

# Finance Monitoring Report

As at June 2024-25 – Quarter 1



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

---

To Cabinet – 26 September 2024

---

Unrestricted

## Contact Details

|                                    |              |               |  |
|------------------------------------|--------------|---------------|--|
| Interim Corporate Director Finance | John Betts   | 03000 410 066 | <a href="mailto:john.betts@kent.gov.uk">john.betts@kent.gov.uk</a>     |
| Head of Finance Operations         | Cath Head    | 03000 416 934 | <a href="mailto:cath.head@kent.gov.uk">cath.head@kent.gov.uk</a>       |
| Acting Chief Accountant            | Joe McKay    | 03000 419 601 | <a href="mailto:joe.mckay@kent.gov.uk">joe.mckay@kent.gov.uk</a>       |
| Capital Finance Manager            | Jo Lee       | 03000 416 939 | <a href="mailto:joanna.lee@kent.gov.uk">joanna.lee@kent.gov.uk</a>     |
| Capital Finance Manager            | Julie Samson | 03000 416 950 | <a href="mailto:julie.samson@kent.gov.uk">julie.samson@kent.gov.uk</a> |

# Contents

|  |    |
|--|----|
| 1   Introduction and Headlines .....                                 | 4  |
| 2   Recommendations .....  | 4  |
| 3   Revenue Budget Forecast .....                                    | 5  |
| 3a   Adult Social Care & Health including Public Health .....        | 6  |
| 3b   Children, Young People & Education .....                        | 10 |
| 3c   Growth, Environment & Transport .....                           | 12 |
| 3d   Chief Executive's Department .....                              | 16 |
| 3e   Deputy Chief Executive's Department .....                       | 17 |
| 3f   Non Attributable Costs including Corporately Held Budgets ..... | 18 |
| 3g   Schools' Delegated Budgets .....                                | 19 |
| 4   Revenue Budget Savings .....                                     | 24 |
| 4a   Adult Social Care & Health Savings .....                        | 26 |
| 4b   Growth, Environment & Transport Savings .....                   | 28 |
| 4c   Corporately Held Budgets Savings .....                          | 28 |
| 4d   Alternative Savings .....                                       | 29 |
| 5   Revenue Budget Changes .....                                     | 30 |
| 5a   Adult Social Care & Health Virements .....                      | 31 |
| 5b   Growth, Environment & Transport Virements .....                 | 33 |
| 6   Capital Budget Forecast .....                                    | 34 |
| 6a   Adult Social Care & Health .....                                | 35 |
| 6b   Children, Young People & Education .....                        | 35 |
| 6c   Growth, Environment & Transport .....                           | 37 |
| 6d   Chief Executive's Department .....                              | 40 |
| 6e   Deputy Chief Executive's Department .....                       | 40 |
| 7   Capital Budget Changes .....                                     | 41 |

8 | Reserves Monitoring .....43  
9 | Treasury Management Monitoring .....45  
10 | Appendices .....50

# 1 | Introduction and Headlines

This report provides an update on the Council's revenue and capital financial position as at June 2024-25 (Quarter 1). The report also provides detail on the progress on the delivery savings in the 2024-25 revenue budget, revenue and capital cash limit changes made between April and June 2024, and monitoring updates for Treasury Management, Prudential Indicators and Reserves.

- The Council is forecasting a revenue overspend of £16.3m (excluding schools)
- Schools' Delegated Budgets are forecasting a £23.1m overspend
- The Council has a savings target of £111.2m (excluding changes in grant income and the removal of one-off or undelivered savings in previous years). Currently, £96.3m of savings are forecast to be achieved
- The Council is forecasting a real variance of £7.7m and a rephasing variance of -£63.1m on the capital programme, so a net underspend of £55.4m

# 2 | Recommendations

|     |   |  |
|-----|---|--|
| 2.1 | Note the forecast revenue overspend of £16.3m (excluding Schools)   | Please refer to Section 3                |
| 2.2 | Note the forecast overspend on Schools' Delegated Budgets of £23.1m | Please refer to Section 3g               |
| 2.3 | Note the forecast capital underspend of £55.4m                      | Please refer to Section 6                |
| 2.4 | Consider and note the progress on the delivery of savings           | Please refer to Section 4                |
| 2.5 | Note and agree the Revenue budget changes                           | Please refer to Section 5 and Appendix 3 |
| 2.6 | Note and agree the Capital budget changes                           | Please refer to Section 7                |
| 2.7 | Note the Reserves Monitoring  | Please refer to Section 8                |
| 2.8 | Note the Prudential Indicators Monitoring                           | Please refer to Appendix 4               |

### 3 | Revenue Budget Forecast

The forecast revenue outturn position is an overspend of +£16.3m (excluding schools), which represents 1.1% of the revenue budget.

Overspends are being reported in Adult Social Care & Health (+£16.5m), Children, Young People & Education (+£0.1m), Growth Environment & Transport (+£6.2m) and Corporately Held Budgets (+£2.3m). Underspends are being reported in Chief Executive’s Department (-£0.9m), Deputy Chief Executive’s Department (-£0.9m) and Non Attributable Costs (-£7.1m). The report details Key Service Line variances by Directorate. Schools’ Delegated Budgets is currently forecasting an overspend of £23.1m.

Delivery of savings is a crucial component of the Council’s forecast position for 2024-25 and the forecast currently indicates that savings of £96.3m will be delivered. The Strategic Reset Programme (SRP) Team is monitoring savings working alongside the Directorates, Finance Business Partners and performance and analytics. Non delivery of these savings will have a significant impact on future years’ budgets.

As per usual practice, revenue budget changes processed between April and June 2024 have been included as an Appendix in this report and require Cabinet approval. Future revenue budget virements will be signed off by the relevant Corporate Director and Cabinet Member.

All figures in £m

| Directorate                         | Revenue Budget | Revenue Forecast | Revenue Variance | % Variance   |
|-------------------------------------|----------------|------------------|------------------|--------------|
| Adult Social Care & Health          | 585.9          | 602.5            | +16.5            | +2.8%        |
| Children, Young People & Education  | 430.6          | 430.7            | +0.1             | +0.0%        |
| Growth, Environment & Transport     | 202.9          | 209.2            | +6.2             | +3.1%        |
| Chief Executive’s Department        | 30.3           | 29.4             | -0.9             | -3.0%        |
| Deputy Chief Executive’s Department | 82.2           | 81.3             | -0.9             | -1.1%        |
| Non Attributable Costs              | 102.8          | 95.7             | -7.1             | -6.9%        |
| Corporately Held Budgets            | -2.4           | -0.1             | +2.3             | +96.8%       |
| <b>Directorates Position</b>        | <b>1,432.3</b> | <b>1,448.6</b>   | <b>+ 16.3</b>    | <b>+1.1%</b> |
| Schools’ Delegated Budgets          | 0.0            | 23.1             | +23.1            |              |
| <b>Overall Position</b>             | <b>1,432.3</b> | <b>1,471.7</b>   | <b>+39.4</b>     |              |

### 3a | Adult Social Care & Health including Public Health

All figures in £m

|   | Revenue Budget | Revenue Forecast | Revenue Variance |
|---|----------------|------------------|------------------|
| Adult Social Care & Health Operations         | 524.5          | 557.7            | +33.2            |
| Strategic Management & Directorate Budgets    | 39.2           | 21.4             | -17.8            |
| Strategic Commissioning (Integrated & Adults) | 22.2           | 23.4             | +1.1             |
| Public Health                                 | 0.0            | 0.0              | 0.0              |
| <b>Total</b>                                  | <b>585.9</b>   | <b>602.5</b>     | <b>+16.5</b>     |

The Adult Social Care & Health directorate has a forecast net overspend of £16.5m, of which £13.7m relates to savings which are unable to be delivered in 2024-25. £2.8m of the overspend relates to other service related pressures.

Details of the significant variances are shown on the following page. Savings monitoring for Adult Social Care & Health including Public Health is in Section 4a.

All figures in £m

| Key Service  | Revenue Budget | Revenue Forecast | Revenue Variance | Summary   | Detail   |
|--|----------------|------------------|------------------|---|--|
| Older People - Residential Care Services             | 97.5           | 105.9            | +8.4             | Pressure from slippage in savings programme   | <p>+£5.9m pressure on this service line relates to slippage in savings activity.</p> <p>Other pressures on this service line include a +£1.4m increase in contributions to the provision for bad and doubtful debts, +£1.5m from costs relating to the previous financial year due to additional backdated client activity above the level budgeted, and +£0.6m from forecast pressure relating to client activity.</p> <p>Pressures on this service line have been offset by -£1.0m released from centrally held funds for prices</p> |
| Adult Mental Health - Community Based Services       | 21.2           | 28.2             | +7.0             | Activity and price pressures beyond budgeted levels, and slippage in savings programme. | <p>+£3.9m pressure relates to more people receiving supported living care packages, including an increase in average hours provided per person to meet more complex needs.</p> <p>Other pressures include +£3.5m from slippage in savings activity.</p> <p>The above pressures are offset by -£0.3m released from centrally held funds.</p>  |
| Older People - Community Based Services              | 35.4           | 39.3             | +3.9             | Activity and price pressures beyond budgeted levels                                     | <p>+£4.4m pressure relates to homecare services where there has been an increase in the average number of hours of support provided.</p> <p>Other pressures include +£0.8m from savings which are no longer anticipated to be achieved, and a +£0.5m increase on contributions to the provision for bad and doubtful debts.</p> <p>The above pressures are offset by forecast underspends across other older people community based services of -£1.1m and -£0.7m released from centrally held funds.</p>                              |
| Adult Physical Disability - Community Based Services | 32.9           | 36.0             | +3.1             | Increases in Supported Living care packages   | +£2.5m pressure relates to people receiving supported living services with higher cost packages, and +£0.7m overspend relates to pressures across other community services.  |
| Adult Learning Disability -                          | 127.1          | 130.1            | +2.9             | Increases in  | +£3.8m of the overspend relates to people receiving supported living   |

All figures in £m

| Key Service   | Revenue Budget | Revenue Forecast | Revenue Variance | Summary   | Detail  |
|---|----------------|------------------|------------------|---|---|
| Community Based Services & Support for Carers                   |                |                  |                  | Supported Living care packages                  | <p>services which is driven in the main by increased activity in terms of hours of support being provided.</p> <p>Other pressures include +£0.7m from savings which are no longer expected to be achieved, and +£0.1m from contributions to the provision for bad and doubtful debts.</p> <p>The above pressures are offset by -£0.8m released from centrally held funds and -£0.7m across other LD community based services.</p> |
| Adult Physical Disability - Residential Care Services           | 24.5           | 26.8             | +2.3             | Activity pressures beyond budgeted levels       | +£2.2m overspend relates to people accessing nursing and residential care services, with increases in activity exceeding budgeted levels.   |
| Older People - In House Provision                               | 15.8           | 17.5             | +1.7             | Service pressures on In House Residential Units | <p>+£1.5m relates to staffing pressures across Gravesham and Broadmeadow residential units, partly due to increasing staffing levels to maximise bed capacity and use of agency staff to provide additional capacity and cover for unplanned absences.</p> <p>+£0.2m from pressures across other In House Residential and Daycare service provision.</p>  |
| Community Based Preventative Services                           | 7.5            | 9.1              | +1.5             | Pressure from slippage in savings programme     | +£2.5m pressure from slippage in savings programme, offset by -£1m one-off contribution from Public Health towards mental health services delivered under the Live Well Kent contract.  |
| Adult Case Management & Assessment Services                     | 40.7           | 41.9             | +1.2             | Staffing pressures across front line services   | Pressure across front line social work teams and referral services due to reducing vacancy rates and use of agency staff, alongside funding pressures related to retaining and attracting social work staff, costs associated with early retirements following a service reorganisation, and additional posts recruited to drive service improvement and organisational change.   |
| Older People & Physical Disability Carer Support - Commissioned | 1.7            | 2.8              | +1.1             | Activity pressures beyond budgeted levels       | Increasing levels of activity and costs associated with carer respite   |



All figures in £m

| Key Service   | Revenue Budget | Revenue Forecast | Revenue Variance | Summary                         | Detail  |
|---|----------------|------------------|------------------|---------------------------------|---|
| Provision for Demographic Growth - Residential Based Services | 12.5           | 4.9              | -7.6             | Release of centrally held funds | This is the release of centrally held funds to partly offset pressures across ASCH operations |
| Provision for Demographic Growth - Community Based Services   | 15.8           | 6.1              | -9.6             | Release of centrally held funds | This is the release of centrally held funds to partly offset pressures across ASCH operations |

### 3b | Children, Young People & Education

All figures in £m

|   | Revenue<br>Budget | Revenue<br>Forecast | Revenue<br>Variance |
|---|-------------------|---------------------|---------------------|
| Education & Special Educational Needs                       | 125.5             | 128.5               | +2.9                |
| Integrated Children's Services (Operations and County Wide) | 300.8             | 297.9               | -2.9                |
| Strategic Management & Directorate Budgets                  | 4.3               | 4.4                 | +0.1                |
| <b>Total</b>  | <b>430.6</b>      | <b>430.7</b>        | <b>+0.1</b>         |

The Children, Young People & Education directorate is projected to be overspent by +£0.1m. This is formed from several significant compensating variances. Integrated Children's Services (Operations and Countywide) is forecasting a net underspend of -£2.9m, mainly related to an underspend on community based services for young adults with disabilities. Education & Special Educational Needs is forecasting a net overspend of £2.9m which relates to pressures on services for schools and Community, Learning & Skills.

Details of the significant variances are shown below:

All figures in £m

| Key Service   | Revenue Budget | Revenue Forecast | Revenue Variance | Summary   | Detail  |
|---|----------------|------------------|------------------|---|---|
| Community Learning & Skills (CLS)                                       | -0.1           | 0.8              | +0.9             | Reduction in fee income from September  | Funding rule changes for the new academic year are forecast to result in a reduction in fee income expected from September onwards, where the service is reorganising to meet the requirements of the Governments priorities for adult education services. Mitigating actions are being explored to reduce the impact of this.  |
| Other School Services   | 5.6            | 7.9              | +2.1             | Pressures arising from ensuring sufficient school places, higher number of school related redundancies and legal costs. | Delays in basic need projects have resulted in the continual use of more temporary accommodation to ensure sufficient school places are available (+£1.4m). In addition, a rise in the number of school reorganisations required to ensure schools remain financially sustainable is leading to an increase in requests for school based staff redundancy payments. Legal costs, related to schools including capital projects & academisation, are forecast to remain at a higher level in 2024-25 where costs previously charged to capital must now be charged to revenue, along with a general rise in costs. |
| Adult Learning & Physical Disability Pathway - Community Based Services | 46.7           | 44.6             | -2.1             | Underspends across most services  | Forecasting underspends across most community services, but mainly Supported living (-£1.5m) and Direct Payments (-£0.4m) due to lower than anticipated costs.  |

### 3c | Growth, Environment & Transport

All figures in £m

|  | Revenue Budget | Revenue Forecast | Revenue Variance |
|--|----------------|------------------|------------------|
| Environment & Circular Economy             | 97.3           | 99.9             | +2.5             |
| Growth & Communities                       | 31.3           | 30.9             | -0.4             |
| Highways & Transportation                  | 72.9           | 77.0             | +4.1             |
| Strategic Management & Directorate Budgets | 1.4            | 1.4              | 0.0              |
| <b>Total</b>                               | <b>202.9</b>   | <b>209.2</b>     | <b>+6.2</b>      |

The Growth, Environment & Transport Directorate is projected to be overspent by £6.2m. All services across the directorate will continue to review their staffing and spend levels to ensure only essential spend is incurred and income and activity levels will continue to be reviewed and reflected. The unavoidable pressures will be realigned in the MTFP.

Details of the significant variances are shown on the following page:

All figures in £m

| Key Service  | Revenue Budget | Revenue Forecast | Revenue Variance | Summary  | Detail   |
|--|----------------|------------------|------------------|--|--|
| English National Concessionary Travel Scheme (ENCTS) | 13.0           | 15.9             | +2.9             | Update to DfT Re-imburement Calculator                             | <p>In November 2024, the DfT announced changes to the re-imburement calculator for the ENCTS scheme. The changes to the calculator were based on updating a number of key re-imburement factors/inflation factors, that had not updated since the launch of the scheme. The impact of these changes is to raise the re-imburement level for ENCTS acceptance by a bus operator.</p> <p>KCC follows the DfT re-imburement calculator for the payment of ENCTS re-imburement to bus operators and this has presented a near £3m pressure.</p>  |
| Waste Facilities & Recycling Centres                 | 38.8           | 40.7             | +1.9             | Paused HWRC saving, unachievable compost saving and reduced income | <p>Part of the projected overspend is due to the proposed consultation on the review of HWRC sites (Waste) being delayed (+£0.5m). The overspend is the non-delivery of the 2023-24 part-year effect of the planned 2-year £1.5m budget reduction.</p> <p>In addition, there was a savings target from reuse and small business trade waste.</p> <p>With regards to the small business trade waste, we are unlikely to meet the full savings target for the following reasons:</p> <ol style="list-style-type: none"> <li>1. Regulatory and compliance – It is taking a significant amount of time to work with the Environment Agency allow us to get the licences for the disposal of commercial waste due to the limitations with regard to the size of our sites and the ability to segregate commercial waste from household waste. This limitation would have negative impacts to our performance, as we would have to record to DEFRA the incoming commercial waste as household waste. As there would be no way to separate this.</li> <li>2. There are, in addition to this, health and safety concerns with regards to mixing those disposing of commercial waste, with those disposing of household waste, as waste types and vehicles would be or a</li> </ol> |

|                           |      |      |      |
|---------------------------|------|------|------|
|                           |      |      |      |
|                           |      |      |      |
| Highway Assets Management | 38.7 | 39.7 | +1.1 |
| Residual Waste            | 52.6 | 53.0 | +0.4 |

commercial nature.

- Finally, there are concerns at the sites without weighbridges, that KCC may actually end up not making money, as we will not be able to charge for the weight and estimates will have to be made.

This small business trade waste is an ongoing project, as we try to mitigate the above concerns without putting the council at risk, meanwhile we continue to work with the waste transfer stations that are set up for this type of activity to increase the levels of income via this waste stream.

Some limited reuse activities have been delivered; however, the full reuse shop will not be delivered until the end of 2024/25, and so there will be a delay to achieving this saving target.

An overspend has arisen this year as a result (+£0.2m).

A budgeted saving to renegotiate the rate of a green waste contract is no longer possible as the contractor was taken over and the new owner declined the offer to renegotiate the contract. The saving is no longer deliverable (+£0.6m).

The emergency works to repair and replace jet fans in the Chestfield tunnel have required a contraflow to be put in place and the expense of this and other associated costs have resulted in an overspend (+£0.8m).

Pressures continue to be reported in Inspections and general maintenance across East/West Kent budgets with prices above budgeted inflation and increased works due to the condition of the network and necessary safety critical works (+£1.2m combined).

These overspends are partially offset by an underspend on Streetlight and Tunnels energy, due to a one-off rebate following the reconciliation of winter 23/24 usage plus confirmation of a reduced summer price for electricity (-£0.5m), as well as additional income (-£0.5m).

An overspend primarily resulting from additional tonnes

|                      |      |      |      |   |
|----------------------|------|------|------|---|
|                      |      |      |      | (+£1.2m) is offset by reduced prices for Allington Waste to Energy plant, as the contractual uplift based on April RPI was lower than the budgeted estimate (-£0.8m). |
| Community Protection | 12.0 | 11.8 | -0.2 | Variance is mainly due to an increase in income in Trading Standards from the Office for Product Safety and Standards (OPSS) for Ports and Borders work.              |

### 3d | Chief Executive's Department

All figures in £m

|   | Revenue Budget | Revenue Forecast | Revenue Variance |
|---|----------------|------------------|------------------|
| Commercial & Procurement                              | 3.1            | 3.0              | -0.1             |
| Finance   | 13.9           | 13.9             | 0.0              |
| Governance, Law & Democracy                           | 8.4            | 8.0              | -0.5             |
| Strategy, Policy, Relationships & Corporate Assurance | 5.6            | 5.6              | 0.0              |
| Strategic Management & Departmental Budgets           | -0.7           | -1.0             | -0.3             |
| <b>Total</b>  | <b>30.3</b>    | <b>29.4</b>      | <b>-0.9</b>      |

The Chief Executive's Department is projected to underspend by -£0.9m. Details of the significant variances are shown below:

All figures in £m

| Key Service                                 | Revenue Budget | Revenue Forecast | Revenue Variance | Summary  | Detail  |
|---|----------------|------------------|------------------|--|---|
| Local Member Grants                         | 1.0            | 0.5              | -0.5             | Currently uncommitted member grants                        | This underspend reflects current forecast activity. Members need to have committed spend by mid-November 2024 as this year precedes county Council elections in May 2025. |
| Strategic Management & Departmental Budgets | -0.7           | -1.0             | -0.3             | Additional internal overhead charge made to Public Health. | Revised internal overhead charge made to Public Health in line with policy and to align with Public Health forecast.  |



### 3e | Deputy Chief Executive's Department

All figures in £m

|  | Revenue Budget | Revenue Forecast | Revenue Variance |
|--|----------------|------------------|------------------|
| Corporate Landlord                           | 29.0           | 28.5             | -0.4             |
| Human Resources & Organisational Development | 5.4            | 5.2              | -0.2             |
| Infrastructure                               | 8.8            | 8.8              | 0.0              |
| Marketing & Resident Experience              | 6.9            | 7.0              | 0.0              |
| Technology                                   | 26.1           | 26.1             | 0.0              |
| Strategic Management & Departmental Budgets  | 5.9            | 5.6              | -0.3             |
| <b>Total</b>                                 | <b>82.2</b>    | <b>81.3</b>      | <b>-0.9</b>      |

The Deputy Chief Executive's Department is projected to underspend by -£0.9m. Details of the significant variances are shown below:

All figures in £m

| Key Service                                  | Revenue Budget | Revenue Forecast | Revenue Variance | Summary   | Detail   |
|--|----------------|------------------|------------------|---|--|
| Corporate Landlord                           | 29.0           | 28.5             | -0.4             | Utilities underspend due to reduced costs, in-year refunds and asset disposals. | Underspend due principally to change in asset base through disposals or change of use – together with in-year refunds for vacated sites. |
| Strategic Management & Departmental Support  | 5.9            | 5.6              | -0.3             | Vacancy management  | Majority of underspend due to holding vacancies pending decisions on timing of appointments to key posts                                 |
| Human Resources & Organisational Development | 5.4            | 5.2              | -0.2             | Increased recharges of Kent Graduate Scheme salaries                            | Underspend from increased recharges for KGP salaries; increased take up of salary sacrifice schemes leading to NI rebates; staffing      |

### 3f | Non Attributable Costs including Corporately Held Budgets

All figures in £m

|                          | Revenue Budget | Revenue Forecast | Revenue Variance |
|--------------------------|----------------|------------------|------------------|
| Non Attributable Costs   | 102.8          | 95.7             | -7.1             |
| Corporately Held Budgets | -2.4           | -0.1             | +2.3             |
| <b>Total</b>             | <b>100.4</b>   | <b>95.6</b>      | <b>-4.8</b>      |

The forecast underspend for Non Attributable Costs including Corporately Held Budgets is £4.8m. Details of the significant variances are shown below:

All figures in £m

| Key Service              | Revenue Budget | Revenue Forecast | Revenue Variance | Summary  | Detail  |
|--------------------------|----------------|------------------|------------------|--|---|
| Non Attributable Costs   | 102.8          | 95.7             | -7.1             | Higher income from investments & additional income from business rate compensation grant and business rates levies | <p>-£2.2m higher forecast income on investments (partially offset by higher interest payments to third parties), due to the base rate remaining at 5.25% and cash balances remaining robust. This also reflects a contribution to debt costs from the Home Office grant related to the new Unaccompanied Asylum Seeker reception centres.</p> <p>-£2.2m additional business rate compensation grant for freeze of multiplier and temporary discounts due to outturn information for 2023-24 (NNDR3) higher than the original estimate (NNDR1) on which budget and grant settlement was based</p> <p>-£2.6m additional share of retained business rates levies for 2022-23 and 2023-24 through business rates pool due to outturn higher than estimates used for year-end debtors.</p> <p>Both the -£2.2m and -£2.6m figures are provisional and could still change during the audit of the District Council accounts.</p> |
| Corporately Held Budgets | -2.4           | -0.1             | +2.3             | Undeliverable Savings  | +2.3m estimated saving from deep dives into contract renewals including consideration of reducing service levels or from routes to market. Any savings from these contract  |

renewals will be contained within the directorate forecasts and therefore allocating the saving would not reduce the overall forecast so cannot be presented as being delivered in Corporately Held Budgets.

### 3g | Schools' Delegated Budgets

The Schools' Budget reserves are initially forecast to end the financial year with a surplus of £57.7m on individual maintained school balances, and a deficit on the central schools' reserve of £89.3m. The total Dedicated Schools' Grant for 2024-25 is £1,769.6m and is forecast to overspend by £46.3m.

The balances of individual schools cannot be used to offset the overspend on the central schools' reserve and therefore should be viewed separately.

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. The tables below provide the overall position for the DSG in 2024-25 (table 1) and an overview of the movements on both the central schools' reserve and individual schools' reserves (table 2).

**Table 1 Dedicated Schools' Grant (DSG) 2024-25 Forecast Summary:**

| All figures in £m                  |                 |                  |                  |
|------------------------------------|-----------------|------------------|------------------|
| DSG Block                          | 2024-25 Budget* | 2024-25 Forecast | 2024-25 Variance |
| Schools' Block                     | 1,260.5         | 1,260.5          | 0.0              |
| High Needs Block                   | 342.7           | 389.0            | 46.3             |
| Early Years Block                  | 154.2           | 154.2            | 0.0              |
| Central Services to Schools' Block | 12.2            | 12.2             | 0.0              |
| <b>Total DSG 2023-24</b>           | <b>1,769.6</b>  | <b>1,815.9</b>   | <b>46.3</b>      |

\*Before recoupmnt and other DFE adjustments including additional funding from the Safety Valve Programme. Budgets include the impact of moving £15.2m from the Schools' block to the High Needs Block as agreed by the Secretary of State.

**Table 2: Overall Forecast Position for the Schools' Budget Reserves:**

|  | All figures in £m                                    |   |
|--|--|---|
|  | <b>Individual<br/>Maintained<br/>School Reserves</b> | <b>Central Schools'<br/>(DSG) Reserve</b> |
| Reserve Balance as at 1 <sup>st</sup> April 2024*  | 58.6   | -67.2                                     |
| <i>Forecast contribution to/(from) reserves:</i>   |  |   |
| Academy Conversions                                | -1.0   |   |
| Change in School Reserve Balances                  | 0.0  |   |
| Overspend on DSG 2023-24                           |  | -46.3                                     |
| Safety Valve: Local Authority Contribution         |  | 15.1                                      |
| Safety Valve: Payment from DfE                     |  | 9.0                                       |
| Reserve Balance as at 31 <sup>st</sup> March 2024* | 57.7   | -89.3                                     |

\*Positive figure is a surplus balance & negative balance is a deficit balance

In accordance with the statutory override implemented by the Ministry of Housing, Communities & Local Government (MHCLG), and in line with the Department for Education (DfE) and external auditors advice that local authorities cannot repay deficits on the DSG from the General Fund: any in-year central schools' (DSG) surpluses continue to form part of the main council reserves, whilst any in-year deficit balances are held in a separate unusable reserve from the main council reserves (see Section 8). MHCLG have confirmed this statutory override will be in place until March 2026 whilst Councils implement recovery plans.

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 (plus £2m of project costs), 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. This has avoided having to identify £220m of savings across the SEN system. The DSG deficit is the Council's single biggest financial risk; therefore, the successful implementation of the Council's deficit recovery plan is critical. It is recognised, the Government's proposals to reform the SEND and alternative provision (AP) system to support a more sustainable high needs funding will not impact immediately and local actions are required.

In 2024-25, the Council is expecting to receive a further £9m from the DfE, the third tranche of the £140m safety valve commitment, with the Council required to contribute a further £14m from reserves. This additional funding, along with the extra funding from the DfE and the Council in 2022-23 will have reduced the accumulated deficit from an estimated £220m to £89.3m as at 31st March 2024.

**Key Issues**

**Details**

|  |  |
|--|--|
| Individual Maintained Schools Reserves                                     | <p>As at 31<sup>st</sup> March 2024, there were 294 maintained schools with a surplus reserve balance and 3 schools with a deficit reserve balance. Maintained Schools are required to submit a six &amp; nine-month monitoring return each financial year and these forecasts will be reported in future reports. The Council commissions The Education People to support Schools with their recovery plans.</p> <p>This forecast includes 2 schools converting to academy status during 2024-25. When a maintained school converts to an academy status, the council is no longer responsible for holding the schools' reserve and the school's remaining school balance is either transferred to the academy trust, or in the case of a deficit, may have to be retained and funded by the Council depending on the type of academy conversion.</p> |
| Schools' Block: No Variance  | <p>The Schools' Block funds primary and secondary core schools' budgets including funding for additional school places to meet basic need or to support schools with significant falling rolls. There is no significant variances forecast at this stage in the year.</p>  |
| Early Years Block: No Variance   | <p>The Early Years Block is used to fund early years' providers the free entitlement for eligible two, three and four-year olds, including the newly expanded offer for working parents for children from 9 months, along with the funding of some council led services for early years.</p> <p>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 under or overspends if activity is slightly lower or higher than expected. At this early stage in the year there are no variances reported.</p>  |
| High Needs Block: 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. Costs associated with the EHCP assessment and annual review process are met from the General Fund and are not included in this section of the report.</p>  |
| Safety Valve Payment & Local Authority Contribution.                       | <p>The in-year funding shortfall for High Needs placements and support in 2024-25 is +£46m due to a combination of continual higher demand for additional SEN support and higher cost per child resulting from continual demand for more specialist provision. The level of growth in spend is forecast to start slowing down during this year (in comparison to recent years, see table 3) as actions to support future financial sustainability are starting to be implemented. However, the impact of SEN transformation with greater proportion of children being supported in mainstream/post 16 settings, is being impeded by higher placements costs, driven by inflation and greater demand by schools for additional funding, along with delays in DfE lead special school builds.</p>  |
|  | <p>Many other councils are also reporting deficits on their high needs block, despite extra monies from the Government in recent years, resulting from significant increases in their numbers of EHCPs and demand for SEN services. However, the</p>   |

increases locally have been increasing at a significantly faster rate than other comparative councils and the council is placing a greater proportion of children in both special and independent schools compared to other councils, and a smaller proportion of children with SEND in mainstream schools. The impact of this is highlighted in national benchmarking data on the placement of children with SEN in Kent and our spend on High Needs Block. The tables below detail the trend in both spend and number of HNB funded places or additional support across the main placement types.

**Table 3: Total Spend on High Needs Block by main spend type**

|   | All figures in £m |            |            |            |            |
|---|-------------------|------------|------------|------------|------------|
|   | 2020-21           | 2021-22    | 2022-23    | 2023-24    | 2024-25    |
| Maintained Special School               | 106               | 123        | 137        | 151        | 160        |
| Independent Schools                     | 49                | 60         | 68         | 76         | 80         |
| Mainstream Individual Support & SRP* ** | 46                | 54         | 61         | 65         | 71         |
| Post 16 institutions***                 | 17                | 19         | 21         | 24         | 24         |
| Other SEN Support Services              | 46                | 43         | 48         | 49         | 49         |
| <b>Total Spend</b>                      | <b>264</b>        | <b>299</b> | <b>334</b> | <b>365</b> | <b>384</b> |
| Rate of increase in spend               | -                 | 13%        | 10%        | 11%        | 5%         |

**Table 4: 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**

|                                      | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Maintained Special School            | 5,118   | 5,591   | 6,019   | 6,382   | 6,591   |
| Independent Schools                  | 1,126   | 1,348   | 1,485   | 1,620   | 1,623   |
| Mainstream Individual Support & SRP* | 4,510   | 5,258   | 5,772   | 6,496   | 6,891   |

|                               |               |               |               |               |               |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Post 16 institutions***       | 1,281         | 1,453         | 1,569         | 1,665         | 1,700         |
| <b>Total Number of Pupils</b> | <b>12,035</b> | <b>13,650</b> | <b>14,845</b> | <b>16,163</b> | <b>16,805</b> |

**Table 5: Average cost of pupils funded from the HNB and receiving individualised SEN Support or placement cost.**

|   | £s per pupil |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | <b>20-21</b> | <b>21-22</b> | <b>22-23</b> | <b>23-24</b> | <b>24-25</b> |
| Maintained Special School               | £20,629      | £21,648      | £22,640      | £23,587      | £24,252      |
| Independent Schools                     | £43,734      | £44,799      | £44,911      | £46,894      | £49,259      |
| Mainstream Individual Support & SRP* ** | £10,294      | £10,245      | £10,578      | £10,051      | £10,345      |
| Post 16 institutions***                 | £13,309      | £13,090      | £12,927      | £14,565      | £14,184      |

\*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)

The Safety Valve agreement, sets out the key actions the Council intends to take to achieve a positive in-year balance on its central schools' DSG reserve by the end of 2027-28 and in each subsequent year. The actions are aligned with our strategy to support improvements across the SEN system in response to the SEN Improvement Notice through the delivery of the Accelerated Progress Plan. The impact of these actions will not be immediate and will take several years to be fully embedded.

## 4 | Revenue Budget Savings

The 2024-25 budget included the requirement to deliver savings and additional income of £81.9m. A further £17.4m of undelivered savings from the previous year are included in the 2024-25 Savings Target, increasing the total requirement to £99.3m.

This Savings section does not include changes to Grant Income of £7.2m or the removal of one-off or undelivered savings in previous years of £4.6m bringing the total savings target for 2024-25 to £111.2m.

The 2024-25 budget also had significant growth. Council Tax and other general funding in the approved budget went into adult social care, children's social care and home to school transport. Adults received their share of targeted grants and Council Tax plus a share of general Council Tax and grants. Home to school transport and all other services are funded from general Council Tax and grants with no targeted funding.

At Quarter 1, £96.3m of savings are forecast to be delivered including £3.8m of alternative savings and £4.6m has been identified as undeliverable. Variances over £0.5m are reported by Directorate in this section with commentary. Where alternative savings have been identified (totalling £3.8m per the table below), details have been provided. A breakdown of all of the savings by Directorate is available in Appendix 2.



All figures in £m

| Directorate                         | 2024-25 Savings Target | Forecast against original saving | Forecast against alternative saving (ongoing) | Forecast against alternative saving (one-off) | Total Forecast | Variance    | Un-deliverable | To be achieved in future years |
|-------------------------------------|------------------------|----------------------------------|---|---|----------------|-------------|----------------|--------------------------------|
| Adult Social Care & Health          | (66.9)                 | (52.1)                           | 0.0   | (2.3)   | (54.4)         | 12.4        | 0.5            | (15.5)                         |
| Children, Young People & Education  | (16.7)                 | (16.1)                           | 0.0   | (0.4)   | (16.5)         | 0.2         | 0.0            | (0.6)                          |
| Growth, Environment & Transport     | (8.7)                  | (6.4)                            | 0.0   | (0.5)   | (6.9)          | 1.8         | 1.8            | (0.5)                          |
| Chief Executive's Department        | (0.4)                  | (0.3)                            | 0.0   | (0.1)   | (0.4)          | 0.0         | 0.0            | (0.1)                          |
| Deputy Chief Executive's Department | (1.0)                  | (0.5)                            | 0.0   | (0.4)   | (1.0)          | 0.0         | 0.0            | (0.4)                          |
| Non Attributable Costs              | (14.5)                 | (16.3)                           | 0.0   | 0.0   | (16.3)         | (1.8)       | 0.0            | 0.0                            |
| Corporately Held Budgets            | (3.1)                  | (0.8)                            | 0.0   | 0.0   | (0.8)          | 2.3         | 2.3            | 0.0                            |
| <b>Total</b>                        | <b>(111.2)</b>         | <b>(92.5)</b>                    | <b>0.0</b>                                    | <b>(3.8)</b>                                  | <b>(96.3)</b>  | <b>14.9</b> | <b>4.6</b>     | <b>(17.2)</b>                  |

## 4a | Adult Social Care & Health Savings

All figures in £000s

|  | 2024-25 Savings Target  | Forecast against original saving | Forecast against alternative saving (ongoing) | Forecast against alternative saving (one-off) | Total Forecast | Variance | Un-deliverable | To be achieved in future years |
|--|---|----------------------------------|---|---|----------------|----------|----------------|--------------------------------|
| Alternate Provision Brand New Starts (DP)                            | -3,041.1  | -2,178.9                         | -   | -   | -2,178.9       | 862.3    | -              | -862.3                         |
|  | Evidence shows that new DP starters V's home care remains significantly below target, and the cost associated with receipt of direct payment are above modelling work previously completed. The last BRAG rated the savings in Amber so this is notable deterioration in confidence. Review of high levels plans to be concluded to inform how we will address low take up of direct payments.  |                                  |   |   |                |          |                |                                |
| Rehabilitation and Alternate Support for MH                          | -3,300.0  | -259.2                           | -   | -   | -259.2         | 3,040.8  | -              | -3,040.8                       |
|  | There is a lack of community rehab offer from KMPT with an offer only available in East Kent, which KCC cannot currently refer into. The development of a Transfer Hub is being looked into by KMPT with consultants reviewing those Clinically Ready for Discharge, and there might be opportunities for savings if KMPT community rehab services are part of that proposal.   |                                  |   |   |                |          |                |                                |
| Reduction in Residential and Nursing Placements                      | -2,900.0  | -2,175.0                         | -   | -   | -2,175.0       | 725.0    | -              | -725.0                         |
|  | Reducing the number of residential and nursing placements is providing an ongoing challenge to ASCH in the context of meeting an higher acuity of need, the central role short stays placements play in supporting effective hospital flow, and the absence of consistent night time support offers across all communities. At this time the evidence indicates that the plans do not provide high confidence that the savings target will be achieved and it is therefore believed that the savings target is rated red. Urgent plans to be developed around how we will ensure permanent care home placements are reduced through home first solutions that supports people to go home, timely reviews of all individuals in short stay beds, the use of technology to prevent new placements, and maximising the use of other forms of accommodation - shared lives, supported living, extra care. |                                  |   |   |                |          |                |                                |
| Partnership Working (Section 117)                                    | -2,200.0  | -171.4                           | -   | -   | -171.4         | 2,028.6  | -              | -2,028.6                       |
|  | The savings activity is reliant on the strategic conversations to take place to agree a 50/50 funding split. The plans currently forecast the agreement to be in place by January 2025, which means we might achieve some of the target from January 2025 onwards. Therefore, the remaining target is unlikely to be achieved within this financial year.   |                                  |   |   |                |          |                |                                |
| Efficiency Savings in relation to the purchasing of residential care | -8,000.0  | -4,000.0                         | -   | -   | -4,000.0       | 4,000.0  | -              | -4,000.0                       |

|   | 2024-25<br>Savings<br>Target   | Forecast<br>against<br>original<br>saving | Forecast<br>against<br>alternative<br>saving<br>(ongoing) | Forecast<br>against<br>alternative<br>saving<br>(one-off) | Total<br>Forecast | Variance | Un-<br>deliverable | To be<br>achieved in<br>future years |
|---|--|---|---|---|-------------------|----------|--------------------|--------------------------------------|
|   | We have segmented provider by cost & quality and are making clear that those in the lowest band on these factors are unlikely to receive offers of placements. The rate at which we use Res/Nursing care is a key factor in success as empty beds motivates providers to negotiate. This has motivated some off-framework providers to negotiate on price, but thus far they have only been willing to agree lower fees for new placements not existing ones. We need further work on capturing the benefit of this. There is a close relationship between success in this sector and the level of new placements. Whilst this has shown signs of plateauing it is not enough yet to drive the full savings. |   |   |   |                   |          |                    |                                      |
| Adult Social Care contracts with Voluntary Sector | -3,216.8   | -   | -   | -2,304.2  | -2,304.2          | 912.6    | -                  | -3,216.8                             |
|   | Cabinet Member agreement to postpone the decision to the next financial year 25/26, although one-off efficiencies across Vol Orgs contracts are expected for 24/25 which are offsetting the £3.2m pressure by -£965.0k.  |   |   |   |                   |          |                    |                                      |
|   | Public Health are also to provide an additional £1m in 24/25 to fund priority mental health services delivered under the Live Well Kent contract, in line with the PH grant conditions. This additional £1m is one-off funding for 24/25 only.   |   |   |   |                   |          |                    |                                      |
|   | Public Health to review towards the end of 24/25 the possibility of funding an additional £339.2k for community navigation services subject to Public Health's financial position (particularly in relation to its own transformation programme), other potential funding pressures and the expenditure meeting the PH grant conditions.   |   |   |   |                   |          |                    |                                      |
| Redesign of In House Adult Social Care Services   | -1,456.4   | -34.9                                     | -   | -   | -34.9             | 1,421.5  | -                  | -1,421.5                             |
|   | £34.9k to be achieved in 24/25 due to the closure of Blackburn Lodge.<br>Decision was taken for the remaining £1.4m to not be delivered through staffing within In-House Provider Services. The savings will be achieved through other channels and plans are in place, either by re-distributing throughout the Transformation & Efficiency group or as a separate piece of work.   |   |   |   |                   |          |                    |                                      |

## 4b | Growth, Environment & Transport Savings

All figures in £000s

| All figures in £m  | 2024-25 Savings Target | Forecast against original saving | Forecast against alternative saving (ongoing) | Forecast against alternative saving (one-off) | Total Forecast | Variance | Un-deliverable | To be achieved in future years |
|--|------------------------|----------------------------------|---|---|----------------|----------|----------------|--------------------------------|
| Review of green waste contract, with market analysis indicating a reduction in gate fee  | -621.0                 | -                                | -   | -   | -              | 621.0    | 621.0          | -                              |
| Plans in place to renegotiate the rate downwards whilst in contract but then the contractor was taken over and the new owner declined the offer to renegotiate the contract. Saving no longer deliverable and realignment requested in 25/26. Saving to be revisited upon expiry of contract (July 24) |                        |                                  |   |   |                |          |                |                                |

## 4c | Corporately Held Budgets Savings

All figures in £000s

| All figures in £m   | 2024-25 Savings Target | Forecast against original saving | Forecast against alternative saving (ongoing) | Forecast against alternative saving (one-off) | Total Forecast | Variance | Un-deliverable | To be achieved in future years |
|---|------------------------|----------------------------------|---|---|----------------|----------|----------------|--------------------------------|
| Part year impact of further discretionary policy decisions and deep dive into contract renewals with consideration of reducing service specifications   | -2,300.0               | -                                | -   | -   | -              | 2,300.0  | 2,300.0        | -                              |
| It is assumed that savings being achieved from these contract reviews will be contained within directorate forecasts and therefore allocating this Corporately Held saving to services would not reduce the overall forecast so cannot be presented as being delivered in CHB. £2.3m has been added back to remove this saving from the base budget in the 2025-28 MTFP refresh proposals |                        |                                  |   |   |                |          |                |                                |

## 4d | Alternative Savings

All figures in £000s

| Directorate  | Savings & Income Description   | Ongoing Impact | One-off Impact   | Total            |
|--------------|--|----------------|------------------|------------------|
| ASCH         | One-off additional funding contribution from Public Health towards priority mental health services of £1m and further potential funding towards community navigation services of £0.34m.<br>In addition to the above, commissioning are anticipating -£692.9k in on-going and -£272.1k in one-off efficiencies across Voluntary Organisation contracts for 24-25 | 0.0            | (2,304.2)        | (2,304.2)        |
| ASCH (PH)    | Saving achieved through the agreement of a contract adjustment with our NHS provider   | 0.0            | (9.2)            | (9.2)            |
| CYPE         | Forecast underspend on school's compliance testing. It will be wrapped up as part of wider changes to services to schools that is being processed in the MTFP  | 0.0            | (400.0)          | (400.0)          |
| GET          | Saving to be achieved by releasing a provision that was set up if there was an adverse impact on recycling rates if the IAA payments to four districts ceased  | 0.0            | (500.0)          | (500.0)          |
| CED          | Covered from underspend on the Empty Properties budget   | 0.0            | (82.5)           | (82.5)           |
| CED          | Covered from underspends within other Member service budgets   | 0.0            | (20.0)           | (20.0)           |
| DCED         | Shortfall on Office stream being off-set against over-recovery on Specialist and Community Asset workstreams. Future Assets should be viewed as a whole programme  | 0.0            | (388.9)          | (388.9)          |
| DCED         | Covered from underspend on staffing budget   | 0.0            | (60.0)           | (60.0)           |
| <b>Total</b> |  | <b>0.0</b>     | <b>(3,764.8)</b> | <b>(3,764.8)</b> |

## 5 | Revenue Budget Changes

Roll forwards were agreed at Cabinet on 20 June 2024 as part of the Outturn report for 2023-24. The table below summarises these roll forwards, which have increased the net budget for 2024-25 by £2.8m.

All figures in £000s

| Directorate                        | Roll Forward | Description  |
|------------------------------------|--------------|--|
| Children, Young People & Education | 0.171        | Section 31 Leaving Care Allowance Uplift                       |
|                                    | 0.248        | Effective Kent Project   |
|                                    | 0.185        | Pathways For All   |
|                                    | 0.182        | Regional Adoption Agency                                       |
| Growth, Environment & Transport    | 0.243        | Various external funded projects                               |
|                                    | 0.105        | Kent Resource Partnership                                      |
|                                    | 0.328        | Highways Winter Underspend                                     |
|                                    | 0.134        | Tunnels / Structures statutory testing                         |
| Chief Executive's Department       | 0.370        | Proceeds from sale of Electric Vans for Environmental Projects |
|                                    | 0.019        | Kent Safeguarding Adults Board                                 |
|                                    | 0.112        | Kent Safeguarding Children's Board                             |
|                                    | 0.675        | Member Grants  |
| <b>Total</b>                       | <b>2.772</b> |  |

In line with usual practice at this stage of the year, revenue budgets have been realigned to reflect a reallocation between Key Services in light of the 2023-24 final spend and activity levels and the latest service plans. Budget changes which have been identified as virements are explained in the tables below and need to be approved by Cabinet. A breakdown of changes by Key Services, which also includes technical adjustments, which do not require approval, is available in Appendix 3. There are no virements in Children, Young People & Education, Chief Executive's Department, Deputy Chief Executive's Department or Non Attributable Costs.

## 5a | Adult Social Care & Health Virements

|   |  | All figures in £000s |         |          |
|---|--|----------------------|---------|----------|
| Key Service   | Description  | Gross                | Income  | Net      |
| Strategic Commissioning (Integrated and Adults)               | To fund uplift of Adult Commissioning posts from KR9 to KR11 as a result of the 23-24 Strategic Commissioning restructure  | 60.0                 | 0.0     | 60.0     |
| Strategic Management & Directorate Support (ASCH)             |  | -60.0                | 0.0     | -60.0    |
| Strategic Management & Directorate Support (ASCH)             | To fund Mosaic Provider Portal Team - from Richard Smith's budget for additional posts (2.5 FTEs) in the Mosaic Provider Portal team in the Business Delivery Unit | -111.3               | 0.0     | -111.3   |
| Transformation Delivery and support                           |  | 111.3                | 0.0     | 111.3    |
| Provision for Demographic Growth - Community Based Services   | Technical correction to central demography allocations for 2024-25 budget  | -5,470.3             | 518.3   | -4,952.0 |
| Provision for Demographic Growth - Residential Based Services |  | 5,470.3              | -518.3  | 4,952.0  |
| Strategic Management & Directorate Support (ASCH)             | Funding of fixed term Provider Portal Payment Team: 1 x KR9 fixed term for 1 year, 5 x KR7 fixed term for 1 year   | -214.7               | 0.0     | -214.7   |
| Transformation Delivery and support                           |  | 214.7                | 0.0     | 214.7    |
| Strategic Management & Directorate Support (ASCH)             | Adjustment for changes in Charging Policy led by Bettergov   | -40.0                | 0.0     | -40.0    |
| Transformation Delivery and support                           |  | 40.0                 | 0.0     | 40.0     |
| Older People - Residential Care Services                      | Transfer to reflect reprovision costs following closure of Blackburn Lodge.  | 513.6                | 0.0     | 513.6    |
| Older People - In House Provision                             |  | -526.6               | 13.0    | -513.6   |
| Strategic Management & Directorate Support (ASCH)             | Transfer of funding from Corporate Director held funds to the Stakeholder Engagement Team to fund and manage process for reimbursing experts by experience         | -50.0                | 0.0     | -50.0    |
| Innovation and Partnership                                    |  | 50.0                 | 0.0     | 50.0     |
| Public Health - Sexual Health                                 | 2024-25 Quarter 1 realignment of Public Health budgets   | 688.9                | -688.9  | 0.0      |
| Public Health - Healthy Lifestyles                            |  | -2,723.0             | 2,723.0 | 0.0      |

|  |   | All figures in £000s |          |         |
|--|---|----------------------|----------|---------|
| Key Service  | Description   | Gross                | Income   | Net     |
| Public Health - Children's Programme                                       |   | -941.6               | 941.6    | 0.0     |
| Public Health - Mental Health, Substance Misuse & Community Safety         |   | 1,355.3              | -1,355.3 | 0.0     |
| Public Health - Advice and Other Staffing                                  |   | 2,358.9              | -2,358.9 | 0.0     |
| Adult Learning Disability - Community Based Services & Support for Carers  | Redistribution of 2023/24 Commissioning savings to reflect current planned method of delivery   | -835.5               | 0.0      | -835.5  |
| Adult Learning Disability - Residential Care Services & Support for Carers |   | -8.7                 | 0.0      | -8.7    |
| Adult Mental Health - Residential Care Services                            |   | -54.3                | 0.0      | -54.3   |
| Older People - Community Based Services                                    |   | 51.5                 | 0.0      | 51.5    |
| Older People - Residential Care Services                                   |   | 1,304.0              | 0.0      | 1,304.0 |
| Adult Physical Disability - Community Based Services                       |   | -75.4                | 0.0      | -75.4   |
| Adult Physical Disability - Residential Care Services                      |   | -46.8                | 0.0      | -46.8   |
| Adult Mental Health - Community Based Services                             |   | -334.8               | 0.0      | -334.8  |
| Adult Learning Disability - Community Based Services & Support for Carers  |   | -272.7               | 0.0      | -272.7  |
| Adult Mental Health - Community Based Services                             |   | 693.0                | 0.0      | 693.0   |
| Older People - Community Based Services                                    | Redistribution of Technology Enhanced Lives Service (TELS) saving, according to latest areas of activity, including agreed amount from increased savings to fund increased cost of activity within TELS | 121.5                | 0.0      | 121.5   |
| Adult Physical Disability - Community Based Services                       |   | -5.4                 | 0.0      | -5.4    |
| Innovation and Partnership   |   | 142.0                | 0.0      | 142.0   |



|  |             | All figures in £000s |        |        |
|--|-------------|----------------------|--------|--------|
| Key Service                              | Description | Gross                | Income | Net    |
| Older People - Residential Care Services |             | -1,173.6             | 495.2  | -678.4 |

## 5b | Growth, Environment & Transport Virements

|  |  | All figures in £000s |        |        |
|--|--|----------------------|--------|--------|
| Key Service  | Description  | Gross                | Income | Net    |
| Environment  | Environment / Waste 2024-25 adjustment relating to the Environment & Circular Economy restructure. The virement relates to an old Environment budget that was reallocated as part of the new staffing structure but should have been used to reduce the Environment grant income budget. The Director and Heads of Service have agreed to correct that issue. This adjustment also includes a realignment within Environment Key Service which matches Coastal Protection budget with cost to help offset the grant income target. | -20.0                | 80.0   | 60.0   |
| Environment and Circular Economy Divisional management costs |  | -51.0                | 0.0    | -51.0  |
| Residual Waste   |  | -9.0                 | 0.0    | -9.0   |
| Waste Facilities & Recycling Centres                         |  | 328.0                | 0.0    | 328.0  |
| Residual Waste   |  | -328.0               | 0.0    | -328.0 |

## 6 | Capital Budget Forecast

All figures in £m

| Directorate                         | Capital Budget | Variance       | Real Variance | Rephasing Variance |
|-------------------------------------|----------------|----------------|---------------|--------------------|
| Adult Social Care & Health          | 1.141          | -0.111         | +0.162        | -0.273             |
| Children, Young People & Education  | 128.226        | -19.201        | -2.068        | -17.133            |
| Growth, Environment & Transport     | 232.636        | -35.988        | +4.748        | -40.736            |
| Chief Executive's Department        | 0.230          | +0.024         | 0.000         | 0.024              |
| Deputy Chief Executive's Department | 54.840         | -0.167         | +4.845        | -5.012             |
| <b>Directorates Position</b>        | <b>417.073</b> | <b>-55.443</b> | <b>+7.687</b> | <b>-63.130</b>     |

The total approved General Fund capital programme including roll forwards for 2024-25 is £417.073m.

The current estimated capital programme spend for the year is forecast at £361.630m, which represents 87% of the approved budget. The spend to date is £57.267m, representing 14% of the total approved budget.

The directorates are projecting a £55.443m underspend against the budget, this is split between a +£7.687m real variance and -£63.130m re-phasing variance.

## 6a | Adult Social Care & Health

| Project                                | Real Variance | Rephasing Variance | Detail  |
|--|---------------|--------------------|---|
| Learning Disability Good Day Programme | +0.085        | -0.273             | Real variance of +£0.085m for electronic care planning equipment to be funded from banked developer contributions and banked grant. |

## 6b | Children, Young People & Education

| Project                       | Real Variance | Rephasing Variance | Detail  |
|-------------------------------|---------------|--------------------|---|
| Overall Basic Need Programmes | 0.000         | 0.000              | Across the next three years over all the Basic Need Programmes there is currently sufficient funding to cover the forecast spend, so there is no variance to report. There is a forecast gap in later years of £24.4m, but this will continue to be monitored and brought down wherever possible, by reviewing the timing and need for schemes, and by utilising all possible funding such as developer contributions that may not yet be part of the cash limit. Grant allocations for 2027-28 and 2028-29 are not yet known and are therefore not included in the cash limits. Any basic need grant received for these two years will go towards funding the forecast overspend.  |
| Modernisation Programme       | +0.290        | -2.492             | <p>Real variance is due to:</p> <ul style="list-style-type: none"> <li>19 new projects added to the programme, totalling £2.8m, to be funded from previously unallocated budget and real underspends.</li> <li>-£0.43m Slade Primary -now only replacing 1 mobile instead of 2.</li> <li>-£0.97m Otford Primary – a replacement mobile had been budgeted for but pupil numbers at the school have now reduced and modification works to a mobile will be carried out instead.</li> <li>-£0.121m – Langdon Primary – project complete under budget.</li> <li>-£1.024m – budget previously unallocated has now been allocated to named projects.</li> </ul> <p>Rephasing variance is due to:</p> <ul style="list-style-type: none"> <li>-£1.193m Dover Grammar School for Girls – due to site constraints a two-storey block is now being built to replace mobiles. Discussions with the school and planning has meant rephasing of costs.</li> <li>There is rephasing on two other projects, both of which are under £1m.</li> </ul> |

| Project                                  | Real Variance | Rephasing Variance | Detail  |
|--|---------------|--------------------|---|
| Basic Need KCP 2017                      | -0.375        |                    | The real underspend is largely due to an underspend on Meopham School, as there is a school contribution towards the hydrant and water tank costs.  |
| Basic Need KCP 2019                      | +0.266        | -1.797             | <p>The real variance is due to:</p> <ul style="list-style-type: none"> <li>-£0.25m Ashford Non-Selective project removed from the programme.</li> <li>+£0.516m Wrotham School – DfE schools rebuild programme. The forecast has been updated to match the agreed contribution to the DfE for additional basic need works.</li> <li>+£6.0m Cable Wharf – Additional funding from the school rebuild programme. Cash limit change is requested for this additional funding.</li> </ul> <p>The rephasing is due to:</p> <ul style="list-style-type: none"> <li>-£1.623m Cable Wharf Primary – replacement school for Rosherville has been selected under the school rebuild programme for 1FE. KCC to add 1FE for a replacement 2FE school. Developer land transfer issues and planning conditions have led to rephasing.</li> </ul> |
| Basic Need KCP 21 (2022-26)              | -0.091        | -1.000             | Rephasing relates to Sittingbourne non-selective, as a school has not yet been identified.  |
| Basic Need KCP 23 (2024-28)              |               | -1.256             | The rephasing variance reflects unallocated budget rephased to future years.  |
| High Needs Provision 22-24               | -0.052        | -9.087             | <p>Rephasing is due to:</p> <ul style="list-style-type: none"> <li>-£1.905m Nexus Satellite – school is not yet identified.</li> <li>-£7.182m unallocated budget to be allocated to projects in future years.</li> </ul>  |
| Childcare Expansion (Early Years)        | -2.409        |                    | Real variance is due to grant payments under £10k made to childcare providers will be charged to revenue. The grant conditions allow for capital grant to be transferred to revenue to fund the expenditure.  |
| Family Hubs and Start for Life Programme | +0.238        |                    | Additional grant for a joint programme by the DfE and Department of Health & Social Care (DoH&SC). Cash limit change requested for additional funding.  |

## 6c | Growth, Environment & Transport

| Project  | Real Variance | Rephasing Variance | Detail   |
|--|---------------|--------------------|--|
| <b>Highways &amp; Transportation</b>   |               |                    |  |
| Highway Asset Management, Annual Maintenance and Urgent Safety Critical Works      | 4.218         | -0.485             | The real variance is due to an unfunded overspend on structures (£3.9m) and an unfunded overspend on inspectors (£0.3m), and additional grant (£0.011m) for trees.   |
| Integrated Transport Schemes under £1m   | 0.517         |                    | The real variance is due to various smaller integrated transport schemes that will be funded from additional external funding.   |
| A228 and B2160 Junction Improvements with Badsell Road                             |               | -2.926             | Flood Risk modelling has identified issues with the current scheme design. Therefore further design and drainage modelling needs to be carried out and alternative options explored. This is currently affecting the overall programme for the project and causing rephasing of the S106 contributions which are funding the delivery of this scheme.          |
| North Thanet Link (formerly A28 Birchington, Acol and Westgate on Sea Relief Road) |               | -7.157             | The spend profile has been updated to reflect most recent cost estimate and programme which in turn reflects probable timing of approval of the Outline Business Case from the Department for Transport (DfT). This will continue to be reviewed and updated as necessary.   |
| A28 Chart Road, Ashford  |               | -2.236             | The current profile is based on the most recent project estimate of £29.7m which assumes start of construction in March 2025 for a period of 2 years. However there is still no certainty on the provision of the security bond from the developer, so the construction period is likely to slip further, and project costs increase in line with inflation.   |
| Bearsted Road  |               | -6.474             | Offline works have continued to construct the new Harvestore access roads. Reductions in scope and value engineering opportunities are still being explored to meet the increased risk and contingency budget required on this project. An award of the full construction contract is still outstanding which requires further sign off and has caused delays. |
| Green Corridors  |               | -2.308             | Some spend for this project has been re-profiled into 2025/26 to reflect the updated construction timescales for the Green Corridors 3 programme.  |
| Fastrack Full Network – Bean Road Tunnels  |               | -6.295             | Following the project being paused due to a funding gap, the availability of BSIP 2 funding has allowed work to start again to resubmit the planning application and to review the existing design and tender documents. This has led to a rephasing of available funds which are currently being  |

| Project  | Real Variance | Rephasing Variance | Detail   |
|--|---------------|--------------------|--|
|  |               |                    | reviewed through updated legal agreements.   |
| Swale Housing Infrastructure Fund (HIF)                |               | -3.101             | The rephasing variance is due to delays in the commencement of the works contract whilst awaiting the sign off from National Highways, poor weather and road space clashes on the surrounding network (particularly M2 J5). The project is externally funded by the HIF fund from Homes England and a deed of variation has been agreed with Homes England to cover the programme delays where they have exceeded the original funding deadline. |
| Kent Active Travel Fund (KATF) Phase 2                 | -0.239        |                    | A change control has been requested from Active Travel England to transfer some unused budget to Sevenoaks Cycle Facility under KATF3. If agreed, a cash limit adjustment will be done.  |
| Kent Active Travel Fund Phase 3                        | 0.239         |                    | A change control has been requested from Active Travel England to transfer some unused budget to Sevenoaks Cycle Facility from KATF2. If agreed, a cash limit adjustment will be done.   |
| Kent Strategic Thameside Programme (STIPS)             |               | -2.383             | The Thamesway project is on hold pending the outcome of the Northfleet Harbourside planning application and Ebbsfleet Central build out programme confirmation. This follows a decision by the Cabinet Member following Environment and Transport Cabinet Committee in January 2023, to amend the Thamesway project.   |
| M20 Junction 7   | 0.144         |                    | This is a new project to increase capacity and reduce congestions at junction 7 of the M20. To be funded from developer contributions.   |
| Market Square, Dover                                   | -0.330        |                    | This project is being funded fully by Dover District Council (DDC) and KCC are drawing down funding directly from DDC. The project is nearing the end and is expected to come in at less than originally forecast. The cash limit will be reduced accordingly.   |
| Moving Traffic Enforcement Service                     | 0.199         |                    | This is to be funded from Bus Service Improvement Plan (BSIP) funding as it is funding for cameras on the fast track routes.   |
| Folkestone – A Brighter Future                         |               | -5.066             | Delays with the detailed design pushed back the tender timescales, construction is now expected to commence in November 24 and spend has been re-profiled to reflect the updated programme.  |
| <b>Environment &amp; Circular Economy</b>              |               |                    |  |
| Energy and Water Efficiency Investment Fund – External | -0.175        |                    | The scheme is coming to an end and repayments will be made to Salix over the coming years to repay the 50% - a total of £0.34m.  |
| Kings Hill Solar Farm                                  | -0.141        |                    | There is a forecast underspend on this project, however there is the possibility that drainage   |

| Project  | Real Variance | Rephasing Variance | Detail  |
|--|---------------|--------------------|---|
|  |               |                    | works will need to be done which would negate the underspend. This will only be known 24 months after practical completion.                                 |
| <b>Growth &amp; Communities</b>                    |               |                    |   |
| Public Rights of Way                               | +0.151        | -0.043             | The real variance is due to additional developer contributions, for which cash limit change is requested.   |
| Kent Empty Property Initiative                     | +0.115        |                    | The real variance is due to additional external funding due to KCC from the share of the Marsh Millions funds and district contributions to “top up” loans. |
| Kent & Medway Business Fund                        | -2.525        |                    | Money to be vired to the Small Business Boost Fund.   |
| Kent & Medway Business Fund – Small Business Boost | +2.525        |                    | Money to be vired from the Kent & Medway Business Fund.   |

## 6d | Chief Executive's Department

There are no major variances to report

## 6e | Deputy Chief Executive's Department

| Project  | Real Variance | Rephasing Variance | Detail  |
|--|---------------|--------------------|---|
| Unaccompanied Asylum-Seeking Children (UASC) Additional Accommodation Requirements | +4.047        |                    | The real variance is due to this project continually evolving and the full extent was not known and budgeted at the start of the year. The project is expected to be fully funded from Central Government.  |
| Strategic Estate Programme   |               | -5.012             | This has been rephased as there has been a delay on the decision of which option to proceed with.   |
| Dover Discovery Centre   | +0.748        |                    | £0.431m variance is due to works that will be funded from Salix grant, which is not yet in the cash limit.<br>The remaining variance is likely to reduce as there is ongoing work to identify abortive costs relating to a previous design which need to be transferred to revenue. Once the figure is agreed this will be reported on both the revenue and capital side. |



## 7 | Capital Budget Changes

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

| Project                                       | Year  | Amount (£m) | Reason  |
|---|-------|-------------|---|
| <b>Adult Social Care &amp; Health</b>         |       |             |   |
| Learning Disabled Good Day Programme          | 24-25 | +0.069      | Increase developer contributions to fund electronic care planning equipment.  |
| Learning Disabled Good Day Programme          | 24-25 | +0.016      | Increase grant to fund electronic care planning equipment.  |
| <b>Children, Young People &amp; Education</b> |       |             |   |
| Modernisation Programme                       | 24-25 | +0.256      | Increase developer contributions relating to St Lawrence school in Thanet.  |
| Basic Need KCP 2018                           | 26-27 | -0.400      | Decrease developer contributions in relation to Dartford Bridge Primary, now to be transferred to Ebbsfleet Primary which is in Basic Need KCP 24-28. |
|   | 27-28 | -2.717      |   |
|   | 28-29 | -0.250      |   |
| Basic Need KCP 2019                           | 24-25 | +6.000      | Additional school rebuild programme grant from the DfE for Cable Wharf.   |
|   | 24-25 | +0.075      | Additional external funding for Cable Wharf.  |
| Basic Need KCP 21 (22-26)                     | 25-26 | -0.246      | Decrease of developer contributions as the project has been removed.  |
| Basic Need KCP 22 (23-27)                     | 25-26 | -0.550      | Basic need grant to be vired to High Needs for the Whitfield Aspen project.   |
| Basic Need KCP 22 (23-27)                     | 25-26 | +0.220      | Additional developer contributions relating to Lenham Primary.  |
|   | 27-28 | +1.117      | Additional developer contributions relating to St Joseph's Catholic Primary and St Mary of Charity schools.   |
| Basic Need KCP 23 (24-28)                     | 24-25 | +3.367      | Transfer of developer contributions from Basic Need KCP 2018 in relation to Dartford Bridge Primary, now being used for Ebbsfleet Primary.            |
| Basic Need KCP 23 (24-28)                     | 25-26 | +1.443      | Additional developer contributions for Herne Bay High.  |
|   | 26-27 | +6.403      | Additional developer contributions for Herne Bay High (£5.5m) and Hawkhurst (£0.9m).  |
|   | 27-28 | +0.677      | Additional developer contributions for Herne Bay High.  |
| High Needs 22-24                              | 25-26 | +0.550      | Basic need grant to be vired from Basic Need KCP 22 (23-  |

| Project   | Year  | Amount (£m) | Reason  |
|---|-------|-------------|---|
|   |       |             | 27) for the Whitfield Aspen project.  |
| Family Hubs and Start for Life Programme                                      | 24-25 | +0.238      | Additional grant given for this programme.  |
| Virtual School Kent   | 24-25 | +0.040      | Additional covid funding agreed   |
| Children's High Costs Placement Project (Project Athena)                      | 24-25 | +0.019      | Virement of capital receipt funding from the feasibility fund for feasibility works on this project                           |
|   | 25-26 | +0.006      |   |
| <b>Growth, Environment &amp; Transport</b>                                    |       |             |   |
| Public Rights of Way  | 24-25 | +0.151      | Additional developer contributions  |
| Kent and Medway Business Fund   | 24-25 | -2.525      | To vire monies from the Kent & Medway Business Fund to the Kent and Medway Business Fund - Small Business Boost.              |
|   | 25-26 | -2.382      |   |
|   | 26-27 | -3.093      |   |
|   | 27-28 | -2.664      |   |
|   | 28-29 | -2.232      |   |
|   | 29-30 | +1.862      |   |
| Kent and Medway Business Fund – Small Business Boost                          | 24-25 | +1.743      | To vire monies from the Kent & Medway Business Fund to the Kent and Medway Business Fund - Small Business Boost.              |
|   | 25-26 | +1.778      |   |
|   | 26-27 | +1.813      |   |
|   | 27-28 | +1.849      |   |
|   | 28-29 | +1.876      |   |
|   | 29-30 | +1.975      |   |
| Kent Empty Property Initiative  | 24-25 | +0.115      | Additional external funding   |
| Highway Asset Management, Annual Maintenance and Urgent Safety Critical Works | 25-26 | +0.011      | Additional grant funding received related to trees.   |
| <b>Chief Executive's Department</b>   |       |             |   |
| Feasibility Fund  | 24-25 | -0.025      | Virement to CYPE for feasibility works (capital receipt funding) on Children's High-Cost Placements project (Project Athena). |

## 8 | Reserves Monitoring

All figures in £m

| Reserve                         | Opening Balance<br>01/04/24 | Forecast Contribution<br>/ Drawdown | Projected Balance<br>31/03/25 | Details of key movements   |
|---------------------------------|-----------------------------|-------------------------------------|-------------------------------|--|
| <b>General Fund</b>             | -43.2                       | -16.2                               | -59.4                         | £5.1m contribution to reserves in order to maintain general reserves at 5% of the net revenue budget.<br>£11.1m contribution to repay the drawdown required in 2022-23 to fund the overspend (£11.1m also required in 2025-26)   |
| <b>Earmarked Reserves</b>       |                             |                                     |                               |  |
| Vehicle, Plant & Equipment      | -22.6                       | 2.2                                 | -20.4                         | Drawdowns and contributions to manage purchasing assets with a life of more than one financial year. There are planned drawdowns of £3.0m to replace assets that have come to the end of their useful life and £0.8m contributions to fund renewing assets in future years |
| Smoothing                       | -148.7                      | 8.7                                 | -140.0                        | Includes a £9.1m drawdown budgeted support to the 2024-25 budget   |
| Major Projects                  | -41.0                       | 6.4                                 | -34.6                         | Includes a £6.8m drawdown for the Oracle Cloud Programme   |
| Partnerships                    | -51.5                       | -5.4                                | -56.9                         | Includes £4.3m repayment of reserves used to support the 2023-24 budget.   |
| Grant / External Funds          | -16.2                       | 5.8                                 | -10.3                         | Drawdowns and contributions to manage fluctuations in spend funded externally or by grant. Significant net drawdowns include Helping Hands (£2.5m), Family Hubs and Start for Life grant (£1.1m) and the Urgent & Emergency Care Fund (£0.8m).                             |
| Departmental Over/Underspends   | -2.8                        | 19.1                                | 16.3                          | £2.8m drawdown to fund roll forwards.<br>£16.3m drawdown to fund forecast 2024-25 overspend. Any overspend at year end will need to be funded from an alternative reserve balance.   |
| Insurance                       | -12.4                       | 1.0                                 | -11.4                         | Drawdown to cover forecast 2024-25 overspend on the Insurance Fund   |
| Public Health                   | -17.0                       | 3.8                                 | 13.2                          | Drawdown of Public Health reserve to fund one-off costs and to balance the 2024-25 budget plans  |
| Trading                         | -1.7                        | 0.0                                 | -1.7                          |  |
| Special Funds                   | -0.8                        | 0.0                                 | -0.8                          |  |
| <b>Total Earmarked Reserves</b> | <b>-314.6</b>               | <b>41.6</b>                         | <b>272.9</b>                  |  |

All figures in £m

| <b>Reserve</b>                                     | <b>Opening Balance<br/>01/04/24</b> | <b>Forecast Contribution<br/>/ Drawdown</b> | <b>Projected Balance<br/>31/03/25</b> | <b>Details of key movements</b>   |
|--|-------------------------------------|---|---------------------------------------|---|
| <b>Total General Fund &amp; Earmarked Reserves</b> | <b>357.6</b>                        | <b>25.5</b>                                 | <b>332.1</b>                          |   |
| <b>Schools</b>                                     | <b>-58.6</b>                        | <b>1.0</b>                                  | <b>-57.6</b>                          | Drawdown to fund Academy Conversions  |
| DSG Adjustment Account                             | <b>103.4</b>                        | <b>22.2</b>                                 | <b>125.6</b>                          | The DSG Adjustment Account deficit has increased due to pressures in Schools Funding. More details can be found in Section 3g |

## 9 | 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.

|     |  |  |
|-----|--|--|
| 9.1 | Total external debt outstanding in June was £748.34m down by £23.55m since 31st March 2024 | KCC debt includes £433.74m 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 15.34 years at an average interest rate of 4.32%.   |
|     |  | Outstanding loans from banks amount to £216.10m. This is also at fixed term rates with average length to maturity of 37.98 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 39.63 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 £8.51m with an average of 16.09 years to maturity at an average rate of 2.85%.   |
|     |  | 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. |
| 9.2 | Majority is long term debt with only 5.49% due to mature within 5 years                    | Maturity 0 to 5 years £41.08m (5.49%) <sup>1</sup><br>Maturity 5 to 10 years £50.34m (6.73%)<br>Maturity 10 to 20 years £266.03m (35.55%)<br>Maturity over 20 years £390.90m (52.24%)  |
| 9.3 | Total cash balance at end of June was £515.99m, up by £62.64m from the end of March 2024   | Cash balances accrue from the council's reserves and timing differences between the receipt of grants and other income and expenditure.  |

<sup>1</sup> Split across the next five years is as follows: Year 1 £0.08m, Year 2 £24.00m, Year 3 £17.00m, Year 4 £0.00m, and Year 5 £0.00m

|     |   |   |
|-----|---|---|
| 9.4 | Cash balances are invested in a range of short-term, medium term and long-term deposits | <p>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.</p> <p>Short term deposits (same day availability) are held in bank accounts and money market funds. Current balances in short-term deposits in June were £140.89m (27.31% 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 5.20%.</p> <p>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 June, the Council had £64.10m in UK treasury bills and other deposits with the UK government. These deposits represent 12.42% of cash investments with an average rate of return of 5.19%.</p> <p>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 June, the Council had £117.95m invested in covered bonds earning an average rate of return of 4.74%.</p> <p>The Council has outstanding loans of £16.69m through the No Use Empty Loans programme which achieves a return of 4.50% that is available to fund general services. This total includes £1.59m of loans made (£0.90m received) since March 2024.</p> <p>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 £175.06m invested in pooled funds (33.93% of cash balances) as at 31 March 2024.</p> |
| 9.5 | Treasury Management Advice  | <p>The Council secures external specialist treasury management advice from Link Group. They advise on the overall strategy as well as borrowing options and investment opportunities. Link Group provide regular performance monitoring reports.</p>  |

|     |                                 |  |
|-----|---------------------------------|--|
| 9.6 | Quarterly and statutory reports | The Governance and Audit Committee receives detailed statutory on a regular bi-annual basis (the Treasury Strategy Mid Year Update, and the Annual Treasury Outturn report), which are subsequently reported to County Council. Quarterly reports are reviewed by the Treasury Management Group (TMG). The TMG also reviews the three annual statutory reports |
|-----|---------------------------------|--|

**Treasury Management Indicators**

9.7 The Council measures and manages its exposures to treasury management risks using the following indicators:

9.8 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its internally managed investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| Credit risk indicator           | Actual<br>30/06/2024 | Target |
|---------------------------------|----------------------|--------|
| Portfolio average credit rating | AA+                  | AA-    |

9.9 Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing

| Liquidity risk indicator             | Actual<br>30/06/2024 | Minimum |
|--------------------------------------|----------------------|---------|
| Total cash available within 3 months | £191.92m             | £100m   |

9.10 **Interest rate exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates was:

| Interest rate risk indicator                           | Actual<br>30/06/2024 | Limit |
|--|----------------------|-------|
| One-year revenue impact of a 1% rise in interest rates | £3.23m               | £10m  |
| One-year revenue impact of a 1% fall in interest rates | -£3.23m              | -£10m |

9.11 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing were:

| Interest rate risk indicator | Actual<br>30/06/2024 | Upper limit | Lower limit |
|------------------------------|----------------------|-------------|-------------|
| Under 12 months              | 0.01%                | 100%        | 0%          |
| 12 months and within 5 years | 5.48%                | 50%         | 0%          |
| 5 years and within 10 years  | 6.73%                | 50%         | 0%          |
| 10 years and within 20 years | 35.55%               | 50%         | 0%          |
| 20 years and within 40 years | 26.78%               | 50%         | 0%          |
| 40 years and longer          | 25.46%               | 50%         | 0%          |

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

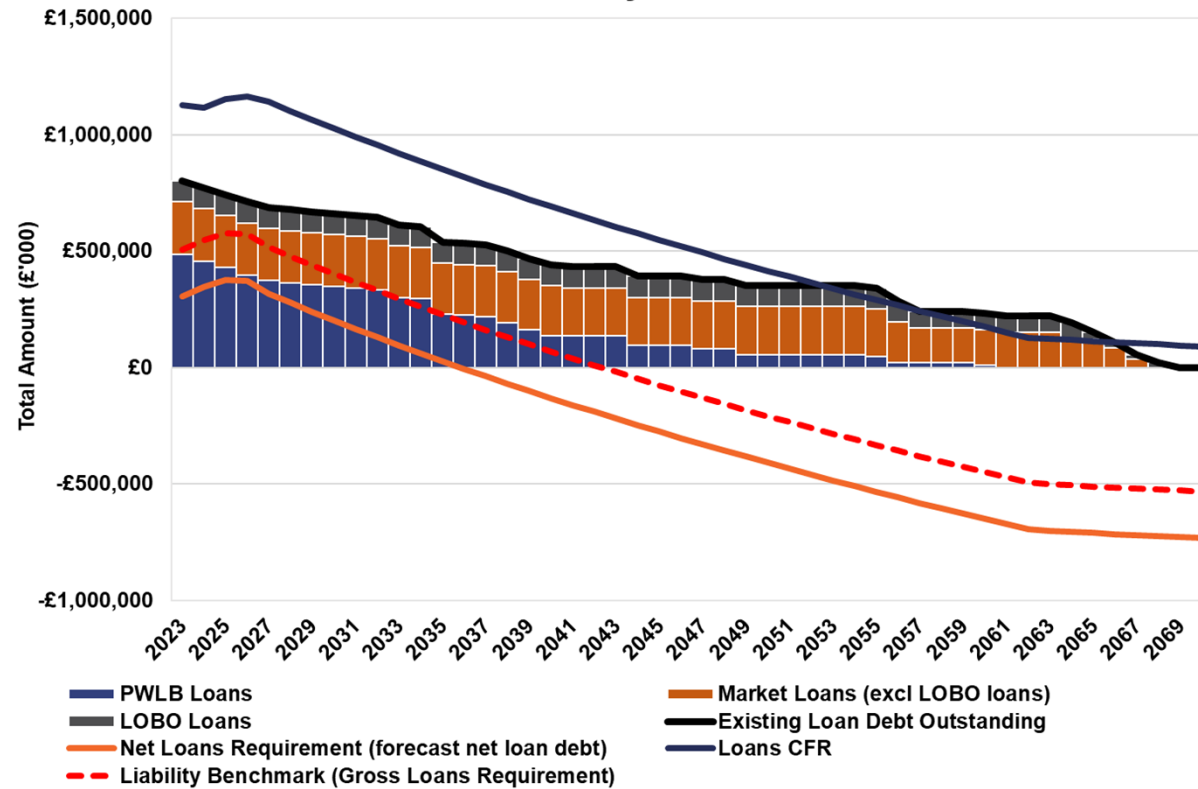
9.12 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

| Price risk indicator                        | 2024/25 | 2025/26 | 2026/27 | No Fixed Date |
|---|---------|---------|---------|---------------|
| Limit on principal invested beyond year end | £150m   | £100m   | £50m    | £250m         |
| Actual as at 30 June 2024                   | £70.75m | £49.84m | £9.51m  | £193.05m      |

**Prudential Indicator: Liability Benchmark**



## Liability Benchmark



The liability benchmark chart shows the Council should be able to accommodate the movement in Loans CFR through additional internal borrowing given the resources on the balance sheet if it wants to maintain treasury investments at the £200m liquidity allowance. However, this is based on the current assumption with regards to movement in reserves and that the working capital position remains at the 31/03/2023 level of £300m. It also assumes that the liquidity allowance of £200m remains appropriate given the £172m of external investments currently invested with fund managers over a long-term investment time horizon.

# 10 | Appendices

Appendix 1 – Key Service Statement

Appendix 2 – Savings

Appendix 3 – Revenue Budget Changes

Appendix 4 – Prudential Indicators Monitoring