

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

To: Policy and Resources Cabinet Committee 15th January 2025

Subject: **Draft Revenue Budget 2025-26 and Medium Term Financial Plan (MTFP) 2025-28 Update, and Draft Capital Programme 2025-35**

Classification: **Unrestricted**

Summary:

This report sets out for further scrutiny the material changes to the administration's draft revenue budget proposals for 2025-26 (together with any full year consequences in subsequent years) from those presented to committees in November for the Cabinet portfolios and directorates relevant to this committee. As with the November report this is a tailored report for each committee. The update includes:

- Full year effect of variances reported in quarter two 2024-25 budget monitoring report
- Latest projections for price indices applied for contractual price uplifts
- Latest activity/demand/cost trends
- Spending and income arising from Autumn 2024 Budget statement, Provisional Local Government Finance Settlement (PLGFS) and departmental grant announcements
- Updated savings and income forecasts including further progress on £19.8m policy savings to replace one-offs in 2024-25

Appendices to the report set out the draft capital programme and significant changes to the revenue budget since the draft published in November.

The administration's final 2025-26 draft budget, 2025-28 MTFP and Capital Programme 2025-35 will be published in full for Cabinet endorsement on 30th January. This will need to show a balanced revenue position for 2025-26 and fully funded capital programme.

Recommendations:

The Policy and Resources Cabinet Committee is asked to:

- a) NOTE the update to administration's draft revenue budget proposals
 - b) NOTE and COMMENT on draft capital programme; and
 - c) SUGGEST any changes which should be made to the administration's draft budget proposals related to the Cabinet Committee's portfolio area before the final draft is considered by Cabinet on 30th January 2025 and presented to Full County Council on 13th February 2025.
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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 An 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 updated draft revenue budget 2025-26 proposals are now balanced in principle pending Cabinet endorsement. This includes resolution of the £11.4m unresolved balances in the November draft. The resolution comes from a mix of updated spending growth, updated savings and income plans, and increased/new grants in the PLGFS and other departmental grants. The timing of the £19.8m policy savings required to replace the use of one-offs to balance 2024-25 budget remains an issue for 2025-26 although this is now proposed to be resolved through a combination of funding qualifying transformational expenditure from capital receipts and extension of New Homes Bonus grant, with significantly less required from a loan from reserves.

1.5 The plans for 2026-27 and 2027-28 in the MTFP continue to be indicative based upon a set of assumptions for spending/savings & income, and funding. The plans for 2026-27 and 2027-28 are broadly balanced albeit at a high-level at this stage pending further detail of reforms to local authority funding and multi-year settlement. The illustrative plans set out the possible trajectory based upon current policy assumptions, although other scenarios are possible. 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 (including update and reform of current methodologies) or improved tax take, with the risk being managed through reserves.

1.6 The draft Capital Programme has been prepared on the basis that only fully funded projects are included in the programme, with a separate schedule of potential projects which could be considered for inclusion in future programmes once funding has been secured. The programme is based on the presumption of no new borrowing to fund new schemes. The plan includes the rephasing of projects as result of 2023-24 outturn as well as new fully funded schemes, invest to save projects, and resolution of outstanding funding on essential commitments arising since the original programme was published.

1.7 This report focuses on the key policy considerations within the administration's draft budget proposals (updated revenue plans and capital programme) for each Cabinet portfolio. 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. An updated interactive dashboard is also provided to Members, enabling the details of revenue proposals to be examined and scrutinised, this includes a new dashboard covering the £19.8m required savings to replace one-off used to balance 2024-25 budget.

1.8 Separate appendices are included which set out:

- High Level Summary of draft capital programme 2025-35 (Appendix A)
- Detail of capital programme 2025-35 for Policy and Resources directorate (Appendix B)
- Projects under consideration for future capital programmes (Appendix C)
- An updated high-level summary of the administration's draft revenue plans 2025-28 (Appendix D)
- A summary of the updated revenue plan for Chief Executive's and Deputy Chief Executive's departments for 2025-26 (Appendix E)
- Budget risk register (Appendix F)

This together with the previous reports in November provides the same level of background information as presented to Cabinet and Scrutiny committees in previous years.

1.9 Following the further scrutiny of updated revenue plans and draft capital programme, a revised draft of the administration's final budget proposals will be published in January for Cabinet endorsement (including consideration of issues raised and alternative proposals during the scrutiny process) prior to final approval at County Council in February 2025.

2. Additional Policy Considerations and changes for Policy and Resources Cabinet Committee since previous Committee meeting

Updated Revenue Proposals

2.1 Flexible use of capital receipts (£19.8m policy saving). Related to the delivery of the £19.8m policy savings to be identified by members, 2025-26 required £12.3m of one-off solutions to replace the later phasing in identified savings. The latest budget proposal includes using £8m of available capital receipts to part fund revenue expenditure on the transformational activity within the Oracle Cloud Programme. The remainder of the programme is funded from established ICT reserves.

2.2 Reduce Civil Society subsidy. Although this saving reduces the budget available it still allows KCC the ability to work with partners collaboratively, to contribute to the recently published Government revised civil society covenant framework.

2.3 Review of top tier structure following consultation on proposed changes to senior posts.

2.4 Support Services targeted reductions. Review and reduce discretionary spend budgets as well as removing some vacant posts.

2.5 Domestic Abuse Grant – Previously funded by specific grant but now included within the Core Spending Power.

2.6 The updated draft budget includes, in centrally held budgets, £9.361m estimated cost of increased employer National Insurance Contributions (NICs) from the lowering of threshold from £9,100 to £5,000 and increasing contribution rate from 13.8% to 15% on earnings above the new threshold. The cost includes estimates for staff pay elements and Member allowances. At this stage this is a provisional figure based on a snapshot of pay/allowance costs and will be updated for latest staffing numbers and costs following conclusion of pay bargaining. The cost will be funded by a separate grant, the individual allocations of which have not yet been announced. The grant will be based on a share of £515m available nationally (determined according to a national assessment of additional NICs for local authority directly employed staff) and guidance issued as part of the Provisional Local Government Finance Settlement (PGLFS) 2025-26 stated this would be based pro rata to each authority's net current expenditure identified in 2023-24 outturn returns. Inevitably this is likely to result in a mismatch between the actual costs and grant which will need to be reflected in final budget once grant and final cost estimates have been confirmed.

2.7 The updated draft budget includes a contribution of £12.0m to a new specific earmarked reserve from the balance of the Extended Producer Responsibility (EPR) income (£13.3m) following the announcement of estimated payments from Department for Environment and Rural Affairs (DEFRA). This is held in reserve pending further guidance on additional responsibilities on waste disposal reforms. The DEFRA notification is based on estimated costs for packaging costs from collection through Household Waste Recycling Centres (district receive the allocation for kerb-side collection costs), disposal and recycling credits.

Changes between current capital programme and draft programme 2025-35

2.8 There has been little change to the capital programme for CED/DCED over the 2025-35 period although there are minor changes to the phasing of expenditure in 2025-27. The most significant addition to the capital programme is the inclusion of spend for short term accommodation requirements for unaccompanied asylum seeking children (UASC), whilst they await transfer to other Local Authorities via the National Transfer Scheme (NTS). All expenditure is entirely funded by external grants from central government departments and there is no net cost to Kent County Council.

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 Q2 Budget Monitoring Report - <https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=115&MId=9467&Ver=4> (Cabinet 28th November 2024 – item 5)
- 6 [Securing Kent's Future – Budget Recovery Strategy](#)
- 7 [Securing Kent's Future – Budget Recovery Report](#)
- 8 Dashboard – <https://app.powerbi.com/groups/me/apps/0c0c09e7-2b65-40de-a51b-0a21f1d7fa99/reports/c2d85b3d-adcc-41aa-a345-01aed649492b/ReportSection943f2a100173000c470?ctid=3253a20d-c735-4bfe-a8b7-3e6ab37f5f90&experience=power-bi>