

## BUDGET AND COUNCIL TAX SETTING 2023/24

Council - 21 February 2023

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

**Status:** For Decision

**Also considered by:**

- Cabinet - 9 February 2023

**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, for 2011/12 the Council produced a 10-year budget together with a savings plan for the first time. This method continues to provide the Council with a stable basis for future years.

This report sets out the proposed budget and required level of Council Tax for 2023/24.

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 £18.533m in 2023/24 (£17.297m in 2022/23). Subject to any further changes this would result in a **Council Tax increase of 2.98% in 2023/24, with the District's Council Tax being £236.70 for a Band D property for the year (£229.86 in 2022/23), an increase of £6.84.**

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.

**Portfolio Holder:** Cllr. Matthew Dickins

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

Alan Mitchell, Ext. 7483

**Recommendation to Cabinet:**

That recommendations (a) to (g) below be recommended to Council.

**Recommendation to Council:**

- (a) The Summary of Council Expenditure and Council Tax for 2023/24 set out in Appendix F be approved.
- (b) Approve the 10-year budget 2023/24 to 2032/33 which is the guiding framework for the detailed approval of future years' budgets set out in Appendix C(i) to the report, including the budget changes 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 2023/26 and funding method set out in Appendix J(i) and Capital Strategy 2023/24 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 2022/23, be rolled forward to 2023/24, with effect from 1 April 2023 (Appendix M).
- (f) Agree to shorten the Council Tax premium on long term empty dwellings from the current 2 years (empty) to 1 year from 1 April 2024 (Appendix N).
- (g) Agree to implement the 100% Council Tax premium on all second homes from 1 April 2024 (Appendix N).

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

## **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 3 November 2022, Members considered a report setting out the Council's financial prospects for 2023/24 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 2023/24 and beyond.
  - 6 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between November and January, which set out a summary of current and future challenges and risks.
  - 7 Cabinet received a Budget Update report on 12 January 2023 which contained updates to the Financial Prospects report and considered growth and savings items.

### **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 B**.
- 10 An audit of the 10-year budget process has been 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.

### Updates on Assumptions

- 17 The following sections provide the latest information on the major income and expenditure streams together with details of the assumptions included in the attached 10-year budget.
- 18 The Provisional Local Government Finance Settlement (LGFS) for 2023/24 was announced on 19 December 2022. The most relevant elements for this Council are included below.

### Income

- 19 **Government Support: Revenue Support Grant (RSG)** (£nil received in 2022/23) - This formula-based grant has significantly reduced since 2010/11 as the emphasis of Government Support has changed, in fact this council has received no RSG since 2017 and was not expected to receive any in future years.
- 20 The previous 10-year budget assumed no RSG. However, the recent LGFS does include RSG of £186,000 in 2023/24 but it is important to highlight that this is not new or additional funding. The reason for this is that a number of previously separate grants have been rolled into RSG. For this Council they are:
  - Local Council Tax Support Subsidy of £111,000.
  - Family Annexe Council Tax Discount Grant of £75,000.
- 21 Due to the way RSG is calculated, it is expected that this amount will disappear in future years.
- 22 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.
- 23 Local Government Funding reform was due to take place in 2019/20 but has been delayed for a number of reasons.
- 24 Two one-off grants were included in the LGFS as follows which are not expected to continue in future years:
  - Lower Tier Services Grant of £90,000, down from £159,000 in 2022/23.
  - Funding Guarantee of £912,000. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3% (before assumptions on council tax rate increases, but includes those on Council Tax base). Core Spending Power is a Government calculation

including a number of funding streams. This amount is largely due to the reduction in New Homes Bonus.

- 25 **New Homes Bonus (NHB)** (£0.8m received in 2022/23 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). Legacy payments relating to previous years are no longer included therefore the amount for 2023/24 has reduced to £184,000.
- 26 It is likely that NHB will eventually be replaced by a different method to incentivise housing growth.
- 27 **Council Tax** (£11.8m) - The Government referendum limit has initially been set at 2% in recent years although it has been changed later in the process to the higher of 2% or £5 for a Band D property. The LGFS has stated that the referendum limit in 2023/24 and 2024/25 for district councils will be the higher of 3% or £5 (3% is higher for SDC). The assumptions in the 10-year budgets have been amended to assume a 3% increase in both years.
- 28 On 12 January 2023, Cabinet recommended a Council Tax increase for 2023/24 of 2.98%.
- 29 The Band D Council Tax in 2022/23 is £229.86. The impact of the above change in 2023/24 is as follows:

2023/24 Council Tax	Previous Assumption	Current Assumption
% increase	2%	2.98%
£ increase (Band D pa)	£4.60	£6.84
£ (Band D pa)	£234.46	£236.70

- 30 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.
- 31 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 change in the number of Council Tax discounts awarded. The tax base increase in 2023/24 is less than previously assumed. This is due to a number

of reasons included the low number of new properties built and the increase in single person discounts.

- 32 This decrease has been partially compensated by increasing later year assumptions to reflect the 13,000 additional properties required by 2040. Therefore, the assumption for later years is an annual increase of 730 Band D equivalent properties.
- 33 The Council Tax Collection Rate has been increased from 98.9% to 99.4% from 2023/24. This increases the Collection Rate back to pre-pandemic levels as actual collection levels are continuing to improve.
- 34 **Business Rates Retention** (£2.3m) - 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 £36m of Business Rates in 2022/23.
- 35 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. There is an optimum level of pool membership, so this council and some others are not currently part of the pool but do benefit as if they were in the pool. The Government has agreed that the pool arrangement will continue in 2023/24.
- 36 Due to the current uncertainties 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. However, the LGFS included an 'Updated Safety Net and Under indexing Compensation' amount to reflect actual inflationary increases. This results in £2.618m of Business Rates Retention being included for 2023/24. It has been assumed that this will continue until 2025/26 when a Business Rates Reset is due to take place.
- 37 Any increased Business Rates retained in 2023/24 due to being linked to the Kent and Medway Pool has been included in the budget rather than it being transferred to the Budget Stabilisation Reserve as in previous years. This change was included in the previous Cabinet report.
- 38 A reset could alter the distribution of Business Rates and it is hoped that transitional arrangements would be included so that any financial impact is minimised in the short term but there remains 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.
- 39 **Interest receipts** (£0.2m) - following the investment in Multi-Asset Income Funds (MAIF) in May 2022, interest receipts in 2022/23 are higher than

budgeted. As the intention is for the MAIF investments to be for a five year period, the interest receipts assumptions for 2023/24 to 2026/27 have been increased to £288,000 with later years remaining at £188,000 as the amounts available to invest are expected to be lower

- 40 It should also be noted that funds lent to Quercus 7 are at rates of over 4.5%. However, this income is reported under Property Investment Strategy income rather than Interest Receipts.
- 41 The Bank of England Base Rate is currently 3.5%. Assumptions will continue to be reviewed based on advice from our treasury advisors and discussions with the Finance and Investment Advisory Committee during the budget process.
- 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 Six assets have been purchased or built to date, including the Sevenoaks Premier Inn Hotel, at a cost of £25m.
- 44 As well as the £25m above, £10m has been spent by Quercus 7 Ltd on five assets. Quercus 7 is intending to start paying a dividend of £50,000 per year from 2023/24 and the annual assumptions have been increased to reflect this.
- 45 Property Investment Strategy income assumptions:
- 2023/24 - 2025/26 £1.618m per annum
- 2026/27 - 2028/29 £1.715m per annum
- 2029/30 - 2032/33 £1.756m per annum
- 46 Members should be aware that the Government and CIPFA are continuing to implement ways to limit Council's ability to make commercial property investments. This has stopped the Council's ability to borrow for investments made purely for yield which was the principal purpose of the Property Investment Strategy.
- 47 To enable other capital schemes to progress, the Property Investment Strategy removed from the capital programme as agreed by Council on 16 November 2021. Therefore, currently no further investments within the strategy are able to take place.
- 48 A Property Investment Strategy Update report has been presented to Finance Advisory Committee in January and Cabinet on 12 February 2023.

- 49 **Variable fees and charges** - the Council receives income in fees and charges from a number of sources.
- 50 The assumption is currently for a 2.5% increase for all years except for off-street car parking which is 3.5% for five years (2019/20 - 2023/24). The additional 1% for car parking is one of the funding streams for the development of Sevenoaks Town (formerly Buckhurst 2) Car Park as agreed by Council on 22 November 2016.
- 51 The Finance Team in conjunction with service managers have completed a significant exercise during this budget process by reviewing all fees and charges across the council. Existing income budgets have been challenged and by using non-financial information, there is now greater certainty that the budgets are set at appropriate levels.
- 52 **External Funding** - the Council has been very successful in securing external funding across a range of services, based on it delivering a wide range of innovative services to local residents, often in partnership with other agencies. The Council's officers continue to seek new opportunities for funding.
- 53 **Shared working** - Various services have included savings from shared working in previous years budgets. The Council successfully works in partnership with other authorities in a number of areas, including Revenues, Benefits, Internal Audit, Counter Fraud, Finance, Licensing, Civil Enforcement (Parking) and CCTV.

#### Expenditure

- 54 **Pay** costs total £18m. The National Employers for local government services final offer for 2022/23 of £1,925 per person was accepted by the unions and implemented in December 2022. 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 £643,000 above the budgeted assumption. It should be recognised that the current cost of living crisis has had a severe effect on colleagues on lower salary grades.
- 55 An approach to address this increase in 2022/23 was approved by Members. £390,000 of the increase was funded by the Budget Stabilisation Reserve but on the assumption that the reserve would be reimbursed over the 10-year budget period. This is included in **Appendix E**. It was agreed to address the ongoing impact as part of this budget process.
- 56 Negotiations regarding the 2023/24 pay award have not yet commenced and as inflationary pressures continue to fluctuate it is proposed to keep the assumption for future year increases at 2% but recognising that any change above 2% will need to be addressed in year and as part of the 2024/25 budget setting process.

- 57 Members previously agreed that a budget would be set aside to address any recruitment and retention difficulties or challenges that arise going forward. This remains in place and will be used as required.
- 58 **Superannuation fund** - the latest pension fund triennial valuation by the actuaries Barnett Waddingham took place in November.
- 59 The funding level has increased from 86.6% to 93.1% since the previous valuation in 2019. The 10-year budget includes the contribution amounts set by the actuaries for 2023/24 to 2025/26 and includes an additional £50,000 from 2026/27 when the next triennial valuation will come into effect.
- 60 The effect of the triennial valuation is that the deficit contributions have reduced but this has been partly offset by an increase in the contributions for current staff (included on the 'New Growth' line in the 10-year Budget (App Ci)).
- 61 **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 10.5% (CPI) (as at December 2022).
- 62 **Asset Maintenance** - Any asset maintenance expenditure is funded by the revenue budget each year. Asset maintenance expenditure can fluctuate as the demand for programmed and ad hoc work varies across sites. A detailed review of the asset maintenance requirements for council owned properties was carried out in 2018/19. The asset maintenance budgets are regularly reviewed, and the average yearly liability covered by the budget continues to be 64%.
- 63 **Annual Savings** - an annual Net Savings/Additional Income assumption of £100,000 is included for all years in the 10-year budget.

### **Collection Fund - Council Tax Surplus/Deficit Calculation**

- 64 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.
- 65 The estimated deficit as at 15 January 2022 was £169,851, whilst the actual surplus balance at 31 March 2022 was £391,142. The balance is relatively small in the context of the gross council tax collectible during 2022/23 of approximately £103.4m.

- 66 The purpose of the calculation as at 16 January 2023 is to estimate the likely surplus or deficit balance on the collection fund as at 31 March 2023. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.
- 67 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.
- 68 This Council's share of the estimated surplus as at 31 March 2023 is £220,082 and our one-third share of the estimated deficit for 2020/21 is £4,146 resulting in a net surplus of £215,936 to be taken into account in the year ending 31 March 2024. A similar apportionment has been carried out for the County Council, Fire and Police, based on the relative level of their precepts.

### **Current Budget Position**

- 69 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.
- 70 **Appendix E** shows the changes in the 10-year Budget since it was last approved by Council in February 2022. This appendix also shows a remaining budget gap of £104,000 per annum. There are currently enough funds in the Budget Stabilisation Reserve to fund this amount for the whole of the 10-year budget period. This approach should be reviewed once the financial position is more stable.
- 71 The flexibility of the 10-year budget approach assists in these uncertain times. With inflation at a long time high, the future extent of price increases and how long they continue for remains uncertain. Therefore, the budget includes those items where there is certainty or a good indication but for others, assumptions have remained unchanged. As has been shown with our approach to the 2022 pay award and the SCIA for utility costs it is currently best to deal with these issues when they arrive. The danger of changing assumptions with the current uncertainties is that greater savings and reductions to service may be made than end up being required.
- 72 However, it should be recognised that when there is greater certainty it is highly likely that additional savings will be required in the next budget

process. When there is greater certainty it will be important to fix any long term issues with long term solutions.

- 73 ***Progress on the savings plan*** - 2023/24 is the thirteenth year of using the 10-year budget. Prior to the current budget setting process, 198 savings/additional income items have been identified totalling £8.6m. The majority of these savings/additional income items have already been achieved and Portfolio Holders, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.
- 74 ***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 £3.9m (23%) in real terms.

Net Service Expenditure	£000
2010/11 (budget)	16,711
2022/23 (2010/11 budget +2% inflation per year)	21,194
2022/23 (budget)	17,297
Difference	3,897

### **2023/24 Budget and Council Tax**

- 75 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2023/24 is £18.533m. As shown in **Appendix F** this results in Council Tax income of £12.229m, meaning that the District element of the Band D charge will be £236.70.
- 76 When the other preceptors announce their increases, details will be included in **Appendix P**.
- 77 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 C(ii)**)
  - Summary of Council Expenditure and Council Tax (**Appendix F**)
  - Summary of 2023/24 service analysis in Budget Book format (**Appendix G**)

- Analysis of 2023/24 pay costs (**Appendix H**)

### **Capital Programme**

- 78 A report setting out the proposed 2023/26 Capital Programme, with supporting documentation in a standard format for individual scheme bids was presented to the Finance and Investment Advisory Committee on 10 January 2023.
- 79 Scheme bid documents were received for all new schemes which included the proposed funding methods.
- 80 Unspent budgets in the current year's programme (2022/23) can be carried forward to 2023/24, subject to Cabinet approval, when the outturn is known.
- 81 **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.
- 82 The Capital Strategy 2023/24 was also presented to FIAC and is included at **Appendix J(iii)**.
- 83 Council will be informed at the meeting of any changes recommended by Cabinet. Council are requested to approve the 2023/26 Capital Programme and the Capital Strategy 2023/24.

### **Integration with other budget reports on the Cabinet Agenda**

- 84 Separate reports on the Treasury Management Strategy and Property Investment Strategy are being presented to Cabinet and Council.
- 85 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)**

- 86 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.
- 87 In terms of the robustness of the budget, the following sources of assurance were taken into account:
- 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.

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

89 As is the case every year, inevitably there are a number of risk factors within the 2023/24 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 10 January 2023. 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 2023/24 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. Negotiations on the national pay award for 2023/24 has not yet been agreed but the final pay award for 2022/23 was an increase of £1,925 per person(average of 5.8). Further details can be found earlier in the report

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. A detailed exercise looking at current income streams has taken place during this budget process.

c) Utility Costs

A separate growth SCIA was included in the budget process to allow for the estimated increase in costs for next year but the uncertainty regarding future prices remains and will be kept under review.

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) 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.

- 90 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**

- 91 Ensuring the adequacy, necessity 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.
- 92 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.
- 93 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 2023/24 this equates to £1.8m).
- 94 The Deputy Chief Executive and Chief Officer - Finance and Trading (Section 151 officer) is satisfied with the robustness of the estimates and adequacy and necessity of reserves.

### **Referendums relating to council tax increases**

- 95 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.

- 96 The Secretary of State has published draft thresholds in relation to 2023/24 council tax levels. District councils will be allowed a Band D council tax increase of the higher of 3% or £5 (for a Band D property). This council is therefore able to increase Band D council tax by up to 3% (£5 is less than 3% 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 2023/24**

- 97 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013.
- 98 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.
- 99 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 11<sup>th</sup> March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 100 The 2022/23 Local Council Tax Reduction Scheme was approved by Council on 22 February 2022.
- 101 Further details can be found in **Appendix M** and a copy of the full scheme is available upon request.
- 102 It is recommended that the Local Council Tax Reduction Scheme 2022/23, be rolled forward to 2023/24, with effect from 1 April 2023.

### **Council Tax Long Term Empty Premiums and Second Home Premiums**

- 103 The Regeneration & Levelling Up Bill (the Bill) is currently passing through Parliament and the Department of Levelling Up, Housing and Communities

(DLUHC) is aiming for Royal Assent in Spring 2023. The Bill proposes, amongst other proposals, two important changes to council tax, as follows:

- a) A change in the application of a council tax premium on 'long term empty' dwellings. Currently, if a property has been unoccupied and unfurnished for 2 years but less than 5 years, then a 100% council tax premium can be applied to the property. The Bill is proposing to shorten that 2 year period to 1 year. 'Long term empty' premiums are applied to encourage owners to bring properties back into use, so they are not left empty for extended periods.
- b) The implementation of a council tax premium on 'second homes'. 'Second homes' are properties which are unoccupied but furnished. The Bill proposes the local authorities may apply a 100% council tax premium on second homes. This would mean an owner of a second home in the district would pay double the normal council tax charge.

104 Both of these changes can only come into effect if the Bill receives Royal Assent and even then the earliest that both of these changes can come into effect is 1 April 2024.

105 The Bill states that to apply these changes, approval to do so must be given at least 12 months before the implementation date. Therefore, approval is being sought now on the basis that should the Bill receive Royal Assent, the Council will have the required 12 months leading period, in order to apply the premiums from 1 April 2024.

106 Further details can be found in **Appendix N**.

107 It is recommended that:

- The Council agree to shorten the premium on long term empty dwellings from the current 2 years (empty) to 1 year from 1 April 2024
- The Council agree to implement the 100% premium on all second homes from 1 April 2024

## **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**.

Challenges and risks were included in the Service Dashboards presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) included the likely impacts including a risk analysis.

An effective long-term financial 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 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 flexibility of the 10-year budget approach assists in these uncertain times. With inflation at a long time high, the future extent of price increases and how long they continue for remains uncertain. It should be recognised that when there is greater certainty it is highly likely that additional savings/income will be required in the next budget process.

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 R** is approved, the Sevenoaks District Council element of the band D council tax will be £236.70.

## **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 - Summary of changes to the 10-year Budget

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 2023-26 (also considered by Finance and Investment Advisory Committee on 10 January 2023)

Appendix J (ii) - Capital Programme bids (also considered by Finance and Investment Advisory Committee on 10 January 2023)

Appendix J (iii) - Capital Strategy 2023/24 (also considered by Finance and Investment Advisory Committee on 10 January 2023)

Appendix K - Reserves

Appendix L - Risk analysis (also considered by Finance and Investment Advisory Committee on 10 January 2023)

Appendix M - Local Council Tax Reduction Scheme 2023/24

Appendix N - Council Tax Long Term Empty Premiums and Second Home Premiums

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

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

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

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

**Background Papers**

Report to Cabinet 12 January 2023 - Budget Update 2023/24

Report to Cabinet 10 November 2022 - Financial Prospects and Budget Strategy 2023/24 and Beyond

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**