

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

To: County Council 19th February 2024

Subject: **Draft Revenue Budget 2024-25, 2024-27 MTFP and Draft
Capital Programme 2024-34**

Classification: **Unrestricted**

Summary:

The updated and balanced draft budget report containing the administration's budget proposals for 2024-25 was published on 3rd January 2024 to support the scrutiny and democratic process through Cabinet Committees and the Scrutiny Committee. Feedback from those Committees was presented to Cabinet on 25th January 2024 (along with the announcement of additional funding for social care to be included in the final Local Government Finance Settlement) and taken into account for the administration's final draft budget report, published on 9th February 2024, for the annual County Council budget setting meeting on 19th February 2024.

This final draft budget replaces the previous drafts and includes the latest updates and the administration's final proposals and amounts for Council consideration and approval.

Appendices A to G of the final draft budget report set out the administration's updated final budget plans and are published in a format recommended by the Acting Corporate Director of Finance and agreed by the Leader as required under the Council's constitution and Financial Regulations. The final draft includes the approved tax base notifications from collection authorities which must be used for precept calculations. The tax base is slightly lower than the estimate in the 3rd January draft and the use of reserves amount has been adjusted to reflect the change with a consequential impact on the savings to replace the use of one-offs being developed for 2025-26.

The other appendices published in the draft for scrutiny (reserves policy, budget risks and adequacy of reserves, budget risk register, core grants in the local government finance settlement, reserves policy, economic & fiscal context, treasury management strategy) have also been updated where necessary for the final approval.

The final updated draft includes additional sections on social care funding and spending, and schools funding settlement. The final draft includes additional appendices to support approval decisions covering Investment Strategy, Capital Strategy (including Prudential Indicators), the Minimum Revenue Provision (MRP) statement, and Flexible Use of Capital receipts Strategy.

Members are asked to refer to the final updated draft 2024-25 budget report published on 9th February for this meeting and not previous drafts.

Recommendations:

County Council, having given due regard to the s25 Report (published for consideration and noting as agenda item 5 of this meeting), is asked to agree the following:

2024-34 Capital Programme

- (a) The 10-year Capital programme and investment proposals of £1,665.3m over the years from 2024-25 to 2033-34 together with the necessary funding and subject to approval to spend arrangements.
- (b) The directorate capital programmes as set out in appendices A & B of the final draft budget report published on 9th February 2024.

2024-25 Revenue Budget and Medium Term Financial Plan

- (c) The net revenue budget requirement of £1,423.6m for 2024-25.
- (d) The directorate revenue budget proposals for 2024-25 and the medium term financial plan as set out in appendices D (high level county 3 year plan) E (high level 2024-25 plan by directorate), F (2024-25 key services), appendix G (individual spending, savings, income and reserves variations for 2024-25) of the final draft budget report published on 9th February 2024.

2024-25 Council Tax

- (e) To increase Council Tax band rates up to the maximum permitted without a referendum as set out in section 6.4 (tables 6.1 and 6.2) in the final draft report published on 9th February 2024.
- (f) To levy the additional 2% social care precept (raising an additional £17.774m and taking the total social care precept to £135,347,128 out of the total precept set out in recommendation (g) below).
- (g) The total Council Tax requirement of £935,667,397 to be raised through precepts on districts as set out in section 6.6 (table 6.3) in the final draft report published on 9th February 2024.

Kent Pay Scheme 2024-25

- (h) The recommendations from Personnel Committee on the changes to Kent Pay Scheme as set out in sections 7.8 and 7.9 of the final draft budget published on 9th February 2024
- (i) The uprating of member allowances linked to pay awards as set out in section 7.10 of the final draft budget published on 9th February 2024

Key Policies and Strategies

- (j) Fees and charges to continue to be reviewed in line with the policy agreed in the 2023-24 budget approval
- (k) The Capital Strategy as set out in appendix O of the final draft report published on 9th February 2024 including the Prudential Indicators.
- (l) The Treasury Management Strategy as set out in appendix M of the final draft report published on 9th February 2024

- (m) The Minimum Revenue Provision (MRP) Statement as set out in appendix P of the final draft report published on 9th February 2024
- (n) The Flexible Use of Capital Receipts Strategy as set out in appendix Q of the final draft report published on 9th February 2024.
- (o) The Reserves Policy as set out in appendix H of the final draft budget report published on 9th February 2024.

In addition:

- (p) To note that the Cabinet Member for Finance Corporate and Traded Services, in consultation with the Leader and Cabinet, will determine the final TCP reward thresholds for staff assessed as successful, excellent, and outstanding, and the uplift to the Kent Ranges consistent with Personnel Committee recommendation to County Council, and agree any other changes to the Kent Scheme through the conclusion of pay bargaining (after consultation with the Leader and the political Group Leaders)
- (q) To delegate authority to the Corporate Director of Finance (after consultation with the Leader, the Deputy Leader and Cabinet Member for Finance, Corporate & Traded Services and the political Group Leaders) to resolve any minor technical issues for the final budget publication which do not materially alter the approved budget or change the net budget requirement and for any changes made to be reflected in the final version of the Budget Book (blue combed) due to be published in March 2024.
- (r) To note the information on the impact of the County Council's share of retained business rates, business rate pool and business rate collection fund balances on the revenue budget will be reported to Cabinet once it has all been received.
- (s) To note the ongoing and escalating cost pressures on the Council's budget alongside insufficient funding in the local government finance settlement and knock on requirement for savings and income in the final draft 2024-25 budget and medium term financial plan.
- (t) To note further potential economic volatility and the uncertain financial outlook for later years in the absence of a multi-year settlement from government from 2025-26 onwards as well as uncertain impact of the delayed social care reforms and reforms to local government funding arrangements.
- (u) To note that the planned use of reserves still ensures sufficient reserves are available in the short term with no immediate concerns triggering a S114 notice provided the use of these reserves is replaced with sustainable savings over the medium term.
- (v) To note the rate of recent drawdown from reserves and increase in risk is cause for serious concern and reserves need to be strengthened, particularly general reserve and the draft budget includes a strategy to restore the general reserve to 5% by 2025-26. Further unplanned drawdowns would weaken resilience and should only be considered as a last resort with an agreed strategy to replenish reserves at earliest opportunity

All Members of the County Council are respectfully reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to a matter relating to, or which might affect, the calculation of council tax.

Any Member of a Local Authority who is liable to pay council tax, and who has any unpaid council tax amount overdue for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must not cast their vote on anything related to KCC's Budget or council tax.

1. Update to Draft Budget Report

1.1 This final draft budget report replaces the previous drafts and includes the latest updates and final proposals and amounts for Council consideration and approval.

- The additional £12.8m social care grant included in the final 2024-25 local government finance settlement. This grant has funded additional spending in adult social care and children's services with some used to fund full year effect of further costs and activity increases in the current year since the revised draft budget was produced and some to fund additional transformation activities in pursuance of objectives set out in Securing Kent's Future.
- The updated final draft report includes the approved tax base notification from collection authorities which shows a 1.64% increase on 2023-24. This is slightly lower than the 1.7% estimated in previous drafts meaning the precept is £530.8k lower than assumed. The impact is reflected through increased one-off use of reserves in 2024-25 to be replaced with increased savings of a matching amount in 2025-26
- The updated final draft report includes confirmation of estimated council tax collection fund balance surplus from Kent districts of £2.515m, an estimated £4.485m lower than the forecast included in the updated January draft budget with the shortfall to be drawn down from the local taxation equalisation reserve.
- The recommendations from Personnel Committee for the Kent Pay Scheme 2023-24, these can be delivered within the provision included in the original 3rd January draft budget.
- Saving brought forward from 2025-26 into 2024-25 to account for the potential expiration of inter authority agreement on waste partnerships with four district councils.

1.2 Information on the County Council's estimated share of retained business rates, business rate pool and business rates collection fund balances have not been received from all district councils in time to include in the administration's final draft revenue budget 2024-25 and MTFP 2024-27 for council approval. A separate report on the impact on revenue spending, savings and reserves will be presented to Cabinet.

- 1.3 The final estimated council tax collection fund balance, tax base and additional Social Care Grant have increased the proposed net revenue budget 2024-25 from £1,415.7m to £1,423.6m.
- 1.4 The final draft budget report includes the following additional appendices which are necessary to support the report's recommendations, some of which form part of the budget framework and need to be agreed by County Council. These include:
- Appendix F – Revenue Budget 2024-25 Key Service Analysis. This shows the planned spending on individual services in 2024-25
 - Appendix N – Investment Strategy. This provides information on the levels of investments in loans, shares and commercial property
 - Appendix O - Capital Strategy. This provides a high-level overview of how capital expenditure, financing and treasury management contribute to delivery of council services. The prudential indicators set out a high level medium-term view of capital and treasury plans
 - Appendix P - Annual Minimum Revenue Provision (MRP) Statement. This covers the Council's policy for charges to the revenue account each year to finance capital expenditure initially funded from borrowing.
 - Appendix Q – Flexible Use of Capital Receipts Strategy. This covers the proposed approach to use the power to fund revenue spending intended to generate ongoing revenue savings or reduced future costs/demand from capital receipts.
- 1.7 The updated report dated 9th February 2024 is published alongside the Council papers. This replaces previous drafts.

2. Contact details

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