

From: Peter Oakford, Deputy Leader and Cabinet Member for Finance,
Corporate and Traded Services
John Betts, Interim Corporate Director of Finance

To: Cabinet – 4th March 2025

Subject: **Late changes to the 2025-26 budget and 2025-28 Medium Term
Financial Plan (MTFP)**

Classification: Unrestricted

Summary:

This paper provides details of late changes to the approved 2025-26 revenue budget which were not available in time for the County Council budget meeting. The net changes to share of Retained Business Rates growth/Business Rates Compensation Grant (+£42.7k) and Business Rates collection fund (+£313.3k) increase the net revenue budget requirement for 2025-26 financial year from £1,530,924.8k (as reported to County Council) to £1,531,279.8k, a small increase of £356.0k. The paper includes recommendation that business rates collection fund surplus balance is transferred to the local taxation equalisation reserve in accordance with existing policy and the remainder is added to the existing contribution to the general reserve. This paper also updates Cabinet on some other late changes to specific grants since County Council on the 13th February 2025 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 included in final 2025-26 budget in accordance with the [Budget Decision](#) made at County Council on 13th February 2025.
- 2) **APPROVE** the net transfer of £356.0k into reserves (£42.7k increased contribution into the General Reserve and £313.3k contribution into the Local Taxation Equalisation smoothing reserve) to improve the Council's financial resilience.
- 3) **APPROVE** additional £6,067.8k of specific grant income along with associated spending with nil impact on net 2025-26 revenue budget.

1. Introduction

1.1 The 2025-26 revenue budget for the Council was agreed by County Council on 13th February 2025. In accordance with the budget decision made at this meeting, this report provides information on late changes to the 2025-26 revenue budget, in relation to a net increase in the total budget requirement from Business Rates. In addition, this report provides information on other changes including the Council's Public Health grant allocation and other minor technical changes.

2. Business Rates

2.1 The retained business rates precept in our final 2025-26 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 5th February 2025.

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 13th February 2025 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 average inflationary uplift to business rates based on a mixture of September 2024 CPI (+1.7%) and no assumption on any changes in the tax base. In addition, we had increased the amount expected from the Kent Business Rate pool based on the latest 2024-25 monitoring. The Chancellor's Autumn Statement on 30th October 2024 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 2025-26 compared to the estimates included in the County Council papers of 13th February 2025. 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 small net increase in the available base funding for 2025-26 of £42.7k. One of the reasons for a small variance is we base the inflationary uplift in business rates on an average basis whereas there are now separate non-linked uplifts in small and standard business rate multipliers which can only be confirmed following receipt of NNDR1 information.

	Estimate included in County Council papers £'000	Updated figures for Cabinet £'000	Increase £'000
Business rates top up grant	149,107.7	149,107.7	
Retained business rates - baseline & local share	67,238.1	69,097.6	
Business rates compensation grant	52,795.4	50,978.6	
Total	269,141.2	269,183.9	42.7
% increase from 2024-25	1.87%	1.89%	

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 2024-25 business rate collection fund surpluses and deficits notified to us by district councils is a net surplus of £313.3k. No surplus or deficit was assumed in the final draft papers presented to County Council on 13th February 2025, and therefore this represents a one-off increase in the available funding for 2025-26, 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	313.3	313.3

3. Other changes to the 2025-26 budget

3.1 The report taken to County Council on 13th February including an assumed increase in the Public Health grant in 2025-26 of £1,048.9k, to a total assumed grant of £76,783.7k. The Public Health grant for 2025-26 was published on 7th February 2025 and confirms the Council's grant allocation is increasing by £4,160.6k, which represents an increase of £3,111.7k on the earlier estimate. In addition, the announcement confirmed that the 2024-25 Public Health grant has increased by £1,574.1k. The table below summaries the changes.

3.2 The Public Health Grant announcement includes an average 5.4% cash increase in the national settlement, or a 3.0% real-terms increase, compared to 2024-25. The allocations for 2025-26 include a recurrent uplift for the additional pay pressures due to the higher-than-expected 2024-25 NHS pay awards through consolidating the additional funding in 2024-25 grant previously notified to local authorities. The quantum and distribution of this pay cost funding is based on a recent data validation exercise conducted with local authorities. It will be for councils to decide whether and how to allocate funding to their providers, in accordance with the terms of their local contracts and taking account of their own subsidy. Further funding has also been provided to support local authorities on other pressures facing the sector, including from potential additional costs relating to HIV Pre-Exposure Prophylaxis. The 2025-26 allocations also include estimated impact of future NHS pay settlements.

Public Health Grant allocations	Estimate included in County Council papers £'000	Updated figures for Cabinet £'000	Increase £'000
2024-25 allocation	75,734.8	77,308.9	1,574.1
Increase	1,048.9	4,160.6	3,111.7
2025-26 allocation	76,783.7	81,469.5	4,685.8

3.3 In relation to the additional allocation for 2024-25, this will be reflected in the 2024-25 revenue budget monitoring position. The total increase of £4,685.8k in the 2025-26 allocation has no impact on the Council's net budget requirement, and the service is currently working through the detail and its impact on the Public Health budget, and this will be reflected in the final budget which we intend to publish before the start of the new financial year.

3.4 The Department for Transport issued a notification of the allocation and associated conditions and guidance for the Active Travel grant funding on 11th February 2025. The Council's grant allocation is £5,728.2k, of which £4,376.2k (76%) relates to the capital budget and £1,382.0k (24%) relates to the revenue budget.

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; results in a small increase in the available net revenue budget requirement (core) for 2025-26 of £356.0k.

- In accordance with existing policy, it is proposed to transfer the one-off Business Rate collection fund surplus balance of £313.3k into the Local Taxation equalisation smoothing reserve.
- It is proposed that the increase of £42.7k from business rates retained baseline, local share and compensation grant, increases the contribution to the general reserve.

4.2 The additional Public Health funding and Active Travel funding outlined in section 3 are ringfenced and do not have an impact on the Council's core net revenue budget requirement. Public Health are undertaking a review of their budget which will include the impact of the 2024-25 NHS pay awards and the impact of increased employers National Insurance Contributions from the 1 April 2025. Both grants will be used to fund expenditure in accordance with the respective grant conditions.

4.3 Attached at Appendix 1 is an updated high-level budget for 2025-26, reflecting the late changes within this paper. The impact in later years (2026-27 and 2027-28) will be included when plans are updated as part of preparations for 2026-27 budget.

Background Documents

- 1 [KCC's Budget webpage](#)
- 2 [2025-26 Budget approved by County Council on 13th February 2025](#)
- 3 [Public Health Grant details published 7th February 2025](#)

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