

From: Peter Oakford, Deputy Leader and Cabinet Member for Finance,  
Corporate and Traded Services  
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To: Cabinet – 21<sup>st</sup> March 2024

Subject: Late changes to the 2024-25 budget and 2024-27 Medium Term Financial  
Plan (MTFP)

Classification: Unrestricted

### Summary:

This paper provides details of late changes to the approved 2024-25 revenue budget. The changes to 2024-25 share of Retained Business Rates growth (+£1.9m), Business Rates collection fund (+£2.7m) and estimated 2024-25 share of Business Rate pool (+£1.0m) and other specific grants (+£0.3m) increase the net revenue budget requirement from £1,423.6m to £1,429.5m, an increase of £5.9m in 2024-25. The paper includes recommendation that collection fund is added to local taxation equalisation reserve in accordance with existing policy and the remainder is set aside in resilience reserves. This paper also updates Cabinet on some other late changes since the 19<sup>th</sup> February which do not impact on the net revenue budget requirement.

### Recommendations:

Cabinet is asked to:

- 1) **NOTE** the budget updates and **ENDORSE** that they be progressed in accordance with the [Budget Decision](#) made at County Council on 19<sup>th</sup> February 2024.
- 2) **APPROVE** the transfer of £3,199k into reserves to improve the Council's financial resilience.

## 1. Introduction

1.1 The 2024-25 revenue budget for the Council was agreed by County Council on 19th February 2024. In accordance with the budget decision made at this meeting, this report provides information on late changes to the 2024-25 revenue budget, in relation to a net increase in the total budget requirement from Business Rates and a small increase in the Extended Rights to Free Travel grant. In addition, this report provides information on other changes from the continuation of the Household Support funding and other minor technical changes.

## 2. Business Rates

2.1 The retained business rates precept in our final 2024-25 budget must be based on the estimates from collection authorities' statutory government return (NNDR1s), along with estimates for any over/under collection of business rates from previous years notified to us through their collection fund balances. The NNDR1 sets out the business rate tax base including rateable values for new businesses, impact of any changes in rateable values due to change of use or following check/challenge/appeal process, and impact of

discount/exemptions/collection rates. The final value of the County Council's share of retained business rates was not available in time to include in the final draft budget report for County Council published on 9<sup>th</sup> February 2024.

2.2 Consistent with previous years and pending the final figures from the districts' NNDR1 returns, the funding estimate in the final draft budget approved by County Council on 19<sup>th</sup> February 2024 included an assumed overall increase in business rate funding (from top-up grant, retained baseline and local share, and compensation grant) in line with the anticipated inflationary uplift to business rates based on September 2023 CPI (+6.61%) and no assumption on any changes in the tax base. As set out in the January updated draft budget report (section on provisional local government finance settlement) the Non-Domestic Rating Act 2023 has now decoupled the inflationary uplift for small businesses (rateable value below £51k) from uplifts for larger businesses. The Chancellor's Autumn Statement on 22<sup>nd</sup> November 2023 announced that the small business rate multiplier would be frozen, and therefore as has been the case in previous years, the funding plans included the assumption that we would receive additional business rate compensation grant to offset this.

2.3 The table below sets out the County Council's updated net share of business rates for 2024-25 compared to the estimates included in the County Council papers of 19<sup>th</sup> February 2024. The increase between the estimate included in the final draft budget presented to County Council and the updated amount notified to us by districts through their NNDR1 returns relates to changes in the composition of the rateable value within each individual district. These changes could not have previously been planned for. The combination of the increase in the NNDR1 retained business rate baseline and local share, and business rate compensation grant results in a net increase in the available base funding for 2024-25 of £1,942.1k.

	Estimate included in County Council papers £'000	Updated figures for Cabinet £'000	Increase £'000
Business rates top up grant	147,382.5	147,382.5	
Retained business rates - baseline & local share	59,839.4	61,740.7	
Business rates compensation grant	51,039.4	51,080.2	
Total	258,261.3	260,203.5	1,942.1
% increase from 2023-24	6.61%	7.41%	

2.4 Collection fund estimated amounts are determined by collection authorities for over/under collection of the estimated business rates in previous NNDR1 returns. The County Council's share of the 2023-24 business rate collection fund surpluses and deficits notified to us by district councils is a net surplus of £2,682.8k. No surplus or deficit was assumed in the final draft papers presented to County Council on 19<sup>th</sup> February, and therefore this represents a one-off increase in the available funding for 2024-25 of £2,682.8k, as set out in the table below.

	Estimate included in County Council papers £'000	Updated figures for Cabinet £'000	Increase £'000
Business rate collection fund	0.0	2,682.8	2,682.8

2.5 The Council is part of a Business Rate pool with nine of the Kent district councils and Kent Medway Fire & Rescue Authority. The financial benefit for each authority that is part of the pool is estimated using a model, and informed by information submitted by districts in the NNDR1 returns. The estimate for the Council's share of the pool benefit in 2024-25 included in the final draft budget approved by County Council on 19<sup>th</sup> February was £3,000k. However, based on the latest estimates, and based on the pool returns in recent years, we now feel confident that the estimate for the Council's share of the pool benefit in 2024-25 can be increased to £4,000k. 3% of our share of this benefit is paid to the Fire & Rescue Authority as part of separate major preceptor agreement, and therefore the impact of this change on the Council's 2024-25 budget would be £970.0k, as set out in the table below.

	Estimate included in County Council papers £'000	Updated figures for Cabinet £'000	Increase £'000
Estimated share of pool benefit paid to the Council	3,000	4,000	1,000
Of which is paid to Fire & Rescue Authority (3%)	-90	-120	-30
Net share of pool benefit retained by the Council	2,910	3,880	970

### 3. Other changes to the 2024-25 budget

3.1 Paragraph 3.8 of the budget report taken to County Council on 19<sup>th</sup> February set out that the Council's Public Health grant allocation of £75,734.8k for 2024-25 was confirmed on 5<sup>th</sup> February 2024. It was noted that this was an increase of £728.2k on the indicative 2024-25 grant allocation and that this would be fully reflected in the final budget figures for 2024-25 following the completion of a review of how to allocate this additional funding across Public Health services. The review is now complete, and this report fully reflects the allocation of the final grant allocation for this service.

3.2 The Department of Health & Social Care issued a notification of the allocation and associated conditions and guidance for the new Local Stop Smoking Services and Support Grant for public health on 27<sup>th</sup> February 2024. The Council's grant allocation is £1,944.8k.

3.3 The Extended Rights for Home to School Travel grant determination was received from the Department for Education on 29<sup>th</sup> February 2024, and this showed that the Council will receive £286.9k more in 2024-25 than was estimated in the final draft budget presented to County Council on 19<sup>th</sup> February 2024. The Extended Rights for Home to School Travel grant is calculated by the Department for Education based on an estimated number of eligible pupils from the Spring schools census and a per pupil funding amount, and it is therefore difficult to calculate the exact amount we will receive in the budget before receiving the grant determination. The change is set out in the table below.

	Estimate included in County Council papers £'000	Updated figures for Cabinet £'000	Increase £'000
Extended Rights for Home to School Travel grant	3,257.7	3,544.6	286.9

3.4 The County Council is part of a Safety Valve agreement with the Department for Education which requires the Council to make a contribution to reserves until 2027-28. The 2024-25 budget and 2024-27 MTFP includes the annual contributions that the Council will make in each of the financial years of the MTFP (£15,100.1k in 2024-25, £14,600.0k in 2025-26 and £11,100.0k in 2026-27); these are shown in the 19<sup>th</sup> February County Council paper as part of the 'Contributions to reserves' section, under the headline 'Dedicated Schools Grant (DSG) Deficit - Safety Valve'. We have sought advice from CIPFA and have been advised that technically this shouldn't be treated as a contribution to reserves but instead as a spending increase. This is because it is not increasing our useable reserves. An alternative and clearer presentation is to move this line in the MTFP from the 'Contribution to reserves' to 'Government & Legislative' spending increase.

3.5 Following the Chancellor's announcement on the 6<sup>th</sup> March that the Household Support Fund is continuing for a further six months at the same funding levels as 2023-24. We anticipate receiving £11,065.4k in 2024-25 (individual local authority allocations have not yet been announced) as a ring-fenced grant with associated costs.

## 4. Summary

4.1 The combination of the business rates changes notified to us via the NNDR1 returns and the update to the business rate pool outlined in section 2; and the increase to Extended Rights to Free Travel grant outlined in section 3 results in a net increase in the available Core revenue funding (excluding specific grants) for 2024-25 of £5,881.8k.

- In accordance with existing policy, it is proposed to transfer the one-off Business Rate collection fund balance of £2,682.8k into the Local Taxation reserve.
- It is proposed that the additional: £1,942.1k from business rates retained baseline, local share and compensation grant; £970k from the business rate pool; and £286.9k from the Extended Rights for Home to School Travel grant, totalling £3,199k, is transferred into reserves to improve the Council's financial resilience.

4.2 The additional Public Health funding and Household Support funding outlined in section 3 are ringfenced and do not have an impact on the Council's core net budget. Following the review within the service, it is proposed that the additional Public Health Grant of £728.2k is used to fund an increase in public health contract values linked to the NHS agenda for change pay increases. Similarly, it is proposed that the Local Stop Smoking Services and Support Grant of £1,944.8k is treated as a Government & Legislative pressure and used to fund expenditure in accordance with the grant conditions.

4.3 It is proposed that the contributions to the Dedicated Schools Grant (DSG) deficit unusable reserve as per the Safety Valve agreement with the Department of Education of £15,100.1k in 2024-25, £14,600k in 2025-26 and £11,100k in 2026-27 are moved from the 'Contribution to reserves' section of the 2024-27 MTFP to the 'Government & Legislative Changes' section. This would have no impact on the Council's net budget and is merely a presentational change.

4.4 In addition to reflecting the impact of the recommendations above in 2024-25, we have updated our planning assumptions for 2025-26 and 2026-27 as a consequence of the 2024-25 changes set out in this paper and attached a revised high level summary three year plan at appendix 1. Cabinet is asked to note that these updated figures will be our starting point in building our detailed 2025-26 budget which will be presented to Members for approval in February 2025.

4.5 The changes set out in this report are as a result of late announcements which could not have been known at the time budget papers for County Council were prepared. Some of these late announcements have become common in recent years. We will be undertaking a review during 2024 of the processes surrounding late but necessary changes to the final budget to ensure that it aligns with the formal Executive Decision process.

## **Background Documents**

- 1 KCC's Budget webpage  
[KCC's Budget webpage](#)
- 2 2024-25 Budget approved by County Council on 19<sup>th</sup> February 2024  
[19<sup>th</sup> February County Council papers](#)

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