

BUDGET 2022/23: SERVICE DASHBOARDS AND SERVICE CHANGE IMPACT ASSESSMENTS (SCIAs)

Development and Conservation Advisory Committee - 19 October 2021

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

Status: For Comment

Also considered by:

- Housing and Health Advisory Committee - 28 September 2021
- People and Places Advisory Committee - 6 October 2021
- Improvement and Innovation Advisory Committee - 7 October 2021
- Cleaner and Greener Advisory Committee - 12 October 2021
- Finance and Investment Advisory Committee - 4 November 2021

Key Decision: No

Executive Summary:

This report sets out updates to the 2022/23 budget within the existing framework of the 10-year budget and savings plan. The report presents growth and savings/additional income proposals that have been identified which need to be considered (if applicable to this Committee), and requests further suggestions from the Advisory Committees, before finalising the budget for 2022/23.

Informed by the latest information from Government and discussions with Cabinet, 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 continue to be challenging largely due to the uncertainties and ongoing financial impacts of the Covid-19 pandemic.

The budget process will be the same as two years ago as opposed to the shortened process last year. However, we are looking to streamline the process in future years to run from November to February, but this will require changes to the committee meetings schedule.

No changes have been made to the assumptions at the stage, so the annual budget gap included in this report is £100,000 which relates to the annual savings target. However, it is expected that the gap will increase due to the impacts of homelessness, ongoing Covid-19 impacts and inflationary pressures.

The Advisory Committees will comment on the growth and savings/additional income proposals included in the reports, and their recommendations will be considered by Cabinet as part of the process to remove this gap. By addressing these issues, this Council will once again be in a strong financial position that other councils would aspire to.

Portfolio Holder: Cllr. Matthew Dickins

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Recommendation to each Advisory Committee:

- (a) Advise Cabinet with views on the growth and savings/additional income proposals identified in Appendix E applicable to this Advisory Committee.
- (b) Advise Cabinet with further suggestions for growth and savings/additional income applicable to this Advisory Committee.

Reason for recommendation: It is important that the views of the Advisory Committees are taken into account in the budget process to ensure that the Council's resources are used in the most suitable manner.

Introduction and Background

- 1 The Council's financial strategy over the past seventeen 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.
 - 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.
 - generating more income.
- 6 The intention of this report is to provide Members of each Advisory Committee an opportunity to give their views on potential growth and savings/additional income items that could be included in the updated 10-year budget that will be presented to Council on 22 February 2022.
- 7 The 'Financial Prospects and Budget Strategy 2021/22 and Beyond' report has been presented to Cabinet to start the budget setting process for 2022/23.

Financial Strategy

- 8 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 continues to adopt a Financial Strategy that embraces the following principles:
 - Remain financially self-sufficient.
 - Be clear about the Council's future financial prospects, with a ten-year budget as an integral part.
 - Ensure a strategic approach is taken to the management of the Council's finances, Council Tax, and budget setting.
 - Make effective use of reserves and capital receipts.
 - Manage our money carefully, monitor monthly and constantly strive for better value from our spending.
- 9 A two-page summary of the Financial Strategy can be found at **Appendix H**.

Review of the 10-year Budget Process

- 10 An audit of the 10-year budget process has recently been completed by Mazars (working for Internal Audit) and their findings were that the Council has adequate, effective and reliable controls in place over budget setting and long-term financial planning.

Financial Self-Sufficiency

- 11 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.
- 12 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.
- 13 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.
- 14 The Council's decision to seek to become financially self-sufficient was subject to scrutiny by the Local Government Associations 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'.
- 15 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 0.1%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 1.7% 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.
- 16 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. In the 2020/21 budget, 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 was not addressed during the 2021/22 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.

Service Dashboards

- 17 The intention of service dashboards is to provide Members with improved information during the budget setting process to provide context and inform any growth and savings/additional income ideas that Members may put forward.
- 18 The Service Dashboards cover a summary of the services provided, objectives, achievements and opportunities, challenges and risks and performance.
- 19 **Appendix A** contains the Service Dashboard for this Advisory Committee and **Appendix B** contains the budget for those services.

Savings Plan

- 20 **Appendix C** to this report sets out a summary of the savings/additional income and growth items approved by Council since the 10-year budget strategy was first used in 2011/12, which have allowed the Council to deliver a 10-year balanced budget.
- 21 The savings plan requires a total of over £8.2 million to be saved between 2011/12 and 2021/2 which is an average saving of £745,000 per annum.

Current 10-year Budget Position

- 22 The 10-year budget set out in **Appendix D** has been updated from the version agreed by Council on 23 February 2021 by rolling it forward one year
- 23 No changes to assumptions have been made at this stage so the annual budget gap is currently £100,000 which relates to the annual savings target. However, it is expected that the gap will increase due to the impacts of homelessness, ongoing Covid-19 impacts and inflationary pressures.
- 24 The assumptions currently included take into account the latest information available, but a number of assumptions may change before the final budget meeting in February 2022.

Proposed Growth and Savings/Additional Income Items

- 25 Growth items are items that are in addition to non-service issues and risks, such as grant settlements, impacts of economic change and other pressures highlighted in the 'Financial Prospects and Budget Strategy 2022/23 and Beyond' report considered by Cabinet on 7 September 2021.

- 26 A number of growth and savings/additional income items will be proposed at the Advisory Committees with the aim of achieving the savings/additional income to bridge the budget gap.
- 27 The proposed growth and savings/additional income items relating to this Advisory Committee are listed in **Appendix E** (if applicable).
- 28 Service Change Impact Assessments (SCIAs) contain further details for all proposed growth and savings/additional income items. SCIAs applicable to this Advisory Committee can be found in **Appendix F** (if applicable).

Role of the Advisory Committees

- 29 A training session on the budget process was provided to Members in 2019. If Members require any further training or require any additional details on the content of this report and appendices, please contact Adrian Rowbotham or Alan Mitchell prior to the meeting.
- 30 Views of the Advisory Committees on the growth and savings/additional income items proposed together with any additional suggestions will be considered by Cabinet at its meeting on 9 December 2021.

Process and Timetable

- 31 This report is the second stage of the budget process as shown in the Budget Setting Timetable (**Appendix G**).
- 32 Members will recognise that this is the same budget process as two years ago as opposed to the shortened process used last year. However, we are looking to streamline the process in future years to run from November to February, but this will require changes to the committee meetings schedule.
- 33 Budget Update report will be presented to Cabinet in December and January to provide details of progress made before the Budget Setting report is presented to Cabinet on 10 February 2022.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

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.

Challenges and risks are included in the Service Dashboards and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

A separate Risks and Assumptions report will be presented to the Finance and Investment Advisory Committee and Cabinet.

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.

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 financial 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 challenge for a Council that already provides value for money services to a high standard; and ensuring that these proposals lead to an achievable 10-year budget, Members will need to consider the impact on service quality, staff and well-being.

Members' consideration and scrutiny of the relevant services is an essential and key element in the business and financial planning process. If the net total of growth and savings/additional income proposals identified by the Advisory Committees and approved by Cabinet does not reach the £100,000 target, additional savings will be required that may result in service changes, to ensure a balanced budget position.

Appendices

Appendix A - Service Dashboards relating to this Advisory Committee.

Appendix B - 2021/22 Budget by Service relating to this Advisory Committee.

Appendix C - Summary of the Council's agreed savings plan and growth items.

Appendix D - 10-year budget

Appendix E - New growth and savings/additional income items proposed relating to this Advisory Committee (if applicable)

Appendix F - Service Change Impact Assessment forms (SCIAs) for the new growth and savings/additional income items relating to this Advisory Committee (if applicable)

Appendix G - Budget Setting Timetable

Appendix H - Financial Strategy

Background Papers

Financial Prospects and Budget Strategy 2022/23 and Beyond - Cabinet 16
September 2021

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading