

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

To: Policy and Resources Cabinet Committee  
27<sup>th</sup> 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 departments 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 Policy and Resources 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 An 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 CED and DCED departments for 2025-26 (appendix F)
- a detailed list of the key policy considerations for CED and DCED departments (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 7<sup>th</sup> 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

The tables below do not show all information pertaining to each Cabinet Member but instead, focus on the key policy considerations and items with an element of choice. All Members can access the complete set of budget proposals through the Member Dashboards released on Wednesday 30<sup>th</sup> October.

# SPENDING & SAVINGS PROPOSALS REQUIRING A DECISION - PETER OAKFORD

Headline description	Brief description	2025-26	2026-27	2027-28	Base budget for context (£k) *		
		£k	£k	£k	Gross	Income	Net
<b>2025-26 LOCAL CHOICE SPENDING PROPOSALS</b>							
Local Democracy - Grants to District Councils	Annual uplift in grant covering contribution for Retriever (debt tracing) contract (CPI linked) and staff resources grant (pay linked) related to Council Tax collection to help increase levels of council tax raised via improving tax base/collection rates.	9.5	10.6	7.5	479.4	-81.7	397.7
		<b>80.2</b>	<b>61.5</b>	<b>69.4</b>			

Headline description	Brief description	2025-26	2026-27	2027-28	Base budget for context (£k) *		
		£k	£k	£k	Gross	Income	Net
<b>2025-26 POLICY &amp; TRANSFORMATION SAVINGS PROPOSALS</b>							
Reduced spend on agency staff	Reduction in the volume and duration of agency staff	-250.0	0.0	0.0	8,198.5	0.0	<b>8,198.5</b>
Review of embedded staff	Review of embedded teams in Directorates, to establish opportunities for consolidation and/or centralisation of practice	-1,300.0	0.0	0.0	391,889.6	0.0	<b>391,889.6</b>
Spans and layers	Review of structures across the Council to ensure adherence to the Council's organisation design policy	-500.0	-1,500.0	0.0	391,889.6	0.0	<b>391,889.6</b>
Corporately Held 2024-25 saving	Removal of corporately held saving from part year impact of further discretionary policy decisions and deep dive into contract renewals with consideration of reducing service specifications, as these savings are reflected within the individual directorate proposals	2,300.0	0.0	0.0			
KCC Estate - Community Assets	Corporate Landlord review of Community Delivery including Assets	-979.4	-232.1	0.0	22,787.1	-8,597.0	<b>14,190.1</b>
KCC Estate - office assets	Corporate Landlord review of Office Assets. 2025-26 includes the re-phasing of £388.8k prior year savings into future years and -£189k saving.	199.8	-343.1	-1,144.9	15,742.3	-1,217.7	<b>14,524.6</b>
Finance - Other Council Tax Incentives	Terminate current arrangements to provide annual incentive to collection authorities to reduce/remove empty property council tax discounts and charge premiums on long-term empty properties	-1,450.0	0.0	0.0	1,623.7	-22.1	<b>1,601.6</b>
Finance – Support for Council Tax Reduction Schemes (CTRS)	Terminate the current £1.5m annual support provided to collection authorities towards the administration of local CTRS. The current arrangements provide each district with a fixed sum of £70k plus share of £660k based on number of eligible low income pensioner and working age households. The payments are funded by all major precepting authorities pro rata to share of council tax. There is a separate share of £0.5m funded solely by KCC allocated according weighted number of working age eligible households as incentive to align local CTR schemes with other welfare conditions.	-1,746.7	0.0	0.0	2,000.0	-253.3	<b>1,746.7</b>
		<b>-3,726.3</b>	<b>-2,075.2</b>	<b>-1,144.9</b>			

Headline description	Brief description	2025-26	2026-27	2027-28	Base budget for context (£k) *		
		£k	£k	£k	Gross	Income	Net
<b>2025-26 CONTRIBUTIONS TO RESERVES</b>							
General Reserves	Contribution to general reserves to rebuild financial resilience and provide for future risks, with a reserve balance of between 5% and 10% of net revenue budget considered acceptable	4,300.0	13,500.0	23,800.0			1,496,958.2
General Reserves repayment	Repay the General Reserve over two years (2024-25 & 2025-26) for the drawdown required in 2022-23 to fund the overspend	11,050.0	0.0	0.0			1,496,958.2
Dedicated Schools Grant (DSG) Deficit - Safety Valve	KCC Contribution towards funding the DSG deficit as agreed with DfE as part of the Safety Valve agreement	14,600.0	11,100.0	10,100.0	103,431.0	0.0	103,431.0
Facilities Management	Contribution to reserves to smooth the impact of the mobilisation costs of the Facilities Management contracts over the life of the contracts (due to be fully repaid by 2025-26)	90.9	0.0	0.0	16,528.5	0.0	16,528.5
		<b>30,040.9</b>	<b>24,600.0</b>	<b>33,900.0</b>			
		<b>30,040.9</b>	<b>24,600.0</b>	<b>33,900.0</b>			
<b>2025-26 DRAWDOWNS FROM RESERVES</b>							
Budget Stabilisation smoothing reserve - timing of policy savings	One off use of budget stabilisation smoothing reserves in 2025-26 to compensate for a delay in delivering all of the £19,835.2k policy savings required in 2025-26 to replace the use of one-off solutions in the 2024-25 budget. £6,591.5k of these savings have been identified and are planned for delivery in 2026-27 and £7,503.7k are to be identified by the new Council Administration following the May 2025 local elections, requiring £14,095.2k to be met from reserves in 2025-26 until they are delivered in 2026-27.	-14,095.2	0.0	0.0	166,947.8	-71,000.3	95,947.5
		<b>-14,095.2</b>	<b>0.0</b>	<b>0.0</b>			
		<b>-14,095.2</b>	<b>0.0</b>	<b>0.0</b>			

\* 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 - ROGER GOUGH

Headline description	Brief description	2025-	2026-	2027-	Base budget for context (£k) *		
		26	27	28	Gross	Income	Net
		£k	£k	£k			
<b>2025-26 LOCAL CHOICE SPENDING PROPOSALS</b>							
Internal Audit Resourcing	The core business of the Internal Audit service is the delivery of assurance and consultancy services to Kent County Council. This assessment of future needs is broadly based on resources required for the current KCC and external client base. Any additional opportunities would need to be assessed on the basis that they would need to be addressed by cost effective recruitment of resources.	110.7	0.0	0.0	1,507.9	-207.8	1,300.1
		<b>110.7</b>	<b>0.0</b>	<b>0.0</b>			
<b>2025-26 MIXTURE OF LOCAL CHOICE &amp; UNAVOIDABLE SPENDING PROPOSALS</b>							
Procurement - Compliance & Reporting	Additional transparency and performance requirements in line with the implementation of the Procurement Act 2023	40.0	0.0	0.0	3,382.0	-328.5	3,053.5
		<b>40.0</b>	<b>0.0</b>	<b>0.0</b>			
<b>2025-26 POLICY &amp; TRANSFORMATION SAVINGS PROPOSALS</b>							
Commercial and Procurement	Explore alternative sources of funding for the administration of the Kent Support & Assistance Service	-262.0	0.0	0.0	262.0	0.0	262.0
		<b>-262.0</b>	<b>0.0</b>	<b>0.0</b>			

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

## **Key Spending Proposals**

### **Review of Agency spend, Embedded staff and Spans and layers**

All of the above savings relate to centrally held savings which will be delivered from reviews across the whole Council and allocated to specific Divisions once the reviews are concluded.

### **Internal Audit Resourcing**

To ensure a 'fit for purpose' structure, from which the service can provide the necessary level of assurance to reflect current risks faced by the Council.

### **Procurement – Compliance and Reporting**

Requirement for a Compliance officer to meet the publication of transparency information and adherence to the implementation of the Procurement Act 2023.

### **Pay**

The pay bargaining process is currently on-going.

## **Key Savings Proposals**

The contributions that KCC currently provides to districts to support Council Tax Reduction Schemes and Empty Property Discounts and Premiums, pays for circa 70 fte staff working in district's council tax collection teams. District councils have reported that if the current support is removed they would likely have to reduce the size of collection teams as a result of this proposed saving. Reductions in collection teams would lead to considerable delays in dealing with claims and helping tax payers manage their payments and would reduce capacity to take recovery action. This combination of less support for residents (particularly those on low incomes) and reduced recovery capacity, is likely to impact on collection rates (and therefore could reduce the taxbase built into current funding assumptions).

### **Support for Council Tax Reduction Schemes**

These arrangements were introduced in April 2013 when responsibility for council tax benefit (CTB) transferred to local councils from the Department for Work and Pensions (DWP). The transfer required collection authorities (district councils) to develop and implement local Council Tax Reduction Schemes (CTRS) to provide low income households with a discount on council tax bills. Legislation required that discounts for pensioner households had to be the same as CTB, a default scheme for working age households also offered the same discounts as CTB or collection authorities could consult on and agree their own local discount schemes.

To support the introduction of local schemes it was agreed locally in Kent that £1.5m grant would be paid to collection authorities towards the cost of setting up and administering local schemes. In return districts agreed to develop schemes which included a minimum contribution from working age households which together with changes in empty property discounts increased the taxbase to offset the 10% reduction in funding transferred from DWP and covered the cost of the support payments to districts. The £1.5m was provided by all major precepting authorities (KCC, Police and Fire) pro rata to their share of council tax, KCC's share being approx. £1.25m.

An additional incentive scheme was introduced in 2017. This amounted to £0.5m solely funded by KCC. This was intended to encourage districts to align schemes with welfare reforms and to incentivise districts to reduce the working age discounts and other criteria limiting access to discounts e.g. levels of household savings. These changes led to an increase in the council tax base for all authorities to offset further funding reductions since the original scheme was introduced.

District councils have indicated that terminating the existing support arrangements could impact on their ability to administer their current council tax reduction schemes. These schemes are already under local scrutiny to provide low income working age households with larger discounts (the level of the current discounts is part of the joint agreement between the major precepting authorities and collection authorities as a condition of the support arrangements). Changing local CTRS requires consultation and the statutory deadline for collection authorities to agree their local schemes for the forthcoming year is 11<sup>th</sup> March.

### **Empty Property Discounts and Long Term Empty Premiums**

All districts in Kent have removed empty property discounts entirely and charge the maximum permitted premiums on long-term empty properties. Under the current arrangement KCC has agreed to pay 25% of its share of the increased council tax base to those districts that made additional changes over and above those included in the CTRS agreement. The amounts are historical and are not recalculated each year based on discounts that would otherwise have been granted on empty properties.

District councils have indicated that as well as reducing collection rates that terminating the incentive could lead to discounts being reintroduced (reducing the tax base) due to the additional administration involved in rebilling council tax bills the day a building becomes unoccupied and rebilling again once a building is reoccupied.

### **KCC Estate – Community Assets**

Review of Community Assets as part of the Kent Communities programme strand of the Future Assets Strategic Reset Programme. There will be some co-location of services into buildings to release others and options for disposal will always consider alternative use for KCC initially.

### **KCC Estate – Office Assets**

The review of Office Assets will deliver the MTFP target over the medium term but has had to be re-phased due to unforeseen costs at an alternative building, making the business case for an assumed move, unviable.

### **Kent Support and Assistance Service (KSAS)**

A saving was proposed in the MTFP for 2023-26 relating to the funding of the KSAS service. Ultimately this was endorsed as part of the 2023-26 MTFP and budget approved at County Council on the 9<sup>th</sup> February 2023. Currently the staff supporting this service work in the Commercial and Procurement team (with costs in CED budget), whilst the expenditure on assistance provided is within the ASCH budget. The saving proposed was to find an alternative funding source, from an external grant provision, to fund both staff and expenditure. If none were identified within a two year period, the proposal was to cease the service. The service was funded by drawdowns from reserves in 2023/24 and 2024/25 whilst other funding was sought. Although no alternative external funding has yet been identified the Chancellor of the Exchequer has announced that the Household Support Fund (HSF) will be extended for a further year in 2025-26 which means that



current spending could be absorbed within the extended HSF for 2025-26. An EQIA is being undertaken and a paper written to be presented for decision at Policy and Resources Cabinet Committee in January 2025. It is likely that the few staff impacted will be redeployed.

### **Corporately Held Savings**

The 2024-25 budget included a centrally held saving for anticipated cost reductions on contracts coming up for renewal. These savings are now being reflected in individual service budgets and consequently the centrally held provision needs to be replaced in the CHB budget for 2025-26. In future it is intended that the budget does not include any centrally held savings and all savings will be allocated to services to avoid this need to replace the central provision.

### **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 16<sup>th</sup> May 2024)
- 3 [KCC's Risk Management Strategy, Policy and Programme](#) (Governance and Audit Committee 19<sup>th</sup> 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 26<sup>th</sup> 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)