

From: Roger Gough, Leader of the Council  
Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

To: Scrutiny Committee 4<sup>th</sup> December 2024

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

Classification: **Unrestricted**

**Summary:**

A report has been considered by each of the Cabinet Committees during the November round of meetings covering the 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 each committee. Unlike recent years this was a tailored report for each committee with the overall draft budget proposals contained within appendices and in particular emphasising the choices about spending growth and savings/income. The draft proposals presented to Cabinet Committees had been prepared before the Chancellor's Autumn Budget 2024 budget statement on 30<sup>th</sup> October and were 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.

The Scrutiny Committee has an important role in financial monitoring across KCC, in both monitoring the budget throughout the year as well as considering the administration's draft budget proposals in November/January alongside the Cabinet Committee consideration of these. The purpose of this report is for Scrutiny Committee to receive information on and to review the next steps in the development of the 2025-26 budget process.

The Cabinet Committees have now all considered their own areas of the administration's draft budget, including the detailed policy choices available for consideration.

The report provided to Scrutiny Committee includes all the information provided to the Cabinet Committees but does not include the detailed policy choices as this role was undertaken by the Cabinet Committees. The role of Scrutiny is to review and challenge the development of the overall budget and strategic direction of the Council to ensure a financially resilient future.

**Recommendations:**

The Scrutiny Committee is asked to:

- a) NOTE the administration's overall draft revenue budgets including responses to consultation
- b) NOTE there will be further opportunity to scrutinise the final draft budget proposals at the Scrutiny Committee meeting on 29 January 2025 ahead of Cabinet endorsement on 30<sup>th</sup> January 2025 and Full County Council meeting on 13<sup>th</sup> 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 process for the further development of the draft budget proposals including addressing unresolved issues in the original draft, taking account of Cabinet Committee recommendations and further developments since the original draft. These further developments will include updated estimates, provisional local government finance settlement and tax base notification for precepting purposes. The detail of these will emerge over the coming weeks and material changes affecting individual portfolios will be presented to Cabinet Committees in January. An interactive dashboard has also been provided to Members, enabling the details of all the proposals in the original draft to be examined and scrutinised – the link to the dashboard is available below, point 10 of background documents.

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 each directorate for 2025-26 (appendix F)
- an assessment of financial resilience (appendix G)

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 7<sup>th</sup> 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. Developing Budget Proposals**

2.1 The spending growth estimates in the original draft budget were based on early forecasts including previous year's trends for demand and cost drivers, Bank of England inflation forecasts based on May 2024 Monetary Policy Committee and 2024-25 quarter 1 budget monitoring. These will need to be updated for the final draft in January wherever possible based on latest current year spending trends, the Office for Budget Responsibility (OBR) inflation forecasts in the October 2024 economic and fiscal outlook report, quarter 2 monitoring, and the impact of any spending changes arising from AB24 e.g. increases employer's national insurance contributions. Any material changes in spending estimates where there is either a binary choice or degree of choice will be reported to Cabinet Committees in January.

2.2 The savings and income estimates in the original draft budget were based on planned costing and phasing from information available up to September. These will need to be updated for any developments in the ensuing months including further progress on £19.8m policy savings necessary to replace one-offs in 2024-25 budget in line with the principal set out in 2024-25 budget report. Detailed savings/income plans will still be subject to any necessary consultation and equality impact assessment before being implemented. Draft key decisions will be presented for consideration by Cabinet Committees in January (with any that cannot be prepared in draft for January presented in

March ahead of commencement of pre-election period). Any material changes in spending/income plans arising from transformation activity or policy choices will be reported to Cabinet Committees in January.

2.3 The funding estimates in the original draft were based on assumed local government finance settlement, tax base estimates, council tax referendum principles and existing policy on collection fund estimates. The estimates were based on best available information and previous custom and practice. The grant estimates and council tax referendum principles will be updated following the announcement of Provisional Local Government Finance Settlement (PLGFS) - this is expected to be announced before the Christmas Parliamentary recess. It is planned that impact of 2025-26 PLGFS on the Council's budget will be presented to Cabinet on 9<sup>th</sup> January 2025. Council taxbase estimates will be updated following notification of initial estimates from collection authorities (the deadline for final estimates is 31<sup>st</sup> January 2025 so these may not be available until County Council papers are published on 5<sup>th</sup> February 2025)

2.4 It is anticipated that the unresolved issues in the original draft can be resolved through a combination of the updated spending plans and PLGFS finance without the need for further savings or use of reserves. Should these result in a surplus then choices will be needed whether this should be available to support additional spending, reduce savings or strengthen the Council's financial resilience through reserves. At this stage the working presumption is that any additional grants in either PLGFS settlement or individual departmental settlements are used in the first instance for existing planned spending i.e. not new spending, although this will depend on any grant conditions.

2.5 Changes to the administration's original draft budget proposals arising from Cabinet Committee recommendations will be clearly identified in the final draft budget

### **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 16<sup>th</sup> May 2024)
- 3 [KCC's Risk Management Strategy, Policy and Programme](#) (Governance and Audit Committee 19<sup>th</sup> 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 26<sup>th</sup> 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)