

**REPORT TO THE STRATEGY & RESOURCES COMMITTEE – 3RD FEBRUARY 2020
AGENDA ITEM 8**

COUNCIL TAX 2020/21 AND REVENUE BUDGET SETTING

Report of:	Grant Miles – Interim Chief Financial Officer (Section 151) – gmiles@tandridge.gov.uk
Purpose of Report :	To allow Members to consider and recommend the level of Council Tax to apply in 2020/21, together with determining the General Fund revenue budget.
Publication status:	Unrestricted
Recommendations:	<p>That the Committee recommends to Council that, subject to the Government's final announcement on the Local Government Finance Settlement:</p> <p>A. a General Fund revenue budget for 2020/21 of £11,264,732 be approved which includes all income and expenditure plans for Policy Committees;</p> <p>B. the Band 'D' Council Tax for 2020/21 be £220.98;</p> <p>C. the estimated minimum General Fund Working Balance of £2,058,000 be approved;</p> <p>D. the Committee notes the outcomes of the Provisional Local Government Settlement;</p> <p>E. the Committee notes the Parish Councils' precept requirements for 2020/21;</p> <p>F. the current Local Council Tax support scheme (unchanged) be adopted for financial year 2020/21.</p>
Appendices:	<p>'A': New Homes Bonus allocations (page 17)</p> <p>'B': Details of the 2020/21 budget (page 18)</p> <p>'C': Parish precepts (page 19)</p> <p>'D': Risk assessment (page 20)</p> <p>'E': Schedule of financial reserves (page 22)</p> <p>'F': Revised MTFS (page 23)</p> <p>'G': Indices used for MTFS assumptions (page 24)</p>
Background papers defined by the Local Government (Access to Information) Act 1985:	
None	

1. Background

- 1.1 In August 2019, the Council's external auditor Deloitte LLP made the following statement; "On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Tandridge District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019".
- 1.2 In line with the annual budget cycle, the Council is now required to agree a resources budget for next financial year, 2020/21, having due regard to the cost of service provision and estimates of income and to determine the level of Council Tax for the 2020/21 financial year.
- 1.3 Legislation requires the following for the Council:-
- The preparation of budget plans for a medium-term period
 - The setting of prudential indicators which determine the level of Council borrowing and capital expenditure
 - The Council's Chief Finance Officer (S151) to report on the robustness of the estimates and adequacy of the reserves
 - The Council consider any risks associated with its budget strategy.
- 1.4 The Council has now completed a lengthy budget review of all service income and expenditure for Policy Committees. There has also been a series of Member budget workshops to examine the robustness of committee spending plans for 2020/21, including growth and savings, capital plans and income charges. All Policy Committees have now considered their revenue service estimates for 2020/21 and recommended a budget to Council for the next financial year 2020/21.
- 1.5 All of the recommended budget proposals for Policy Committees are combined in this report. This report provides an overview of the general fund revenue account position for 2020/21 and future years as a basis for determining the Council tax level, which is proposed in this report. This report and its recommendations will be presented to Council on 13th February 2020 for final agreement and setting of the council tax level.
- 1.6 In summary, this budget report is recommending an increase of £5.00 per annum for a Band D property, reflecting the latest local government settlement figures received in December 2019. This is explained in Section 10 of the report.
- 1.7 All figures recommended in this report are consistent with the council tax policy of ensuring that council tax stays within the agreed limit for District Councils without the need for a referendum.

2. Spending Review, Fair Funding Review & Business Rates Retention

- 2.1 The government's 2019 Spending Review was delayed for a year to 2020/21. It is expected to determine the future funding for local government levels for a four year period (but could be less). The Fair Funding Review will determine the split of available funding between authorities for 2021/22 onwards.

- 2.2 The Fair Funding Review will calculate new baseline funding levels based on an up-to-date assessment of the relative needs and resources of local authorities. Business rates will be redistributed according to the outcome of the new assessment, alongside the resetting of business rates baselines. Transitional measures are expected to assist those losing funding.
- 2.3 It is clear from the government's forward spending plans, at the time of writing, that the overall level of spending on local government will not be increasing. Given the funding pressures on Adult Social Care budgets in particular, district and borough councils cannot plan for a more equitable, or greater, distribution of funding.
3. Business Rates Retention (BRR)
- 3.1 In 2021/22 the government are planning to change the funding methodology for local authorities. This will see the end of direct government grant (Revenue Support Grant) for those still receiving it and a move to funding from business rates retention. This was originally envisaged as being to help meet the commitment given to local authorities for more control over the money they raise locally. Therefore as the introduction of the new methodology has been deferred the Government has removed the proposal for a negative Revenue Support Grant (RSG) adjustment in 2020/21, as this adjustment was predicated on the devolution of 75% of business rates being retained.
- 3.2 It was envisaged that BRR would come into force in 2019, however there has been a change in Government since this commitment was made. In the light of this, the reset of BRR has been deferred to 2020/21. Under this change Councils may be allowed to retain some of their business rates growth for their local area.
- 3.3 However it is not clear from Ministry of Housing Communities and Local Government (MHCLG) how much of the business rates growth each Council will be able to keep from 2022/23, if any at all. Therefore, the MTFS prudently projects £1.459m will remain unchanged in future years.
- 3.4 There have been a number of pilots across England in 2019/20. However no pilots have been invited for 2020/21.
- 3.5 For 2020/21 this Council will be funded on the former business rate system. Under this arrangement the Council will collect approximately £21m, of which 50% will be paid to the Government, 10% will be paid to Surrey County Council and 40% retained by Tandridge.
- 3.6 A tariff of £8m is payable to the Government from the Council's 40% share, which substantially reduces the amount retained by this Council. The Council receives Section 31 Grant to compensate the Council for the payment of reliefs set by Government e.g. Small Business Relief, Retail Relief, Pub Relief, etc.
- 3.7 The Government sets the safety net on individual council levy rates at 92.5% of baseline funding. The safety net is designed to protect Councils from dipping below their baseline, in the event of an excessive level of business rate appeals. The Council is above the Safety Net. The Council has provisions for business rate appeals and has a Business Rate Equalisation Reserve which can be used to fund gaps (from fluctuations) in business rate income.

- 3.8 A summary of Business Rates income for 2020/21 as included in the MTFS is set out below:-

Business Rate Income	2020/21 £m
TDC Share 40%	8.772
Section 31 Grant	1.910
Subtotal	10.682
Less: Tariff	7.952
Business Rate Income 2020/21	2.730
Business Rate Deficit b/f	(0.043)
Total	2.687
MTFS-Base Line Funding	1.459
MTFS- Income over Base Line	1.228
MTFS-Total	2.687

4. Budget Strategy –overall framework for 2020/21

- 4.1 The 2020/21 revenue budget and capital programme represents the Council's spending plan for the forthcoming year.
- 4.2 The key principles of the 2020/21 budget strategy were agreed at the Strategy & Resources Committee meeting on 26 September 2019. The Committee was also presented with a revised MTFS to reflect the strategy (further updated within this report). To recap, the key elements of the strategy were as follows:-
- That a General Fund budget target for 2020-21 be set at £10,518,350 at this stage and Policy Committees be invited to compile their draft budgets within this overall target.
 - That a provision of £411,639 is made for inflation in relation to the pay award, pay increments and price inflation on expenditure and income budgets. This represents a 2.5% increase in pay and a 2.5% increase in price inflation – note **Appendix G** (page 24) highlights all the indices used in the MTFS.
 - That Policy Committees identify savings required as part of the Members budget review meetings to address the budget shortfall gap in the MTFS.
 - That Policy Committees are requested to submit their respective draft Capital programme proposals for 2020/21 to 2022/23 for consideration by Member budget review meetings and by the Strategy and Resources Committee.
 - That the reporting timetable for the budget process for 2020/21 be adhered to.
 - That the latest funding forecasts for Business Rates, New Homes Bonus and Council Tax be noted within the MTFS.
 - That the Committee note the latest update on Funding Reforms and their timetable and potential impact upon the Council.

4.3 In overall terms, all elements of the budget strategy for 2020/21 have been achieved and are included within the revenue budget proposals in this report. A local pay agreement for 2020/21 has yet to be agreed but provision for pay inflation has been set at 2.5% and is included in the budget – Section 7 provides further explanation.

5. Local Government Finance Settlement (LGFS)

5.1 The 2020/21 provisional finance settlement was finally announced on 20 December 2019 with the final settlement figures expected in February 2020 after consideration by Parliament. The settlement provides details of the Revenue Support Grant for councils (zero for Tandridge District Council) and the Settlement Funding Assessment. At the time of this report's publication, the final settlement has not been announced, hence, the figures quoted here may change.

5.2 This latest provisional local government settlement has made a number of determinations that will affect this Council in terms of:-

- Council Tax levels permissible without referendum
- Business Rate Baselines and Tariff changes
- New Homes Bonus grant
- Core Spending Power assessment

5.3 The following sections in this report explain the implications for all of the above determinations.

5.4 The report explains the composition of the proposed budget for the Council in 2020/21 and finally recommends a Council Tax level that will ensure the Council has a balanced budget for 2020/21.

5.5 The following table shows the latest main spending assessment figures announced recently by the Government on 20 December 2019. These are compared to assessment figures for previous years.

Local Government Finance Settlement	2017/18 £'000	2018/19 £000	2019/20 £'000	2020/21 £'000 (Forecast)	2020/21 £'000 (Provisional)
Revenue Support Grant	0	0	0	0	0
Retained Business Rates – Baseline	1,362	1,404	1,436	1,416	1,459
Transitional Grant	131	0	0	0	0
Tariff Adjustment (negative)	0	0	0	(729)	0
Settlement Funding	1,493	1,404	1,436	687	1,459

5.6 The table above highlights the changes in government funding between years 2017/18 and 2020/21 for the Council. It can be seen that the Negative Tariff Adjustment in 2020/21 has been removed, as it would have been unreasonable to charge this tariff whilst Councils still wait for business rate retention which will not take place until 2021/22 at the earliest.

- 5.7 The latest funding settlement sees the Council's core funding increase very slightly from £1.436m in 2019/20 to £1.459m in 2020/21 an increase of £23,000.
- 5.8 In overall terms, Government funding has reduced by £34,000 from £1,493m in 2017/18 to a provisional forecast of £1,459m in 2020/21.
- 5.9 In its spending announcement, the MHCLG also refers to changes in "core spending power". This is a term used to measure the impact of all government grant changes on local authority budgets. Core spending power is different from pure Government funding as this includes income received from Council Tax and New Homes Bonus. The table below shows key changes to "core spending power" for the Council.

Core Spending	2018/19 £'000	2019/20 £'000	2020/21 £'000
Revenue Support Grant	0	0	0
Business Rates (baseline)	1,404	1,436	1,459
Total Grant Funding	1,404	1,436	1,459
New Homes Bonus	1,025	980	989
Council Tax	7,964	8,258	8,540
Total Core Spending Power	10,393	10,674	10,988

- 5.10 The table above shows that the core spending power for the Council has increased from £10.39m in 2018/19 to £10.99m for 2020/21. This is largely due to Council Tax funding levels that have resulted from assumed increase of £5.00 in the Council tax by MHCLG.
- 5.11 The MTFs for the Council in 2020/21 now reflects a balanced budget, with the use of General Fund Reserves of £267,570 and with a Council Tax level to be agreed by this Committee and recommended to full Council on 13th February 2020.
6. New Homes Bonus (NHB)
- 6.1 The Council additionally benefits from New Homes Bonus grant (NHB) based upon the number of new residential properties in the district in the preceding year, with a supplement for affordable housing.
- 6.2 MHCLG have set out in the LGFS that they will make no legacy payments on the new allocation made for 2021. However they will continue to make payments on allocations made on earlier years which are due to be paid in 2020/21. This will result in a reduction in legacy payments from 2021/22 going forwards. The estimated reduction in 2021/22 is £681,000.
- 6.3 The Government will be consulting in the Spring 2020. Government intends to ensure New Homes Bonus is focused on incentivising homes where they are needed most. This will result in moving to a new, more targeted approach that rewards local authorities where they are ambitious on delivering the homes that are needed and which are aligned to other measures around planning performance.

- 6.4 The Council's level of overall NHB in 2020/21 will increase to £0.989m an increase of £9,000. A reduction of £0.2m in NHB was previously anticipated in 2020/21. This has been updated in the MTFS and this has reduced the required draw on reserves to balance the budget.
- 6.5 In 2020/21 the amount of NHB used to specifically fund the revenue budget is £0.737m, with £0.252m allocated to fund capital expenditure.

New Homes Bonus – Allocations up to 2021/22

	2011-12	2012-13	2013-14	2014-15	2015-15	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Allocation	234	234	234	234	234	234					
Allocation		296	296	296	296	296	0				
Allocation			396	396	396	396	396	0			
Allocation				316	316	316	316	0	0		
Allocation					326	326	326	326	0	0	
Allocation						278	278	278	278	0	0
Allocation							395	395	395	395	0
Allocation								26	26	26	26
Allocation									281	281	281
Allocation										287	
Total received in year	234	530	926	1,242	1,568	1,846	1,711	1,025	980	989	307

- 6.6 Appendix A (page 17) provides details of the NHB allocations received each year and the amount supporting the General Fund revenue budget.

7. Revenue Budget 2020/21 - Forecast cost of services

- 7.1 All Policy Committees have now considered and approved their draft budgets for 2020/21. Members of this Committee will recall that a budget gap of £954,959 was identified in the MTFS reported to Strategy & Resources Committee on 26 September 2019. Policy Committees were asked to identify savings to help reduce this gap, being mindful that the negative RSG may not be removed by MHCLG.
- 7.2 Each Policy Committee has reviewed its budget and identified a combination of efficiency savings, income generation proposals, fees and charges uplifts and other reductions (where appropriate) to help bridge the budget gap for 2020/21. A number of unavoidable growth items were also identified. Full details of these proposals are contained in the respective Policy Committee budget reports received by Committees in the January cycle of meetings.
- 7.3 A series of Members Workshops were carried out covering all Service Committee in November 2019 which covered Fees and Charges, Capital Programme Investment and Growth and Savings. Departmental budget proposals have been developed following the workshops and these have been brought forward to balance the 2020/21 budget. The proposals for these changes are included in the 2020/21 Budget.

- 7.4 Policy Committees have also identified any budget changes required for technical or legislative changes within their remit, and this includes any growth or savings items for spending on programmes such as the local plan. Budget proposals and the MTFs have been re-aligned or re-profiled where required to accommodate these plans.
- 7.5 The revenue budget for 2020/21 has also been updated for inflation on pay and prices and the assumptions used for this were also reported to Strategy & Resources Committee on 28 September 2019 at 2.5% for pay and prices.
- 7.6 The revenue budget for 2020/21 has also been updated for corporate budget items including: overall grant award changes, investment income from council investments, interest on balances, changes to NHB, and the cost of capital borrowing, known as the Minimum Revenue Provision (MRP).
- 7.7 After allowing for all of the changes above, the revised draft general fund budget for 2020/21 totals £11,264,732. This can be broken down by Policy Committee as follows:

Committee	Net Budget presented to policy committees £ 2020/21	Amendments £ 2020/21	Proposed Net Budget £ 2020/21
Strategy & Resources Committee	2,920,076	464,033	3,384,109
Community Services Committee	6,339,692	11,400	6,351,092
Housing Services Committee (GF)	461,260	(2,197)	459,063
Planning Policy Committee	1,338,038	0	1,338,038
Gross Forecast Cost of Services	11,059,066	473,236	11,532,302
Use of General Fund Reserves			(267,570)
Revised Forecast Cost of Services			11,264,732

- 7.8 The budgets taken to policy committees have been amended for the following adjustments:
- Strategy & Resources

£630,082 - Presentational change of Section 31 Grant previously held against cost of service budget, now shown as funding in the MTFs. No net impact on Council Tax requirement.

£27,200 - Decision of Planning Policy Committee to remove overhead charge to Community Infrastructure Levy (CIL) budget. This has increased the Strategy & Resources budget as costs are retained and not recharged.

(£193,249) – Correction to recharges for Corporate and Democratic core costs in respect of the HRA.
 - Community Services Committee

£11,400 - Decision of Community Services Committee to remove proposed increase on parking permits, resulting in a reduction of budgeted income.

- Housing Services Committee (GF)

(£2,197) - Decision of Housing Committee to remove growth item relating to funding of community lead worker post.

- Planning Policy Committee

Decision of Planning Policy Committee to remove overhead charge to Community Infrastructure Levy budget. This has increased the Strategy & Resources budget however Planning Policy budget remains unchanged due to removal of costs resulting in increased contribution to CIL reserve.

7.9 The forecast cost of service of £11,532,302 with funding from reserves of £267,570. This results in a net cost of service of £11,264,732 and represents the General Fund budget requirement that has to be funded by external funding available to the Council, i.e. from Business Rates and ultimately Council Tax.

7.10 A full breakdown of the cost of services is detailed in the refreshed MTFS shown at Appendix F. The MTFS also identifies the forecast budget requirement for the Council through to financial year 2022/23.

8. Council Tax referendum update

8.1 The Localism Act 2011 requires Local Authorities to hold a referendum if proposed Council Tax increases exceed a level set by the Secretary of State. This replaces the previous system of capping.

8.2 The Government's referendum limit for 2020/21 applies to the following Authorities if they increased Council Tax by more than the stated amounts below:

- a) County and Unitary Councils (2%, plus an extra 2% to be spent on adult social care)
- b) District Councils (2% or £5 on a Band D property, whichever is the greater)

8.3 Parish Councils continue not to be regulated by the referendum requirements.

9. Collection Fund – Council Tax Surplus/ Deficit

9.1 The Collection Fund is a statutory account into which all Council Tax receipts must be paid. The precepts of the billing and precepting authorities (TDC, SCC and Surrey Police) are paid from the Fund. Regulations provide that any surplus on the Fund must be fully used to reduce the level of Council Tax for the following year and cannot be used to support the revenue budget.

9.2 This Council's share of the Fund's deficit is estimated at £10,000 for Council Tax as at 31st March 2020 and this sum is included in the Council Tax setting table in 10.1 below.

10. Council Tax Setting 2020/21– Base and Options

- 10.1 As discussed in Section 7 above, the net forecast budget requirement for 2020/21 amounts to £11,264,732. This figure is used in the Council’s calculation of the amount required to be raised by Council Tax - based upon the prescribed Council Tax requirement as follows:-

Council Tax requirement summary	£	£
Budget Requirement (net cost of services)		11,264,732
Less: RSG	0	
Less: Business rates at baseline level	(1,459,000)	
Less: Business Rates / Section 31Grants	(1,228,367)	
Plus: Collection Fund Deficit	10,000	
Total External support funding		(2,677,367)
Council Tax Requirement 2019/20		8,587,365

- 10.2 The 2020/21 Council Tax requirement of £8,586,481 is shown in the table above.
- 10.3 To calculate the Council Tax level, the Council Tax base for 2020/21 is required and this is shown in the table below. The Council Tax base only allows for new properties that are on the Council’s records when the Council makes its annual return to Government in October. Any growth in the Council Tax base will only include new builds or revaluations of existing properties. Some Councils do include a forward look growth factor but the policy at this Council is to take a prudent approach and assume no new builds in the Council Tax base forecast.

	2018/19	2019/20	2020/21
	£	£	£
<u>Council Tax base data</u>	Actual	Actual	Actual
Original base	37,558.69	37,980.30	38,237.10
Growth in base	421.61	256.80	409.00
New base	37,980.30	38,237.10	38,646.10

- 10.4 Based on the above base data, an option for a Council Tax level is shown below and the Committee is recommended to agree this option. This decision takes into account the MTFS position including the level of savings already required to achieve a balanced budget for 2020/21.

- an increase of £5.00 per Band D property which reflects the referendum rules of a £5.00 or 1.99% increase – whichever is the greater.

**Recommended option for Council Tax to balance the 2020/21
Budget - £5 increase or 1.99% (whichever is greater)**

RECOMMENDED OPTION	BASE	CTAX Band D	£
Council Tax existing base income	38,237.10	215.98	8,258,450
£5.00 increase on existing base	38,237.10	5.00	191,186
Growth in base	409.00	220.98	90,380
Long Term Empty Properties			47,349
TOTAL	38,646.10	220.98	8,587,365

- 10.5 In summary, the option above provides sufficient yield from the Council Tax to meet with General Fund budget requirement of £8,587,365. This ensures that the MTFs can be balanced for 2020/21 after allowing for use of reserves, all other savings and efficiency reductions programmed within the MTFs and as agreed by Policy Committees. It is also important to note that the increase of £5.00 per Band D property (if agreed by this Committee for recommendation to Council on 13 February 2020) will remain in the base for future years so there is an ongoing benefit to consider as well as the pure yield for 2020/21.
- 10.6 In terms of the actual Band D Council Tax, the option above generates a Council Tax of £220.98, compared to £215.98 for the previous year 2019/20. The difference is £5.00 which is greater than the alternative percentage increase of 1.99% (£4.30).
- 10.7 Whilst this option provides sufficient yield to meet the 2020/21 Council Tax requirement, Members do have the option of triggering a referendum in order to attempt to set a higher increase and reduce the draw on reserves in year.
- 10.8 For comparative purposes, it is also important to illustrate the effects of other possible Council Tax level options and these are shown below as examples. Options show a 0% Council Tax increase, a 1% increase, and a 1.99%. It should be noted that these options do not provide the Council with sufficient yield to balance the 2019/20 budget and a greater contribution from reserves would be needed to fund the resulting gap.

Option for Council Tax at - £0 increase or 0%

	BASE	CTAX Band D	£
Council Tax existing base income	38,237.10	215.98	8,258,450
£0 increase on existing base	38,237.10	0.00	0.00
Growth in base	409.00	215.98	88,336
TOTAL	38,646.10	215.98	8,346,786

SHORTFALL IN COUNCIL TAX YIELD at this level - £240,579

Option for Council Tax at 1% increase

	BASE	CTAX Band D	£
Council Tax existing base income	38,237.10	215.98	8,258,450
£2.16 increase on existing base	38,237.10	2.16	82,592
Growth in base	409.00	218.14	89,219
TOTAL	38,646.10	218.14	8,430,261

SHORTFALL IN COUNCIL TAX YIELD at this level - £157,104

Option for Council Tax at – 1.99% increase

	BASE	CTAX Band D	£
Council Tax existing base income	38,237.10	215.98	8,258,450
£4.30 increase on existing base	38,237.10	4.30	164,420
Growth in base	409.00	220.28	90,095
TOTAL	38,646.10	220.28	8,512,983

SHORTFALL IN COUNCIL TAX YIELD at this level - £74,400

11. Surrey County Council (SCC); Surrey Police & Crime Commissioner (PCC); and Parish Precepts
 - 11.1 The proposed precept for Surrey County Council is currently £1,511.46 for Band D properties. This represents a total increase of 3.99% (1.99% Core precept and 2% on Adult Social Care Precept). This proposal will be confirmed at a meeting on 4 February 2020.
 - 11.2 The proposed precept for Surrey Police and Crime Commissioner is currently £270.57 for Band D properties. This represents a total increase of 3.83%. This proposal will be confirmed at a meeting on 7 February 2020.
 - 11.3 Parish Councils have determined their level of Precepts for 2019/20 and these are detailed at Appendix C (page 19).
12. Consultation with Commercial and Industrial Ratepayers
 - 12.1 In accordance with statutory requirements, a consultative event with representatives of the business community took place on the 3 February 2020. Details of ratepayers' reliefs and schemes are detailed on the Council's website.
13. Risk assessment and revenue reserves (including requirements of Section 25 of Local Government Act 2003)
 - 13.1 A risk assessment of the major areas of income and expenditure within the draft budget for 2020/21 has been undertaken. Further details are shown at Appendix D (page 20).
 - 13.2 The overall assessment is that the risks associated with the draft budget are 'medium'. This is mostly as a result of the risks arising from the national economic situation, including employment, inflation, supported and unsupported borrowing,

interest rates, income reliance and changes to Government funding levels and grants.

13.3 Section 25 of the Local Government Act 2003 requires authorities to have regard to the following matters when making decisions on the level of Council Tax:

- the robustness of the estimates included in the budget; and
- the adequacy of the proposed financial reserves.

13.4 The Interim Chief Finance Officer S151 reports that, having regard to:

- the risk assessment;
- the Council's procedures for producing and scrutinising its budget; and
- the Council's Medium Term Financial Plan;

That the estimates are robust and that it would be prudent to release £0.268m of the General Fund Reserve to balance the budget. If this advice is not accepted, this should be recorded formally in the minutes.

13.5 The estimated balance of the General Revenue Reserve as at the 31st March 2019 is £2,326,000 (as per the audited Statement of Accounts for 2018/19).

13.6 Currently the Council is forecasting a reduction in its General Fund Reserves of £1.112m in 2019/20. The Council is taking all feasible measures to reduce the overspend in 2019/20 at this time.

13.7 There will also be a planned draw from the General Revenue Fund Reserve of £0.27m in 2020/21. A statement detailing the reserves of the Council forecast, which total £20m at 31 March 2020, their usage and the forecast year-end balances is shown at Appendix E.

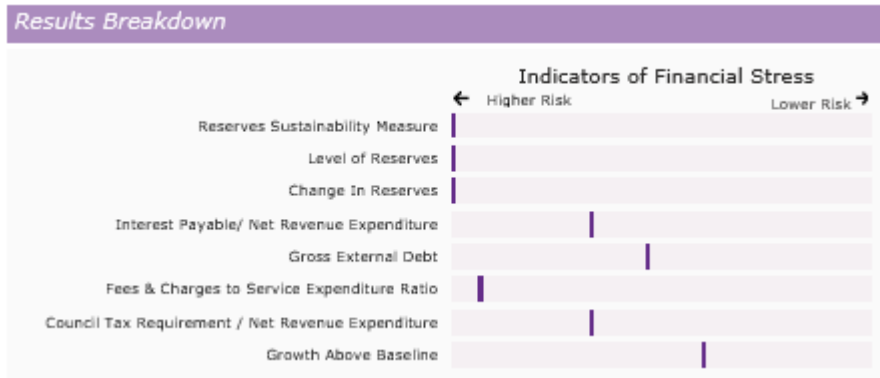
14. Capital Programme

14.1 Committees have considered their capital programmes for 2020/21 to 2022/23 and capital is reported in a separate report to this Committee. Any revenue costs or implications of funding the capital programme are included in the net budget requirement and the MTFS both of which are included within this report.

15. Budget Resilience and major financial issues for future years

15.1 Following from the financial problems at Northampton County Council, CIPFA developed a range of financial indicators relating to the resilience of local authorities given the funding crisis. The latest results are shown below – based on 2018-19 figures.

Table 15.1: Showing CIPFA Indicators of Financial Stress for Tandridge



- 15.2 From the above table it can be seen that the key reserves sustainability measure, level of Reserves and Change in Reserves places the Council in the higher risk spectrum. This is primarily due to planned usage from the development reserve for the funding of the Customer First Project.
- Interest Payable/ Net Revenue Expenditure highlights the amount of interest payable in comparison to the total net expenditure. This is inline with the gross external debt indicator. Both indicators show medium risk and comparable to other councils.
 - The Fees and Charges indicator indicates higher risk due to the low proportion of service expenditure which is funded from fees and charges. There has been a review of fees and charges as part of the budget setting process and increases applied where the market will bear the increase.
 - The Growth above baseline highlights the additional business rates collected by the council in comparison to the baseline assessment of central government. This indicator is the lowest of the indicator.
- 15.3 Overall the CIPFA indicators highlight that the reserves are being depleted faster than at other Councils and that there is a very low level of unallocated reserves (one of the lowest of 16 neighbouring borough and district Councils), and that earmarked reserves are being used more rapidly.
- 15.4 It is therefore proposed to establish a programme to rebuild General Fund Reserves. The Medium Term Financial plan has factored in a contribution to reserves in 2021/22 of £500,000 and additional £500,000 in 2022/23. This identifies the requirement for the council to make further savings across the council in order to ensure the planned contributions are made to increase the financial resilience of the council.
- 15.5 As part of the 2020/21 budget process, Committees were also asked to consider potential savings for 2020/21. This resulted in over £854,998 of savings being identified, with additional income from a mixture of efficiency savings, staff savings, income generation, fees and charges, contract savings and procurement savings. In order to balance future years' budgets, options for additional income generation and further savings will have to be explored to meet the budget requirement. There is also growth of £803,450 resulting in net savings of £51,548.

- 15.6 The latest monitoring report shows a £1.112m forecast net reduction in reserves in 2019/20, which if the Council is not able to reduce the impact will reduce the Council's Reserves significantly in 2019/20. The proposed 2020/21 Budget has achieved a balanced budget using a sum of £0.268m from Reserves. This means that the Council's Reserves will have been reduced by £1.4m by 31/3/2021.
- 15.7 The MTFS shows a forecast deficit for 2021/22 of £1.388m and a deficit for 2022/23 of £2.230m. A new Government funding formula will apply in the near future and it is unclear at this stage how this will impact upon Council finances, it may reduce or increase this deficit and this Council like most, awaits the Government announcement on the Fair Funding proposals. Given the risks arising from this it is proposed that reserves are increased.
- 15.8 This report has been based upon the Provisional Local Government Finance Settlement. The position may change once the final settlement is received which is expected in mid-February 2020.
- 15.9 Government has delayed the Spending Review to 2020/21 with the impact of this upon the Public Sector being announced in Autumn 2020 to take effect in 2021/22. Working to the same timetable MHCLG will announce the Fair Funding and Business Rate Retention plans in Autumn 2020.
- 15.10 In 2021/22 MHCLG has announced proposals which will result in a reduction in NHB of £0.681m for the Council. In addition to this MHCLG has announced that there will be consultation with Councils in the Spring about a new distribution methodology. It is therefore prudent to assume a loss of New Homes Bonus of £0.681m in 2021/22.
- 15.11 The MTFS has also allowed for a contribution of £0.5m in 2021/22 and a further increase of £0.5m in 2022/23 to provide for rebuilding reserves to a more robust or resilient level.
- 15.12 The Council is preparing a Financial Recovery Plan to develop and implement the necessary changes required to enable the MTFS to be balanced 2021/22 and 2022/23.
16. Local Council Tax support scheme
- 16.1 Under the Local Government Finance Act 2012, Councils are required to agree their Local Council Tax support scheme by 31 January each year (extended to February 2020) and make any changes as appropriate.
- 16.2 For 2020/21 it is proposed to make no changes to the existing scheme and this will continue based upon the existing Council Tax Reduction Scheme England Regulations 2012. Local Tax support will be calculated using 100% of the Council Tax liability for both working age and pension age claimants.
- 16.3 The current value of Local Council Tax support thus remains the same with a current year value of £4.48m.
- 16.4 The number of claimants receiving Council Tax support is currently 3,554 compared to 3,247 in 2018/19 (being the last full financial year of data).
- 16.5 There is a risk in future years that the cost of the scheme may increase due to changes in caseload as more people move to Universal Credit and also any increases in Council Tax rates. This will be monitored carefully.

16.6 The Council receives funding and adjusts through its Council Tax base for Council Tax Support and therefore costs are already accounted for this scheme.

16.7 Any further reforms or legislative changes to the scheme will be reported to future meetings of the Committee as appropriate.

17. Legal Implications

17.1 The Monitoring Officer reports that the Council is under a duty to set a balanced budget and that the 'Section 151 Officer' (i.e. Acting Chief Finance Officer) has achieved this requirement.

18. Equality Impacts

18.1 It is considered that the proposals within this report do not have the potential to disadvantage or discriminate against different groups in the community.

19. Conclusion

19.1 Information has been provided in order to enable Members to recommend to Council the level of Council Tax to apply in 2020/21.

19.2 The statutory declaration for the setting of the Budget and Council Tax will be completed once the Government's Final Local Government Finance Settlement and Precepts have been received.

----- end of report -----

New Homes Bonus – Allocations up to 2022-23

	2011-12	2012-13	2013-14	2014-15	2015-15	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Allocation	234	234	234	234	234	234						
Allocation		296	296	296	296	296	0					
Allocation			396	396	396	396	396	0				
Allocation				316	316	316	316	0	0			
Allocation					326	326	326	326	0	0		
Allocation						278	278	278	278	0	0	
Allocation							395	395	395	395	0	
Allocation								26	26	26	26	0
Allocation									281	281	281	281
Allocation										286		
Total received in year	234	530	926	1,242	1,568	1,846	1,711	1,025	980	989	307	281
Total to GF budget	234	530	730	930	1,130	1,330	1,137	737	537	737	307	281
Total to Fund Capital Expenditure	0	0	196	312	438	516	574	288	443	252	0	0

Note 1. The above table illustrates new and existing allocations up to 2022-23. Further allocations may be received in the years thereafter, however nothing is built into the plan for future years new allocations (only the legacy payments). This aspect will be reviewed and reported to committee as part of the Medium Term Financial Plan and budget process.

Note 2. For 2020/21 the total NHB figure of £988k is still provisional, pending the announcement of the final Local Government Settlement. It is anticipated that of this, £737k will be used to fund revenue, £252k will be used to fund capital and will be transferred to the RCCO reserve.

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Section 1 - Committees have put forward draft budgets for 2020/21 as follows:

Committee	Original Budget 2019/20 £	Draft Budget 2020/21 £
Housing General Fund	885,261	459,063
Planning Policy	2,182,849	1,338,038
Community Services	6,495,676	6,351,092
Strategy & Resources	878,184	3,384,109
Use of Reserves	0	(267,570)
Total Budget	10,441,970	11,264,732

Section 2 - The following shows the major movements between 2019/20 and 2020/21:

	£
Original Budget 2019/20	10,441,970
S131 Amendment	630,082
Amended Net Council Budget	11,072,052
Growth:	
Inflation	411,598
Use of New Homes Bonus Reserve	(200,000)
Charges for capital – Minimum Revenue Provision and interest	81,500
Treasury investment	15,000
Increase in provisions/reserves for voids and income equalisation	100,000
Net Policy Committee growth	
Additional Short Term Staffing	463,000
Savings:	
Asset income	(346,800)
Net Policy Committee growth	(51,548)
Support Service Allocation	(12,500)
Use of Reserves	(267,570)
Draft Budget 2020/21	11,264,732

Section 3 – Future years position:

	2021/2022 £	2022/23 £
MTFS shortfall	1,338,561	2,230,792

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Parish Councils	Parish Council precepts		
	2019/20 Parish precept £	2020/21 Parish precept £	2020/21 Parish liability for Band D households £
Bletchingley	38,500	40,000	29.35
Burstow	73,560	73,370	37.98
Caterham on The Hill	103,180	108,339	20.74
Caterham Valley	72,486	72,486	19.00
Chaldon Village	29,120	30,284	31.28
Chelsham & Farleigh	18,139	19,046	46.35
Crowhurst	14,850	15,600	89.40
Dormansland	55,000	40,000	23.76
Felbridge	17,000	24,000	20.49
Godstone	60,425	64,655	25.81
Horne	25,000	25,250	55.55
Limpsfield	32,470	33,315	16.24
Lingfield	55,000	60,000	30.60
Nutfield	60,769	61,350	50.02
Outwood	19,327	19,327	55.57
Oxted	50,000	55,500	10.89
Tandridge	12,000	12,000	35.47
Tatsfield	44,000	48,000	54.20
Titsey	0	0	0.00
Warlingham	72,962	76,538	19.23
Whyteleafe Village	38,713	41,795	22.70
Woldingham	44,080	44,080	37.40
	936,581	964,935	

RISK ASSESSMENT - MAJOR EXPENDITURE AND INCOME AREAS

The risks to the achievement of the budget 2020/21 are updated as follows:

Risk Area	2020/21	Notes
	£'000	
Major areas of fee income e.g. fees and charges, land charges and building control income	80 to 180	These are areas where external economic factors and consumer demand exhibit a significant influence and therefore there is a higher risk that income levels will fluctuate either higher or lower. Land charges and building control operate as trading accounts so there is limited impact upon the General Fund. Calculation based upon variation of 5% overall, with higher range for planning fees.
Investment income shortfall	70	Based on a 10% variation on interest receivable from the council's investments. Interest rates are considered reasonably stable, however the whole market awaits the potential for larger increases in Base Rates which could then trigger more frequent increases thereafter. Arguably there is a risk of interest rates declining.
Inflation	94	Based upon 2.5% higher inflation in areas of contractual spend. Wherever possible budgets would be cash limited irrespective of inflationary factors.
Increased housing benefit (HB) applications and increase use of bed and breakfast	734	Whilst the majority of HB cost falls to be met by the Government there is nevertheless some impact upon the Council and the potential also for an adverse impact upon cash flow. There is a possibility that the use of bed and breakfast type accommodation could also increase. Total benefit budget £24m.
General operational risks	500	Risk associated with unforeseen situations, including potential for any additional costs arising from the Local Plan.
Reduced Government Grant or reduced income from business ratepayers	180	There remains the possibility that some specific grants from Government would be reduced during the year. The impact of reduced business rates is limited by safety net arrangements. There is a continuing risk associated with New Homes Bonus that it may cease after the current 4 year allocation. This has been factored into the MTFS in 2021/22.

Agency Staff	511	Recruitment issues and cover for vacant posts – or for specific specialist projects such as the Local Plan may require additional vacancy cover and costs. Risk calculated at 5% of overall staff budget.
Surrey County Council continued funding pressures	TBC	The outcome of the SCC budget process could have an impact on other funding streams in addition to recycling credits above.
Achievement of savings	19	Risk of not achieving savings built into the budget. Savings (net of growth) of £180,700 identified. Risk calculated at 10%.
Parking Income	42	Risk of income from charging for parking not being achieved due to economic downturn.
Asset sales / redevelopment / property investment	71	Risk of anticipated income not being achieved, including through lack of suitable investment properties, insufficient sales and redevelopment opportunities. Also changes to MHCLG regulations (currently under consultation) to limit Councils' ability to invest in non-financial instruments. Assume 10% variation in budget.
Minimum Revenue Provision / borrowing cost unsupported	163	A high proportion of the annual MRP requirement is now covered by income from properties and rental income, it is thus supported. If tenants are lost then this could leave the Council vulnerable to unsupported borrowing costs. Assume 30% loss of rental income and cover required for MRP payments.

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ESTIMATED FINANCIAL RESERVES

	2019/20		2020/21		2021/22		2022/23		
	Opening Balance	Usage During Year	Opening Balance	Usage During Year	Opening Balance	Usage During Year	Opening Balance	Usage During Year	Closing Balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Essential Reserves for Financial Prudency									
General Fund Working Balance	2,326	0	2,326	-268	2,058	768	2,826	1,000	3,826
GF Budget Reserve	1,300	-1,112	188	0	188	0	188	0	188
Development Reserve	494	0	494	0	494	0	494	0	494
Business Rate Equalisation	958	0	958	0	958	0	958	0	958
General Fund Balances	5,078	-1,112	3,966	-268	3,698	768	4,466	1,000	5,466
HRA Working Balance	750	0	750	0	750	0	750	0	750
Sub Total - working balances	5,828	-1,112	4,716	-268	4,448	768	5,216	1,000	6,216
Reserves to Finance the Capital Programme									
Capital Receipts GF	2,051	-389	1,662	-163	1,499	-20	1,479	-10	1,469
RTB Receipts Reserve (to be spent within 3 yrs)	1,418	-102	1,316	655	1,971	58	2,029	0	2,029
Revenue Contribution to Capital Outlay	157	443	600	251	851	0	851	0	851
Govt Grants Unapplied	579	0	579	0	579	0	579	0	579
Community Infrastructure Reserve	2,739	794	3,533	1,735	5,268	2,000	7,268	2,000	9,268
HRA Major Repairs Reserve	0	0	0	0	0	0	0	0	0
HRA New Build Reserve	5,652	0	5,652	-2,426	3,226	-1,172	2,054	-459	1,595
HRA Repairs Reserve	454	-200	254	-201	53	0	53	0	53
Sub Total	13,050	546	13,596	-149	13,447	866	14,313	1,531	15,844
Earmarked reservs for specific GF uses									
Building Control Reserve	83	0	83	0	83	0	83	0	83
Local Land Charges	90	-20	70	-10	60	-10	50	-10	40
TCS Reserve (vehicle replacements)	147	0	147	-147	0	0	0	0	0
S106	765	0	765	0	765	0	765	0	765
Homelessness Funding	229	-9	220	-40	180	-40	140	-40	100
Other Reserves	111	-5	106	-2	104	-2	102	0	102
Sub Total	1,425	-34	1,391	-199	1,192	-52	1,140	-50	1,090
Grand Total	20,303	-600	19,703	-616	19,087	1,582	20,669	2,481	23,150

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Medium Term Financial Strategy and Efficiency Plan - latest TDC position 28th January 2020

	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Net Council budget b/fwd	9,849,670	9,981,848	10,441,970	11,264,732	12,798,326
Previous Year Section 31 Grant Adjustment		585,000	622,000	0	0
Current Year Section 31 Grant Adjustment	585,000	37,000	8,082	0	0
Amended Net Council Budget	10,434,670	10,603,848	11,072,052	11,264,732	12,798,326
<i>Inflation on Pay and Non-Pay Expenditure and Income</i>	381,060	383,470	411,598	419,640	430,131
<i>Technical Funding Changes to base budget</i>					
Business Rate income set aside for increase in appeals provisions	621,764	(848,000)	(250,000)		
Use of Reserves change (use of equalisation reserve for BR Appeals)	(795,000)	856,890	250,000		
Use of Reserves change (use of BR reserve for capital contribution to car park)		(400,000)			
Contribution to RCCO		400,000			
Use of New Homes Bonus Reserve		(75,000)	(200,000)		
Revenue contribution for Childrens centres		75,000			
Support Service Allocations			(12,500)		
Asset / Net Investment Income - note before MRP - see MRP number below	(300,000)	(708,890)	(346,800)		
New Homes Bonus Grant- change in allocation	374,000	200,000		681,000	
Collection Fund and other grants adjustments		(153,976)			
4 Year Settlement - Transitional Grant	131,900				
Increase in provisions/reserves for voids and income equalisation		150,000	100,000	100,000	100,000
Treasury investment income from specified and non specified investments	(190,000)	(88,000)	15,000		
Minimum Revenue Provision - amount set aside for loan repayment	88,754	544,578	81,500	15,500	15,500
<i>Committee Growth/Savings (see attached summary)</i>					
Resources/Support Services	(388,900)	71,100	(72,000)		
Community Services	1,600	632,750	327,050	12,000	
Housing Services GF	18,500	(65,800)	(34,448)		
Planning Services	336,500	320,000	(272,150)		
Corporate saving - Insurance	(148,000)				
Additional Short Term Staffing			463,000	(463,000)	
Use of General Fund Reserves			(267,570)	768,454	500,000
<i>Customer First Project</i>					
Project Costs	1,994,513	(1,659,313)			
Anticipated Staff Savings	(293,000)	(876,200)			
	1,701,513	(2,535,513)			
Application of Development reserve /Capital reserve	(390,000)	390,000			
Application of General budget reserves	(961,513)	961,513			
Project contingency funding allocation	(350,000)	350,000			
	0	(834,000)			
Forecast Net Cost of Services	10,566,848	11,063,970	11,264,732	12,798,326	13,843,957
<i>Funding available to the Council</i>					
Council Tax surplus/(deficit) from Collection Fund	28,000	125,521	(10,000)	0	0
Business Rates - Baseline Funding Level	1,404,000	1,436,000	1,459,000	1,459,000	1,459,000
Business Rates - Income in excess of Baseline Funding Level	1,170,000	1,244,000	1,228,367	1,160,000	1,160,000
Base income from existing Council Tax base	7,647,700	7,964,849	8,258,450	8,587,365	8,790,765
Annual increase on existing Council Tax base	228,732	238,136	191,186	169,252	169,252
Long-Term Empty Property Policy Change			47,349		
Growth on new Council Tax base	88,416	55,464	90,380	34,148	34,148
Sub-total Council Tax	7,964,848	8,258,449	8,587,365	8,790,765	8,994,165
Total core funding available to Council	10,566,848	11,063,970	11,264,732	11,409,765	11,613,165
Forecast budget shortfall / gap	0	0	0	1,388,561	2,230,792

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MTFS ASSUMPTIONS USED	BASE £'000	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
General Inflation - prices	3,925	2.5%	2.5%	2.5%	2.5%
Pay bill growth	10,978	2.5%	2.5%	2.5%	2.5%
Fees & Charges increased yield on discretionary charges	5,232	0-3%	0-3%	0-3%	0-3%
Interest rate used – medium term investments		0.80%	0.80%	0.80%	0.80%
Increase in Council Tax		2.99% increase on Band D	1.99% increase on Band D or £5	1.99% increase on Band D or £5	1.99% increase on Band D or £5
Band D equivalent Council Tax		215.98	220.98	225.98	230.98