

BUDGET AND COUNCIL TAX SETTING 2022/23

Council (Budget) - 22 February 2022

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

Status: For Decision

Also considered by:

- Cabinet - 10 February 2022

Key Decision: No

Executive Summary:

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 eleven 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 twelfth year this method has been used and provides the Council with a stable basis for future years.

This report sets out the proposed budget and required level of Council Tax for 2022/23.

Based on the changes detailed in this report, **this Council will once again have a balanced 10-year budget.**

The report proposes a net expenditure budget of £17.297m in 2022/23 (£16.783m in 2021/22). Subject to any further changes this would result in a **Council Tax increase of 2.2% in 2022/23, with the District's Council Tax being £229.86 for a Band D property for the year (£224.91 in 2021/22), an increase of £4.95.**

The report also contains details of the precepts received from other authorities (Council report only), the Collection Fund position and an opinion on the robustness of the budget and the adequacy of the reserves.

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Recommendation to Cabinet:

- (a) Consider the savings proposals in Appendix E (ii) and recommend including them in the budget.
- (b) That recommendations (a) to (e) below be recommended to Council.

Recommendation to Council:

- (a) The Summary of Council Expenditure and Council Tax for 2022/23 set out in Appendix F be approved.
- (b) Approve the 10-year budget 2022/23 to 2031/32 which is the guiding framework for the detailed approval of future years' budgets set out in Appendix C to the report, including the growth and savings proposals set out in Appendix E to the report, and that where possible any variations during and between years be met from the Budget Stabilisation Reserve.
- (c) Approve the Capital Programme 2022/25 and funding method set out in Appendix J(i) and Capital Strategy 2022/23 set out in Appendix J(iii).
- (d) Approve the changes to reserves and provisions set out in Appendix K.
- (e) That the Local Council Tax Reduction Scheme 2021/22, be rolled forward to 2022/23, with effect from 1 April 2022 (Appendix M).

Due to their length and complexity, the further recommendations have been produced as a separate document (Appendix Q).

Introduction and Background

- 1 The Council's financial strategy continues to aim for long-term financial health and continues to work towards increasing financial sustainability. It has been successful through the use of a number of actions including:
 - implementing efficiency initiatives.
 - significantly reducing the back-office function.
 - improving 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 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.
- 4 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 rates base.
 - generating more income.
- 5 At the Cabinet meeting on 16 September 2021, Members considered a report setting out the Council's financial prospects for 2022/23 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 2022/23 and beyond.
- 6 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between September and November, 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.
- 7 Cabinet have received Budget Update reports on 9 December 2021 and 13 January 2022 which contained updates to the Financial Prospects report and considered further growth and savings items.
- 8 The financial future for councils will remain challenging as highlighted in the Institute for Fiscal Studies (IFS) 'What's Happened and What's Next for Councils?' document published in October. It included the following highlights:
- Government funding during 2020-21 exceeded councils estimated in-year covid pressures, however the partial compensation for lost income means shire districts in particular were 'under-compensated'.
 - Shire district councils on average faced forecast financial pressures of £46 per person, and received government support of only £34, leaving

them with a shortfall of £12 per person. This ‘unfunded pressure’ reflects high reliance on Sales Fees and Charges, especially from parking and culture & leisure facilities, and is equivalent to 6.6% of average pre-COVID budgets.

- The pandemic’s impact is likely to be felt for the next few years in terms of spending and income-generating capacity, while underlying growth in service demands and costs continues, suggesting above-inflation rises in council tax will be needed to maintain service levels and quality.

Financial Strategy

- 9 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.
- 10 A two-page summary of the Financial Strategy can be found at **Appendix B**.
- 11 An audit of the 10-year budget process has 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

- 12 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.
- 13 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.
- 14 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.

- 15 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'. A further Peer Challenge has recently been completed and the outcome will be provided to Members.
- 16 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.
- 17 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 funding reviews have been deferred, this was not addressed during the 2021/22 budget process but remains a future aim. This ambition will allow the Council to move ahead in the knowledge that it has the financial resources to provide the services that the district's residents need into the future.

Covid-19 Impact

- 18 A number of Covid-19 related financial adjustments were made in the last budget cycle relating to both reduced income and increased expenditure. These have continued to be monitored throughout this budget process.

Local Government Finance Settlement

- 19 The Provisional Local Government Finance Settlement for 2022/23 was announced on 16 December 2021. The most relevant elements for this Council are included below.
- 20 The settlement relates to 2022/23 only.
- 21 A **Lower Tier Services Grant** of £103,000 has been included for 2022/23. This one-year payment is to ensure that no authority has a total Core Spending Power less than in 2021/22.
- 22 A **Services Grant** of £159,000 has been included for 2022/23. It would appear that this is to fund the additional cost to councils of the new Health and Social Care Levy.

- 23 **New Homes Bonus (NHB)** funding of £810,000 has been included for 2022/23. The attached 10-year budget assumes no NHB. As previously agreed, any amounts received 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.
- 24 **Council Tax increase** - It was announced that the referendum limit for 2022/23 was an increase of 2% or £5 for a Band D property if higher.
- 25 **The Final Local Government Finance Settlement** for 2022/23 had not been released at the time of writing this report. Members will be updated of any relevant differences in the final settlement compared to the provisional settlement.

Updates on Assumptions

- 26 **Government Support: Revenue Support Grant (RSG)** (£nil received in 2011/22) - This formula-based grant has significantly reduced since 2010/11 as the emphasis of Government Support has changed, in fact this council has continued to receive no RSG since 2017 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.
- 27 Negative RSG (i.e. where councils pay government) has previously been proposed by government. It has not been implemented but remains a threat going forward.
- 28 **New Homes Bonus (NHB)** (£1.2m received in 2021/22 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).
- 29 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 funding received will be put into the Financial Plan Reserve for the same purpose as noted above.
- 30 It is expected that NHB will soon end.
- 31 **Council Tax** (£11.4m) - in the Provisional Local Government Finance Settlement it was announced that the referendum limit for 2022/23 was an increase of 2% (or £5 for a Band D property if higher). The Final Local Government Finance Settlement had not been announced at the time of writing this report so the referendum limit may change. At the Cabinet

meeting on 13 January 2022 Members recommended to change the Council Tax increase assumption for 2022/23 to £4.95 for a Band D property (2.2%).

- 32 This recommendation would result in Band D Council Tax increasing from £224.91 in 2021/22 to £229.86 in 2022/23.

2022/23 Council Tax	Original Assumptions	Proposed Assumptions
% Increase	2.00%	2.2%
£ increase (Band D pa)	£4.50	£4.95
£ (Band D pa)	£229.41	£229.86

- 33 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.
- 34 The Council Tax Base has increased from 50,876.85 to 51,514.27 Band D equivalent properties. That is an increase of 637.42 (1.25%) which is below the previously assumed increase of 717 (1.41%).
- 35 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 may also affect future Council Tax assumptions.
- 36 **Business Rates Retention** (£2.2m) - 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 is due to collect £32m of Business Rates in 2021/22.
- 37 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. To maximise the benefit of the pool across the county, this council and others are not part of the pool but benefit as if they were in the pool.
- 38 Due to 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 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.

- 39 The Government has continued to delay carrying out the ‘Fair Funding Review’ and ‘Business Rates Retention Reform’. 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.
- 40 ***Interest receipts*** (£0.2m) - Returns have continued 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. As supported by Members, the Council is in the process of investing £5m in Multi-Asset Income Funds (MAIF) with the aim of obtaining greater returns and achieving the budget assumption.
- 41 The Treasury Management Strategy will continue to be reviewed and a separate report on the strategy is being reported at this meeting.
- 42 ***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.
- 43 To date six assets have been purchased or built by the Council and five by Quercus 7 at a combined cost of £35m.
- 44 As explained in the Property Investment Strategy Update report being presented at this meeting, the income assumptions have not been amended this year. Changes to the Public Works Loan Board (PWLB) and Prudential Code will impact the opportunities to make further property investments within the strategy. Since the Property Investment Strategy Update report was written, SCIA11 has been approved by Cabinet which reduced the annual transfer to the Property Reserve for void periods by £10,000 therefore increasing the Property Investment Strategy net income assumption by £10,000.
- 45 ***Pay costs*** (£16.9m) - Agreement has not been reached between the National Employers for Local Government Services and the unions regarding the national pay award for 2021/22. The latest offer was 1.75%.
- 46 Discussions on the 2022/23 pay award have not yet commenced.
- 47 The assumption in the attached 10-year budget is a 2% increase in all years.
- 48 The Government has announced a new Health and Social Care Levy. The Levy will be obtained by a 1.25% increase to both employee and employer National Insurance Contributions. This is expected to cost the Council £140,000 in 2022/23. This additional cost will be covered by the Services

Grant which was announced in the Provisional Local Government Finance Settlement.

- 49 It is uncertain whether any funding will be provided to fund this extra cost in later years and is therefore a new risk to the budget process.
- 50 The Council's latest Council Plan was launched in 2018. In order to ensure the effective delivery of the Council Plan, some services are being redesigned so that they are better aligned to customer needs and with a much stronger emphasis on wrapping services around the customer.
- 51 In order to achieve this, the Customer Solutions Centre is in operation. The Customer Solutions Centre is resourced with a wider skill set in order to deal with more interactions at first point of contact and in parallel more effective processing is being investigated. It is anticipated that the cost of these changes will continue to be met within approved budgets and therefore a SCIA has not been proposed.
- 52 ***Superannuation fund*** - the last pension fund triennial valuation, which was the fourth by the actuaries Barnett Waddingham, took place in November 2019.
- 53 The funding level 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 up to 2022/23 and includes an additional £100,000 from 2023/24 when the next triennial valuation will come into effect.
- 54 ***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 5.4% (CPI) and 7.5% RPI (as at December 2021).
- 55 ***Annual Savings*** - an annual Net Savings/Additional Income assumption of £100,000 is included for all years in the 10-year budget.

White Oak Leisure Centre

- 56 On 21 April 2020 Council granted approval for the construction of a new leisure centre and demolition of the existing White Oak Leisure Centre.
- 57 The funding method agreed, included the net payment from the operator over the 20-year contract period being used to repay the £8m loan from the Public Works Loan Board (PWLB).
- 58 A 'White Oak Leisure Centre: New Build and Operator Procurement - Progress Report' is being presented at this meeting. The financial impacts of that report are included in the budget being proposed in this report but can be reversed if not approved. This includes an additional loan of £1.9m.

- 59 The revenue impacts of both loans, payments to and from the operator and other changes mentioned in the ‘Progress Report’ are included in the attached 10-year budget (Appendix C (i)). Due to the operator contract consisting of payments to the contractor in the first year then increasing payments from the contractor from year 2 onwards, there is an increase to the Net Service Expenditure of £235,000 in 2022/23 and contributions from reserves increasing by the same amount. However, over the period of the loans there is no overall impact on the revenue budget position.

Collection Fund - Council Tax Surplus/Deficit Calculation

- 60 Rules governing the operation of the collection fund require the Council to make an estimate on 15 January (or the next working day) each year of the fund’s likely surplus or deficit at the end of the current financial year, in respect of council tax transactions. The amount so estimated is to be shared between the District Council, County Council, Fire and Police in proportion to their precepts on the collection fund. Each authority’s share is to be taken into account by the authority in calculating its council tax for the year following the year in which the surplus or deficit has been estimated.
- 61 The estimated surplus at 15 January 2021 was £540,104, whilst the actual deficit balance at 31 March 2021 was £142,861. The change from an estimated surplus to an actual deficit was due to a review of the provision for likely bad debts resulting from the Covid-19 pandemic. The balance is relatively small in the context of the gross council tax collectible during 2020/21 of approximately £99.5m.
- 62 The purpose of the calculation at 17 January 2022 is to estimate the likely surplus or deficit balance on the collection fund at 31 March 2022. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.
- 63 As a result of the Covid-19 pandemic, the rules were changed regarding recovery of an estimated deficit on the collection fund in relation to council tax transactions for the year 2020/21 (the overall surplus or deficit on the collection fund covers all financial years). In simple terms, rather than the full amount of an estimated deficit for the year 2020/21 being taken into account by the billing and precepting authorities in the year ending 2021/22, it had to be spread equally over 2021/22 and the following two financial years. This was designed to reduce the effect on an authority’s General Fund in 2021/22. The rules do not apply to an estimated surplus, the full amount of which will be taken into account by the billing and precepting authorities in the year in question.
- 64 This Council’s share of the estimated surplus as at 31 March 2022 is £30,656 and our one-third share of the estimated deficit for 2020/21 is £4,146 resulting in a net surplus of £26,510 to be taken into account in the year ending 31 March 2023. A similar apportionment has been carried out for the

County Council, Fire and Police, based on the relative level of their precepts.

Consultation

- 65 A resident survey was completed between 6 to 26 September 2021. It was a telephone survey contacted by an independent market research company. The survey consisted of 300 responses and was a representative sample of the District population.
- 66 The responses to the budget related questions were as follows:
- The Council should continue to generate income to help pay for services - 87% strongly agree / agree.
 - Continue to change and improve the way the Council provides services to make them more efficient - 96% strongly agree / agree.
 - Look to make savings from the back office and bureaucracy so the Council can continue to invest in services - 93% strongly agree / agree.
 - Sevenoaks District Council provides value for money - 63% (Note the LGA National Benchmark figure for Council value for money is 49%).
 - Satisfaction with the way in which Sevenoaks District Council runs things - 81% (Note the LGA National Benchmark figure for Council value for money is 68%).

Current Budget Position

- 67 The 10-year budget (**Appendix Ci**) shows a fully funded 10-year position. By continuing to use the 10-year budget strategy, this council remains in a strong position going forward.
- 68 **Appendix E (i)** shows the changes in the 10-year Budget since it was last approved by Council in February 2021.
- 69 **Progress on the savings plan** - 2022/23 is the twelfth year of using the 10-year budget. Prior to the current budget setting process, 189 savings items have been identified totalling £8.3m. The majority of these savings have already been achieved and Portfolio Holders, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.
- 70 **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 £4m (23%) in real terms.

Net Service Expenditure	£000
2010/11 (budget)	16,711
2021/22 (2010/11 budget +2% inflation per year)	20,778
2021/22 (budget)	16,783
Difference	3,995

2022/23 Budget and Council Tax

- 71 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2022/23 is £17.297m. As shown in [Appendix F](#) this results in Council Tax income of £11.841m, meaning that the District element of the Band D charge will be £229.86.
- 72 When the other preceptors announce their increases, details will be included in [Appendix N](#).
- 73 Further details of the budget can be found in the following appendices:
- 10-year budget - Revenue ([Appendix C\(i\)](#))
 - 10-year budget - Balance Sheet ([Appendix Cii](#))
 - Summary of Council Expenditure and Council Tax ([Appendix F](#))
 - Summary of 2022/23 service analysis in Budget Book format ([Appendix G](#))
 - Analysis of 2022/23 pay costs ([Appendix H](#))

Capital Programme

- 74 A report setting out the proposed 2022/25 Capital Programme, with supporting documentation in a standard format for individual scheme bids was presented to the Finance and Investment Advisory Committee on 11 January 2022.
- 75 Scheme bid documents were received for all new schemes which included the proposed funding methods.

- 76 Unspent budgets in the current year's programme (2021/22) can be carried forward to 2022/23, subject to Cabinet approval, when the outturn is known.
- 77 **Appendix J(i)** summarises the position if all schemes are approved and indicates the funding method proposed. **Appendix J(ii)** contains the bids for each capital scheme.
- 78 The Capital Strategy 2022/23 was also presented to FIAC and is included at **Appendix J(iii)**.
- 79 Council will be informed at the meeting of any changes recommended by Cabinet. Council are requested to approve the 2022/25 Capital Programme and the Capital Strategy 2022/23.

Integration with other budget reports on the Cabinet Agenda

- 80 Separate reports on the Treasury Management Strategy and Property Investment Strategy are being presented to Cabinet and Council.
- 81 The attached revenue budgets take into account the recommendations and revenue implications set out in the Capital Programme.

Opinion under Section 25 of the Local Government Act 2003 (LGA 2003)

- 82 Under the LGA 2003 the Statutory Finance Officer (Deputy Chief Executive and Chief Officer - Finance and Trading) is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.
- 83 In terms of the robustness of the budget, the following sources of assurance were taken into account:
 - The Strategic Business and Financial Planning process used for the 2022/23 budget.
 - The Financial Strategy, including a 10-year Budget, clear financial objectives and sensitivity analysis.
 - Growth and savings suggestions proposed.
 - The strong financial control structure and effective performance management within the Council, confirmed by feedback from external auditors.
 - Clear budget responsibilities at individual officer level.
 - Effective monitoring regime giving early notification of potential financial issues through the use of the Finance and Investment Advisory Committee.

- Effective Internal/External audit system, with risk-based audits, reporting through the Audit Committee.
- Set aside of earmarked funds for potential liabilities in the medium term.
- Effective strategic and operational risk management.

84 The budget complies with the principles and standards within the CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management Code.

85 As is the case every year, inevitably there are a number of risk factors within the 2022/23 budget proposals; these are set out in some detail in Appendix L. This Appendix was also considered by the Finance and Investment Advisory Committee on 11 January 2022. Some of the more significant items are set out below.

a) Pay costs

Pay costs are budgeted on 100% basis, with a 2% inflationary pay award assumption in 2022/23 included and with a separate vacancy saving target. With controls over the appointment of any staff and monitoring of staff numbers as well as costs, pay costs are subject to a high level of control. However, the national pay award for 2021/22 has not yet been agreed.

b) Income

In-depth monitoring of income budgets will continue throughout the year and will be given regular consideration by the Finance and Investment Advisory Committee. This includes considering the current and potential impact of the COVID-19 pandemic on certain income streams.

c) Pensions funding

The next actuarial valuation will take effect from 2023/24 and an increased assumption has been included in the 10-year budget from then.

d) Retained Business Rates

The Government intends to review how business rates income is distributed but the timeline keeps being put back therefore it remains uncertain what the impact on this Council will be.

e) COVID-19

There remains uncertainty around the ongoing impacts of COVID-19 on the Council, but the proposed budget takes into account the information currently available.

f) Investments

The Treasury Management Strategy will be kept under review and brought back to Members for consideration as necessary during the year. The proposed Strategy for 2022/23 will be reported separately.

g) Changes in service demand

The 10-year budget has no allowance for growth until 2027/28 as it is anticipated that where possible this will be met through additional savings or the Budget Stabilisation Reserve.

- 86 Members will recognise that budget risk cannot be avoided completely. However, the structures already in place and the actions being put in place should ensure that next year's overall revenue spend figure is achieved, particularly through the Council's flexible approach to budgeting allowing the risk areas to be compensated by those that are underspent or overachieve on income.

Adequacy of Reserves

- 87 Ensuring the adequacy and sustainability of the Council's reserves continues to be a key part of the budget process. Individual balances have been reviewed as part of writing this report and the detailed work is set out in **Appendix K**. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.
- 88 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.
- 89 The strong formal advice of the Deputy Chief Executive and Chief Officer - Finance and Trading to the Council is that every effort must be made to achieve the agreed savings in order to ensure financial sustainability and preserve the level of reserves for future commitments. The Council should avoid the General Fund Reserve balance reducing below 10% of its Net Service Expenditure (for 2022/23 this equates to £1.7m).
- 90 The Deputy Chief Executive and Chief Officer - Finance and Trading (Section 151 officer) is satisfied with the robustness of the estimates and adequacy of reserves.

Referendums relating to council tax increases

- 91 Section 72 of the Localism Act 2011 inserted Section 52ZB into the Local Government Finance Act 1992. This sets out the duty on local authorities, fire authorities and Police and Crime Commissioners (PCCs) to each determine whether the amount of council tax they plan to raise for a

financial year is excessive. If an authority's relevant basic amount of council tax is excessive, the provisions in relation to the duty to hold a referendum apply.

- 92 The Secretary of State has published draft thresholds in relation to 2022/23 council tax levels. District councils will be allowed a Band D council tax increase of the higher of 2% or £5 (for a Band D property). This council is therefore able to increase Band D council tax by up to 2.2% (£5 for a Band D property) without requiring a referendum. As in previous years, no equivalent principles are being proposed for Town and Parish Councils although the Government has said that they will keep this under review and take action if necessary.

Local Council Tax Reduction Scheme 2022/23

- 93 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013.
- 94 Under the Council Tax Reduction provisions, the scheme for pensioners is determined by Central Government and the scheme for working age applicants is determined by the Council. Pensioners broadly receive the same level of support that was previously available under the Council Tax Benefit scheme.
- 95 Schedule 1A (5) of the Local Government Finance Act 1992 as amended requires local authorities to consider the following:
- For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.
 - The authority must make any revision to its scheme, or any replacement scheme, no later than 11th March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 96 The 2021/22 Local Council Tax Reduction Scheme was approved by Council on 23 February 2021.
- 97 Further details can be found in **Appendix M** and a copy of the full scheme is available upon request.
- 98 It is recommended that the Local Council Tax Reduction Scheme 2021/22, be rolled forward to 2022/23, with effect from 1 April 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. The budget risk analysis is included as **Appendix L**.

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

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 risk will be mitigated by continuing to review assumptions and estimates, remaining financially self-sufficient and by updating Members throughout the process.

The Council has in place a number of specific reserves and provisions to address identified risks.

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 equalities 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).

Community Impact and Outcomes

In making any budget proposals, Members need to consider the impact on customers, service quality and staff well-being, to ensure that the budget supports the Council's aspirations for customer-focused services.

Conclusions

The budget process has once again been a major financial challenge for a council that already provides value for money services to a high standard. The 10-year budget shows a fully funded position over the whole period which keeps this council in a strong position going forward.

The future financial prospects for the public sector remain difficult however, this budget ensures the Council remains in a financially sustainable position.

If the council tax resolution attached in **Appendix Q** is approved, the Sevenoaks District Council element of the band D council tax will be £229.86.

Appendices

Appendix A - Budget timetable

Appendix B - Financial Strategy

Appendix C (i) - 10-year budget - Revenue

Appendix C (ii) - 10-year budget - Balance Sheet

Appendix D - Summary of the Council's agreed savings and growth items

Appendix E (i) - Summary of changes to the 10-year Budget

Appendix E (ii) - Service Change Impact Assessment forms (SCIAs) for the new savings/additional income proposals in Appendix D (i) (only in Cabinet report)

Appendix F - Summary of Council Expenditure and Council Tax

Appendix G - Summary of service analysis in budget book format

Appendix H - Analysis of pay costs

Appendix J (i) - Capital Programme 2022-25 (also considered by Finance and Investment Advisory Committee on 11 January 2022)

Appendix J (ii) - Capital Programme bids (also considered by Finance and Investment Advisory Committee on 11 January 2022)

Appendix J (iii) - Capital Strategy 2022/23 (also considered by Finance and Investment Advisory Committee on 11 January 2022)

Appendix K - Reserves

Appendix L - Risk analysis (also considered by Finance and Investment Advisory Committee on 11 January 2022)

Appendix M - Local Council Tax Reduction Scheme 2022/23

Appendix N - Latest information on precepting authorities (only in Council report)

Appendix P - Town and Parish Council precepts and council tax rates (only in Council report)

Appendix Q - Council tax setting recommendations (only in Council report)

Appendix R - Council tax rates across the district (only in Council report)

Background Papers

Report to Cabinet 13 January 2022 - Budget Update 2022/23

Report to Cabinet 9 December 2021 - Budget Update 2022/23

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

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading