

FINANCIAL PROSPECTS AND BUDGET STRATEGY 2021/22 AND BEYOND

Finance and Investment Advisory Committee - 8 September 2020

Report of	Deputy Chief Executive and Chief Officer - Finance and Trading
Status	For Decision
Also considered by	Cabinet - 17 September 2020
Key Decision	No

Executive Summary:

This Financial Prospects Report is the first report of the Council's budget setting process for 2021/22 onwards. It sets out the financial pressures the Council is likely to face in the coming years and suggests an appropriate strategy, utilising the 10-year budget framework first adopted in 2011/12, to ensure the Council remains financially stable over the long term.

Informed by the latest information from Government and discussions with the Portfolio Holder, the report proposes that the Council continues to set a revenue budget that assumes no direct funding from Government through the Revenue Support Grant or New Homes Bonus. This will result in the Council continuing to be financially self-sufficient.

To achieve this aim and to ensure a balanced budget position over the next 10-year period will be more challenging this year due to the financial impact of the Covid-19 pandemic.

It is intended to shorten the budget process this year so that the Council's budget is set at the November Council meeting instead of the February Council meeting. This should enable any changes to be implemented with effect from 1 April 2021 and the period of uncertainty for staff minimised.

The annual budget gap included in this report is £826,000 which is largely due to Covid-19. Growth and savings proposals will be presented to the Advisory Committees and Cabinet, and their recommendations will be considered as part of the process to remove this gap.

By addressing the issues this year, this Council will once again be in a strong financial position that other councils would aspire to.

Portfolio Holder Cllr. Matthew Dickins

Contact Officers Adrian Rowbotham, Ext. 7153

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Recommendation to Finance and Investment Advisory Committee:

Advise Cabinet with views on the ten-year financial planning approach and principles set out in the report.

Recommendation to Cabinet:

- (a) That subject to the views of the Finance and Investment Advisory Committee, endorse the ten-year financial planning approach and principles set out in this report;
 - (b) request Advisory Committees to review the Service Dashboards and advise Cabinet of possible growth and savings options;
 - (c) request officers to continue to review the assumptions in this report and consider options to address the budget gap, that is largely related to Covid-19, and report back to Cabinet on 15 October 2020.
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Introduction and Background

- 1 The Council's financial strategy over the past sixteen years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:
 - implementing efficiency initiatives;
 - significantly reducing the back-office function;
 - improved value for money;
 - maximising external income;
 - the movement of resources away from low priority services; and
 - an emphasis on statutory rather than non-statutory services.
- 2 Over this period, the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.
- 3 Using the data sources available to the Council, this report sets out a budget over the 10-year period but recognises that it is likely that more accurate data will become available in future months and current assumptions may need to be updated.
- 4 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the immediate reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the

Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.

- 5 With the Revenue Support Grant provided by Government ceasing from 2017/18 it is important that the council remains financially self-sufficient by having a financial strategy that is focused on local solutions. These solutions include:
 - continuing to deliver financial savings and service efficiencies;
 - growing the council tax base; and
 - generating more income.
- 6 The intention of this report is to enable Members to give consideration to the pressures likely to be faced by the Council and put in place a long-term solution that ensures service reductions are minimised. This report sets out the high-level approach and principles but later reports in the budget setting process will provide further details to assist in balancing the budget.

Financial Self-Sufficiency

- 7 The Council's Corporate Plan 2013-2018 set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. The current Council Plan aims to continue with this approach. This means that the Council no longer requires direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 8 This approach was adopted in response to the financial challenges the Country was faced with in bringing its public spending down to ensure it was able to live within its means. In practice this has seen Government funding to local authorities dramatically reduced since 2010/11 with Sevenoaks District Council receiving no Revenue Support Grant from 2017/18.
- 9 The decision to become financially self-sufficient is intended to give the Council greater control over its services, reducing the potential for decision making to be influenced by the level of funding provided by government to local authorities.
- 10 The Council's decision to seek to become financially self-sufficient was subject to scrutiny by the Local Government Association's Peer Challenge of the District Council during December 2013. In their closing letter to the Council, they concluded that they 'fully support that aspiration and given the existing and anticipated squeeze upon public finances this makes much sense'.
- 11 With the Council receiving no Revenue Support Grant from 2017/18 and New Homes Bonus reducing from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus. Any funding received from these sources will be put into the Financial Plan Reserve which can be used to support the 10-year budget by funding invest to save initiatives and support for the Property Investment

Strategy. One of the aims of the Property Investment Strategy is to achieve an income yield of 3%+ above the Council's average treasury management return (currently 0.6%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 2.6% for 30 years) when externally borrowing, based on an average over ten years. Therefore, using funding for this purpose will result in additional year on year income that is not impacted by Government decisions.

- 12 Cabinet are keen to remain financially self-sufficient which has served the Council well and ensured it is one of the most financially stable local authorities in the country. Last year a new target was set to replace reliance on Business Rates income over the coming years. However, due to the impact of Covid-19 and the greater uncertainty as Government reviews have been deferred, this will not be addressed during this budget process but remains a future aim. This ambition will allow this Council to move ahead in the knowledge that this council has the financial resources to provide the services that the district's residents need into the future.

Financial Pressures 2021/22 to 2030/31

Overall Summary

- 13 The Covid-19 pandemic has raised a new level of financial impacts that could not reasonably have been foreseen and were not previously considered in the 10-year budget. As a result, this budget process is likely to be significantly more challenging than recent years.
- 14 In addition to the need to make financial savings from April 2021, the Council will have to continue to progress its savings plan and maintain tight control over net expenditure in order to deliver its 10-year budget.
- 15 The 10-year budget set out in **Appendix B** has been updated from the version agreed by Council on 4 February 2020 to reflect the changes listed in **Appendix C**.
- 16 These changes result in an annual budget gap of £826,000. Options to address this gap will be presented as Service Change Impact Assessments (SCIAs) to each of the Advisory Committees and also in the Budget Update report to Cabinet on 15 October 2020.
- 17 Looking at expenditure, inflation is running at 1.0% (CPI at July 2020).
- 18 The timing of the next Government Comprehensive Spending Review and the results of the 'Fair Funding Review' and 'Business Rates Retention Reform' remain unknown. All of these events may have a financial impact on this council and officers will update the 10-year budget when announcements are made.
- 19 Based on previous years, the Provisional Local Government Finance Settlement for 2021/22 is likely to be announced in December but it is not expected to have a significant impact on this council's budget.

- 20 The paragraphs that follow set out the position in more detail and assess the impact on the current 10-year budget.

Covid-19 Financial Impact

- 21 A Covid-19 Financial Impact report was presented to Finance & Investment Advisory Committee (FIAC) and Cabinet in July.
- 22 This report highlighted the financial impact in 2019/20 and expected impact in 2020/21. Cabinet approved that the Council should address the financial impact of the Covid-19 response and recovery through the thorough 10-year budget setting process. This will enable Members to continue to make decisions in a structured way with the long-term requirements of the district in mind.
- 23 The 2020/21 financial position remains uncertain and regular Financial Monitoring reports will continue to be presented to FIAC and Cabinet. The full amount of Government support is not yet known including how much of the lost car parking income will be reimbursed. This will affect the 2020/21 outturn position and therefore the managed level of reserves required to balance the budget. This could also have a knock-on effect if less reserves are available than assumed in the budget to be set in November.
- 24 The report also proposed that some of the budget making decisions are brought forward from the February 2021 Council meeting to the November 2020 Council meeting to ensure maximum benefits can be gained from savings and income generation proposals from April 2021. At the same time allowing the Council maximum time to plan and respond to the changes.
- 25 The amount of Government funding for Covid-19 expected in 2020/21 remains uncertain therefore it is not known what the unfunded amount of Covid-19 related expenditure or income losses will be. A review of the reserves held is carried out each year as part of the budget process and that will take place again this year. Reserves may also have to be re-prioritised with some earmarked reserves being reduced or removed to fund any unfunded amount in 2020/21 and support the 10-year budget position.
- 26 Specific Covid-19 financial impacts affecting the 10-year budget period are listed in Appendix C with further details below:
- 27 ***Council Tax Collection Fund deficit in 2020/21*** - the latest forecast shows a collection rate of 96.2% instead of the 99.4% assumption. A deficit is normally recovered in the following year, but the Government has announced that any deficit in 2020/21 can be spread over the following three years instead. The Sevenoaks District Council proportion of the forecast deficit is £363,000.
- 28 ***Council Tax Collection rate reductions 2021/22 and 2022/23*** - the previous collection rate assumption for all years was 99.4%. The assumption for 2021/22 will reduce to 97.9% and 2022/23 will reduce to 98.4%. These changes impact the 10-year budget by £296,000.

- 29 **Reduced income: Car Parking** - this income stream continues to be affected by people changing their working practices and shopping habits. It is currently forecast that car parking income will be 25% below budgeted levels in 2021/22 with the position improving by 5% each year. The impact on the 10-year budget is forecast to be £3.08m.
- 30 **Reduced income: Licensing** - the demand for licences has reduced during the pandemic and it is forecast that this will continue to affect income levels by £15,000 in 2021/22 before returning to normal levels.
- 31 **Interest Receipts** - as mentioned above, the Council's reserves will be re-prioritised and some used to fund the unfunded 2020/21 Covid-19 financial impact and also support the 10-year budget position. This will result in a lower amount being available to invest and therefore interest receipts are expected to reduce. The previous assumptions for interest receipts was £300,000 per annum but this has now been reduced to £188,000.
- 32 **Covid-secure workplace**- increased cleaning of offices and vehicles as well as providing additional PPE, has been required to ensure the Council has a Covid-secure workplace.. It is expected that this will continue to a certain extent going forward to ensure that the council supports the staff to carry out their duties. £18,000 per year is currently included for this.
- 33 **IT costs relating to working from home and new starters** - to maintain a Covid-secure workplace the capacity of the Councils offices has been reduced to a maximum of 80 people. Throughout the pandemic, and until Government guidance on Covid-secure measures changes, a substantial number of staff are required to work from home on a regular basis. It is expected that this will continue in to 2021. Some additional IT equipment is required to enable this to happen effectively and £5,000 per year is currently included for this.

Income

- 34 Each year in the 10-year budget there is about a £4m gap between net service expenditure and Council Tax revenue. While it is reasonable to assume that inflation rates for these two items will generally be similar, inflationary changes of the items which we rely on to bridge the gap may be very different. In particular the council's receipts from Business Rates could be very variable. Members should be aware that significant changes to income assumptions may result in higher levels of savings being required.
- 35 **Government Support: Revenue Support Grant (RSG)** (nil received in 2020/21) - This formula-based grant has significantly reduced since 2010/11 as the emphasis of Government Support has changed, in fact this council received no RSG in 2017/18 and is not expected to receive any in future years. The attached 10-year budget assumes no RSG, if any amounts are received in future years, they will be put into the Financial Plan Reserve to support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.

- 36 Negative RSG (i.e. where council's pay government) has previously been proposed by government. It was announced by Government that there would not be negative RSG in 2020/21 but this remains a threat going forward.
- 37 **New Homes Bonus (NHB)** (£1.25m received in 2020/21 but not used to fund the revenue budget) - the Government started this new funding stream in 2011/12 from funds top sliced from RSG with the intention that local authorities would be rewarded for new homes being built over a six-year period. The basis of NHB was changed with effect from 2017/18. Previously it was based on cumulative figures for 6 years, but this was reduced to 5 years from 2017/18 and 4 years from 2018/19. In addition, NHB is only received on tax base growth above 0.4% instead of on all growth (known as the deadweight).
- 38 The amounts expected to be received in future years are £641,000 in 2021/22, £329,000 in 2022/23 and nothing in later years. In the same way as RSG, the attached 10-year budget assumes no NHB resulting in there being no reliance on this funding source to support the revenue budget. Any amounts received will be put into the Financial Plan reserve for the same purpose as noted above.
- 39 It is possible that NHB will be replaced by a different funding method to incentivise housing growth in future years
- 40 **Council Tax** (£11.3m) - The Government referendum limit for 2020/21 was an increase of 2% or £5 for a Band D property (2.3% for SDC), if higher. Council agreed to increase Council Tax by 2.3% with the excess above 2% put into a new 'Net Zero Transition Fund'.
- 41 The referendum limit for 2021/22 is not yet known and is expected to be announced after the Council Budget Setting meeting on 17 November 2020. The assumption currently included in the 10-year budget is a 2% increase in all years.
- 42 If the same referendum limits are set for 2021/22, the following increase would be possible:

2021/22 Council Tax	Current Assumption	Potential Assumption
% increase	2.00%	2.3%
£ increase (Band D pa)	£4.40	£4.95
£ (Band D pa)	£224.36	£224.91

- 43 Due to the uncertainty of future Council Tax increase referendum limits, if maximum increases are not taken there will be an ongoing detrimental impact on the ability to increase Council Tax in future years.

- 44 The tax base increases each year due to the general increase in the number of residential properties and future developments as well as the continuing work to check the validity of Council Tax discounts awarded. The assumption going forward reflects the increases achieved in recent years and the ongoing work. The increased tax base results in additional Council Tax income which is assumed to be greater than the incremental cost of servicing the additional properties although it should be recognised that there are likely to be step changes in costs for some services in the future such as refuse collection. The Local Plan will also affect future tax base assumptions.
- 45 **Business Rates Retention** (£2.1m) - The basis for allocating Government Support from 2013/14 changed to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received. However, tariffs and top ups are applied to ensure that the funding received by each local authority is not significantly different to pre 2013/14 amounts. This council was due to collect £38m of Business Rates in 2020/21 but this has since reduced to £22m following all the changes made by Government due to Covid-19.
- 46 A Business Rates Pool operates in Kent and Medway which generally results in councils retaining more Business Rates than if they were not in the pool. This council and Dover Borough Council were not part of the pool in previous years, but it has been agreed that Sevenoaks and Dover will benefit as if they were in the pool going forward. It is not yet known if the Government will allow Business Rates Pools to operate in 2021/22.
- 47 Due to the uncertain impact of Covid-19 on local businesses, the large number of business rates appeals being outstanding with the Valuation Office Agency (VOA) and the limited opportunities to increase the number of businesses in the district, the assumption in the 10-year budget from 2019/20 remains at the safety-net level, which is the amount of business rates the council is assured of retaining in the current scheme if it were not in a pool.
- 48 Any increased Business Rates retained in 2020/21 due to being in the Kent and Medway Pool will be transferred to the Budget Stabilisation Reserve.
- 49 With the outcome of the Spending Review and the results of the 'Fair Funding Review' and 'Business Rates Retention Reform' remaining unknown, there is a risk that this council may no longer retain any Business Rates in the future. This would result in a funding gap that would need to be replaced by additional income or further savings.
- 50 **Interest receipts** (£0.3m) - returns are continuing to be significantly lower than they were a few years ago due to low interest rates and the Council's Investment Strategy taking a low risk approach. Whilst returns exceeded Budget last year, inflation continues to outpace investment returns, leading to the gradual erosion of capital in real terms.

- 51 As explained in the ‘Covid-19 Financial Impact’ section above, the assumption for Interest Receipts is being reduced from £300,000 to £188,000 per annum. This change is due to lower amounts being available to be invested as reserves are used to fund part of the Covid-19 related deficit.
- 52 **Property Investment Strategy** - The strategy was approved by Council on 22 July 2014 with the intention of building on an approach of property-based investment in order to deliver increased revenue income. This was set against a background of reducing Government Support and continued low rates of return through existing treasury management arrangements.
- 53 Six assets have been purchased or built to date, including the Sennocke Hotel, at a cost of £25m. The annual income yields for completed schemes range from 5.7% to 9.6%.
- 54 A total of £50m has been approved by Council to be spent on the Property Investment Strategy. As well as the £25m above, £6m has been spent by Quercus 7 Ltd on four assets resulting in £19m of the approved amount remaining.

Property Investment Strategy income assumptions in the 10-year budget are as follows:

2021/22	£1.468m
2022/23	£1.508m
2023/24 - 2025/26	£1.558m per annum
2026/27 - 2028/29	£1.655m per annum
2029/30 - 2030/31	£1.696m

- 55 Members should be aware that the Government are continuing to look at ways to limit Council’s ability to make commercial property investments. And on 13 July 2020, the House of Commons Public Accounts Committee published their report on ‘Local Authority Investment in Commercial Property’ which stated that “it is time for a comprehensive review of the prudential framework for local authority borrowing and finance”.
- 56 A Property Investment Strategy Update report will be produced later in the budget cycle.
- 57 **Variable fees and charges** - The Council receives income in fees and charges from a number of sources.
- 58 The assumption is currently for a 2.5% increase for all years except for off-street car parking which is 3.5% for five years (2019/20 - 2023/24). The additional 1% for car parking is one of the funding streams for the development of Sevenoaks Town (formerly Buckhurst 2) Car Park as agreed by Council on 22 November 2016.

- 59 Some income streams, such as car parking, are expected to continue to be adversely affected by the impacts of the Covid-19 pandemic. If car parking usage remains at low levels during the remainder of this financial year, there is increased risk to achieving the assumed percentage increases in income in the year ahead. If charges are not increased this would create an income deficit of £126,000, on the current budget assumptions.
- 60 **External Funding** - the Council has been very successful in securing external funding across a range of services, based on it delivering a wide range of innovative services to local residents, often in partnership with other agencies. The Council's officers continue to seek new opportunities for funding. As financial constraints are put on public services the funding available from health and other public bodies may reduce.
- 61 **Shared working** - Various services have included savings from shared working in recent years budgets. The Council successfully works in partnership with other authorities in a number of areas, including Revenues, Benefits, Internal Audit, Counter Fraud, Finance, IT, Licensing, Building Control, Civil Enforcement (Parking), CCTV and Environmental Health.
- 62 The largest savings were achieved when each shared service started, some of which were in 2010. The viability of continuing to share these services is reviewed on a regular basis to ensure that this Council receives value for money and the service standards it requires.
- 63 **Use of reserves** - One of the principles of the Financial Strategy is to make more effective use of the remaining earmarked reserves. When this strategy was first used in 2011/12, it was agreed that the remaining balances in the Asset Maintenance and Superannuation Fund Deficit Reserves would be moved to a new Financial Plan Reserve and used over the initial 10-year budget period. The Budget Stabilisation Reserve was also set up at the same time to manage the fluctuations between years to ensure that an overall balanced budget remained for the 10-year period. This reserve has been increased by surpluses achieved on the revenue budget in recent years.
- 64 A review of the reserves held is carried out each year as part of the budget process and that will take place again this year.
- 65 When the budget is set, the balance in the Budget Stabilisation Reserve must be sufficient to support the 10-year budget.

Expenditure

- 66 **Pay** costs total £16m. Discussions between the National Employers for Local Government Services and the unions regarding the national pay award for 2020/21 are ongoing. The latest offer is a 2.75% increase which is 0.75% above the 2% assumption included in the budget approved by Council in February. If this offer is accepted, the additional cost will be £132,000 per annum.
- 67 The assumption in the attached 10-year budget is a 2% increase in all years.

- 68 Members previously agreed that a budget would be set aside to address the Council's recruitment and retention difficulties and challenges going forward. This remains in place and will be used as required.
- 69 **Superannuation fund** - the last pension fund triennial valuation, which was the fourth by the actuaries Barnett Waddingham, took place in November 2019.
- 70 The funding level has increased from 75.5% to 86.6% since the previous valuation in 2016 and the deficit recovery period for the fund has reduced from 17 years to 13 years. The 10-year budget includes the contribution amounts set by the actuaries for 2020/21 to 2022/23 and includes an additional £100,000 from 2023/24 when the next triennial valuation will come into effect. The contributions for the primary rate (current staff) have increased and reduced for the secondary rate (funding deficit). There is a nil overall impact on the 10-year budget.
- 71 As explained above, the deficit (secondary rate) improved and the annual contributions reduced however the contribution for current employees (primary rate) increased. This and the ongoing inflationary impact is the reason for the majority of the increase listed as 'Rolled on to 2030/31 and base figures updated to 2020/21 budget' in **Appendix C**.
- 72 **Non-pay costs** - the budget assumes non-pay costs will increase by an average of 2.25% in all years. In practice, items such as rates and energy costs often rise at a higher rate, so other non-pay items have been allowed a much lower inflation increase. Inflation is currently at 1.0% (CPI - July 2020).
- 73 **Asset Maintenance** - Any asset maintenance expenditure is funded by the revenue budget each year. Asset maintenance expenditure can fluctuate as the demand for programmed and ad hoc work varies across sites. A review of the asset maintenance requirements for council owned properties was carried out in 2018/19 with the budget being increased by £100,000. This resulted in the average yearly liability covered increasing from 54% to 67%. Asset maintenance budgets will be reviewed again as part of this budget cycle.
- 74 **Exiting the EU** - The Council continues to closely monitor the potential implications on the District and is engaged in contingency planning arrangements co-ordinated by the Kent Resilience Forum.
- 75 **Annual Savings** - an annual Net Savings/Additional Income assumption of £100,000 is included for all years in the 10-year budget.
- 76 **Unavoidable service pressures** - One of the lessons to be learnt from previous financial strategies is that there is always a likelihood of unavoidable service pressures and there needs to be a clear strategy for dealing with these. The model does not allow for unavoidable service pressures that could be significant. These will be identified in the Service

Change Impact Assessments (SCIAs) that will be reported to the Advisory Committees between September and October.

- 77 These additional service pressures will, where possible, be absorbed within existing budgets. However, there is some likelihood that some pressures will be difficult to absorb, and Members will need to give these consideration as part of the budget process. However, it should be recognised that by having a 10-year budget there is greater scope to deal with these pressures and therefore have less impact on current services whereas other councils who only have single year budgets would have to make larger immediate savings.
- 78 ***Progress on the savings plan*** - 2021/22 will be the eleventh year of using the 10-year budget. During this period, 171 savings/additional income items have been identified totalling £7.7m. The majority of these savings/additional income items have already been achieved and Portfolio Holders, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.
- 79 ***Changes since the 10-year budget started*** - The table below shows how the Net Service Expenditure has changed since 2010/11. This shows that the budget has reduced by £4.8m (29%) in real terms.

Net Service Expenditure	£000
2010/11 (budget)	16,711
2020/21 (2010/11 budget +2% inflation per year)	20,371
2020/21 (budget)	15,581
Difference	4,790

Current 10-year budget position

- 80 The 10-year budget set out in **Appendix B** has been updated from the version agreed by Council on 4 February 2020 to reflect the changes listed in **Appendix C**.
- 81 These changes result in an annual budget gap of £826,000. Options to remove this gap will be presented as SCIAs to the Advisory Committees and also in the Budget Update report to Cabinet on 15 October 2020.
- 82 The options are likely to cover a number of areas including:

- Service efficiencies
- Additional income
- Re-prioritisation of reserves

83 Having identified the scale of the financial challenge facing the Council in setting a balanced budget early in this year, and having considered the likely impact on how customers' needs of the Council are likely to change following Covid-19 the Chief Executive will be undertaking a review of the organisational structure.

84 With a likely focus on managerial level roles, the review will seek to contribute sizeable financial savings towards addressing the budget gap. Although the financial gap is one factor in bringing forward this review, the structure must also be sufficiently lean and agile to address the future challenges the Council may face. These include, but are not limited to, new and emerging service pressures, protecting the organisational culture and service levels to customers, and increased economic hardship for local businesses, voluntary and charity groups, and residents.

85 When looking at prospects for year 11 onwards, there is still likely to be a need to take further actions as these years come into the rolling 10-year period.

Proposed Business and Financial Planning Strategy

86 In order to maintain a viable Council that continues to deliver on its main priorities and the services it provides to its residents, the Council has already adopted a Financial Strategy that embraces the following principles:

- A ten-year balanced budget;
- Flexible use of the Budget Stabilisation Reserve;
- More effective use of remaining earmarked reserves;
- Structured use of capital receipts; and
- The review and tighter management of inflationary pressures.

87 It is recommended that this strategy continues to be adopted.

Process and timetable

88 Members will note from the timetable set out in **Appendix A** that this report is being considered by the Finance and Investment Advisory Committee on 8 September 2020 and any comments will be considered along with this report at Cabinet on 17 September 2020

- 89 It is intended to shorten the budget process this year so that this Council's budget is set at the November Council meeting instead of the February Council meeting. This should enable any changes to be implemented with effect from 1 April 2021 and the period of uncertainty for staff being reduced.
- 90 All Advisory Committees will be presented with their Service Dashboards and Service Change Impact Assessments (SCIAs) between September and October when they will be asked for their views on growth and savings proposals for their areas. This part of the process ensures that all members have a role to play in the Governance of the council and the budget decision making process.
- 91 A Budget Update report will be presented to Cabinet on 15 October 2020 to provide details of progress made before the Budget Setting report is presented to Cabinet on 5 November 2020.
- 92 There will still be a Council Tax Setting report presented to Cabinet and Council in February as that will confirm the full Council Tax for the district in 2021/22 incorporating the Council Tax requirements of the preceptors (i.e. Kent County Council, Kent Fire, Kent Police, Town and Parish Councils).
- 93 Training sessions on the budget process were provided to Members last year. If Members require any further training or have any questions about the process, they are asked to contact Adrian Rowbotham or Alan Mitchell.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

It is a requirement for the Council to set a balanced budget, failure to be able to do so could result in a S.114 notice being issued by the S.151 Officer. There is currently no expectation that the Council would be required to be in that position. Our 10-year budget approach provides adequate flexibility to manage the unprecedented financial shock of Covid-19, subject to sufficient savings being identified and implemented from 1 April 2021, and the ongoing effective and prudent management of the Council's finances.

An effective integrated policy and priority driven long-term financial and business planning process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future changes

to Business Rates Retention. The risks will be mitigated by continuing to review assumptions and estimates, remaining financially self-sufficient and by updating Members throughout the process.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

The Strategic Financial and Business Planning process has ensured that the Council follows a logical and well considered process and approach in dealing with the many difficult challenges that it has faced. The 10-year budget has further improved this process and helped to ensure that the Council is well placed in dealing with more immediate and longer-term challenges.

By becoming financially self-sufficient at an early stage, this Council has become much more in control of its own destiny.

The attached 10-year budget shows that this Council is aiming to continue to be financially stable going into the future with a level of assurance that any council would aspire to.

This budget process will once again be a major challenge for a Council that already provides value for money services to a high standard. In making any budget proposals, Members will need to consider the impact on service quality and staff well-being, to ensure that these proposals lead to an achievable 10-year budget that supports the Council's aspirations for customer-focused services.

Appendices

Appendix A - Budget Timetable

Appendix B - 10-year Budget

Appendix C - Summary Budget Changes

Background Papers

[Covid-19 Financial Impact report to Cabinet - 09/07/20](#)

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance and Trading