

BUDGET UPDATE 2024/25

Cabinet – 18 January 2024

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

Status: For Decision

Key Decision: No

Executive Summary:

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

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

Significant work has taken place since the last Budget Update was presented to Cabinet on 14 December 2023 when there remained an annual budget gap of £656,000.

The position in this report shows a balanced 10-year budget if the additional SCIA's included in this report are accepted (£107,000 if they are not accepted). Assumptions will continue to be reviewed as more information becomes available.

The Cabinet will make its final recommendation on the budget on 8 February 2024, after taking into account any updated information available at that date.

Portfolio Holder: Cllr. Kevin Maskell

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

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Recommendation to Cabinet:

- (a) Consider the savings proposals (SCIAs) listed in Appendix D and detailed in Appendix E and decide whether to support each SCIA being included in the budget.
- (b) Depending on the budget position following the recommendation above, provide officers with any further instructions.

Reason for recommendation: It is important that consideration is given to proposed changes to the budget that directly affect services whilst ensuring that the council continues to deliver a balanced 10-year budget position.

Introduction and Background

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

Financial Strategy

- 4 The Council's financial strategy continues to aim for long-term financial health and continues to work towards improving financial sustainability. It has been successful through the use of a number of actions including:
 - implementing efficiency initiatives.
 - significantly reducing the back-office function.
 - improved value for money.
 - maximising external income.
 - the movement of resources away from low priority services.
 - an emphasis on statutory rather than non-statutory services.

- 5 A summary of the Financial Strategy can be found at **Appendix F**.
- 6 Over this period, the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.
- 7 Using the data sources available to the Council, this report sets out a budget over the 10-year period but recognises that it is possible that more accurate data will become available and current assumptions may need to be updated.

10-year Budget

- 8 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the immediate reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, which ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.
- 9 It should not be forgotten that £8.8m of savings have been made since 2011/12. **Appendix C** sets out a summary of the savings and growth items approved by Council since the 10-year budget strategy was first used in 2011/12. This has allowed the Council to deliver a 10-year balanced budget.

Financial Self-Sufficiency

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

Review of the 10-year Budget Process

- 13 An audit of the 10-year budget process was completed by Mazars (working for Internal Audit) in 2021 and their findings were that the Council has adequate,

effective and reliable controls in place over budget setting and long-term financial planning.

Financial Self-Sufficiency

- 14 The Council's Corporate Plan 2013-2018 set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. The current Council Plan aims to continue with this approach. This means that the Council no longer requires direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 15 This approach was adopted in response to the financial challenges the Country was faced with in bringing its public spending down to ensure it was able to live within its means. In practice this has seen Government funding to local authorities dramatically reduced since 2010/11 with Sevenoaks District Council receiving no Revenue Support Grant from 2017/18.
- 16 The decision to become financially self-sufficient is intended to give the Council greater control over its services, reducing the potential for decision making to be influenced by the level of funding provided by government to local authorities.
- 17 The Local Government Association's Corporate Peer Challenge in December 2021 commented that 'Sevenoaks District Council takes a long-term view of financial planning with a focus on self-sufficiency. The council's 10-year budget is innovative, an example for the sector and supports long-term decision making. This extended financial framework provides an excellent platform which has supported effective budget management and planned, long-term, decision making.'
- 18 With the Council receiving no Revenue Support Grant from 2017/18 and New Homes Bonus reducing from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no additional Revenue Support Grant funding or New Homes Bonus. Any funding received from these sources will be put into the Financial Plan Reserve which can be used to support the 10-year budget.
- 19 In 2023/24 the government rolled two grants into the Revenue Support Grant which are shown as 'Govt Support: Rolled in grants' on the attached 10-year budget. This Council continues to receive no Revenue Support Grant through the Government formula.
- 20 Cabinet are keen to remain financially self-sufficient which has served the Council well and ensured it is one of the most financially stable local authorities in the country. This will allow this Council to move ahead in the knowledge that this council has the financial resources to provide the services that the district's residents need into the future.

Changes since the Budget Update report to Cabinet on 14/12/23

- 21 At the last Cabinet meeting, there remained an annual budget gap of £656,000. The Portfolio Holders suggested areas where Chief Officers could look into for further savings and or income.
- 22 It was also recognised that other assumptions would continue to be reviewed as more information became available such as the Provisional Local Government Finance Settlement.

Provisional Local Government Finance Settlement

- 23 The Government announced the **Provisional Local Government Finance Settlement (LGFS) for 2024/25** on 18 December 2023. The settlement included details on the following items and figures in the 10-year budget have been updated where relevant:
- 24 **Council Tax** – the referendum limit for 2024/25 has been set at the higher of an increase of 3% or £5. An increase of 2.97% (£7.02 for a Band D property) had previously been assumed so no change has been made. The assumption remains at 2% for later years.

2024/25 Council Tax	Current Assumption
2023/24 £ (Band D pa)	£236.70
% increase	2.97%
£ increase (Band D pa)	£7.02
£ (Band D pa)	£243.72

- 25 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.
- 26 **Government grants** – figures in the settlement differed from those previously assumed and are included in the 10-year budget for 2024/25 only:
- **Funding Guarantee (£1.384m)** - 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 taking into account (i) council tax level decisions and (ii) changes to funding from rolled in grants. The minimum 3% increase is the same as 2023/24. This increase is largely due to the reduction in New Homes Bonus (NHB) from £184,000 to £14,000. NHB is not included in the 10-year budget.

- Services Grant (£15,000) – This grant is determined based upon the resources DLUHC has left after decisions on all other grants. For 2024/25 it has significantly reduced.
- Rolled in Grants (£198,000) – Revenue Support Grant (RSG) is a formula based grant that 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. The LGFS for 2023/24 did include RSG for this council but 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' and 'Family Annexe Council Tax Discount Grant'.

- 27 **Business Rates Retention** – the increase in the amount councils retain from Business Rates is increased by the CPI in the previous September which was 6.7%.
- 28 Previously it has been assumed in the 10-year budget that Business Rates Retention would be at the 'Safety Net Level'. As actual Business Rates retained are above that level, the assumption has been changed to the higher 'Baseline Funding Level'. The following two items are in addition to this.
- 29 Any increased Business Rates retained in 2024/25 due to being linked to the Kent and Medway Business Rates Pool has been included in the budget rather than it being transferred to the Budget Stabilisation Reserve as in most previous years. Nothing from the pool has been assumed in later years.
- 30 It was announced, as part of the Autumn Statement 2023, that the small business rates multiplier for 2023/24 will remain frozen at 49.9p and there will be an increase to the standard rate multiplier of 6.7% (from 51.2p to 54.6p). This approach to applying inflation requires authorities to be compensated for the inflation increase lost to the small business rates multiplier element of their taxbase. This is called 'Safety Net and Under indexing Compensation'. It has been assumed that this will continue until 2025/26 when a Business Rates Reset may take place.
- 31 The Final Local Government Finance Settlement is due to be announced in February.

Other Changes

- 32 Other changes made since Cabinet on 14/12/23 include the following:
- 33 **Pay** – previously an estimated figure was included for the additional cost of the April 2023 pay award, an adjustment has now been made to reflect the actual cost. The original assumption for the April 2024 pay award was 2% but this was increased to 3% earlier in the budget process. The view nationally is that the pay award may be higher therefore it has now been increased to 4%. It remains at 2% for later years.

- 34 **Council Tax Base** – 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 2024/25 is less than previously assumed. This is largely due to a lower number of new properties built.
- 35 **Property Investment Strategy** – following a review of the current assets held, this budget has been brought back close to the original assumptions.
- 36 **Council Tax Long Term Empty Premiums and Second Home Premiums** - the Regeneration & Levelling Up Act has passed through Parliament and included 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 Act allows this to be shortened from 2 years 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. This change can be implemented from 1 April 2024.
 - b) The implementation of a council tax premium on ‘second homes’. ‘Second homes’ are properties which are unoccupied but furnished. The Act enables local authorities to 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. This change can be implemented from 1 April 2025.
- 37 These changes were approved at the Council meeting on 9 February 2023. The assumed increases in Council Tax income from these changes have been updated based on the current number of properties that fall into these categories.
- 38 **Interest Receipts** – assumptions have been increased based on current income levels but recognising expected reduced interest rates and available balances in future years.
- 39 **Fees and Charges** – following the detailed review of fees and charges and the changes in the Town and Country Planning Act in December, Planning fees will be increased resulting in additional income.
- 40 **Manager approved changes** – managers have agreed a range of savings that do not require Member approval.

Current 10-year Budget Position

- 41 All changes to the budget since the Financial Prospects and Budget Strategy report are listed in **Appendix D**. These include the changes detailed above. These changes are also included in the 10-year budget set out in **Appendix B**.

This shows an annual budget gap of £107,000. **If the additional SCIA's are accepted, the annual budget gap reduces to nil.**

- 42 The savings proposals are also listed in **Appendix D** and a Service Change Impact Assessment (SCIA) for each proposal is included in **Appendix E**.

The Way Forward

- 43 If all of the SCIA's are not accepted, further savings will be required to set a balanced 10-year budget.
- 44 Assumptions will continue to be reviewed as more information becomes available and the Final Local Government Finance Settlement (LGFS) for 2024/25 is due to be announced in February which may result in further changes to the 10-year budget.
- 45 The following reports will be presented to the Finance and Investment Advisory Committee on 11/01/24 with either a separate report or the details included in the budget settling report to Cabinet and Council in February:
- Treasury Management Strategy 2024/25
 - Property Investment Strategy Update
 - Capital Programme and Asset Maintenance 2024-27
 - Risks and Assumption for Budget 2024/25
 - Fees and Charges
- 46 A review of reserves will also be included in the budget report in February.
- 47 The Cabinet will make its final recommendation on the 2024/25 budget at its meeting on 8 February 2024, after taking account of the latest information available at that date. The Budget and Council Tax Setting report will then be presented to Council on 20 February 2024.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

It is a requirement for the Council to set a balanced budget, failure to be able to do so could result in a S.114 notice being issued by the S.151 Officer. There is currently no

expectation that the Council would be required to be in that position. The 10-year budget approach provides adequate flexibility to manage most circumstances, subject to sufficient savings being identified and implemented, and the ongoing effective and prudent management of the Council's finances.

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.

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

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

A separate Risks and Assumptions report will be presented to the Finance and Investment Advisory Committee and included in the Budget Setting report to Cabinet and Council.

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.

Appendices

Appendix A – Budget Timetable

Appendix B – 10-year Budget

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

Appendix D – Changes to the 10-year Budget

Appendix E - Service Change Impact Assessment forms (SCIAs)

Appendix F – Financial Strategy

Background Papers

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

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

Budget Update 2024/25 – Cabinet 14 December 2023

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