

From: Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford
Interim Corporate Director Finance, John Betts

To: Cabinet, 30 January 2025

Subject: Revenue and Capital Budget Monitoring Report – November 2024-25

Classification: Unrestricted

Summary:

The attached report sets out the revenue and capital budget monitoring position as at November 2024-25. This report is one month earlier in the monitoring timetable than is usually presented to Cabinet and aims to provide Members with a more timely budget monitoring update in advance of the 2025-26 Budget County Council in February 2025.

The report also provides detail on the progress on the delivery of savings in the 2024-25 revenue budget, capital cash limit changes made between October and November 2024, and monitoring updates for Treasury Management, Prudential Indicators and Reserves. This covering report also provides a narrative update on in year progress and reconfirms the actions being taken to mitigate the overspend.

Recommendation(s):

Cabinet is asked to:

- a) NOTE the forecast revenue overspend of £23.3m (excluding Schools) and the actions being taken to mitigate the forecast overspend
- b) NOTE the forecast overspend on Schools' Delegated Budgets of £30.4m.
- c) NOTE the forecast capital underspend of £111.6m.
- d) NOTE the progress on the delivery of savings.
- e) AGREE the Capital budget changes.
- f) NOTE the Reserves, Treasury Management and Prudential Indicators monitoring

1. Introduction

- 1.1 The Quarter 3 2024-25 budget monitoring report being presented sets out the revenue and capital forecast position.

2 Revenue and Capital Budget Monitoring Report

- 2.1 The attached report sets out the overall forecast position as at Quarter 3 of 2024-25, which is a revenue overspend of +£23.3m and a capital underspend of -£111.6m.
- 2.2 The forecast revenue outturn position of +£23.3m (excluding schools), represents 1.6% of the revenue budget. The forecast outturn position has decreased by £3.5m compared with the forecast position in September 2024-25 (Quarter 2). Whilst it should be recognised that this is an improvement in the position compared with Quarter 2, it

is still a concern for the authority and presents a risk to the Council's future financial sustainability.

- 2.3 The position in Adult Social Care & Health continues to be the main focus and the reported overspend has increased by £2.9m and is now £35.4m. This is as a result of a combination of savings not being delivered in 2024-25 (£26.2m) and other service related pressures (£9.2m).
- 2.3 The improvement in the position overall is largely as a result of the £9.9m underspend in the Children, Young People & Education (CYPE) directorate (£3.1m in Quarter 2). Home to School & College Transport costs have been lower, as a result of a concentrated, transformational review of the service, which has resulted in a greater proportion of children receiving a Personal Transport Budget (PTB) and lower costs of hired transport resulting from the successful retendering of contracts. This contributes to £8.6m of the CYPE underspend.
- 2.4 The Chief Executive's Department (£1.2m), Deputy Chief Executive's Department (£3.0m) and Non Attributable Costs (£7.0m) have maintained their underspend positions which partly mitigate the overspends reported in Adult Social Care & Health (£35.4m), Growth, Environment & Transport (£6.3m) and Corporately Held Budgets (£2.6m).

3. **Mitigating the Forecast Overspend**

3.1 There are a number of factors to consider in response to the forecast overspend:

- Understanding the drivers for the overspend, particularly in the Adult Social Care & Health (ASCH) directorate
- Actions being taken this year to manage the forecast overspend in ASCH
- Actions being taken elsewhere in the Council to offset the overspend

3.2 The rest of this section takes these factors in turn.

3.3 The financial challenges facing the Council are similar to many upper-tier local authorities. As mentioned in the previous Quarter's monitoring report, the annual survey conducted by the Association of Directors of Adult Social Services (ADASS) indicated that 81% of councils are on course to overspend on their adult social care budget in the current financial year. The ASCH directorate has a forecast net overspend of +£35.4m, of which £26.2m relates to savings which are unable to be delivered in 2024-25 and £9.2m of the overspend relates to other service-related pressures. The drivers of cost are not simply a matter of additional demand, reflected through an increased number of clients. The absolute increase in client numbers requiring support remains relatively modest. The increase in spending is largely driven by increases in the costs (both complexity and inflationary) of new social care placements with providers. The savings that are currently forecast not to be delivered in 2024-25 are largely due to be delivered in subsequent years and this is built into the revenue draft budget for 2025-26, alongside a consideration of the robustness and deliverability of these savings.

3.4 None of this detracts from the need to take action within the ASCH directorate to reduce the forecast in-year overspend, as far as is possible. Panels remain in place to ensure that social care need is being met in the most cost effective manner and the role and effectiveness of these panels is being reviewed by senior management. External consultants continue to work closely with ASCH front line staff to identify more effective practice that will deliver cashable savings and reduce the forecast overspend trajectory. There is work to bolster multi-disciplinary decision-making and to maximise

enabling and preventative interventions designed to reduce cost through stemming demand and improving more cost effective practice. A rapid review of current savings plans has been undertaken to identify where savings may be accelerated and where new savings may at least partly offset the overspend in this financial year. There is also work being undertaken on reablement and therapies, designed to test whether a short period of intensive support and intervention will lead to better outcomes and cashable savings, supporting clients to be more independent. All of these activities are consistent with the objective of delivering New Models of Care and Support within Framing Kent's Future.

- 3.5 As is noted in Sections 2.3 and 2.4 above, the rest of the Council is generally underspending, which partly offsets the overspend in ASCH. In GET, actions are being taken to reduce spend, but the overspend is largely due to the national English National Concessionary Travel Scheme, Waste Facilities & Recycling Centres and Highway Asset Management.
- 3.6 Throughout the organisation spending controls remain in place. For example, specific levels of approval continue to be required for any recruitment activity. Requisitions are reviewed for appropriateness and compliance with spending control requirements. This should all contribute towards further reducing the overspend.
- 3.6 It is essential that these additional actions, alongside the delivery of our MTFP savings, continue as we move towards the end of the financial year. This will help minimise the need for a drawdown from reserves at year end, which would otherwise weaken the Council's financial resilience. The impact on reserves can be seen in Section 7 of the report.

4 Other Factors

- 4.1 Schools' Delegated budgets are reporting an overspend of +£30.4m. This reflects the impact of high demand for additional SEN support and greater demand for specialist provision. In 2022-23, the Council entered the DfE's Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery. This includes annual funding from the DfE, totalling £140m by 2027-28 to pay off part of the deficit but only if the Council can demonstrate and deliver a credible plan. Over the same period the Council is also expected to contribute towards the residual deficit estimated to total over £80m.
- 4.2 There is a savings target of £111.2m (excluding changes in grant income and the removal of one-off or undelivered savings in previous years). Currently, £80.3m of savings are forecast to be achieved.
- 4.3 The forecast outturn capital position is a real overspend of £12.9m and a rephasing variance of -£124.5m, so a net underspend of £111.6m.

4. Recommendation(s)

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- b) NOTE the forecast overspend on Schools' Delegated Budgets of £30.4m.
- c) NOTE the forecast capital underspend of £111.6m.

d) NOTE the progress on the delivery of savings.

e) AGREE the Capital budget changes.

f) NOTE the Reserves, Treasury Management and Prudential Indicators Monitoring

5. Contact details

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