

Policy and Resources Committee	
Meeting date	27 November 2024
Report Title	Budget 2025/26 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 2025/26 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 2025/26 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 remains complex with continuing pressure around the Net Zero agenda, the ongoing service pressures the ongoing cost-of-living crisis, new political leadership 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 2024/25 budget setting exercise, which were forecasting future year deficits in the region of £1.5m in 2026/27 (excluding the uncertainty around government grant funding of £1.9m). The updated budget gap now differs from this peaking at £5.4m (again excluding government grants) in 2028/29, 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 I).

Updated funding forecasts	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Internal Drainage Board Levy	1,000	1,049	1,101	1,101	1,101
Base budget & reserve contributions	24,751	26,277	27,525	28,400	29,700
Revenue Support Grant (RSG)	(338)	(345)	(352)	(359)	(359)
Business Rates	(11,736)	(12,104)	(12,379)	(12,379)	(12,379)
New Homes Bonus	(674)	(674)	0	0	0
Services Grant	(30)	0	0	0	0
Funding Guarantee Grant	(1,276)	(1,276)	0	0	0
Uncertain Government Grants	0	(27)	(27)	(27)	(27)
Kent Pool Growth Fund (Business Rates)	(855)	(855)	(855)	(855)	(855)
Planned use of reserves	0	0	0	0	0
Council Tax	(10,109)	(10,512)	(10,932)	(11,368)	(11,822)
(Surplus)/deficit	733	1,533	4,082	4,513	5,359

- 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 £2.5m (Appendix 2) and is supported by various increases to fees and charges (Appendix 4), service reviews, and savings agreed in previous years' Medium Term Financial Plans. There is also a plan to continue to use 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 £1.533m 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 2027/28.
- 1.4 The capital spending projections for future years (Appendix IV) are included and assume borrowing of £34m between 2024/25 and 2028/29. The main borrowing will be in relation to Rainbow homes 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 £1.533m for 2025/26 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 2027/28
 - 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 I. It currently shows a gap of £1.533m which needs to be addressed to balance the 2025/26 budget. To reduce the gap to this level, it is currently proposed to use £855k from Business Rates Growth Fund reserve as was agreed at part of the 2024/25 MTFS.
- 2.2 The savings, efficiencies and increases to income totalling £2.5m that the Council has identified to help support the 2025/26 budget can be found within Appendix II, (£1.5m of these savings were agreed as part of the budget process for 2024/25). The draft capital budget is included within Appendix IV while the fees and charges proposals for next year are covered by Appendix V. Appendix VI 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 16 December 2024. This includes whether there will be any changes to the level of increase in Council Tax is allowed for district councils.
- 2.4 The MTFS assumes that the increase in National Insurance contributions for employers that was announced as part of the October budget will not impact on council's budget position as the government proposal included an allowance for NI

increase for directly employed public sector workers. This position will be updated if required, when details of the funding for local authorities is announced.

- 2.5 The government are also working on the roll out of the Extended Producer Responsibility initiative that aims to transfer the cost of collecting and disposing of recycling waste to the organisations that are responsible for producing it. Local authority payments were due to start in 2024/25 but this has been delayed until 2025/26. The methodology for payments or the requirements of local authorities has not yet been confirmed and so this report does not include any assumptions for the funding that is due to Swale. However, given that the funding is to support the delivery of our waste collection service which has required significant growth to the base budget this funding will help cover those costs and help address the significant budget gap.

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 2025.

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 28 November to 8 January.

5. Implications

Issue	Implications
Corporate Plan	The budget proposals support the achievement of the Council’s corporate priorities, and contribute directly to the running of the Council.
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

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

- Appendix I: Medium Term Financial Strategy (MTFS) – General Fund Summary Forecasts 2025/26
- Appendix II: Detailed Budget Position 2025/26
- Appendix III: Budget Change Summary 2025/26
- Appendix IV: Capital Programme 2025/26
- Appendix V: Fees and Charges 2025/26
- Appendix VI: Risk Assessment 2025/26

7. Background papers

7.1 None.