

BUDGET 2025/26: REVIEW OF SERVICE DASHBOARDS AND SERVICE CHANGE IMPACT ASSESSMENTS (SCIAs)

Finance and Investment Advisory Committee – 24 October 2024

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

Status: For Comment

Also considered by:

- Housing and Health Advisory Committee – 5 November 2024
- Cleaner and Greener Advisory Committee – 12 November 2024
- Improvement and Innovation Advisory Committee – 26 November 2024
- Development and Conservation Advisory Committee – 5 December 2024
- People and Places Advisory Committee – 10 December 2024

Key Decision: No

Executive Summary:

This report sets out updates to the 2025/26 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 2025/26.

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 traditional 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 continue to be challenging partly due to the election of a new Government.

The current annual budget gap set out in **Appendix F** is £297,000 and this position will continue to be reviewed during the budget process, as usual.

Due to the number and scale of factors that could change the budget gap (e.g. approach of new Government, staff pay awards, new leisure contract), it is

important Members fully participate in the process.

The Advisory Committees will comment on the growth and savings/additional income proposals included in the reports, as well as proposals put forward by Members. Their recommendations will be considered by Cabinet as part of the process to remove the current gap and provide options should they be required when there is more certainty.

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

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

Alan Mitchell, Ext. 7483

Recommendation to each Advisory Committee:

- (a) Advise Cabinet with views on the growth and savings/additional income proposals identified in **Appendix H** 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 considered 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 L**.
 - 3 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 £10.2m 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 The current budget gap as set out in **Appendix F** is £297,000.

- 11 This is an early stage of the budget process and with a new government in place, there are many uncertainties that are likely to impact the gap as the process progresses.
- 12 There are also other issues such as the staff pay award, new leisure contract and potential changes to domestic waste and recycling collection.

The National Picture

- 13 Since the general election in July, the new Government has claimed the Government's finances are in a poor position including the Chancellor stating that there is a £22bn black hole.
- 14 In its submission to the Treasury ahead of the October 30 fiscal event, the Local Government Association (LGA) says the Government needs to take immediate steps to stabilise council finances and protect vital local services.
- 15 The LGA said there is a growing risk of systemic financial failure with 18 councils reliant on being given Exceptional Financial Support by the Government in February to balance their books in 2024/25.
- 16 LGA analysis shows that due to inflation and wage pressures alongside cost and demand pressures, English councils face a £2.3 billion funding gap in 2025/26, rising to £3.9 billion in 2026/27. This is a £6.2 billion shortfall across the two years.

The Way Forward

- 17 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 25 February 2025.
- 18 The 'Financial Prospects and Budget Strategy 2025/26 and Beyond' report has been presented to FIAC and Cabinet to start the budget setting process for 2025/26.

Financial Self-Sufficiency

- 19 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 traditional Revenue Support Grant or New Homes Bonus, to deliver its services.
- 20 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.

- 21 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.
- 22 The Local Government Association's Corporate Peer Challenge in December 2021 also commented that 'This extended financial framework provides an excellent platform which has supported effective budget management and planned, long-term, decision making.'
- 23 With the Council receiving no traditional 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 New Homes Bonus will be put into the Financial Plan Reserve which can be used to support the 10-year budget.
- 24 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 traditional Revenue Support Grant through the Government formula.
- 25 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

- 26 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.
- 27 The Service Dashboards cover a summary of the services provided, objectives, achievements and opportunities, challenges and risks and performance.
- 28 **Appendix A** contains the Service Dashboard for this Advisory Committee. **Appendix B** contains the Performance Indicators and **Appendix C** contains the budget for those services.

Savings Plan

- 29 **Appendix D** 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.

30 The savings plan requires a total of over £10.2 million to be saved between 2011/12 and 2024/25 which is an average saving of £734,000 per annum.

Current 10-year Budget Position

31 The 10-year budget set out in **Appendix E** has been updated from the version agreed by Council on 8 February 2024.

32 The current budget gap is £297,000 which is detailed in **Appendix F**.

33 There are a number of factors that may alter the budget gap as the budget process progresses including:

- Pay awards.
- Local Government Finance Settlement.
- Council Tax referendum limit.
- Business Rates Retention
- New leisure contract.
- Potential domestic waste and recycling collection changes.
- Homelessness.
- Ongoing maintenance of council properties including decarbonisation linked to new EPC standards and regulations coming into force in April 2027.

34 Here are further details on some of the above:

35 **Pay** costs total £21m. The 2024/25 pay award (from April 2024) has not yet been agreed. The National Employers for local government services offer was £1,290 per full time employee up to a certain pay point and 2.5% on higher pay points. This would cost £80,000 per annum less than the current assumption of 4%.

36 The unions have rejected the offer and will be balloting their members for strike action. The initial claim by the unions was the higher of £3,000 or 10%. This would cost £1.2m per annum more than the current assumption.

37 Negotiations regarding the 2025/26 pay award have not yet commenced. The assumption in the attached 10-year budget is a 2% increase.

38 The provisional **Local Government Finance Settlement** is expected to be announced in December with the final version announced in February.

39 The Local Government Finance Settlement (LGFS) for 2024/25 included Revenue Support Grant (RSG) of £198,000 but it is important to highlight that this is not new or additional funding. The reason for this is that a number of previously separate grants have been rolled into RSG. Due to the way RSG is calculated, there is a danger that this amount will disappear in later years.

- 40 Negative RSG (i.e. where council's pay government) has previously been proposed by government. It was not implemented by the previous Government but remains a threat going forward.
- 41 Two one-off grants were included in the Local Government Finance Settlement for 2024/25 as follows:
- Funding Guarantee (£1.548m) - 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.
 - Services Grant (£16,000) – This grant is determined based upon the resources DLUHC (now MHCLG) has left after decisions on all other grants.
- 42 It has not been assumed that these will continue.
- 43 **Council Tax** (£12.8m in 2024/25) – The Government **referendum limit** has initially been set at 2% in recent years although it has been changed later in the process. The referendum limit in 2024/25 for district councils was increased to the higher of 3% or £5. An increase of 2.97% (£7.02 for a Band D property) was agreed for 2024/25. The assumption remains at 2% for future years.
- 44 The new Government has not yet given any clues as to whether the referendum limit will change, therefore the assumption remains at 2% for all years. A 1% change in council tax equates to £150,000 per annum over the 10-year budget period.
- 45 **Business Rates Retention** (£3.2m in 2024/25) - 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 £40m of Business Rates in 2024/25.
- 46 The assumption in the 10-year budget is at the 'Baseline Funding Level'. The following two items are in addition to this.
- 47 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 agreed that the pool arrangement would continue in 2024/25, but nothing has been assumed for later years.
- 48 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.

- 49 It remains uncertain as to the future of Business Rates Pools and when the much delayed Business Rates Reset will take place and therefore the associated impact on the amount of Business Rates retained by the council.
- 50 Due to the number and scale of factors that could change the budget gap, it is important Members fully participate in the process by making suggestions so that Advisory Committees can propose a range of ideas for Cabinet to consider which will enable decisions to be made as the budget process progresses.
- 51 The options are likely to cover a number of areas including:
- Service efficiencies.
 - Additional income.
 - Service reductions.

Proposed Growth and Savings/Additional Income Items

- 52 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 2025/26 and Beyond' report considered by Cabinet on 19 September 2024.
- 53 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 and create a list of further options.
- 54 Managers have agreed a range of savings that do not require Member approval. These are listed in **Appendix G** (if applicable).
- 55 The proposed growth and savings/additional income items relating to this Advisory Committee are listed in **Appendix H** (if applicable).
- 56 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 J** (if applicable).
- 57 Ideas received from Members prior to the relevant committee report deadline are listed in **Appendix K** (if applicable).

Role of the Advisory Committees

- 58 Training sessions on the budget process were provided last year as it was the first time new members had been involved in the process. Following requests, similar training will be provided this year for Members who could not attend last year or wish to be reminded. If Members require any further training or have any questions about the process, they are asked to contact Adrian Rowbotham or Alan Mitchell.
- 59 Following the member questionnaire on the last budget process which was issued in April, the following improvements have been made to this budget process:
- Members will be able to put forward their suggestions at the relevant Advisory Committees and engage in the debate even if they are not a member of that committee. They will also still be able to put forward suggestions which will also be considered by the relevant Advisory Committee.
 - Suggestions not supported by Advisory Committees will be included in an additional appendix to Cabinet in December.
 - All email suggestions will receive a response from the Finance Team.
- 60 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 12 December 2024.

Process and Timetable

- 61 This report is the second stage of the budget process as shown in the Budget Setting Timetable (**Appendix M**).
- 62 The next stage will be a Budget Update report to Cabinet on 12 December 2024 to provide details of progress made.

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.

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.

Climate Change Implications

Individual climate change 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.

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.

Appendices

Appendix A – Service Dashboards relating to this Advisory Committee

Appendix B – Performance Indicators relating to this Advisory Committee

Appendix C – 2024/25 Budget by Service relating to this Advisory Committee

Appendix D – Summary of the Council's previously agreed savings plan and growth items

Appendix E – 10-year budget

Appendix F – Changes to the 10-year budget

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

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

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

Appendix K – Ideas received from Members

Appendix L - Financial Strategy

Appendix M – Budget Setting Timetable

Background Papers

Financial Prospects and Budget Strategy 2025/26 and Beyond – Cabinet 19
September 2024

Adrian Rowbotham

Deputy Chief Executive and Chief Officer – Finance & Trading