

From: Roger Gough, Leader of the Council
Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services
Clair Bell, Cabinet Member for Community and Regulatory Services
Derek Murphy, Cabinet Member for Economic Development

To: Growth, Economic Development and Communities Cabinet Committee
6th November 2024

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

Classification: **Unrestricted**

Summary:

This report sets out 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 this committee for scrutiny. Unlike recent years this is a tailored report for each committee with the overall draft budget proposals contained within appendices and in particular choices about spending growth and savings/income. The draft proposals have been prepared before the Chancellor's Autumn Budget 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.

Recommendations:

The Growth, Economic Development and Communities Cabinet Committee is asked to:

- a) NOTE the administration's draft revenue budgets including responses to consultation
- b) SUGGEST any changes which should be made to the administration's draft budget proposals related to the Cabinet Committee's portfolio area before the draft is considered by Cabinet on 30th January 2025 and presented to Full County Council on 13th 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 key policy considerations within the administration's draft budget proposals for each Cabinet portfolio in a timely manner in November. 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. To assist this, a summary of the 2025-26 proposals for the relevant Cabinet portfolio is included in this report, together with a more detailed table setting out the key policy considerations and accompanying narrative (in the next section of this report). An interactive dashboard is also provided to Members, enabling the details of all proposals to be examined and scrutinised.

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 GET directorate for 2025-26 (appendix F)
- a detailed list of the key policy considerations for GET directorate (spending and savings proposals) (appendix G)
- an assessment of financial resilience (appendix H)

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 7th 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. Key Policy Considerations

2.1 Medium Terms Financial Plan (MTFP) KCC overview – the draft budget proposals for KCC are shown in Appendix E in the usual format e.g. growth pressures (to be funded) as well as savings (efficiency, transformation policy) and income proposals (to be delivered/implemented) to fund/offset the growth pressures across the Council.

2.2 Unavoidable Growth Pressures – a significant proportion of GET's growth pressures are linked to contracts and the inflationary **price** uplifts associated with commissioned services. There are also annual fluctuations in activity or **demography**, as well as **legislative** changes that need to be funded. All of these are deemed 'unavoidable' given current policy and/or contractual arrangements. **Service improvement** is the final category, which can relate to new services/initiatives, or improvements to existing services through changes in policy or service standards. The other growth pressure category is **pay**, and at this stage KCC holds the pay provision centrally, pending negotiations with the Unions and decision on the quantum. This gets allocated subsequent to County Council.

2.3 MTFP overview for this Committee – to allow more informed debate prior to the Full Council meeting in February 2025 (where the Budget is approved), Appendix F and Appendix G outline the high level overview of the growth pressures and savings/income proposals for the services within the remit of this Committee. These are split per Cabinet Member and also indicate where there is an element of choice (blue italic font).

Growth pressures, combined for both portfolios, equate to +£113k, with savings and income proposals of -£625k, meaning that the net budget requirement to be funded by KCC is -£512k e.g. no net ask. KCC's is predominantly funded through Council Tax, Business Rates and general grant, so this is how the net budget requirement is funded e.g. growth pressures have to be funded through growth in Council Tax and Business Rates, or by new savings or increased income across the authority Within each budget line, services then also receive specific grants as well as generate income from sales, fees and charges.

2.4 Local Choices within the MTFP – the focus of the November Cabinet Committees is to outline and debate the policy choices with respect to both growth pressures and savings/income proposals. Those where a decision needs to be made and where there is ‘local choice’ in terms of funding the growth pressures, to which degree/standard, and in terms of savings/income, whether there is support to progress the proposals.

In terms of any savings/income proposals that are not supported, an offsetting viable proposal would need to be identified, as removing a saving/income proposal would cause an imbalance.

The table below outlines the key growth pressure and savings/income proposals for each portfolio where there is ‘local choice’ (only):

SPENDING & SAVINGS PROPOSALS REQUIRING A DECISION - CLAIR BELL

Headline description of spending increase	Brief description of spending increase	2025-26	2026-27	2027-28	Base budget for context (£k) *		
		£k	£k	£k	Gross	Income	Net
2025-26 LOCAL CHOICE SPENDING PROPOSALS							
Trading Standards	Increased income from Trading Standards Checked service, previously delayed due to economic climate.	-45.0	0.0	0.0	92.0	-115.0	-23.0
		-45.0	0.0	0.0			
2025-26 POLICY & TRANSFORMATION SAVINGS PROPOSALS							
Community Wardens	Review of Community Warden Service to deliver a £1m saving which has resulted in an overall reduction in wardens This is the residual budget once pension liabilities expire	-10.0	0.0	-57.0	1,709.2	0.0	1,709.2
Trading Standards staffing	Reversal of previous one-off delay to recruiting food qualified officer.	48.0	0.0	0.0	4,122.8	-573.8	3,549.0
		38.0	0.0	-57.0			

* The contextual gross & income budget information includes both core and externally funded but the budget proposal figures focus just on core funded

**SPENDING & SAVINGS PROPOSALS REQUIRING A DECISION
- DEREK MURPHY**

Headline description of spending increase	Brief description of spending increase	2025-26	2026-27	2027-28	Base budget for context (£k) *		
		£k	£k	£k	Gross	Income	Net
2025-26 POLICY & TRANSFORMATION SAVINGS PROPOSALS							
Regeneration & Economic Development - Cyclopark	A reduction in the KCC contribution to the operational costs of the Cyclopark sports and community facility in Gravesend. The park is owned by KCC and operated on KCC's behalf by the Cyclopark charitable trust.	-12.5	-35.0	0.0	155.6	-30.6	125.0
Regeneration & Economic Development - Produced in Kent	Reduction of KCC funding to support the operational costs of Produced in Kent, the county's food & drink sector business membership organisation and promotional agency.	-58.0	0.0	0.0	108.4	0.0	108.4
Regeneration & Economic Development – Support for Business	Reduction in the budget for the Straits Committee whilst continuing to meet the committees commitments	-15.0	0.0	0.0	130.0	-15.0	115.0
		-85.5	-35.0	0.0			

* The contextual gross & income budget information includes both core and externally funded but the budget proposal figures focus just on core funded

2.5 Capital programme – The only new project within the remit of this committee where KCC borrowing is required is Essella Road bridge (Public Rights of Way), which now has funding identified to replace the bridge to secure its use into the long term, whereas previously funding had been identified to repair it. Since that point, costs for the repair have increased significantly, plus it has been acknowledged this would only act as a sticking plaster repair and would be a short-to-mid term option that would need revisiting in the future. In addition, the replace option is now more attractive in terms of cost benefit analysis once more intrusive surveys were undertaken.

2.6 Corporate Director overview – the Corporate Director will give a verbal overview of the key growth pressure cost drivers (price inflation, increasing demand) that the Growth, Environment and Transport (GET) directorate have faced in 2024-25 and the continuing impacts into 2025-26.

2.7 Cabinet Member overview (Clair Bell) – each Cabinet Member will likely give a verbal introduction to the key aspects of their portfolio and will answer questions on the report/appendices accordingly.

2.8 Cabinet Member overview (Derek Murphy) - each Cabinet Member will likely give a verbal introduction to the key aspects of their portfolio and will answer questions on the report/appendices accordingly.

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 \(Let's Talk Kent\)](#), 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 26th 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)