

Appendix A

Draft Budget 2024/25 and Medium-Term Financial Strategy to 2026/27

1. Introduction

- 1.1 The Draft Budget for 2024/25 and Medium-Term Financial Strategy to 2026/27 sets out the strategic context for the Council, an overview of the Committees and then the key elements of the 2024/25 budget, including:
 - Budget Pressures
 - Savings Plans
 - Funding Projections
 - Reserves and Resilience
 - The Capital Programme
 - The Medium-Term Outlook
- 1.2 Although not mandatory, it is good practice to produce a draft budget in order to provide financial context for the policy Committee budgets to be determined in January. Although a significant amount of further work is required, the Draft Budget represents a staging point in the process and a reference point for the finalisation of plans.
- 1.3 In overall terms, good progress has been made to identify and brief Members on savings plans since the September Committee cycle. The overall savings plan remains largely unchanged but further detail is provided on each saving line. Briefings have taken place to ensure that Members are aware of the contents of the savings plan. The Draft Budget provides a solid base to go into the final stage of budget setting, despite continued uncertainty over funding and inflation, as set out in the remainder of this document.
- 1.4 The Council's overall approach is to deliver credible plans to balance its own budget and continue the progress towards financial security. This should be achieved without the use of reserves as a short-term fix for ongoing pressures. However, reserves remain low by comparison to similar authorities and efforts will be made to remedy this over the medium-term.
- 1.5 Earlier reports to the Committee identified a savings target of £750k for 2024/25, based on an allowance for service budget pressures of £500k. Whilst savings of £586k of savings have been identified to-date, service budget pressures have been contained at £360k. The shortfall of £164k against the £750k savings target has therefore been offset by this reduction in identified pressures of £140k and a small improvement in funding assumptions. This provides a balanced overall position at this Draft Budget stage.

- 1.6 However, work to identify further savings or other opportunities to improve the budget position will continue. This is particularly important because a detailed review of the Planning Policy Committee budget (as set out in sections 3.28 to 3.31 below), currently underway, is likely to require an increase to the Committee's budget to ensure that it is set at an appropriate and sustainable level in future.

2. Strategic Context

2.1 New Corporate Plan 2024-2028

The Council's current Strategic Plan expires in 2024. Having a corporate vision and plan is an essential element of the of the Future Tandridge Programme. Successful Councils use them to clearly articulate their priorities to a range of audiences, including residents and external stakeholders, they also support bids for external funding.

From 2024, the new Corporate Plan will be aligned to the budget setting process. Annual reviews of the plan's objectives will coincide with budget setting and service planning, which will in turn inform staff appraisals. This year's budget has been built around the existing objectives of the Committees, with emerging priorities in mind.

The development of the new Corporate Plan is underway, Workshops have been held with councillors, staff and external stakeholders to consider emerging themes and help identify priorities. The Residents' Survey 2023 also included questions designed to inform the plan.

A first draft of the Corporate Plan is to be discussed with Councillors in December before consultation with stakeholders. The plan will align with future budget setting.

Annual service planning has been re-introduced, with all services producing a plan to set out priorities for 2023/2024, underpinned by resourcing considerations and key performance indicators. These plans have been discussed and agreed at Extended Management Team (EMT). These plans have helped identify staff objectives in appraisals, which were also re-established.

From 2024, the adopted Corporate Plan will help inform service plans, which in turn will inform manager and staff appraisals.

3. Committee Overviews

- 3.1 This section provides a high-level overview of the activities, challenges and opportunities for each Committee. It is intended to provide brief context to the budget pressures and savings set out in the draft budget, for the benefit of external readers who may be unfamiliar with the Committees' work.

Community Services

- 3.2 The Community Services Committee is the Council's largest service Committee in terms of spend and is responsible for the Council's policies in respect of Leisure, Community grants, Community Safety Environmental Health, Licensing, Waste and Amenity Management.
- 3.3 The Committee is pursuing the following key developments for 2024/25
- Work with Freedom Leisure to design a Leisure/Wellbeing Strategy
 - Work with partners and community groups to identify youth provision opportunities to improve the districts anti-social behaviour hot spots.
 - Continue to support the response to the Ukraine crisis through community engagement and support to guests Develop an anti-social behaviour strategy to enhance reporting and monitoring of cases.
 - Adoption of the *SEP (Surrey Environmental Partnership) 2025 - A partnership approach to waste prevention and recycling* document
 - Commissioning the delivery of the grounds maintenance for parks / opens spaces and housing sites
 - Continuing the playground refurbishment / replacement scheme
 - Developing a strategic approach to deal with Ash die back across the district.
- 3.4 The key risks identified in 2024/25 include:
- Inflationary pressure on external contracts,
 - Tree management including Ash die back disease,
 - Under-recovery of income from car parking and cesspool emptying,
 - Monitoring and managing the impact of inflationary and other costs pressures on external contractors delivering services on behalf the Council
 - The increase in Domestic Homicide reviews cases which will put pressure (which cannot be quantified at this stage) on resources and budgets.
- 3.5 Significant pressures include:
- The under-recovery of income from car parking has continued since the pandemic and it is considered that this is likely to be a longer-term structural change linked to changes in behaviour and reductions in travel.
 - Inflation has a significant impact on the costs of external contracts where they can increase their charge annually based on inflationary pressures. The Council has little influence on these external forces and as such this does represent a significant risk going forward.
 - Ash die-back and general management of trees is a risk area for the Council both in terms of health and safety and financially as more work will need to be carried on the Council's trees and woodlands. A more strategic approach to managing Ash die-back will be developed.

- 3.6 There are several significant capital programmes that will need to be delivered in 2024/25 including:
- Playground refurbishment and replacement; and
 - Public conveniences.

During 2023, an options appraisal has been carried out by officers on Grounds Maintenance services provision, to determine the most suitable method of delivering these services to residents. During the remainder of 2023/24, market engagement, services specifications and procurement activities will progress, working towards agreeing a delivery model and contract for November 2024 onwards.

Housing Committee

- 3.7 The Housing Committee is responsible for formulating and reviewing the Council's policies for the management including repair, maintenance, improvements, sale, acquisition, allocation and control of all the Council's housing stock. In addition, the Housing Committee has the vital role of looking at the private sector housing conditions including standards of condition and the provision of a housing advisory service to prevent homelessness within the district.
- 3.8 As part of the FTP several key lines of enquiry were identified and have since been completed. Most prominent is ensuring appropriate use of Government Homelessness Prevention Grant to offset legitimate service expenditure. This action was completed in 2023/24 and with grant fund expenditure now under continuous review. A second action was the introduction of a new housing structure and ensuring compliance with new and upcoming legislation. A new staff structure has been in place since February 2023 with changes to some roles to ensure compliance with ever changing statutory regulation and increasing consumer standards. In addition to this, a Tenant and Leaseholder Engagement Strategy has been approved with actions continuing to be completed on both the Housing, and Homelessness and Rough Sleeping strategies. Processes for aids and adaptations in both Council owned and private sector housing have been streamlined and are now delivered through the Housing Improvement Agency Millbrook Care Ltd. Other actions such as review of IT systems within the service, income maximisation and the feasibility review of Meadowside Park are either in progress or due to commence in Q4 of 2023/24.
- 3.9 In addition to this work, a review of the delivery of responsive repairs and void maintenance in Council owned homes is currently underway. The aim of this review is to review the existing delivery model and consider alternative future delivery models. This is with the aim of improving value for money, performance and resident satisfaction. This project is scheduled to complete mid 2024/25.

- 3.10 Mindful of the Council's responsibilities in respect of climate change, work is commencing to ensure costings for future efficiencies through 'retrofitting' existing stock or demolition and redevelopment of stock that is uneconomical to maintain is being completed. This complements the move towards a future carbon zero position. Two bids for government grant funding have been unsuccessful, one a sole application and the second made via a Surrey consortium. An application for round three is now being drawn up with support of external consultants to support our bid.
- 3.11 Other activity in 2023/24 included the tendering of a new contract to deliver the Disabled Facilities Grants and adaptations to Council housing through a Home Improvement Agency. This again has been completed and a contract award has been made with a contract start date of 1 April 2024.
- 3.12 Ongoing resilience of the Council's Housing Service is vital to be able to support our ongoing programme to provide a direct supply of new Council owned homes. Construction materials and labour costs have risen significantly as the industry suffers from the cumulative effect of Covid-19, Brexit and the war in Ukraine. The housing programme is still subject to delay as a result of market conditions and a previous lack of resources within the development team. The original council house building programme commenced in 2015 and consisted of 142 units. There have been 86 completions to date including 10 buybacks. There are 4 remaining schemes onsite. Two are due to complete this year, and two in early 2024/25.
- 3.13 The need for affordable homes continues to grow in the district. The Council seeks to develop and extend the programme of Council house building in the next year alongside working with Housing Associations to improve the flow of supply. The buy-back programme has been a success, and a further extension of the scheme has been agreed. The continued supply of Council owned homes to meet the growing demand will require the Council to pursue opportunities for open market land purchase as well as developing on existing land. 'Buy backs' of Council properties are also progressing.
- 3.14 In addition to the current house building programme work is ongoing to complete on 7 purchases under the LAHF scheme before 30th November 2023. 6 purchases have completed with the final purchase due to complete by the end of the month. Officers are now in the process of securing 6 more properties under the LAHF round 2 following this Committee's approval in September. Two properties are already under offer with viewings ongoing.
- 3.15 The Council's Investment Partner application has been approved by Homes England along with the first grant bid – for the Uplands scheme for the sum of £1,020,000. Grant bids have also recently been submitted for the schemes at Caterham on the Hill.

- 3.16 The Housing team carries out extensive support work for all residents of Tandridge not just Council tenants. Housing Needs are assessed, the Council's Housing and Homelessness strategies are being progressed, Disabled Facilities Grants are administered, and a handyperson service is provided via the Home Improvement Agency. Administration of Housing Benefit is brought to the Housing Committee. Much of the work is governed and dictated by legislation, with considerable statutory returns required throughout the year.
- 3.17 The Housing Department continues to seek opportunities for shared services with neighbouring authorities. 2023/24 saw the continuation of the Syrian Refugee, Afghan Relocation and Homes for Ukraine Schemes. Joint working between internal teams and partnership working with colleagues from neighbouring authorities has led to the success of the implementation and ongoing management of these schemes. This work will continue into and most likely beyond 2024/25. Joint working relationships have been established with Reigate and Banstead Borough Council in relation to fraud management within the housing service. This service allows investigation of housing register and homelessness applications, housing benefit fraud and the investigation of all Right to Buy applications.

Planning Policy Committee

- 3.18 The Planning function is a key statutory function of the Council. The Planning Policy Committee is responsible for influencing and controlling development and use of land throughout the District in its role as Local Planning Authority. This includes:
- The preparation, adoption and review of all statutory Development Plans;
 - Administration of Building Control regulations;
 - All transport and infrastructure related issues;
 - Allocation of Community Infrastructure Levy (CIL); and
 - Co-operation and liaison with agencies outside the Council in respect of conservation, heritage, economic development and other planning related issues.
- 3.19 On 19 October 2023, Full Council asked the Inspector to write his final report on the emerging Local Plan and bring the Examination to a close. The Council has been advised that the Inspector will find the emerging local Plan unsound in his report. The remaining Local Plan funding will be treated as ringfenced for policy matters whilst the future spending need on preparing a new local plan and for other policy related workstreams is established. Any amounts not spent this financial year will be preserved for future use.
- 3.20 The Planning Transformation started in 2021 and has continued into 2023. Development Management are actively seeking to move towards having a full-time complement of staff with significantly reduced reliance on contract staff. This should reduce budgetary pressures moving forward into the 2024/25 financial year. Changes are also being progressed in working practices to improve efficiency and to allow staff more time to work on processing and determining planning applications.

- 3.21 The pre-application service is bringing in additional income as part of the overall budget for the Committee. There is potential for Planning Performance Agreements to also provide additional income streams.
- 3.22 The Land Charges service is undergoing a digital transformation which is being funded by Government Grant.
- 3.23 The administration of the Building Regulations is delivered by the Council as the host of a shared service in partnership with Reigate and Banstead Borough and Mole Valley District Councils under the name Southern Building Control Partnership (SBCP) A draft budget has been prepared and presented to the SBCP Board which consists of a Member and Senior officer from each member authority.
- 3.24 The partnership member authorities require that the partnership sets a balanced budget which ensures that its costs are covered by income from its chargeable services. The draft for 2024/25 includes items based a revised staff structure and the completion of an IT project to upgrade the partnership's Salesforce platform and bring the IT support under Tandridge's team.
- 3.25 There is no change in the level of support service recharges paid to the Council in respect of its role as host authority.
- 3.26 Following a revision in the Inter Authority Agreement and a review of application numbers, Tandridge District Council's share in the partnership has been reduced from 35% to 31%. The Council holds a ringfenced reserve to meet any deficit that may arise.
- 3.27 For 2024/25, because of the ongoing Planning Transformation programme and uncertainty in costs required for future planning policy work, the Committee has not been required to identify efficiencies to close the budget gap, however the following pressures are included:
- A - £80k- The Council is increasing the specific allowance in the budget to fund the expected increased cost of planning appeals arising from the lack of 5 year housing land supply and developments with the emerging Local Plan. Previously these costs have been absorbed into the service budget;
 - Land Charges Income Pressure - £22k - Local Authorities generate income from third parties for providing Land Charges information (eg LLC1 information). Going forwards Central Government will provide LLC1 information to third parties. There will a loss of income to TDC.
- 3.28 The Planning Policy Committee is overspending by £419k in the current financial year. Elements of this (for example on appeals provision and land charges income reduction), are already reflected in the 2024/25 draft budget.

- 3.29 However, the Chief Planning Officer is working with the Planning Service, the Chief Executive, Deputy Chief Executive, Section 151 Officer and Finance to establish a realistic and workable budget for the Committee. This is likely to result in additional budget pressures that go beyond those set out in the Draft Budget.
- 3.30 In order to reflect these properly in the final budget papers in January, there will be a process of Member consultation in December. This will commence with the Chair and Vice Chair of the Planning Policy, Planning and Strategy & Resources Committees, followed by Member Reference Group and ultimately all Members through the Committee process.
- 3.31 The S151 Officer will set out a funding strategy to meet any pressures, which may require additional savings for other Committees that go beyond those set out. The indicative savings target for 2024/25 was £750k, so some movement from the £586k set out in Appendix B was expected as part of the original planning assumptions, as reported to Strategy & Resources Committee in June and September.

Strategy and Resources Committee

- 3.32 The Strategy and Resources Committee's primary purpose is to enable and support frontline services with resource functions including Legal, Information Technology, Finance, Human Resources, Customer Services, Policy and Communications.
- 3.33 There are a small number of statutory services delivered in the Committee including Democratic Services, Emergency Planning and Revenues and Benefits and some discretionary services including Wellbeing Prescription and Asset Management.
- 3.34 The Committee is also responsible for the Corporate Items section of the budget which supports the whole Council. These include:
- Ensuring support costs are charged to ring-fenced business areas (HRA, Southern Building Control Partnership, Gryllus Ltd, Wellbeing Prescription, CIL and Land Charges).
 - Managing investments and borrowing, including interest receivable, interest payable and investment property income.
 - Setting aside the appropriate revenue provision when investing in capital assets.
 - Reviewing pension fund performance against the pension funding position to assess the primary (part of salaries budgets) and secondary rate of contributions to cover the cost of new benefits.
 - Accounting for the bank charges, bad debt provision movements/write-offs on sundry debts, and movements in reserves and contingency.
- 3.35 The budgetary position for the current financial year shows that Strategy and Resources support costs are forecast to underspend by £108k.

- 3.36 Corporate Items is forecasting a net shortfall of £85k at outturn. Even though this is a small variance, there are significant corporate pressures for 2024/25 as detailed in Appendix B.
- 3.37 Services within the Committee aim to realise better customer experience and efficiency through digital innovation, subject to an ongoing project to transform the Council's digital capability. This is intended to help deliver a step change in the effectiveness of our services and to improve the support we provide to other policy Committees. Delivering this programme, with a focus on our responsiveness to customer needs will be one of the key priorities into 2024/25.
- 3.38 As part of the Future Tandridge Programme, the Committee is continuing to pursue improvements to the delivery of its services and savings to the revenue budget. 2024/25 will see savings of £343k for this Committee, or approximately 59% of the total savings plan. This reflects a continuing desire to target savings toward support services wherever possible and maintain delivery of services to residents.

4. Budget principles

- 4.1 The Council continues to ensure that the budget setting process adheres to the following guiding principles, unchanged from those used successfully in 2023/24:
- A balanced revenue budget with the use of General Fund Reserves avoided in anything but unforeseen circumstances that cannot be met from contingencies or reduced spend elsewhere;
 - Maintaining and ideally building the contingency to provide further medium-term financial resilience and to mitigate risk;
 - Supporting and enabling the Council to fund the Future Tandridge Programme and associated improvements to its services;
 - Continuing to explore options to build resilience of General Fund Reserves;
 - Completing the Future Tandridge Programme within available resources, delivering services with appropriately set budgets;
 - Producing evidence-based savings plans which are owned/delivered, tracked, monitored and reported monthly; and
 - Ensuring that managers are accountable for their budgets.

4.2 The principles more specifically relating to setting sustainable medium-term budgets are:

- Developing multi-year plans, integrated with capital investment across the Council;
- Application of a budget envelope approach with a model to determine a consistent and transparent application of funding reductions to Committee budget envelopes, backed by formal reporting to Committee;
- Envelopes validated annually based on realistic assumptions;
- Evidence bases used to underpin savings proposals and investments;
- Assurance that all savings, pressures and growth are managed within budget envelopes to ensure accountability for implementation;
- Pay and contract inflation allocated to Service budgets to be managed within budget envelopes; and
- A corporate contingency held centrally to mitigate risk.

5. Revenue budget headlines

- 5.1 The Draft Budget is published approximately one month before the release of the Local Government Finance Settlement (expected towards the end of December), which brings some clarity to the level of funding for the coming financial year. Given the economic turmoil in recent months and the expected need to significantly reduce public sector spending, the Draft Budget has been prepared with a material level of uncertainty on the level of funding.
- 5.2 With that in mind, the Draft Budget has been built around a neutral scenario, as previously reported to this Committee, which assumes that reductions in Government funding are offset by an increase in Council Tax income and potentially through locally generated increases in business rates, including gains achieved by pooling with other authorities, leading to a small increase in funding overall. The report provides more details on each of these funding elements.
- 5.3 Assuming funding remains as per the Draft Budget in overall terms, any new pressures (required increases in the Council's budget) must be offset by a plan to make savings, or generate more income, by an equal amount. The level of budget pressures therefore determines the level of savings required.

- 5.4 There is a risk that funding will be insufficient to meet the current indicative budget, meaning that further savings may be required. This will be subject to consultation with Members in December and may ultimately require formal consideration by Committees and full Council in January and February of 2024.

Overall budget position

- 5.5 The overall budget position at this Draft Budget stage is balanced. Any further pressures identified as budget position is finalised will require further savings to offset. The overall summary is set out in Table 1, below.

Table 1 – Overall Budget Movements for 2024/25 to 2026/27

	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Brought forward budget	11,935	12,459	13,724	
<u>Movements</u>				
Total Pressures	1,110	1,265	1,285	3,660
Total Savings	(586)	0	0	(586)
Net Increase / Decrease	524	1,265	1,285	3,074
Indicative Budget Requirement	12,459	13,724	15,009	

The indicative net Budget Requirement is £12.459m. The projected funding to meet this is set out in Section 8.

6. Budget pressures

- 6.1 Total pressures are as follows, with further detail in Appendix B. Note that £750k of the corporate pressures are temporarily held on behalf of other Committees (including inflation allocations and pay provision).

Table 2 – Summary of pressures for 2024/25 to 2026/27
Pressures

Committee	Pressure			
	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Community Services	14	0	0	14
Housing GF	0	0	0	0
Planning Policy	102	0	0	102
Strategy & Resources	159	0	0	159
Total Service Pressures	275	0	0	275
Corporate Items - Service Pressures	85	500	500	1,085
Subtotal Service Spending Pressures	360	500	500	1,360
Corporate Items - Pressures held for other Committees (Pay award & inflation)	750	765	785	2,300
Corporate Items - Corporate Costs	0	0	0	0
Total Pressures	1,110	1,265	1,285	3,660

2024/25 Service Pressures - c£0.4m, including:

- **£333k Service demand changes** – notably £80k for Planning appeals, £85k for Planning management, £88k for audit fees, and £71k to recruit a Commercial Finance Business Partner.
- **£27k Loss of Income** – consisting of £22k Land Charges income, and £5k of recycling credits.

2024/25 Corporate Pressures – c£0.75m:

- **£333k Inflation** – A centrally held allowance to cover the net inflation on contract costs, offset by an expectation that some fees and charges will increase. Fees and charges increases will be subject to discussion with councillors and approval by Committee. The underlying assumption on inflation is based on 5% (down from 11% at the equivalent point in 2022) - based on recent CPI, however there are a number of areas where contracts are subject to their own inflation pressures which have been factored into the total.
- **£417k Pay, Pensions and Increments** – This allows for a future discussion with members on the appropriate level of pay award for 2024/25, which should be held after the Local Government Finance Settlement, when affordability constraints are clearer.

7. Savings

- 7.1 The 2024/25 savings plan has been designed to deliver tactical savings whilst the Council finalises the implementation of key elements of the Future Tandridge Programme, including the Digital Programme, the renewed Grounds Maintenance services, key commissioning reviews (including Voids and Housing Repairs) and the People Plan. Savings have not been identified beyond 2024/25 as yet, but will be required to close the Medium-Term budget gap as projected in section 11. A Transformation Programme Director resource is currently out to recruitment to work with the Council to shape and deliver its future plans within available resources.

The table below summarises the savings currently identified for 2024/25 by Committee and by category. Full detail of the savings plan is set out in Appendix B. 59% of the savings target is allocated to Strategy & Resources as part of a strategy to ensure that front-line services are protected from savings wherever possible. The savings in Community Services and Housing are delivered without service impact, relating mainly to increased income, centralisation of contingencies or applying Government grant to fund existing spend. There are no savings in Planning Policy Committee. An initial savings target for the year of £750k was communicated to Committee in June and September. Further savings may be required to meet any final budget pressures emerging in December.

Table 3 – Summary Savings for 2024/25

Committee	2024/25 £000
Community Services	(208)
Housing GF	(35)
Planning Policy	0
Strategy & Resources	(205)
Corporate Items	(138)
Total Savings	(586)

Saving type	2024/25 £000
Review funding levels	(186)
Commercial opportunities	(126)
Process reviews and early digital gains	(83)
Full year effect of FTP savings	(22)
Commissioning	(169)
Total Savings	(586)

8. Funding

8.1 The table, below, sets out a summary of projected funding for 2024/25, amounting to £12.459m. The table also shows the increase from previous years. This funding projection represents a neutral scenario but there is some degree of uncertainty until the Local Government Finance Settlement is released. It is considered unlikely that there will be major changes to the Government's funding distribution in the lead up to a General Election and in the absence of a fundamental review of the funding distribution methodology. The £524k increase projected for 2024/25 is consistent with the scale of increase (£584k) seen last year.

Table 4 – Summary Funding for 2024/25

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Change £000	Comments
Council Tax Precept	8,690	8,937	9,255	9,586	331	Band D rate at 2.99%
Business Rates, Levy and Funding Guarantee	1,459	1,633	2,369	2,720	351	Includes 3% funding guarantee
Other Grant Funding	1,178	785	416	57	(359)	Removal of New Homes Bonus Assumed
Funding before collection fund	11,327	11,355	12,039	12,363	324	
Collection Fund	(32)	(5)	(104)	96	200	The Council holds a reserve to accumulate prior-year surpluses on business rate funding which can be released to manage the volatility in funding.
Total Funding	11,295	11,351	11,935	12,459	524	

Council Tax - £9.586m

8.2 A detailed update on the Council Tax Base is provided in Appendix G – this is subject to a recommendation for Committee to approve as the basis for budget setting in 2024/25. The tax base has increased by 0.57% from 38,904.9 Band D equivalent properties to 39,128.0 Band D equivalent properties.

8.3 Council Tax income is assumed to increase by £331k to £9,586k. This is based on the following increases:

- Council Tax for 2023/24: £9.255m
- Tax Base Growth (confirmed): £0.053m
- 2.99% increase (subject to approval in February 2024): £0.278m
- **Total: £9.586m**

Table 5: Council Tax collection performance over the last four years. 2019/20 is provided as a comparator, being the last year before Covid-19 began to impact.

	April %	September %	March %
2019/20	17.3	63.6	98.2
2020/21	16.4	61.8	97.3
2021/22	16.9	63.6	97.4
2022/23*	16.6	61.7	96.8
2023/24	16.5	61.5	

*This shortfall, linked to cost of living pressures, was anticipated and the actual amount collected was in line with budget.

- 8.4 Collectability rates are still lower than pre-Covid years. This reflects both the residual impact of Covid-19 and the subsequent effect of cost-of-living pressures.
- 8.5 Given that 2023/24 performance is broadly in line with 2022/23 (the last full year), the intention is to maintain the estimated overall collectability rate of 98.8%, subject to a budgeted deficit as set out in section 8.6. However due to the ongoing impact of inflation and cost-of-living pressures, this will need to be carefully managed during the year.
- 8.6 Based on the above, the assumed collection fund deficit for 2024/25 is **£0.1m**, again consistent with previous years. Whilst the 2022/23 collection rate may suggest a larger deficit, in reality, Council Tax generated in 2022/23 was equivalent to the amount expected in the budget. Because the budget is set based on the actual tax base in October, the shortfall in collection performance is offset by a subsequent growth in tax-base during the year.
- 8.7 The collection fund deficit is also offset in 2024/25 by a proposed **£0.2m** release from a collection fund smoothing reserve, which in total stands at £1.1m. This is a prudent release of surpluses collected in previous years, including business rate pooling gain. The reserve is held to even-out business rates and council tax performance (reflected in the Collection Fund) across financial years and allay the risks of economic downturn.

Council Tax discounts and exemptions

- 8.8 There are no changes to any of the discounts, premiums and exemptions to Council tax for 2024/25.

Business Rates and Funding Guarantee - £2.72m

8.9 Business Rates funding is a headline term incorporating several separate elements:

- **Directly retained Business Rates income** - Local businesses pay Business Rates net of reliefs and discounts directly to TDC (**expected c£20.5m for 2024/25**). This is adjusted as follows:
 - o **Retention:** The amount retained after Surrey County Council (10%) and Central Government (50%) are allocated their shares. The remaining 40% - **c£8.2m** - is allocated to the Council;
 - o **Reliefs:** Nationally set Business Rate reliefs subsidised by Central Government through Section 31 grants - This refers to Section 31 of the Local Government Act 2003 which enables Government to reimburse Local Authorities for the cost of subsidising Business Rates eg: Retail Reliefs. For the Council S31 grants equate to approximately **£2.9m**;
 - o **Tariff and Levy:** A tariff is then applied because the Council generates more funding than Central Government calculate we require (**c£9.1m**)
 - o **Funding Guarantee £0.7m**– a Government intervention to ensure that Core Spending Power increased by a minimum of 3% in 2023/24 (assumed to continue)
 - o Leaving an amount of funding for Council services equal to the **c£2.7m**.

8.10 £2.7m of overall Business Rates funding represents a net increase of £0.4m on the 2023/24 projection. This increase is based largely on the total of core business rates and S31 grants, at £11.3m against the 2023/24 estimate £10.9m. Within that increase:

- o S31 grant projections have increased from £3.1m to £3.2m,
- o Underlying rates increasing from £7.8m to £8.2m.

These changes are based on the Council's Government Return for business rates (NNDR1) for 2023/24.

The 2024/25 total rates have also been validated against advice provided by LG Futures, external Local Government funding advisors, in an update provided on 5th September 2023. The projections are based on an assumptions of 2024/25 income that will continue to be refined as the budget is finalised.

The Council took part in the Surrey business rates pool in 2021/22 and 2023/24. Pooling membership is based on the best overall outcome for Surrey authorities and varies from one year to the next. The pooling gain from 2021/22 has yet to be finalised and 2023/24 is in progress. When confirmed, any gains will mitigate funding risks in the budget.

Grant Funding

- 8.11 The Draft Budget for 2024/25 has been formulated on the basis that grant funding reduces to a residual £57k for the services grant, where no change has been assumed from 2023/24. It is assumed that other grants including New Homes Bonus will cease:

Table 6: Grant funding projections

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Change £000	Comments
New Homes Bonus	341	618	359	0	(359)	Assumed will cease
Services Grant	0	102	57	57	0	Assumed no change for 2024/25
Covid-19 Grant Funding	498	0	0	0	0	One off for 2021/22
Lower Tier Grant	340	65	0	0	0	Removed after 2022/23
	1,178	785	416	57	(359)	

9. Reserves Update and the Office for Local Government (Oflog) resilience statistics

- 9.1 General Fund Reserves in the 2023/24 budget were set at £2.8m. Although 2022/23 was completed with a surplus of £111k, this was set aside as additional contingency for potential spending pressures in 2023/24. Depending on the 2023/24 outturn position, elements of the £921k contingency may be added to General Fund Reserves.
- 9.1 As part of the 2023/24 budget setting process, the Council resubmitted its request to DLUHC for a capitalisation direction to fund the transformation programme and replenish reserves. This was to be funded by the anticipated sale of the Redstone building.
- 9.2 As reported to Committee in September, on the 12th September 2023, Government wrote to the Chief Executive and the Leader of the Council to confirm that the Council's request had not been approved, citing the Council's improved financial position. The letter concluded as follows:

"The department recognises and commends the Council's efforts to grip and manage its budget pressures, and the successful steps taken to deliver the transformation and savings programme in 2022/23 and in 2023/24. Should the Council have concerns about its ability to manage its budget in future, the offer from the department to speak to councils in this situation remains open."

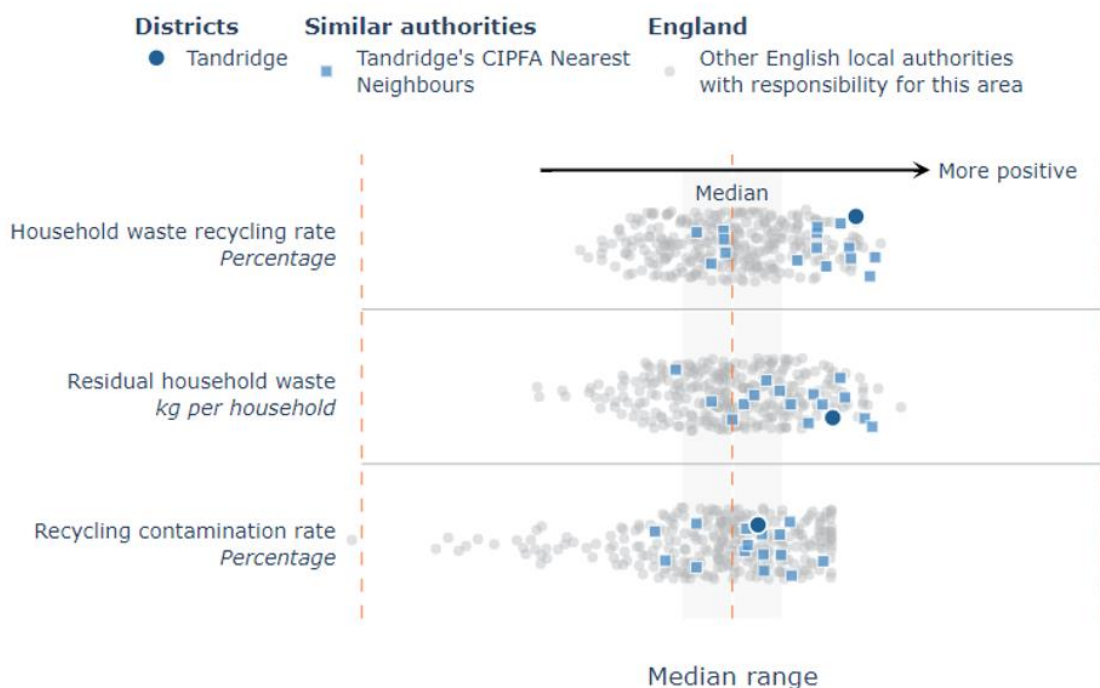
- 9.3 In the meantime, sector-wide flexibility to use capital receipts to fund transformation programmes remain in place, so plans to fund the Future Tandrige Programme remain as previous set out.
- 9.4 The Office for Local Government (Oflog) was launched on 4th July 2023 and with the intention of providing authoritative and accessible data about the performance of Councils.
- 9.5 At present, the data collated covers four areas,
- Adult skills
 - Adult social care
 - Finance.
 - Waste

The latter two are the ones that are relevant to a district council such as Tandrige.

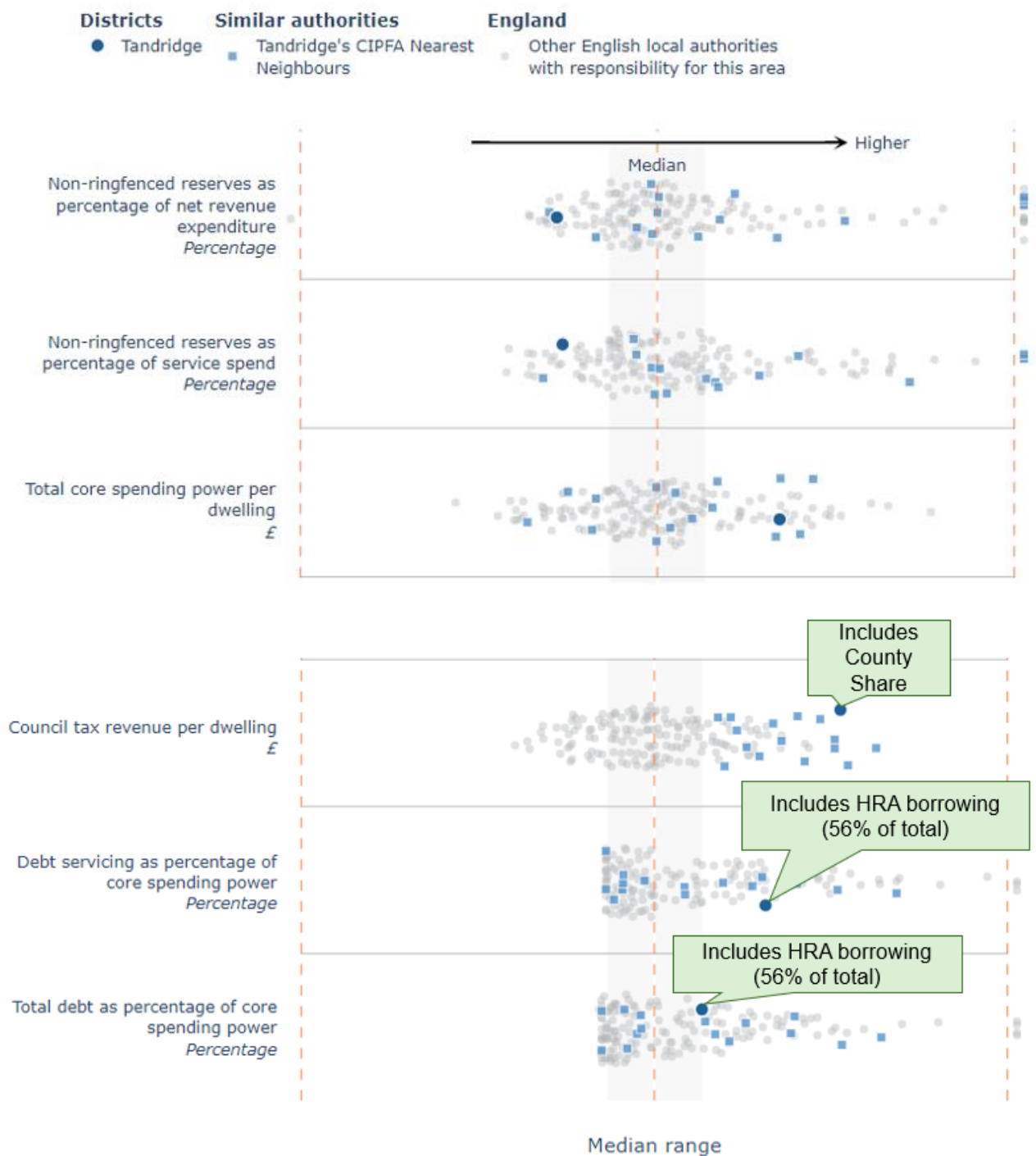
Data for the Oflog indicators is taken from the same source as that used for CIPFA Resilience Index and so it is proposed to refer to these Government endorsed statistics in future, although they are problematic (as set out below).

Below are Oflog graphs that demonstrate TDC performance against similar authorities. It can be seen that TDC performs strongly for Waste metrics:

Waste Metrics



Finance Metrics – Similar Authorities



9.6 As can be seen in the Finance charts above, the Council has low levels of reserves by comparison to similar authorities, but in other respects is not an outlier. This reconfirms earlier analysis in the CIPFA Resilience Index.

- 9.7 The Council has a relatively high Core Spending Power by comparison to other similar authorities. The fact that we are deemed by Government to be relatively well funded should be seen as a warning sign for future Government funding reviews.
- 9.8 The remaining indicators are problematic. They are included here for completeness as they feature prominently in the published Oflog data. As an example, the Council Tax revenue per dwelling figure which is high for TDC, includes the County and Police precept which make up 88% of the total. This indicator, therefore, does not accurately reflect the Council Tax levels that TDC can influence.
- 9.9 The two debt indicators are set out above exactly as published by Oflog. This is included for completeness but ignores the fact that 56% of our total borrowing is HRA related. Officers from the Council along with other authorities with HRAs are lobbying Oflog to review this presentation to make it comparable with non-HRA authorities.
- 9.10 Officers will undertake a review of reserves and contingencies as part of finalising the budget proposals. A full breakdown of reserves is reported to Strategy & Resources Committee each January. There is no intention to reduce the General Fund balance as part of these budget proposals. Growth of the reserve will depend on the extent to which the 2023/24 contingency of £921k remains unused.
- 9.11 The base-budget contingency of £445k currently remains unchanged as part of these draft budget proposals. It is recommended to retain a substantial contingency to guard against unforeseen spending pressures.

10 Draft Capital Programme 2024/25 to 2026/27

- 10.1 This section of the report provides an update on the development of the Council's Capital Programme for 2024/25 to 2026/27, taking into account work that has been carried out by officers in recent weeks. Further work is being undertaken to review proposed allocations in advance of presenting a Final Budget Report, ensuring finalised costs of borrowing are included in the Revenue budget as part of the Final Budget Report in February 2024. The Capital Programme is developed following a review of spending need to deliver on the Council's objectives and key priorities. Members will be consulted where new proposals, if any, require further detailed business cases to support their affordability, deliverability and need.
- 10.2 The Capital Programme sets out our expenditure plans and how we will pay for them over a three-year period. The current three-year Capital Programme was approved by Council in February 2023. The Capital Programme has been refreshed as part of developing the Draft Budget but officers are undertaking further work to refine this before the Final Budget is presented.

- 10.3 The Capital Programme is funded from a combination of external and internal resources. External funding is mainly in the form of Central Government grants and Community Infrastructure Levy (CIL). Internal funding takes the form of locally raised funds such as borrowing and capital receipts, as well as contributions from revenue budgets. There are significant constraints on the availability of internal funds, particularly capital receipts, which are finite in nature and depend upon identifying surplus assets for sale or disposal.
- 10.4 Councils are permitted to borrow to fund capital expenditure, as long as that borrowing is deemed affordable, prudent and sustainable. Borrowing to fund the Capital Programme has an impact on the revenue budget in the form of interest payments and Minimum Revenue Provision (MRP) payments. The more that is borrowed to fund the Capital Programme, the greater the impact on the revenue budget. MRP is the minimum amount which the Council must charge to its revenue budget each year, to set aside a provision for repaying both external borrowing (loans) and internal borrowing. This is an annual revenue expense in the Council's budget. The cost of MRP to the 2024/25 budget is estimated to be £0.9m, pending confirmation of final borrowing figures for 2023/24. The MRP cost for 2024/25 is likely to be less than originally assumed, however the budget has been retained to offset income risk in the Council's investment properties.
- 10.5 The Council's current MRP policy was approved by Council in February 2023. The annual charge is currently calculated using the annuity method, where MRP is the principal element for the year of the annuity required to repay borrowing over the asset's useful life. The policy for 2024/25 will be included as part of the Final Budget report.
- 10.6 All borrowing for capital schemes takes place within agreed prudential limits which establishes a benchmark for affordability and sustainability. A range of indicators are maintained to demonstrate this. These indicators are maintained within the Council's Capital, Investment and Treasury Management Strategy and are monitored and reported to the Investment Sub Committee and Council on a regular basis. The Capital, Investment and Treasury Management Strategy demonstrates how the borrowing requirement will be managed. This strategy will be set out as part of the Final Budget papers in February 2024.

The table below shows the draft three-year General Fund Capital Programme and how it is planned to be funded for 2024/25 to 2026/27.

Table 7: Summary Capital Programme

	2024/25 £000	2025/26 £000	2026/27 £000	Total Programme £000
Planning	2,849	-	-	2,849
Community Services	1,400	1,079	718	3,196
Housing General Fund	643	505	515	1,662
Strategy & Resources	2,892	170	26	3,087
Total Capital Programme	7,783	1,753	1,258	10,794

	2024/25 £000	2025/26 £000	2026/27 £000	Total Programme £000
External Funding/Grants	2,323	880	515	3,718
Community Infrastructure Levy	3,799	0	0	3,799
Capital Receipts	0	0	0	0
Borrowing	1,661	873	743	3,277
Total Capital Programme	7,783	1,753	1,258	10,794

Community Services

10.7 The proposed three-year Capital Programme 2024/25 to 2026/27 for Community Services is £3.2m. The schemes comprise of:

- UK Shared Prosperity Fund – Delivery of Open Space Strategy - £0.8m;
- Garden Waste, Recycling, Food Waste and Refuse bins - £0.6m;
- Public Conveniences - £0.5m
- Children’s Playground Improvements - £0.4m;
- Vehicle Replacement Programme - £0.4m;
- Parks, Pavilions and Open Spaces - £0.4m;
- Car Park Equipment Replacement Programme - £0.1m; and
- Projects collectively below £0.1m: Replacement litter bins, Land Drainage Works, Plant and Machinery Replacement Programme, Roads and Pathways.

Housing General Fund

10.8 The proposed three-year Capital Programme 2024/25 to 2026/27 for the Housing General Fund is £1.7m. This is the Disabled Facilities Grants (DFG) programme which is funded from DFG.

Strategy and Resources

10.9 The proposed three-year Capital Programme 2024/25 to 2026/27 for Strategy and Resources is £3.1m. The schemes comprise of:

- Croydon Road Regeneration - £2.3m
- IT Hardware and Infrastructure Projects - £0.6m; and
- Quadrant House works - £0.2m

Planning Policy (Community Infrastructure Levy)

10.10 The proposed three-year Capital Programme 2024/25 to 2026/27 for Planning Policy is £2.9m. This is made up of grants and contributions to third parties for capital projects and are funded from CIL. The phasing of expected contributions is to be reviewed and is unlikely to fall entirely in 2024/25.

Housing Revenue Account

10.11 The draft HRA Capital Programme is funded from the following sources, as shown in the table below:

Table 8 – HRA Capital Programme

	2024/25 £000	2025/26 £000	2026/27 £000	Total Programme £000
HRA	16,593	3,945	3,832	24,370
HRA Capital Receipts/Reserves	7,788	3,945	3,832	15,565
Borrowing	8,805	0	0	8,805
Total HRA Funding	16,593	3,945	3,832	24,370

10.12 The proposed three-year Capital Programme 2024/25 to 2026/27 for the Housing Revenue Account is £24.4m. This is made up of:

- Council House Building Programme - £13m;
- Improvements to Housing Stock - £11.3m; and
- IT Hardware and Infrastructure Projects - £0.1m.

10.13 The HRA will fund its Capital Programme from capital receipts, reserves and borrowing. The HRA has three separate reserves it can draw upon; the New Build Reserve, Repairs Reserve and Major Repairs Reserve. The HRA is also able to use retained receipts from Right-to-Buy sales to fund part of the expenditure on building new HRA stock. The HRA can also borrow to fund its Capital Programme using the rental income to cover the cost of interest and principal repayment. There is no requirement for the HRA to make MRP payments.

10.14 In general, uncertainty remains over the economic backdrop. Inflation remains at extremely high levels and a continued upward trend will drive up costs of scheme delivery. Uncertainty on the path of interest rates continues, though the Council's Treasury Management advisors Arlingclose project rate cuts in the second half of 2024. Any further increases in rates would create further pressure on revenue financing costs that the Council would need to manage.

11 Medium Term Financial Strategy

11.1 After presenting two-year Medium Term Financial Strategies in recent years in light of volatile funding and the impact of Covid-19, 2024/25's Draft Budget sees a return to a three-year outlook, in-line with best practice.

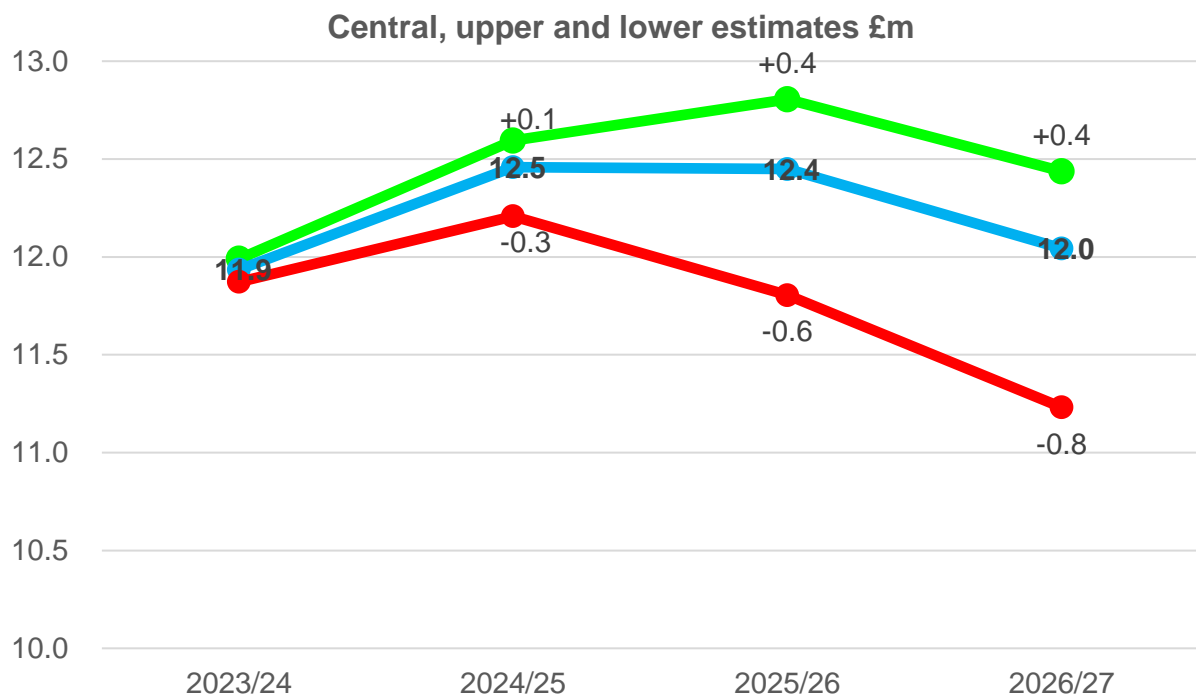
11.2 Section 8 sets out the 2024/25 funding position in detail. It is anticipated that funding will stay broadly flat into 2025/26, with fundamental review of Government funding commencing in 2026/27. This is based on an increase in Tax Base, a 2.99% increase in the Band D rate, offset by further reductions to Government funding through the Business Rates system.

11.3 The outlook for 2025/26 and 2026/27 assumes further cost pressures (corporate and service) of £1.3m, including inflation, allowance for a further pay award and a £0.5m allowance for service pressures yet to be quantified. Assuming funding does remain flat for 2025/26, a £1.3m savings programme would therefore be required. Funding reductions projected at £0.4m in 2026/27 could see a further savings programme of £1.7m, totalling £3.0m over two years. This level of savings would require a further fundamental review of the Council's finances, and a Transformation Programme Director is being recruited to work with Management Team to determine our approach. The potential medium-term gap is summarised in the table, below:

Table 9 – Medium Term Budget Gaps

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Comments
Brought forward budget	11,351	11,935	12,459	13,724	
Pressures	2,238	1,110	1,265	1,285	See Table 2 in section 6
Identified Savings	(1,654)	(586)	0	0	See Table 3 in section 7
Projected Spending Requirement	11,935	12,459	13,724	15,009	
Funding	(11,935)	(12,459)	(12,459)	(12,059)	
Gap	0	0	1,265	2,950	

The table, below, shows scenarios for funding change over the medium-term. It is possible that 2026/27 funding will not reduce by the amount expected, but much will depend on Government policy following the next general election.



11.4 The Council's strategy will be to continue to pursue savings to deliver a sound and balanced budget, rather than rely on reserves. In light of the significant economic challenges affecting the operating environment, particularly inflation and a suppression of income from fees and charges, the aspiration should be to avoid depleting reserves further and grow where possible.

11.5 Further development of the Medium-Term Financial Strategy will take place as part of the work to prepare the Final Budget.

12. 2023/24 Financial Performance

12.1 **Revenue Performance as at Month 6 (September):** An £11.935m General Fund expenditure budget was approved in February 2023.

12.2 Against this revised budget, the forecast as at M6 (September) is £12.296m; a forecast deficit of £361k. This is set out below in summary form, with full details on the Q2 Budget Monitoring report. The ongoing effect of these pressures have been built into this draft budget where analysis deems them to have a 2024/25 impact that cannot be addressed within existing budgets.

12.3 Further work is necessary, as set out above, to ensure the Planning Policy Committee's budget is set at an appropriate level.

Table 10: Month 6 Financial 2023/24 Performance

2022/23 Outturn £k	Forecast Qtr 2 £k	Annual Budget £k	Outturn Variance £k	Change from Qtr 1 £k	One-off events £k	Ongoing Pressures £k
4,156 Community Services	4,554	4,613	(59)	(59)	(62)	3
462 Housing General Fund	737	713	24	9	0	24
1,259 Planning Policy	1,757	1,338	419	222	189	230
5,952 Strategy & Resources	6,079	6,187	(108)	(146)	(113)	5
(589) Corporate Items	(831)	(916)	85	85	0	85
11,240 General Fund- Services	12,296	11,935	361	111	14	347
(11,351) Central Funding	(11,935)	(11,935)	0	0	0	0
(111) General Fund	361	0	361	111	14	347

13. Next Steps

- 13.1 Subject to any comments from this Committee on the updates for each service area, Officers will continue to develop and deliver their plans for the savings identified.
- 13.2 Further review of pressures, savings and funding will continue as the budget is finalised.
- 13.3 The budget process will continue as set out in the covering report.