

Policy and Resources Committee	
Meeting date	29 November 2023
Report Title	Budget 2024/25 and Medium Term Financial Strategy (MTFS) Forecasts
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	Claire Stanbury, Head of Finance and Procurement
Classification	Open
Recommendations	The Policy and Resources Committee is asked to; <ol style="list-style-type: none"> 1. Note the draft 2024/25 revenue and capital budget forecasts; 2. Note the Medium Term Financial Strategy (MTFS) projections; 3. Note the proposals for the fees and charges increases; 4. Approve the proposed budget consultation.

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the draft 2024/25 revenue and capital budgets and the draft Medium Term Financial Strategy (MTFS). The MTFS is a strategic document, supporting delivery of the Corporate Plan outcomes and helping to ensure a focus on the Council's medium term budget position. It establishes how the Council's priorities will be achieved by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council in terms of funding gaps. The context within which these budget forecasts is being made is as complex as it has ever been with continuing pressure around the Net Zero agenda, the ongoing inflationary pressures which are feeding into a cost-of-living crisis, political turmoil nationally, conflict in Ukraine and the Middle East and an uncertain future for local government funding, all of which make forecasting challenging.
- 1.2 The updated high level funding forecasts in this strategy build on previous figures from the 2023/24 budget setting exercise, which were forecasting future year deficits in the region of £2.6m in 2024/25 (excluding the uncertainty around government grant funding of £1.7m). The updated budget gap now differs from this peaking at £2.2m (again excluding government grants) in 2026/27, in the main this is due to economic inflationary pressures, delays to funding reviews and some key service pressures, all of which are impacting on the medium term projections (Appendix 1).

Updated funding forecasts	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Base budget & reserve contributions	23,942	25,111	25,603	27,216	27,591
Revenue Support Grant (RSG)	(317)	(317)	(317)	(317)	(317)
Business Rates	(10,122)	(10,736)	(11,004)	(11,279)	(11,279)
New Homes Bonus	(1,103)	0	0	0	0
Services Grant	(174)	0	0	0	0
Funding Guarantee Grant	(497)	0	0	0	0
Uncertain Government Grants	0	(1,774)	(1,774)	(1,774)	(1,774)
Kent Pool Growth Fund (Business Rates)	0	(855)	(855)	(855)	(855)
Planned use of reserves	(2,045)	0	0	0	0
Council Tax	(9,684)	(10,069)	(10,371)	(10,789)	(11,223)
Deficit	0	1,360	1,282	2,202	2,143

- 1.3 A detailed budget review has taken place over previous months to identify efficiencies and additional income to help support frontline services and to balance the Council's

financial position. For next year this totals around £3.5m (Appendix 2) and is supported by various increases to fees and charges (Appendix 4), service reviews, and savings agreed as part of the 2023/24 Medium Term Financial Plan. There is also a planned use of Business Rate income within the Kent Pool Growth Fund, to recharge costs that meet the criteria of the pooled fund. Based on current forecasts this still leaves a deficit of £1.360m which will need to be supported from reserves if further savings cannot be identified. Based on the projections above and the spending estimates and use of reserves in the current year the earmarked reserves are forecast to be insufficient to address any budget gap after 2026/27.

1.4 The capital spending projections for future years (Appendix 3) are included and assume borrowing of £38m between 2023/24 and 2027/28. The main borrowing will be in relation to Rainbow homes, purchase of the waste fleet, and purchase of properties to use for temporary accommodation. However, with the recent instability of the financial markets and increases to borrowing costs it will be necessary to fundamentally review schemes with borrowing requirements to ensure they remain affordable and still deliver the anticipated benefits. In summary the key messages are as follows;

- Estimated budget gap of £1.360m for 2024/25 even with current savings and fee increases
- We can deliver our statutory services with current income levels but nothing more
- To fund non-statutory services we need to find more income/savings/reserves
- Our reserves will help set a balanced budget for the next 3 years but not after 2026/27
- Funding from reserves is not a sustainable way to manage our budget
- We need to identify more efficiencies and income to make the budget sustainable
- The current projections are based on a number of assumptions which can and do change.

2. Proposals

- 2.1 Given the timing of this report this is an interim step in the development of fully balanced budget proposals. The updated Medium Term Financial Strategy (MTFS) is attached at Appendix 1. It currently shows a gap of £1.360m which needs to be addressed to balance the 2024/25 budget. To reduce the gap to this level, it is currently proposed to use £855k from Business Rates Growth Fund reserve.
- 2.2 The savings and efficiencies totalling £3.5m that the Council has identified to help support the 2024/25 budget can be found within Appendix 2, (£1.25m of these savings were agreed as part of the budget process for 2023/24). The draft capital budget is included within Appendix 3 while the fees and charges proposals for next year are covered by Appendix 4. Appendix 5 includes a risk assessment for next year's budget.
- 2.3 The MTFS and budget forecasts include the latest information available. It should however be noted that some of the assumptions that have currently been made will not be confirmed until the Provisional Settlement is announced, the date of which is currently anticipated to be during the week commencing 18 December 2023.

3. Alternative Options

- 3.1 Do nothing – This is not recommended as the Council is legally required to set a balanced budget. A further budget report will be submitted to Policy & Resources and Council in February 2024.

4. Consultation undertaken or proposed

- 4.1 Formal consultation of the proposed budget will be undertaken. The Budget proposals contained in this report will be made available for comment on the Council's website from 30 November to 3 January.

5. Implications

Issue	Implications
Corporate Plan	The budget proposals support the achievement of the Council's corporate priorities.
Financial, Resource and Property	The report sets out the Council's resourcing position.
Legal, Statutory and Procurement	The Council is required to set a Council tax and a balanced budget.
Crime and Disorder	Any potential implications will be addressed by service managers in their budget proposals.
Environment and Climate/Ecological Emergency	The proposals support the Climate Change and Ecological motion previously agreed.
Health and Wellbeing	Any potential implications will be addressed by service managers in their budget proposals.
Safeguarding of Children, Young People and Vulnerable Adults	Any potential implications will be addressed by service managers in their budget proposals.
Risk Management and Health and Safety	Any potential implications will be addressed by service managers in their budget proposals.
Equality and Diversity	Any potential implications will be addressed by service managers in their budget proposals.
Privacy and Data Protection	Any potential implications will be addressed by service managers in their budget proposals.

6. Appendices

- 6.1 The following documents are to be published with this report and form part of the report:

- Appendix 1: Medium Term Financial Strategy (MTFS) – General Fund Summary Forecasts
- Appendix 1a: MTFS General Fund Summary Forecasts
- Appendix 2: Savings Summary
- Appendix 3: Capital Programme
- Appendix 4: Fees and Charges
- Appendix 5: Risk Assessment

7. Background papers

7.1 None.