

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

To: Scrutiny Committee 29 January 2025

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

Classification: **Unrestricted**

Summary:

This report sets out the administration's updated and balanced draft revenue budget 2025-26, medium term financial plan (MTFP) 2025-28, proposed capital programme 2025-35 and draft Treasury Management Strategy for Member consideration of the overall proposals for the whole council ahead of Cabinet on 30th January 2025 and full Council on 13th February 2025.

The appendices to this report are the same as those published on 6th January for the Cabinet Committee cycle and set out the overall 3-year MTFP and 10-year capital programme for the whole council, together with directorate revenue plans for 2025-26 and detail of individual directorate capital projects and rolling programmes. These appendices will be updated for the Cabinet report on 30th January 2025 and full Council on 13th February with latest and final information available at the time. It is anticipated that any changes from these updates will only affect reserves. The Treasury Management appendix was not included for Cabinet Committees as these committees focussed on the key policy consideration relevant to their portfolio.

To support budget consideration by members, in addition to the Committee stages of the budget development process, a separate interrogatable dashboard has been made available to Members setting out key information about individual elements within the administration's draft revenue budget proposals.

Recommendations:

Scrutiny Committee is asked to:

- a) NOTE updated draft revenue budget and MTFP, draft capital programme and draft Treasury Management Strategy
 - b) Propose, to the Executive, any changes which should be made to the administration's draft budget proposals before the final draft is considered by Cabinet on 30th January 2025 and presented to Full County Council on 13th February 2025 for decision.
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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 Constitution requires that a draft Budget is issued for consideration to Cabinet Committees and the Scrutiny Committee to allow for their comments and any recommendations 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 purpose of the budget is to ensure that the Council continues to plan for revenue and capital spending which is affordable, reflects the Council's strategic priorities, allows the Council to fulfil its statutory responsibilities and continues to maintain and improve the Council's financial resilience.

1.3 A 3-year 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 2025-26 draft revenue budget proposals were published on 6th January 2025 for the January cycle of Cabinet Committees. The draft revenue budget for 2025-26 is balanced in principle pending Cabinet endorsement and 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, increased/new grants in the provisional Local Government Finance Settlement (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 the updated draft proposed that this phasing difference is funded through a combination of using capital receipts for qualifying revenue expenditure and the extension of New Homes Bonus grant for one more year in 2025-26, with significantly less required from reserves.

1.5 The 6th January 2025 publication draft was based on provisional estimated council tax base and collection fund. The report to Cabinet on 30th January will include the latest update to these estimates with final estimates to be confirmed by 31st January 2025. Any changes will be reflected through drawdown from local tax equalisation reserve. The final report to County Council on 13th February 2025 will include the final council tax base estimates, the full Council report will also include the final Local Government Finance Settlement and business rates estimates if these have been announced in time for the publication deadline. The Cabinet and Council reports will also include any other late changes affecting the classification or timing of budget proposals although these are not anticipated to change the overall budget requirement.

1.6 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 returns, with the risk being managed through reserves.

1.7 The draft Capital Programme has been prepared on the basis that only fully funded projects are included, 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 that there will be 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.

1.8 The draft Treasury Management Strategy is based on medium term interest rate forecasts on the assumption that the Bank Rate (currently at 4.75%) has likely peaked and both short-term and long-term rates are expected to decline over the medium term. The capital financing requirement is not forecast to grow substantially over the medium term meaning additional external borrowing should not be required and debt balances are expected to decline over the medium term, as existing loans mature and are not replaced. The Council is expected to have ample capacity to continue supporting internal borrowing over the medium term to meet the residual borrowing requirement not fulfilled by external debt. The investment strategy has been reviewed and is judged to remain fit for purpose. The Council will keep the current split between internally managed, highly liquid and high-quality cash instruments (approximately two thirds of overall cash under management) and the strategic pooled fund's portfolio (circa one third).

1.9 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 each directorate (Appendix B)
- Projects under consideration for future capital programmes (Appendix C)
- High-level summary of the administration's draft revenue plans 2025-28 (Appendix D)
- Summary of the draft revenue plan for each directorate for 2025-26 (Appendix E)
- Treasury Management Strategy (Appendix F)

1.10 Following consideration of updated revenue plans and draft capital programme, a revised draft of the administration's final budget proposals will be published for Cabinet endorsement at the meeting on 30th January 2025 (including consideration of issues raised and alternative proposals raised at Scrutiny Committee) prior to final approval at County Council on 13th February 2025.

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 \(Let's Talk Kent\) inc. the Budget Consultation report](#)
- 6 [2024-25 Quarter 2 Budget monitoring Report](#) (Cabinet 28th November 2024 – item 5)
- 7 [Securing Kent's Future – Budget Recovery Strategy](#)
- 8 [Securing Kent's Future – Budget Recovery Report](#)
- 9 [Member Budget Dashboards](#) (access restricted)
- 10 [Provisional Local Government Finance Settlement](#)