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To: County Council – 16 November 2023

Subject: Securing Kent's Future – Budget Recovery Strategy

Classification: Unrestricted

Summary:

This paper prefaces and revisits some elements of the report considered and approved by Cabinet on 5 October (appendix 1). The purpose of the item is to bring the Budget Recovery Strategy to Members' attention and to ensure that all Members are sighted on the materiality of the contents of that report given their role in budget setting, oversight and scrutiny.

It is also necessary for Council to consider the strategic position in relation to *Securing Kent's Future*, notably the requirement to consider and determine how the current Strategic Statement, *Framing Kent's Future*, is to be managed in the context of the significant financial challenge now facing the Authority.

The full details considered by Cabinet are presented for Council's awareness and it is here highlighted that the priority outlined in *Securing Kent's Future* is the need to return the Council to financial stability.

Recommendations: Council is asked to:

- a) NOTE the Cabinet Report on *Securing Kent's Future*.
- b) NOTE Cabinet's agreement to all recommendations on 5 October 2023.
- c) NOTE, in particular, the points raised in the Cabinet report relating to KCC delivering the Best Value statutory duty, and the requirement for Best Value considerations to be evidenced in all service, policy, and budgetary decisions at all levels of the council.
- d) NOTE the four objectives outlined for *Securing Kent's Future* and the intention to develop *Securing Kent's Future* as the Strategic Business Plan 2024/25.
- e) AGREE that the Strategic Statement (*Framing Kent's Future*) is to be managed and interpreted in the context of *Securing Kent's Future* (Budget Recovery Strategy).

- f) AGREE to formalise the prioritisation of the 'New Models of Care' objective within the strategic statement, *Framing Kent's Future* as the council's primary objective to meet its Best Value duties.

1. Introduction:

1.1 The aim of the Cabinet paper was to outline:

- The background regarding the financial pressures facing KCC
- Why the Council must prioritise the Best Value statutory duty
- An analysis of the cost drivers on the Council budget
- The four objectives that will underpin 'Securing Kent's Future'
- The consequential risks to the Council and how these will be managed
- Roles and responsibilities between Executive Members, Non-Executive Members and Chief Officers regarding the successful delivery of *Securing Kent's Future*

1.2 The report presented to Cabinet was part of an iterative programme of work necessary to address the financial and service delivery challenge. As part of the Executive responsibility for developing and managing the Council budget, Cabinet has taken the relevant action to agree the broad strategic approach to responding to the challenge, recognising the operational activity already undertaken by the Corporate Management Team (CMT).

1.3 Full Council is responsible for agreeing the annual budget for the Authority, which is first developed by the Executive. Management of the budget and the decision-making in relation to the policies and strategies that determine the delivery of Council services remain the responsibility of the Executive. It was therefore appropriate that Cabinet first considered and determined the policy position and strategic direction of the budget recovery programme before bringing the issue to Full Council.

2. Framing Kent's Future – Prioritising 'New Models of Care and Support' and general consideration of Strategic Statement in the context of Securing Kent's Future

2.1 As part of this item, Council is asked to consider and determine the position in relation to the Strategic Statement. As with the Budget, Full Council is responsible for approving the Strategic Statement as part of what is called the Policy Framework. Importantly, our governance defines that development and implementation of the Statement is the responsibility of the Executive. This is evidenced through the requirement for Executive Decisions to indicate how they align and deliver against the Strategic Statement. This can include explaining where a decision supports some priorities more so than others, recognising that meeting the wide array of responsibilities and duties held by the Authority is not always easily compatible under these conditions of severe financial restraint with all the positive ambitions set out in *Framing Kent's Future*.

2.2 In May 2022 the County Council approved 'Framing Kent's Future' the strategic statement for the council. This set out four priorities for KCC over the period 2022-26, including:

- Levelling Up Kent
- Infrastructure for Communities
- Environmental Step Change
- New Models of Care and Support

2.3 It is important to highlight that while *Framing Kent's Future* did recognise the financial challenge facing the Council in relation to COVID-19 and its impact on the global economy, the Cabinet paper sets out in more detail that the Strategic Statement was approved before the additional pressures of long-term inflation and other economic and workforce challenges became clear. The situation facing the Council is substantively different from that at the time *Framing Kent's Future* was agreed. On that basis, it is necessary for Council to consider how this can be managed.

2.4 Cabinet took the decision on 5 October to require, at an operational level, that all Directorates would prioritise the 'New Models of Care and Support' objective as a collective enterprise. This decision does not dismiss the importance of the other objectives, ambitions and priorities set out in *Framing Kent's Future*, but it is a key part of taking appropriate actions to focus the Council's limited resources on vital service delivery and work designed to make the cost of these services more manageable and sustainable.

2.5 This paper highlights the need for Council to agree whether this re-prioritisation can be formalised in terms of the approved management of the Strategic Statement. As set out in the Cabinet report, the re-prioritisation does not mean that all work on the other priorities within *Framing Kent's Future* will cease. However, as indicated above and noted earlier in this report, the delivery of *Securing Kent's Future* will require the progression of a range of decisions, policy choices and savings initiatives.

2.6 Both the Executive making the relevant decisions and the Officers responsible for developing options, business cases, advice and eventual implementation/operational delivery of these decisions require agreement and confirmation from Council that compliance with the Strategic Statement will be viewed in the context of the significant financial challenge and the required approach to responding to this, as detailed in *Securing Kent's Future*.

2.7 In practical terms, this means Council agreeing that where activity and decisions can be clearly shown to support the delivery of *Securing Kent's Future*, without significant material negative impact on the priorities and ambitions detailed in *Framing Kent's Future*, this will be deemed as being in accordance with the Strategic Statement.

3. Why the Council must prioritise its Best Value statutory responsibility:

- 3.1 The Cabinet report detailed the key issues relating to the Authority's Best Value duty and the impact of an expanded legislative framework within which the Council must operate. This paper highlights the need for this issue to be duly considered and taken into account as part of the prioritisation of activity and spend against the Strategic Statement.
- 3.2 Council is asked to carefully review section 4 of the Cabinet report 'Why the Council must prioritise its Best Value statutory responsibility' and note the significant challenges highlighted and in particular take account of the principle that without financial sustainability it will be impossible for this or any other council to deliver sustainable services. This emphasises that the need to bring the budget into line and prepare a sustainable plan has to be the primary objective of the Council, as it is a critical pathway to meeting any of its other obligations.
- 3.3 For ease of reference and to highlight the point further, the key point on this matter from the Cabinet report is set out below:

“4.2 The statutory Best Value duty must frame all financial, service and policy decisions from this point forward, and services must pro-actively evidence the best value considerations in all decisions. Without ensuring best value, we will not be capable of meeting our wider statutory duties, and the services which flow from them, upon which our residents rely.”

4. Securing Kent's Future – Four strategic objectives:

- 4.1 The key objectives set out in *Securing Kent's Future* are set out below. The detail on these is provided in the Cabinet paper. They are outlined here for reference to support the recommendation asking Council to note these objectives.

Objective 1: Bringing the 2023/24 budget back into balance:

Objective 2: Delivering savings from identified opportunity areas to set a sustainable 2024/25 budget and MTFP

Objective 3: Policy choices and scope of Council's ambitions

Objective 4: Further transforming the operating model of the Council:

5. Governance, Assurance & Audit:

- 5.1 The Cabinet paper sets out provisional arrangements to embed appropriate governance, assurance and audit processes to support and manage *Securing Kent's Future*. These recognise the need to ensure the relevant business as usual governance processes are observed and understood but balanced with consideration of the pace of change required. The risk of accelerated activity, including significant change when responding to major challenges is always

that due process can fall by the wayside, with the end target of a sustainable budget being sought at any cost.

- 5.2 The Cabinet paper made clear that this risk had been recognised and would be managed appropriately and this paper seeks to provide Council with an assurance that due process and good governance, including substantive overview and scrutiny activity, are key parts of the plan for delivering *Securing Kent's Future*.
- 5.3 For example, the Scrutiny Committee is due to consider *Securing Kent's Future* on 1 November. A key feature of this process will be supporting the development of a work programme that focuses on *Securing Kent's Future*. In addition to this specific item, the Scrutiny Committee powers in relation to scrutinising any actions or decisions taken by the Council (executive and non-executive) remain in force, in accordance with relevant legislation. Alongside this Scrutiny activity, Governance & Audit will be receiving relevant updates from Audit in terms of any changes to the planned audit workstreams required as a result of *Securing Kent's Future*.

6. Latest Financial Position:

- 6.1 The administration's initial draft revenue budget 2024-25 and medium-term financial plan 2024-27 will be published on 30th October for scrutiny by Cabinet Committees in November as originally planned. This timeline was planned before the challenge of further significant revenue overspends reported in the quarter 1 budget monitoring for 2023-24 as reported to Cabinet on 17th August and 5th October 2023.
- 6.2 The actions set out in the "Securing Kent's Future – Budget Recovery Plan" report at the 5th October Cabinet are essential to address the scale of the challenge from the overspends outlined in the recovery plan appendix. There is still a gap in the initial draft budget which needs to be resolved in the final draft published in January. The gap is within the range predicted in the report although adjustments continue in line with changing projections.

7. Next Steps:

- 7.1 Cabinet agreed the plan to progress the delivery of *Securing Kent's Future* through the council Strategic Business Plan 2024/25 alongside enhanced financial monitoring and reporting.
- 7.2 Where substantive policy choices are necessary to implement activity identified via *Securing Kent's Future*, these will be progressed through the normal Executive Decision process with all associated governance stages. Members will have opportunities to scrutinise the decisions.
- 7.3 As noted in section 6, Members will be aware that the Budget Development process has been brought forward this year, with the draft budget being presented to the November meeting cycle. Cabinet Committees will be asked to consider the draft budget and make comments or recommendations in those

areas within their portfolios. Following this, the Scrutiny Committee will undertake its Strategic budget consideration in December. All feedback will be duly considered by the Executive as it progresses the budget development process in advance of the draft budget being presented for consideration and decision by Full Council in February 2024.

7.4 Prior to the finalisation of the draft budget and eventual decision by Full Council, as this paper has sought to emphasise, an enormous amount of work is required by the Council to put the appropriate arrangements in place to bring this year's budget into line and allow for reasonable planning of a sustainable financial plan going forward.

8. Recommendations:

- a) NOTE the Cabinet Report on *Securing Kent's Future*.
- b) NOTE Cabinet's agreement to all recommendations on 5 October 2023.
- c) NOTE, in particular, the points raised in the Cabinet report relating to KCC delivering the Best Value statutory duty, and the requirement for Best Value considerations to be evidenced in all service, policy, and budgetary decisions at all levels of the council.
- d) NOTE the four objectives outlined for *Securing Kent's Future* and the intention to develop *Securing Kent's Future* as the Strategic Business Plan 2024/25.
- e) AGREE that the Strategic Statement (*Framing Kent's Future*) is to be managed and interpreted in the context of *Securing Kent's Future* (Budget Recovery Strategy).
- f) AGREE to formalise the prioritisation of the 'New Models of Care' objective within the strategic statement, *Framing Kent's Future* as the council's primary objective to meet its Best Value duties.

Appendices:

- Appendix 1: Securing Kent's Future – Budget Recovery Strategy (Cabinet Report)
- Appendix 2: Securing Kent's Future – Cabinet report Appendix – Financial Recovery Plan

Background Papers:

- Cost Driver Assessment by Kent Analytics Service, Corporate Board,
- Securing Kent's Future – Budget Recovery Strategy & Financial Reporting, KCC Cabinet, 17 August 2023

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