & Development (EODD): 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 four key functions that together provide strategic support to the Council. These functions are; External Contracts & Funding, 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".

General Counsel (GC): Provides democratic services including support of the 81 elected Members of the County Council and responsibility for information governance and data protection for the authority including co-ordination of responses to Freedom of Information (FOI) requests. The division also holds the client side responsibility for Invicta Law 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 the Business Services Centre and GEN² Property Ltd.

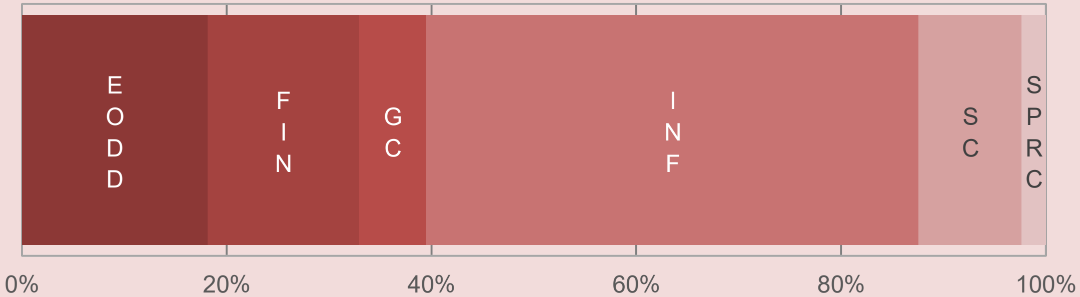
Strategic Commissioning (SC): The Division leads and shapes the process for deciding how best to use the total resources available in order to improve outcomes in the most efficient, effective, equitable, and sustainable way. Those resources could be within KCC, or across the public, voluntary, and private sectors. In particular, 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.

Public Health (PH): The 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 (excluding SMDBS)?



Directorate Level Variation Statement (please refer to Appendix A(ii))

2017-18 Revised Base Budget	Spending Pressures	Savings & Income	2018-19 Budget
71,844.2k	8,997.8k	-9,447.4k	**71,394.6k**

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
		Strategic & Corporate Services (S&CS) - Corporate Director: David Cockburn							
		Strategic Management & Directorate Budgets - Corporate Director: David Cockburn							
88	-2,547.5	Strategic Management & Directorate Budgets	504.2	2,291.6	2,795.8	-729.6	-4,217.0	**-2,150.8**	Central Directorate costs and grant contributions to Corporate Services' overheads
89	0.0	Budgets and Savings Plans to be allocated	-105.0	-6.3	-111.3	0.0	0.0	**-111.3**	Budgets and savings held here until plans have been finalised and can be allocated to specific Key Services Lines
90	**-2,547.5**	**Total - Strategic Management & Directorate Budgets**	**399.2**	**2,285.3**	**2,684.5**	**-729.6**	**-4,217.0**	**-2,262.1**	
		Engagement, Organisation Design & Development - Corporate Director: Amanda Beer							
91	6,382.3	Human Resources Related Services	4,051.4	2,973.1	7,024.5	-782.4	-1.0	**6,241.1**	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 the Business Services Centre
92	6,226.1	Customer Contact, Communications & Consultations	1,624.4	4,599.2	6,223.6	-633.3	-89.0	**5,501.3**	Responsible for communicating with the public, customer contact services, effective consultation, and information provision
93	1,782.0	Local Member Grants	0.0	1,620.0	1,620.0	0.0	0.0	**1,620.0**	Member Grants made to community based entities
94	**14,390.4**	**Total - Engagement, Organisation Design & Development**	**5,675.8**	**9,192.3**	**14,868.1**	**-1,415.7**	**-90.0**	**13,362.4**	
		Finance - Corporate Director: Andy Wood							
95	9,512.0	Finance	11,154.9	5,698.8	16,853.7	-5,053.3	-904.8	**10,895.6**	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 the Business Services Centre
		General Counsel - Director: Ben Watts							
96	2,354.6	General Counsel	2,317.1	2,728.1	5,045.2	-160.0	-35.0	**4,850.2**	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 for legal advice and services to KCC, public bodies, and other local authorities. Co-ordination of responses to Freedom of Information (FOI) requests
		Infrastructure - Director: Rebecca Spore							
97	21,949.5	Property Related Services	779.3	33,482.0	34,261.3	-11,379.2	-187.0	**22,695.1**	Strategic management of KCC's estate and day-to-day costs associated with managing the Authority's estate. Lead on the delivery of the Authority's Property Asset Management Strategy

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
98	12,591.4	ICT Related Services	1,881.0	13,288.0	15,169.0	-2,299.1	-149.0	**12,720.9**	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 the Business Services Centre. Business Partnership providing service delivery assurance and monitoring of deliverables
99	**34,540.9**	**Total - Infrastructure**	**2,660.3**	**46,770.0**	**49,430.3**	**-13,678.3**	**-336.0**	**35,416.0**	
		Strategic Commissioning - Director: Vincent Godfrey							
100	8,845.6	Strategic Commissioning	7,215.7	535.3	7,751.0	-300.9	-41.0	**7,409.1**	Responsible for developing and delivering a commissioning and procurement strategy for the Authority
		Strategy, Policy, Relationships & Corporate Assurance - Director: David Whittle							
101	1,975.4	Strategy, Policy, Relationships & Corporate Assurance	1,715.4	444.0	2,159.4	-436.0	0.0	**1,723.4**	Supports the political and managerial leadership of KCC through strategic policy development
		Public Health - Director: Andrew Scott-Clark							
102	0.0	Public Health - Children's Programme	0.0	31,688.4	31,688.4	0.0	-31,688.4	**0.0**	Includes the provision of 0-5 year old Health Visiting Service, universal school nursing, other children's programmes aimed at children's emotional wellbeing, healthy weight, and infant feeding
103	0.0	Public Health - Mental Health, Substance Misuse & Community Safety	184.1	15,921.1	16,105.2	-5,055.4	-11,049.8	**0.0**	Includes the provision of drug and alcohol services, and Mental Health early intervention
104	0.0	Public Health - Sexual Health	0.0	12,627.6	12,627.6	-1,000.0	-11,627.6	**0.0**	Commissioning of mandated contraception and sexually transmitted infection advice and treatment services
105	0.0	Public Health - Healthy Lifestyles	0.0	8,945.0	8,945.0	0.0	-8,945.0	**0.0**	Improving health and lifestyles through provision of health checks to support the following outcomes; reduction in smoking, improved exercise and healthy eating to tackle obesity levels
106	0.0	Public Health - Advice & Other Staffing	2,711.6	2,080.1	4,791.7	-518.5	-4,273.2	**0.0**	Includes cost of management, commissioning, and operational staff to deliver statutory Public Health advice
107	**0.0**	**Total - Public Health**	**2,895.7**	**71,262.2**	**74,157.9**	**-6,573.9**	**-67,584.0**	**0.0**	
108	**69,071.4**	**Subtotal - Strategic & Corporate Services (excluding Business Services Centre)**	**34,034.1**	**138,916.0**	**172,950.1**	**-28,347.7**	**-73,207.8**	**71,394.6**	

SECTION 11 - KEY SERVICES STATEMENT

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
		Business Services Centre - Director: Rebecca Spore							
109	0.0	Business Services Centre	19,448.2	5,044.7	24,492.9	-24,492.9	0.0	**0.0**	Provides transactional HR, ICT, and Finance services, together with traded services to external customers in these professions
110	**69,071.4**	**Total - Strategic & Corporate Services**	**53,482.3**	**143,960.7**	**197,443.0**	**-52,840.6**	**-73,207.8**	**71,394.6**	

Base Budget Comment: The following change, made as a result of the Directorate restructure during 2017-18, reconciles the Key Services pages and Appendix II of the MTFP:
5,923.4k has been moved **from** Adult Social Care & Health **to** Strategic & Corporate Services (S&CS) in relation to the Strategic Commissioning budget.

SECTION 11 - KEY SERVICES STATEMENT

Row Ref	2017-18 Base Budget (Net Cost) £000s	Directorate & Key Service	2018-19 Approved Budget Staffing £000s	Non Staffing £000s	Gross Expenditure £000s	Income £000s	Grants £000s	Net Cost £000s	Description
		Financing Items & Unallocated (FI&U) - Corporate Director: Andy Wood							
111	**115,172.4**	**Financing Items & Unallocated**	1,859.8	131,269.4	133,129.2	-17,682.9	-18.0	**115,428.3**	Includes net debt costs (including investment income), transfers to and from reserves, unallocated, net contributions from KCC owned companies, and others including audit fees and carbon reduction commitment
112	**115,172.4**	**Total - Financing Items & Unallocated**	**1,859.8**	**131,269.4**	**133,129.2**	**-17,682.9**	**-18.0**	**115,428.3**	
113	**932,976.8**	**TOTAL BUDGET**	**773,984.6**	**1,397,728.2**	**2,171,712.8**	**-328,055.1**	**-885,169.8**	**958,487.9**	
114	**932,976.8**	**TOTAL BUDGET (excluding Row 55: Schools' Delegated Budgets)**	**290,704.4**	**1,243,679.7**	**1,534,384.1**	**-277,297.8**	**-298,598.4**	**958,487.9**	

KCC Budget Information

SECTION 12

Table of Activity for Key Demand Driven Services

SECTION 12 - TABLE OF ACTIVITY FOR KEY DEMAND DRIVEN SERVICES

KEY DEMAND LED SERVICES

Row Ref	Service	Units Activity measured in	2017-18 January Forecast		2018-19 Approved Budget	
			Gross Forecast £m	Forecast Activity	Gross Budget £m	Budgeted Activity
Children, Young People & Education (CYPE)						
1	Home to school and college transport - SEN Transport	No of Pupils	£27.3	4,100	£28.7	4,200
2	Looked After Children - Fostering - In-House Service	No of Clients	£21.9	869	£19.4	883
3	Looked After Children - Fostering - Independent Sector	No of Clients	£7.4	159	£7.8	148
4	Looked After Children - Residential Care - Independent Sector	No of Clients	£11.5	74	£11.8	66
Adult Social Care & Health (ASCH)						
5	Learning Disability - Supported Living (including SIS)	No of Clients	£50.3	1,409	£51.4	1,292
6	Adult Learning & Physical Disability Pathway - Residential Care Services	No of Clients	Not directly comparable		£75.7	1,083
7	Nursing & Residential Care - Older People (aged 65+) - Residential - Commissioned Service	No of Clients	£59.3	2,215	£59.8	2,257
8	Nursing & Residential Care - Older People (aged 65+) - Residential - Nursing	No of Clients	£34.7	1,110	£34.8	1,129
9	Domiciliary Care - Older People (aged 65+) - Commissioned service	No of Clients	£37.4	3,641	£32.0	3,667
10	Adult Mental Health - Residential Care Services	No of Clients	Not directly comparable		£11.3	297
Growth, Environment & Transport (GET)						
11	Residual Waste	Waste Tonnage	£37.8	363,102	£39.4	366,771
12	Waste Facilities & Recycling Centres	Waste Tonnage	£31.1	368,232	£31.6	373,014

It is not always possible to derive an accurate unit cost from the above data. Further information on unit costs can be obtained from the relevant Performance or Revenue Finance Team.

KCC Budget Information

SECTION 13

Revenue Budget Summaries

How financed, distributed and spent (incl. subjective analysis)

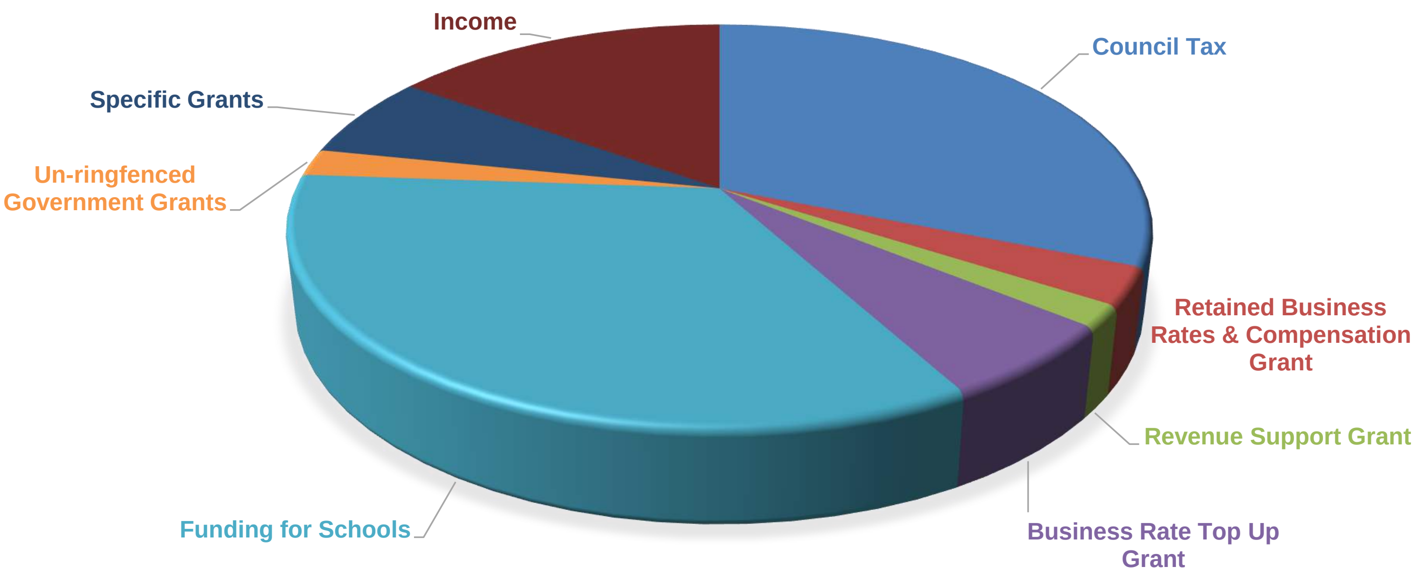
HOW FINANCED, DISTRIBUTED & SPENT

Financed by

The gross revenue expenditure budget for 2018-19 is **£2,171.7m** and how this expenditure is financed and distributed by Directorate is summarised below.

Financed By:

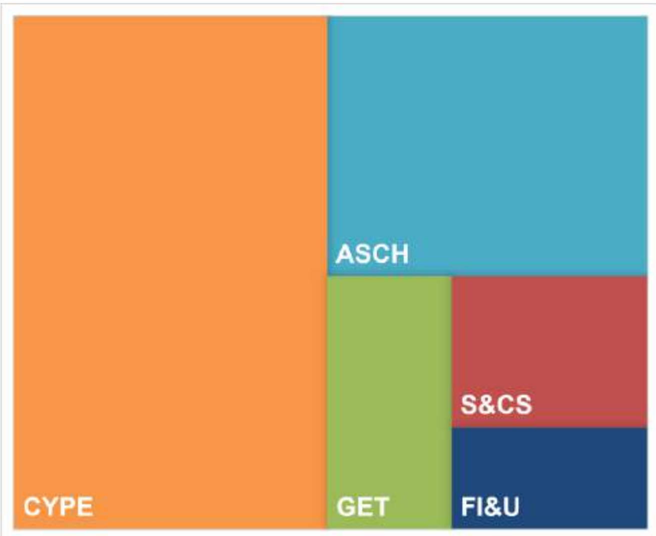
Area	£m	%
Council Tax	676.1	31%
Retained Business Rates & Compensation Grant	65.0	3%
Revenue Support Grant	37.6	2%
Business Rate Top Up Grant	133.6	6%
Funding for Schools	741.2	34%
Un-ringfenced Government Grants	46.2	2%
Specific Grants	144.0	7%
Income	328.1	15%
Total	**2,171.7**	**100%**



Spent By:

Directorate		£m
Adult Social Care & Health	ASCH	556.4
Children, Young People & Education	CYPE	1,074.1
Growth, Enivronment & Transport	GET	210.7
Strategic & Corporate Services	S&CS	197.4
Financing Items & Unallocated	FI&U	133.1
Total		**2,171.7**

The graph below is a visual representation of how the budget is spent.



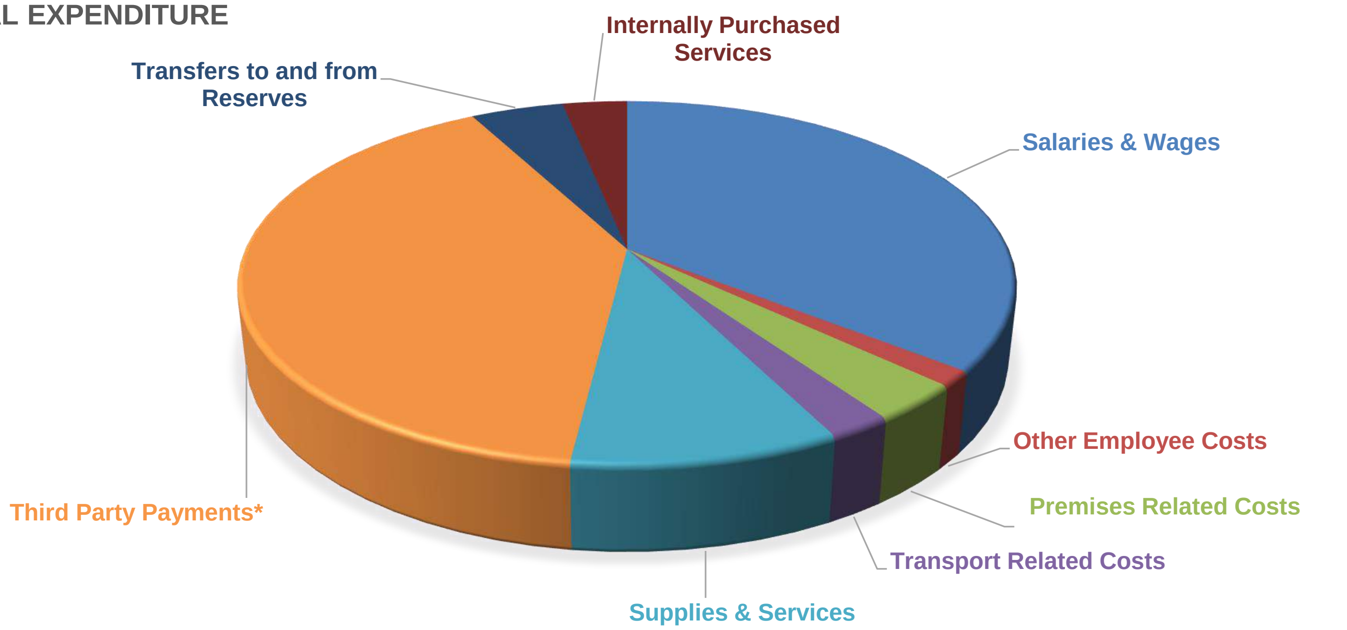
HOW FINANCED, DISTRIBUTED & SPENT

Spent on - Subjective Analysis

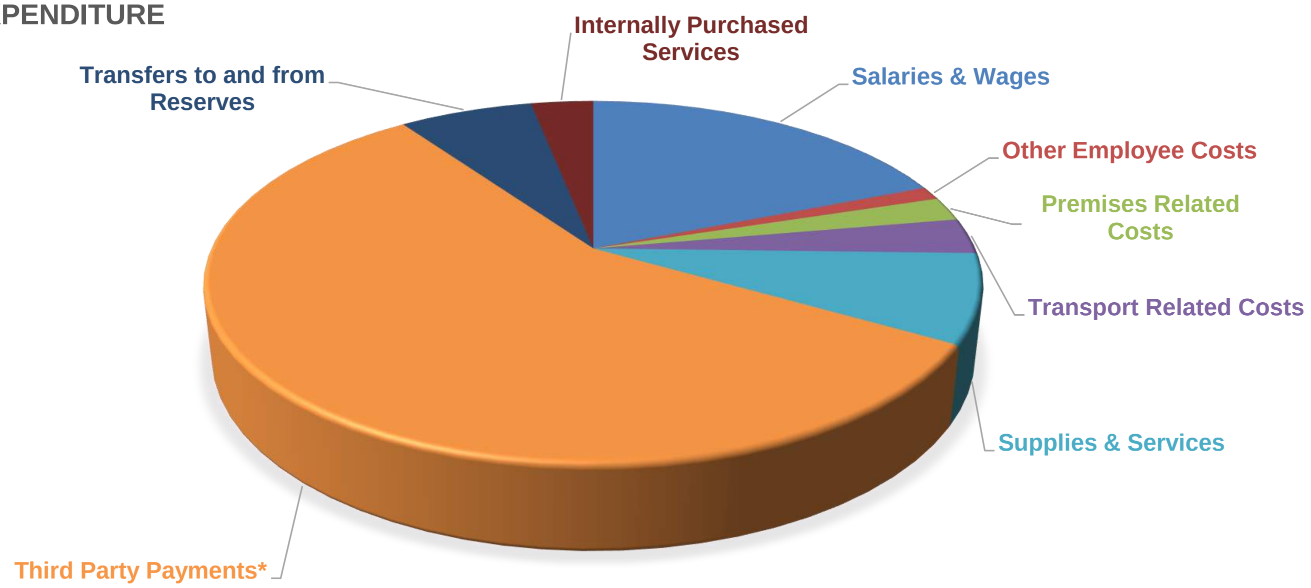
	2018-19 Approved Budget		
	Schools	KCC	Total
	£m	£m	£m
Expenditure			
Salaries & Wages	482.3	290.7	**773.0**
Other Employee Costs	11.2	18.2	**29.4**
Premises Related Costs	39.4	32.5	**71.9**
Transport Related Costs	0.0	48.6	**48.6**
Supplies & Services	83.8	121.5	**205.3**
Third Party Payments*	0.0	873.3	**873.3**
Transfers to and from Reserves	-1.6	101.9	**100.3**
Internally Purchased Services	22.2	47.7	**69.9**
Gross Expenditure	**637.3**	**1,534.4**	**2,171.7**
Income			
Grants	-586.7	-298.6	**-885.3**
Contributions	-11.7	-77.7	**-89.4**
Sales	-3.4	-6.5	**-9.9**
Fees & Charges	-18.4	-106.2	**-124.6**
Other Income	-17.1	-26.4	**-43.5**
Income from Internal Clients & Recharges	0.0	-60.4	**-60.4**
Total Income	**-637.3**	**-575.9**	**-1,213.2**
Net Expenditure	**0.0**	**958.5**	**958.5**

***For more information on Third Party Payments, please see Section 14, which shows a breakdown by Key Service.**

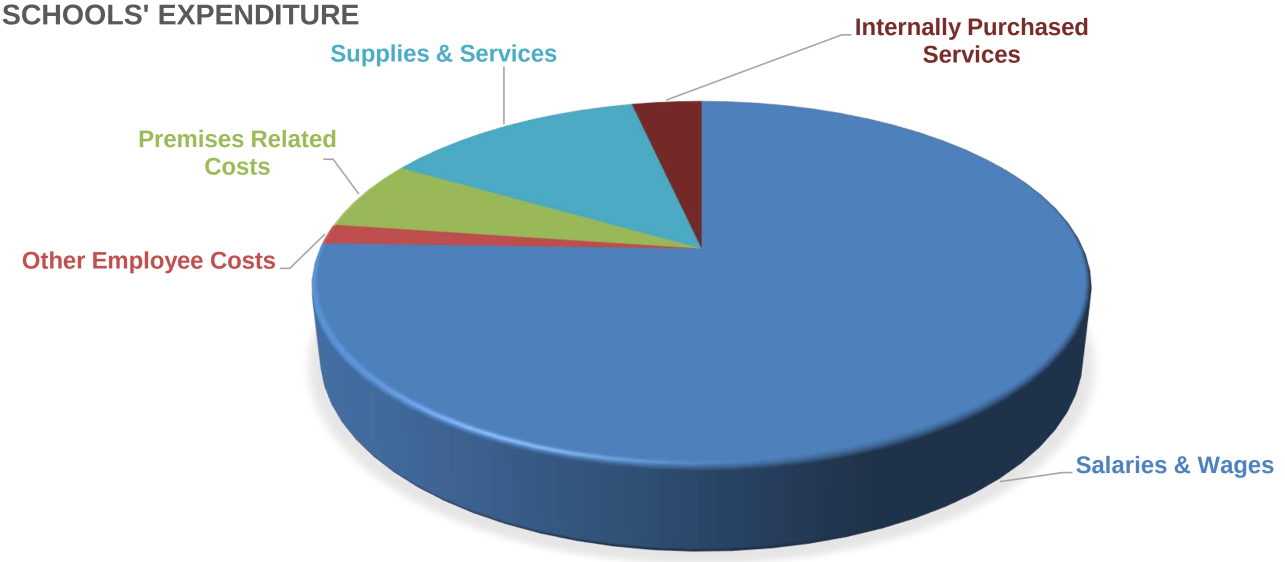
TOTAL EXPENDITURE



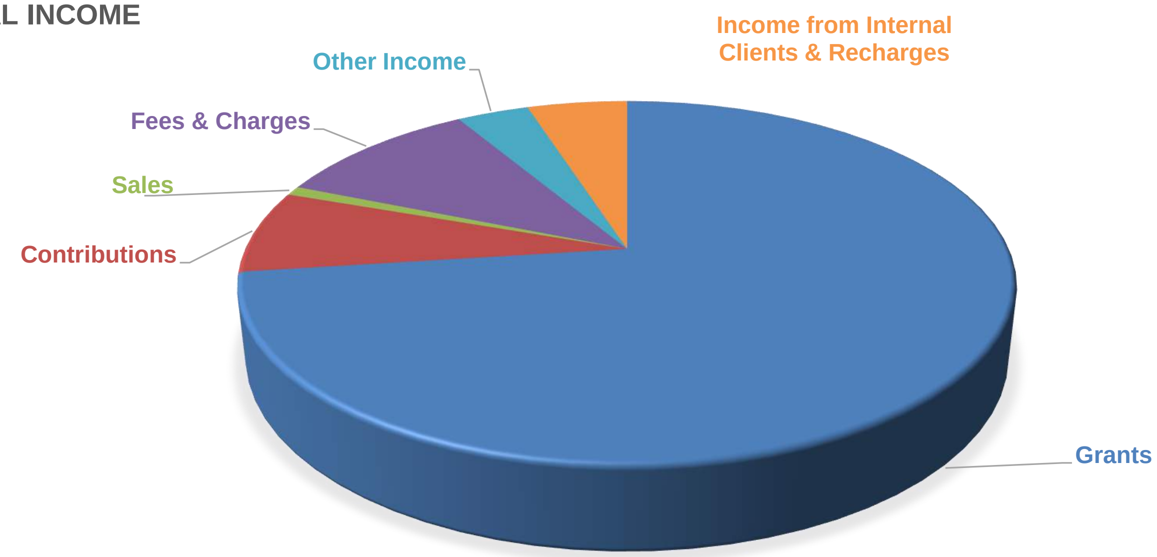
KCC EXPENDITURE



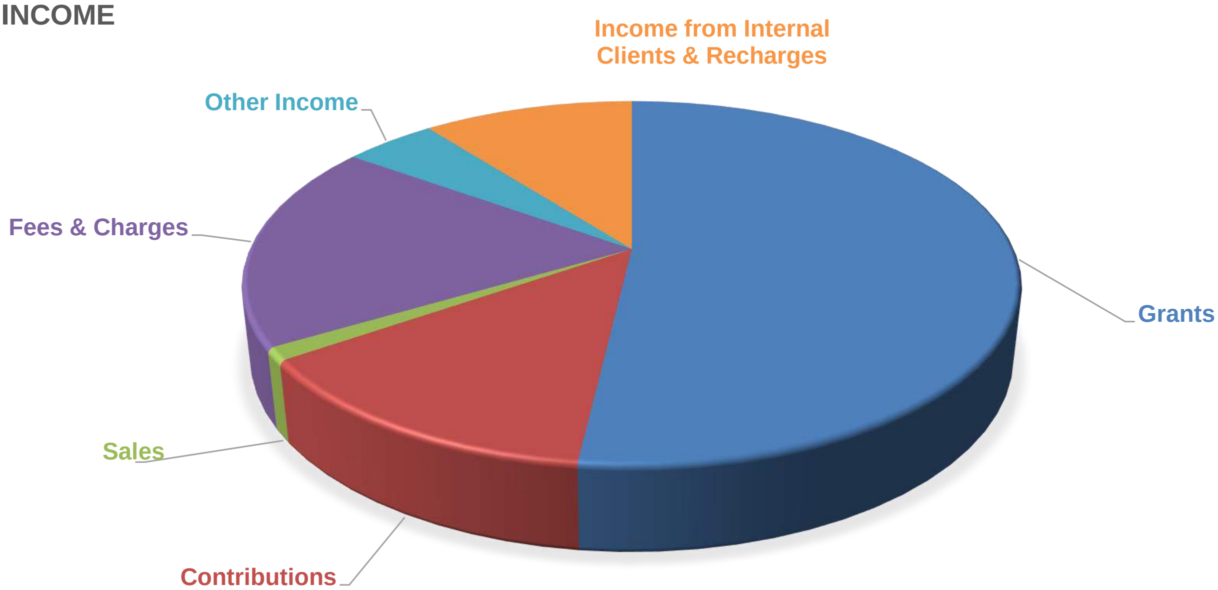
SCHOOLS' EXPENDITURE



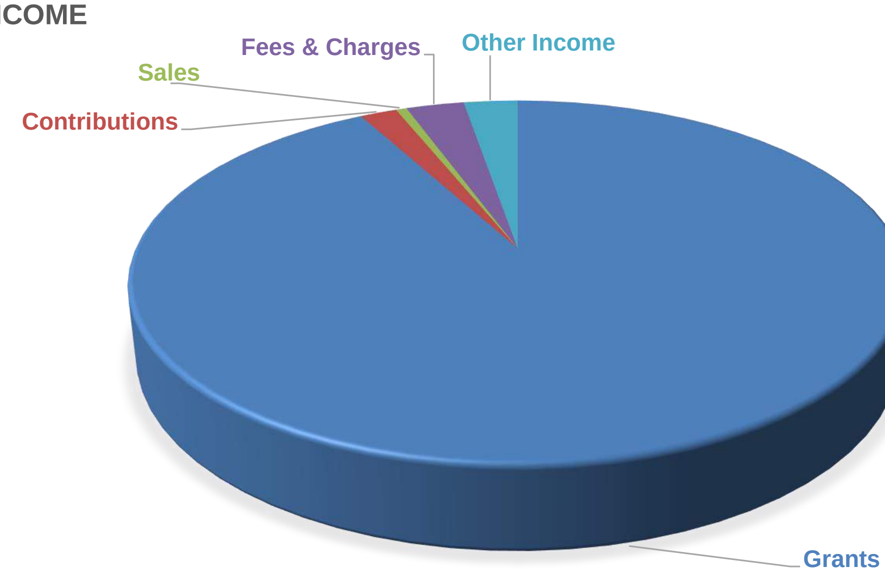
TOTAL INCOME



KCC INCOME



SCHOOLS' INCOME



KCC Budget Information

SECTION 14

Proportion of Revenue Budget Commissioned through third parties, by Key Services

SECTION 14 - PROPORTION OF REVENUE BUDGET COMMISSIONED THROUGH THIRD PARTIES, BY KEY SERVICE LINE

Row Ref	Directorate & Key Service	2018-19 Approved Budget					
		Gross £000s	Income £000s	Net £000s	Third Party Payments £000s	% of Gross Budget £000s	% of Net Budget £000s

Adult Social Care & Health (ASCH) - Interim Corporate Director: Penny Southern

Row Ref	Directorate & Key Service	Gross	Income	Net	Third Party Payments	% of Gross Budget	% of Net Budget
	Strategic Management & Directorate Budgets - Adults - Interim Corporate Director: Penny Southern						
1	Additional Adult Social Care Allocation	17,493.8	0.0	17,493.8	17,493.8	100%	100%
2	Budgets and Savings Plans to be allocated (See Note 1)	9,753.3	-450.0	9,303.3	16,084.3	165%	173%
3	Safeguarding Adults	3,895.7	-239.3	3,656.4	892.0	23%	24%
4	Community Based Preventative Services - Other Adults	2,399.8	-1,808.2	591.6	1,170.1	49%	198%
5	Housing Related Support - Other Adults	9,807.4	-884.7	8,922.7	9,103.8	93%	102%
6	Strategic Management & Directorate Support	3,601.1	-284.3	3,316.8	0.0	0%	0%
7	**Total - Strategic Management & Directorate Budgets - Adults**	**46,951.1**	**-3,666.5**	**43,284.6**	**44,744.0**	**95%**	**103%**
	Disabled Children, Adult Learning Disability & Mental Health - Director: Penny Southern						
8	Adult Learning & Physical Disability Pathway - Residential Care Services	75,662.2	-6,309.7	69,352.5	75,530.6	100%	109%
9	Adult Learning & Physical Disability Pathway - Community Based Services	95,830.7	-7,603.4	88,227.3	84,826.5	89%	96%
10	Adult Learning Disability - Assessment Service	5,007.9	-178.8	4,829.1	0.0	0%	0%
11	Adult Mental Health - Residential Care Services	11,305.5	-826.7	10,478.8	11,305.5	100%	108%
12	Adult Mental Health - Community Based Services	5,574.6	-731.8	4,842.8	4,235.1	76%	87%
13	Adult Mental Health - Assessment Services	9,417.9	-514.1	8,903.8	0.2	0%	0%
14	Community Based Preventative Services - Learning Disability & Mental Health	6,543.9	-3,685.4	2,858.5	5,738.4	88%	201%
15	Carers Support (Learning Disability & Mental Health)	3,215.1	-182.5	3,032.6	902.5	28%	30%
16	Housing Related Support (Learning Disability & Mental Health)	4,255.7	0.0	4,255.7	4,255.7	100%	100%
17	Looked After Children (with Disability) - Care & Support	11,483.1	-2,154.4	9,328.7	6,912.7	60%	74%
18	Children in Need (Disability) - Care & Support	7,471.6	-307.8	7,163.8	5,914.7	79%	83%
19	Disabled Children & Young People Service (0-25 LD & Complex PD) - Assessment Service	5,801.7	0.0	5,801.7	0.0	0%	0%
20	Divisional & Directorate Support	6,297.9	-256.3	6,041.6	25.0	0%	0%
21	Budgets and Savings Plans to be allocated	-1,649.8	0.0	-1,649.8	-1,649.8	100%	100%
22	**Total - Disabled Children, Adult Learning Disability & Mental Health**	**246,218.0**	**-22,750.9**	**223,467.1**	**197,997.1**	**80%**	**89%**

SECTION 14 - PROPORTION OF REVENUE BUDGET COMMISSIONED THROUGH THIRD PARTIES, BY KEY SERVICE LINE

Row Ref	Directorate & Key Service	2018-19 Approved Budget					
		Gross £000s	Income £000s	Net £000s	Third Party Payments £000s	% of Gross Budget £000s	% of Net Budget £000s
	Older People & Physical Disability - Director: Anne Tidmarsh						
23	Adult Physical Disability - Residential Care Services	13,073.6	-2,087.2	10,986.4	13,073.6	100%	119%
24	Adult Physical Disability - Community Based Services	23,112.2	-3,270.8	19,841.4	22,442.4	97%	113%
25	Older People - Residential Care Services	113,073.9	-58,155.1	54,918.8	104,068.8	92%	189%
26	Older People - Community Based Services	61,738.1	-34,326.0	27,412.1	52,576.2	85%	192%
27	Community Based Preventative Services - Older People & Physical Disability	6,989.5	-536.3	6,453.2	0.0	0%	0%
28	Adaptive & Assistive Technology	10,783.5	-6,500.2	4,283.3	10,169.2	94%	237%
29	Carers Support (Older People & Physical Disability)	9,290.5	-4,183.0	5,107.5	9,290.5	100%	182%
30	Housing Related Support (Older People & Physical Disability)	686.1	0.0	686.1	648.8	95%	95%
31	Older People & Physical Disability Assessment Services	27,231.6	-2,167.7	25,063.9	215.1	1%	1%
32	Children in Need (Disability) - Assessment Services	421.5	0.0	421.5	0.0	0%	0%
33	Divisional Management & Support Costs (including savings yet to be allocated)	754.8	-40.0	714.8	534.8	71%	75%
34	Budgets and Savings Plans to be allocated	-3,969.9	0.0	-3,969.9	-3,812.6	96%	96%
35	**Total - Older People & Physical Disability**	**263,185.4**	**-111,266.3**	**151,919.1**	**209,206.8**	**79%**	**138%**
36	**Total - Adult Social Care & Health**	**556,354.5**	**-137,683.7**	**418,670.8**	**451,947.9**	**81%**	**108%**
	Children, Young People & Education (CYPE) - Corporate Director: Matt Dunkley						
	Strategic Management & Directorate Budgets - Corporate Director: Matt Dunkley						
37	Strategic Management & Directorate Budgets	8,100.6	-3,643.6	4,457.0	16.5	0%	0%
38	Budgets and Savings Plans to be allocated	-2,276.3	0.0	-2,276.3	0.0	0%	0%
39	**Total - Strategic Management & Directorate Budgets**	**5,824.3**	**-3,643.6**	**2,180.7**	**16.5**	**0%**	**1%**
	Education Services & Planning Resources - Director: Keith Abbott						
40	Special Educational Needs	63,424.1	-62,692.5	731.6	43,113.2	68%	5893%
41	Early Years Education	65,514.4	-65,514.4	0.0	65,514.4	100%	0%
42	Home to School & College Transport	39,601.2	-3,712.4	35,888.8	0.0	0%	0%
43	Fair Access & Planning Services	2,888.6	-2,878.6	10.0	65.0	2%	650%

SECTION 14 - PROPORTION OF REVENUE BUDGET COMMISSIONED THROUGH THIRD PARTIES, BY KEY SERVICE LINE							
Row Ref	Directorate & Key Service	2018-19 Approved Budget					
		Gross £000s	Income £000s	Net £000s	Third Party Payments £000s	% of Gross Budget £000s	% of Net Budget £000s
44	Education Services to be provided by the Education Services Company	12,069.9	-5,922.0	6,147.9	12,069.9	100%	196%
45	Community Learning & Skills (CLS)	12,829.0	-14,039.1	-1,210.1	0.0	0%	0%
46	Education Services & Planning Resources Management & Divisional Support	2,043.5	-1,017.0	1,026.5	1.7	0%	0%
47	Other School Services	38,019.5	-39,964.3	-1,944.8	250.7	1%	-13%
48	**Total - Education Services & Planning Resources**	**236,390.2**	**-195,740.3**	**40,649.9**	**121,014.9**	**51%**	**298%**
	Early Help & Preventative Services - Director: Stuart Collins (Interim)						
49	Early Help & Preventative Services	19,036.5	-11,866.5	7,170.0	4,174.3	22%	58%
50	Children's Centres	7,572.2	-3,728.1	3,844.1	417.4	6%	11%
51	Youth Services	6,596.8	-2,552.7	4,044.1	1,508.0	23%	37%
52	Pupil Referral Units & Inclusion	3,937.0	-3,937.0	0.0	870.7	22%	0%
53	Early Help & Preventative Services Management & Directorate Support	3,687.1	-2,376.2	1,310.9	3.0	0%	0%
54	**Total - Early Help & Preventative Services**	**40,829.6**	**-24,460.5**	**16,369.1**	**6,973.4**	**17%**	**43%**
55	**Schools' Delegated Budgets**	**637,328.7**	**-637,328.7**	**0.0**	**0.0**	**0%**	**0%**
	Specialist Children's Services - Director: Sarah Hammond						
56	Looked After Children - Care & Support	56,956.8	-4,683.9	52,272.9	43,403.0	76%	83%
57	Children in Need - Care & Support	2,474.4	-153.1	2,321.3	2,000.8	81%	86%
58	Specialist Children's Service - Assessment & Safeguarding Service	50,651.6	-3,513.6	47,138.0	430.0	1%	1%
59	Adoption Service & Permanency Arrangements	14,767.7	-103.0	14,664.7	11,754.2	80%	80%
60	Care Leavers Service	6,439.2	-3,489.1	2,950.1	2,745.0	43%	93%
61	Asylum	17,398.3	-16,848.3	550.0	11,268.4	65%	2049%
62	Specialist Children's Service - Management & Support Costs	3,543.0	-250.7	3,292.3	0.0	0%	0%
63	Budgets and Savings Plans to be allocated	1,500.0	0.0	1,500.0	1,500.0	100%	100%
64	**Total - Specialist Children's Services**	**153,731.0**	**-29,041.7**	**124,689.3**	**73,101.4**	**48%**	**59%**
65	**Total - Children, Young People & Education**	**1,074,103.8**	**-890,214.8**	**183,889.0**	**201,106.2**	**19%**	**109%**

SECTION 14 - PROPORTION OF REVENUE BUDGET COMMISSIONED THROUGH THIRD PARTIES, BY KEY SERVICE LINE

Row Ref	Directorate & Key Service	2018-19 Approved Budget					
		Gross £000s	Income £000s	Net £000s	Third Party Payments £000s	% of Gross Budget £000s	% of Net Budget £000s

Growth, Environment & Transport (GET) - Corporate Director: Barbara Cooper

Row Ref	Directorate & Key Service	Gross	Income	Net	Third Party Payments	% of Gross Budget	% of Net Budget
	Strategic Management & Directorate Budgets - Corporate Director: Barbara Cooper						
66	Strategic Management & Directorate Budgets	1,389.9	-68.0	1,321.9	0.0	0%	0%
67	Budgets and Savings Plans to be allocated	-709.7	0.0	-709.7	0.0	0%	0%
68	**Total - Strategic Management & Directorate Budgets**	**680.2**	**-68.0**	**612.2**	**0.0**	**0%**	**0%**
	Economic Development - Director: David Smith						
69	Economic Development	6,297.3	-3,731.5	2,565.8	1,885.6	30%	73%
70	Arts	1,775.8	0.0	1,775.8	0.0	0%	0%
71	**Total - Economic Development**	**8,073.1**	**-3,731.5**	**4,341.6**	**1,885.6**	**23%**	**43%**
	Highways, Transportation & Waste - Director: Roger Wilkin						
72	Highway Transportation (including School Crossing Patrols)	7,834.4	-2,345.1	5,489.3	3,514.8	45%	64%
73	Highway Asset Management (Roads and Footways)	13,144.3	0.0	13,144.3	9,293.8	71%	71%
74	Highway Asset Management (other)	20,606.7	-4,054.2	16,552.5	16,705.5	81%	101%
75	Subsidised Buses & Community Transport	8,062.9	-2,106.8	5,956.1	8,062.9	100%	135%
76	Concessionary Fares	17,226.2	-27.0	17,199.2	17,149.2	100%	100%
77	Young Person's Travel Pass	15,051.9	-6,344.4	8,707.5	15,028.9	100%	173%
78	Residual Waste	39,366.8	-87.0	39,279.8	39,366.8	100%	100%
79	Waste Facilities & Recycling Centres	31,639.7	-1,935.1	29,704.6	30,628.9	97%	103%
80	Highways, Transport & Waste Management Costs and Commercial Operations	7,576.3	-3,175.0	4,401.3	1,779.7	23%	40%
81	**Total - Highways, Transportation & Waste**	**160,509.2**	**-20,074.6**	**140,434.6**	**141,530.5**	**88%**	**101%**
	Environment, Planning & Enforcement - Director: Katie Stewart						
82	Public Protection (Enforcement)	12,943.2	-3,209.2	9,734.0	1,632.2	13%	17%
83	Environment & Planning	11,961.7	-7,979.8	3,981.9	93.2	1%	2%
84	Environment, Planning & Enforcement Management Costs	638.2	0.0	638.2	0.6	0%	0%
85	**Total - Environment, Planning & Enforcement**	**25,543.1**	**-11,189.0**	**14,354.1**	**1,726.0**	**7%**	**12%**

SECTION 14 - PROPORTION OF REVENUE BUDGET COMMISSIONED THROUGH THIRD PARTIES, BY KEY SERVICE LINE

Row Ref	Directorate & Key Service	2018-19 Approved Budget					
		Gross £000s	Income £000s	Net £000s	Third Party Payments £000s	% of Gross Budget £000s	% of Net Budget £000s
86	**Libraries, Registration & Archives**	**15,876.7**	**-6,514.0**	**9,362.7**	**141.8**	**1%**	**2%**
87	**Total - Growth, Environment & Transport**	**210,682.3**	**-41,577.1**	**169,105.2**	**145,283.9**	**69%**	**86%**
	Strategic & Corporate Services (S&CS) - Corporate Director: David Cockburn						
	Strategic Management & Directorate Budgets - Corporate Director: David Cockburn						
88	Strategic Management & Directorate Budgets	2,795.8	-4,946.6	-2,150.8	0.0	0%	0%
89	Budgets and Savings Plans to be allocated	-111.3	0.0	-111.3	0.0	0%	0%
90	**Total - Strategic Management & Directorate Budgets**	**2,684.5**	**-4,946.6**	**-2,262.1**	**0.0**	**0%**	**0%**
	Engagement, Organisation Design & Development - Corporate Director: Amanda Beer						
91	Human Resources related services	7,024.5	-783.4	6,241.1	0.0	0%	0%
92	Customer Contact, Communications & Consultations	6,223.6	-722.3	5,501.3	4,033.1	65%	73%
93	Local Member Grants	1,620.0	0.0	1,620.0	0.0	0%	0%
94	**Total - Engagement, Organisation Design & Development**	**14,868.1**	**-1,505.7**	**13,362.4**	**4,033.1**	**27%**	**30%**
	Finance - Corporate Director: Andy Wood						
95	Finance	16,853.7	-5,958.1	10,895.6	2,923.5	17%	27%
	General Counsel - Director: Ben Watts						
96	General Counsel	5,045.2	-195.0	4,850.2	0.0	0%	0%
	Infrastructure - Director: Rebecca Spore						
97	Property related services	34,261.3	-11,566.2	22,695.1	3,252.8	9%	14%
98	ICT related services	15,169.0	-2,448.1	12,720.9	53.8	0%	0%
99	**Total - Infrastructure**	**49,430.3**	**-14,014.3**	**35,416.0**	**3,306.6**	**7%**	**9%**
	Strategic Commissioning - Director: Vincent Godfrey						
100	Strategic Commissioning	7,751.0	-341.9	7,409.1	34.0	0%	0%

SECTION 14 - PROPORTION OF REVENUE BUDGET COMMISSIONED THROUGH THIRD PARTIES, BY KEY SERVICE LINE

Row Ref	Directorate & Key Service	2018-19 Approved Budget					
		Gross £000s	Income £000s	Net £000s	Third Party Payments £000s	% of Gross Budget £000s	% of Net Budget £000s
	Strategy, Policy, Relationships & Corporate Assurance - Director: David Whittle						
101	Strategy, Policy, Relationships & Corporate Assurance	2,159.4	-436.0	1,723.4	0.0	0%	0%
	Public Health - Director: Andrew Scott-Clark						
102	Public Health - Children's Programme	31,688.4	-31,688.4	0.0	27,594.6	87%	0%
103	Public Health - Mental Health, Substance Misuse & Community Safety	16,105.2	-16,105.2	0.0	13,979.3	87%	0%
104	Public Health - Sexual Health	12,627.6	-12,627.6	0.0	12,517.6	99%	0%
105	Public Health - Healthy Lifestyles	8,945.0	-8,945.0	0.0	7,772.8	87%	0%
106	Public Health - Advice and Other Staffing	4,791.7	-4,791.7	0.0	943.7	20%	0%
107	**Total - Public Health**	**74,157.9**	**-74,157.9**	**0.0**	**62,808.0**	**85%**	**0%**
108	**Subtotal - Strategic & Corporate Services (excluding Business Services Centre)**	**172,950.1**	**-101,555.5**	**71,394.6**	**73,105.2**	**42%**	**102%**
	Business Services Centre - Director: Rebecca Spore						
109	Business Services Centre	24,492.9	-24,492.9	0.0	1.0	0%	0%
110	**Total - Strategic & Corporate Services**	**197,443.0**	**-126,048.4**	**71,394.6**	**73,106.2**	**37%**	**102%**
	Financing Items & Unallocated (FI&U) - Corporate Director: Andy Wood						
111	**Financing Items & Unallocated**	**133,129.2**	**-17,700.9**	**115,428.3**	**1,820.0**	**1%**	**2%**
112	**Total - Financing Items & Unallocated**	**133,129.2**	**-17,700.9**	**115,428.3**	**1,820.0**	**1%**	**2%**
113	**TOTAL BUDGET**	**2,171,712.8**	**-1,213,224.9**	**958,487.9**	**873,264.2**	**40%**	**91%**
114	**TOTAL BUDGET (excluding Row 55: Schools Delegated Budgets)**	**1,534,384.1**	**-575,896.2**	**958,487.9**	**873,264.2**	**57%**	**91%**

Note 1: Commissioned spending in **Row 2: Budgets and Savings to be allocated** in the Adult Social Care & Health (ASCH) directorate exceeds gross spend. This is due to a draw down from reserves.

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

2017-18			2018-19		2019-20	
£000s	£000s		£000s	£000s	£000s	£000s
	911,049.7	**Revised 2017-18 Base Budget**		932,976.8		958,487.9
		Additional Spending Pressures				
8,660.2		Net budget realignments from previous year	12,881.2		-339.2	
10,851.8		Replacement of one-off use of reserves to fund base budget	11,343.7		12,658.6	
		Reduction in Grant Funding	1,784.0		1,785.0	
23,753.2		Pay & Prices	24,638.4		24,962.5	
15,412.5		Demand & Demographic	17,242.9		15,848.0	
28,663.0		Government & Legislative	-6,895.0		-8,346.6	
11,302.1		Service Strategies and Improvements	14,718.0		-449.4	
	98,642.8	**Total Pressures**		75,713.2		46,118.9
		Savings & Income				
		Transformation Savings				
-11,106.4		Adults Transformation Programmes	-3,788.2		-4,594.8	
-3,316.1		Other Transformation Programmes	-4,054.4		-3,394.6	
-8,405.4		Income Generation	-6,036.5		-2,563.3	
		Increases in Grants & Contributions	0.0		0.0	
		Efficiency Savings				
-8,564.0		Staffing	-6,402.4		-2,331.3	
-406.0		Premises	-980.5		-180.0	
-13,960.3		Contracts & Procurement	-10,802.5		-3,901.6	
-6,479.0		Other	-1,092.5		-228.0	
-15,465.1		Financing Savings	-14,256.6		-11,345.8	
-2,500.0		Use of Capital Receipts				
-3,153.4		Policy Savings	-2,788.5		-5,806.3	
	-73,355.7	**Total Savings & Income**		-50,202.1		-34,345.7
		Public Health & Other Grants				
1,753.0		Estimated reduction in Public Health Grant				
-1,753.0		Public Health Service Reductions				
-3,360.0		Retained element of former ESG transferred into DSG				
	-3,360.0			0.0		0.0
		Unidentified		0.0		-14,975.2
	932,976.8	**Net Budget Requirement**		958,487.9		955,285.9

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

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

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

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
2017-18 Base	Approved budget by County Council on 11th February 2016	169,614.0	422,735.1	162,307.3	63,148.0	115,172.4	932,976.8	
Base Adjustments (internal)	Changes to budgets which have nil overall affect on net budget requirement	1,224.4	-5,494.1	-76.9	8,696.2	-4,349.6	0.0	
Revised 2017-18 Base		**170,838.4**	**417,241.0**	**162,230.4**	**71,844.2**	**110,822.8**	**932,976.8**	**932,976.8**
Additional Spending Pressures								
Net Budget Realignment	*Necessary adjustments to reflect current and forecast activity levels from in-year monitoring reports*							
Commercial Services (CSD)	Reversal of one-off draw-down from CSD reserves and realignment of budget to reflect anticipated dividend after allowing for CSD to retain 20% of profit in their reserves					2,400.0	2,400.0	12,881.2
Adults Phase 3 Transformation	Re-phasing of Phase 3 savings		1,700.0				1,700.0	
Housing Related Support	Re-phasing of 2016-17 and 2017-18 HRS savings		198.0				198.0	
Market support Funds	Removal of one-off funding.		-5,508.6				-5,508.6	
PREVENT	Embedding of budget for PREVENT following the pilot project		114.6				114.6	
Allocation of retained Business Rates	Reversal of 17-18 savings relating to use of retained business rates to assist with funding Regeneration activity			500.0			500.0	
Base pressures reported in 2017-18 monitoring	Provision for budget realignment based on 2017-18 monitoring	6,845.0	410.3	1,039.0	319.0	3,886.7	12,500.0	
Highways	Reduction in demand for Driver Diversion Courses			471.0			471.0	
S106 staffing costs	Alternative funding for staff involved in securing S106 developer contributions, following a change in the capital grant rules			120.0			120.0	
Concessionary Fares	To reflect negotiations with bus operators			386.2			386.2	
Replace use of one-offs	Impact of not being able to repeat one-off use of reserves and underspends in approved base budget for 2017-18		1,500.0	250.0	3,000.0	6,593.7	11,343.7	11,343.7
Reduction In Grant Income	Impact of Reduction in Public Health Grant				1,784.0		1,784.0	1,784.0

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

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Pay and Prices								
Pay and Reward	Additional contribution to performance reward pot and impact on base budget of uplifting pay grades in accordance with single pay reward scheme	1,381.7	1,481.2	708.3	647.0	234.8	4,453.0	24,638.4
Inflation								
Energy	Anticipated price increases on energy contracts for the KCC estate as estimated by Commercial Services				320.5		320.5	
Utility related inflation	Provision for price inflation related to Streetlight energy as estimated by Commercial Services			170.7			170.7	
Adult Social Care	Provision for contractual and negotiated price increases across all adult social care packages including nursing, residential, domiciliary, supporting independence and direct payments. Contracted services already allow for separate uplifts for National Living Wage/National Minimum Wage and Consumer Prices elements through formulaic approach		10,874.2				10,874.2	
Children's Social Care	Provision for price negotiations with external providers and uplift to in-house foster carers in line with DFE guidance	1,495.6	328.6				1,824.2	
Home to School Transport	Provision for inflation on contracted services and season tickets for mainstream & SEN Home to School and College Transport and the 16+ travel card	1,181.2					1,181.2	
Young Person's Travel Pass	Provision for price inflation related to the Young Person's Travel Pass which is recovered through uplifting the charge for the pass			508.2			508.2	
Transport related inflation	Provision for price inflation related to other Public Transport services			307.4			307.4	
Contract related inflation	Provision for price inflation related to Highways, Waste and other contracted services			2,872.8			2,872.8	
Levies	Increase in Environment Agency Levy					21.0	21.0	
Non specific price provision	Non specific provision for CPI inflation on other negotiated contracts without indexation clauses	189.2		1.3	294.7	1,620.0	2,105.2	

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

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Demography	*Additional spending associated with increasing population and demographic make-up of the population*							
Older People & Physical Disability	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs		4,964.4				4,964.4	17,242.9
Adults with a Learning Disability (age 18+)	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs		5,010.2				5,010.2	
Mental Health	Growth in client numbers and additional costs resulting from existing and new clients whose needs are becoming more complex, together with associated staff costs		850.1				850.1	
Children's Social Care	Estimated impact of an increase in the population of children in Kent, leading to increased demand for specialist and disabled children's services	1,955.0	527.4				2,482.4	
Home to School transport - SEN	Estimated impact of rising pupil population on SEN Home to School and College Transport	890.0					890.0	
Home to School transport - Mainstream	Estimated impact of rising pupil population on Mainstream Home to School transport	512.0					512.0	
YPTP, ENCTS & Waste tonnage	Estimated impact of changes in activity across usage of Young Person's Travel Pass, English National Concessionary Transport Scheme and waste tonnage as a result of population and housing growth			1,033.8			1,033.8	
Adult Safeguarding	Delivery of improvement in adult safeguarding practice and management and outcomes in Adult Social Care and Health		1,500.0				1,500.0	
Government & Legislative								
Deprivation of Liberty Safeguards	Additional DOLS assessments following the Cheshire Judgment 2014		1,540.0				1,540.0	-6,895.0
Adult Social Care Spring Budget 2017 Allocation	Planned reduction in specific adult social care allocation via the iBCF.		-8,597.0				-8,597.0	
Other changes to existing legislation and responsibilities	Changes to existing services and responsibilities as a result of regulatory reform			162.0			162.0	

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

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Service Strategies & Improvements								
Home to School transport - Mainstream	Impact of Grammar School Select Committee transport recommendations	100.0					100.0	14,718.0
Home to School transport - Mainstream	Contracted Home to School transport services required to replace private subsidised bus services no longer provided	100.0					100.0	
Specialist Children's Services staffing	Additional staffing requirements following the Ofsted inspection in March 2017 required to ensure reasonable workloads are maintained and we continue to meet our statutory obligations in safeguarding children.	1,100.0					1,100.0	
Adult Technology Enabled Change (TEC)	Training, maintenance and licence costs for the new Adults performance system (MOSAIC)		530.9		201.9		732.8	
Corporate Landlord	Rates and other revenue costs relating to some properties transferring to Corporate Landlord and others being held for re-provision of services.				600.0		600.0	
Education Services Company	Impact of up front investment required for the establishment of the Education Services Company.	1,808.4					1,808.4	
Business Services Centre	Impact of up front investment required for the establishment of the Business Services Centre as an external company.				1,462.0		1,462.0	
Member Allowances	Impact of changes to Member Allowances				300.7		300.7	
Social Care Support	Initial allocations following the extension of the Social Care Support grant announced in the final Local Government Finance settlement. Final allocations will be made in compliance with Financial Regulations and Procedures.	1,500.0	2,352.8				3,852.8	
Highway Maintenance	To set up a highway maintenance reserve to be used over two years to fund pothole repairs, and minor repair and cleansing of road drainage gullies & soakaways			2,400.0			2,400.0	
Pothole Fund	Establish a pothole fund in response to the severe weather in March 2018 to be spent on pothole repairs during the early part of 2018-19			2,000.0			2,000.0	
Other	Other minor service improvements			193.3	68.0		261.3	
	Total Additional Spending Demands	**19,058.1**	**19,777.1**	**13,124.0**	**8,997.8**	**14,756.2**	**75,713.2**	**75,713.2**

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

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

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

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income								
Trading	Increased income from traded services with schools, academies, other local authorities and public bodies	-677.2					-677.2	-6,036.5
Review of Charges for Service Users - existing service income streams & inflationary increases	Uplift in social care client contributions in line with benefit uplifts for 2018-19, together with inflationary increases and a review of fees and charges across all KCC services, in relation to existing service income streams		-2,099.1	-522.0			-2,621.1	
Review of Charges for Service Users - new income streams & initiatives	A review of fees and charges in relation to new income streams and initiatives			-915.0			-915.0	
Capital Investment Fund	Revised Treasury Management strategy					-1,200.0	-1,200.0	
Partner contributions	To attract investment from Partners in light of the preventative benefits the Community Wardens deliver			-115.0			-115.0	
Young Persons Travel Pass	Travel pass price realignment to offset bus operator inflationary fare increases			-508.2			-508.2	
Efficiency Savings								
Staffing								
Staffing Restructures	Service re-design, integration of services and more efficient ways of working resulting in a reduction of staff and staff related costs. The delivery of these savings will be with appropriate stakeholder engagement and detailed consultations	-966.0	-232.5	-675.0	-2,453.9		-4,327.4	-6,402.4
Service Integration within CYPE directorate	Integration of Children's Services across the Children, Young People and Education Directorate	-2,000.0					-2,000.0	
Disabled Children's Services	Staffing efficiencies within in-house respite units		-75.0				-75.0	
Infrastructure								
Established Programmes	Existing savings plans arising from asset rationalisation, facilities management and utility contracts				-980.5		-980.5	-980.5

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

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contracts & Procurement								
Infrastructure	Reduction in ICT spend on third party contracts and equipment, and centralise remaining ICT contract spend				-227.0		-227.0	-10,802.5
SEN Home to School transport	SEN transport re-tendering & school led management	-175.0					-175.0	
Early Help & Preventative Services	Review of grant payments to other public sector organisations	-600.0					-600.0	
Review of grants & contracts within GET directorate	A review of the level of grants, subscriptions and contract cost efficiencies			-1,222.3			-1,222.3	
Review of non staffing costs	A review of non staffing expenditure			-295.5			-295.5	
Public Health	Review of Commissioned services				-2,795.7		-2,795.7	
Early Help & Preventative Services	Review of commissioned Early Help & Preventative Children's Services including Children's Centres, matching reduction in funding transfer from Public Health	-1,000.0					-1,000.0	
Housing Related Support - Older People	Modernising and using the new benefits system to support older people in sheltered housing		-2,781.0				-2,781.0	
Social Support	Rationalisation of contracts for preventative services		-1,238.3				-1,238.3	
Older People Residential Care	Proposed transfer of Older People in-house services		-112.7				-112.7	
External Audit Fee	Reduction in Audit Commission Fee					-100.0	-100.0	
Kent Public Services Network (KPSN)	Changes to the KPSN contract including extending the customer base				-120.0		-120.0	
Other	Other minor contracts and procurement savings		-25.0		-110.0		-135.0	
Other								
Kent Support and Assistance Service	Embed 2017-18 underspend on the service		-263.0		-31.5		-294.5	-1,092.5
ICT Single System	Removal of one-off funding provided in 2017-18 for commissioning a new ICT hosted solution	-333.0					-333.0	
Education Pensions	Reduction in Education staff pension costs	-250.0					-250.0	
Other	Other minor efficiency savings	-6.3	-6.2	-46.2	-156.3		-215.0	

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

Heading	Description	CYPE	ASCH (incl DCS Age 0-25)	GET	S&CS (incl PH)	FI&U	Total	
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Financing Savings								
Draw-down central reserves	Net draw-down of central reserves to support future years' budgets					-2,643.3	-2,643.3	-14,256.6
Debt repayment	Net impact of new borrowing and review amounts set aside for debt repayment (MRP)					-5,298.0	-5,298.0	
Draw-down Directorate reserves	Draw-down directorate reserves to smooth expenditure across years		-6,315.3				-6,315.3	
Policy Savings								
Soft Landscaping	This is the full year effect of the review of soft landscaping which was effective from December 2017			-290.0			-290.0	-2,788.5
Adults with a Learning Disability	Implementation of accommodation model for the short breaks service		-300.0				-300.0	
Housing Related Support - Other Adults	Reviewing with partners specialist accommodation with an expectation that suitable alternative accommodation will be jointly commissioned		-261.0				-261.0	
Council Tax Support Arrangements with Districts	Rationalise current support payments				-45.0		-45.0	
Older People / Physical Disability Day Care	Development of in-house Day Services		-250.0				-250.0	
Older People / Physical Disability Charging	Full roll out of policy change in 2017-18, to take second properties into consideration when calculating client contributions to non-residential services		-600.0				-600.0	
Partnership Arrangements with Districts	Review existing incentive payments and reinvest savings from existing schemes to achieve an increased tax base.				-150.0		-150.0	
Winter Service	A review of the salting routes and runs that will be delivered over the winter period			-300.0			-300.0	
Highway Maintenance	Reviewing the level of spend on verge, as well as lit signs and bollards, maintenance			-100.0			-100.0	
Subsidised Buses	Review of the level of support given to non-commercial bus routes			-455.0			-455.0	
Finance	Reduce engagement in national finance working groups and responding to government consultations				-37.5		-37.5	
Total savings and Income		**-6,007.5**	**-18,347.3**	**-6,249.2**	**-9,447.4**	**-10,150.7**	**-50,202.1**	**-50,202.1**
Approved Budget		**183,889.0**	**418,670.8**	**169,105.2**	**71,394.6**	**115,428.3**	**958,487.9**	**958,487.9**

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

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

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

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

Key:

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

Appendix B
Prudential Indicators

1. Estimate of capital expenditure (including PFI)

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

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

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

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

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

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

Actual	2016-17	13.41%
Estimate	2017-18	13.04%
	2018-19	12.01%
	2019-20	12.40%
	2020-21	12.48%

5. Adoption of the CIPFA Treasury Management Code:

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

6. Actual External Debt:

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

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

7. Authorised Limit and Operational Boundary for External Debt:

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

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

Authorised Limit for External Debt relating to KCC assets and activities

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

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

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

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

Operational Boundary for External Debt relating to KCC assets and activities

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

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

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

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

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

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

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

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

9. Maturity Structure of Fixed Rate borrowing:

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

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

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

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

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

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

Appendix C
Annual Minimum Revenue Provision (MRP) Statement

Authorities are asked to submit a statement on their policy of making MRP to full Council or similar. Any revision to the original statement must also be issued.

In 2008 the Department for Communities and Local Government (DCLG) issued new guidance on the Minimum Revenue Provision. This guidance provided four ready-made options which would be most relevant for the majority of authorities but stated that other approaches are not meant to be ruled out, provided that they are **fully consistent with the statutory duty to make prudent revenue provision**. The options that we have implemented since this new guidance came into operation are:

- 4% of our capital finance requirement before the change in regulations.
- The asset life method in subsequent years. This method provides authorities with the option of applying MRP over the life of the asset once it is in operation, so for assets that are not yet operational and still under construction we effectively have an “MRP holiday”.

The total of these two methods has provided the annual MRP figure since the regulations changed up until 1 April 2014. However, what this did not do was align the MRP with the repayment of debt and other long term liabilities. Since 1 April 2014 we have continued with the existing calculations but then considered whether an adjustment is required to reflect the timing of internal and external debt repayment and other long term liabilities. We will continue with this approach which is more prudent, given the challenges that the Authority continues to face.

Any adjustment made will be reflected in later years to ensure the overall repayment of our liabilities is covered at the appropriate point in time. This will depend on the position of our balance sheet each year and will be a new calculation each year but using the same principles.

This method retains the guidance calculations but allows for a more prudent approach, ensuring that adequate provision is made to ensure debt is repaid.

Each year an updated MRP statement will be presented.

Appendix D - Fiscal Indicators

1. Net debt costs should not exceed 15% of net revenue spending – budgeted figures

	Forecast Financing costs £'000	Less: Investment Income £'000	Net Financing costs £'000	Total Revenue Spending £'000	%
2016-17	120,803	3,200	117,603	911,050	12.9
2017-18	118,621	5,500	113,121	932,977	12.1
2018-19	110,378	6,700	103,678	958,488	10.8

2. Management and Operating Overheads should not exceed 10% of net revenue spending

	Management & Operating Overheads £'000	Net Revenue Spending £'000	%
2016-17 (revised)	79,975	911,050	8.8
2017-18	72,159	932,977	7.7
2017-18	76,272	958,488	8.0

3. Corporate & Democratic Core (Strategic Costs) should not exceed 1.5% of net revenue spending

	Corporate & Democratic Core £'000	Net Revenue Spending £'000	%
2016-17	8,072	911,050	0.9
2017-18	10,112	932,977	1.1
2018-19	8,467	958,488	0.9

4. Budgeted income from commercial activities should make a contribution of at least 5% to overheads

	Net income from Commercial Activities £'000	Overheads £'000	Contribution achieved %
2016-17 (revised)	9,242	79,975	11.6
2017-18 (revised)	8,477	72,159	11.7
2018-19	6,441	76,272	8.4

Note: Net income from commercial activities is the surplus from Commercial Services, GEN2 and Invicta Law.

Other Financial Management Indicators

5. General Reserve as a percentage of Gross Expenditure (exc. Schools)

	General Reserve £'000	Gross Expenditure (exc. Schools) £'000	%
2016-17 (revised)	36,671	1,501,191	2.4
2017-18 (revised)	36,671	1,521,908	2.4
2018-19	36,671	1,534,384	2.4

6. Local Funding (External Income exc. Schools plus Local Taxation) as a percentage of Gross Expenditure (excluding Schools)

	Service Income (exc. Schools) + Council Tax £'000	Gross Expenditure (exc. Schools) £'000	%
2016-17 (revised)	845,554	1,501,191	56.3
2017-18 (revised)	895,160	1,521,908	58.8
2018-19	951,749	1,534,384	62.0

Appendix E - Corporate Risk Register
Summary Risk Profile
As at 24th November 2017

Low = 1-6	Medium = 8-15	High =16-25

Risk No.*	Risk Title	Current Risk Rating	Target Risk Rating
CRR0001	Safeguarding – protecting vulnerable children	15	15
CRR0002	Safeguarding – protecting vulnerable adults	20	15
CRR0003	Access to resources to aid economic growth and enabling infrastructure	16	12
CRR0004	Civil Contingencies and Resilience	12	8
CRR0005	Kent and Medway Sustainability and Transformation Partnership	16	9
CRR0006	Resourcing implications arising from increasing complex adult social care need	20	12
CRR0007	Integration of Early Help and Preventative Services and Specialist Children's Services to improve outcomes and manage demand	20	12
CRR0008	Potential implications associated with significant migration into Kent	12	9
CRR0009	Future financial and operating environment for local government	16	12
CRR0011	Evolution of KCC's strategic commissioning approach	9	6
CRR0013	Delivery of in-year savings within agreed budgets	16	6
CRR0014	Cyber-attack threats and their implications	16	12
CRR0015	Managing and working with the social care market	20	9
CRR0016	Delivery of new school places is constrained by capital budget pressures and dependency on the Education and Skills Funding Agency	20	12
CRR0039	Information Governance – Introduction of General Data Protection Regulations	12	8
CRR0040	Opportunities and risks associated with Alternative Service Delivery Models	9	4
CRR0041	Maintaining a healthy and effective workforce through significant change	8	8

*Each risk is allocated a unique code, which is retained even if a risk is transferred off the Corporate Register. Therefore there will be some 'gaps' between risk IDs.

NB: Current & Target risk ratings: The 'current' risk rating refers to the current level of risk taking into account any mitigating controls already in place. The 'target residual' rating represents what is deemed to be a realistic level of risk to be achieved once any additional actions have been put in place. On some occasions the aim will be to contain risk at current level.

Risk ID	CRR0001	Risk Title	Safeguarding – protecting vulnerable children		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The Council must fulfil its statutory obligations to effectively safeguard vulnerable children. In addition, the Government's "Prevent Duty" requires the Local Authority to act to prevent people from being drawn into terrorism, with a focus on the need to safeguard children at risk of being drawn into terrorism.	Its ability to fulfil this obligation could be affected by the adequacy of its controls, management and operational practices or if demand for its services exceeded its capacity and capability. Failure to recruit and retain suitably experienced and qualified permanent staff. Failure to meet the requirements of the new "Prevent Duty" placed on Local Authorities.	Serious impact on vulnerable people. Impact on ability to recruit the quality of staff critical to service delivery. Serious operational and financial consequences. Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities. Incident of serious harm or death of a vulnerable child.	Matt Dunkley, Corporate Director Children, Young People and Education (CYPE) **Responsible Cabinet Member(s):** Roger Gough Children, Young People and Education Mike Hill (Lead Member for PREVENT)	Possible (3) **Target Residual Likelihood** Possible (3)	Major (5) **Target Residual Impact** Major (5)

Risk ID	CRR0002	Risk Title	Safeguarding – protecting vulnerable adults		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The Council must fulfil its statutory obligations to effectively safeguard vulnerable adults. The change from 'safeguarding alerts' to 'safeguarding enquiries' has led to a significant increase in the number of safeguarding concerns received. In addition, the Government's "Prevent Duty" requires the Local Authority to act to prevent people from being drawn into terrorism.	Its ability to fulfil this obligation could be affected by the adequacy of its controls, management and operational practices or if demand for its services exceeded its capacity and capability. Failure to meet the requirements of the new "Prevent Duty" placed on Local Authorities.	Serious impact on vulnerable people. Serious impact on ability to recruit the quality of staff critical to service delivery. Serious operational and financial consequences. Attract possible intervention from a national regulator for failure to discharge corporate and executive responsibilities. Incident of serious harm or death of a vulnerable adult.	Anu Singh Corporate Director Adult Social Care and Health (ASCH) **Responsible Cabinet Member:** Graham Gibbens, Adult Social Care Mike Hill (Lead Member for PREVENT)	Likely (4) **Target Residual Likelihood** Possible (3)	Major (5) **Target Residual Impact** Major (5)

Risk ID	CRR0003	Risk Title	Access to resources to aid economic growth and enabling infrastructure		
Source / Cause of Risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The Council seeks access to resources to develop the enabling infrastructure for economic growth, regeneration and health. However, in parts of Kent, there is a significant gap between the costs of the infrastructure required to support growth and the Council's ability to secure sufficient funds through s106 contributions, Community Infrastructure Levy and other growth levers to pay for it. At the same time, Government funding for infrastructure is limited and competitive and increasingly linked with the delivery of housing and employment outputs. It is currently unknown what, if any, sources of funding there may be to replace EU funding streams in the longer term.	Inability to secure sufficient contributions from development to support growth. Funders do not recognise Kent priorities for investment. Lack of resources to continuously shape and determine bids.	Key opportunities for growth missed. The Council finds it increasingly difficult to fund KCC services across Kent (e.g. schools, waste services) and deal with the impact of growth on communities. Kent becomes a less attractive location for inward investment and business. Our ability to deliver an enabling infrastructure becomes constrained. Reputational risk.	Barbara Cooper, Corporate Director Growth, Environment and Transport **Responsible Cabinet Member(s):** Mark Dance, Economic Development Matthew Balfour, Planning, Highways, Transport & Waste	Likely (4) **Target Residual Likelihood** Possible (3)	Serious (4) **Target Residual Impact** Serious (4)

Risk ID	**CRR0004**	**Risk Title**	**Civil Contingencies and Resilience**		
Source / Cause of Risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The Council, along with other Category 1 Responders in the County, has a legal duty to establish and deliver containment actions and contingency plans to reduce the likelihood, and impact, of high impact incidents and emergencies. This includes responses associated with the Counter-terrorism and Security Act 2015 (CONTEST). The Director of Public Health has a legal duty to gain assurance from the National Health Service and Public Health England that plans are in place to mitigate risks to the health of the public including outbreaks of communicable diseases e.g. Pandemic Influenza. Ensuring that the Council works effectively with partners to respond to, and recover from, emergencies and service interruption is becoming increasingly important in light of recent national and international security threats, severe weather incidents and the increasing threat of 'cyber attacks' (see risk CRR 0014).	Failure to deliver suitable planning measures, respond to and manage these events when they occur. Critical services are unprepared or have ineffective emergency and business continuity plans and associated activities. Lack of resilience in the supply chain hampers effective response to incidents.	Potential increased harm or loss of life if response is not effective. Serious threat to delivery of critical services. Increased financial cost in terms of damage control and insurance costs. Adverse effect on local businesses and the Kent economy. Possible public unrest and significant reputational damage. Legal actions and intervention for failure to fulfill KCC's obligations under the Civil Contingencies Act or other associated legislation.	On behalf of CMT Barbara Cooper, Corporate Director Growth, Environment & Transport **Responsible Cabinet Member(s):** Mike Hill, Community & Regulatory Services	Possible (3) **Target Residual Likelihood** Unlikely (2)	Serious (4) **Target Residual Impact** Serious (4)

Risk ID	CRR0005	Risk Title	Kent and Medway Sustainability and Transformation Partnership		
Source / Cause of Risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The health & social care 'system' is under extreme pressure to cope with increasing levels of demand and financial constraints. National government policy for integration of health and social care as part of how to meet these challenges. NHS national policy is for health commissioners and providers to come together and develop place based plans. KCC is part of the Kent and Medway Sustainability and Transformation Partnership (STP). Sub-STP local planning and delivery arrangements are being developed through Accountable Care Partnerships (ACP). Development of NHS standard contract for Accountable Care Partnerships that could include public health and social care. Major NHS policy announcements made every 12-18 months.	Failure to maximise opportunities for appropriate health & social care integration and ensure changes achieve maximum benefit. Pressures within the acute health sector result in repercussions for social care and threaten successful implementation of joint working arrangements. Improved Better Care Fund monies earmarked for social care geared to addressing pre-determined NHS targets and priorities. Lack of 'system' leadership with unclear governance and decision-making arrangements around STPs ACPs. Inappropriate level of Local Authority involvement. STPs have no formal role for local authorities, except by local agreement. No changes to primary legislation. Current statutory responsibilities and duties remain and cannot be delegated, and are inconsistent with LA	Further deterioration in the financial and service sustainability of Health and Social Care system in Kent and Medway. Additional budget pressures transferred to social care as system monies are used to close acute and primary care service gaps. Legal challenge/judicial review of decisions and decision-making framework for integrated decisions. De facto transfer of LA commissioning and budgetary decisions to joint vehicles with NHS without appropriate safeguards. Existential challenge. Social care and public health service priorities determined by NHS, not KCC. Capitated provider contracts dominated by NHS budgets and targets.	Anu Singh Corporate Director Adult Social Care and Health (ASCH) Vincent Godfrey, Strategic Commissioner **Responsible Cabinet Member(s):** Paul Carter, Leader of the Council Peter Oakford, Strategic Commissioning Graham Gibbens, Adult Social Care	Likely (4) **Target Residual Likelihood** Possible (3)	Serious (4) **Target Residual Impact** Significant (3)

Risk ID	CRR0005	Risk Title	Kent and Medway Sustainability and Transformation Partnership
		statutory responsibilities. Failure to meet statutory duties around the sufficiency of the care market, care quality and safeguarding. Opportunity cost from spending time and resources on STP and system design which is subject to change from NHS England. Comprehensive plans to reform health services entail KCC Cabinet support for substantial variations of service in the NHS. Lack of understanding within KCC of NHS policy and regulatory environment; and vice versa, lack of understanding of local authority legislative, policy and democratic environment in NHS.	Focus on STP and ACP workstreams prevents more local and agile improvements/joint working being undertaken. Erosion of long-term working relationships between NHS and local government. Reputational damage to either KCC or NHS or both in Kent.

Risk ID	CRR0006	Risk Title	Resourcing implications arising from increasing complex adult social care need		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
Adult social care services across the country are facing growing pressures. Overall demand and cost for adult social care services in Kent continues to increase due to the complexity of presenting need, including increasing numbers of young adults with long-term complex care needs. This is all to be managed against a backdrop of reductions in Government funding, implications arising from the implementation of the Care Act, increases in Deprivation of Liberty Assessments and longer term demographic pressures.	Council is unable to manage and resource to future demand and its services consequently do not meet future statutory obligations and/or customer expectations.	Customer dissatisfaction with service provision. Increased and unplanned pressure on resources. Decline in performance. Legal challenge resulting in adverse reputational damage to the Council. Financial pressures on other council services.	Anu Singh, Corporate Director Adult Social Care and Health (ASCH) **Responsible Cabinet Member(s):** Graham Gibbens, Adult Social Care	Likely (4) **Target Residual Likelihood** Possible (3)	Major (5) **Target Residual Impact** Serious (4)

Risk ID	CRR0007	Risk Title	Integration of Early Help and Preventative Services and Specialist Children's Services to improve outcomes and manage demand		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
Local Authorities continue to face increasing demand for specialist children's services due to a variety of factors, including consequences of highly publicised child protection incidents and serious case reviews, and policy/legislative changes. At a local level KCC is faced with additional demand challenges such as those associated with significant numbers of Unaccompanied Asylum Seeking Children (UASC). There are also particular 'pressure points' in several districts. These challenges need to be met as early help and preventative services and specialist children's services face increasingly difficult financial circumstances and operational challenges.	Failure to maximise opportunities offered by integration of EHPS and SCS where appropriate. High volumes of work flow into early help and preventative services and specialist children's services leading to unsustainable pressure being exerted on them(recognising seasonal spikes such as end of term).	Children's services performance declines as demands become unmanageable. Failure to deliver statutory obligations and duties or achieve social value. Additional financial pressures placed on other parts of the Authority at a time of severely diminishing resources. Ultimately an impact on outcomes for children, young people and their families.	Matt Dunkley, Corporate Director CYPE **Responsible Cabinet Member(s):** Roger Gough, CYPE	Likely (4) **Target Residual Likelihood** Possible (3)	Major (5) **Target Residual Impact** Serious (4)

Risk ID	CRR0008	Risk Title	Potential implications associated with significant migration into Kent		
Source / Cause of Risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
Migration to Kent is not a new phenomenon and is an inevitable outcome of being a London-peripheral authority, symptomatic of differentials in housing markets across the country and the desirability of living in the county. Welfare reform policy changes combined with an overheating London housing market continues to drive London residents to more affordable temporary and permanent accommodation in Kent. Over the past year, a number of London Boroughs have procured large sites to place residents in temporary accommodation into Kent KCC needs to be prepared to manage the impact on local communities, and any significant additional pressure on KCC services.	Arrival of significant numbers of vulnerable households into the county, particularly if migration is into concentrated areas. London Boroughs, utilising higher per-capita funding and large capital/reserve budgets to procure sites in Kent to ease their overspends on housing/homelessness. Failure of KCC to plan with partners (Districts, Police, Health) to deal appropriately with potential consequences on Kent services. Failure of London Boroughs to provide information about incoming vulnerable households e.g. those known to children's social services in accordance with statutory requirements and agreed protocols.	Potential impact on community cohesion in parts of the county. Additional pressure on KCC services e.g. school admissions, demand for adults and children's social care, community safety, public health. Impact on availability of accommodation for Kent residents, placing more pressure on services such as Kent Support and Assistance Service (KSAS), and/or displacing them outside of the county.	On behalf of CMT: Matt Dunkley, Corporate Director CYPE Anu Singh, Corporate Director ASCH **Responsible Cabinet Member(s):** Graham Gibbens, Adult Social Care Mike Hill, Community & Regulatory Services Roger Gough, CYPE	Possible (3) **Target Residual Likelihood** Possible (3)	Serious (4) **Target Residual Impact** Significant (3)

Risk ID	CRR0009	Risk Title	Future financial and operating environment for Local Government		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The operating environment for local government is likely to continue to change during the coming years, presenting both opportunities and risks for the Council and its partners / service providers. Government funding is set to continue reducing over the medium term, especially in 2018/19 and 2019/20 in the final years of the current spending review and four year settlement. Thereafter there is more uncertainty and the 100% business rate retention scheme due to be implemented by 2020 may present opportunities but also threat to the Council. Continuing budget challenges will necessitate difficult decisions being made regarding the future of services. Limits on our ability to levy additional council tax without a referendum are also likely to remain for the foreseeable future. The Local Government, Cities and Devolution Act could have wide-ranging implications, including the potential for significant Local Government	Additional unfunded spending demands and continued public sector austerity measures threaten financial sustainability of KCC, its partners and service providers. In order to set a balanced budget the council is likely to have to continue to make significant year on year savings. This will only add to the unprecedented era of real term spending reductions which councils have faced since 2010. Quality of KCC commissioned / delivered services suffers as financial situation continues to worsen. Insufficient Government Grant available to provide sufficient number of school places.	Unsustainable financial situation. Potential for partner or provider failure – including sufficiency gaps in provision. Reduction in resident satisfaction and reputational damage.	On behalf of CMT Andy Wood, Corporate Director Finance **Responsible Cabinet Member (s):** All Cabinet Members	Likely (4) **Target Residual Likelihood** Possible (3)	Serious (4) **Target Residual Impact** Serious (4)

Risk ID	CRR0009	Risk Title	Future financial and operating environment for Local Government
reorganisation. The EU referendum result in 2016 and June 2017 General Election result has added additional uncertainty to the environment, meaning major legislative change is unlikely.			

Risk ID	CRR0011	Risk Title	Evolution of KCC's Strategic Commissioning Approach		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The Authority is developing a strategic commissioning approach, as it looks to transform and respond to the challenging local government environment. It is a journey in changing the systems, culture and approach the organisation takes to achieving its strategic outcomes. The approach aims to meet the need for comprehensive, professional strategic commissioning advice to all directorates across the Authority and requires a whole council ethos, as well as clarity of responsibility and accountability.	Insufficient management capacity and / or capability in key skill areas to support sustained change. Lack of clarity over which activities that can be defined as strategic commissioning as distinct from the specification of service outcomes. Lack of buy-in to whole-council ethos to support the changes required.	Potential to fall short of achieving benefits if changes introduced are not fully embedded.	In collaboration with CMT: Vincent Godfrey, Strategic Commissioner **Responsible Cabinet Member:** Peter Oakford, Deputy Leader and Cabinet Member for Strategic Commissioning and Public Health	Possible (3) **Target Residual Likelihood** Unlikely (2)	Significant (3) **Target Residual Impact** Significant (3)

Risk ID	CRR0013	Risk Title	Delivery of in-year savings within agreed budgets		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The ongoing difficult public finances situation and economic uncertainty continue to mean significant reductions in funding to the public sector and Local Government in particular, at a time when spending pressures on councils are increasing. KCC has already made significant cost savings and still needs to make significant ongoing year-on-year savings in order to "balance its books".	Robust plans to achieve the required savings are not developed in time to enable implementation and realisation of benefits. Plans are not aligned with Cabinet Member priorities.	Urgent alternative savings need to be found which could have an adverse impact on service users and/or residents of Kent. Potential adverse impact on council transformation plans. Reputational damage to the council.	On behalf of CMT: Andy Wood, Corporate Director Finance **Responsible Cabinet Member:** John Simmonds, Finance	Likely (4) **Target Residual Likelihood** Possible (3)	Serious (4) **Target Residual Impact** Moderate (2)

Risk ID	CRR0014	Risk Title	Cyber-attack threats and their implications		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The Council has a duty to protect personal and other sensitive data that it holds on its staff, service users and residents of Kent. KCC repels a high number of cyber-attacks on a daily basis, although organisations across all sectors are experiencing an increasing threat in recent times and must ensure that all reasonable methods are employed to mitigate them (within resource constraints), both in terms of prevention and preparedness of response in the event of any successful attack. KCC's ICT Strategy will move the Authority's technology to cloud based services. It is important to harness these new capabilities in terms of both IT security and resilience, whilst emerging threats are understood and managed. In information terms the other factor is human. Technology can only provide a level of protection. Our staff must have a strong awareness of their responsibilities in terms of IT and information security.	Successful cyber-attack (e.g. 'phishing' scam) leading to loss or unauthorised access to sensitive business data. Significant business interruption caused by a successful attack.	Data Protection breach and consequent Information Commissioner's Office (ICO) sanction. Damages claims. Reputational Damage. Potential significant impact on business interruption if systems require shutdown until magnitude of issue is investigated.	Amanda Beer, Corporate Director Engagement, Organisational Design & Development. Ben Watts, General Counsel and Senior Information Risk Owner (SIRO) Rebecca Spore, Director Infrastructure **Responsible Cabinet Member:** Eric Hotson, Corporate & Democratic Services	Likely (4) **Target Residual Likelihood** Possible (3)	Serious (4) **Target Residual Impact** Serious (4)

Risk ID	CRR0015	Risk Title	Managing and working with the social care market		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
A significant proportion of adult social care is commissioned out to the private and voluntary sectors. This offers value for money but also means that KCC is dependent on a buoyant market to achieve best value and give service users optimal choice and control. Factors such as the introduction of the National Living Wage, potential inflationary pressures and uncertainty over care market workforce status in light of the vote to leave the EU mean that the care market is under pressure.	Care home and domiciliary care markets are not sustainable. Inability to obtain provider supply at affordable prices. Significant numbers of care home closures or service failures. Providers choose not to tender for services at Local Authority funding levels or accept service users with complex needs.	Gaps in the care market for certain types of care or in geographical areas meaning difficulty in placing some service users.	Anu Singh, Corporate Director ASCH, in collaboration with Vincent Godfrey, Strategic Commissioner **Responsible Cabinet Member:** Graham Gibbens, Adult Social Care Peter Oakford Strategic Commissioning and Public Health	Likely (4) **Target Residual Likelihood** Possible (3)	Major (5) **Target Residual Impact** Significant (3)

Risk ID	CRR0016	Risk Title	Delivery of new school places is constrained by capital budget pressures and dependency upon the Education and Skills Funding Agency (ESFA)		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
A significant expansion of schools is required to accommodate major population growth in the short term to medium term (primary age) and medium to long term (secondary age). The "Basic Need" capital grant from Dept. of Education (DfE) will not fund the expansion in full. A funding gap to deliver the programme for schools will be created by cost pressures from higher than expected build costs, low contributions from developers and increases in pupil demand. Whilst the funding gap identified with the Kent Commissioning Plan has been closed, the delivery of the plan is highly dependent upon securing 15 Free Schools in Kent over the period and that the ESFA complete the Free School projects on time and to an appropriate standard.	The expansion required may not be delivered, meaning KCC is not able to provide appropriate school places.	The duty to provide sufficient school places is not met, which may lead to legal action against the council. Some children have to travel much further to attend a school, with a resulting impact on the transport budget.	Matt Dunkley, Corporate Director CYPE **Responsible Cabinet Member:** Roger Gough, Children, Young People and Education	Very Likely (5) **Target Residual Likelihood** Likely (4)	Serious (4) **Target Residual Impact** Significant (3)

Risk ID	CRR0039	Risk Title	Information Governance – Introduction of General Data Protection Regulations (GDPR)		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
The Council is required to maintain the confidentiality, integrity and proper use of data and has a number of controls already in place to manage this. In May 2018 General Data Protection Regulations (GDPR) come into effect that introduce significantly increased obligations on all data controllers, including the Council. This will require significant preparation.	Failure to prepare adequately for the introduction of the new regulations. Information security incidents resulting in loss of personal data or breach of privacy / confidentiality.	Information Commissioner's Office sanction (e.g. undertaking, assessment, improvement, enforcement or monetary penalty notice issued against the Authority). Serious breaches under GDPR could attract a fine of €20m or 4% annual global turnover. Increased risk of litigation. Reputational damage.	Ben Watts, General Counsel and Senior Information Risk Owner (SIRO) **Responsible Cabinet Member:** Eric Hotson, Corporate & Democratic Services	Possible (3) **Target Residual Likelihood** Unlikely (2)	Serious (4) **Target Residual Impact** Serious (4)

Risk ID	CRR0040	Risk Title	Opportunities and risks associated with alternative service delivery models		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
KCC has established a number of wholly-owned companies delivering a wide range of professional services that can bring benefits such as a change in culture and a more commercial approach to delivering services; more freedom to invest; the ability to secure new external clients; and the ability to grow the business and return a dividend to the Council as shareholder. As with any new company start up, there will also be risks to be managed. With the number of wholly-owned companies potentially increasing, the council has reached a cross-over point where the wider objectives of the shareholder (KCC) is of at least the same importance as the individual needs of the new companies.	Expected financial dividends not met or return on investment takes longer than planned to achieve. One or more company acts in a way that does not fit with KCC's values. Council attempts to manage or run individual companies rather than acting as shareholder to extract the maximum value and benefit for the council in terms of both financial return and delivery of our identified outcomes as the owner of the businesses.	Additional pressures on Council budget. Reputational damage. Companies may not be able to take advantage of commercial opportunities if decision-making is restricted.	KCC Shareholder Board **Responsible Cabinet Member:** Paul Carter, Traded Services and Health Reform Supported by: Richard Long, Cabinet Lead for Traded Services	Possible (3) **Target Residual Likelihood** Unlikely (2)	Significant (3) **Target Residual Impact** Moderate (2)

Risk ID	CRR0041	Risk Title	Maintaining a healthy and effective workforce through significant change		
Source / Cause of risk	**Risk Event**	**Consequence**	**Risk Owner**	**Current Likelihood**	**Current Impact**
KCC's workforce makes a vital contribution to the delivery of the Council's strategic outcomes, through its energy, commitment and hard work. Staff across the organisation need to be healthy, motivated and have the right skills to help the organisation develop. It is important that this continues through challenging times, with significant change becoming the new reality and further year-on-year efficiencies being required to meet difficult budgetary challenges.	Low morale or stress related to organisational change or other factors. Increased sickness levels. Lack of depth / resilience of key personnel or teams. Increasing demands on staff leads to insufficient capacity.	Negative impact on productivity and levels of service.	Corporate Management Team **Responsible Cabinet Member:** Eric Hotson, Corporate and Democratic Services	Unlikely (2) **Target Residual Likelihood** Unlikely (2)	Serious (4) **Target Residual Impact** Serious (4)

Appendix F - Key Budget Risks 2018-19

These are the main budget risks highlighted during the development of the 2018-19 Budget.

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (if known) £m's
GET	Road Safety	The charges for courses are set nationally, but these exceed the cost of providing courses.	KCC unable to retain surplus from courses.	Unfunded Budget Pressure. Urgent alternative savings need to be found which could have an adverse impact on service users and/or Kent residents.	3	0.593
ALL	Budget realignment	Currently forecasting overspend.	Overspend at Outturn.		3	4.0
GET	Highways Energy Prices	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	The volatility of energy prices means the estimated increase may not be correct.		3	
CYPE	Asylum	The Council requires full reimbursement from Central Government for the cost of Asylum.	Full reimbursement not received.		3	4.0
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.		3	8.0 per 1%

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (if known) £m's
ALL	Capital Costs	Pre-Capital Works Expenditure.	Scheme doesn't proceed as planned and capital costs are transferred to revenue.	Unfunded Budget Pressure. Urgent alternative savings need to be found which could have an adverse impact on service users and/or Kent residents.	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.		3	
ALL	Income	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust income estimates relating to savings plans.	Income is less than that assumed in the MTFP.		2	
CYPE	High Needs Demand	Statutory responsibility for providing High Needs top up funding to schools, academies, colleges and independent provision.	Demand for top up funding for pupils with Special Educational Needs and Disabilities exceeds the annual DSG High Needs budget.	Alternative options need to be considered to stay within budget. Any change 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).	5	

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (if known) £m's
S&CS	Operational Estate	Delays to the exiting of operational buildings due to operational service requirements.	KCC cannot shrink our asset base	Overspend.	2	
ALL	VAT Partial Exemption	KCC VAT Partial Exemption Limit almost exceeded.	Additional schemes which are hosted by KCC result in partial exemption limit being exceeded.	Loss of ability to recovery VAT and increased budget pressure.	2	9.0
GET	Plastics Recycling	Changes to price of plastics recycling.	Oversaturation of internal market.	Downward pressure on income.	3	
All	One-off funding	Just prior to County Council in February 2018, we added a further £4.5m of base budget spending and removed £0.7m of base budget savings over the two years 2018-20 on the back of largely one-off funding. Only £0.5m of this funding is ongoing, thereby this has added £4.7m to the unidentified budget gap for 2019-20.	KCC do not get further one-off funding in 2019-20.	Further savings will need to be identified to compensate.	3	4.7

Likelihood Rating

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

Appendix G
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 we are 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 demand led pressures
- Ability to activate contingency plans if planned savings cannot be delivered
- Risks inherent in any new partnerships
- Financial standing of the Authority (level of borrowing, debt outstanding etc.)
- The Authority’s record of budget management and ability to manage in year budget pressures
- Virement and year-end procedures in relation to under and overspends
- The general financial climate
- The adequacy of insurance arrangements

It should be made clear that the assessment of the adequacy of reserves is very 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 S151 officer.

3 Local Government Finance Settlement (LGFS)

The Local Government Finance Settlement was published on 6th February 2018.

The impact of the draft settlement is reflected in this assessment.

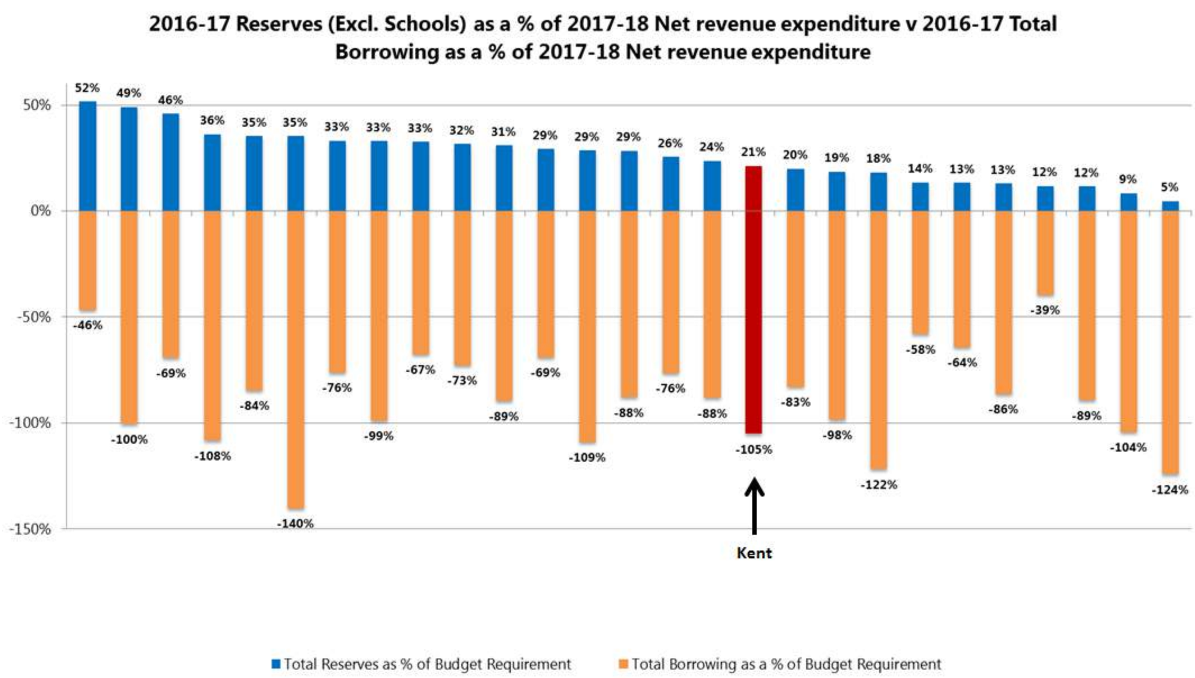
4 Comparison with other County Councils

Each Council must make their 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 2016-17 reserves is shown below. Kent is ranked 17 out of 27 County Councils in terms of the percentage of reserves held (1 being the highest level of reserves as a percentage of annual budget).

The range of reserves held as a percentage of budget is vast; the lowest Authority at 5%, up to the highest at 52%. Kent's figure is 21%. This figure of 21% is made up of our General Reserve of £36.7m and our Earmarked Reserves of £163.2m, totalling £199.9m. Details of all of these reserves can be found in the 2016-17 Statement of Accounts, page 79 and pages 88-92.

It is also worth looking at reserves alongside borrowing, as borrowing can be used to protect reserves, or reserves used to reduce borrowing. The graph shows that Kent is ranked 22 out of the 27 Counties (1 being the lowest percentage of borrowing compared to budget). There is little that can be done in the short term to affect borrowing levels, other than to increase them by taking significantly more borrowing, which for KCC is not prudent. We have capped our borrowing costs at a maximum of 15% of our net revenue budget in recent years (and have remained under that cap), and have stabilised our overall borrowing during that time.



5 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 <u>upward</u> direction means an <u>improved</u> position for this Council (i.e. the risk is less than it was last year).

- ⇔ Assumptions regarding inflation and interest rates:
  In recent months inflation has been above the Government target of 2% but forecasts suggest a reduction over coming months, although it is still likely to remain above the 2% target. Interest rates are largely determined by the base rate, which had been at 0.5% since March 2009 until it reduced to 0.25% in August 2016. It then increased back to 0.5% in November 2017. The lower the actual and expected rate of inflation, the better it is for our budget in net terms, but the converse may be true of interest rates.

- ⇔ Estimates of the level and timing of capital receipts:
  Our reliance on capital receipts is significant, in order to part fund our capital programme and transformation programme. Delivery against target is encouraging, but remains challenging.

- ⇩ The capacity to manage in-year demand led pressures:
  As each year passes, with reduced funding and increased demand, our discretionary spend that can be 'turned-off' at short notice diminishes. This is reflected in the 2017-18 forecast outturn, which is showing a stubborn forecast overspend for the year-end.

- ⇩ Ability to activate contingency plans if planned savings cannot be delivered:
  Similar to the above risk; we do still have some 'safety valves' that can be turned off in an emergency, but these are reducing and they may be very unpopular and potentially expensive in the longer term.

- ⇔ Risks inherent in any new partnerships:
  Our biggest risk is from our Health partners. The financial difficulties in the health sector mean we have to be vigilant in managing any unmet demand.

- ⇔ Financial standing of the Authority (level of borrowing, debt outstanding etc.):
  The planned use of reserves to support the 2018-19 revenue budget does reduce our protection against a major unforeseen financial event, including any overspend from 2017-18 but the general financial health of the Council remains fairly static.

- ⇔ The Authority's record of budget management and ability to manage in year budget pressures; this continues to be excellent with seventeen consecutive years of underspend up to 2016-17, although that record is under extreme pressure in 2017-18.

- ⇔ Virement and year-end procedures in relation to under and overspends.

- The general financial climate.
  The 2015 Spending Review gave local authorities greater scope to raise local taxes, and has created a much larger Better Care Fund targeted specifically at adult social care. The approval of our four year efficiency plan also gives us a degree of certainty. But the demographic changes and impact of the National Living Wage will place significant additional cost on upper-tier Authorities. Further real-terms reductions will be needed in order to balance this Council's budgets over the medium-term plan.

- The adequacy of insurance arrangements.
  We renewed our insurance policies in January 2016, insuring the same levels of risk as previously, albeit at a higher premium. Consideration was given to a greater level of self-insurance, but this was deemed too risky given our limited level of general and insurance reserves. However, this has been reassessed and we now have a higher excess on each claim in return for a lower premium. Based on historic claims this does not negatively impact on our adequacy of insurance arrangements.

Of the ten factors, none show an improvement from twelve months ago, seven are relatively unchanged, and three have deteriorated. No weighting has been applied to the ten 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 we start to see the cumulative effect.

Only our general reserves of £36.7m (as at 31 March 2017) are available to offset any in-year overspends, and of course can only be used once.

The overall conclusion is that we have an increased risk profile since the 2017-18 budget, and on a like-for-like basis we will have a lower level of earmarked reserves. Although this is something to monitor very closely (as we constantly do) and a trend that we should reverse if possible over the medium term, there is no immediate action needed.

6 The detail of our Reserves

The Statement of Accounts that we produce each year details our **Earmarked Reserves** and explains why we hold each of them. 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. There is no proposal within the budget to change this strategy.

A review of the earmarked reserves, in light of the local government finance settlement, has resulted in a proposal within the 2018-19 budget to draw-down a net £9m of earmarked reserves (including base contributions and draw-downs). These reserves are either no longer needed (e.g. Directorate specific reserves) or were created for exactly this situation.

7 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 2018 are, in the opinion of the Section 151 Officer, adequate.

Appendix H
Glossary of Abbreviations

AB2017	2017 Autumn Budget statement
ACP	Accountable Care Partnerships
AME	Annually Managed Expenditure - Central Government measure for money spent in areas outside DEL
ASCH	Adult Social Care and Health Directorate
Bail In	Arrangement whereby regulatory authorities keep a failing bank open for essential business and pass the cost of that failure onto the bank's investors principally bondholders and unsecured depositors.
BoE	Bank of England
BCF	Better Care Fund
BR	Base Rate
Capital Budget	Investment programme on infrastructure, property & IT improvements
Capital Receipts	A sum received by the authority in respect of the disposal by it of an interest in a capital asset
CDEL	Capital Departmental Expenditure Limit
CFR	Capital Financing Requirement
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance & Accountancy
CLG	Government Department for Communities & Local Government
CLS	Community Learning Skills
CMT	Corporate Management Team of the Council attended by Corporate Directors
CPI	Consumer Price Index - Government measure of inflation
CPIH	Consumer Price Index – Additional measure of consumer price inflation including measure of owner occupiers' housing costs (OOH).
CRR	Corporate Risk Register
CSD	Commercial Services Department

CTRS	Council Tax Reduction Scheme
CYPE	Children’s, Young People & Education Directorate
DCLG	Department for Communities and Local Government
DCS	Disabled Children’s Services
DDA	Disability Discrimination Act
DEL	Departmental Expenditure Limits - the amount that government departments have been allocated to spend
DfE	Government Department for Education
DOLS	Deprivation of Liberty Safeguarding
DiVMT	Divisional Management Team
DMT	Departmental Management Team
DSG	Dedicated Schools Grant - government grant 100% funded from national taxation to fund schools
EHP	Early Help Preventative Services
ESFA	Education Skills Funding Agency
EFO	Economic and Fiscal Outlook
EU	European Union
ESG	Education Services Grant –grant provided to local authorities on a national per pupil basis to provide central services for maintained schools
Facing the Challenge	The Council's strategic vision document
FI&U	Financing Items and Unallocated
Fiscal Indicators	Measures of the Council’s financial health
FOI	Freedom of Information
FTE	Full Time Equivalent - standard used to assess equivalent number of full time and part time employees
FYE	Impact in a full financial year of an initiative that has been implemented part way through the year
GDP	Gross Domestic Product - Government measure for the overall health of the economy
GDPR	General Data Protection Regulation
GET	Growth, Environment and Transport Directorate
GLA	Greater London Authority
HA	Housing Association

HO	Home Office
HR	Human Resources
HRA	Housing Revenue Account
HRS	Housing Related Support
iBCF	Improved Better Care Fund
ICO	Information Commissioners Office
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards
KCC	Kent County Council
KPSN	Kent Public Service Network
KSAS	Kent Support and Assistance Services
LA	Local Authority
LASFE	Local Authority Self-Financed Expenditure
LATCo	Local Authority Trading Company - a company created and either wholly or partially owned by a local authority to provide existing or new services through a trading model.
LCTRS	Local Council Tax Reduction Schemes
LD	Learning Disability
LEP	Local Enterprise Partnership - regional grouping of local authorities to promote economic prosperity
LGF	Local Growth Funding
LGFS	Local Government Finance Settlement
LOBO	Lender Option Borrower Option – lender has the option to call in loan at pre-determined future date
LRA	Libraries, Registration & Archives
MDA	Modernisation of Assets
MFG	Minimum Funding Guarantee - guaranteed level of funding for individual schools
MFL	Minimum Funding Level
MHCLG	The Ministry of Housing, Communities & Local Government
MPC	Monetary Policy Committee

MRP	Minimum Revenue Provision - prudent amount needed to cover the revenue consequences of capital investment
MTFP	Medium Term Financial Plan
NHB	New Homes Bonus
NFF	National Funding Formula
NHS	National Health Service
NLW	National Living Wage
NPIF	National Productivity Investment Fund
NUE	No Use Empty
OBR	Office for Budget Responsibility - independent body advising the chancellor on economic forecasts
OfSTED	Office for Standards in Education, Children's Services and Skills
OD	Older People
ONS	Office for National Statistics
OOH	Owner Occupier Housing
PAG	Project Advisory Group
PH	Public Health
PIF	Property Investment & Acquisition Fund
PFI	Private Finance Initiative
PSBP	Primary School Building Programme
PROW	Public Right of Way
PRU	Pupil Referral Units
Prudential Indicators	Set within the Prudential Code which is a code of practice to support local authorities in taking decisions around their programmes of capital investment in fixed assets
PWLB	Public Works Loan Board
RBS	Royal Bank of Scotland
Resource DEL/ RDEL	Resource Departmental Expenditure Limit
Revenue Budget	Annual recurring expenditure on staff, buildings, contracts, supplies, etc.
RPI	Retail Price Index - alternative measure of inflation

RSG	Revenue Support Grant - grant to local government funded from national taxation and share of business rates
S&CS	Strategic and Corporate Services Directorate
SCS	Specialist Children’s Services
Schools’ Funding Forum	Statutory body representing views of schools in relation to a number of financial matters
SEN	Special Educational Needs
SEND	Special Educational Needs and Disability
SFA	Skills Funding Agency/Spending Funding Assessment
SR	Spending Review
STP	Sustainability and Transformation Partnership
TIGER	Thames Gateway Innovation, Growth and Enterprise programme - offering direct financial support to business in North Kent and Thurrock
TMA	Total Managed Expenditure
UASC	Unaccompanied Asylum Seeking Children
Un-ring-fenced grant	A grant received by the Council that does not have restrictions over how it should be spent
VAT	Value Added Tax
YPTP	Young Persons Travel Pass

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