



Finance Monitoring Report 2022-23

As at December 2022

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

To Cabinet – 30 March 2023

Unrestricted

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1 Introduction

This report sets out the Council’s financial position for the year as at the end of December 2022. The Revenue General Fund is projecting a +£53.7m overspend for the full financial year. Children, Young People and Education and Adult Social Care and Health are projecting significant overspends of +£33.3m and +£25.6m respectively.

Whilst the overspend has reduced since the quarter 2 report, the size of the overspend continues to be of serious concern requiring continued management action, and minimising spend as far as possible to ensure we reduce the overspend as much as possible by the year end. This is particularly important given the 2023-24 and medium-term budget challenge. Inflationary and demand pressures, combined with non-delivery of some agreed savings, continue to impact on both income and expenditure.

Any overspend at the end of the financial year over and above the budgeted £25m in the risk reserve, will need to be met from general or other earmarked reserves, but this approach is not sustainable in the medium term. Section 12 in this report details the actions that are being and will be taken that are not yet reflected in this report but which will reduce the overspend position. Section 12 also highlights the impact of these actions on the 2023-34 budget position. The management actions previously identified and delivered are reflected in the latest forecast out-turn position.

1.1 The overall Revenue projection is now a +£53.7m overspend. The Revenue General Fund projected year end position is a net overspend of +£53.7m.

Overspends are projected in all Directorates except CED & NAC. The largest variances are +£33.3m in CYPE and +£25.6m in ASCH, with overspends in DCED of +£3.7m and GET of +£3.5m. NAC is projecting an underspend of -£10.4m and CED is projecting an underspend of -£2.3m. Details can be found in the individual directorate sections.

1.2 There is £9.7m of spend that will be funded from the Covid-19 emergency grant reserve. The projected net spend of £1,252.7m includes £9.7m of Covid-19, and committed Helping Hands and COMF spend which will be funded from the Covid-19 emergency grant reserve. £9.7m of this is reflected in this report as a drawdown from the reserve as it relates to the committed spend identified in the 2021-22 outturn report.

1.3 The Schools’ Delegated Budgets are reporting a +£45.6m overspend. The overspend position of +£45.6m reflects the impact of high demand for additional SEN support and high cost per child resulting from greater demand for more specialist provision. The projected deficit on the High Needs budget has increased by £41m in this year from £101m at the end of 2021-22 and is estimated to increase to around £142m by the end of this financial year. The High Needs deficit is the Council’s most significant financial risk and is now part of the DfE’s Safety Valve Programme which once agreed will require a robust deficit reduction plan to bring the reserve back into balance within 5 years.

- 1.4 The Capital budget projection is a net underspend of -£113.5m. The Capital Programme continues to experience significant slippage. The net underspend is made up of +£28.1m real overspend and -£141.6m slippage, which represents almost 29% of the budget.

The largest real variance is an overspend of +£24.1m in GET. Details can be found in the capital sections.

The major slippage is -£85.6m in GET and -£36.2m in CYPE. Details can be found in the capital sections.

2 Recommendations

Cabinet is asked to:

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| 2.1 | Note the projected Revenue monitoring position of £53.7m overspend | Please refer to sections 3 to 9 |
| 2.2 | Note the projected Schools' monitoring position of £45.6m overspend | Please refer to section 10 |
| 2.3 | Consider and note the progress on the delivery of £41.2m in-year savings | Please refer to section 11 |
| 2.4 | Consider and note the actions being taken to reduce the projected overspend as far as possible | Please refer to Section 12 |
| 2.5 | Note the projected Capital monitoring position of £113.5m underspend | Please refer to Section 13 |
| 2.6 | Note and agree the Capital budget adjustments | Please refer to Section 14 for details |
| 2.7 | Note the Prudential Indicators report | Please refer to Appendix 2 |
| 2.8 | Note the Reserves monitoring position | Please refer to Appendix 3 |
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3 Revenue

General Fund projected +£53.7m overspend
Dedicated Schools Grant (DSG) +£45.6m
overspend

General Fund

Projected position as overspend/(underspend)

Directorate	Revenue Budget	Revenue Projected Outturn	Net Revenue Projected Variance	Last reported position	Movement (+/-)
	£m	£m	£m	£m	£m
Adult Social Care & Health	460.5	486.1	25.6	27.7	(2.1)
Children, Young People & Education	321.2	354.5	33.3	33.9	(0.6)
Growth, Environment & Transport	178.7	182.2	3.5	5.1	(1.6)
Deputy Chief Executive Department	71.6	75.3	3.7	1.4	2.2
Chief Executive Department	33.6	31.3	(2.3)	(0.7)	(1.5)
Non-Attributable Costs	129.4	119.0	(10.4)	(6.5)	(3.9)
Corporately Held Budgets	4.1	4.4	0.3	0.0	0.3
General Fund	1,199.1	1,252.7	53.7	60.9	(7.3)
Ringfenced Items					
Schools' Delegated Budgets	0.0	45.6	45.6	50.4	(4.8)
Overall Position	1,199.1	1,298.3	99.3	111.3	(12.1)

General Fund

The General Fund projected position is a net overspend of +£53.7m, with the most significant overspends in Children, Young People and Education of £33.3m and Adult Social Care & Health of £25.6m. The projected overspend represents 4.5% of the Revenue Budget and presents a serious and significant risk to the Council's financial resilience if it is not addressed. The latest monitoring as at the end of January suggests that the forecast overspend has reduced by around £4m. As part of the 2022-23 budget planning process £25m was set aside in a risk reserve that can be used to mitigate in part the projected overspend, but action will be required to address the remaining overspend to avoid a substantial drawdown from general and other reserves being required.

Covid-19

The 2021-22 Outturn position showed the Covid-19 Emergency Grant reserve had a balance of £53.7m and the following was set aside; £15m for the continuation of Contain Outbreak Management (COMF), £8.3m for Helping Hands, £6.8m for Reconnect, £5m for Market Sustainability and £3.7m Covid-19 related roll forward requests. There is £14.9m set aside that is available to support unavoidable future Covid-19 related spend, loss of income and unrealised savings that have been impacted by Covid-19.

The projected Revenue net spend of £1,252.7m includes £9.7m spend relating to Covid-19 and committed COMF and Helping Hands off set by £9.7m (a £9.2m drawdown from the Covid-19 emergency grant reserve and a £0.6m budget allocation).

Schools' Delegated Budgets

The projected overspend for 2022-23 is +£45.6m, of which +£44.2m relates to the DSG deficit and +£1.4m against Individual School reserves relating to academy conversions and closing school deficits.

The cumulative DSG deficit will increase from £97.6m to £141.8m by the end of 2022-23. This is almost entirely due to an increase in the High Needs budget deficit, which is the Council's biggest financial risk and the finalisation and successful delivery of the Council's deficit recovery plan is critical to bring the budget back into balance over the medium term. The Council is working with the Department for Education (DfE) in the second round of the Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery. For more information, please refer to section 10.

Since the reporting date of Dec 2022, the DfE announced on 16 March that the authority has successfully secured £140m of High Needs Funding over the next five years to help contribute towards the historical deficit. The impact on this year's position will be reflected in the outturn report.

	Budget	Revenue Forecast Outturn	Projected Variance		Movement (+/-)
			Net Revenue Forecast Variance	Last reported position (Sept)	
	£m	£m	£m	£m	£m
Adult Social Care & Health Operations	411.5	451.2	39.8	37.3	2.5
Strategic Management & Directorate Budgets (ASCH)	40.1	26.2	(13.8)	(9.2)	(4.7)
Public Health	0.0	0.0	0.0	0.0	0.0
Business Delivery	9.0	8.7	(0.3)	(0.5)	0.2
Adult Social Care & Health	460.5	486.1	25.6	27.7	(2.0)
Earmarked Budgets Held Corporately	4.2	4.2	0.0	0.0	0.0
Net Total incl provisional share of CHB	464.8	490.3	25.6	27.7	(2.0)

The Adult Social Care & Health directorate is projecting a net overspend of +£25.6m.

The Adult Social Care & Health Operations division has a projected net overspend of +£39.8m, which has increased by £2m since quarter 2 and is predominantly due to Older People – Residential Care Services which are projecting a net overspend of +£29.1m.

Forecast contributions to the provision for bad and doubtful debts are contributing +£2.3m to the overall overspend, with this pressure arising due to both an increase in levels of debt owed to the council as well as the requirement to set aside an amount for debts not yet due. This is based on the bad debt provision policy, so as debt rises, so will the provision required. A review of the debt position is being undertaken to identify and address the increasing levels of client related debt.

£4.5m has been released from unrealised creditors that are not anticipated to be required. The creditor position at the end of each year is an estimate based on the activity position known as at 31 March.

In recent weeks the Government has announced that funding is available to the NHS for the local Integrated Care Boards (ICB) to accelerate the hospital discharge process and social care support over the next two months; it is not yet known the impact on the adult social care budget, but this will be closely monitored over the coming weeks and will be reflected in the projected out-turn position.

Within the ring-fenced Public Health grant, in line with previous years, any underspend against the Public Health grant that is identified will be transferred to reserves to bring the Public Health Grant back to a balanced position. Work is currently underway to identify areas that make best use of the Public Health grant underspend.

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

Key Service (Division)	Variance	Summary	Detail
Older People - Residential Care Services	+£29.1m	High levels of complexity requiring additional support and increased use of expensive short-term beds	<p>+£28.4m of this overspend is driven by demand and costs for older people accessing residential and nursing care services, including +£12.4m from increasing use of more expensive short-term beds, driven in part by individuals leaving hospital with increased complex needs and an increase in situations where it is considered detrimental to move individuals to lower cost placements.</p> <p>Other pressures on this service line include a +£1.4m increase to forecast contributions to the provision for bad and doubtful debts, +£1.3m in old-year costs, and +£0.7m relating to contract and commissioning savings which are no longer expected to be realised against this service line.</p> <p>The above overspends are partly offset by -£2.7m released from centrally held funds such as prices, winter pressures and provisions.</p>
Adult Mental Health - Community Based Services	+£5.8m	Increases in Supported Living care packages & non-achievement of savings	<p>+£3.8m of this overspend relates to clients receiving supported living care packages, including an increase in average hours provided per client to meet more complex needs.</p> <p>A further +£2.8m relates to savings which are no longer expected to be realised against this service line, with +£1.4m due to arranging care and support where achievement of savings has been impacted by demand and pressures in the social care market, and +£1.4m due to delays in the procurement of new models of care relating to microenterprises and Technology Enabled Care (TEC).</p> <p>The above overspends are partly offset by -£0.9m which relates to unrealised creditors.</p>
Adult Learning Disability - Community Based Services & Support for Carers	+£4.1m	Increased complexity and higher costs than anticipated.	<p>+£6.4m of the overspend relates to clients receiving supported living and day care packages with higher costs mainly driven by increasing complexity of needs.</p> <p>+£0.7m of this overspend is due to unrealised savings, mainly due to contract and commissioning savings which are no longer expected to be achieved this financial year.</p> <p>+£0.1m of the overspend is due to an increase to forecast contributions to the provision for bad and doubtful debts.</p> <p>The above overspends are partly offset by -£3.0m which related to unrealised creditors (-£2.6m) and centrally held funds (-£0.4m).</p>

Adult Mental Health - Residential Care Services	+£1.9m	Increasing complexity of need and costs and non-achievement of savings	<p>+£1.8m of the overspend is due to the cost of client care packages increasing beyond budgeted levels due to increasing complexity of need and market pressures.</p> <p>+£0.3m of this overspend is due to contract and commissioning savings which are no longer expected to be achieved this financial year.</p> <p>+£0.1m due to an increase to forecast contributions to the provision for bad and doubtful debts.</p> <p>The above overspends are partly offset by -£0.3m unrealised creditor position and centrally held funds.</p>
Adult Physical Disability - Community Based Services	+£1.6m	Increasing complexity of need and costs and non-achievement of savings	<p>+£0.7m of the overspend is due to service activity exceeding budgeted levels due to increasing complexity of need and market pressures, and a pressure of +£1.1m relating to savings which are no longer expected to be realised against this service line.</p> <p>The above pressures are partly offset by -£0.2m released from centrally held funds.</p>
Adult Physical Disability - Residential Care Services	+£1.3m	Increasing complexity of need and costs and non-achievement of savings	<p>+£1.3m of the overspend is due to service activity exceeding budgeted levels due to increasing complexity of need and market pressures.</p> <p>+£0.1m due to an increase to forecast contributions to the provision for bad and doubtful debts.</p> <p>+£0.1m of this overspend is due to contract and commissioning savings which are no longer expected to be achieved this financial year.</p> <p>The above pressures are partly offset by -£0.2m released from centrally held funds.</p>
Older People - Community Based Services	-£1.1m	Reduced utilisation of services due to market capacity, and release of centrally held funds.	<p>This service line is forecasting an underlying underspend of -£2.8m where continuing workforce shortages in the social care market have reduced the availability of suitable homecare packages and resulted in more clients receiving alternative support.</p> <p>A release of -£5.0m from centrally held funds to offset pressures across the directorate is contributing to the underspend, alongside -£2.3m from unrealised creditors.</p> <p>The above underspends are partly offset by +£8.5m from savings which are no longer expected to be realised in-year against this service line, of which +£3.6m is due to arranging care and support where achievement of savings has been impacted by demand and pressures in the social care market and the remaining +£4.8m due to delays in the procurement of new models of care relating to microenterprises and Technology Enabled Care (TEC).</p>

There is also a pressure of +£0.5m from an increase to the forecast contributions to the provision for bad and doubtful debts.

Strategic Management & Directorate Support (ASCH)	-£2.4m	Release of centrally held funds.	There is a -£2.4m forecast underspend against centrally held funds to contribute towards offsetting the overall ASCH pressure.
Adaptive & Assistive Technology	-£3.6m	Re-alignment of savings	-£3.1m of the forecast underspend on this service line relates to savings, where -£2.9m is due to planned expenditure to achieve efficiencies through greater use of technology enabled care have slipped to the following financial year, and -£0.2m from realigned savings which are now expected to be achieved against this service line.
Provision for Demographic Growth - Community Based Services	-9.5m	Release of centrally held funds.	This is the release of centrally held funds to partly offset pressures across ASCH operations.

	Budget £m	Revenue Forecast Outturn £m	Projected Variance		Movement (+/-) £m
			Net Revenue Forecast Variance £m	Last reported position (Sept) £m	
Integrated Children's Services (East & West)	165.8	173.2	7.4	9.9	(2.6)
Special Educational Needs & Disabilities	91.9	99.9	8.0	8.4	(0.4)
Education	61.2	79.3	18.1	15.5	2.6
Strategic Management & Directorate Budgets (CYPE)	2.3	2.1	(0.2)	0.0	(0.2)
Children, Young People & Education	321.2	354.5	33.3	33.9	(0.6)
Earmarked Budgets Held Corporately	0.0	0.0	0.0	0.0	0.0
Net Total incl provisional share of CHB	321.2	354.5	33.3	33.9	(0.6)

The Children, Young People & Education directorate is projected to be overspent by +£33.3m.

This is due to significant inflationary and demand pressures in school transport services along with higher costs of supporting both looked after children and disabled children and young people.

The £354.5m forecast includes £6.8m in relation to the Reconnect project and £0.1m of Contain Outbreak Management Fund spend. Both have been covered by a drawdown from the Covid-19 emergency grant reserve as agreed in the 2021-22 outturn report.

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

Key Service (Division)	Variance	Summary	Detail
Home to School Transport (Education)	+£14.5m	Significant inflationary increases on transport contracts and increase in demand	<p>The projection includes +£1.8m overspend on mainstream home to school transport and +£13.3m on Special Education Needs (SEN) transport services, with an underspend of -£0.6m on Kent Travel Saver for 16+.</p> <p>Significant inflationary increases on new transport contracts due to higher operating costs and a reducing supplier base, along with increasing bus ticket prices have led to price rises of between 10-20% and pressures of approximately +£1.6m and +£10.6m on mainstream and SEN transport services respectively.</p> <p>The number of children requiring SEN transport has continued to increase in line with historic trends with 12% year on year increase in the number travelling. This is a consequence of the higher Education Health and Care Plan numbers and greater number of children with SEN not being educated in their local school. The projection assumes work to slow this trend will not start to impact significantly until the latter months of 2023 (leading to a total pressure of +£2.8m).</p>

The mainstream home to school transport position reflects the rise in the number of pupils travelling from the Autumn term due to a combination of rises in secondary population and wider changes in bus services (leading to a pressure of +£0.4m).

Looked After Children -
Care & Support
(Integrated Children Services)

+£9.1m

Increase in number and cost of looked after children. High costs of legal services.

The number of looked after children has increased slightly over the past 6 months (6%) resulting in a higher use of independent fostering agency placements (increases in demand +£1.0m overspend). The cost of placements continues to rise with a greater number being placed in more expensive external settings as no suitable alternative is available. In addition, the use of unregulated placements has also become more common where it has become more difficult to find suitable residential placements and at significant cost (increases in cost of placements +£4.6m).

Campaigns are continuing to recruit more in-house foster carers, but based on current success rates it is likely some savings may not be achieved whilst some will be delayed to 2023-24 (+£1.0m).

The cost of legal services has increased significantly since COVID-19 and projections suggest similar levels of activity will occur in 2022/23 due to the continual backlog in court proceedings (+£2.5m). A review of legal services demand has resulted in greater oversight of both the scrutiny and approval process of legal requests within Integrated Children's Services to ensure legal services are used most effectively. Along with closer working with Invicta Law to stabilise spending moving forward.

Adult Learning & Physical
Disability Pathway –
Community Based
Services
(Special Educational Needs &
Disabilities)

+£4.9m

Increasing cost of Supported Living and Homecare packages

The number of supported living and homecare packages have remained relatively static. However, the average cost of packages continues to increase in response to the level of support required. The service has seen a reduction in the use of residential care but this has resulted in higher packages of community support contributing to the higher cost.

Other School Services
(Education)

+£3.5m

Various school related costs

Delays in basic need capital projects have resulted in the use of more temporary accommodation to ensure sufficient school places are available (+£1.7m). Projected estimates of a +£0.5m pressure on essential maintenance of school properties that do not meet the threshold for capital projects. In addition, there are +£1.0m of costs associated with capital surveys to inform future additional works and +£0.7m for feasibility costs relating to capital works that are no longer progressing. All are partly offset by -£0.4m

underspend from the statutory testing contract for schools.

Looked After Children (with Disability) - Care & Support (Special Educational Needs & Disabilities)	+£1.4m	Increased cost of residential and unregulated placements	The continual difficulties in recruiting specialist foster carers to support children with disabilities coupled with shortages in cost effective residential care placements is leading to increasing cost of new placements and continual dependency on high cost unregulated placements.
Children's Social Work Services - Assessment & Safeguarding Service (Integrated Children Services)	+£1.0m	High use of agency required to meet demand and inflationary cost increases of agency workers	Recruitment and retention of social workers continues to be a challenge, along with the need to provide sufficient cover for maternity leave. This has led to a higher number of agency staff to meet demand, coupled with higher costs following inflationary increases.
Special Educational Needs & Psychology Services (Special Educational Needs & Disabilities)	+£1.0m	Increased use of agency staff	Difficulties in the recruitment of suitably qualified Education Psychologists and SEN officers has led to an increasing use of agency staff.
Children in Need (Disability) - Care & Support (Special Educational Needs & Disabilities)	+£0.5m	Increasing number of Direct Payments and cost of homecare packages	The number and cost of packages for disabled children have increased, this is partly due to inflationary increases and additional support required during to COVID-19.
Youth Services (Integrated Children Services)	-£1.0m	Underspend on secure Accommodation & delay in the recruitment to vacancies	Delay in the recruitment of detached youth workers (-£0.3m) and a lower number of placements in remand secure accommodation (-£0.7m).
Children's Centres (Integrated Children Services)	-£0.8m	Management of vacancies & non-essential spend	Wider management action to delay the recruitment to vacant posts and the halting of all non-essential spend across Children Centres.

	Budget	Revenue Projected Outturn	Projected Variance		Movement (+/-)
			Net Revenue Projected Variance	Last reported position (Sept)	
	£m	£m	£m	£m	£m
Highways & Transportation	66.3	68.9	2.6	3.6	(1.0)
Growth & Communities	29.1	29.8	0.7	1.2	(0.5)
Environment & Waste	81.9	82.2	0.3	0.3	0.0
Strategic Management & Directorate Budgets (GET)	1.4	1.3	(0.1)	0.0	(0.1)
Growth, Environment & Transport	178.7	182.2	3.5	5.1	(1.6)
Earmarked Budgets Held Corporately	0.2	0.2	0.0	0.0	0.0
Net Total incl provisional share of CHB	178.9	184.0	3.5	5.1	(1.6)

The Growth, Environment & Transport Directorate is projected to be overspent by £3.5m with significant inflationary pressures (c.£5.7m) contributing to this position. This position includes -£0.7m underspend against Residual Waste following delays in procuring the environmental and other works at Closed Landfill Sites (including at North Farm). The spend will now be incurred in 2023-24 and opportunities to reduce this and identify a funding source are currently being explored.

The projected variance now reflects that all Contain Outbreak Management Fund (COMF) and Helping Hands projects (£1.0m) are funded from the Covid-19 emergency grant reserve. The variance includes £1.5m non-delivered income target for recouping business rates pool income. The variance also reflects a draw down from reserves to offset the £1.1m overspend due to the timing of income received in relation to Kent Travel Saver. The income received in April and May 2023 will repay the reserve.

The projection continues to show that bus operators are being supported through this period of recovery and transition; and are paid at budgeted levels of activity, which are significantly above actual levels of activity. These payments are being paid on a phased reducing basis down towards the actual level of activity in line with the Government request. For Kent Travel Saver (KTS) and the English National Concessionary Travel Scheme (ENCTS) this is a combined cost of £2.5m. This is included in the projections and is within the existing cash limits. The GET Directorate Management Team (DMT) have also enacted other mitigations, for example extended vacancy management, delaying non-essential projects/pilots and spend with a view to bringing the forecast overspend position down as far as possible by the year-end. More detail on actions can be found in Section 12.

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

Key Service (Division)	Variance	Summary	Detail
Supported Bus Services (Highways & Transportation)	+£2.6m	Undelivered saving	A budget reduction of £2.2m was agreed at County Council but a delay in progressing the decision has meant that the profiled savings have not been delivered as planned. The decision was confirmed at October's County Council and 90 days' notice has been given to operators with savings assumed to be made from February. The quantum of routes that require withdrawal (to achieve the net £2.2m budget reduction) is in excess of £3m.

<p>Highway Assets Management (Highways & Transportation)</p>	<p>+£1.8m</p>	<p>Energy inflationary pressure, partially offset by income.</p>	<p>The cost of energy for streetlighting and tunnels has increased significantly since the budget was set (+£2.6m). There are also small overspends in Highways Managers, including late costs resulting from Storm Eunice in February 2022, Soft Landscaping and Non-Recoverable Damage. Increases in street works and permit income partially offset the overspends.</p>
<p>Kent Travel Saver (Highways & Transportation)</p>	<p>+£1.4m</p>	<p>Increased operator costs with delays in income offset by reserve</p>	<p>+£1.0m of the overspend relates to increased payments to operators, including additional capacity payments, following an increased take up of passes, offset in part by additional income. The position would be improved should the service not be required to pay bus operators at budgeted levels for the summer term in line with a request from Government (+£0.4m).</p> <p>System issues have resulted in direct debits for the first two monthly instalments not being taken from parents who pay the full cost of the pass. It was decided that the instalments would slip by two months with the final payments being taken in April and May. This means the income falls into the next financial year leaving a significant shortfall this financial year (+£1.1m). Due to the timing nature of this overspend, it will be met from reserves in 2022-23 and the reserve repaid with late income received in April and May 2023.</p>
<p>Growth and Support to Businesses (Growth & Communities)</p>	<p>+£1.2m</p>	<p>Non-achieved income target</p>	<p>The business rate pool between KCC and districts and boroughs fund a range of regeneration and economic development projects. To date it has not been possible to identify and agree alternative projects and spend that could be funded by the Business Rate pool. The shortfall in income is (+£1.5m). This is partially offset by other small variances including vacancies in staffing.</p>
<p>Waste Facilities & Recycling Centres (Environment & Waste)</p>	<p>+£0.2m</p>	<p>Favourable recycling prices offset by other pressures</p>	<p>Favourable prices relating to the material recycling facility as well as additional income for recyclables (-£1.2m) and a reduction in tonnes primarily composting and food waste (-£0.5m) have been more than offset by other variances. There are overspends within haulage (+£0.4m), increased price of composted waste (+£0.4m), inflationary increases in the costs of managing Transfer Stations and Household Waste Recycling Centres (+£0.5m), and shortfalls in some areas of income (+£0.6m).</p>

Residual Waste, (Environment & Waste)	+£0.0m	Inflationary pressure offset by reduced volumes and underspend on works at closed landfill sites	<p>This position includes a significant price pressure for Allington Waste to Energy plant as the contractual uplift based on April RPI was much higher than the budgeted estimate (£2.6m). This is partially offset by reduced tonnes (-£2.3m).</p> <p>Also within this position is an underspend on the environmental and other works at Closed Landfill Sites (including at North Farm) following delays in procurement (-£0.7m).</p>
Public Protection (Enforcement) (Growth & Communities)	-£0.2m	Trading Standards new burdens grant not received offset by vacancies and income	<p>The budget for this service was built on the assumption that funding would accompany the additional burdens being placed on Trading Standards following EU Exit (including Border Ports, Animal Health, and Feed Officers/Teams) but no additional Government funding has been forthcoming (+£0.5m). This is more than offset by underspends including vacancy management and additional income.</p>
Libraries, Registration & Archives (Growth & Communities)	-£0.4m	Registration income offset by reduced Library income	<p>Levels of Registration income remain high post pandemic (-£0.9m) but Library usage has not returned to pre-pandemic levels, with income lower in areas such as fines and printing (+£0.4m).</p> <p>No government funding for the new burden costs resulting from increased demands on the Registration service, following the introduction of the Marriage Schedule Act 2021 (+£0.1m) has been forthcoming.</p>
Highways & Transportation Divisional Management Costs (Highways & Transportation)	-£0.5m	Additional income and other minor variances	<p>Additional grant income within the Public Transport budget plus vacancies and other minor variances.</p>
Transportation (Highways & Transportation)	-£0.8m	Management action and an underspend on Driver Diversion Schemes	<p>This position includes the impact of management action identified to reduce the Council's projected overspend. This is primarily additional income, including a contribution towards costs from Developer Agreements, and savings in expenditure (-£0.5m). There is also an underspend within Driver Diversion Schemes resulting from vacancy management, an increase in client numbers and a reduction in venue costs (-£0.3m).</p>

English National
Concessionary Travel
Scheme
(ENCTS) (Highways &
Transportation)

-£1.9m

Activity is below budgeted
level

The service is projecting an underspend (-£1.9m) as activity is projected to be below the levels built into the budget.

The Government's expectation is that bus operators are paid at pre pandemic rates, reducing towards actual activity by the end of the financial year. Without this request, the service would have been projecting an additional underspend of around (-£2.1m), (-£4.0m in total).

		Projected Variance			
	Budget	Revenue Forecast	Net Revenue Forecast Variance	Last reported position (Sept)	Movement (+/-)
	£m	£m	£m	£m	£m
Finance	12.7	12.8	0.1	0.1	0.0
Strategic Commissioning	8.0	7.5	(0.5)	(0.1)	(0.4)
Governance, Law & Democracy	8.3	7.2	(1.1)	(0.2)	(0.9)
Strategy, Policy, Relationships & Corporate Assurance	4.5	4.3	(0.2)	(0.1)	(0.1)
Strategic Management & Directorate Budgets (S&CS)	0.0	(0.6)	(0.6)	(0.4)	(0.1)
Chief Executive's Department	33.6	31.3	(2.3)	(0.7)	(1.5)

The Chief Executive's Department is projected to underspend by -£2.3m.

The position includes an assumed request to roll forward of £0.7m for Local Member Grants into 2023-24.

The position consists of the following variances within several key services as below:

Key Service (Division)	Variance	Summary	Detail
Local Member Grants	-£0.7m	Unspent member grants to be the subject of a roll forward bid into next financial year.	The position shows an underspend against Local Member Grants which will be subject to a roll forward request of £0.7m at the end of this financial year.
Strategic Management & Departmental Budgets (CED)	-£0.6m	Reduced early retirement costs and management action to reduce spend	This projected underspend is due primarily to reduced early retirement costs and reduced spend on controllable budgets.
Strategic Commissioning	-£0.5m	Difficulties recruiting commissioning staff	Staffing underspend due to difficulties recruiting commissioning staff; additional grant income above budget
Governance & Law	-£0.4m	Staff vacancies not appointed and additional income	Increased income from Schools' appeals together with reduced cost of provision due to appeals being held virtually post pandemic. Staffing underspend due to unappointed vacancies
Strategy, Policy, Relationships & Corporate Assurance	-£0.2m	Management action to reduce spend	Reduction in non-essential spend
Finance	+£0.1m	Overspend against staffing	This projected overspend relates to staffing and is due primarily to currently unfunded trainee costs.

	Budget	Revenue Forecast Outturn	Projected Variance Net Revenue Forecast Variance	Last reported position (Sept)	Movement (+/-)
	£m	£m	£m		£m
Infrastructure	6.2	5.5	(0.7)	0.1	(0.7)
Strategic Management & Departmental Budgets (DCED)	3.2	3.2	0.0	0.0	0.0
Technology	24.0	24.0	0.0	(0.2)	0.2
Corporate Landlord	27.1	31.8	4.7	1.9	2.9
Marketing & Resident Experience	6.0	5.9	(0.1)	0.0	(0.1)
Human Resources & Organisational Development	5.1	4.8	(0.3)	(0.2)	(0.1)
Deputy Chief Executive's Department	71.6	75.3	3.7	1.4	2.2

The Deputy Chief Executive's Department is projected to overspend by +£3.7m.

The most significant projected overspend is +£4.7m in Corporate Landlord due to increase utility costs across all KCC properties and is a reflection of the national trend of rising energy costs. Since completing the December monitoring, we have recently received a new dataset of forecasts for utilities costs from Laser, which indicates that the forecast outturn position contained in the CLL figure above, will reduce significantly. Finance is currently working to verify the impact of the changes before year-end.

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

Key Service (Division)	Variance	Summary	Detail
Corporate Landlord	+£4.7m	Inflationary Pressure on Utilities	There is a +£4.8m projected overspend which is due to an anticipated increase in utility costs across all properties. These increases are related to the current national trend and are significantly higher than the budgeted price increase funded as part of the 2022-23 budget. The projected overspend has been modelled by Laser and invoices paid up to the end of the calendar year.
Property related services	-£0.7m	Vacancy management and increased income over budgeted levels.	Underspend against staffing budgets in Property due to vacancy management and increased capitalisation of staff time; an additional benefit of one-off in year income from school meals contract rebates and recharging for regulatory compliance interventions.
Human Resources & Organisational Development	-£0.3m	Additional income from several sources	Underspend due to internal income from reallocation above budgeted figure offsetting pressures elsewhere within the division, in addition to income from sales, fees and charges.

	Budget £m	Revenue Forecast Outturn £m	Projected Variance		<i>Movement (+/-) £m</i>
			Net Revenue Forecast Variance £m	<i>Last reported position (Sept) £m</i>	
Non-Attributable Costs	129.4	119.0	(10.4)	(6.5)	(3.9)
Earmarked Budgets Held Corporately	(0.3)	0.0	0.3	0.0	0.3
Net Total incl provisional share of CHB	129.1	119.0	(10.1)	(6.5)	(3.6)

Non-Attributable Costs, including Earmarked Budgets Held Corporately, are projected to be underspent by (£8.5m). - £4.8m of the underspend relates to net debt costs largely due to the estimated impact of the increase in the Bank of England base rate on the Council's cash balances and savings from debt restructuring.

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

Key Service (Division)	Variance	Summary	Detail
Non-Attributable Costs	-£8.8m	Net debt costs, S31 grant for Covid Additional Relief Fund (CARF) and an increase in Extended Rights to Travel grant.	<p>-£4.8m net debt costs due to the estimated impact of the increase in the Bank of England base rate on our interest on cash balances and savings from debt restructuring.</p> <p>-£3.4m of the underspend is due to the drawdown from reserves of the S31 grant for Covid Additional Relief Fund (CARF) which was accrued for in 2021-22 based on a government data collection exercise and the final figure has now been confirmed. This funding had not been built into the 2022-23 budget and will be an in-year underspend.</p> <p>-£1.0m increase in the Extended Rights to Travel grant compared to the budget assumption.</p> <p>In addition to the £8.8m underspend there are other significant items to report that have a net nil impact on the NAC projected position.</p> <p>Minimum Revenue Provision (MRP) has been recalculated based on assets completed in 2021-22. This has resulted in a saving of £2.0m. In line with usual practice, it is intended that this underspend is transferred to the MRP smoothing reserve to be used to fund future fluctuations in MRP, therefore there is no overall impact in the current year.</p>

A forecast overspend of £0.5m against the Insurance Fund mainly due to increased cost of premiums including Insurance Premium Tax will be offset by a drawdown from the Insurance Reserve.

An increase of £0.8m in the Retained Business Rates levy for 2021-22 compared to the accrual included in the 2021-22 accounts will be transferred to the Economic Development/Regeneration reserve in line with agreed practice after funding the payment to Kent Fire of their 3% share. This is still an estimated figure and will not be confirmed until the Kent District Council NNDR3 figures have been audited.

A £0.5m increase in the forecast return from our limited companies based on the latest update from the Shareholder Board. All proceeds for 2022-23 from our companies are transferred to the Strategic Priorities reserve

Earmarked Budgets Held
Corporately

+£0.3m

Workforce management
savings not achieved.

Workforce management savings are now considered to be a non-cashable productivity gain. Initiatives such as automation programme have freed up staff time but not entire roles.

10 Schools' Delegated Budgets

The latest forecast for the Schools' Delegated Budget reserves is a surplus of £59.9m on individual maintained school balances, and a deficit on the central schools' reserve of £141.8m.

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

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

	Individual School Reserves	Central Schools Reserve	<i>Note: a negative figure indicates a drawdown from reserves/deficit</i>
Balance brought forward	61.3	-97.6	
Forecast movement in reserves:			
Academy conversions and closing school deficits	-1.4		
School Block Related Spend		-3.1	
High Needs Placements, Support & Inclusion Fund		-41.7	
Underspend on Early Years		0.5	
Underspend on Central DSG Budgets		0.0	
Forecast reserve balance	59.9	-141.8	

In accordance with the statutory override implemented by the then Ministry of Housing, Communities & Local Government (MHCLG) during 2020-21, and in line with the Department for Education (DfE) advice that local authorities are not expected to repay deficits on the DSG from the General Fund and can only do so with Secretary of State approval, the central DSG deficit of £141.8m will be held in a separate unusable reserve from the main council reserves. DLUHC have confirmed this statutory override has been extended for three years to March 2026 whilst Councils implement recovery plans. The Council continues to work with the Schools Funding Forum to set out the challenge and agree a plan to address the deficit.

The Council is part of the DfE's Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery; this will include funding from the DfE to pay off part of the deficit but only if the Council can demonstrate a credible plan. The DSG deficit is the Council's biggest financial risk; therefore, the successful implementation of the Council's deficit recovery plan is critical. The SEND Green Paper and the recently published SEND Implementation Plan sets out the Government's proposed reforms to the SEND and alternative provision (AP) system which in part is expected to support a more sustainable high needs funding system although it is recognised this will not impact immediately and local actions are required.

Since the reporting date of Dec 2022, the DfE announced on 16 March that the authority has successfully secured £140m of High Needs Funding over the next five years to help contribute towards the historical deficit. The impact on this year's position will be reflected in the outturn report.

10 Schools' Delegated Budgets

Key Issues	Details
School Block: One-off Settlement	<p>The DSG Reserve as at 31st March 2022 of £98m is formed from a net surplus on the Schools Block of £3m and a net deficit on the High Needs block of £101m. The two blocks of funding have different purposes and rules and Secretary of State Approval is needed to transfer funding from the schools' block to other funding blocks. The Schools Block funds primary and secondary schools' budgets, and the accumulated balance from previous years underspend, has been fully committed to be paid to schools, as a one-off additional payment to support the cost of changes to the calculation of pay for term time only staff. Payments began in 2021-22 and the remaining payments are expected to be paid in 2022-23.</p>
Early Years: general underspend	<p>The Early Years Block is used to fund early years' providers the free entitlement for eligible two, three and four-year olds. Each year, when setting the funding rate an estimate must be made as to likely hours that will be provided to ensure it is affordable within the grant provided. This can lead to minor under or overspends if activity is slightly lower or higher than expected. This has led to an underspend of £0.5m, which will be used to partly fund spend on the Early Years SEN Inclusion Fund which is currently funded from the High Needs Block and reduces the overspend on High Needs Block.</p>
Reduction in government funding for Central Services	<p>Since 2020-21, the Government has reduced the funding used to support some of the central services currently funded from the DSG (£3.3m). Although some of this has been addressed through the Medium-Term Financial Plan (£1.5m) and other short term alternative funding sources (£1.3m) without any direct impact to schools; we are currently undertaking an initial scoping of the areas we may need to review in terms of our relationship with schools in line with Government policy, funding and the wider DSG deficit recovery plan and implement changes that will eliminate the funding shortfall.</p>
Higher demand and higher cost for high needs placements	<p>The High Needs Block (HNB) is intended to support the educational attainment of children and young people with special educational needs and disabilities (SEND) and pupils attending alternative education provision. The HNB funds payments to maintained schools and academies (both mainstream and special), independent schools, further education colleges, specialist independent providers and pupil referral units. Some of the HNB is also retained by KCC to support some SEND services (staffing/centrally commissioned services) and overheads.</p> <p>The net deficit on the high needs block was £101m as at 31st March 2022 and is estimated to increase to around £142m by 31st March 2023. The overspend on the high needs block has been growing rapidly over recent years and is the most significant financial risk to the council.</p> <p>The forecast in-year funding shortfall for High Needs placements and support in 2022-23 is +£42m due to a combination of both higher demand for additional SEN support and higher cost per child resulting from greater demand for more specialist provision. The forecast levels of growth are expected to be similar to previous years, since the introduction of the legislative changes in 2014, which also saw the expansion of duties to the age of 25 without sufficient extra funding. Many other local authorities are also reporting deficits on their high needs block resulting from significant increases in their number of EHCPs and demand for SEN services. However, the increases locally are increasing at a significantly faster rate than the other comparative councils and the council is now placing a greater proportion of children in both special and independent schools compared to other local authorities, and a smaller proportion of children with SEND included in mainstream schools. The tables below detail the trend in both spend</p>

10 Schools' Delegated Budgets

and number of HNB funded places or additional support across the main placement types.

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

	19-20 £'ms	20-21 £'ms	21-22 £'ms	22-23 £'ms
Maintained Special School	97	106	123	137
Independent Schools	40	49	60	68
Mainstream Individual Support & SRP* **	38	46	54	61
Post 16 institutions***	16	17	19	21
Other SEN Support Services	44	49	43	48
Total Spend	234	264	299	334

*Specialist Resource Provision

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

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

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

	19-20 No	20-21 No	21-22 No	22-23 No
Maintained Special School	4,751	5,118	5,591	6,007
Independent Schools	907	1,126	1,348	1,450
Mainstream Individual Support & SRP*	3,922	4,510	5,258	5,818
Post 16 institutions***	1,196	1,281	1,453	1,586
Total Number of Pupils	10,776	12,035	13,650	14,861

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

	19-20 £s per pupil	20-21 £s per pupil	21-22 £s per pupil	22-23 £s per pupil
Maintained Special School	£20,330	£20,629	£21,648	£22,789
Independent Schools	£43,851	£43,734	£44,799	£46,897
Mainstream Individual Support & SRP*	£9,691	£10,294	£10,245	£10,414
Post 16 institutions***	£13,393	£13,309	£13,090	£13,101

Since 2020-21 the Government has provided further funding; however, as can be seen from the projection, this has been insufficient to meet the demand and we will need to take further actions to ensure we are able to support children with SEN sustainably, in partnership with the Schools Funding Forum. The Council, with support from Schools, Schools Funding Forum and the Secretary of State have continued to transfer £10m from the schools' budget to the high needs budget each year to fund activities to support SEN Support services in mainstream schools. These activities are being implemented and their impact monitored.

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

Needs budget. The recent re-inspection has identified further accelerated progress is required to address these concerns and a renewed focus on actions to support improvements across the SEN system. Overlapping actions include:

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

The longer-term impact of children being out of school during the COVID pandemic on this budget is starting to be evidenced though increasing demand for Social Emotional and Mental Health (SEMH) services.

11 Savings

Target for year £51.6m
£36.8m savings to be delivered

The budget agreed at County Council included the requirement to deliver savings totalling £41m during 2022-23. A further £10.6m of undelivered savings from the previous year are included in the overall 2022-23 savings requirement of £51.6m. £26.2m of the total £41m agreed savings are on track to be delivered. Therefore savings of £36.8m, including £10.6m of unachieved savings from the previous year, are forecast to be delivered in 2022-23 with the breakdown of the position as follows:

- A net position of £15.5m is forecast for ASCH, CYPE and GET as not achieved in 2022-23 and will slip into future years;
- £4.2m has been identified by ASCH, CYPE, and GET as undeliverable;
- The Public Health, CED and DCED savings for 2022-23 are £2.6m and are on track to be delivered;
- The NAC overachieved saving is due to £2.0m relating to additional MRP saving due to fewer assets becoming operational in 2021-22 as a result of slippage in the capital programme, £2.3m due to debt restructuring; and £0.5m over-achievement of forecast dividends from our wholly-owned companies;
- £10.6m of undelivered savings from the previous year have been delivered.

Directorate	Previous year saving delivered in 2022-23 £m	2022-23 Target £m	Not achieved in 2022-23 £m	Saving no longer required £m	Not Deliverable £m	Over Recovery £m	Forecast Savings 2022-23 £m
Adult Social Care & Health	5.4	22.2	(12.2)		(1.1)		14.3
Public Health		2.2		(0.1)			2.1
Children, Young People & Education	5.2	2.7	(0.8)		(0.9)		6.1
Growth, Environment & Transport		7.1	(2.5)		(2.2)	0.2	2.6
Deputy Chief Executive's Department		0.1					0.1
Chief Executive's Department		0.4					0.4
Non Attributable Costs		6.1				4.8	10.9
Corporately Held Budget		0.3					0.3
Total	10.6	41.0	(15.5)	(0.1)	(4.2)	5.0	36.8

11 Savings

Target for year £51.6m
£36.8m savings to be delivered

Split of Forecast savings 2022-23										
Directorate	2022-23 Target £m	Previous year saving delivered in 2022-23 £m	Not achieved in 2022-23 £m	Saving no longer required £m	Not Deliverable £m	Over Recovery £m	Forecast Savings 2022-23 £m	As planned £m	from alternative s (ongoing) £m	from alternatives (one-off) £m
Adult Social Care & Health	22.2	5.4	(12.2)		(1.1)		14.3	11.7	2.0	0.6
Transformation: Service Redesign	8.4	5.4	(7.8)		(1.0)		5.0	2.5	1.9	0.6
Efficiency: review of existing contracts for commissioned services	5.0		(4.4)				0.6	0.6	0.1	
Income: uplift in social care client contributions	2.5						2.5	2.5		
Policy: Housing Related Support - Homelessness	2.3						2.3	2.3		
Policy: Strategic Review of in-house services	3.4						3.4	3.4		
Policy: review existing contracts & grants with voluntary sector	0.6				(0.1)		0.5	0.4		
Policy: Adult social care non residential charging										
Public Health	2.2				(0.1)		2.1	2.1		
Grant Income: Increase in Public Health Grant	2.0						2.0	2.0		
Income: increase in income for externally funded posts	0.1						0.1	0.1		
Small efficiency savings	0.2				(0.1)		0.1	0.1		

11 Savings

Target for year £51.6m
£36.8m savings to be delivered

Children, Young People & Education	2.7	5.2	(0.8)	(0.9)	6.1	4.0	1.4	0.7	
Transformation: Change for Kent Children (In-house fostering, newly qualified social workers & social work establishment)		3.1	(0.2)	(0.9)	2.0	0.2	1.4	0.4	
Transformation: Community Learning & Skills Efficiency: SEN Transport re-procurement		2.0			2.0	2.0			
Efficiency: savings to offset reduction in Central Services for Schools Block DSG	0.8		(0.5)		0.3			0.3	
Efficiency: efficiency measures within Community Learning & Skills	0.2				0.2	0.2			
Grant income: new Supporting Families grant	0.8				0.8	0.8			
Income: uplift in social care client contributions	0.1				0.1	0.1			
Policy: Care Leavers placement cost reductions	0.4				0.4	0.4			
Policy: above inflation increase in price of Kent 16+ Travel Saver	0.4				0.4	0.4			
Policy: Adult social care non residential charging									
Policy: introduce HTST hubs for SEN children		0.1	(0.1)						
Growth, Environment & Transport	7.1		(2.5)	(2.2)	0.2	2.6	2.2	0.3	0.1
Transformation: re-focus Sports & Physical activity service to deliver Public Health outcomes with grant funding allocated accordingly	0.2				0.2	0.2			

11 Savings

Target for year £51.6m
£36.8m savings to be delivered

Transformation: introduction of use of Digital Autopsy within Coroners service	0.1	(0.1)			
Transformation of Country Parks					
Efficiency: Waste renegotiation of gate fee	0.2	0.2	0.4	0.2	0.2
Efficiency: Waste dampening of impact of new recycling performance payments	0.2		0.2	0.3	
Efficiency: Review of school road crossing patrol service	0.1	0.1	0.2	0.1	0.1
Efficiency: Release of LRA ambition delivery budget	0.1		0.1	0.1	
Efficiency: review of early retirement budget					
Efficiency: Kent Scientific Services savings from expanding toxicology service					
Efficiency: Review of LRA non staffing spend					
Efficiencies within Heritage Conservation Service					
Grant Income: Assumed new burdens grant for ongoing EU Exit costs incl Border Ports and new responsibilities under the Marriage Schedule Act 2021	0.7	(0.6)	0.1		0.1
Income: Reprioritise external income to support the wider economic recovery within Kent	1.5	(1.5)	0.0		
Income: Increase in net income for street works and permit scheme	0.4		0.4	0.4	
Income: Kent Travel Saver price increase to offset bus operator inflationary fare increases	0.1		0.1	0.1	
Income: surplus generated from Solar Park					

11 Savings

Target for year £51.6m
£36.8m savings to be delivered

Income: Review of charges for service users (Coroners SLA with Medway & Highways charges)	0.1		0.1	0.1
Policy: Review and reduction in subsidised bus contracts	2.2	(2.2)	0.0	
Policy: above inflation increase in the price of the Kent Travel Saver pass	0.9		0.9	0.7
Policy: HWRC booking system	0.2	-0.2	0.0	
Policy: Charge all non-Kent residents for using HWRCs	0.1		0.1	0.1
Policy: Reduction in Trading Standards budget	0.1	(0.1)	0.0	
Policy: Review of book start service to nursery settings				
Policy: Change neighbourhood notification as part of determination of planning applications				
Deputy Chief Executive's Department	0.1		0.1	0.1
Efficiency: Emergency Planning deletion of temporary post				
Policy: Review of on-call payments for tactical managers & emergency response team	0.1		0.1	0.1
Chief Executive's Department	0.4		0.4	0.4
Transformation: Automation of Adult Social Care payment system	0.1		0.1	0.1
Efficiency: Review of early retirement budget	0.3		0.3	0.3
Non Attributable Costs	6.1		4.8	10.9
Income: Return from our companies	4.0		0.5	4.5

11 Savings

Target for year £51.6m
£36.8m savings to be delivered

Financing: Reduction in overall level of prudential borrowing including review of amounts set aside for debt repayment (MRP)	2.1					4.3	6.4	6.4		
Corporately Held Budget	0.3						0.3			0.3
Efficiency: Workforce Management	0.3						0.3			0.3
Total	41.0	10.6	(14.3)	(0.1)	(4.5)	2.7	35.3	29.8	3.7	1.6

Explanation of the Directorate Savings variances are shown below:

- 11.1 The ASCH budget savings for 2022-23 are £22.1m plus £5.4m previous year saving. Of the overall £27.5m £14.3m is identified as being on track to be delivered with £12.2m forecast to slip into future years, and £1.1m assumed at this stage not to be achievable.
- £12.2m of slippage is due to delays in the procurement of new models of care; Digital Front Door, Microenterprises and Technology Enabled Care (TEC) £4.8m, Commissioning activity £4.4m and a further £3.0m on 'Arranging support and Reviews', both of which are anticipated to be achieved fully once the new adult social care and health operating model is implemented next year, which has been delayed due to the scale and size of the restructure.
- Overall, it is felt that £1.1m will not be achieved over the medium term. £1m relates to 'Arranging Support' and £0.1m relates to Commissioning activity this will not be achieved over the medium term primarily due to the demand and pressures in the social care market, increased unit costs and potential overlap with other commissioning and review work that is underway.
- 11.2 The CYPE budget savings for 2022-23 £2.7m plus a £5.2m previous year saving. £6.1m has been identified as on track to be achieved, £0.9m will not be achieved and the remaining £0.8m has been slipped into future years.
- CYPE budget savings for 2022-23 were set at £2.7m and £5.2m of a prior year savings target has been added to the 2022-23 target, a total of £7.9m. £6.1m is forecast to be achieved this year, of which £2.1m relates to CFKC CSW agency and staffing savings that were not achieved and has been covered through alternative actions including use of MTFP funding to reflect higher social worker caseloads resulting from a more complex environment following COVID and one-off grants.
- The remaining £0.8m savings has slipped into future years and is due to:
- delays in the piloting of standard pick up points for some SEN transport services until 2023-24 to allow more time to explore and plan for any changes.

- efficiency savings to offset the anticipated 20% annual reduction in Dedicated Schools Grant: Central Services for Schools Block has not been achieved and is to be considered as part of a wider review of the DSG and services currently paid for on behalf of the schools. This has been delayed further to reflect any requirements of the DSG safety valve plan.
- £0.2m of CFKC savings relating to foster carer recruitment has been slipped to future years where COVID has delayed delivery.

<p>11.3 The GET budget savings for 2022-23 are £7.1m. £2.7m is identified as being on track to be delivered with £2.2m forecast to slip into future years, £2.2m assumed at this stage not to be achievable.</p>	<p>The £2.2m saving that has not been delivered relates to a budget reduction to Subsidised/Supported Bus services that was agreed at County Council. A delay in progressing the decision has meant that the profiled savings have not been delivered as planned. The decision has now been taken and 90 days notice shortly to be given to operators so the saving will commence from mid February 2023.</p>
	<p>The £2.2m saving that has not been delivered comprises of two elements:</p> <ul style="list-style-type: none"> • £0.7m was primarily an income target from a grant expected from Government for new burdens in relation to a new border control team that was a required following Brexit/Transition. No new burdens monies have been provided. • £1.5m was a proposal to try and utilise Business Rates income to fund regenerative and environmental activities. This has not been delivered in-year. The proposal will look to be rolled out to fund future growth pressures and projects going forward but this will be worked up working collaboratively with districts on certain projects/initiatives rather than having a target set.
<p>11.4 The NAC budget savings for 2022-23 are £6.1m with £10.9m forecast to be achieved.</p>	<p>£2.0m over achievement relates to additional Minimum Revenue Provision (MRP) saving due to fewer assets becoming operational in 2021-22 due to slippage in the capital programme, but this is simply re-phasing of MRP into future years, and a further £2.3m of savings have been achieved from debt restructuring. £0.5m over-achievement of forecast dividends from our wholly-owned companies.</p>
<p>11.5 The CHB budget savings for 2022-23 are £0.3m but are not achievable</p>	<p>The £0.25m workforce management saving is now considered to be a non-cashable productivity gain rather than a cashable saving. Initiatives such as automation programme have freed up staff time but not entire roles.</p>

12 Reducing the gap

This section sets out the management action being taken to reduce the Council's projected overspend of £53.7m, which are not yet reflected in this report. Previously identified management actions totalling £5.4m are now reflected in the latest projected out-turn position. The latest actions identified are expected to deliver a reduction of £1.8m in spend by the end of the financial year, £1.0m one-off reductions and £0.8m that will have an on-going impact. Work is continuing to identify more actions to reduce the overspend further, to be as close as a possible to a balanced budget position. This is particularly important given the 2023-24 and medium term budget challenge. This section 12 also highlights the impact of these actions on the 2023-34 budget position.

Any overspend at the end of the financial year will need to be met from general or earmarked reserves, but this approach is not sustainable in the medium term.

Corporate Board Agreed Action	ASCH	CYPE	GET	CED	DCED	TOTAL	22-23 one-off	22-23 recurring	2023-26 MTFP impact		
									23-24	24-25	25-26
	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k
Corporate Directors to continue to work with their DMTs and services to substantially reduce the current gap e.g. reduced activity in non-essential areas,			-760			-760.0	0.0	-760.0	-2,142.0	-1,060.0	-510.0
"Deep dives" in key areas of demand led spend to identify options for savings / spending reductions through reducing future activity forecasts						0.0	0.0	0.0	-2,243.8	-845.6	
Maximising use of grant funding and other income for existing eligible spend		-1,000				-1,000.0	-1,000.0	0.0			
Formal process to approve workforce spend e.g. vacancy management, use of interims/agency etc.						0.0	0.0	0.0	-300.0		
Resource Review Panels to review spending for key demand led budgets e.g. care placements and packages						0.0	0.0	0.0	-3,284.1	-2,400.2	
	0.0	-1,000.0	-760.0	0.0	0.0	-1,760.0	-1,000.0	-760.0	-7,969.9	-4,305.8	-510.0

12 Reducing the gap

Directorate & Division	Details of Actions to be taken	22-23 one-off	22-23 Recurring	23-24	24-25	25-26
		£k	£k	£k	£k	£k
CYPE - ICS	Explore strategies, including statutory guidance, to reduce dependency on social work agency staff			-1,005.0	-300.0	
CYPE - ICS	Review of Integrated Children's Placements: Reduce dependence on high levels of additional support and seek enhanced contributions from health.			-1,000.0		
CYPE - ICS	Reduction in Legal Services Spend through cost efficiencies by Invicta Law and review of the use of legal services by social workers			-1,014.6	-845.6	
CYPE - ICS	Section 17 payments will only be made in exceptional circumstances where there is a clear statutory responsibility or where this avoids children coming into care			-229.2		
CYPE - ICS	Maximise use of grants to meet statutory responsibilities	-1,000.0				
CYPE - SEND	Review of 18-25 community-based services (including daycare, transport, direct payments and supported living): ensuring strict adherence to policy, increased use of framework providers and enhanced contributions from health.			-1,754.8	-1,334.1	
CYPE - SEND	Review of Children with disability packages: ensuring strict adherence to policy, review of packages with high levels of support and enhanced contributions from health			-1,529.3	-1,066.1	
		-1,000.0	0.0	-6,532.9	-3,545.8	0.0

12 Reducing the gap

Directorate & Division	Details of Actions to be taken	22-23 one-off	22-23 Recurring	23-24	24-25	25-26
		£k	£k	£k	£k	£k
GET - H&T	Increased income from Technology bagging-up to offset rise in activity			-100.0		
GET - H&T	Developer Agreements contribution, plus other income, to part-offset cost increases			-250.0		250.0
GET - H&T	Rebate from a Solar Farm offset against streetlight energy charges		-760.0	-760.0	-760.0	-760.0
		0.0	-760.0	-1,110.0	-760.0	-510.0

Directorate & Division	Details of Actions to be taken	22-23 one-off	22-23 Recurring	23-24	24-25	25-26
		£k	£k	£k	£k	£k
CED - Strat Comm	Management action to reduce non-essential spend			-27.0		
CED - Strat Comm	Hold vacancies in year pending the review of the Strategic Commissioning structure.			-300.0		
		0.0	0.0	-327.0	0.0	0.0

Directorate	Capital Budget £m	Variance £m	Real Variance £m	Rephasing Variance £m
Adult Social Care & Health	1.8	-0.4	0.3	-0.7
Children, Young People & Education	96.7	-34.8	1.4	-36.2
Growth, Environment & Transport	255.1	-61.5	24.1	-85.6
Chief Executive's Department	0.6	-0.4	0.0	-0.4
Deputy Chief Executive's Department	39.3	-16.4	2.3	-18.7
TOTAL	393.5	-113.5	28.1	-141.6

The total approved General Fund capital programme including roll forwards for 2022-23 is £393.5m

The current estimated capital programme spend for the year is forecast at £280.0m, which represents 71% of the approved budget. The spend to date as at the end of December 2022 is £170.3m, representing 43% of the total approved budget.

The directorates are projecting a £113.5m underspend against the budget, this is split between a +£28.1m real variance and -£141.6m re-phasing variance.

Inflation

Across the capital programme there are inflationary pressures that are forecast to hit predominantly from 2023-24. The main areas impacted are below:

Education capital projects – There is a £15.9m forecast inflation pressure based on the latest information from quantity surveyors. The majority of the inflation pressure is likely to hit in 2023-24 and 2024-25.

Highways Asset Management (HAM)

The resurfacing element of HAM has been impacted by inflation from January 2023 when the contract was renewed for next year's programme of works. The estimated impact in this financial year is a +£1.3m overspend. The overall position will be reviewed at the end of the financial year, with one option being to use rephasing to fund the overspend. This would result in less funding being available for next year's planned works, increasing the maintenance backlog.

For structures and other areas within this budget the inflation increase will result in less work being done within the budget available and things will get pushed back to future years.

Major Highways Schemes - schemes in delivery

The Major Capital Programme team has recently completed two schemes (Gravesend Bus Hub and Market Square in Dover) and are currently delivering five schemes which have achieved funding, awarded a construction contract and are currently being delivered on site through a contractor. Where the existing scheme allowance for inflation and cost increases cannot be met by risk and contingency budgets, projects have been descoped to meet the available funding.

In all cases, additional funding options will need to be explored and requested from Central Government or the District Council that KCC are delivering on behalf of. The Council will only consider being a last resort for covering increased costs on an exceptional basis in very limited circumstances.

Major Highways Schemes - schemes not yet in delivery

The Major Capital Programme Team are currently progressing 13 schemes which have unlocked external funding, been designed and have either achieved or are very close to achieving planning (where required). An increase in cost due to inflation is dependent on how the market prices each scheme through the procurement phase and each scheme will be considered on an individual basis before progressing. The KCC Commissioning Team have been engaged and several contract awards are to be published in the next 3 to 6 months as KCC continues to present positive opportunities for the construction market.

Major Highways Schemes – funding unlocked for new schemes

Following the Levelling Up Fund announcements on 19th January 2023, the Major Projects Team in KCC will be accountable for further funding which has been awarded from the Department for Levelling Up, Housing and Communities (DLUHC). Although inflation and material availability continue to create instability and concern to those projects that were successful, scheme promoters had the benefit of estimating costs following significant increases in inflation through the start of 2022 and will have been able to adjust budgets for risk, contingency and inflation accordingly before submitting the bids in August 2022. This is the case for the Dover Access Improvements and Folkestone Town Centre projects, which were awarded funding in this second round of bidding.

2022-23 Variances

The major variances (>£1m rephasing and >£0.1m real variances) are described below:

Adult, Social Care & Health:

Project	Real Variance £m	Rephasing Variance £m	Detail
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New variances to report:

Community Sexual Health Services	0.2		There are increased project costs due to structural changes, addressing poor buildings conditions such as damp, and increased fit out costs. This overspend will be funded from an increased revenue contribution from Public Health.
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Children, Young People & Education:

Project	Real Variance £m	Rephasing Variance £m	Detail
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New Variances to Report:

Annual Planned Enhancement	1.4	-0.2	The real variance represents +£2.5m decarbonisation projects for which Salix funding may be available but has not yet been bid for. If unsuccessful there will be a funding gap. There is a -£0.8m real variance due to a duplication of forecasts for Nonington School when the budget was transferred from annual planned maintenance to modernisation.
Basic Need Kent Commissioning Plan 2016	-0.3		The real variance is due to small over and underspends across a number of projects as they reach completion.
Basic Need Kent Commissioning Plan 2017	3.8	-8.0	The real variance is due to: -£2.7m Deal School and -£1m Oakley Satellite now being reported under High Needs Provision 22-24. +£0.3m Ebbsfleet Green Primary – correction of prior years costs. +£0.3m Sunny Bank Primary due to additional works agreed to finalise the project. +£0.3m Westlands School, a contribution was made to the school for early works prior to the basic needs project. +£6.2m correction to overall budget due to funding re Royal School for the Deaf inadvertently added back twice into basic need, which was highlighted during the 21-22 closure of accounts. Rephasing due to: -£4.5m Meopham School – the original costs were high. A contract has only recently been awarded following a re-tendering process. -£3.4m Thamesview School due to a delay going out to tender due to a change in moving from SCAPE framework to the Kent Framework, and high costs including inflation. (Previously reported +£3.2m real and -£6.3m rephasing).
Basic Need Kent Commissioning Plan 2018	-0.7	-3.6	The real variance is due to: -£ 1.2m Garlinge Primary now being reported under the High Needs Provision line, +£1.3m Tunbridge Wells Boys Annex where the previous forecast was incorrect, and additional works were carried out which are to be funded from Community Infrastructure Levy (CIL). -£0.9m Simon Langton Boys – the school has now met the additional contractor costs for additional works requested by the school. The rephasing variance is due to: -£2.3m Dartford Bridge Primary – offices within the school site are being used by other services and need to be vacated before the expansion can proceed, -£1.0m Gravesend Grammar Boys, the project was delayed due to delays with land purchase, -£0.3m Isle of Sheppey Special School – this is a DfE managed project. (Previously reported -£0.8m real and -£2.2m rephasing).

Basic Need Kent Commissioning Plan 2019	0.6	-19.8	<p>Real overspend due to:</p> <ul style="list-style-type: none"> +£0.9m Towers School – previous forecast too low but is within ROD. +£0.6m Whitstable & Seasalter Junior which includes improvement and modernisation works from Annual Planned Enhancement. -£0.5m Nexus Special School now being reported under High Needs Provision 2022-24. -£0.6m Teynham Primary School a change of scope led to redesign and a new contractor being appointed. <p>Rephasing is due to:</p> <ul style="list-style-type: none"> -£4.6m Borden Grammar due to a review of design required. -£2.9m Chilmington Green Secondary – initial service installation works have not yet been started. -£3.6m Queen Elizabeth’s Grammar – a school managed project where expenditure is dependent on parties agreeing and signing a funding agreement. -£3.6m Highstead Grammar – this is a school managed project. -£1.1m Maidstone Girls Grammar- the costs came in high and the quantity surveyor is now reviewing the project which has delayed works. -£1.1m Cable Wharf Primary due to a replacement school for Rosherville which has been selected under the school rebuild programme. KCC are to add just 1FE. (Previously reported +£1.0m real variance and -£12.0m rephasing).
Basic Need Kent Commissioning Plan 2020 (2021-25)	-3.5		<p>The real variance is due to:</p> <ul style="list-style-type: none"> -£0.5m Dover Christ Church as places are not needed until 2028-29 so it has been removed. -£2.4m St Mary of Charity Primary where places are not needed until 2026 at the earliest. -£0.5m Guston CEPS as places are not needed until 2027-28. (Previously reported -£0.5m real and -£2.8m rephasing).
Basic Need Kent Commissioning Plan 2021 (2022-26)		-£3.7	<p>The rephasing variance is due to project lead times, planning issues and the signing of funding agreements. (Previously reported -£0.3m real and -£2.3m rephasing).</p>
Overall Basic Need Programmes			<p>Across the basic need programmes over the next three years, there is a forecast in excess of current budget of approximately £12.8m. Of this, £11.5m is due to forecast inflation pressures, which are not expected to materialise until 2023/24 and 2024/25. There are sufficient basic need grant allocations to cover the expected overspend in the current programme, however cash limit changes are on hold pending discussions around total pressures on the capital programme.</p>
High Needs Provision	0.3		<p>The variance is due to:</p> <ul style="list-style-type: none"> +£0.4m Tenders for the Canterbury Academy are higher than expected due to the requirement of a steel frame.

+£0.1m Parkside Primary where design changes have increased costs.

-£0.3m St Nicholas school New Romney, where costs were completed under budget.
(Previously reported +£0.6m real variance).

High Needs Provision 2022-24

+4.4

The rephasing is due to a number of projects that were previously reported under basic need and are now within High Needs. The funding has been brought forward to cover the forecast 22-23 costs: Deal Special School, Garlinge Primary, Oakley Satellite, Nexus Satellite and Sunny Bank Primary.
(Previously reported -£0.6m real and +£6.3m rephasing).

Barton Court Academy Free School

-0.1

The school is now completing the playing field works rather than contributing funding to KCC to compete the works. Therefore both the spend and income will reduce.

School Roofs

-2.5

Birchington CEPS has been selected under the school rebuild programme. The delivery date is currently unknown. Confirmation that no KCC funding is required is pending.
(Previously reported -£2.6m).

Previously reported variances:

Nest 2

-1.6

Rephasing due to land being sought and the project is still at discussion/planning stage.

Growth, Environment & Transport:

Project	Real Variance £m	Rephasing Variance £m	Detail
<u>New Variances to Report:</u>			
Highways Asset Management and Programme of Urgent Safety Critical Works (Highways & Transportation)	10.8	-17.4	The real variance is due to: +£7m for the pothole blitz programme – for which a one off funding solution is being sought. +£1.3m due to inflation. +£1.7m for emergency works on the Thanet Way and in Tenterden. The rephasing includes: - £3.4m of Challenge Fund grant relating to tunnels/ structures lighting and re-construction of the Thanet Way. The remaining rephasing £13.9m is due to a lack of Senior Resource in the Structures Operation Team due to the inability to recruit specialist staff and rolling forward funds due to the scale of some projects and lead in time for design, tendering and commissioning. There are also delays with Amey delivery times. (Previously reported -£16.8m rephasing).
Integrated Transport Schemes (Highways & Transportation)	0.8	-1.1	The real variance is due to a number of additional schemes for which there is additional external funding. The rephasing is due to staff vacancies, bad weather conditions and inability to book road space due to other schemes progressing. (Previously reported +0.7m real variance).
Housing Infrastructure Fund – Swale (Highways & Transportation)		-1.3	The rephasing is due to reprogramming of the Key Street works avoiding the M2 Junction 5 traffic management issues. There is an approximate 3-month delay to the Grovehurst Road contract award. (Previously reported -£1.3m).
Kent Active Travel Fund Phase 2 (Highways & Transportation)		-1.8	KCC are not able to construct 4 of the 5 active travel tranche 2 funded schemes this year due to lack of support at consultation stage by the community and local Councillors for the initial designs. Other design options are being looked at with a view to further consult in the next few months. A change control request for the 4 schemes delayed has been sent to Active Travel England (ATE) by KCC. The changes requested are based on programme and budget changes. ATE will inform us on whether this is acceptable mid-February 2023 with likely construction dates pushed back to late 2023 or early 2024.

LED Conversion (Highways & Transportation)	-1.0	Re-phasing is required as the budget is to convert newly adopted assets to LED where the approved design was prior to the LED conversion project. The date for adopting new developments is an unknown quantity, therefore the carry forward reflects that less assets have been adopted this year than expected. The current 2022/23 forecast allows for those assets that we know have recently been adopted and are due to be converted to LED this year.
Urban Traffic Management Control (Highways & Transportation)	-1.4	There is a delay in the construction of two junctions due to other works within the vicinity causing programme movement.
Folkestone & Hythe Waste Transfer Station (Environment & Waste)	-4.8	The project has been delayed due to securing the funding required through the S106 development agreement from Otterpool LLP in addition to securing appropriate wider planning conditions to secure the preferred site for the scheme.
Kent Empty Property Initiative (Growth & Communities)	2.2	The real variance is due to additional loans expected to be issued, to be funded by additional grant and external funding. (Previously reported +£1.6m real and +£0.6m rephasing).
Javelin Way Development (Growth & Communities)	0.6	The real variance is due to the increased costs of the fit out to Kent Music which is being funded by additional income from them. There have also been additional costs due to UKPN delays and the extension of time accrued by WWM because of delays to the project. This will be funded by increased income from sales values and a further grant.
<i>Previously reported variances:</i>		
A299 Bluebell Hill M2 and M20 Interchange Upgrades (Highways & Transportation)	-4.4	<i>This project is awaiting commitment of funding from the Department for Transport therefore it has been profiled across future years</i>
Bath Street Fastrack (Highways & Transportation)	-2.0	<i>Although there have been design delays due to statutory undertaking requirements the construction contract has been awarded in February 2023 and will proceed from March onwards. Completion is currently expected by December 2023.</i>

<i>Bearsted Road (National Productivity Investment Fund) – Kent Medical Campus (Highways & Transportation)</i>	1.4	-7.9	<i>Significant challenges have been encountered during the design phase which has delayed the programme and contract award. The current profiling reflects expected construction to commence in January 2023 (delayed from April and then August 2022), however since the original pricing of the contract, there have been significant increases in construction costs, notably due to increase in energy and fuel prices and on top of this inflation costs have increased significantly along with changes to red diesel tax and National Insurance increases. Until the price and programme is agreed there could be further changes to the profiling and the overall cost The predicted overspend is due to delays and loss of income due to COVID.</i>
<i>Dartford Town Centre (Highways & Transportation)</i>		-3.2	<i>The project has been delayed due to partner project management changes, that are now resolved, therefore budget has been reprofiled to 2023/24. (Previously reported -£2.9m rephasing).</i>
<i>Dover Inter Border facility (Highways & Transportation)</i>	0.7		<i>The real variance is due to additional grant that needs to be added to the cash limit.</i>
<i>Fastrack Full Network (Highways and Transportation)</i>		-8.8	<i>Delays to the Preconstruction stage and a review of the ability of a contractor to deliver the works has prevented the start of the tunnel works. The project costs have increased significantly, particularly due to inflation pressures, and are now beyond the available budget. A review has begun to determine if further funding is available from external partners to provide the required budget. (Previously reported -£8.1m rephasing).</i>
<i>Faversham Swing Bridge (Highways & Transportation)</i>		-1.2	<i>There are ongoing discussions with Peel Ports relating to this project.</i>
<i>Government Transition Works (Highways & Transportation)</i>	2.0		<i>The variance is due to additional grant funding for the works at Sevington, which will be added to the cash limit.</i>
<i>Herne Relief Road (Highways & Transportation)</i>		0.7	<i>The spend on this project has been reprofiled to more accurately report the anticipated monthly spend for the works based on the current programme for the scheme. Funding is available to cover this spend being brought forward. (Previously reported -£1.0m).</i>
<i>Sturry Link Road (Highways & Transportation)</i>		-3.2	<i>Delays in appointing the principal contractor has resulted in reprofiling to future years. (Previously reported -£1.7m)</i>

<i>Leigh (Medway) Flood Storage Areas (Environment & Waste)</i>	-0.1	-0.8	<i>The funding originally allocated to this project (£2.5m) has now been split between this and a new line – Surface Water Flood Risk Management. The real variance therefore shows the amount to be transferred in this financial year.</i>
<i>Surface Water Flood Risk Management (Environment & Waste)</i>	0.1		<i>Funding to be vired from Leigh (Medway) Flood Storage Areas.</i>
<i>Local Authority Treescape Fund (Environment & Waste)</i>	0.1		<i>Additional grant is expected to cover the spend.</i>
<i>Broadband Contract 2 (Growth & Communities)</i>		-1.3	<i>Invoice from BDUK is expected in 2023-24.</i>
<i>Digital Autopsy (Growth & Communities)</i>		-2.5	<i>The rephasing is due to the project tender (ITT) for the DA and body store delivery failing. The project is now looking at alternative options to bring in the necessary providers. Given the amount of time this will take to bring forward, the capital spend has been deferred as the capital element can only be entered into at the same time as the revenue contracts to ensure the project is de-risked. (Previously reported -£1.9m rephasing).</i>
<i>Innovation Investment Initiative (i3) (Growth & Communities)</i>		-2.6	<i>Due to the launch of the new Kent and Medway Business Fund scheme and the time constraints this has placed on the team it is not possible to also promote the i3 scheme this year so any forecasted expenditure has been pushed back to future years.</i>
<i>Kent & Medway Business Fund (Growth & Communities)</i>		-4.8	<i>Rephasing is due to profiling now in line with anticipated loan applications and approvals. (Previously reported -£3.0m)</i>
<i>A226 St Clements Way (Highways & Transportation)</i>	-0.2		<i>The defects period of the main works has been completed and retention has been released. An allowance has been held back this year to complete some minor works and for landscape works. The underspend is to be released back to the Strategic Transport Infrastructure Programme (formerly known as Kent Thameside Strategic Transport Programme) as these are the conditions of the funding.</i>
<i>Dover Bus Rapid Transit (Highways & Transportation)</i>		-3.9	<i>The profiling of the scheme has been updated to reflect the latest works programme from Colas, and has resulted in rephasing following slow mobilisation.</i>

<i>Green Corridors (Highways and Transportation)</i>	-2.8	<i>The rephasing is due to the construction of the three largest sites (sites 6, 8 and 11) will span 2022/23 and 2023/24 financial years. The construction periods have been delayed so that the sites can be procured together and constructed by a single contractor. Other works nearby mean that the construction of these sites cannot begin before January 2023 due to road space availability and procurement timescales. (Previously reported -£2.4m).</i>
<i>Kent Active Travel Fund Phase 3 (Highways & Transportation)</i>	-1.2	<i>The areas covered by this grant are Herne Bay Seafront and Sevenoaks Urban area. Timeframes suggest £1.2m of the funding received will be in contract by the end of this financial year but spend will incur in 2023-24, hence the rephasing. (Previously reported -£1.1m).</i>
<i>Thanet Parkway (Highways & Transportation)</i>	5.4	<i>The costs in excess of budget were expected to start crystallising in 2022-23 financial year but are still not confirmed by Network Rail and are now likely to be incurred in part in 2023-24. An estimate of overspend has been calculated at £5.4m following the grants received from the Local Growth Fund (LGF), Getting Building Fund (GBF) and the New Station Fund (NSF) being spent on the delivery of the new station. An additional funding amount of £0.875m has been secured from the GBF and further funding options are being sought while the position continues to be closely monitored.</i>
<i>Kings Hill Solar Farm (Growth & Communities)</i>	0.6	<i>Higher than anticipated costs have resulted in a forecast overspend, which will be funded from reserves. (Previously reported +£0.2m)</i>
<i>Marsh Million (Growth & Communities)</i>	-0.3	<i>The project has now come to an end and distributions will be made to the contributors of the scheme.</i>

Chief Executive's Department:

Project	Real Variance £m	Rephasing Variance £m	Detail
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New variances to report:

There are no variances to report

Deputy Chief Executive's Department:

Project	Real Variance £m	Rephasing Variance £m	Detail
<u>New variances to report:</u>			
Modernisation of Assets (MOA)	+2.3		The real variance is due to inflation (approximately £0.7m) and addressing category 1 and urgent works. There is a £0.3m revenue contribution towards works at Turner Contemporary and £0.35m additional external funding for works at Tennyson Lodge. The options to cover the remaining overspend include bringing funding forward from the 23-24 MOA budget or to use rephasing from elsewhere in the programme. (Previously reported +£4.8m).
Asset Utilisation		-1.2	Feasibility consultancy works have been rephased to 2023-24.
Strategic Reset Programme		-3.0	The revised timelines for going out to Public Consultation for the Community Assets Programme has resulted in a re-phasing of the capital works for the delivery of this programme.
<u>Previously reported variances:</u>			
Dover Discovery Centre		-4.5	The project has been rephased as there have been delays in planning approval. The forecast for this year is for design costs only. (Previously reported -£4.1m).
Strategic Estate Programme		-9.9	The rephasing reflects the descoping of initial Stage 2 proposals for Sessions and Invicta refurbishment to keep costs in line with the approved budget, which alongside a delay in the release of the Sessions House Masterplan means a postponement of the original planned commencement date for any refurbishment. (Previously reported -£9.0m)

14 Capital Budget Changes

Cabinet is asked to approve the following changes:

Project	Year	Amount (£m)	Reason
Annual Planned Enhancement (CYPE)	22-23	-0.319	To vire to fund works in basic need projects.
Basic Need Programme KCP 2016 and previous (CYPE)	22-23	+0.035	To be vired from Annual Planned Enhancement.
Basic Need Programme KCP 2017 (CYPE)	22-23	+0.005	To be vired from Annual Planned Enhancement.
Basic Need Programme KCP 2018 (CYPE)	22-23	+0.279	To be vired from Annual Planned Enhancement due works are now being progressed as part of the basic need project.
Highway Asset Management (GET)	22-23	+0.168	Increased revenue contribution from unbudgeted income, towards additional inspectors costs.

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

Project	Year	Amount (£m)	Reason
Modernisation of Assets (DCED)	22-23	0.785	Additional grant to be added to the cash limit.
Asset Utilisation Oakwood House (DCED)	22-23	1.469	Additional grant to be added to the cash limit.
Barton Court Academy Free School (CYPE)	22-23	-0.1	School is completing works rather than contributing to KCC to complete works.

15 Treasury Management Monitoring

Treasury management relates to the management of the Council's debt portfolio (accumulated borrowing to fund previous and current capital infrastructure investments) and investment of cash balances. The Council has a comparatively high level of very long-term debt, a significant proportion of which was undertaken through the previous supported borrowing regime.

15.1 Total external debt outstanding in December was £804.76m down by £21.21m since 31st March 2022

KCC debt includes £485.31m of borrowing from the Public Works Loans Board (PWLB). The vast majority is maturity debt (debt is only repaid upon maturity) at a fixed rate of interest. The average length to maturity of PWLB debt is 13.12 years at an average interest rate of 4.51%.

Outstanding loans from banks amount to £216.10m. This is also at fixed term rates with average length to maturity of 39.48 years at an average interest rate of 4.54%.

The council has £90m of Lender Option Borrower Option (LOBO) loans. These loans can only be renegotiated should the lender propose an increase in interest rates. The average length to maturity of LOBO loans is 41.13 years at an average interest rate of 4.15%.

The balance of debt relates to loans for the LED streetlighting programme. The outstanding balance is £13.35m with an average of 12.53 years to maturity at an average rate of 1.98%.

KCC's principal objective for borrowing is to achieve an appropriately low risk balance between securing low interest rates and certainty of financing costs. This is achieved by seeking to fund capital spending from internal resources and short-term borrowing, only considering external long-term borrowing at advantageous interest rates.

15.2 Majority is long term debt with only 10.58% due to mature within 5 years

Maturity 0 to 5 years £85.16m (10.58%)¹
Maturity 5 to 10 years is minimal
Maturity 10 to 20 years £287.70m (35.75%)
Maturity over 20 years £431.90m (53.67%)

15.3 Total cash balance at end of December was £410.30m, up by £53.50m from the end of March

Cash balances accrue from the council's reserves and timing differences between the receipt of grants and other income and expenditure. Balances are forecast to decline over the remainder of the year in line with the typical trend observed in previous years.

¹ Split across the next five years is as follows: Year 1 £0.70m, Year 2 £20.30m, Year 3 £23.16m, Year 4 £24.00m, and Year 5 £17.00m

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

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

Short term deposits (same day availability) are held in bank accounts and money market funds. Current balances in short-term deposits in December were £78.99m (19.25% of cash balances). Short-term deposits enable the Council to manage liquidity. Bank accounts and money market funds are currently earning an average rate of return of 3.04%.

Deposits are made through the Debt Management Office (an executive agency responsible for debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds). As at the end of December, the Council had £9.81m in government bonds. These deposits represent 2.39% of cash investments with an average rate of return of 3.84%.

Medium term deposits include covered bonds, a form of secured bond issued by a financial institution that is backed by mortgages or public sector loans. In the UK the covered bond programmes are supervised by the Financial Conduct Authority (FCA). King and Shaxson acts as the Council's broker and custodian for its covered bond portfolio. As at the end of December, the Council has £126.81m invested in covered bonds earning an average rate of return of 3.38%.

The Council has lent £21.21m through the No Use Empty Loans programme which achieves a return of 2.50% that is available to fund general services. This total includes £6.6m of loans made since March.

The Council has now agreed 3 rolling credit facilities (RCF) with registered providers totalling £25m, for which we are receiving a fee ranging from 0.25% to 0.40%. None of the facilities have been drawn so far.

Long term investments are made through Strategic Pooled Funds. These include a variety of UK and Global Equity Funds, Multi Asset Funds and Property Funds. In total the Council has £172.18m invested in pooled funds (41.96% of cash balances). Excluding capital returns, these funds have earned a total income of £42.12m since inception, at an average annual rate of 4.05%. Capital returns on pooled funds can be volatile, and therefore only cash that is suitable for longer term investment is placed in these investments. At the end of December 2022 Strategic Pooled Funds had an aggregate capital loss of £7.47m since inception.

15 Treasury Management Monitoring

15.5	Treasury Management Advice	The Council secures external specialist treasury management advice from Arlingclose. They advise on the overall strategy as well as borrowing options and investment opportunities. Arlingclose provide regular performance monitoring reports.
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15.6	Quarterly and Bi-annual reports	A fuller report is presented to Governance and Audit Committee on a regular bi-annual basis. A report on treasury performance is reported twice a year to full Council.
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Appendix 1 - Key Service Summary

	Revenue Budget £m	Forecast £m	Variance £m
Community Based Preventative Services	13.3	12.3	-1.0
Housing Related Support	4.6	4.0	-0.6
Statutory and Policy Support	1.2	1.5	0.3
Provision for Demographic Growth - Community Based Services	10.2	0.7	-9.5
Strategic Management & Directorate Support (ASCH)	6.8	4.4	-2.4
Social Support for Carers	3.2	2.9	-0.3
Partnership Support Services	0.0	0.0	0.0
Strategic Safeguarding	0.6	0.4	-0.2
Strategic Management & Directorate Budgets	40.1	26.2	-13.8
Public Health - Advice and Other Staffing	0.0	0.0	0.0
Public Health - Children's Programme	0.0	0.0	0.0
Public Health - Healthy Lifestyles	0.0	0.0	0.0
Public Health - Mental Health, Substance Misuse & Community Safety	0.0	0.0	0.0
Public Health - Sexual Health	0.0	0.0	0.0
Public Health	0.0	0.0	0.0
Adult In House Carer Services	2.4	2.6	0.2
Adult In House Community Services	5.9	5.7	-0.3
Adult In House Enablement Services	7.5	6.6	-0.9
Adult Learning Disability - Case Management & Assessment Service	5.6	5.5	-0.1
Adult Learning Disability - Community Based Services & Support for Carers	101.7	105.8	4.1
Adult Learning Disability - Residential Care Services & Support for Carers	72.3	72.3	0.0
Adult Mental Health - Case Management & Assessment Services	10.0	10.0	0.0
Adult Mental Health - Community Based Services	11.4	17.2	5.8
Adult Mental Health - Residential Care Services	15.6	17.5	1.9
Adult Physical Disability - Community Based Services	21.0	22.6	1.6
Adult Physical Disability - Residential Care Services	17.9	19.2	1.3
ASCH Operations - Divisional Management & Support	6.9	6.4	-0.5
Older People - Community Based Services	37.3	36.2	-1.1
Older People - In House Provision	14.5	15.2	0.7
Older People - Residential Care Services	45.9	75.0	29.1
Older People & Physical Disability - Assessment and Deprivation of Liberty Safeguards Services	21.7	22.1	0.4
Older People & Physical Disability - In House Community Homecare Service	0.0	0.0	0.0
Older People & Physical Disability Carer Support - Commissioned	1.2	1.3	0.1
Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Community Based Services	5.9	6.7	0.7
Physical Disability 26+ Lifespan Pathway & Sensory and Autism 18+ - Residential Care Services	1.1	1.2	0.1
Sensory & Autism - Assessment Service	0.7	0.7	0.0
Service Provision - Divisional Management & Support	0.0	0.0	0.0
Adaptive & Assistive Technology	5.1	1.5	-3.6
Adult Social Care & Health Operations	411.5	451.2	39.8
Business Delivery	8.3	7.9	-0.4
Independent Living Support	0.7	0.8	0.1
Business Delivery Unit	9.0	8.7	-0.3
Adult Social Care & Health	460.5	486.1	25.6
Earmarked Budgets Held Corporately	4.2	4.2	0.0

Appendix 1 - Key Service Summary

	Revenue Budget £m	Forecast £m	Variance £m
Strategic Management & Directorate Budgets	2.3	2.1	-0.2
Community Learning & Skills (CLS)	-0.4	-0.3	0.1
Early Years Education	0.0	0.0	0.0
Education Management & Division Support	1.4	1.3	-0.2
Education Services provided by The Education People	4.5	4.5	0.0
Fair Access & Planning Services	0.3	0.3	0.0
Home to School & College Transport	49.7	64.2	14.5
Other School Services	5.8	9.3	3.5
Education	61.2	79.3	18.1
Adoption & Special Guardianship Arrangements & Service	15.5	15.4	-0.2
Asylum	-0.1	-0.1	0.0
Care Leavers Service	6.0	5.9	-0.1
Children in Need - Care & Support	3.3	3.2	-0.1
Children's Centres	4.6	3.8	-0.8
Children's Social Work Services - Assessment & Safeguarding Service	51.2	52.2	1.0
Early Help & Preventative Services	6.9	6.9	0.0
Integrated Services (Children's) Management & Directorate Support	5.7	5.1	-0.6
Looked After Children - Care & Support	66.8	75.9	9.1
Pupil Referral Units & Inclusion	0.1	0.1	0.0
Youth Services	5.7	4.7	-1.0
Integrated Children's Services (East & West)	165.8	173.2	7.4
Adult Learning & Physical Disability Pathway - Community Based Services	32.9	37.8	4.9
Adult Learning & Physical Disability Pathway - Residential Care Services & Support for Carers	9.3	9.3	0.0
Children in Need (Disability) - Care & Support	5.5	6.1	0.5
Children's Disability 0-18 Commissioning	1.7	1.7	0.0
Disabled Children & Young People Service (0-25 LD & Complex PD) - Assessment Service	9.0	9.4	0.3
Looked After Children (with Disability) - Care & Support	16.4	17.8	1.4
Looked After Children (with Disability) - In House Provision	3.6	3.5	-0.1
Special Educational Needs & Disability Management & Divisional Support	0.2	0.1	-0.1
Special Educational Needs & Psychology Services	13.2	14.2	1.0
Special Educational Needs & Disabilities	91.9	99.9	8.0
Children, Young People & Education	321.2	354.5	33.3
Earmarked Budgets Held Corporately	0.0	0.0	0.0

Appendix 1 - Key Service Summary

	Revenue Budget £m	Forecast £m	Variance £m
	Revenue Budget £m	Forecast £m	Variance £m
Strategic Management & Directorate Budgets	1.4	1.3	-0.1
Growth and Support to Businesses	4.7	5.9	1.2
Community (Assets & Services)	2.8	2.9	0.1
Public Protection	11.4	11.2	-0.2
Libraries, Registration & Archives	9.5	9.0	-0.4
Growth and Communities Divisional management costs	0.8	0.8	0.0
Growth & Communities	29.1	29.8	0.7
Highway Assets Management	33.0	34.8	1.8
Transportation	6.6	5.7	-0.8
Supported Bus Services	4.5	7.1	2.6
English National Concessionary Travel Scheme (ENCTS)	13.8	11.9	-1.9
Kent Travel Saver (KTS)	4.8	6.2	1.4
Highways & Transportation divisional management costs	3.6	3.1	-0.5
Highways & Transportation	66.3	68.9	2.6
Environment	2.4	2.4	0.0
Residual Waste	45.8	45.8	0.0
Waste Facilities & Recycling Centres	31.9	32.1	0.2
Environment and Waste Divisional management costs	1.8	1.9	0.1
Environment & Waste	81.9	82.2	0.3
Growth, Environment & Transport	178.7	182.2	3.5
Earmarked Budgets Held Corporately	0.2	0.2	0.0

Appendix 1 - Key Service Summary

	Revenue Budget £m	Forecast £m	Variance £m
	Revenue Budget £m	Forecast £m	Variance £m
Strategic Refresh Programme	0.0	0.0	0.0
Strategic Management & Departmental Support	0.6	0.6	0.0
Health & Safety	0.4	0.4	0.0
Business & Client Relationships	2.2	2.2	0.0
Strategic Management & Departmental Budgets (DCED)	3.2	3.2	0.0
Human Resources & Organisational Development	5.1	4.8	-0.3
Marketing & Resident Experience	6.0	5.9	-0.1
Property related services	5.9	5.3	-0.6
Emergency Planning	0.2	0.2	-0.1
Infrastructure	6.2	5.5	-0.7
Technology	24.0	24.0	0.0
Business Services Centre	0.0	0.0	0.0
Corporate Landlord	27.1	31.8	4.7
Total - Deputy Chief Executive Department	71.6	75.3	3.7
Strategic Management & Directorate Budgets	0.0	-0.6	-0.6
Grants to Kent District Councils to maximise Council Tax collection	3.2	3.1	0.0
Finance	9.6	9.7	0.1
Finance	12.7	12.8	0.1
Governance & Law	6.9	6.5	-0.4
Local Member Grants	1.4	0.7	-0.7
Governance, Law & Democracy	8.3	7.2	-1.1
Strategic Commissioning	8.0	7.5	-0.5
Strategy, Policy, Relationships & Corporate Assurance	4.5	4.3	-0.2
Total - Chief Executive Department	33.6	31.3	-2.3
Non Attributable Costs	129.4	119.0	-10.4
Corporately Held Budgets (to be allocated)	-0.3	0.0	0.3
Total excluding Schools' Delegated Budgets	1,199.1	1,252.7	+53.7
Total Including Schools' Delegated Budgets	0.0	45.6	+45.6

Appendix 2 - Monitoring of Prudential Indicators as at 31 Dec 2022

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

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

	21-22 Actuals	22-23 Budget	22-23 Forecast
Total	335.3	339.3	280.00

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

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

	21-22 Actuals	22-23 Budget	22-23 Forecast
Total CFR	1,294.10	1,364.00	1,280.62

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

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

	21-22 Actuals	22-23 Budget	22-23 Forecast
Other Long-term Liabilities	232.07	235.80	232.07
External Borrowing	825.97	802.50	802.29
Total Debt	1,058.04	1,038.30	1,034.36
Capital Financing Requirement	1,294.10	1,364.00	1,280.62
Internal Borrowing	236.06	325.70	246.26

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

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

	21-22 Actuals	22-23 Limit	22-23 Forecast
Authorised Limit - borrowing	826	876	805
Authorised Limit - PFI and leases	232	245	232
Authorised Limit - total external debt	1,058	1,121	1,037
Operational Boundary - borrowing	826	851	805
Operational Boundary - PFI and leases	232	245	232
Operation Boundary - total external debt	1,058	1,096	1,037

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

Financing costs comprise interest on loans and minimum revenue provision (MRP) and are charged to revenue. This indicator compares the net financing costs of the Authority to the net revenue stream.

	21-22 Actual	22-23 Budget	22-23 Forecast
Proportion of net revenue stream	9.18%	9.06%	8.37%

Appendix 3 - Reserves Monitoring as at 31 December 2022

	Balance as at 1 April 2022 £m	Forecast Contribution to/(from) Reserve £m	Projected Balance at 31 March 2023 £m
General Fund (GF) Balance	56.2		56.2
Budgeted contribution to/(from) in MTFP		3.0	3.0
	56.2	3.0	59.2
Earmarked reserves:			
Vehicle, Plant & Equipment (VPE)	18.7	1.0	19.7
Smoothing	124.7	(3.2)	121.5
Major Projects	62.3	3.4	65.7
Partnerships	26.3	6.1	32.4
Grant/External Funds	79.1	(48.1)	31.0
Departmental Under/Overspends	8.4	(38.6)	(30.2)
Insurance	13.8	(0.5)	13.3
Public Health	16.8	(3.5)	13.3
Trading	1.2	0.0	1.2
Special Funds	0.6	0.0	0.6
Total Earmarked Reserves	351.9	(83.4)	268.5
Total GF and Earmarked Reserves	408.1	(80.4)	327.7
	Balance as at 1 April 2022 £m	Forecast Contribution to/(from) Reserve £m	Projected Balance at 31 March 2023 £m
Schools Reserves			
School delegated revenue budget reserve - committed	21.8	(0.8)	21.0
School delegated revenue budget reserve - uncommitted	39.3	(0.6)	38.7
Community Focussed Extended Schools Reserves	0.2	0.0	0.2
Total School Reserves	61.3	(1.4)	59.9

DSG Adjustment Account - Unusable Reserve

	Balance as at 1 April 2022 £m	Forecast Contribution to/(from) Reserve £m	Projected Balance at 31 March 2023 £m
Unallocated Schools Budget	(97.6)	(44.2)	(141.8)

The General fund Reserve has been increased as agreed by County Council in the 2022-23 MTFP.

The earmarked reserves are decreasing mainly due to the following:

- Funding of £53.7m underlying overspend including using the £24.9m set aside in the risk reserve.
- £30.3m drawdown from the Covid-19 emergency grant reserve to fund the continuation of projects agreed in the 2021-22 Outturn report.
- The balance of £28.8m is currently being reflected in the Departmental under/overspends until year end when it will be decided which reserves the balance should be funded from.
- The 'Smoothing' reserves are showing a net drawdown of £3.2m, this includes drawdown from the risk reserve of £24.9m, referred to above, offset by planned contributions to reserves.

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

The net £80.4m drawdown reflected in the table above covers more than the reserve drawdowns set out in the Revenue section of this report, as this includes funding elements, which are roll forwards and the S31 Compensation grants.