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| **From:** | Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford<br>Interim Corporate Director Finance, John Betts |
| **To:** | Cabinet, 28 November 2024 |
| **Subject:** | Revenue and Capital Budget Monitoring Report – September 2024-25 |
| **Decision number:** | 24/00089 |
| **Classification:** | Unrestricted |


**Summary**:

The attached report sets out the revenue and capital budget monitoring position as at September 2024-25 (Quarter 2). The report also provides detail on the progress on the delivery savings in the 2024-25 revenue budget, capital cash limit changes made between July and September 2024, and monitoring updates for Treasury Management, Prudential Indicators and Reserves. This covering report also identifies the actions being taken to mitigate the overspend.


**Recommendation(s)**:

Cabinet is asked to:

a) NOTE the forecast revenue overspend of £26.8m (excluding Schools) and the actions being taken to mitigate the forecast overspend

b) NOTE the forecast overspend on Schools' Delegated Budgets of £29.1m.

c) NOTE the forecast capital underspend of £90.1m.

d) NOTE the progress on the delivery of savings.

e) AGREE the Capital budget changes.

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

## 1. Introduction

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

## 2 Revenue and Capital Budget Monitoring Report – September 2024-25

2.1 The attached report sets out the overall forecast position as at 30 June 2024-25, which is a revenue overspend of +£26.8m and a capital underspend of -£90.1m.

2.2 The forecast revenue outturn position is an overspend of +£26.8m (excluding schools), which represents 1.9% of the revenue budget. The forecast outturn position has increased by £10.5m compared with the forecast position in June 2024-25 (Quarter 1). The deterioration of the position is a concern for the authority and presents a serious risk to the Council's future financial sustainability.

2.3 Overspends are being reported in Adult Social Care & Health (+£32.5m), Growth Environment & Transport (+£5.3m) and Corporately Held Budgets (+£2.9m). Underspends are being reported in Children, Young People & Education Department (-£3.1m), Chief Executive's Department (-£1.3m), Deputy Chief Executive's Department (-£2.5m) and Non Attributable Costs (-£7.0m).

## 3. Mitigating the Forecast Overspend

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

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

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

3.3 The annual survey conducted by the Association of Directors of Adult Social Services (ADASS) has indicated that 81% of councils are on course to overspend on their adult social care budget in the current financial year, with an average overspend of 3% of councils' adult social care net budgets. So, the financial challenges facing the Council are similar to many upper-tier local authorities. The ASCH directorate has a forecast net overspend of +£32.5m, of which £22.7m relates to savings which are unable to be delivered in 2024-25. £9.8m of the overspend relates to other service-related pressures. The driver of costs are not simply a matter of additional demand, reflected through an increased number of clients. The absolute increase in client numbers requiring support remains relatively modest. The increase in spending is largely driven by increases in the costs (both complexity and inflationary) to deliver social care placements from providers. The savings that are currently forecast not to be delivered in 2024/25 are largely due to be delivered in subsequent years.

3.4 However, this does not detract from the need to take action within the ASCH directorate to reduce the forecast overspend, as far as is possible. Panels remain in place to ensure that social care need is being met in the most cost effective manner and this is reviewed by senior management. There are three particular workstreams currently in train with external consultants working closely with ASCH front line staff to identify more effective working that will deliver cashable savings and reduce the forecast overspend trajectory. Firstly, there is work on the "front door" to explore changes to bolster multi-disciplinary decision-making and to maximise enabling and preventative interventions and driving through standardisation in processes, all designed to reduce cost through stemming demand and improving more cost effective practice. Secondly, there is a rapid review of current savings plans being undertaken, with a view to identifying where savings may be accelerated and where there may be opportunities for new savings to offset the overspend in this financial year. Thirdly, there is work being undertaken on reablement and therapies designed to test whether a short period of intensive support and intervention will lead to better outcomes and cashable savings, supporting clients to be more independent. All of these activities are consistent with the objective of delivering New Models of Care and Support within Framing Kent's Future.

3.5 As will be noted, the rest of the Council is generally underspending and so this partly offsets the overspend in ASCH. In GET, actions are being taken to reduce spend, but the overspend there is largely due to the national English National Concessionary Travel Scheme. Throughout the organisation spending controls remain in place. So, for example, specific levels of approval continue to be required for any recruitment activity. Requisitions are reviewed for appropriateness and compliance with spending control requirements. Any manager wanting to hire agency for staff for more than three months, or to extend a current worker's assignment beyond three months, must submit a business case. This should all contribute towards reducing the overspend.

3.6 It is essential that all of these actions continue, to reduce the 2024-25 forecast outturn to as close to a balanced position as possible. This will help limit the need for drawdown from reserves at year end, which would further weaken the Council's financial resilience and increase the requirement to replenish reserves in future years. The impact on reserves can be seen in Section 7.

## 4 Other Factors

4.1 Schools' Delegated budgets are reporting an overspend of +£23.1m. This reflects the impact of high demand for additional SEN support and greater demand for specialist provision. In 2022-23, the Council entered the DfE's Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery. This includes annual funding from the DfE, totalling £140m by 2027-28 to pay off part of the deficit but only if the Council can demonstrate and deliver a credible plan. Over the same period the Council is also expected to contribute towards the residual deficit estimated to total over £80m.

4.2 There is a savings target of £111.2m (excluding changes in grant income and the removal of one-off or undelivered savings in previous years). Currently, £84.8m of savings are forecast to be achieved.

4.3 The forecast outturn capital position is a real overspend of £14.5m and a rephasing variance of -£104.6m, so a net underspend of £90.1m.

## 4. Recommendation(s)

Cabinet is asked to:

a) NOTE the forecast revenue overspend of £26.8m (excluding Schools).

b) NOTE the forecast overspend on Schools' Delegated Budgets of £29.1m.

c) NOTE the forecast capital underspend of £90.1m.

d) NOTE the progress on the delivery of savings.

e) AGREE the Capital budget changes.

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

## 5. Contact details


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