

BUDGET AND COUNCIL TAX SETTING 2024/25

Cabinet – 8 February 2024

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

Status: For Decision

Also considered by:

- Council – 20 February 2024

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 the proposed budget and required level of Council Tax for 2024/25.

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 £19.445m in 2023/24 (£18.533m in 2023/24). Subject to any further changes this would result in a **Council Tax increase of 2.97% in 2024/25, with the District's Council Tax being £243.72 for a Band D property for the year (£236.70 in 2023/24), an increase of £7.02.**

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

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Recommendation to Cabinet:

- (a) That recommendations (a) to (g) below be recommended to Council.
- (b) Approve the fees and charges for 2024/25 set out in Appendix J.

Recommendation to Council:

- (a) The Summary of Council Expenditure and Council Tax for 2024/25 set out in Appendix F be approved.
- (b) Approve the 10-year budget 2024/25 to 2033/34 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 2024/27 and funding method set out in Appendix K(i) and Capital Strategy 2024/25 set out in Appendix K(iii).
- (d) Approve the changes to reserves and provisions set out in Appendix L.
- (e) That the Local Council Tax Reduction Scheme 2023/24, be rolled forward to 2024/25, with effect from 1 April 2024 (Appendix N).
- (f) Confirmation of the agreement made at Council on 21 February 2023 to shorten the Council Tax premium on long term empty dwellings from the current 2 years (empty) to 1 year from 1 April 2024.
- (g) Confirmation of the agreement made at Council on 21 February 2023 to implement the 100% Council Tax premium on all second homes from 1 April 2025.

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

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 on 14 December 2023.
- 4 At Cabinet on 14 December 2023, it was resolved that officers look for further savings/additional income options. These were presented to Cabinet on 18 January 2024 and were supported. When combined with other changes, a balanced 10-year budget is now presented in this report.

Financial Strategy

- 5 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.
- 6 A summary of the Financial Strategy can be found at **Appendix B**.
- 7 Over this period, the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.
- 8 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

- 9 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.
- 10 It should not be forgotten that £8.8m of savings have been made since 2011/12. **Appendix D** 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

- 11 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.
- 12 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.
- 13 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

- 14 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

- 15 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.

- 16 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.
- 17 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.
- 18 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.'
- 19 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.
- 20 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.
- 21 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.

Updates on Assumptions

- 22 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.
- 23 The Provisional Local Government Finance Settlement (LGFS) for 2024/25 was announced on 18 December 2023. The most relevant elements for this Council are included below. Please note that the settlement is only for one year. The Final Local Government Finance Settlement is due to be announced

in early February and any significant changes will be mentioned at the meetings.

Income

- 24 **Government grants** – the following grants were included in the LGFS. They 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'.
- 25 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.
- 26 Local Government Funding reform was due to take place in 2019/20 but has continued to be delayed and is not expected to take place in the near future.
- 27 **New Homes Bonus (NHB)** (£0.2m received in 2023/24 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 2024/25 has reduced to £14,000.
- 28 It is likely that NHB will eventually be replaced.

29 **Council Tax** (£12.2m) – The Government referendum limit has initially been set at 2% in recent years although it has been changed later in the process. The LGFS has stated that the referendum limit in 2024/25 for district councils will be the higher 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.

30 The impact of this increase is as follows:

| | |
|------------------------|--------------------|
| 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 |

31 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.

32 **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.

33 The assumption going forward is currently an increase of 730 Band D equivalent properties per annum. The Local Plan will affect future tax base assumptions.

34 The Council Tax Collection Rate has remained at 99.4% which is back at pre-pandemic levels.

35 **Council Tax Long Term Empty Premiums and Second Home Premiums** - the Regeneration & Levelling Up Act received Royal Assent in October 2023 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.
- 36 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.
- 37 Council is asked to:
- Confirm the agreement made at Council on 21 February 2023 to shorten the Council Tax premium on long term empty dwellings from the current 2 years (empty) to 1 year from 1 April 2024.
 - Confirm the agreement made at Council on 21 February 2023 to implement the 100% Council Tax premium on all second homes from 1 April 2025.
- 38 **Business Rates Retention** (£2.9m) - 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 then applied. This council is due to collect £37m of Business Rates in 2023/24.
- 39 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.
- 40 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 2024/25.
- 41 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.
- 42 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.

- 43 **Interest receipts** (£0.3m) – following the investment in Multi-Asset Income Funds (MAIF) in May 2022, interest receipts in 2022/23 were higher than budgeted and are forecast to be higher again in 2023/24. The intention is to hold the MAIF investments for a five year period.
- 44 It should also be noted that interest on the funds lent to Quercus 7 are reported under Property Investment Strategy income rather than Interest Receipts.
- 45 The assumptions for interest receipts have been increased based on current income levels but recognising expected reduced interest rates and available balances in future years.
- 46 **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.
- 47 Six assets have been purchased or built to date, including the Sevenoaks Premier Inn Hotel, at a cost of £25m.
- 48 As well as the £25m above, £10m has been spent by Quercus 7 Ltd on five assets. The figures below include as assumed dividend of £60,000 per annum from Quercus 7.
- 49 Property Investment Strategy income assumptions are as follows:
- | | |
|-------------------|-------------------|
| 2024/25 – 2025/26 | £1.724m per annum |
| 2026/27 – 2033/34 | £1.749m per annum |
- 50 Members should be aware that the Government and CIPFA have implemented ways to limit a 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. Government may take further action following Woking BC issuing a s114 notice which was due to their approach to property.
- 51 A Property Investment Strategy Update report has been presented to Finance Advisory Committee on 11 January 2024 and is also included on the agenda for these meetings.
- 52 **Fees and charges** – the council receives income in fees and charges from a number of sources.

- 53 The assumption is for a 2.5% increase in income for all years. In addition, it was forecast that car parking income would be 25% below pre-Covid budgeted levels in 2021/22 with the position improving by 5% each year. Therefore, the assumption for 2024/25 is 10% below pre-Covid levels. A separate report on car parking fees has been presented to the Cleaner and Greener Advisory Committee and also Cabinet.
- 54 It was recognised that fees and charges needed to play a major part in reducing the original budget gap. The Finance Team in conjunction with service managers completed a significant exercise during this budget process by reviewing all fees and charges across the council. Existing income budgets were challenged and by using non-financial information, there is now greater certainty that the budgets are set at appropriate levels.
- 55 Changes were included in the Town and Country Planning Act in December that have enabled certain statutory Planning fees to be increased after being fixed at lower levels for several years.
- 56 Additional income of £300,000 has been included following the review of fees and charges.
- 57 Cabinet are requested to approve the schedule of fees and charges for 2024/25 included at **Appendix J**.
- 58 **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.
- 59 **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 and CCTV.

Expenditure

- 60 **Pay** costs total £19m. The National Employers for local government services and the unions finally agreed the 2023/24 pay award in November. It was agreed at £1,925 per person or 3.88% on SCP43 and above and that allowances would also increase by 3.88% and the actual cost was £597,000 above budget. This equates to an average increase of 5.7% in the Council's staff costs.
- 61 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. Negotiations have not yet commenced.
- 62 **Superannuation fund** - the latest pension fund triennial valuation by the actuaries Barnett Waddingham took place in November 2022.

- 63 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.
- 64 **Non-pay costs** – The budget assumes non-pay costs will increase by an average of 2.25% in all years. In practice, inflation has been higher than this therefore it is up to managers to manage within their overall cash limit. Growth items outside of this have been included as separate items in the budget process. Inflation is currently at 4.0% (CPI) (as at December 2023).
- 65 **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%.
- 66 The Council has an ageing asset portfolio, which means the buildings are costly to run and maintain and as such the maintenance of assets are a significant budget pressure which cannot be addressed entirely through the revenue budget and therefore the Council will need to find creative solutions or ensure development schemes are self-financing. A Capital Programme and Asset Maintenance 2024/27 report was presented to the Finance and Investment Advisory Committee on 11 January 2024.
- 67 **Annual Savings** - an annual Net Savings/Additional Income assumption of £100,000 is included for all years in the 10-year budget.
- 68 **Kent County Council** – with the known financial challenges faced by KCC, there is a risk that actions they take to manage their budgets may result in this Council being impacted resulting in additional expenditure or reduced income.

Collection Fund – Council Tax Surplus/Deficit Calculation

- 69 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.
- 70 The estimated deficit as at 15 January 2023 was £1,338,480, whilst the actual surplus balance at 31 March 2023 was £1,322,745. This represents 1.15% of the gross council tax collectible during 2023/24 of approximately £115m.

- 71 The purpose of the calculation as at 15 January 2024 is to estimate the likely surplus or deficit balance on the collection fund as at 31 March 2024. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.
- 72 This Council's share of the estimated deficit as at 31 March 2024 is £12,759. A similar apportionment has been carried out for the County Council, Fire and Police, based on the relative level of their precepts. As this is a very small amount relative to the amount of Council Tax collected, no change has been made to the budget.

Current 10-year Budget Position

- 73 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.
- 74 **Appendix E** shows the changes in the 10-year Budget since it was last approved by Council in February 2023.
- 75 The flexibility of the 10-year budget approach assists in these uncertain times. With inflation recently at a long time high, the future extent of price increases 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 recent pay awards, when there is a high degree of uncertainty 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 services may be made than end up being required.
- 76 At the Cabinet meeting on 14 December 2023, it was resolved that officers continue working on a number of areas raised by Members that may be beneficial in future budgets. These include procurement and consultancy.
- 77 **Progress on the savings plan** – 2024/25 will be the fourteenth year of using the 10-year budget. Prior to this budget process, 211 savings/additional income items have been identified totalling £8.8m. 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.
- 78 **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 £2.605m (13%) in real terms.

| Net Service Expenditure | £000 |
|---|-------------|
| 2010/11 (budget) | 16,711 |
| 2024/25 (2010/11 budget +2% inflation per year) | 22,050 |
| 2024/25 (budget) | 19,445 |
| Difference | 2,605 |

2024/25 Budget and Council Tax

- 79 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2024/25 is £19.445m. As shown in **Appendix F** this results in Council Tax income of £12.768m, meaning that the District element of the Band D charge will be £243.72.
- 80 When the other preceptors announce their increases, details will be included in **Appendix P**.
- 81 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 2024/25 service analysis in Budget Book format (**Appendix G**)
 - Analysis of 2024/25 pay costs (**Appendix H**)
 - Fees and Charges 2024/25 (**Appendix J**)

Capital Programme

- 82 A report setting out the proposed 2024/27 Capital Programme, with supporting documentation in a standard format for individual scheme bids was presented to the Finance and Investment Advisory Committee (FIAC) on 11 January 2024.
- 83 Scheme bid documents were received for all new schemes which included the proposed funding methods.

- 84 Unspent budgets in the current year's programme (2023/24) can be carried forward to 2024/25, subject to Cabinet approval, when the outturn is known.
- 85 **Appendix K(i)** summarises the position if all schemes are approved and indicates the funding method proposed. **Appendix K(ii)** contains the bids for each new capital scheme.
- 86 The Capital Strategy 2024/25 was also presented to FIAC and is included at **Appendix K(iii)**.
- 87 Council will be informed at the meeting of any changes recommended by Cabinet. Council are requested to approve the 2024/27 Capital Programme and the Capital Strategy 2024/25.

Integration with other budget reports on the Cabinet Agenda

- 88 Separate reports on the Treasury Management Strategy and Property Investment Strategy are being presented to Cabinet and Council.
- 89 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)

- 90 Under the Local Government Act 2003 the Statutory Finance Officer (Section 151 officer), the 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.
- 91 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 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.

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

93 As is the case every year, inevitably there are a number of risk factors within the 2024/25 budget proposals; these are set out in some detail in **Appendix M**. This Appendix was also considered by the Finance and Investment Advisory Committee on 11 January 2024. Some of the more significant items are set out below.

a) Pay costs.

Pay costs are budgeted on 100% basis, with a 4% inflationary pay award assumption in 2024/25 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 2024/25 have not yet started.

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 fees and charges has taken place during this budget process.

c) Utility Costs

A separate growth item was included in the budget process to allow for the estimated increase in costs 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.

94 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

- 95 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 L**. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.
- 96 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.
- 97 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 2024/25 this equates to £1.945m).

Opinion

- 98 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

- 99 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.
- 100 The Secretary of State has published draft thresholds in relation to 2024/25 council tax levels. For district councils, a referendum will be required if the authority sets an increase of 3% (or more than 3%), or more than £5 (at Band D) whichever is greater. For this council, £5 is less than 3% for a Band D property.
- 101 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 2024/25

- 102 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013.
- 103 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.

- 104 Schedule 1A (5) of the Local Government Finance Act 1992 as amended requires local authorities to consider the following:
- For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.
 - The authority must make any revision to its scheme, or any replacement scheme, no later than 11th March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 105 The 2023/24 Local Council Tax Reduction Scheme was approved by Council on 21 February 2023.
- 106 Further details can be found in **Appendix N** and a copy of the full scheme is available upon request.
- 107 It is recommended that the Local Council Tax Reduction Scheme 2023/24, be rolled forward to 2024/25, with effect from 1 April 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. The budget risk analysis is included as **Appendix M**.

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.

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 been an even greater challenge this year, 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 recently at a long time high, the future extent of price increases remains uncertain which may impact 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 £243.72.

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 - Fees and Charges 2024/25 (also considered by Finance and Investment Advisory Committee on 11 January 2024)

Appendix K (i) – Capital Programme 2024-27 (also considered by Finance and Investment Advisory Committee on 11 January 2024)

Appendix K (ii) – Capital Programme bids (also considered by Finance and Investment Advisory Committee on 11 January 2024)

Appendix K (iii) – Capital Strategy 2024/25 (also considered by Finance and Investment Advisory Committee on 11 January 2024)

Appendix L – Reserves

Appendix M – Risk analysis (also considered by Finance and Investment Advisory Committee on 11 January 2024)

Appendix N – Local Council Tax Reduction Scheme 2024/25

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

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

Budget Update 2024/25 – Cabinet 18 January 2024

Adrian Rowbotham

Deputy Chief Executive and Chief Officer – Finance & Trading