Finance Monitoring Report

As at September 2024-25 – Quarter 2

By	Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford Interim Corporate Director Finance, John Betts Corporate Directors
To	Cabinet – 28 November 2024
	Unrestricted

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1 | Introduction and Headlines

This report provides an update on the Council’s revenue and capital financial 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.

- The Council is forecasting a revenue overspend of £26.8m (excluding schools)
- The revenue overspend has increased by £10.5m compared with the position at Quarter 1
- Schools’ Delegated Budgets are forecasting a £29.1m 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, £84.8m of savings are forecast to be achieved
- The Council is forecasting a real variance of £14.5m and a rephasing variance of -£104.6m on the capital programme, so a net underspend of £90.1m

The administration’s draft revenue budget 2025-26 and high-level plans for 2026-27 and 2027-28 have been published for the Cabinet Committee scrutiny process during November. These plans were prepared before the recent Autumn Budget 2024 announcement and the draft budget is based on an assumed grant settlement and council tax referendum limits. The administration’s draft budget for 2025-26 and MTFP over the three years are not yet completely balanced. The factors causing the plans to be unbalanced are principally due to undelivered savings within Adult Social Care and the timing of the £19.8m policy savings previously agreed to replace the use of one-offs to balance the 2024-25 budget. Other than these issues, the 2025-26 budget is broadly balanced within acceptable tolerances, given the number and range of forecasts within the plan at this stage. Other than adult social care, the MTFP is broadly balanced over the three years, but as yet not necessarily in each individual year.

Forecast spending growth continues to significantly exceed the forecast funding requiring savings and income to balance the budget. Spending growth includes base budget changes to reflect full year effect of forecast spending variances from previous 2024-25 monitoring, forecast increases in prices (including full year effect of current year price uplifts), forecast changes in demand and other non-inflationary factors affecting costs, and increases in pay. The savings represent a net figure including positive amounts for the removal of one-off savings and previously agreed savings which have now been confirmed as irrecoverable (savings that were previously included in budget plans which have now been rephased are effectively rolled forward into subsequent years), as well as negative amounts for the full year effect of previously agreed savings and new savings proposals.

A final draft will be published in January which will include resolution of outstanding balances, the outcome from the Chancellor’s Autumn Budget 2024 and the 2025-26 provisional Local Government Finance Settlement, provisional tax base notification from collection authorities, most up to date budget monitoring, and any other updates from the original draft.

2 | Recommendations

2.1	Note the forecast revenue overspend of £26.8m (excluding Schools)	Please refer to Section 3
2.2	Note the forecast overspend on Schools' Delegated Budgets of £29.1m	Please refer to Section 3g
2.3	Note the forecast capital underspend of £90.1m	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 Capital budget changes	Please refer to Section 7
2.6	Note the Reserves Monitoring, Treasury Management and Prudential Indicators Monitoring	Please refer to Section 7, 8, and Appendix 3

3 | Revenue Budget Forecast

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. It is essential that action is taken to reduce the 2024-25 forecast outturn to as close to a balanced position as possible to 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.

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). The report details Key Service Line variances by Directorate. Schools' Delegated Budgets is currently forecasting an overspend of £29.1m.

Delivery of savings is a crucial component of the Council's forecast position for 2024-25 and the forecast currently indicates that savings of £84.8m 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.

All figures in £m

Directorate		Revenue Budget	Revenue Forecast	Revenue Variance	% Variance
Adult Social Care & Health		585.9	618.4	+32.5	+5.5%
Children, Young People & Education		430.6	427.6	-3.1	-0.7%
Growth, Environment & Transport		202.9	208.2	+5.3	+2.6%
Chief Executive's Department		30.5	29.1	-1.3	-4.4%
Deputy Chief Executive's Department		82.2	79.7	-2.5	-3.1%
Non Attributable Costs		102.6	95.6	-7.0	-6.8%
Corporately Held Budgets		-2.4	0.5	+2.9	-120.9%
Directorates Position		**1,432.3**	**1,459.1**	**+ 26.8**	**+1.9%**
Schools' Delegated Budgets		0.0	29.1	+29.1	
Overall Position		**1,432.3**	**1,488.2**	**+55.9**	

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	581.0	+56.5
Strategic Management & Directorate Budgets	39.2	14.1	-25.1
Strategic Commissioning (Integrated & Adults)	22.2	23.3	+1.1
Public Health	0.0	0.0	0.0
Total	**585.9**	**618.4**	**+32.5**

The Adult Social Care & Health 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.

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	120.0	+22.6	Pressure from slippage in savings programme	+£8.1m pressure on this service line relates to slippage in savings activity, and +£10.1m from pressures relating to client activity. Other pressures on this service line include a +£1.6m increase in contributions to the provision for bad and doubtful debts, and +£2.8m from costs relating to the previous financial year due to additional backdated client activity above the level budgeted for.
Adult Mental Health - Community Based Services	21.2	30.1	+8.9	Activity and price pressures beyond budgeted levels, and slippage in savings programme.	+£4.1m pressure relates to more people receiving supported living care packages, including an increase in average hours provided per person to meet more complex needs. Other pressures include +£4.5m from slippage in savings activity, +£0.3m from costs relating to the previous financial year.
Older People - Community Based Services	35.4	41.9	+6.5	Activity and price pressures beyond budgeted levels	+£3.8m pressure relates to homecare services where there has been an increase in the average number of hours of support provided due to increasing complexity Other pressures include +£4.2m from savings which are no longer anticipated to be achieved this financial year, and a +£0.5m increase on contributions to the provision for bad and doubtful debts. The above pressures are offset by forecast underspends across other older people community based services of -£1.4m, and estimated benefit from unrealised creditors from the previous financial year -£0.5m.
Adult Physical Disability - Community Based Services	32.9	37.5	+4.7	Increases in Supported Living care packages	+£3.0m pressure relates to people receiving supported living services with higher cost packages due to increasing complexity, and +£0.2m overspend relates to pressures across other community services. Other pressures include +£1.9m from savings which are no longer anticipated to be achieved this financial year, and a +£0.1m increase on contributions to the provision for bad and doubtful debts.

All figures in £m

Key Service	Revenue Budget	Revenue Forecast	Revenue Variance	Summary	Detail
					Above pressures are partly offset by -£0.5m estimated benefit from unrealised creditors from the previous financial year.
Adult Learning Disability - Community Based Services & Support for Carers	127.1	129.3	+2.2	Increases in Supported Living care packages	+£3.2m of the overspend relates to people receiving supported living services which is driven in the main by increased activity in terms of hours of support being provided. Other pressures include +£0.1m from savings which are no longer expected to be achieved this financial year, and +£0.1m from contributions to the provision for bad and doubtful debts. The above pressures are offset by -£0.8m estimated benefit from unrealised creditors from the previous financial year, and an underspend of -£0.3m across other LD community based services.
Adult Physical Disability - Residential Care Services	24.5	28.2	+3.7	Activity pressures beyond budgeted levels	+£3.1m overspend relates to people accessing nursing and residential care services, with increases in activity exceeding budgeted levels. Other pressures include +£0.2m from savings no longer expected to be achieved this financial year, and +£0.4m from contributions to the provision for bad and doubtful debts
Adult Mental Health - Residential Care Services	21.4	23.5	+2.1	Activity pressures beyond budgeted levels	+£1.3m overspend relates to people accessing nursing and residential care services, with increases in activity exceeding budgeted levels. Other pressures include +£0.2m from savings no longer expected to be achieved this financial year, and +£0.7m from contributions to the provision for bad and doubtful debts.
Older People - In House Provision	15.8	18.1	+2.3	Service pressures on In House Residential Units	+£2.5m relates to budget pressures across Gravesham Place, Broadmeadow, Westbrook, and Westview residential units due to staffing pressures arising from increasing staffing levels to maximise bed capacity and use of agency staff to provide additional capacity and cover for unplanned absences, alongside pressure on Westbrook and Westview from increasing energy costs.

All figures in £m

Key Service		Revenue Budget	Revenue Forecast	Revenue Variance	Summary	Detail
						Above pressures offset by -£0.2m forecast underspends across other Older Person In House Residential and Daycare services.
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	42.0	+1.3	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	2.3	+0.6	Activity pressures beyond budgeted levels	Increasing levels of activity and costs associated with carer respite.
Provision for Demographic Growth - Residential Based Services		12.5	2.2	-10.3	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	2.7	-13.0	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 Budget	Revenue Forecast	Revenue Variance
Education & Special Educational Needs	125.6	126.1	+0.5
Integrated Children's Services (Operations and County Wide)	300.8	297.0	-3.7
Strategic Management & Directorate Budgets	4.3	4.4	+0.1
Total	**430.7**	**427.5**	**-3.1**

The Children, Young People & Education directorate is projected to be underspent by -£3.1m, this is formed from several significant variances. Integrated Children's Services (Operations and Countywide) is forecasting an initial net underspend of -£3.7m, mainly related to an underspend on community based services for young adults with disabilities. Education & Special Educational Needs are forecasting a net overspend of £0.5m which relates to pressures on services for schools and Community, Learning & Skills, mostly offset by an underspend on Home to School Transport.

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, both in-year and future years.
Other School Services	5.8	8.4	+2.6	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 (+£0.5m). Other overspends include 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	43.6	-3.1	Underspends across most services	Forecasting underspends across most community services, but mainly Supported living (-£2.3m) and Direct Payments (-£0.2m) due to lower than anticipated costs.
Home to School & College Transport	96.3	92.9	-3.4	Lower cost of hired transport	Whilst the number of SEN children being transported is in line with the budget assumption the average cost has been lower, this is due to a combination of more children receiving a PTB and lower costs of hired transport (which has resulted from the retender of contracts relating to 2 special schools). A contingency has been added to reflect likely increases in pupil numbers and unit costs before the

					end of the financial year.
Adult Learning & Physical Disability pathway - Residential Care Services & Support for Carers	46.7	43.6	-1.7	One-off extra CHC funding	Due to the high cost of the placements - a very small reduction in placements can lead to large under or overspends. Additional one-off Continuing Health Care funding received for a number of placements (-£0.9m)
Looked After Children (with Disability) - Care & Support	22.5	25.9	+3.3	Pressures on residential care and semi independent	The number of children placed in residential and semi-independent is continuing to grow, along with the average cost resulting in pressures on residential care (£1.7m) and semi-independent (£1.6m).
Looked After Children – Care & Support	101.8	102.5	+£0.7	Higher use of more costly external placements	The number of LAC has reduced since the start of year but the number of external placements has remained static – reflecting the ongoing challenge of a reducing number of in-house foster carers. The forecast also reflects the continual increase in the costs across all external placements beyond that assumed in the budget. This forecast also includes a one-off grant to support additional costs resulting from introduction of new requirements for 16 & 17 year old regulated accommodation (-£0.9m).
Children's Social Work Services – Assessment & Safeguarding Service	52.1	51.2	-£0.8	Vacancies	General vacancies across the children social work service where there are difficulties in recruitment in some areas of the county, along with general delays in recruitment. This includes vacancies across social work, linked management & business support. Total underspend is equivalent to 1.6% of the budget.
Care Leavers Service	5.6	4.8	-£0.8	Lower number & average cost of placements	The average cost of placements for young people has reduced where more are placed in more cost-effective placements under the new supported accommodation contract (rather than semi-independent). The number of young people requiring a placement is also lower than budgeted where alternative arrangements are secured.

3c | Growth, Environment & Transport

All figures in £m

	Revenue Budget	Revenue Forecast	Revenue Variance
Environment & Circular Economy	97.3	99.8	+2.5
Growth & Communities	31.3	30.3	-0.9
Highways & Transportation	72.9	76.8	+3.8
Strategic Management & Directorate Budgets	1.4	1.4	0.0
Total	**202.9**	**208.2**	**+5.3**

The Growth, Environment & Transport Directorate is projected to be overspent by £5.3m. All services/budgets across the directorate will continue to review their staffing and spend levels to ensure only essential spend is incurred and income/activity levels will continue to be reviewed and reflected.

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-imbursement Calculator	In November 2023, the DfT announced changes to the re-imbursement calculator for the ENCTS scheme. The changes to the calculator were based on updating a number of key re-imbursement factors/inflation factors, that had not updated since the launch of the scheme. The impact of these changes is to raise the re-imbursement level for ENCTS acceptance by a bus operator. KCC follows the DfT re-imbursement calculator for the payment of ENCTS re-imbursement to bus operators and this has presented a £3m pressure. This is proposed to be realigned in the 2025/26 budget.
Waste Facilities & Recycling Centres	38.8	40.7	+1.9	Paused HWRC saving, unachievable compost saving and reduced income	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. This is proposed to be realigned in the 2025/26 budget. In addition, there was a savings target from Reuse and Small Business trade waste. Some limited reuse activities have been delivered; however, meeting the full target is now unlikely due to protracted contract negotiations which have delayed the delivery of the reuse shop at Allington. Negotiations are now finalised and completion date for the construction is planned for March 2025. This has resulted in an overspend this year (+£0.2m). Small business trade waste is an ongoing project with active plans of work to develop small trade waste. Due to cost recovery, health and safety and operational issues, the project has deviated from delivering this service at the HWRCs to enhancing the services already delivered at the waste transfer stations, which have the existing infrastructure to ensure that cost recovery and income is delivered. Work to deliver a marketing plan to increase business is currently underway. 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).
Highway Assets Management	38.7	39.7	+1.1	Chestfield tunnel costs and other price/demand pressures partially offset by energy underspend and additional income	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 a significant overspend (+£0.9m). The service is submitting a bid for this unbudgeted cost to be funded from corporate reserves which if successful will remove this variance, but will impact the reserves position further. 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 (+£1.7m 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 (-£1.4m).
Residual Waste	52.6	53.0	+0.4	Increased tonnes offset by lower than budgeted price	An overspend primarily resulting from additional tonnes (+£1.5m) is offset by reduced prices primarily 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	Increased income	Variance is mainly due to an increase in income for Trading Standards from the Office for Product Safety and Standards (OPSS) for Ports and Borders work (-£0.2m) as well as a high turnover of Coroners staff meaning there are always a number of vacancies and posts that cannot be filled quickly (-£0.2m).

3d | Chief Executive's Department

All figures in £m

	Revenue Budget	Revenue Forecast	Revenue Variance
Commercial & Procurement	3.1	2.9	-0.2
Finance	14.1	13.8	-0.3
Governance, Law & Democracy	8.4	7.9	-0.5
Strategy, Policy, Relationships & Corporate Assurance	5.6	5.6	0.0
Strategic Management & Departmental Budgets	-0.7	-1.1	-0.4
Total	**30.5**	**29.1**	**-1.3**

The Chief Executive's Department is projected to underspend by -£1.3m.

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
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 25.
Strategic Management & Departmental Budgets	-0.7	-1.1	-0.4	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
Finance	10.3	10.0	-0.3	Vacancy management and additional expected recharge to the Pension Fund.	There are underspends in a number of finance teams due to staff vacancies. This is combined with additional income expected from the Pension Fund in early delivery of the 2025/26 MTFP.
Commercial & Procurement	3.1	2.9	-0.2	Vacancy management offset by reduced expected income	Majority of the underspend is due to management action to reduce spend by deferring appointments to new posts. This is offset by reduced expected income from Oxygen Finance which is now expected to be delivered in 2025-26.

3e | Deputy Chief Executive's Department

All figures in £m

	Revenue Budget	Revenue Forecast	Revenue Variance
Corporate Landlord	29.0	27.0	-1.9
Human Resources & Organisational Development	5.4	5.1	-0.3
Infrastructure	8.8	8.9	0.0
Marketing & Resident Experience	6.9	6.9	-0.1
Technology	26.1	26.1	0.0
Strategic Management & Departmental Budgets	5.9	5.7	-0.3
Total	**82.2**	**79.7**	**-2.5**

The Deputy Chief Executive's Department is projected to underspend by -£2.5m of which £1.2m relates to early delivery of 2025/26 savings and £0.8m is as the result of one-off in-year refunds and back-dated rent receipts.

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

All figures in £m					
Key Service	**Revenue Budget**	**Revenue Forecast**	**Revenue Variance**	**Summary**	**Detail**
Corporate Landlord	29.0	27.0	-1.9	Utilities underspend due to reduced costs, in-year refunds and asset disposals.	Underspend due principally to early delivery of 2025-26 MTFP: change in asset base through disposals or change of use – together with in-year refunds for vacated sites and back-dated rent increases.
Strategic Management & Departmental Support	1.4	1.2	-0.2	Vacancy management	Majority of underspend due to holding vacancies pending decisions on timing of appointments to key posts.
Human Resources & Organisational Development	5.4	5.1	-0.3	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 vacancies

3f | Non Attributable Costs including Corporately Held Budgets

All figures in £m

	Revenue Budget	Revenue Forecast	Revenue Variance
Non Attributable Costs	102.6	95.6	-7.0
Corporately Held Budgets	-2.4	0.5	+2.9
Total	**100.2**	**96.1**	**-4.1**

The forecast underspend for Non Attributable Costs including Corporately Held Budgets is -£4.1m. Details of the significant variances are shown on the following page:

All figures in £m

Key Service	Revenu	Revenu	Revenu	Summary	Detail

	e Budget	e Forecast	e Variance		
Non Attributable Costs	102.6	95.6	-7.0	Higher income from investments & additional income from business rate compensation grant and business rates levies	-£1.5m high forecast return on investments, partially offset by higher interest payments to third parties. This also reflects a contribution to debt costs from the Home Office grant related to the new Unaccompanied Asylum Seeker reception centres. The underspend has reduced since Quarter 1 reflecting the reduction in the Bank of England base rate at the beginning of August, together with higher than forecast spend in July and August leading to lower cash balances and a consequential reduction in investment income. The Bank of England base rate reducing to 4.75% announced on 7 November will impact this forecast in Quarter 3. -2.2m additional business rate compensation grant for freeze of multiplier and temporary discounts and -2.6m additional share of retained business rates levies for 2022-23 and 2023-24 through business rates pool. Both of these figures are provisional and subject to the District Council audits.
Corporately Held Budgets	-2.4	0.5	+2.9	Undeliverable Savings	The 2024-25 budget included an estimated saving of £2.3m, held corporately, from further discretionary policy decisions and deep dive into contract renewals with consideration of reducing service levels. Any savings being achieved from contract renewals are/will be contained within the directorate forecasts and therefore to avoid any double counting this is being forecast as not being delivered in CHB. +0.75m - the planned savings from a reduction in the use of Agency staff are/will be reflected within the individual directorate forecasts and therefore to avoid any double counting this is being forecast as not being delivered in CHB. Delivery plans are still to be confirmed before this saving can be allocated to services for 2025-26 subject to HROD agreeing a methodology with CMT.

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 £96.6m. The total Dedicated Schools' Grant for 2024-25 is £1,769.6m and is forecast to overspend by £53.2m.

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	337.8	391.0	53.2
Early Years Block	154.2	154.2	0.0
Central Services to Schools' Block	12.2	12.2	0.0
Total DSG 2024-25	**1,764.7**	**1,817.9**	**53.2**

*Before recoupment 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
	Individual Maintained School Reserves	**Central Schools' (DSG) Reserve**
Reserve Balance as at 1st April 2024*	58.6	-67.2
Forecast contribution to/(from) reserves: Academy Conversions	-1.0	
Change in School Reserve Balances	0.0	
Overspend on DSG 2024-25		-53.2
Safety Valve: Local Authority Contribution		15.1
Safety Valve: Payment from DfE		9.0
Reserve Balance as at 31st March 2025*	57.7	-96.6

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

In accordance with the statutory override implemented by the Department of Levelling Up, Housing and Communities (DLUHC), 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 appendix 3). DLUHC have confirmed this statutory override will be in place until March 2026 whilst Council's 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 previous years will have reduced the accumulated deficit from an estimated £220m to £89.3m as at 31st March 2025.

Key Issues **Details**

Individual Maintained Schools Reserves	As at 31st 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 & 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. This forecast includes 3 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.
Schools' Block: No Variance	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.
Early Years Block: No Variance	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. 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. No significant variances are being reported at this stage in the year.
High Needs Block: Higher demand and higher cost for high needs placements. Safety Valve Payment & Local Authority Contribution.	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. The in-year funding shortfall for High Needs placements and support in 2024-25 is +£53m 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. This forecast has been updated to reflect September 2024 education placements, and forecast for future growth in cost before the end of the financial year. 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. 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

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 the 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	163
Independent Schools	49	60	68	76	81
Mainstream Individual Support & SRP* **	46	54	61	65	75
Post 16 institutions***	17	19	21	24	24
Other SEN Support Services	49	43	48	49	48
Total Spend	**264**	**299**	**334**	**365**	**391**
Rate of increase in spend	-	13%	10%	11%	7%

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	6,645
Independent Schools	1,126	1,348	1,485	1,620	1,623
Mainstream Individual Support & SRP*	4,510	5,258	5,772	6,496	7,207
Post 16 institutions***	1,281	1,453	1,569	1,665	1,701
Total Number of Pupils	**12,035**	**13,650**	**14,845**	**16,163**	**17,176**

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

					£s per pupil
	20-21	**21-22**	**22-23**	**23-24**	**24-25**
Maintained Special School	£20,629	£21,648	£22,640	£23,587	£24,529

Independent Schools	£43,734	£44,799	£44,911	£46,894	£50,018
Mainstream Individual Support & SRP* **	£10,294	£10,245	£10,578	£10,051	£10,365
Post 16 institutions***	£13,309	£13,090	£12,927	£14,565	£14,183

*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 2, £84.8m of savings are forecast to be delivered including £4.6m of alternative savings and £5.3m has been identified as undeliverable. £31.0m of savings budgeting in 2024-25 are now to be achieved in future years. Variances over £0.5m are reported by Directorate in this section with commentary. Where alternative savings have been identified (totalling £4.6m 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)	(41.9)	0.0	(2.3)	(44.2)	22.7	0.5	(28.1)
Children, Young People & Education		(16.7)	(14.8)	(0.3)	(1.0)	(16.0)	0.7	0.0	(1.9)
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)	0.0	0.0	0.0	0.0	2.3	2.3	0.0
Total		**(111.2)**	**(80.2)**	**(0.3)**	**(4.3)**	**84.8**	**26.4**	**5.3**	**(31.0)**

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	-	-	-	-	3,041.1	-	-3,041.1
	The absence of a commissioned managed account and payroll service has hindered the planned expansion in use of direct payments to date. Alternative plans are being developed to create opportunities in this area.							
Efficiencies through Enablement	-3,500.0	-1,956.6	-	-	-1,956.6	1,543.4	-	-1,543.4
	Productivity has continued to improve when compared to last year's baseline (currently at 25% improvement). However, the anticipated target of 28% has not being achieved to date. The service is reaching maximum capacity and scope with transformation partner (PwC) is being agreed to complete capacity and demand modelling and to review productivity and opportunities for enablement services.							
Rehabilitation and Alternate Support for MH	-3,300.0	-	-	-	-	3,300.0	-	-3,300.0
	Savings were largely predicated on being able to utilise and refer into KMPT rehabilitation services in the first instance and savings unlikely to be realised this financial year due as there is not sufficient availability of NHS rehabilitation services in community. Other opportunities such as the repurposing of former care home to offer a step-down facility for MH discharge from hospital are still in the early phase of exploration, and tracking of cost avoidance of Homes From Hospitals staff in reducing levels of need for MH hospital discharges is taking place although estimated cost avoidance for the financial year does not yet indicate a financial benefit.							
Reduction in Residential and Nursing Placements	-2,900.0	-939.4	-	-	-939.4	1,960.6	-	-1,960.6
	Plans have been refined with the aim of reducing numbers of new Older People residential and nursing starts by 10% through maximising use of homecare services. Where residential and nursing placements are commissioned, there will be a greater emphasis on evidencing that best/most competitive rates have been achieved.							
Occupational Therapists	-2,500.0	-	-	-	-	2,500.0	-	-2,500.0
	Latest tracking and modelling no longer indicates that there will be any saving this financial year. The scope with transformation partner (PwC) is being agreed to widen and include a review of Occupational Therapy delivery model and baseline performance and identify opportunity to improve effectiveness of occupational therapy and reduce long term spend.							
Partnership Working (Section 117)	-2,200.0	-245.3	-	-	-245.3	1,954.7	-	-1,954.7
	Savings were predicated on 50:50 split which is unlikely to happen this financial year. Work is on-going with health colleagues to reconcile and agree S117 records to allow for costs to be agreed and shared equitably. A tracker has been introduced to monitor 'pushbacks' through Adult Social Care Connect, and work is on-going to develop awareness, knowledge, and expertise of S117 in the wider service.							

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
Reviews: Ongoing Reviews	-1,200.0	-252.0	-	-	-252.0	948.0	-	-948.0
	Refined targets are now based on there being 0% increase in costs following an on-going review (historically we see a 2.5% increase post-review).Ongoing reviews present an ongoing challenge to ASCH as the financial consequence of those reviews is based on the changing needs and circumstances of people who draw on care and support, and the use of new models of care and support to replace established care and support arrangements. We know that unplanned reviews are statistically more likely to increase costs when compared to planned reviews, and significant challenges in the care home market has impacted the costs of meeting assessed needs and outcomes.							
Efficiency Savings in relation to the purchasing of residential care	-8,000.0	-3,187.9	-	-	-3,187.9	4,812.1	-	-4,812.1
	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. Fee Model and Pricing Mechanism: CareCubed to ensure cost effective placements providing price framework for ASPT to work to. Ongoing discussions with Medway/ICB Consideration of neighbouring LA prices. Increased provision of cost effective higher need placements (Bariatric, Complex Dementia): Scoping work as part of recommissioning with Medway to align spec and potential use of blocks to increase market provision. Former self funders and deferred payments/ TPTU: Task and Finish Group with key stakeholders to be set up, chaired by Operations, to review processes and policy. Conversations with Medway Council regarding their policy and approach. NHS Joint Bed Brokerage is forecasted to save approximately £700k this financial year, if they are able to implement their short term solution. Further savings could be achieved in 25/26 if the long-term solution can be implemented by Spring/Summer 2025.							
Efficiency Savings in relation to the purchasing of care and support in the home	-3,400.0	-2,500.0	-	-	-2,500.0	900.0	-	-900.0
	Much of the repurchasing in North Kent is being carried out in conjunction with the CQC and UKV&I work. Not all the repurchasing has made savings but this has been about due diligence as well. The new process for repurchasing care and support in the home is being finalised and they have formed a repurchasing group to support this process. This should make it easier to track savings from repurchasing non-framework to framework providers. We have also put in place additional controls over future potential off framework packages of care to as a cost avoidance measure to support the 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
2022-23 Slipped Savings - review of all contracts	-4,388.5	-3,576.4	-	-	-3,576.4	812.2	-	-812.2
	Joint action plan developed to align with the operational savings. The action plan includes identified touch points to provide clarity of where the work and responsibility is allocated. Joint working document developed to work with finance to enable collaboration confirming identified savings. Savings and clawbacks have been identified against specific providers who have under-delivered support hours. A pilot is commencing with a Supported Living Provider and the TELS team to understand what level of support can be provided via tech rather than direct support (in relation to sleep night commissioned). Locality Commissioners also visiting properties under the NHS campus re-provision where KCC fund the void liability, to understand accommodation type and why the unit is empty. Complex and standard hourly rates - Analytical evaluation has been completed where there is a mix of standard and complex within a property that have been baselined by the Quality and Standards team.							
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. Decision was taken for the remaining £1.4m to not be delivered through staffing within In-House Provider Services.							

4b | Growth, Environment & Transport 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
Review of green waste contract, with market analysis indicating a reduction in gate fee	-621.0	-	-	-	-	621.0	621.0	-

4c | Corporately Held Budgets 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
The reduction in the volume and duration of agency staff	-750.0	-	-	-	-	750.0	750.0	-
	Year to date spend shows a reduction in spend on agency staff compared to the same period last year suggesting that this saving is being/has been delivered. However, these savings will already 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. Delivery plans are still to be confirmed before this saving can be allocated to services for 2025-26 subject to HROD agreeing a methodology with CMT.							
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. 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)
CYPE	Covered from other underspends across Learning Disability and Physical Disability - community services	(250.0)	0.0	(250.0)
CYPE	Use of Early Help staff to meet Family Hubs prioritises has been agreed with the DfE, and staff costs are being met from the Family Hubs Grant	0.0	(560.0)	(560.0)
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)
Total		**(250.0)**	**(4,324.8)**	**(4,574.8)**

5 | Capital Budget Forecast

All figures in £m

Directorate		Capital Budget	Variance	Real Variance	Rephasing Variance
Adult Social Care & Health		1.226	-0.117	0.156	-0.273
Children, Young People & Education		138.221	-45.018	0.604	-45.622
Growth, Environment & Transport		232.120	-41.503	8.522	-50.025
Chief Executive's Department		0.205	0.024	0.00	0.024
Deputy Chief Executive's Department		54.840	-3.538	5.186	-8.724
Directorates Position		**426.612**	**-90.152**	**+14.468**	**-104.620**

The total approved General Fund capital programme including roll forwards for 2024-25 is £426.6m.

The current estimated capital programme spend for the year is forecast at £336.5m, which represents 79% of the approved budget. The spend to date is £123.3m, representing 28.9% of the total approved budget.

The directorates are projecting a £90.2m underspend against the budget, this is split between a +£14.4m real variance and -£104.6m re-phasing variance. Of the rephasing, £41m is prudential borrowing funding (largely in the CYPE Directorate) and the remainder of the rephasing is grant or external funding.

The major in-year variances (real variances of >£0.1m and rephasing >£1m) are described below

5a | Adult Social Care & Health

There are no major variance to report

5b | 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	-0.087	-5.867	Rephasing variance is due to: -£1.2m 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. There is rephasing on five other projects, all of which are under £1m.
Basic Need KCP 2017	-0.666		The real underspend is due to an underspend on Meopham School (-£0.462m), as there is a school contribution towards the hydrant and water tank costs, and Thamesview (-£0.126m) which completed with a small underspend.
Basic Need KCP 2019	+0.266	-15.174	The real variance is due to: -£0.250m Ashford Non Selective - project removed from the programme. +£0.516m Wrotham School - DfE School Rebuild Programme, increase to reflect KCC agreed contribution The rephasing is due to: -£8.151m Cable Wharf Primary - replacement school for Rosherville which 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. -£6.0m rephasing reflects unallocated budget rephased to future years. -£2.665m Highsted Grammar - school requesting additional funds for School Managed project which has caused a delay to the start of the project.
Basic Need KCP 21	-0.013	-2.500	Rephasing relates to:

Project	Real Variance	Rephasing Variance	Detail
(2022-26)			-£1.0m Sittingbourne non-selective, as a school has not yet been identified, and -£1.5m Cornwallis Academy – pending delivery of the expansion project at New Line Learning.
Basic Need KCP22 (2023-27)		-2.101	Rephasing relates to individual projects of which none are over £1m.
Basic Need KCP 23 (2024-28)		-5.108	The rephasing variance reflects unallocated budget rephased to future years.
High Needs Provision 22-24	1.318	-10.921	The real variance is due to: +£1.174m increase budget to agree to the Record of Decision from available grant. Rephasing is due to: -£1.455m Nexus Satellite – school is not yet identified. -£2.000m New Special School Whitstable, which is a DfE managed project therefore KCC funding is dependant on DfE timescales. -£7.214m unallocated budget to be allocated to projects in future years.
Childcare Expansion (Early Years)	-0.250	-2.127	Real variance: It is expected that all grant relating to Early Years will be true capital spend. An estimated £0.25m for wrap around care will be charged to revenue and the capital grant transferred to fund those schemes. Rephasing: Allocation of the grant funding is being managed by The Education People. Information has recently been received from the DfE on Early Years deficit numbers in each of the planning areas. Expressions of interest from providers will be reviewed in line with place numbers required. It is anticipated that Early Years funding will be spent by September 2025.

5c | Growth, Environment & Transport

Project	Real Variance	Rephasing Variance	Detail

Project	Real Variance	Rephasing Variance	Detail
Highways & Transportation			
Highway Asset Management, Annual Maintenance and Urgent Safety Critical Works	6.774	-0.456	The real variance of £6.774m has increased from the Q1 position which was £4.218. This is due to an unfunded overspend on structures (£3.8m) and an unfunded overspend on inspectors (£2.8m), and additional grant (£0.176m) for trees.
Integrated Transport Schemes under £1m	0.746		The real variance is due to various smaller integrated transport schemes that will be funded from additional external funding, £0.0225m grant for Office Zero Emissions Vehicles (OZEV) Phase 3 and £0.120m EDC grant.
A2 Off Slip Wincheap		-1.5	Project has been rephased due to ongoing discussions between the developer and the National Highways regarding the design of the A2 Off Slip, several issues still to be resolved have delayed the commencement of the works
A229 Bluebell Hill M2 & M20 Interchange Upgrades		-1.5	The rephasing is due to delays in the programme as a result of project uncertainties relating to the Lower Thames Crossing DCO decision and the unfunded transport projects review announced by Government in July 2024. Significant investigation works have been pushed into future years, which also has a knock on impact on other programme elements.
North Thanet Link (formerly A28 Birchington, Acol and Westgate on Sea Relief Road)		-7.872	Previously reported -£7.157m. 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). Estimated spend for 24/25 is based on expected receipt of £1.9m funding from DfT in year and surplus S106 monies carried over from previous financial year. However this will be further reviewed in Q3 2024.
Green Corridors	-0.958	-4.065	Previously reported -£2.308m rephasing. Some spend for this project has been re-profiled into 2025/26 to reflect the updated construction timescales for the Green Corridors 3 programme.
Kent Active Travel Fund Phase 4	1.200	-0.916	An extension of time has been requested of Active Travel England for all schemes in phase 4. An additional £1.2m has been received for Aylesford Tow Path.
Thamesway	3.381		This project has been pulled out separately from the Kent Thameside Strategic Transport Programme (STIPS) below, and a cash limit change is requested to move the budget accordingly.
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.

Project	Real Variance	Rephasing Variance	Detail
National Bus Strategy – Bus Service Improvement Plan (BSIP)	1.105		Additional grant funding received, for which a cash limit change has been requested.
Urban Traffic Management Control	-1.201		There is an underspend on this scheme which is to be returned to STIPS.
Greener Buses – Zero Emission Bus Regional Areas (ZEBRA)		-1.292	The purchase of the electric vehicle chargers for this project will now take place in 2024-25. The reprofiling is due to procurement/supply delays. It is now also expected that the buses relating to the Dover element of the project will be purchased early in 24/25.
Environment & Circular Economy			
Folkestone & Hythe Waste Transfer Station		-3.077	Rephasing is due to land purchase unlikely to take place in this financial year due to planning determination delays.
Local Authority Treescape Fund	0.141		Additional grant has been approved for phase 4.
Growth & Communities			
Public Rights of Way	0.157	-0.594	The real variance is due to additional external funding expected in 2024-25.
Workspace Kent	-0.175		Due to the repayment timescales, finding a suitable project that can be completed is unrealistic, therefore these funds will not be allocated and will be returned to the GPF funding pot in line with the funding agreement.

Previously reported variances

Project	Real Variance	Rephasing Variance	Detail
Highways &			

Project	Real Variance	Rephasing Variance	Detail
Transportation			
A228 and B2160 Junction Improvements with Badsell Road		-2.757	Previously reported -£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
A28 Chart Road, Ashford		-2.371	Previously reported -£2.236m. 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		-6.174	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.
Fastrack Full Network – Bean Road Tunnels		-6.127	Previously reported -£6.295m. 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 reviewed through updated legal agreements.
Swale Housing Infrastructure Fund (HIF)		-3.451	Previously reported -£3.101m. 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	-0.239	A change control has been requested from Active Travel England to transfer some unused budget to Sevenoaks Cycle Facility from KATF2. This is forecast to be spent in 2025-26. If agreed, a cash limit adjustment will be done.
M20 Junction 7	+0.123		Previously reported +£0.144m. 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	-0.307		Previously reported -£0.330m. 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.

Project	Real Variance	Rephasing Variance	Detail
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		-6.123	Previously reported -£5.066m. 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
Environment & Circular Economy			
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 works will need to be done which would negate the underspend. This will only be known 24 months after practical completion.
Growth & Communities			
Public Rights of Way	+0.151	-0.043	The real variance is due to additional developer contributions, for which cash limit change is requested.

5d | Chief Executive's Department

There are no major variances to report

5e | Deputy Chief Executive's Department

Project	Real Variance	Rephasing Variance	Detail
Strategic Reset Programme		-2.5	Rephasing is due to delays in agreement of the specification of the Kent Communities Programme co-location sites which has pushed delivery programmes into the next financial year.

Previously reported variances

Project	Real Variance	Rephasing Variance	Detail
Unaccompanied Asylum-Seeking Children (UASC) Additional Accommodation Requirements	+4.819		Previously reported +£4.047m. 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, so this variance could disappear, but it is prudent to record it as a potential overspend until the funding is received
Strategic Estate Programme		-5.596	Previously reported -£5.012m. This has been rephased as the decision to commence capital works will not be presented to Policy and Resources Cabinet Committee until November, resulting in the need to rephase the spend.

6 | Capital Budget Changes

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

Project	Year	Amount (£m)	Reason
Adult Social Care & Health			
Financial Hardship Programme	24-25	+0.080	Revenue contribution for the purchase of software licences.
Children, Young People & Education			
Basic Need KCP 22 (23-27)	24-25 27-28	+0.012 +0.068	Additional developer contributions
Basic Need KCP 23 (24-28)	25-26 26-27 27-28	+1.000 +5.780 +0.677	Decrease in developer contributions relating to Herne Bay High School as the project has been removed from the Programme.
Growth, Environment & Transport			
Highway Asset Management, Annual Maintenance and Urgent Safety Critical Works	24-25 25-26	+0.011 +0.176	Additional grant received
Integrated Transport Schemes	24-25	+0.023 +0.120	Additional OZEV grant received. Additional EDC grant received
Dover Inter Border Facility	24-25	-0.253	Reduction in cash limit due to works costing less than anticipated. Excess grant will need to be repaid to Department for Transport.
Green Corridors	24-25	-0.851	Reduction in grant.
Kent Active Travel Fund Phase 4	24-25 25-26	+0.284 +0.916	Additional grant received for Aylesford Tow Path.
Kent Thameside Integrated Door to Door Service	24-25	-0.017	Underspend being returned to STIPs budget – grant funding.
Kent Thameside Strategic Transport Programme (STIPS)	24-25	-1.193 -2.187 +1.201 +0.017	Transfer of budget (grant) to Thames Way Project. Transfer of developer contributions to Thames Way Project. Grant returned from Urban Traffic Management Control Underspend from Kent Thameside Integrated Door to Door Service being returned.
Thames Way	24-25	+1.193	Transfer of budget (grant) from Kent Thameside Strategic Transport Programme (STIPS).

Project	Year	Amount (£m)	Reason
		+2.187	Transfer of budget (grant) from Kent Thameside Strategic Transport Programme (STIPS).
Urban Traffic Management Control	24-25	-1.201	Underspend being transferred back to Kent Thameside Strategic Transport Programme.
National Bus Strategy – Bus Service Improvement Plan	24-25 25-26	+1.105 +1.100	Additional grant received
Energy & Water Efficiency Investment Fund	24-25 25-26 26-27	-0.175 -0.018 -0.018	Reductions in cash limits to reflect repayments to Salix.
Kent Empty Property No Use Empty	24-25	+0.060	Additional external funding

7 | Reserves Monitoring

All figures in £m

Reserve	Opening Balance 01/04/24	Forecast Contribution / Drawdown	Projected Balance 31/03/25	Details of key movements
General Fund (including Commercial Services General Fund)	-43.0	10.6	-32.4	£5.1m contribution to reserves towards achieving a reserve balance of between 5% and 10% of net revenue budget, which is considered an acceptable level. £11.1m contribution to repay the drawdown required in 2022-23 to fund the overspend (£11.1m also required in 2025-26) £26.8m drawdown to fund forecast 2024-25 overspend (the £16.3m forecast overspend at Q1 was shown against Departmental Over/Underspends)
Earmarked Reserves				
Vehicle, Plant & Equipment	-22.6	1.5	-21.1	Drawdowns and contributions to manage purchasing assets with a life of more than one financial year. There are planned drawdowns of £2.4m to replace assets that have come to the end of their useful life and £0.9m contributions to fund renewing assets in future years
Smoothing	-148.7	12.0	-136.7	Includes the £9.1m budgeted drawdown to support the 2024-25 budget
Major Projects	-41.0	10.4	-30.7	Reflects the latest estimated phasing of projects including risks around the Oracle Cloud Programme
Partnerships	-51.5	-5.4	-56.9	Includes £4.3m budgeted repayment of reserves used to support the 2023-24 budget
Grant / External Funds	-16.2	5.9	-10.2	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	2.8	0.0	£2.8m drawdown to fund roll forwards from 2023-24
Insurance	-12.4	-1.1	-13.5	Contribution to reserves of the forecast in-year underspend against the Insurance Fund in line with usual policy
Public Health	-17.0	1.9	-15.1	Drawdown of Public Health reserve to fund one-off costs and to balance the 2024-25 budget plans

All figures in £m

Reserve	Opening Balance 01/04/24	Forecast Contribution / Drawdown	Projected Balance 31/03/25	Details of key movements
Trading	-1.7	0.0	-1.7	
Special Funds	-0.8	0.1	-0.8	
Total Earmarked Reserves	**-314.6**	**28.0**	**-286.6**	
Total General Fund & Earmarked Reserves	**-357.6**	**38.6**	**-319.0**	
Schools	**-58.6**	**1.0**	**-57.6**	Drawdown to fund Academy Conversions
DSG Adjustment Account	**103.4**	**29.1**	**132.5**	The DSG Adjustment Account deficit has increased due to pressures in Schools Funding. More details can be found in Section 3g

8 | 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.

8.1	Total external debt outstanding in September was £746.75m down by £25.14m since 31st March 2024	KCC debt includes £432.40m 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 15.11 years at an average interest rate of 4.33%. Outstanding loans from banks amount to £216.10m. This is also at fixed term rates with average length to maturity of 37.73 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 39.38 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 £8.25m with an average of 15.84 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.
8.2	Majority is long term debt with only 5.50% due to mature within 5 years	Maturity 0 to 5 years £41.08m (5.50%) Maturity 5 to 10 years £49.00m (6.56%) Maturity 10 to 20 years £265,77m (35.59%) Maturity over 20 years £390.90m (52.35%)
8.3	Total cash balance at end of September was £502.61m, up by £49.26m 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.
8.4	Cash balances are invested in a range of	Investments are made in accordance with the Treasury Management Strategy agreed

	short-term, medium term and long-term deposits	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. Short term deposits (same day availability) are held in bank accounts and money market funds. Current balances in short-term deposits in September were £138.96m (27.65% 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 4.97%. 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 September, the Council had £50.72m in UK treasury bills and other deposits with the UK government. These deposits represent 10.09% of cash investments with an average rate of return of 5.02%. 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 September, the Council had £117.87m invested in covered bonds earning an average rate of return of 4.54%. The Council has outstanding loans of £16.75m through the No Use Empty Loans programme which achieves a return of 4.25% that is available to fund general services. This total includes £2.91m of loans made (£2.15m received) since March 2024. 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 £177.00m invested in pooled funds (35.22% of cash balances) as at 31 March 2024.
8.5	Treasury Management Advice	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.

8.6	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

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

8.8 **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 30/09/2024	Target
Portfolio average credit rating	AA+	AA-

8.9 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 30/09/2024	Minimum
Total cash available within 3 months	£215.80m	£100m

8.10 **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 30/09/2024	Limit
One-year revenue impact of a 1% rise in interest rates	£3.08m	£10m
One-year revenue impact of a 1% fall in interest rates	-£3.08m	-£10m

8.11 **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:

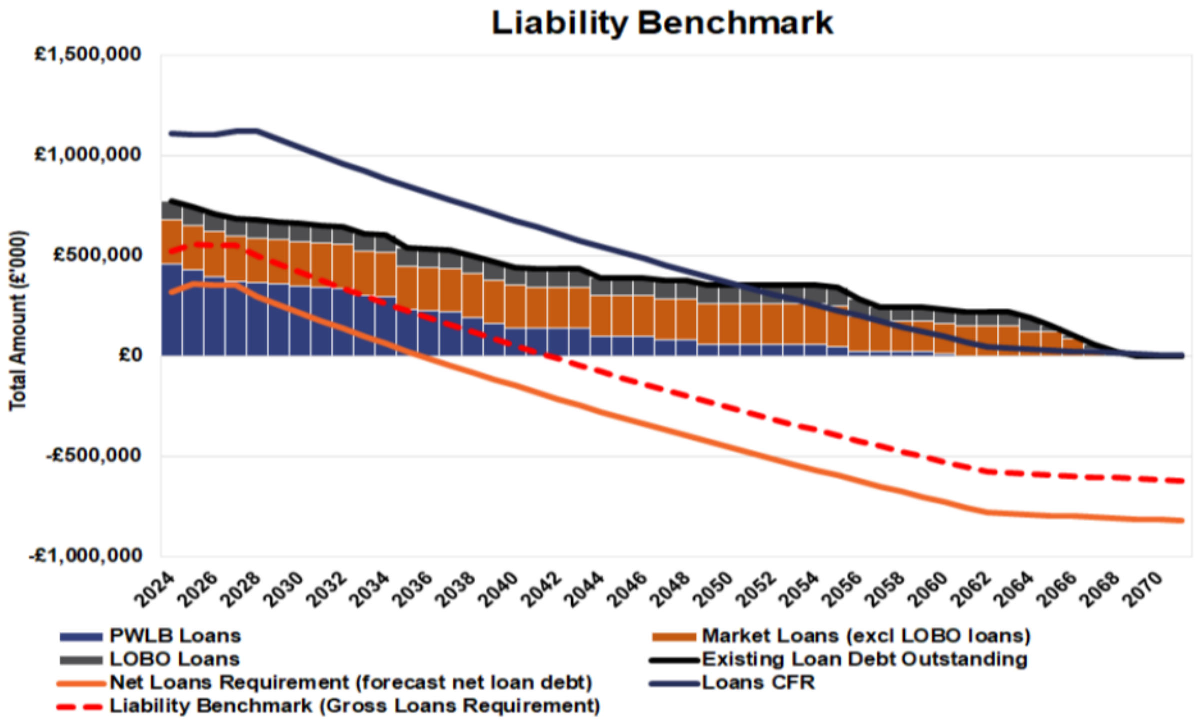
Interest rate risk indicator	Actual 30/09/2024	Upper limit	Lower limit
Under 12 months	0.01%	100%	0%
12 months and within 5 years	5.49%	50%	0%
5 years and within 10 years	6.56%	50%	0%
10 years and within 20 years	35.59%	50%	0%
20 years and within 40 years	26.84%	50%	0%
40 years and longer	25.51%	50%	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.

8.12 **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 September 2024	£70.70m	£49.82m	£9.51m	£195.06m

Prudential Indicator: 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 31/03/2024 level of £300m. It also assumes that the liquidity allowance of £200m remains appropriate given the £177.00m of external investments currently invested with fund managers over a long-term investment time horizon.

9 | Appendices

Appendix 1 – Key Service Statement

Appendix 2 – Savings

Appendix 3 – Prudential Indicators Monitoring