

From: Roger Gough, Leader of the Council
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Neil Baker, Cabinet Member for Highways and Transport
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To: Environment and Transport Cabinet Committee 14th November 2024

Subject: **Draft Revenue Budget 2025-26 and Medium Term Financial Plan (MTFP) 2025-28**

Classification: **Unrestricted**

Summary:

This report sets out key policy considerations within the administration's draft revenue budget proposals for 2025-26 (together with any full year consequences in subsequent years) for the Cabinet portfolios and directorates relevant to this committee for scrutiny. Unlike recent years this is a tailored report for each committee with the overall draft budget proposals contained within appendices and in particular choices about spending growth and savings/income. The draft proposals have been prepared before the Chancellor's Autumn Budget based on assumptions about future spending requirements, government grant settlement, and council tax referendum levels. These assumptions are likely to change but overall it is still likely that a balanced budget can only be achieved with significant savings and income generation as spending growth is likely to continue to exceed the funding available from the government settlement and local taxation.

Recommendations:

The Environment and Transport Cabinet Committee is asked to:

- a) NOTE the administration's draft revenue budgets including responses to consultation
- b) SUGGEST any changes which should be made to the administration's draft budget proposals related to the Cabinet Committee's portfolio area before the draft is considered by Cabinet on 30th January 2025 and presented to Full County Council on 13th February 2025.

1. Background and Context

1.1 The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Cabinet and Scrutiny Committees to allow for their comments to be considered before the final budget proposals are made to Full Council.

1.2 The Council is under a legal duty to set a balanced and sustainable budget within the resources available from local taxation and central government grants and to maintain adequate reserves. This duty applies to the final draft budget presented for Full Council approval at the annual budget meeting. The overall strategy for the budget is to ensure that the Council continues to plan for revenue and capital budgets which are affordable, reflect the Council's strategic priorities, allow the Council to fulfil its statutory responsibilities and continue to maintain and improve the Council's financial resilience.

1.3 A MTFP covering the entirety of the resources available to the Council is the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty.

1.4 The administration's initial draft budget proposals have been prepared in advance of the government's Autumn Budget and Spending Review 2024 (announced 30th October 2024) and in the absence of a provisional local government finance settlement or detailed spending plans inherited from the previous government. This draft budget is based on an assumed grant settlement and council tax referendum limits.

1.5 The administration's draft budget 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 2024-25 budget. These two factors are covered in more depth in Appendix A. 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. The Adult Social Care challenge will be covered in more depth in the report for the relevant Cabinet Committee. These factors do not preclude scrutiny of the remainder of the Administration's draft budget plans. There is a balance to be struck between planning for what is currently known (which are the factors cited above) and the likelihood of an improvement in the financial position via any additional Government support or improved tax take, with the risk being managed through reserves.

1.6 This report focuses on the key policy considerations within the administration's draft budget proposals for each Cabinet portfolio in a timely manner in November. This is a more focussed report to address previous concerns that presenting the entire budget proposals for the whole Council does not allow for sufficient scrutiny on key service issues by individual Cabinet and Scrutiny Committees. To assist this, a summary of the 2025-26 proposals for the relevant Cabinet portfolio is included in this report, together with a more detailed table setting out the key policy considerations and accompanying narrative (in the next section of this report). An interactive dashboard is also provided to Members, enabling the details of all proposals to be examined and scrutinised.

1.7 Separate appendices are included which set out:

- the key assumptions within the administration's overall initial draft budget (appendix A)
- how the proposals are consistent with the Council's strategic priorities and legal requirements (appendix B)
- a summary of the responses from the recent budget consultation (appendix C)
- a summary of the Administration's Draft Budget proposals (appendix D)
- a high-level summary of the overall MTFP covering 2025-28 (appendix E)
- a summary of the proposals for GET directorate for 2025-26 (appendix F)
- a detailed list of the key policy considerations for GET directorate (spending and savings proposals) (appendix G)
- an assessment of financial resilience (appendix H)

This provides the same level of background information as presented to Cabinet and Scrutiny committees in previous years. A more detailed report on the budget consultation, which closed on 7th August 2024, is provided as a background document.

1.8 Following the November scrutiny process, a revised draft of the administration's final budget proposals will be published in January for further consideration prior to final approval at County Council in February 2025. This will include:

- resolution of the outstanding issues in this draft
- the outcome of the Chancellor's Autumn 2024 Budget and Local Government Finance Settlement for 2025-26
- the provisional council tax base information for council tax precepts
- any other updates since this initial draft

Wherever possible, draft key decisions will be presented for consideration by Cabinet Committees in principle (pending final budget approval) in January together with the opportunity for scrutiny of the key changes arising from the above points, with those draft key decisions that cannot be considered in January reported to the March round of meetings.

2. Key Policy Considerations

2.1 Medium Terms Financial Plan (MTFP) KCC overview – the draft budget proposals for KCC are shown in Appendix E in the usual format e.g. growth pressures (to be funded) as well as savings (efficiency, transformation policy) and income proposals (to be delivered/implemented).

2.2 Unavoidable Growth Pressures – a significant proportion of GET's growth pressures are linked to contracts and the inflationary **price** uplifts associated with commissioned services. There are also annual fluctuations in activity or **demography**, as well as **legislative** changes that need to be funded. All of these are deemed 'unavoidable' given current policy and/or contractual arrangements. **Service improvement** is the final category, which can relate to new services/initiatives, or improvements to existing services through changes in policy or service standards. The other growth pressure category is **pay**, and at this stage KCC holds the pay provision centrally, pending negotiations with the Unions and decision on the quantum. This gets allocated subsequent to County Council.

2.3 MTFP overview for this Committee – to allow more informed debate prior to the Full Council meeting in February 2025 (where the Budget is approved), Appendix F and Appendix G outline the high level overview of the growth pressures and savings/income proposals for the services within the remit of this Committee. They are split per Cabinet Member and also indicate where there is an element of choice (blue italic font).

Growth pressures, combined for both portfolios, equate to +£13.24m, with savings and income proposals of -£747k, meaning that the net budget requirement to be funded by KCC is +£12.81m e.g. a significant ask. The savings figure is actually a lot higher but there is £950k of realignments of budget within this figure (e.g. £500k HWRC Review).

KCC's is predominantly funded through Council Tax, Business Rates and general grant, so this is how the net budget requirement is funded e.g. growth pressures have to be

funded through growth in Council Tax and Business Rates, or found through new savings or additional income/grant.

2.4 Local Choices within the MTFP – the focus of the November Cabinet Committees is to outline and debate the policy choices with respect to both growth pressures and savings/income proposals. Those where a decision needs to be made and where there is ‘local choice’ in terms of funding the growth pressures, to which degree/standard, and in terms of savings/income, whether there is support to do progress the proposals.

In terms of any savings/income proposals that are not supported, a viable offsetting proposal would need to be identified as removing a saving/income proposal would cause an imbalance.

The table below outlines the key growth pressure and savings/income proposals for each portfolio where there is ‘local choice’ (only) with the two most significant issues for local choice being with regards to the Review of on-street parking (due to the long lead in time, and with further net income in later years) and the decision to fund the bus routes previously funded by Bus Services Improvement Plan (BSIP) grant, which is assumed will not extend into 25/26 :

SPENDING & SAVINGS PROPOSALS REQUIRING A DECISION - ROBERT THOMAS

Headline description	Brief description	2025-26	2026-27	2027-28	Base budget for context (£k) *		
		£k	£k	£k	Gross	Income	Net
2025-26 POLICY & TRANSFORMATION SAVINGS PROPOSALS							
Waste - Review Household Waste & Recycling Centres (HWRCs)	Review of the number and operation of HWRC sites - removal of prior year saving following decision to pause review.	500.0	0.0	0.0	10,569.6	0.0	10,569.6
		500.0	0.0	0.0			

* The contextual gross & income budget information includes both core and externally funded but the budget proposal figures focus just on core funded

SPENDING & SAVINGS PROPOSALS REQUIRING A DECISION

- NEIL BAKER

Headline description	Brief description	2025-26	2026-27	2027-28	Base budget for context (£k) *		
		£k	£k	£k	Gross	Income	Net
2025-26 LOCAL CHOICE SPENDING PROPOSALS							
Transport - Supported Bus Services	<p>During Autumn 2023, a number of local bus operators within Kent, gave notice that they intended to withdraw their local bus services. The vast majority of these services were school focused, carrying those holding a Kent Travel Saver or were provided with a season ticket by KCC.</p> <p>Using BSIP+ funding, KCC was able to secure the continuation of these services, at a significant cost, but that grant funding is due to end 31/3/24 and a decision to fund or cease the routes was needed</p>	1,867.0	1,073.0	147.0	16,619.3	-10,858.2	5,761.1
		1,867.0	1,073.0	147.0			
2025-26 MIXTURE OF LOCAL CHOICE & UNAVOIDABLE SPENDING PROPOSALS							
Supported Bus Services Inflation	Provision for price inflation, which results from the re-tendering of supported bus services, which reflects increases in operating costs over the life of a contract.	421.0	432.0	445.0	16,619.3	-10,858.2	5,761.1
Kent Travel Saver	Provision for price inflation related to the Kent Travel Saver and Kent 16+ Travel Saver which is recovered through uplifting the charge for the pass - Kent Travel Saver	479.7	479.7	479.7	15,021.7	-9,946.2	5,075.5
		900.7	911.7	924.7			
2025-26 POLICY & TRANSFORMATION SAVINGS PROPOSALS							
Highways - On-street parking	Review of on-street parking, which may involve insourcing and the need to invoke a 24 month notice period if an alternative cannot be agreed with Districts (now unlikely). Current arrangement being reviewed to see if synergies may exist and cost savings to	0.0	0.0	-100.0	0.0	0.0	0.0

be shared by KCC and its partners. (Decision needed in 2024-25 to enable net income target to be delivered from 2027-28)

0.0 0.0 -100.0

* The contextual gross & income budget information includes both core and externally funded but the budget proposal figures focus just on core funded

3. Contact details

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Background documents

Below are click-throughs to reports, more information, etc.
Click on the item title to be taken to the relevant webpage.

- 1 [KCC's Budget webpage](#)
- 2 [KCC's Corporate Risk Register](#) (Governance and Audit Committee 16th May 2024)
- 3 [KCC's Risk Management Strategy, Policy and Programme](#) (Governance and Audit Committee 19th March 2024)
- 4 [KCC's approved 2024-25 Budget](#)
- 5 [2025-26 Budget Consultation \(Let's Talk Kent\)](#), which includes a report summarising the responses to the recent Budget Consultation
- 6 [Summary of budget engagement exercise with KCC management cohort \(known as T200\)](#)
- 7 [2024-25 Budget Monitoring Report](#) (Cabinet 26th September 2024 – item 5)
- 8 [Securing Kent's Future – Budget Recovery Strategy](#)
- 9 [Securing Kent's Future – Budget Recovery Report](#)
- 10 [Member Budget Dashboards](#) (access restricted and available from 2pm on 30 October)