

BUDGET 2023/24: SERVICE DASHBOARDS AND SERVICE CHANGE IMPACT ASSESSMENTS (SCIAs)

Improvement and Innovation Advisory Committee - 24 November 2022

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

Status: For Comment

Also considered by:

- Housing and Health Advisory Committee - 22 November 2022
- People and Places Advisory Committee - 29 November 2022
- Development and Conservation Advisory Committee - 1 December 2022
- Cleaner and Greener Advisory Committee - 6 December 2022
- Finance and Investment Advisory Committee - 10 January 2023

Key Decision: No

Executive Summary:

This report sets out updates to the 2023/24 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 2023/24.

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 aim to be financially self-sufficient.

To achieve this aim and to ensure a balanced budget position over the next 10-year period will be challenging largely due to the uncertainties and ongoing financial impacts of national and international events.

No changes have been made to future assumptions at the stage which will be reviewed during the budget process, as usual. However, due to the April 2022 pay award expected to be significantly higher than previous years and an annual savings target of £100,000 already included, an annual budget gap of £735,000 is currently reported.

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 continues to aim for long-term financial health and continues to work towards improving financial sustainability. It has been successful through the use of a number of actions 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 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, which 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 having ceased 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 21 February 2023.
- 7 The 'Financial Prospects and Budget Strategy 2022/23 and Beyond' report has been presented to Cabinet to start the budget setting process for 2023/24.

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 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 was completed by Mazars (working for Internal Audit) in 2021 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 Local Government Association's Corporate Peer Challenge in December 2021 commented that 'Sevenoaks District Council takes a long-term view of financial planning with a focus on self-sufficiency. The council's 10-year budget is innovative, an example for the sector and supports long-term decision making. This extended financial framework provides an excellent platform which has supported effective budget management and planned, long-term, decision making.'
- 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.
- 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, inflationary increases and the greater uncertainty as Government reviews have been deferred, this 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. **Appendix A1** contains the Performance Indicators 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 £8.6 million to be saved between 2011/12 and 2022/23 which is an average saving of £721,000 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 22 February 2022 by rolling it forward one year.
- 23 No changes have been made to future assumptions at the stage. However, due to the April 2022 pay award expected to be higher than previous years and an annual savings target of £100,000 already included, an annual budget gap of £735,000 is currently included.
- 24 The National Employers for local government services have made a final offer for 2022/23 of £1,925 per person. This equates to an average increase of 5.8% in the Council's staff costs against a figure of 2% in the ten year budget. In cash terms, this is estimated to be £600,000 above the budgeted assumption. A response from the unions is awaited. It should be recognised that the current cost of living crisis has had a severe effect on colleagues on lower salary grades.
- 25 Cabinet on 20 September 2022 agreed that in the interests of prudent financial management this be considered as two costs: the mid-year 2022/23 expense and the separate ongoing commitment in future years.
- 26 First, offsetting the increase in staff costs in 2022/23 with any net surplus that may arise from our membership of the Kent and Medway Business Rates Pool - based on previous years, this is estimated to be £250,000. Second, drawing the balance from the Budget Stabilisation Reserve. Both steps are consistent with the principles which govern the use of the funds since, in the case of the former, the receipts are ordinarily treated as a windfall and therefore committed to reserves to meet future expenditure and, with the latter, the Budget Stabilisation Reserve's purpose is to assist in smoothing out peaks and troughs over the course of the ten year budget period. Furthermore, to ensure there is no long term impact on the Budget

Stabilisation Reserve, a corresponding savings or income be identified as part of the 2023/24 Budget which can replenish the Reserve over the course of the ten year budget - in other words, committing to reserves an anticipated £35,000 per year.

- 27 For the future expenditure (i.e. 2023/24 onwards), this will be addressed through the budget setting process, adopting the same approach which has seen the authority successfully meet other financial challenges.
- 28 The following table shows the current budget gap for 2023/24:

2023/24 Budget Gap	£000
Net savings assumption	100
Pay award April 2022 estimate	600
Reimburse Budget Stabilisation Reserve for 2022/23 impact of April 2022 pay award estimate	35
Total	735

Proposed Growth and Savings/Additional Income Items

- 29 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 2023/24 and Beyond' report considered by Cabinet on 10 November 2022.
- 30 A number of growth and savings/additional income items will be proposed at the Advisory Committees with the aim of helping to achieve the savings/additional income required to bridge the budget gap.
- 31 The proposed growth and savings/additional income items relating to this Advisory Committee are listed in **Appendix E** (if applicable).
- 32 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).
- 33 As previously reported, the options are likely to cover a number of areas including:
- Service efficiencies
 - Additional income
 - Re-prioritisation of reserves including use of the Budget Stabilisation Reserve.

- 34 It should be recognised that it is not usual to use the Budget Stabilisation Reserve to fix a problem of this size but noting the potential level of variations and complexities that are likely to arise during the budget process, more time may be required to find a longer term solution.
- 35 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.

Role of the Advisory Committees

- 36 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.
- 37 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 12 January 2023.

Process and Timetable

- 38 This report is the second stage of the budget process as shown in the Budget Setting Timetable (**Appendix G**).
- 39 A Budget Update report will be presented to Cabinet in on 12 January 2023 to provide details of progress made before the Budget Setting report is presented to Cabinet on 9 February 2023.

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.

Net Zero Implications

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030.

Individual net zero implication assessments have been completed for all Service Change Impact Assessments (SCIAs).

Conclusions

The Financial Strategy and 10-year budget process have ensured that the Council follows a logical and well considered process and approach in dealing with the many difficult challenges that it has faced. They have also 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. However, with a range of issues nationally and internationally impacting the council's finances to an unknown extent at this point in time, this is the most challenging budget process this Council has faced for many years.

The Council aims to continue to provide value for money services to a high standard ensuring that the decisions made 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 budget 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 £735,000 target currently identified,

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 Ai - Performance Indicators

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 2023/24 and Beyond - Cabinet 10
November 2022

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading