

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

To: Cabinet, 25 January 2024

Subject: Revenue and Capital Budget Monitoring Report – November 2023-24

Classification: Unrestricted

Summary:

The attached report sets out the revenue and capital budget monitoring position as at November 2023-24.

Recommendation(s):

Cabinet is asked to:

- a) NOTE the forecast Revenue position.
- b) NOTE the management action of £32.1m identified to bring the Council to a balanced position.
- c) NOTE the projected Schools' monitoring position of £15.4m overspend
- d) NOTE the progress on the delivery of £65.3m savings
- e) NOTE the implementation of more stringent spending controls

1. Introduction

- 1.1 The November 2023-24 budget monitoring report being presented sets out the revenue forecast position.

2 Revenue Budget Monitoring Report – November 2023-24

- 2.1 The attached report sets out the overall forecast position as at 30 November 2023-24, which is a revenue overspend of +£32.1m before management action. The overspend continues to derive from a combination of higher than budgeted spend (due partly to rate of inflation not declining as quickly as forecasts on which the budget was based and increases in unit costs in key services over and above inflation for a number of other economic and legislative reasons) and under delivery of savings plans. The unbudgeted cost increases are still the most significant factor.
- 2.2 2023-24 continues to be an extremely challenging time for local government and KCC is no exception. The latest revenue forecast outturn position for 2023-24 before further management action is an overspend of £32.1m (excluding schools). The forecast overspend represents 2.4% of the revenue budget and continues to present a serious and significant risk to the Council's financial sustainability. Within the overall outturn position there are still significant forecast overspends in Adult Social Care & Health totalling £29.7m, and in Children's, Young People and Education totalling £29.5m before management action. Planned management action has been identified to bring the forecast outturn to within budget by the end of the financial year.

- 2.3 Whilst the overall forecast before management action has reduced by £3.5m since the last report (providing evidence that spending restraint and management action is starting to have an impact) there continue to be inevitable movements in the forecast due to variations from previous cost increase/demand forecasts that obscure the picture, particularly in adults and children's. The latest forecast impact of management action in adult social care shows the amounts from actions have now been delivered and reflected in the revised forecast (albeit partially offset by higher cost/activity forecast), the amounts still expected to be achieved before the end of the year (including new amounts), and the amount that is now considered unachievable. The most significant of the unachievable actions are the amounts from collaborative working with NHS and maximising placements with framework care providers. We are now close to the point where changes in adult social care forecasts cannot be offset by curtailing non committed spend across the rest of the organisation (despite the introduction of more stringent spending controls) and alternative solutions to balance 2023-24 may be needed including use of reserves.
- 2.4 The Schools' Delegated budgets are reporting an overspend of +£15.4m. This reflects the impact of high demand for additional SEN support and greater demand for specialist provision. In 2022-23 the Council entered into a "Safety Valve" agreement with the Department for Education (DfE) and the accumulated DSG deficit will reduce from an estimated £174m to £73m as at 31st March 2024 as a result of contributions from the Council and DfE. The forecast overspend is within the agreed plan with DfE for the cumulative deficit as outlined in the Safety Valve agreement.

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- d) NOTE the progress on the delivery of £65.3m savings
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4. Contact details

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