

BUDGET 2024/25: REVIEW OF SERVICE DASHBOARDS AND SERVICE CHANGE IMPACT ASSESSMENTS (SCIAs)

Improvement and Innovation Advisory Committee – 5 December 2023

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

Status: For Comment

Also considered by:

- Development and Conservation Advisory Committee – 31 October 2023
- Finance and Investment Advisory Committee – 2 November 2023
- Housing and Health Advisory Committee – 7 November 2023
- Cleaner and Greener Advisory Committee – 23 November 2023
- People and Places Advisory Committee – 30 November 2023

Key Decision: No

Executive Summary:

This report sets out updates to the 2024/25 budget within the existing framework of the 10-year budget and savings plan. The report presents growth and savings/additional income proposals that have been identified which need to be considered (if applicable to this Committee), and requests further suggestions from the Advisory Committees, before finalising the budget for 2024/25.

Informed by the latest information from Government and discussions with Cabinet, it is proposed that the Council continues to set a revenue budget that assumes no direct funding from Government through additional Revenue Support Grant or New Homes Bonus. This will result in the Council continuing to aim to be financially self-sufficient.

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

Some changes have been made to future assumptions and they will continue to be reviewed during the budget process, as usual. However, the key cost driver continues to be inflation with pressure coming through on service demand, the pay award and the cost of goods and services. The items listed in Appendix E report a current annual budget gap of £1.368m.

Many of the reasons for the budget gap were raised with Members as part of the 2023/24 budget setting process and they continue to impact the finances of this council. There is also the impact of the leisure provider, Sencio ceasing to operate.

Inflationary and resulting service pressures are largely unavoidable. It is worthwhile making Members aware that they 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.

The Advisory Committees will comment on the growth and savings/additional income proposals included in the reports, and their recommendations will be considered by Cabinet as part of the process to remove this gap.

By addressing these issues, this Council will once again be in a strong financial position that other councils would aspire to.

Portfolio Holder: Cllr. Kevin Maskell

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Recommendation to each Advisory Committee:

- (a) Advise Cabinet with views on the growth and savings/additional income proposals identified in Appendix G applicable to this Advisory Committee.
- (b) Advise Cabinet with further suggestions for growth and savings/additional income applicable to this Advisory Committee.

Reason for recommendation: It is important that the views of the Advisory Committees are taken into account in the budget process to ensure that the Council's resources are used in the most suitable manner.

Introduction and Background

Financial Strategy

- 1 The Council's financial strategy continues to aim for long-term financial health and continues to work towards improving financial sustainability. It has been successful through the use of a number of actions including:
 - implementing efficiency initiatives.
 - significantly reducing the back-office function.

- improved value for money.
 - maximising external income.
 - the movement of resources away from low priority services.
 - an emphasis on statutory rather than non-statutory services.
- 2 A summary of the Financial Strategy can be found at **Appendix J**.
- 3 Over this period, the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.
- 4 Using the data sources available to the Council, this report sets out a budget over the 10-year period but recognises that it is likely that more accurate data will become available and current assumptions may need to be updated.

10-year Budget

- 5 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the immediate reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, which ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.
- 6 It should not be forgotten that £8.8m of savings have been made since 2011/12.

Financial Self-Sufficiency

- 7 With the Revenue Support Grant provided by Government having ceased from 2017/18 it is important that the council remains financially self-sufficient by having a financial strategy that is focused on local solutions. These solutions include:
- continuing to deliver financial savings and service efficiencies.
 - growing the council tax and business rate base.
 - generating more income.
- 8 This Council's approach to budgeting has been recognised by the sector as being exceptional which resulted in it being the winner of the CIPFA Public Finance Innovator of the Year Award in 2017.
- 9 The Local Government Association's Corporate Peer Challenge in December 2021 also commented that 'Sevenoaks District Council takes a long-term view of financial planning with a focus on self-sufficiency. The council's 10-year budget is innovative, an example for the sector and supports long-term decision making.

Current Budget Gap

- 10 It was mentioned in reports presented as part of the 2023/24 Budget Setting Process that it was highly likely that additional savings/income would be required as part of the next budget process. An 'Early Indications' report was presented to FIAC and Cabinet earlier in the summer which identified the areas that could have a significant financial impact on the Council. These remain the major contributors to the budget gap of £1.368m included in this report.
- 11 The growth/additional expenditure items total £1.827m per annum. Many of these items were raised with Members as part of the 2023/24 budget setting process and they continue to impact the finances of this council. The largest items are:
- Pay Awards above previous assumptions. The Council is on national terms and conditions. The National Employers and unions have not yet agreed on the 2023 pay award but the current offer which is an average increase of 5.7% is significantly higher than the budget assumption of 2%.
 - Direct Services – the cost of delivering the full range of services as well as the continuing higher quantities of waste and recycling. Quantities remain much higher than before the pandemic which result in increased staff costs, fuel and vehicle repairs and maintenance.
 - The change in leisure provider as agreed by Council on 4 April 2023.
- 12 Other threats to the financial position, which are managed through the budget process, include energy cost volatility and uncertainty; ongoing demands for homelessness services and temporary accommodation; and the higher costs of goods and services as a result of higher inflation.
- 13 The savings/additional income items total £0.459m per annum. The largest items are:
- Additional income anticipated from a fees and charges review.
 - Government funding streams expected to continue in 2024/25 only.
 - Council Tax premium changes.

The Way Forward

- 14 The intention of this report is to provide Members of each Advisory Committee an opportunity to give their views on potential growth and savings/additional income items that could be included in the updated 10-year budget that will be presented to Council on 20 February 2024.
- 15 The 'Financial Prospects and Budget Strategy 2024/25 and Beyond' report has been presented to FIAC and Cabinet to start the budget setting process for 2024/25.

Review of the 10-year Budget Process

- 16 An audit of the 10-year budget process was completed by Mazars (working for Internal Audit) in 2021 and their findings were that the Council has adequate, effective and reliable controls in place over budget setting and long-term financial planning.

Financial Self-Sufficiency

- 17 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 does not rely on direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 18 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.
- 19 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.
- 20 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.'
- 21 With the Council receiving no Revenue Support Grant from 2017/18 and New Homes Bonus reducing from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no additional Revenue Support Grant 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.
- 22 In 2023/24 the government rolled two grants into the Revenue Support Grant which are shown as 'Govt Support: Rolled in grants' on the attached 10-year budget. This Council continues to receive no Revenue Support Grant through the Government formula.
- 23 Cabinet are keen to remain financially self-sufficient which has served the Council well and ensured it is one of the most financially stable local authorities in the country. This will allow this Council to move ahead in the

knowledge that this council has the financial resources to provide the services that the district's residents need into the future.

Service Dashboards

- 24 The intention of service dashboards is to provide Members with improved information during the budget setting process to provide context and inform any growth and savings/additional income ideas that Members may put forward.
- 25 The Service Dashboards cover a summary of the services provided, objectives, achievements and opportunities, challenges and risks and performance.
- 26 **Appendix A** contains the Service Dashboard for this Advisory Committee. **Appendix A1** contains the Performance Indicators and **Appendix B** contains the budget for those services.

Savings Plan

- 27 **Appendix C** to this report sets out a summary of the savings/additional income and growth items previously approved by Council since the 10-year budget strategy was first used in 2011/12, which have allowed the Council to deliver a 10-year balanced budget.
- 28 The savings plan requires a total of over £8.8 million to be saved between 2011/12 and 2023/23 which is an average saving of £676,000 per annum.

Current 10-year Budget Position

- 29 The 10-year budget set out in **Appendix D** has been updated from the version agreed by Council on 21 February 2023 by rolling it forward one year.
- 30 Changes have been made to the following assumptions:
- Business Rates Retention – additional income from the Business Rates Pool of £250,000 included in 2024/25 only.
 - Pay award – increased from 2% to 3% for 2024/25.
 - Interest receipts – increased from £288,000 to £332,000 for 2024/25 to 2026/27 and from £188,000 to £232,000 from 2027/28.
 - Property Investment Strategy – decreased from £1.618m to £1.478m for 2024/25 to 2025/26, from £1.715m to £1.575m from 2026/27 to 2028/29 and from £1.756m to £1.616m from 2029/30.
- 31 The current budget gap is £1.368m which is detailed in **Appendix E**.

- 32 The major reasons for this gap are pay awards (explained below), the cost of providing the full range of Direct Services operations and the change in leisure provider.
- 33 The National Employers for local government services final pay award 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. However, the unions have rejected this offer and further news is awaited.
- 34 Negotiations regarding the 2024/25 pay award have not yet commenced. The assumption in the attached 10-year budget has been increased from 2% to 3% in 2024/25 and remaining at a 2% increase in all future years.
- 35 Officers have been working on proposals to reduce the gap which are included in this round of reports to the Advisory Committees.
- 36 Due to the size of the budget gap this year it is more important than ever that Members fully participate in the process by making suggestions and recognising that some tough decisions may need to be made.
- 37 As previously reported, the options are likely to cover a number of areas including:
- Service efficiencies.
 - Additional income.
 - Re-prioritisation of reserves including use of the Budget Stabilisation Reserve.
 - Service reductions.
- 38 When looking at prospects for year 11 onwards, there is still likely to be a need to take further actions as these years come into the rolling 10-year period.

Proposed Growth and Savings/Additional Income Items

- 39 Growth items are items that would result in additional expenditure or reduced income. Savings items would result in reduced expenditure or additional income. These are in addition to the items highlighted in the 'Financial Prospects and Budget Strategy 2024/25 and Beyond' report considered by Cabinet on 19 September 2023.
- 40 A number of growth and savings/additional income items will be proposed at the Advisory Committees with the aim of helping to achieve the savings/additional income required to bridge the budget gap.

- 41 Managers have agreed a range of savings that do not require Member approval. These are listed in **Appendix F** (if applicable).
- 42 The proposed growth and savings/additional income items relating to this Advisory Committee are listed in **Appendix G** (if applicable).
- 43 Service Change Impact Assessments (SCIAs) contain further details for all proposed growth and savings/additional income items. SCIAs applicable to this Advisory Committee can be found in **Appendix H** (if applicable).

Role of the Advisory Committees

- 44 Training sessions on the budget process were provided to Members in October. If Members require any further training or require any additional details on the content of this report and appendices, please contact Adrian Rowbotham or Alan Mitchell prior to the meeting.
- 45 Views of the Advisory Committees on the growth and savings/additional income items proposed together with any additional suggestions the committees put forward will be considered by Cabinet at its meeting on 14 December 2023.

Process and Timetable

- 46 This report is the second stage of the budget process as shown in the Budget Setting Timetable (**Appendix K**).
- 47 The next stage will be a Budget Update report to Cabinet on 14 December 2023 to provide details of progress made.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered.

Challenges and risks are included in the Service Dashboards and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

A separate Risks and Assumptions report will be presented to the Finance and Investment Advisory Committee and Cabinet.

Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.

Individual equality impact assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision-making process is fair and transparent.

Net Zero Implications

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

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

Conclusions

The Financial Strategy and 10-year budget process have ensured that the Council follows a logical and well considered process and approach in dealing with the many difficult challenges that it has faced. They have also helped to ensure that the Council is well placed in dealing with more immediate and longer-term challenges.

By becoming financially self-sufficient at an early stage, this Council has become much more in control of its own destiny.

The attached 10-year budget shows that this Council is aiming to continue to be financially stable going into the future with a level of assurance that any council would aspire to. However, with a range of issues impacting the council's finances, this is the most challenging budget process this Council has faced for many years.

The Council aims to continue to provide value for money services to a high standard ensuring that the decisions made lead to an achievable 10-year budget. Members will need to consider the impact on service quality, staff and well-being.

Members' consideration and scrutiny of the relevant services is an essential and key element in the budget process. If the net total of growth and savings/additional income proposals identified by the Advisory Committees and approved by Cabinet

does not reach the £1.368m budget gap currently identified, additional savings will be required that may result in service changes, to ensure a balanced budget position.

Appendices

Appendix A – Service Dashboards relating to this Advisory Committee

Appendix Ai – Performance Indicators

Appendix B – 2023/24 Budget by Service relating to this Advisory Committee

Appendix C – Summary of the Council’s previously agreed savings plan and growth items

Appendix D – 10-year budget

Appendix E – Changes to the 10-year budget

Appendix F – New growth and savings/additional income items agreed by managers (if applicable)

Appendix G – New growth and savings/additional income items proposed relating to this Advisory Committee (if applicable)

Appendix H – Service Change Impact Assessment forms (SCIAs) for the new growth and savings/additional income items relating to this Advisory Committee (if applicable)

Appendix J - Financial Strategy

Appendix K – Budget Setting Timetable

Background Papers

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

Adrian Rowbotham

Deputy Chief Executive and Chief Officer – Finance & Trading