

## BUDGET UPDATE 2025/26

Cabinet – 12 December 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 2025/26 budget and updates Members on key financial information.

The position in this report shows an annual budget gap of £437,000 if the SCIA's included in this report are accepted. Further information will be considered including the Provisional Local Government Finance Settlement, but additional decisions may be required to ensure that a balanced 10-year budget position is delivered once more.

The Cabinet will receive a further Budget Update report on 16 January 2025 and will make its final recommendation on the budget on 13 February 2025, after taking into account any updated information available at that date.

**Portfolio Holder:** Cllr. Kevin Maskell

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

Alan Mitchell, Ext. 7483

**Recommendation to Cabinet:**

- (a) Decide whether each growth and savings/additional income proposal (SCIA) listed in Appendix C and detailed in Appendix D should be included in the budget.
  
- (b) Look at the further growth and savings/additional income suggestions put forward by Members that were supported by the Advisory Committees (Appendix E) and not supported by the Advisory Committees (Appendix F) and decide one of the following options for each suggestion:

- (i) Consider within this budget cycle and ask for SCIA's to be presented to Cabinet in January.
  - (ii) Ask that the Portfolio Holder has further discussions with the Chief Officer.
  - (iii) Do not take any further.
- (c) Depending on the budget position following the recommendations above, provide officers with any further instructions.

**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

- 1 At the Cabinet meeting on 19 September 2024, Members considered a report setting out the Council's financial prospects for 2025/26 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 2025/26 and beyond.
- 2 It was mentioned in the above report that some information is expected to be received late in the process therefore it would be beneficial to have some options available should further savings be required.
- 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 will be considered at this meeting.

## 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 G**.
  - 6 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 likely 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 £10.2m of savings have been made since 2011/12. **Appendix B** 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 Grant Thornton's Annual Report on Sevenoaks District Council for 2022/23 (the latest published report) stated:
- 14 'We are satisfied with the evidence we have seen that supports the conclusion that the Council has robust arrangements for financial planning.'
- 15 'Financial planning and strategic priorities are integral components of the Council's operations, as reflected in the comprehensive financial strategy. The Council operates with a 10-year budget cycle with built-in reserves repayment, robust budget-setting processes, and proactive identification of areas for savings and income generation. This approach has allowed the Council to adapt to the rising financial pressures and anticipate the long-term consequences of their operating decisions. There is evidence of prioritising statutory spend in the budget update, aligning with the Council's commitment to fulfilling its legal obligations.'

## **Financial Self-Sufficiency**

- 16 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 traditional Revenue Support Grant or New Homes Bonus, to deliver its services.
- 17 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 traditional Revenue Support Grant from 2017/18.
- 18 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.
- 19 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.'
- 20 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 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.

- 21 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.
- 22 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.

### **Feedback from the Advisory Committees**

- 23 The intention of the report to each Advisory Committee was to provide Members an opportunity to give their views on potential growth and savings/additional income items that could be included in the updated 10-year budget.
- 24 Two training sessions were provided to Members in October. If Members required any further training or required any additional details on the content of the budget reports and appendices, they were advised to contact Adrian Rowbotham or Alan Mitchell.
- 25 To assist the Advisory Committees in making additional suggestions for growth or savings for Cabinet to consider, Members were given a Service Dashboard and budget details for the services within their terms of reference.
- 26 Each Committee was presented with Service Change Impact Assessments (SCIAs) which contained suggestions for growth or savings/additional income. Each Committee's views on these will be passed to Cabinet.
- 27 Additional suggestions were provided by Members either before or at each meeting. Any that were supported by the relevant Advisory Committee are listed in **Appendix E** and those not supported are listed in **Appendix F**.

### **Current 10-year Budget Position**

- 28 All changes to the budget since the Financial Prospects and Budget Strategy report are listed in **Appendix C**. This shows an annual budget gap of £437,000 if the SCIAs are accepted.
- 29 The current growth and savings proposals are listed in **Appendix C** and a Service Change Impact Assessment (SCIA) for each proposal is included in **Appendix D**.
- 30 The further suggestions made by Members are listed in **Appendices E and F**. Service Change Impact Assessments (SCIAs) will be produced for any of these suggestions that Cabinet wish to support and will be included in the Budget Update report to Cabinet on 16 January 2025.

## The Way Forward

- 31 The Government announced its Autumn Budget on 30 October 2024 which provided little new information relevant to local authorities.
- 32 The main impact was the increase in employers National Insurance Contributions. This is expected to cost the council an additional £404,000 in 2025/26 however, MHCLG have stated that this will be funded by Government. No further details have yet been provided but the assumption is that it will be funded.
- 33 A Funding Statement is expected shortly that should provide more headlines on the likely impacts on funding of local authorities.
- 34 The Provisional Local Government Finance Settlement (LGFS) for 2025/26 is expected to be announced on 19 December. A Policy Statement is expected to provide some headlines in late November. The settlement is expected to include details of the following:
- Council Tax referendum limit.
  - Business Rates Retention figures.
  - Grants.
  - New Homes Bonus.
- 35 The April 2024 pay award was agreed between the National Employers and the unions on 22 October. This included an annual increase of £1,290 up to spinal point 43 and an increase of 2.5% for higher spinal points. This results in an average increase of 3.87% which is £71,000 below the 4% assumption previously included.
- 36 The April 2025 pay award negotiations between the National Employers and unions have not yet commenced. The assumption currently included in the budget is a 2% increase.
- 37 Budget decisions made by Kent County Council (KCC) can have a knock on effect to this council. One being proposed is to reduce funding to district councils for the Council Tax Reduction Scheme and altering Council Tax exemptions. In effect this funding allows staff to be employed within Council Tax teams which results in a higher collection of Council Tax. This would be a direct saving by KCC but is expected to result in reduced collection of Council Tax and therefore a lower level of Council Tax received by KCC in excess of the initial saving. This decision if approved by KCC, is likely to result in a reduced amount of Council Tax received by all recipients (i.e. KCC, SDC, Fire, Police, Town and Parish councils). A 1% reduction in collection rate would result in £128,000 less income for SDC.

- 38 Other assumptions will continue to be reviewed as more information becomes available.
- 39 The following reports will be presented to the Finance and Investment Advisory Committee with the details included in the budget report to Cabinet and Council in February:
- Treasury Management Strategy 2025/26
  - Property Investment Strategy Update
  - Capital Programme and Asset Maintenance 2025-28
  - Risks and Assumption for Budget 2025/26
  - Fees and Charges
- 40 A review of reserves will also be included in the budget report in February.
- 41 The 2025/26 tax base will be presented at Cabinet on 16 January 2025. At the same time, Members will be presented with an estimate of the Collection Fund balance as at 31 March 2025. It is likely that the tax base will be lower than assumed due to the number of residential properties built in the district in the past year.
- 42 Work will continue to reduce this gap including looking for further savings and reviewing reserves held. Cabinet are asked to propose areas that should be focused on recognising that there remain a number of unknowns and further savings options may be required.
- 43 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.
- 44 The Cabinet will make its final recommendation on the 2025/26 budget at its meeting on 13 February 2025, after taking account of the latest information available at that date.

## **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 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 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 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 financial 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. If the net total of growth and savings/additional income proposals identified by the Advisory Committees and approved by Cabinet does not reach the required level, additional savings will be required that may result in service changes, to ensure a balanced budget position.

## **Appendices**

Appendix A – 10-year Budget

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

Appendix C – Changes to the 10-year Budget

Appendix D – Service Change Impact Assessment forms (SCIAs)

Appendix E – Further growth and savings suggestions supported by the Advisory Committees

Appendix F – Further growth and savings suggestions not supported by the Advisory Committees

Appendix G – Financial Strategy

Appendix H – Budget Timetable

## **Background Papers**

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

Budget 2025/26: Review of Service Dashboards and Service Change Impact Assessments (SCIAs): Finance and Investment Advisory Committee 24 October 2024, 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

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer – Finance & Trading**