

Strategy & Resources Committee – 2024/25 Proposed General Fund Budget and Medium-Term Financial Strategy

Strategy & Resources Committee Tuesday, 30 January 2024

Report of: David Ford – Chief Executive
Mark Hak-Sanders - Director of Resources (Section 151)

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

The purpose of this report is to present the proposed Budget for 2024/25 and Medium-Term Financial Strategy (MTFS), including the Capital Programme, for this Committee.

Members are asked to agree the recommendations below. These recommendations are consolidated into the overall position, which forms part of the Council-wide budget setting process (to be ratified by Full Council on 8th February 2024).

This report supports the Council's priorities of: Building a better Council/
Creating the homes, infrastructure and environment we need/ Supporting
economic recovery in Tandridge/ Becoming a greener, more sustainable District.

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Recommendations to Committee:

The approved Strategy & Resources budget forms part of the Council-wide budget setting process (to be ratified by Full Council on 8th February 2024). This report focusses on the budgets for this Committee including Corporate Items, and recommends that Members:

- A) **Agree the Strategy & Resources Committee – Proposed Revenue Budget for 2024/25 of £6.214m** as shown in **Appendices A and B**, taking account of the pressures and savings allocated to the Committee. Note that further allocations will be made to distribute an amount equal to increments and the agreed Council pay award, subject to approval at Full Council.

- B) **Agree the Fees and Charges for Strategy & Resources as set out in Appendix C.**
- C) **Agree the Strategy & Resources Committee's Final Capital Programme** for 2024/25 being the sum of £2.9m, as shown in **Appendix D**, subject to approval at Full Council.
- D) **Agree the Corporate Items – Proposed Revenue Budget for 2024/25 of (£0.485m)** as shown in **Appendices A and B**, noting that the amount set aside for a pay award, pensions and increments is £417k, which will ultimately be distributed to Committee budgets, with virements subject to approval by Strategy & Resources Committee.
- E) **Note the Subjective Revenue Budgets in Appendix B**, setting out movements from 2023/24 to 2024/25 and an estimated movement to 2025/26.

Reason for recommendations:

Section 151 of the Local Government Act 1972 requires all councils in England and Wales to make arrangements for the proper administration of their financial affairs. It is a legal obligation that the Council sets a balanced budget for 2024/25.

1. Introduction and background

- 1.1 The proposed budget for 2024/25 has been collated through an extensive process over the past six months, beginning with a report to Strategy & Resources Committee on the 29th June 2023 which set out the timetable, process and key milestones. Throughout the process, the budget has been developed with an expectation that a savings target of £0.75m (with a range from £0.5m up to £1.4m) would be required to balance the Council's overall budget.
- 1.2 The results of the budget process were captured in the Draft Budget 2024/25 and Future Tandridge Programme Update report that was presented to the Committee on the 30th November 2023. The report set out a draft £0.6m savings plan for the Council overall, which at that point was sufficient to balance the budget, along with, itemised budget pressures and a high-level assessment of the impact of inflation.
- 1.3 The Draft Budget was presented with significant uncertainty on whether Government funding would be sufficient to allow the budget to remain balanced with the existing £0.6m savings plan. On the 18th December 2023, the Government released the provisional Local Government Finance Settlement, which set out funding for each Council. Although the final settlement is not expected until later in January 2024, it is highly unlikely that funding allocations will materially change. This Council's allocation was sufficient to balance the budget for 2024/25 based on the £0.6m

savings set out in the Draft Budget, and so the Strategy & Resources element of the savings plan is re-presented here for approval. The budget will only remain balanced if the £0.6m savings plan is approved, so any proposed alteration to savings proposals would need to be met by approval of an amended target elsewhere.

- 1.4 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 service, 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. A Transformation Programme Director resource is currently out to recruitment and their main focus will be to work with the Council to shape and deliver its future plans within available resources. Whilst the wider Council's corporate budget includes a modest contingency of £445k and a service capacity fund of £200k (more details of which included in the Council's consolidated budget report), it is imperative that the savings are delivered or alternate measures identified where they cannot be. A robust governance approach through the Future Tandridge Programme continues to oversee delivery and manage these risks.
- 1.5 The report allocates funding to the Committee for a number of budget pressures, set out in Appendix A. These are based on the pressures included in the Draft Budget, but also include allocations for non-pay inflation previously held corporately.
- 1.6 The overall budget has been drawn together on the following principles:
 - 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.
- 1.7 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.

1.8 The remainder of this report sets out the detail for the Committee.

2. Strategy & Resources Committee Overview

- 2.1 The 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.
- 2.2 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.
- 2.3 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.
- 2.4 The budgetary position for the current financial year shows that Strategy and Resources support costs are forecast to underspend by £108k.
- 2.5 Corporate Items is forecasting a net shortfall of £85k at outturn.
- 2.6 Even though these are small variances, there are significant corporate pressures for 2024/25 as detailed in Appendix A.

- 2.7 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.
- 2.8 A project will shortly commence to support the creation of the Resources Directorate as part of the recent management restructure. This will set out a development plan to reflect the principles of business partnering, digital transformation and responding to the needs of services, balanced with delivering value for money support services across the organisation. The plan will sit alongside service plans and individual appraisals to ensure effort is coordinated.
- 2.9 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.

3. Revenue Budget – Strategy & Resources Services

- 3.1 **The proposed revenue budget for Strategy & Resources Services totals £6.214m. Appendix B(i)** shows the detailed budget for this element of the Committee, taking account of the changes set out in this report.
- 3.2 **Financial savings totalling £205k / 3%** have been included in the proposed Budget for this Committee. **Appendix A** itemises savings and pressures.
- 3.3 The savings include:
- **Commercial Opportunities £56k** - Additional rental income at Quadrant House, and Oxted Council Offices, based on achieving an additional lease at a similar value to recent lettings at Oxted.
 - **Full year effect of FTP savings £22k** - Ongoing salary and running cost savings in Policy & Communications following previous restructure.
 - **Process reviews and early digital gains £83k** - Process reviews across Resource services including Finance, Exchequer and HR.
 - **Commissioning £19k** - Reconfiguration of IT support following software upgrades transferring to cloud based solutions.
 - **Commissioning £25k** - Full year effect of savings made through Revenues and Benefits Joint Working Agreement, including commercial opportunities.

3.4 **Financial pressures excluding inflation, increment and pay award (totalling net £174k / 3%)** have been included and summarised as follows:

- **Service Pressures of £174k, comprising:**
 - £88k – General Fund element of External Audit costs. Additional, unavoidable, external audit fees caused by enhanced Financial Reporting Council requirements. Overall audit fees for the Council have increased by £138k over existing budget, across the main accounting audit and the Housing Benefit audit.
 - £71k - Appointment of Commercial Finance Business Partner to support the Council’s emerging commercial strategy.
 - Inflation of £15k estimated on non-staff costs across the Committee.

3.5 The increment and pay award allocation will be distributed from Corporate Items when it has been agreed.

3.6 **Appendix A** is an extract from the MTFs for this committee which details the pressures identified and details the overall budget position against the budget envelope.

4. Revenue Budget – Corporate Items

4.1 **The revenue budget for Corporate Items totals (£0.485m).**

Appendix Bii shows the detailed budget for this element of the Committee, taking account of the changes set out in this report.

4.2 **Financial savings totalling £138k** have been included in the proposed Budget for this element of the Committee.

The main items included are:

- **Commissioning £125k;** Full review of how Services are resourced to deliver Government initiatives including cost of living and business rate support. These initiatives have been funded externally for a number of years and additional funding for 2024/25 is likely. A £0.5m new burdens reserve exists to smooth potentially volatile funding streams and it is likely this funding will continue.
- **Review Funding Levels £13k;** Debt management costs will subject to a small reduction if a proportion of the Warren Lane Depot site is transferred to the HRA.

4.3 **Financial pressures excluding inflation, increment and pay award of £85k** have been included and summarised as follows:

- **Service Pressures £85k;** 2023/24 Management structure saving re-invested in Planning. (The budget for this saving was held corporately). This pressure acknowledges that this saving cannot now be distributed from Corporate Items.

- 4.4 A corporate allocation for inflation of £73k (remaining after allocating inflation to Policy Committees), and an increments and pay award budget of £417k has been included in Corporate Items. Subject to approval of the overall budget at Council, the deployment of this pay award will be determined in discussion with Unison and Members.
- 4.5 A £200k Service Capacity Fund is also included in Corporate Items. This is designed to provide flexibility to meet service pressures emerging after the budget has been set, and will be subject to Member approval. Further details are included in the Council's consolidated budget report.
- 4.6 **Appendix A** is an extract from the MTFs for this committee which details the pressures identified and details the overall budget position against the budget envelope.

5. Review of Fees and Charges

- 5.1 Charging for services forms a key part of the overall mechanism for financing local services. In simple terms income from fees and charges offsets the cost of the service. If income from charging does not fully offset costs, then the Council taxpayer must pay for the difference.
- 5.2 It is therefore important that charges are regularly reviewed and assessed to reflect the Council's corporate priorities and are increased annually to take account of inflation, demand and any other appropriate factors particular to individual charges. 2024/25 will be a challenging year with ongoing uncertainty relating to inflation and cost of living. This is exacerbated by the significant uncertainty with funding and policy from Central Government for 2025/26 and over the medium-term. The Spending Review and the provisional settlement has only provided us with surety for one year.
- 5.3 There are a number of charges that are set externally over which the Council has no control to alter. This restricts the Council's ability to raise additional income and therefore the fees and charges set by statute are not required to be approved by this Committee.
- 5.4 Fees and charges have been reviewed by service managers with support from Finance, taking into account factors such as anticipated demand, comparison with competitors and other Councils, previous levels of performance and inflation.
- 5.5 As a result, it is proposed that fees and charges are uplifted according to the detail set out in **Appendix C**. Fees and charges were discussed with Members at an all-Member workshop on the 19th December 2023, with these proposals reflecting the discussion.
- 5.6 Court costs are retained at the same level because Revenues and Benefits have indicated that courts will not allow any increase. This position been tested with Finance prior to inclusion in the budget. The court clerk consulted indicated it would be highly unlikely that magistrates would

consider an increase in fees in the foreseeable future due to the current cost of living pressures being experienced by the public and businesses.

6. Capital Programme

- 6.1 The proposed Capital Programme for this Committee is shown at **Appendix D**. The programme covers a three-year period but will be reviewed and updated annually. The Appendix shows the current agreed programme, revisions to existing schemes and any new schemes added and the proposed programme after all revisions.
- 6.2 Included in the Appendix is a narrative description of each scheme. Some schemes, as indicated in the appendix, will be subject to further member approval before spend goes ahead.

7. Consultation

- 7.1 In the January 2024 Council newsletters, residents and business have been asked for their comments on the Draft Budget approved by Strategy & Resources Committee on the 30th November 2023. Any comments received will be incorporated into the final budget presented to Full Council on the 8th February 2024.

Key implications

8. Comments of the Chief Finance Officer

- 8.1 With no clarity over Government funding from 2025/26 onward, our working assumption is that financial resources will continue to be constrained. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium-term.
- 8.2 It is a legal obligation that the Council sets a balanced budget for 2024/25. This relies on the identification of sufficient savings to meet spending pressures and any income reductions. Drawing on already low General Fund reserves to cover a shortfall in savings is not a sustainable option and would only be used as an absolute last resort. The Council needs to build, rather than draw on reserves to safeguard its medium-term financial stability.
- 8.3 The Section 151 Officer confirms that the proposed 2024/25 Budget and MTFs is based on reasonable assumptions, taking into account all known material, financial and business issues and risks and is confident that if the principles and recommendations set out in this report are adopted that a balanced budget can be set for 2024/25.

9. Comments of the Head of Legal Services

- 9.1 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. The Local Government Act 2003 places a duty on the Council's Chief Finance Officer to advise on the robustness of the proposed budget and the adequacy of reserves.
- 9.2 The report updates Members with the MTFS for this Committee. This is a matter that informs the budget process, is consistent with sound financial management and the Council's obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a MTFS. Members have a duty to seek to ensure that the Council acts lawfully and produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality, and level of services which they consider should be provided against the costs of providing such services.
- 9.3 The report provides information about risks associated with the MTFS and the budget. This is, again, consistent with the Council's statutory obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit Regulations 2015 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.
- 9.4 Section 28 of the Local Government Act 2003 imposes a duty on the Council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in any original budget calculations. The Council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.
- 9.5 The Council is a best value authority within the meaning of section 1 of the Local Government Act 1999. As such the Council is required under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty) which includes a duty to consult. Having a MTFS therefore contributes to achieving this legal duty.
- 9.6 The Council is required to obtain approval by Full Council of its MTFS.

10. Equality

- 10.1 The Council has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential

effects of decisions on those protected by the equalities legislation are considered prior to any decision being made.

- 10.2 Section 149 of the Equality Act 2010, provides that a public authority must, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
 - advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 10.3 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.
- 10.4 Members should have due regard to the public-sector equality duty when making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.
- 10.5 Officers have reviewed proposed budget changes against the initial equalities screening and have nothing to report.

11. Climate Change implications

- 11.1 There are no direct impacts on environmental aspects in this budget report. Climate change implications will be assessed as part of any changes to Service provision through the business case process.

Appendices

- Appendix A – Summary of Pressures and Savings
- Appendix B – Subjective Detailed Budget Analysis
- Appendix C – Proposed Fees and Charges
- Appendix D – Proposed Capital Programme
- Appendix E - Glossary

Background papers

Strategy and Resources Committee – 30th November 2023 – 2024/25 Draft Budget and Future Tandridge Programme Update

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