

2025/26 Budget Update

Cabinet	19 December 2024
By	Chris Blundell, Director of Corporate Services & s151 Officer
Cabinet Portfolio Member	Rob Yates, Portfolio Holder for Corporate Services
Key Decision	No
Decision classification	Unrestricted
Call in status	No
Ward:	All

Purpose of the Report

It is necessary to amend the budget setting timetable for 2025/26 to accommodate a late and uncertain provisional local government finance settlement and subsequently provide sufficient time to finalise the budget proposals for the forthcoming year. This report sets out a revised committee timetable for Cabinet's consideration and approval.

Recommendation(s):

1. That Cabinet approves the proposed revised committee timetable for the 2025/26 budget setting process; and
2. That Cabinet notes the progress made to date in developing the 2025/26 draft budget.

1. Summary of Reasons

- 1.1 It is necessary to amend the budget setting timetable for 2025/26 to accommodate a late and uncertain provisional local government finance settlement and subsequently provide sufficient time to finalise the budget proposals for the forthcoming year.

2. Background

- 2.1 The typical corporate budget setting cycle for Thanet District Council involves:
 - Taking an early draft budget for consultation or a budget strategy paper to Cabinet in the November preceding the forthcoming financial year;
 - Present the draft budget at an early January Cabinet meeting;

- Overview and Scrutiny Panel review the draft budget in January and consider making recommendations to a second January Cabinet meeting;
- Cabinet approves the draft budget in January and recommends the budget to Council for approval;
- Council meets in early February to approve the budget; and
- The council tax for the next financial year is usually approved at a second Council meeting in February.

2.2 This year an early draft budget or budget strategy paper was not presented to an autumn meeting of the Cabinet, which is due to the context in which the budget is being set for next year.

2.3 A budget strategy paper or a consultation paper is helpful too to set out the approach to setting the forthcoming year's budget. It is most helpful where there are either a significant amount of savings that need to be identified and the strategy or process for doing so needs to be set out, or where there is significant investment or budget growth planned and targeted consultation (e.g. with the public) would be beneficial.

2.4 The last two years the council has been in a position to accommodate a significant amount of growth in the budget, both reflecting inflationary increases and genuine service investment. This was largely facilitated by increasing the amount of business rates and fees and charges income in our base budget. As such a draft budget and consultation was beneficial to this process, as meaningful consultation could be undertaken on a range of budget proposals.

2.5 For next year's 2025/26 budget there is less scope to increase the income budget from business rates and fees and charges as there has been in recent years. At this stage of the budget setting process, there also remains uncertainty about the level of central government funding that will be allocated to each local authority for the forthcoming year.

2.6 A new government brings with it uncertainty about how new ministers will make decisions, and what their priorities will be for allocating funding to local authorities. Local government is informed of its core funding allocations for the following year through the provisional local government finance settlement, often referred to in the sector as 'the settlement'. Traditionally the settlement has been announced in late November or early December, however in recent years the settlement has been slipping later into December. The provisional settlement is expected in the week beginning 16 December 2024, with 19 December the most likely day, which leaves little time before the Christmas break and the deadlines for the January committee meetings.

2.7 Consequently, a change to the usual committee timetable for the budget setting process is set out below to accommodate the expected late announcement of the settlement. The detailed proposal is set out in the following section.

2.8 Moreover, whilst our budget position remains relatively stable, and a reduction in service activity will not be necessary to balance next year’s budget, it is not possible to say with any certainty how much (if any) funding will be available for investment next year, subject to the necessary councillor approval at Full Council. Consequently, whilst significant work has already been undertaken to prepare next year’s budget, due to the level of uncertainty it is not considered beneficial to present a meaningful draft budget formally to Cabinet at this stage.

3. Budget Timetable

Proposed Changes to Committee Meetings

3.1 For the reasons set out above, it is proposed that the revised committee timetable for the 2025/26 budget setting process be:

Meeting Date	Meeting	Matter Considered
16 Jan 2025	Cabinet	Approval of the council taxbase for 2025/26
30 Jan 2025	Cabinet	Consider the draft budget for 2025/26 Inclusive of: <ul style="list-style-type: none"> ● General Fund Revenue and Capital Budgets ● Fees and Charges ● HRA budgets ● The Council Tax precept
11 Feb 2025	OSP	Consider the draft budget for 2025/26 Consider making any recommendations to Cabinet
20 Feb 2025	Cabinet	Consider any recommendations from OSP Recommend the budget to Council for approval
27 Feb 2025	Full Council	Approval of the budget. Inclusive of: <ul style="list-style-type: none"> ● General Fund Revenue and Capital Budgets ● Fees and Charges ● HRA budgets ● The Council Tax precept

Subject to the approval of the revised timetable in the view of the above Council meeting on 13 February 2025 will be cancelled.

Other key dates

3.2 As mentioned above, the Provisional local government finance settlement for 2025/26 is expected to be announced on 19 December 2024. Budget briefings for both

councillors and staff will be scheduled for early January 2025, in alignment with the proposed committee timetable set out above.

4. Progress to date on Development of the 2025/26 Budget

- 4.1 Whilst there remains uncertainty over the council's funding allocations for next year, significant progress has still been made to develop the 2025/26 budget.

Budget Prioritisation Meetings

- 4.2 One of the key tools for implementing the budget strategy was the use of budget prioritisation meetings, to consider services' current resource allocations and also assessing any budget proposals. Heads of Service and Directors were asked to formulate proposals against the priorities contained in the Corporate Plan, so that the Council can prioritise activity which aligns with the things that matter most to local people. A series of prioritisation meetings were chaired by the Leader of the Council, who was assisted by a panel comprising the Deputy Leader, Portfolio Holder for Finance, the Chief Executive, the three Directors, the Head of Finance, Procurement and Risk, the Head of Strategy and Transformation and also Finance Officers. There were numerous budget prioritisation meetings, held throughout July and August. At each meeting a specific service area was considered and the relevant Portfolio Holder and Head of Service were invited to present any budget proposals for inclusion in the draft budget and answer any questions the panel had regarding the finances of that service area. These proposals have been ranked and prioritised, with the number that can be included in the budget being determined by the level of funding that is allocated in the settlement.

Funding Announcements

- 4.2 The Chancellor's budget announcement on 30 October was broadly welcomed by the local government sector as positive and being more favourable than expected, with £1.3bn of new grant funding in 2025/26 for local government to deliver core services, of which £600m is for social care. Together with local income from council tax and locally-retained business rates, the government has assumed a real-terms increase in total core spending power of around 3.2% for the sector. Following the Budget, MHCLG published 'The Local Government Finance Policy Statement 2025-26' on 28 November 2024, outlines funding reforms, public service reform, and grant consolidation for local authorities in England.
- 4.3 These announcements are useful for budget planning, they reduce uncertainty, and give guidance on Ministers' intentions for the future of most of the funding streams within the settlement. However, they do not provide the details of the allocations that the council will receive, which are needed for proper budget planning. As referred to above these detailed allocations will be announced in the settlement, which is expected on 19 December 2024.

- 4.4 Annex 1 contains more detail on how these funding announcements may impact on district councils. In partnership with our funding consultants, Pixel, the finance team has begun to model these implications, but until the settlement is announced, there remains a significant degree of uncertainty on how these funding and policy announcements will directly affect the council.
- 4.5 2025 will also see the introduction of the 'extended producer responsibility for packaging' (EPR) regime, which will provide a major new funding stream for local government. The initial 2025/26 EPR funding allocations for local government will be underwritten by central government, after which the payments will be dependent on recycling performance. The allocations for next year's budget were only announced in November of 2024 and the uncertainty of the funding shape of the EPR scheme also impacted the ability to produce an early draft budget for 2025.

Fees and Charges

- 4.5 As per the policy and in line with previous years, charges will need to be benchmarked with comparable service providers and where they are identified as being significantly lower than in other comparable authorities/private sector, increases will be fast tracked in order to bring them in line.
- 4.6 Estimated Income must be in units of £10 and a minimum of 2% inflationary increase is expected overall, taking into account any legal or regulatory rules.

Pay and other Inflationary Pressures

- 4.7 Negotiations have begun with Unison and GMB, the two recognised trade union bodies, on the staff pay award for 2025/26. Estimates have also been produced for general inflation increases for next next year (e.g. fuel and utilities) alongside agreed contractual inflation increases.

5. Consultation

- 5.1 The views of residents on the shape of next year's budget will be captured through an engagement exercise in the new year. Due to the short timeframes involved it will only be possible to run a relatively short consultation exercise.

6. Corporate Implications

6.1 Finance and Resources

- 6.1.1 There are no direct financial, budgetary or resourcing requirements arising from the proposed committee timetable changes. However approval of the proposed changes will allow more time to prepare a budget that is underpinned by robust assumptions and estimates.

6.2 Legal and Constitutional

6.2.1 Under Section 31A of the Local Government and Finance Act 1992, budget calculations have to be made before 11th March each year. Moving the calendar of meetings in the way proposed in this report will not prejudice this timetable.

6.2.2 The functions that are the subject of this report are for Council to decide. It is usual for the calendar of meetings to be decided at the annual meeting of Full Council but there is nothing to prevent the Calendar being determined at the proposed time as recommended in this report.

6.3 Council Policies and Priorities

6.3.1 This proposal will provide more time to produce a budget that will help deliver all the council's priorities

- To keep our district safe and clean
- To deliver the housing we need
- To protect our environment
- To create a thriving place
- To work efficiently for you

6.4 Risk

6.4.1 There are no risk management implications associated with this proposal.

6.5 Climate Change and Biodiversity

6.5.1 There are no Climate Change and Biodiversity implications associated with this proposal.

7. Equality, Equity and Diversity Implications

7.1 There are no Equality, Equity and Diversity implications associated with this proposal.

8. Crime and Disorder Implications and Community impact

8.1 There are no Crime and Disorder implications associated with this proposal.

Appendices

Annex 1 - Funding Implications for District Councils from the 30 October 2023 Budget & 29 November Policy Statement

Background Papers

- Budget setting working papers for 2025/26 held by the Financial Services team

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