1 Introduction

This report presents the first high level revenue forecast outturn position for 2023-24. The first forecast has been reported at the September Cabinet meeting in previous financial years, however due to the significant revenue out-turn overspend in 2022-23 it has been brought forward to allow for earlier consideration. The revenue forecast outturn position for 2023-24 is an overspend of £43.7m (excluding schools). Initial management action is expected to reduce this forecast overspend to £26.7m.

The final revenue outturn position for the previous financial year 2022-23 was an overspend of £47.1m compared with a reported £50.6m overspend in the first forecast provided in September 2022. Within the overall outturn position there were significant overspends in Children's, Young People and Education (CYPE), totalling £33.7m, and in Adult Social Care & Health (ASCH), totalling £24.5m.

The 2022-23 overspend required the full utilisation of the risk reserve of £25m that had been established to cover the increased risks and uncertainties, with the remaining £22.1m being drawn down from the General Fund reserve. The overspend from 2022-23 has therefore significantly impacted the council's financial resilience with the General Fund reserve level now £37.4m which is well below the agreed £65.8m (5% of the net revenue budget).

The 2023-24 budget approved in February 2023 was prepared against the backdrop of extraordinary economic consequences of global and national circumstances which have had a significant impact on public spending and borrowing and have impacted on local spending. The forecast revenue overspend from 2022-23 was taken into account when determining the 2023-24 budget and future medium term plans, with significant additional spending growth of £182.3m allocated in the 2023-24 budget.

However, despite the additional spending growth allocated in the 2023-24 budget, as highlighted above, the revenue forecast outturn position for 2023-24 is an overspend of £43.7m (excluding schools), with initial management action expected to reduce this forecast overspend to £26.7m. Work continues to develop further management action that can be taken immediately in the current year, and over the medium term and this will be reported back to the Cabinet meeting of 5th October. **Within the overall outturn position there are significant forecast overspends in Children's, Young People and Education totalling £28.4m, and in Adult Social Care & Health totalling £25.8m.**

The forecast overspend represents 3.3% of the revenue budget and presents a serious and significant risk to the Council's financial sustainability if it is not addressed as a matter of urgency. The risk reserve set aside to deal with any overspends in 2023-24 is only £12m, so further action will need to be taken to ensure the budget is brought back to as close to balance as possible by the end of the financial year. The action taken, building on the initial management action detailed in this Report, will need to focus on recurring cost reductions and savings to ensure the 2024-25 budget and medium-term financial plan are not impacted.

Detailed analysis of the main areas of overspend is being undertaken to fully understand the underlying causes, the degree of common features with the pressures experienced by other councils and how these will be mitigated. The council will need to limit its actions to focus on the most essential activities and priorities until the financial position is brought under control. The outcome of the analysis, the related actions and progress to date in reducing the forecast overspend will be presented to Cabinet in October.

2 Recommendations

Cabinet is asked to:

2.1	NOTE the forecast revenue position for 2023-24 of £43.7m before management action.
2.2	NOTE the initial management action already identified to reduce the forecast revenue out-turn position to £26.7m..
2.3	NOTE that the overspend for 2022-23 combined with the 2023-24 forecast revenue position has significantly impacted the Council's financial resilience.
2.4	AGREE that the Cabinet recognises the significant financial challenge and AGREE that actions must be developed to understand, mitigate and address the over-spend.
2.5	NOTE that any further deterioration of the Council's financial resilience may result in an inability to give the necessary assurance that the Council can balance its budget for 2024-25 or at some future point.
2.6	AGREE the next steps as set out in section 4 of the covering decision report and to report the outcomes of this activity to the next Cabinet meeting
2.7	AGREE that Cabinet Members will identify the political decisions that can be taken to reduce the overspend and improve financial resilience, including consideration of further savings within their cabinet portfolios
2.8	AGREE to receive a report at the Cabinet meeting on October 5th 2023, which will include the outcomes of the actions recommended above (including seeking the approval of the detailed action plan)
2.9	AGREE the actions in relation to organisational capacity and Member oversight set out in section 3 of the covering decision report and ask the Monitoring Officer, where necessary, to draft the necessary amendments to the Constitution for consideration by County Council.

3 Revenue

General Fund

Forecast position as overspend/(underspend) before management action

Directorate	Revenue Budget	Revenue Forecast Outturn	Net Revenue Forecast Variance
	£m	£m	£m
Adult Social Care & Health	527.5	553.3	25.8
Children, Young People & Education	361.3	389.7	28.4
Growth, Environment & Transport	195.5	196.3	0.8
Deputy Chief Executive Department	84.2	81.7	(2.5)
Chief Executive Department	33.9	33.0	(0.9)
Non Attributable Costs	116.1	107.9	(8.2)
Corporately Held Budgets	(0.3)	0.0	0.3
General Fund	**1,318.3**	**1,362.0**	**43.7**

General Fund

The General Fund forecast position is a net overspend of +£43.7m, with the most significant forecast overspends in Children, Young People and Education of £28.4m and Adult Social Care & Health of £25.8m. The paragraphs below provide explanations for the key variances and the management actions that are being and will be implemented to reduce the forecast overspend. The management actions identified below represent a first stage and will not eliminate in full the forecast overspend for 2023-24. Further urgent action will need to be taken to ensure the council remains financially sustainable and will be brought forward subsequently

Adult Social Care & Health

There is a forecast overspend of +£31.4m in Adult Social Care and Health Operations, which is partially offset by an underspend of -£5.7m in Strategic Management & Directorate Budgets.

The main reasons for the variance in Adult Social Care & Health Operations are detailed below, more detailed analysis is being undertaken to inform further management action and spend reductions:

Older Peoples Residential and Nursing Care - +£16.2m – this includes a forecast overspend of +£13.1m on long term placements, and a further +£3.1m on short term beds. It is estimated that the most significant element of this is in relation to the average cost of ‘beds’ which is the continuation of the trend that has been seen over the last 2 years, and mainly relates to the cost of new people being placed at a far higher cost than those leaving care. It is considered that this is in part due to the current hospital discharge process, which will be reviewed as part of management action, to ensure costs are shared appropriately. We are working towards identifying and separating out the spending growth due to market conditions and increasing complexity of client needs.

Older People’s Homecare - +£4.6m. This forecast overspend is driven by an increase in both numbers of people now receiving homecare, but also due to people on average requiring increased hours of support. It is estimated that the increased activity is +£2.7m of the £4.6m. There is also +£1.6m that relates to the average costs being higher than anticipated, this is considered likely to be due to the continued use of non-framework providers who are a higher cost, and +£0.3m due to service costs not directly related to activity. A review of the use of non-framework providers is being undertaken as part of the management action.

Learning Disability Supported Living - +£5.4m. This is driven in the main by increased activity in terms of hours of support being required - +£3.7m. There is a cost pressure of +£2.9m, which is considered likely to be due to the use of non-framework providers, offset by -£1.0m from unrealised creditors. A review of the use of non-framework providers is being undertaken as part of the management action.

Mental Health – Residential - +£1.6m – This forecast overspend relates primarily to increased activity from when the budget was set +£1.6m.

Mental Health - Supported Living - +£3.1m – This relates to increased activity in terms of hours of support being required +£3.5m, partly offset by a slightly lower than anticipated cost, leading to a variance of -£0.4m.

Physical Disability – +£3.9m – This forecast overspend spans the following services - Supported Living of +£5.4m; Homecare of +£1.7m and Residential Care of +£1.9m, offset by a transfer of budget required from Autism and Sensory services -£4.5m, following the restructure of Adult Social Care. The main reasons for the forecast overspend are due to increasing costs and short-term beds in nursing and residential care and increases in hours of support for homecare services.

Other Services – £-2.9m – There is a forecast net underspend across other services, which is offsetting the forecast overspend on the service areas detailed above.

Strategic Management & Directorate Budgets – £6.1m – There is a forecast underspend which relates to centrally held directorate budgets mainly growth for demography which is used to offset the above forecast overspends.

An enhanced management action plan is being developed and implemented to reduce the forecast overspend, complementing and enhancing the savings plan that is already in place, in the following areas:

- Review of workstreams across the Directorate to ensure that all available resources are directed towards the delivery of statutory functions, savings and efficiency plans and all non-essential work is stepped down.
- Plans to ensure we maintain a highly skilled and effective workforce through specific recruitment and retention activity.
- Reprofiling of targets to deliver savings to provide assurance on (a) savings delivered to date (b) savings yet to be realised over the financial year (c) stretch targets to enhance savings opportunities.
- Phase 2 of the ASC restructure to embed 4 community hubs, that sets out how ASC will manage, contain, and work to prevent costs, reduce and delay the need for care and support through ensuring all new requests for ASC support commence with interventions through enablement, technology, equipment, community micro enterprises and the wider voluntary and community sector. This will reduce the numbers of people requiring a formal Care Assessment and the scope of any assessments as they will focus on need that can only be met through the provision of funded care and support.
- Reprofiling the targets for reviews within 6 weeks for new packages of support commencing to provide assurance on (a) savings delivered to date (b) savings yet to be realised over the financial year (c) stretch targets to enhance savings opportunities.
- Reprofiling the targets for reviews within 6 weeks for people in short stay beds to provide assurance on (a) savings delivered to date (b) savings yet to be realised over the financial year (c) stretch targets to enhance savings opportunities
- Reprofiling the targets for annual reassessment to provide assurance on (a) savings delivered to date (b) savings yet to be realised over the financial year (c) stretch targets to enhance savings opportunities. This will include meeting needs through technology, equipment, community micro enterprises and the wider voluntary and community sector, and identifying opportunities to reduce the financial ask of meeting non regulatory care and support needs by regulated providers.
- Working with the market leading up to the retender of the older peoples’ residential contract and care and support in the home contract to reduce the necessity for use of non-framework placements and care packages. Additional Commissioning support is being sourced to do this.

- Setting out the benefit realisation for reducing double handed care and support across the ASC supply chain.
- Working collaboratively with NHS Colleagues to ensure the most appropriate and cost-effective pathways are in place for those people being discharged from hospital settings and ensuring that the necessary joint funding arrangements are in place.

It is estimated that the actions set out above will reduce the forecast ASCH overspend of £25.8m by £10m, alongside the savings plan that is already being implemented. A more detailed analysis of activity and finance data is being undertaken and this will provide further information on the operational and financial impact of the actions being taken, which will update the reduction in the forecast overspend included in the next finance monitoring report.

On 28th July the government announced a further £570 million of ringfenced funding across 2023-24 and 2024-25 to local authorities through the Market Sustainability and Improvement Fund. £365m will be allocated in 2023-24 (KCC's share is £9.375m) with a further £205m in 2024-25. Local authorities will need to provide a summary description, aligned to NHS winter surge plans, of how they will use this funding to ensure sufficient capacity to meet potential adult social care surges in demand over winter by 28 September 2023. A summary of the plan for use of this funding will be included in the next finance monitoring report on 5th October and will need to include eligible spending already included within the 2023-24 forecast.

Children, Young People and Education

The Children, Young People and Education Directorate is forecasting a £28.4m overspend.

There is a forecast overspend of £12m in Integrated Children's Services (Operations). The number of Looked After Children (excluding Unaccompanied Asylum Seeking Children) continued to rise during the latter part of 2022-23 whereas it had been anticipated these numbers would stabilise and start to reduce as the delays in the courts started to clear. Due to the ongoing challenges of recruiting in- house foster carers, children are being placed in increasingly more expensive alternatives including independent fostering agencies, unregulated and residential care. Pressures in the market for suitable children's social care placements are causing the costs of placements to rise at a higher rate than inflation. The number of looked after children reached a peak at the end of April and has started to slowly reduce although not at the pace provided for in the budget. The forecast assumes the costs of placements will continue to rise and the number of LAC remains relatively constant. Invicta Law have also increased their prices but have not been able to match this with efficiencies leading to a possible cost pressure. Detailed analysis of the assumptions is being undertaken to identify and quantify the measures that will help to reduce the forecast overspend.

There is a forecast overspend of £3.9m in Integrated Children's Services (Countywide Services). The main reasons for this variance are an overspend on Children in Need Disability Services and an overspend on Young Adults (18-25) supported in community-based settings. The forecast assumes trends in both numbers and cost of support will continue to rise in a similar way as 22-23. Savings across these two areas are expected to take longer to realise than initially anticipated, but further work and more detailed analysis is being undertaken to identify and quantify measures to limit the forecast overspend as far as possible.

There is a forecast overspend of £12.5m in the Education & SEN Division. The main reasons for this variance are an overspend on Home to School/College Transport (+£9m) mainly for children with SEN and pressures resulting from the use of temporary accommodation to deliver school places (+1m). The cost and numbers of children travelling to school increased at a higher rate than expected in the latter part of 2022-23 resulting in an ongoing commitment in 2023-24 along with similar trends being anticipated for the remainder of the year. This forecast will be updated further once the September pupil numbers are known. Special Educational Needs are forecasting a £1.5m overspend, recruitment has continued at pace, but the use of agency remains high to provide additional capacity whilst the new structure and processes are embedded.

The following management actions have been implemented to reduce the forecast overspend:

- Work is continuing with the NHS to explore joint commissioning opportunities (including tier 4 admissions) and joint funding agreements for eligible young people.
- Panels have been established in every district across both Integrated Children Services and Disability Services to review suitability and level of support for all looked after children's placements. This is in addition to a further peer review focused on high cost placements.
- Development of a Placement Framework to explore alternative ways to support children at risk of coming into care including increasing the role of family members.
- Development of a CYPE staffing recruitment & retention strategy to reduce reliance on agency staff.
- Signposting of families to community services where it is available and appropriate.
- Review of 18-25 community-based services (i.e. direct payments, supporting living, daycare and transport): Reduction in expenditure on non-framework packages of care for 18-25 year olds and ensuring strict adherence to policy.
- Working more closely with colleagues in Adult Social Care to support transition for those young people (aged 18 to 25) requiring adult social care support.

The detailed financial impact of these actions is currently being finalised and will be formally reported in the next finance monitoring report.

Growth, Environment & Transport

The Growth Environment and Transport Directorate is forecasting a £0.8m overspend.

There is an underspend of -£0.5m in Highways & Transportation. The main reason for this variance is an underspend of -£1.6m on Streetlight energy following recent confirmation of a reduced summer price for electricity plus estimated savings on the winter rate for the proportion of energy that has already been purchased; both are below budgeted rates. This underspend, together with additional income (-£0.3m), more than offset pressures against Winter Service, where there is a projected price uplift in the contract (+£0.8m), and additional activities for tunnels and structures (+£0.7m). The position has also improved as the forecast assumes £0.3m of DfT funding to support border management activity which was previously forecast as an overspend.

There is an overspend of £0.2m in Growth & Communities. Within this is an overspend on the Coroners Service resulting from postmortem fees, funeral director costs and NHS Mortuary costs (+£0.3m). The duration of the required public and staff consultations to achieve the Community Warden service saving represents part of the division's pressures (£0.2m). The following management actions will be implemented to manage the Community Warden overspend insofar as all current and future vacancies will remain unfilled and this has helped to reduce the overspend. Further management actions are being developed to offset the shortfall and these will be included in the next monitoring report.

There is an overspend of £1.1m in Environment & Circular Economy. The main reason for this variance is the delay in the proposed plan to deliver a saving to the HWRC service. An informal Members group (IMG) has been established to assess the options prior to the consultation being launched. The overspend of £0.5m is the 2023-24 part year effect of the planned 2-year £1.5m budget reduction.

Volume variances in both Residual Waste and Recycling, primarily higher than budgeted organic waste tonnes, add +£0.5m to the position. In addition are contractual pressures relating to inflation that are higher than that anticipated at the time the 2023-24 budget was being set. This includes increased prices on the Material Recycling Facilities contract, which are highly variable and based on market commodity prices and volumes of materials, as well as on the East Kent haulage contracts. These pressures have largely been offset by below budgeted prices for Allington Waste to Energy Plant and composting contracts. The combination of these result in a circa net £0.1m pressure.

Whilst income remains positive and is higher than budgeted the market remains highly volatile and can change throughout the year. It remains too early in the year to confidently commit to tonnage variances and better commodity prices, future monitoring reports will reflect the latest position.

The following additional management actions are being implemented to manage the overspend.

- Negotiations continue with suppliers to ascertain whether any in-year benefit can be secured from operational adjustments.
- All services across the directorate are reviewing staffing and spend levels to ensure only essential spend is incurred.

Non Attributable Costs

There is a forecast underspend of -£8.2m in Non Attributable Costs. The majority of this variance is due to increased income from the Kent Business Rates Pool relating to 2022-23, and the increase in the Bank of England base rate since the time of setting the budget, leading to a significantly higher forecast income return on investments.

The following management action has also been implemented to reduce the forecast overspend:

- The annual recalculation of debt charges has been completed and due to the decisions that Members have taken to contain the capital programme, the significant levels of re-phasing of the capital programme in 2022-23, and changes in interest rates £8m can be released from the debt charges budget, £4m of this is on a recurring basis, with £4m as a one-off in 2023-24. It is proposed to use £1m of the recurring saving as an annual revenue contribution to a new capital reserve to meet the cost of emergency capital events, giving an overall saving of £7m this financial year. This saving does not impact our prudent Minimum Revenue Provision policy which is unchanged.

The table below reflects the updated position after taking account of the management actions set out above:

General Fund	Updated forecast position as overspend/(underspend)				
Directorate	Revenue Budget	Revenue Forecast Outturn	Net Revenue Forecast Variance	Management Action	*Revised Net Revenue Forecast Variance*
	£m	£m	£m	£m	*£m*
Adult Social Care & Health	527.5	553.3	25.8	(10.0)	15.8
Children, Young People & Education	361.3	389.7	28.4		28.4
Growth, Environment & Transport	195.5	196.3	0.8		0.8
Deputy Chief Executive Department	84.2	81.7	(2.5)		(2.5)
Chief Executive Department	33.9	33.0	(0.9)		(0.9)
Non Attributable Costs	116.1	107.9	(8.2)	(7.0)	(15.2)
Corporately Held Budgets	(0.3)	0.0	0.3		0.3
General Fund	**1,318.3**	**1,362.0**	**43.7**	**(17.0)**	**26.7**

4 Savings

Savings

Some of the variances within the above position have been caused by a delay in the delivery, or non-delivery of the savings that were approved as part of balancing the 2023-24 budget.

An initial review of the 51 savings over £0.2m has taken place. These savings totalled £56.2m and early indications are that 15 individual savings plans totalling £4.7m are not going to be delivered as planned.

The table below shows the breakdown by Directorate of the number of savings that will not be fully delivered in 2023-24:

Directorate	Number of Savings	2023-24 Approved Savings £m	Estimated shortfall £m
Adult Social Care & Health	3	**5.1**	(2.4)
Children, Young People & Education	10	**6.5**	(2.0)
Growth, Environment & Transport	2	**1.0**	(07)
Total	15	**12.6**	**(4.7)**

The reasons for non-delivery are set out below:

	2023-24 Agreed Saving £000s	Amount forecast under delivered £000s	Reason for under/non-delivery
Adult Social Care & Health			
Client Related Transport	400.0	44.0	Under delivery linked to charging policy (below)
Charging policy for Full Paying service users	380.0	380.0	Consultation and key decision required
Review of Discretionary Voluntary Sector Contracts	4,310.0	2,000.0	Work is ongoing with providers with only part year effect available this year, the remainder expected to be achieved in 2024/25.
Sub Total ASCH	5,090.0	2,424.0	
Children, Young People & Education			
Reconfiguration of Children Social Work Teams	200.0	200.0	Requires change in agency staff regulation and reduction in referrals
Review of 18-25 community based services	1,754.8	TBC	Savings likely to be offset by demand and cost increases
Client Related Transport	250.0	250.0	Savings offset by inflation and fuel costs

Review of open access services through Family Hub model	200.0	200.0	Subject to consultation and future requirements from DFE
Review the Kent 16+ Travel Saver scheme	250.0	250.0	Replaced through Bus Strategy Grant
Services to Schools	400.0	400.0	Engagement with schools and Schools Forum on-going
Disabled children's placements & support	1,529.3	TBC	Savings likely to be offset by demand and costs increases
Review of Integrated Looked After Children's Placements.	1,000.0	TBC	Partly dependent on providers and health authorities
Review Section 17 payments	229.2	229.2	Review not yet complete
Care leavers independence at age 19	700.0	500.0	Lack of suitable alternative accommodation options. Requires co-ordination with District Councils and other housing providers
Sub Total CYPE	6,513.3	2,029.2	
Growth, Environment & Transport			
Review of Community Warden Service	500.0	150.0	Consultation and key decision required
Review of HWRC sites	500.0	500.0	Consultation and key decision required
Sub Total GET	1,000.0	650.0	

Alternative savings of £4.5m have been identified to offset the non-delivery of the 15 savings. The table below shows the breakdown by Directorate of the alternative savings in 2023-24:

Directorate	Number of Savings	2023-24 Approved Savings £m	Estimated shortfall £m	Alternative savings identified £m
Adult Social Care & Health	3	5.1	(2.4)	2.4
Children, Young People & Education	10	6.5	(2.0)	1.8
Growth, Environment & Transport	2	1.0	(0.7)	0.7
Total	15	12.6	(4.7)	4.5

4 Savings

The alternative savings are as follows:

Overview of saving	Alternative saving identified	Alternative savings value £000s
Adult Social Care & Health		
Client Related Transport	Review of spend on private taxis in light of new charging policy	44.0
Charging policy for Full Paying service users	Additional savings to be delivered as part of other continuous improvement plans in locality teams	380.0
Review of Discretionary Voluntary Sector Contracts	Alternative one off funding sources have been identified to fund continuation of contracts	2,000.0
Sub Total ASCH		2,424.0
Children, Young People & Education		
Reconfiguration of Children Social Work Teams	Exploring options to recruit permanent social workers through alternative recruitment routes	200.0
Review of open access services through Family Hub model	Over-delivery of saving on vacancy management and ceasing non-essential spend across children's centres and youth hubs (in line with 2022-23 underspend).	200.0
Review the Kent 16+ Travel Saver scheme	Replaced through Bus Strategy Grant	250.0
Services to Schools	Alternative savings from The Education People company & ceasing of current arrangement with Kent Association of Headteachers	400.0
Review Section 17 payments	Kinship or alternative offer to support children at risk & avoiding children coming into care.	229.2
Care leavers independence at age 19	Underspend on Care Leavers placement costs	500.0
Sub Total CYPE		1,779.2
Growth, Environment & Transport		
Review of Community Warden Service	Hold further future vacancies, and other operational savings.	150.0
Review of HWRC sites	Alternative savings possible through HWRC and wider contract variations and engagement with District and Boroughs on kerbside improvements.	500.0
Sub Total GET		650.0

4 Savings

It is too early to confirm the position for some savings and the progress on those will be included in the next finance monitoring report.

There are also 47 savings that are individually under £0.2m totalling £2.9m. £2.0m of these have already been delivered and £0.9m require further action to ensure they are delivered. Progress on the delivery of these savings will also be included in the next monitoring report.

Delivery of savings in full and on time is a critical part of ensuring the revenue out-turn position is balanced and is key to avoiding further pressure on future years' budgets. The progress on savings delivery will continue to be monitored closely and where necessary corrective and alternative action will be taken and reported through this finance monitoring report.

Conclusion

The forecast overspend even after taking the management action into account presents a serious and significant risk to the Council's financial sustainability if it is not addressed as a matter of urgency. It is vital that the actions set out in the recommendations in the report are taken with further actions and progress detailed in the next monitoring report, to evidence that the revenue budget will be brought back to as close to balance as possible by the end of the financial year.

The next meeting of Cabinet on 5 October 2023 will receive a progress report setting out in more detail the actions and decisions needed to bring the forecast overspend down to as close to balanced as possible. This report will include a more detailed financial and activity analysis of the most material spending and variances in adult social care and children's services, detailed delivery of savings plans, and benchmark comparisons with other councils.