

FINANCIAL MONITORING 2023/24 – EARLY INDICATIONS

Cabinet – 13 July 2023

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

Status: For Consideration

Also considered by:

- Finance & Investment Advisory Committee – 19 June 2023

Key Decision: No

Executive Summary:

With inflation remaining at very high levels, households across the district are feeling the effects of a rise in the cost of living. Sevenoaks District Council is not immune to these economic pressures.

Many of the issues highlighted in this report were raised with Members as part of the 2023/24 budget setting process and they continue to impact the finances of this council. When these are added to the impact of the leisure provider, Sencio ceasing to operate it is worthwhile making Members aware that there is likely to be a forecast overspend in the current year and Members are likely to have to make more difficult decisions during the 2024/25 budget setting process than they have had to make for many years.

During the issues encountered in recent years the financial strength and flexibility afforded by the Council's still unique 10-year budget meant that the Council was able to take sound financial decisions to minimise the impact as much as possible. This means the authority remains in a far stronger position than much of the rest of local government.

Portfolio Holder: Cllr. Kevin Maskell

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

Alan Mitchell, Ext. 7483

Recommendation to Finance and Investment Advisory Committee:

- (a) To note this report and forward any comments to Cabinet.

Recommendation to Cabinet:

- (a) To note this report and consider any comments from Finance and

Introduction and Background

- 1 As part of the latest budget setting process, Members considered the challenges that lay ahead. Nevertheless, in a rapidly moving financial environment it is even more important than normal that Members and officers alike continue to be ever mindful of those areas in which risks and opportunities may arise so the Council can continue to thrive financially and, in so doing, deliver valued services for the district's residents. Indeed, this approach was recognised and praised in the independent LGA Corporate Peer Challenge which took place in November 2021.
- 2 The first round of monitoring does not historically happen until June due to the additional work required to produce the previous year's outturn position and accounts. In order to maintain sound financial controls and being aware of the current financial landscape an early Financial Impact Review has been undertaken to identify areas that could have a significant financial impact on the Council.
- 3 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.
- 4 This is expected to be a very difficult period which will be eased by our current financial management practices. However, this council is not immune to a range of issues and can only cushion the impact to a certain extent.

Areas of significant potential financial impact

- 5 Set out below are what are currently understood to be the principal anticipated areas of financial risk to the authority for this year. These will be considered further and addressed as appropriate as the year progresses.

Change in Leisure Provider

- 6 As Members are aware, Sencio Community Leisure ceased trading earlier this year. Sencio leased Edenbridge and Sevenoaks Leisure Centres and Lullingstone Park Golf Course from Sevenoaks District Council, as the landlord.
- 7 At the Council meeting on 4 April 2023, a budget of £1.83m was approved for:
 - i) the expenditure associated with supporting the oversight, maintenance and safety of Council owned leisure facilities, whilst negotiations with the Insolvency Practitioner were finalised;

- ii) an interim leisure operator to oversee the Council's leisure facilities for a period of two years (or until the procurement of a new operator is completed).
 - iii) the Chief Officer, People & Places and Chief Officer, Finance & Trading, be delegated authority to investigate an interim leisure operator and enter into a contact subject to consultation with the Portfolio Holder for People & Places and Portfolio Holder for Finance & Investment.
- 8 It was also approved that the funding be borrowed from earmarked reserves in the short-term and would need to be repaid. A solution to repay the reserves would need to be agreed before the conclusion of the 2024/25 budget setting process.
- 9 Therefore, the expenditure will be incurred during 2023/24 and 2024/25 and savings/additional income will be required to be found during the next budget setting process.

Pay Award – April 2023

- 10 The National Employers for local government services final offer for 2023/24 was £1,925 per full time employee up to a certain pay point and 3.88% on higher pay points. This equates to an average increase of 5.7% in the Council's staff costs against a figure of 2% in the 10-year budget. In cash terms this is £750,000 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.
- 11 However, the unions have rejected this offer and are currently balloting their members for industrial action.

Pay Award – April 2022

- 12 Members will recall that the April 2022 pay award was £643,000 above the budgeted assumption and it was agreed that £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 process.
- 13 Therefore, annual savings of £39,000 are required to reimburse the reserve.

Direct Services

- 14 The quantity of waste and recycling collected during the Covid-19 pandemic was significantly higher than before the pandemic and still remains higher. This has a number of impacts on the ability to deliver the service. With more to collect, the vehicles fill up faster and more trips to tip are required. This results in increased overtime and fuel consumption, and more wear and tear on the vehicles resulting in higher repair costs and the use of more hired

vehicles. More households now put their refuse and recycling sacks in storage bins which also slows the collection.

- 15 Ten new refuse freighters are being acquired this year to replace the oldest vehicles which will be more efficient and reduce the number of breakdowns.
- 16 The change in refuse and recycling rounds that took place in October 2022 has benefitted the service as it has made the rounds more efficient and consistent. Therefore, the amount of diesel used each day has significantly reduced and all rounds now finish at similar times.
- 17 There remains a need to hire agency staff on a daily basis to ensure the full range of services continue to be delivered.
- 18 Shortly before the Covid-19 pandemic, the income budgets for Direct Services were significantly increased with the intention of increasing take up of current services that are charged for and also providing additional services that could be charged for. With the changes in customer requirements and the increased usage of the non charged for services, the opportunities reduced. Officers now have a greater focus on this area with the intention of increasing current and developing new income streams.
- 19 New legislative changes for weekly food collection from 2024 and glass collection from 2025 are being proposed by government. These changes would place a great deal of pressure on the already thinly spread services.

Homelessness

- 20 Members agreed a two year growth item of £300,000 from 2022/23 following an increase in the use and cost of temporary accommodation. The Covid-19 pandemic, cost of living pressures and recent resettlement programmes (such as Homes for Ukraine Scheme and the Afghan Resettlement Scheme) have served to place further pressures on the homelessness service.
- 21 Officers are continuing to work on this issue, but it is expected that there will be some additional costs from 2024/25 once the growth item has ended.

Other Inflationary Increases

- 22 Inflationary pressures are continuing to affect most of the council's expenditure. Staff pay has been mentioned earlier and utility costs also remain much higher than a couple of years ago.
- 23 However, it is not just revenue expenditure that is impacted as the cost of finance and building materials remain high. These could have an impact on the ability to deliver the Council's capital programme. Any necessary amendments to the programme will be presented to Members for their consideration.

Annual Savings Assumption

- 24 An annual net savings/additional income assumption of £100,000 is included in the 10-year budget.
- 25 It is worth remembering that over £8.4m of savings have been identified since 2011/12.

Summary of the Current Position and the Way Forward

- 26 From this initial review it is clear that there will be a financial impact on the 2023/24 budget position and continuing into future years. This impact will clearly be in excess of £1m per annum.
- 27 Additional work is being undertaken to provide greater risk certainty and develop mitigations. Officers will work with the Finance and Investment Portfolio Holder on this issue and Members will be kept abreast of developments in future financial monitoring reports and the annual budget setting process.

Key Implications

Financial

All financial implications are included within the content of this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

A Risk Analysis was included in the Budget and Council Tax Setting 2023/24 report to Council on 21 February 2023. Further risk assessments will be included as the council progresses through the 2024/25 budget setting process.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Net Zero Implications

Please read the Net Zero committee report guidance note on inSite before choosing an option)

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Appendices

None

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer – Finance & Trading