

BUDGET UPDATE 2024/25

Cabinet – 14 December 2023

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

Status: For Decision

Key Decision: No

Executive Summary:

The Council has an excellent track record in identifying, planning for and addressing financial challenges. The 10-year budget method provides the Council with a stable basis for future years.

This report sets out progress made in preparing the 2024/25 budget and updates Members on key financial information.

The position in this report shows an annual budget gap of £656,000 if the SCIA's included in this report are accepted (£994,000 if they are not accepted). Further information will be considered including the Provisional Local Government Finance Settlement, but additional decisions may be required to ensure that a balanced 10-year budget position is delivered once more.

The Cabinet will receive a further Budget Update report on 18 January 2024 and will make its final recommendation on the budget on 8 February 2024, after taking into account any updated information available at that date.

Portfolio Holder: Cllr. Kevin Maskell

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

Alan Mitchell, Ext. 7483

Recommendation to Cabinet:

- (a) Consider and respond to comments and recommendations of the Advisory Committees regarding the growth and savings/additional income proposals (SCIAs) listed in Appendix D and detailed in Appendix E.
- (b) Look at the further growth and savings/additional income suggestions put forward by the Advisory Committees listed in Appendix F and decide one of the following options for each suggestion:
 - (i) Consider within this budget cycle and ask for SCIAs to be presented to Cabinet in January.
 - (ii) Ask that the Portfolio Holder has further discussions with the Chief Officer.
 - (iii) Do not take any further.
- (c) Depending on the budget position following the recommendations above, provide officers with any further instructions.

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 At the Cabinet meeting on 19 September 2023, Members considered a report setting out the Council's financial prospects for 2024/25 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 2024/25 and beyond.
- 2 It was mentioned in reports presented as part of the 2023/24 Budget Setting Process that it was highly likely that additional savings/income would be required as part of the next budget process. An 'Early Indications' report was presented to FIAC and Cabinet earlier in the summer which identified the areas that could have a significant financial impact on the Council.
- 3 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between October and December, which set out a summary of current and future challenges and risks. The Advisory Committees recommended new growth and savings items which will be considered at this meeting.

Financial Strategy

- 4 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.
- 5 A summary of the Financial Strategy can be found at **Appendix G**.
- 6 Over this period, the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.
- 7 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.

10-year Budget

- 8 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.
- 9 It should not be forgotten that £8.8m of savings have been made since 2011/12. **Appendix C** sets out a summary of the savings and growth items approved by Council since the 10-year budget strategy was first used in 2011/12. This has allowed the Council to deliver a 10-year balanced budget.

Financial Self-Sufficiency

- 10 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 and business rate base.
 - generating more income.

- 11 This Council's approach to budgeting has been recognised by the sector as being exceptional which resulted in it being the winner of the CIPFA Public Finance Innovator of the Year Award in 2017.
- 12 The Local Government Association's Corporate Peer Challenge in December 2021 also 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.

Review of the 10-year Budget Process

- 13 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

- 14 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.
- 15 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.
- 16 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.
- 17 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.'
- 18 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 additional Revenue Support Grant funding 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.

- 19 In 2023/24 the government rolled two grants into the Revenue Support Grant which are shown as 'Govt Support: Rolled in grants' on the attached 10-year budget. This Council continues to receive no Revenue Support Grant through the Government formula.
- 20 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. This 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.

Feedback from the Advisory Committees

- 21 The intention of the report to each Advisory Committee was to provide Members an opportunity to give their views on potential growth and savings/additional income items that could be included in the updated 10-year budget.
- 22 Three training sessions were provided to Members in October. If Members required any further training or required any additional details on the content of the budget reports and appendices, they were advised to contact Adrian Rowbotham or Alan Mitchell.
- 23 To assist the Advisory Committees in making additional suggestions for growth or savings for Cabinet to consider, Members were given a Service Dashboard and budget details for the services within their terms of reference.
- 24 Each Committee was presented with Service Change Impact Assessments (SCIAs) which contained suggestions for growth or savings/additional. Each Committee's views on these will be passed to Cabinet.
- 25 Additional suggestions were provided by Members either before or at each meeting. Any that were supported by the relevant Advisory Committee are listed in **Appendix F**.

Current 10-year Budget Position

- 26 All changes to the budget since the Financial Prospects and Budget Strategy report are listed in **Appendix D**. The manager approved changes are also included in the 10-year budget set out in **Appendix B**. This shows an annual budget gap of £994,000. If the SCIAs and fees and charges changes are accepted, the annual budget gap reduces to £656,000.
- 27 The current growth and savings proposals are listed in **Appendix D** and a Service Change Impact Assessment (SCIA) for each proposal is included in **Appendix E**.

- 28 The further suggestions made by the Advisory Committees are listed at **Appendix F**. Service Change Impact Assessments (SCIAs) will be produced for any of these suggestions that Cabinet wish to support and will be included in the Budget Update report to Cabinet on 18 January 2024.

The Way Forward

- 29 The Government announced its Autumn Statement on 22 November 2023 which provided little new information relevant to local authorities. Further details should be included in the Provisional Local Government Finance Settlement (LGFS) for 2024/25 which is due to be announced later in December. The settlement is expected to include details of the following:
- Council Tax referendum limit.
 - Business Rates Safety Net and indexing changes.
 - Grants.
 - New Homes Bonus.
- 30 The April 2023 pay award has recently been agreed between the National Employers and the unions which is an average increase of 5.7%. The exact details of this will be fed through the detailed salary budget work and the final impact included in the next Budget Update report to Cabinet in January.
- 31 The April 2024 pay award negotiations between the National Employers and unions have not yet commenced. As mentioned in the previous report, the assumption has been increased from 2% to 3% but it should be noted that this may not be enough and will be reviewed again.
- 32 Other assumptions will continue to be reviewed as more information becomes available.
- 33 The following reports will be presented to the Finance and Investment Advisory Committee with the details included in the budget report to Cabinet and Council in February:
- Treasury Management Strategy 2024/25
 - Property Investment Strategy Update
 - Capital Programme and Asset Maintenance 2024-27
 - Risks and Assumption for Budget 2024/25
 - Fees and Charges
- 34 A review of reserves will also be included in the budget report in February.

- 35 The 2024/25 tax base will be presented at Cabinet on 18 January 2024. At the same time, Members will be presented with an estimate of the Collection Fund balance as at 31 March 2024. It is likely that the tax base will be lower than assumed due to the number of residential properties built in the district in the past year.
- 36 Work will continue to reduce this gap including looking for further savings and reviewing reserves held.
- 37 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.
- 38 The Cabinet will make its final recommendation on the 2024/25 budget at its meeting on 8 February 2024, after taking account of the latest information available at that date.

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 were included in the Service Dashboards presented to the Advisory Committees 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 financial 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 impacting the council's finances, 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 required level, additional savings will be required that may result in service changes, to ensure a balanced budget position.

Appendices

Appendix A – Budget Timetable

Appendix B – 10-year Budget

Appendix C – Summary of the Council's agreed savings and growth items

Appendix D – Changes to the 10-year Budget

Appendix E - Service Change Impact Assessment forms (SCIAs)

Appendix F - Further growth and savings suggestions from the Advisory Committees

Appendix G – Financial Strategy

Background Papers

Financial Prospects and Budget Strategy 2024/25 and Beyond – Cabinet 19
September 2023

Budget 2024/25: Review of Service Dashboards and Service Change Impact Assessments (SCIAs): Development and Conservation Advisory Committee 31 October 2023, Finance and Investment Advisory Committee 2 November 2023, Housing and Health Advisory Committee 7 November 2023, Cleaner and Greener Advisory Committee 23 November 2023, People and Places Advisory Committee 30 November 2023, Improvement and Innovation Advisory Committee 5 December 2023

Adrian Rowbotham

Deputy Chief Executive and Chief Officer – Finance & Trading