

BUDGET UPDATE 2021/22

Cabinet - 15 October 2020

Report of: Deputy Chief Executive and Chief Officer - Finance and Trading

Status: For Consideration

Key Decision: No

Executive Summary:

This report sets out progress made in preparing the 2021/22 budget.

It is proposed 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.

At Cabinet on 17 September 2020 a budget gap of £826,000 was reported which is largely due to Covid-19. This report includes the proposals to remove the gap. Many of these proposals are currently being presented to the Advisory Committees and Cabinet will consider their comments on 5 November 2020

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer(s): Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext 7483

Recommendation to Cabinet:

Give consideration to the contents of this report and provide officers with any further instructions.

Introduction and Background

- 1 The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities ten years ago, for 2011/12 the Council produced a 10-year budget together with a savings plan for the first time. This will be the eleventh year this method has been used and provides the Council with a stable basis for future years.

- 2 At the Cabinet meeting on 17 September 2020, Members considered a report setting out the Council's financial prospects for 2021/22 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2021/22 and beyond.
- 3 It was agreed 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 earlier and the period of uncertainty for staff minimised. The timetable is set out in **Appendix A**.
- 4 As part of the budget process officers are putting forward their Service Dashboards to the Advisory Committees between September and October, which set out a summary of current and future challenges and risks. The Advisory Committees will also recommend new growth and savings items which will be considered at the Cabinet meeting on 5 November 2020.
- 5 This report sets out the current position for the 2021/22 budget and updates Members on information received since the last report. However, it should be noted that the Provisional Local Government Finance Settlement had not yet been announced.

Financial Self-Sufficiency

- 6 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.
- 7 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.
- 8 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.
- 9 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'.

- 10 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.
- 11 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.

Updates since the Financial Prospects Report

- 12 The annual budget gap presented in the Financial Prospects report was £826,000 and that is the position included in the 10-year budget set out in **Appendix B**.
- 13 Proposals to address this gap are included in **Appendix C**. The Service Change Impact Assessments (SCIAs) listed in **Appendix C** are currently being presented to the Advisory Committees and their comments will be reported to Cabinet on 5 November 2020.
- 14 The Covid-19 pandemic has continued to raise a new level of financial impact that could not reasonably have been foreseen and was not considered in the 10-year budget approved in February 2020. As a result, this budget process is significantly more challenging than recent years.
- 15 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.
- 16 ***Covid-19 Financial impact*** - the ongoing impact both nationally and locally remains uncertain. Monthly financial returns are continuing to be provided to the Ministry of Health, Communities and Local Government (MHCLG). The first Income Compensation return has also been made for the period from April to August 2020.

- 17 **The Provisional Local Government Finance Settlement** - it is not expected that this will be announced prior to the budget being set at Council on 17 November 2020.
- 18 **Council Tax** - the Local Government Finance Settlement is expected to include the Council Tax referendum limit for 2021/22. In 2020/21 the referendum limit was an increase of 2% of £5 for a Band D property (2.3% for SDC, if higher). Council agreed to increase Council Tax by 2.3%.
- 19 The current assumption for 2021/22 included in the 10-year budget is 2%. 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 |
- 20 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.
- 21 The final council tax base and collection fund positions will also not be known when the budget is set at Council on 17 November 2020.
- 22 **Use of reserves** - a review of the reserves held is currently being carried out and will be included in the report to Cabinet on 5 November 2020.

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 (Deputy Chief Executive and Chief Officer - Finance and Trading). 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.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered.

Current and future challenges together with risks are included in the Service Dashboards being presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

An effective integrated policy and priority driven long-term financial and business 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 and by updating Members throughout the process.

Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.

Individual equality impact assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision-making process is fair and transparent.

Community Impact and Outcomes

Members' early consideration of the issues raised in this report would be beneficial to residents in that a planned approach to achieving a balanced budget should produce the best outcome for the community in limiting the level of budget reductions.

Appendices

Appendix A - Budget Timetable

Appendix B - 10-year Budget

Appendix C - Summary Budget Changes

Background Papers

Financial Prospects and Budget Strategy 2021/22 and Beyond - Cabinet 17
September 2020

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance and Trading