

Appendix A

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

1. Introduction

- 1.1 The Final Budget for 2024/25 and Medium-Term Financial Strategy (MTFS) to 2026/27 sets out the strategic context for the Council, an overview of the Committees and 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 The Council's 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.
- 1.3 The results of the budget process were captured in the Draft Budget 2024/25 and Future Tandridge Programme Update report that was presented to Strategy & Resources 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. The report included itemised budget pressures and a high-level assessment of the impact of inflation.
- 1.4 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. 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.
- 1.5 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.

- 1.6 Whilst the wider Council's corporate budget includes a modest contingency of £445k and a service capacity fund of £200k (more details of which in section 5), 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.

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.

- 2.2 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.

- 2.3 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.

- 2.4 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.

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 Community Services 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 District's 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 grounds maintenance for parks / opens spaces and housing sites;
 - Continuing the playground refurbishment / replacement scheme;
 - Delivery of the public conveniences capital programme; and
 - 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; and
 - 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:
- Inflation, which impacts the cost of external contracts which are subject to annual increases based on inflationary indices. The Council has little influence on these external forces and as such this represents a significant pressure over the medium-term;
 - The under-recovery of income from car parking, which has continued since the pandemic, exacerbated by the County Council removing the agency agreements for on-street parking enforcement; and
 - Ash die-back and general management of trees, which is a risk area for the Council both in terms of health and safety and financially as more work will need to be carried out on the Council's trees and woodlands. A more strategic approach to managing Ash die-back needs to be developed.

- 3.6 There are several 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 service 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 This section sets out an overview of the Housing Committee's activities. Some of these are funded from the Housing General Fund, part of the Council's overall General Fund budget, and some from the ring-fenced Housing Revenue Account. The Housing General Fund budget forms part of this General Fund budget report. The Housing Revenue Account Budget is summarised as part of Appendix C, having been approved by Housing Committee on the 23rd January 2024, subject to Full Council approval.
- 3.8 The 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 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.
- 3.9 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 funded 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.

- 3.10 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.
- 3.11 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.
- 3.12 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.
- 3.13 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.
- 3.14 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.
- 3.15 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.

- 3.16 The Council's Investment Partner application has been approved by Homes England along with £1.5m of grant funding to-date.
- 3.17 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.
- 3.18 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

- 3.19 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;
 - All transport and infrastructure related issues;
 - Allocation of Community Infrastructure Levy; and
 - Co-operation and liaison with agencies outside the Council in respect of conservation, heritage, economic development and other planning related issues.
- 3.20 Progress on the Local Plan was subject to a report to Committee on 16th November 2023. On 19th 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 in each financial year will be preserved for future use.

- 3.21 Transformation of the Planning function started in 2021 and has continued into 2024. Development Management are actively seeking to move towards 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 however some reliance on interim staff will remain. 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.
- 3.22 The Chief Planning Officer and Director of Resources have jointly defined a piece of work to review the software used by the Planning service to determine whether improvements can be made, and assess longer-term options for the future of the service's IT estate. This review was discussed and agreed with the Chairs of the Planning Policy and Planning Committees and will be taken forward as soon as possible, with updates provided to Members.
- 3.23 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.
- 3.24 The Land Charges service is undergoing a digital transformation which is being funded by Government Grant.
- 3.25 A separate statutory function for which the Planning Policy Committee is responsible is the oversight of Building Control, which can be broadly split as follows:
- Fee Earning service. These functions are those elements of the service for which the organisation can charge a fee; and
 - Non-Fee Earning Work.
- 3.26 Building Control 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).
- 3.27 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 on a revised staff structure and the completion of an IT project to upgrade the partnership's Salesforce platform and bring the IT support under the umbrella of Tandridge's IT team.
- 3.28 There is no change in the level of support service recharges paid to the Council in respect of its role as host authority.
- 3.29 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 deficits that may arise.

Strategy and Resources Committee

- 3.30 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.
- 3.31 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.
- 3.32 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.
- 3.33 The budgetary position for the current financial year shows that Strategy and Resources support costs are forecast to underspend by £108k. Corporate Items is forecasting a net shortfall of £85k at outturn. Even though these are small variances, there are significant corporate pressures for 2024/25 as detailed in Appendix B.
- 3.34 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.
- 3.35 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.

- 3.36 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.
- 3.37 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 and changes since the Draft Budget

- 5.1 The Final Budget is balanced, retaining the previous year's level of contingencies of £445k, commensurate with the continuing risks of inflation, interest rate uncertainty and wider economic performance.
- 5.2 The overall position at Draft Budget stage was balanced, with a savings plan of £0.6m. The provisional Local Government Finance Settlement published on the 18th December 2023 confirmed that the savings plan was sufficient and provided funding of £340k beyond the amount expected.
- 5.3 In addition to the increase in central funding, Government confirmed that District Councils can raise their Council Tax by 2.99%. The Draft Budget assumed this increase.
- 5.4 The Draft Budget referenced significant uncertainty regarding the sufficiency of the Planning Policy Committee's budget, with particular issues set out below.
- The unsound Local Plan, consequent appeal costs, and the cost of a new Local Plan;
 - The cost of implementing the new Enforcement Policy adopted on 22 June 2023;
 - The impact of national fee increases;
 - The impact of locally set fees, including the introduction of Planning Performance Agreements;
 - Workload for the Planning Policy team;
 - The impact of Biodiversity Net Gain;
 - The ability to recruit permanent staff; and
 - Resourcing implications from Gatwick.
- 5.5 Despite these uncertainties, there are clear pressures that the Planning Policy Committee's budget needs to address, including the impact of appeals and the additional cost of interim staff. The budget is subject to ongoing review, but the settlement allowed further investment in the Committee, with a further detailed review to follow.
- 5.6 In addition, despite increasing national planning fees, the Secretary of State for Housing and Communities & Minister for Intergovernmental Relations, The Rt Hon Michael Gove MP, set out in a statement on the 19th December 2023 that "local authorities are obliged to spend these [increased] fees on planning services, and ... there should be no decrease in authorities' spend on planning from their general fund."¹
- 5.7 For these reasons, the 2024/25 budget continues to protect the Planning Policy Committee from savings, with the focus instead being on providing

¹ <https://questions-statements.parliament.uk/written-statements/detail/2023-12-19/hcws161>

an improved and more robust planning service, financial stability whilst the service achieves a sustainable staffing model.

5.8 Since the Draft Budget was presented, an additional investment of £338k for the Planning Policy Committee has been proposed, in discussion with the Committee Chair and the Member Reference Group. Along with the Draft Budget allocations of £102k and an inflationary allocation of £39k, this brings the total increase to £479k. The additional investment responds to the pressures set out above and reflects the 2023/24 projected overspend of £419k.

5.9 **Service Capacity Fund**

The proposed Corporate Items budget now includes a £200k Service Capacity Fund. This fund recognises the financial pressure faced by services across the Council, particularly Planning, some of which will not become clear until after the budget is set. The fund will be held Corporately initially and distribution will be subject to Member approval as and when proposals are put forward for its use. It differs fundamentally from the contingency fund in as much as it is expected that the Council *will* draw down the Service Capacity Fund and deploy it to supplement service budgets, once the need is clear. Contingency remains reserved for risk management.

5.10 **Summary changes to the Draft Budget:**

The 2024/25 Draft Budget was set at a net of £12.459m and has since increased by £0.340m to £12.799m. Detailed final funding is set out in section 8, below.

As part of considering the requirement to invest in Planning and provide flexibility to meet service pressures through the Service Capacity Fund, attention was given to the funding of Planning appeal costs. These are expected to be one-off or time-limited in nature and are therefore most appropriately funded from one-off resources.

The budget includes £0.2m to meet the potential costs of Planning appeals and other similar legal costs. Having reviewed overall funding and contingencies, it is proposed to fund this provision from prior-year contingencies carried forward, therefore matching one-off funding with what are anticipated to be one-off or time-limited costs.

Funding appeals in this way releases a further £0.2m of General Fund Budget for 2024/25. Prior to 2024/25, total contingencies of £0.921m are available, currently offsetting a forecast overspend of £0.361m in 2023/24. This headroom of £0.56m means that carrying forward £0.2m of the £0.921m is a reasonable measure. The longer-term impact of appeals will need to be monitored.

When added to the £0.340m of additional funding, this provides £0.540m of additional revenue budget overall, as set out in Table 1, below.

Table 1 – Summary of changes to Draft Budget

	Additional Investment of £540k	Prior-year contingency of £200k applied to appeals provision	Budget Movements from Draft to Final
Draft Budget			£12.459m
Additional investment in Planning	£0.338m		£0.338m
Service Capacity Fund	£0.200m		£0.200m
Minor adjustment to inflation provision*	£0.002m		£0.002m
Prior-year contingencies funding the potential cost of Planning appeals		(£0.200m)	(£0.200m)
Final Budget			£12.799m

*£2k adjustment to corporate inflation allocation, to balance

- 5.11 The overall budget position for the Final Budget is balanced with no draw on the General Fund reserve. Summary budget movements are set out in Table 2, below. The indicative budget for each Committee is set out in Table 3.

Table 2 – 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	12,799	14,064	
Movements				
Total Pressures	1,450	1,265	1,287	4,001
Total Savings	(586)	0	0	(586)
Net Increase / Decrease	864	1,265	1,287	3,416
Indicative Budget Requirement	12,799	14,064	15,351	

Table 3 - Indicative budget for 2024/25 by Committee

Service	2023/24 Current Budget £k	2024/25 Proposed Budgets				Total £k	Movement Year-on- year £k	Estimate for 2025/26 £k
		Pay £k	Non-Pay £k	Income £k				
Community Services	4,613	1,252	6,069	(2,747)	4,574	(39)	4,781	
Housing General Fund	713	943	18,604	(18,869)	678	(35)	678	
Planning	1,338	2,241	2,149	(2,572)	1,817	479	1,856	
Strategy & Resources	6,188	4,085	3,338	(1,209)	6,214	27	6,229	
Corporate Items	(916)	1,902	280	(2,667)	(485)	431	519	
Total	11,935	10,424	30,439	(28,064)	12,799	864	14,064	

The above tables are expanded in Appendices B and C respectively.

The net Budget Requirement is £12.799m. 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 £490k of the corporate pressures are temporarily held on behalf of other Committees (including inflation allocations and pay provision).

Table 4 – Summary of pressures for 2024/25 to 2026/27

Committee	Pressure			
	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Community Services	221	207	207	635
Housing GF	0	0	0	0
Planning Policy	479	39	39	557
Strategy & Resources	174	15	15	204
Total Service Pressures	874	261	261	1,396
Corporate Items - Service Pressures	85	500	500	1,085
Subtotal Service Spending Pressures	959	761	761	2,481
Corporate Items - Pressures held for other Committees (Pay award & inflation)	490	504	526	1,520
Total Pressures	1,450	1,265	1,287	4,001

2024/25 Service Pressures - c£0.7m, including:

- **£693k Service demand changes** – notably £320k Planning Investment, £120k for Planning appeals, £85k for Planning management, £88k for audit fees, and £71k to recruit a Commercial Finance Business Partner.
- **£25k Loss of Income** – consisting of £19k Land Charges income, and £5k of recycling credits.

2024/25 Council-wide Pressures – c£0.7m:

- **£316k Inflation** – An allowance to cover the net inflation on contract costs, offset by an expectation that some fees and charges will increase. 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. £73k of inflationary allowance has been retained corporately for future distribution, with the remainder being allocated to the Policy Committees.
- **£417k Pay, Pensions and Increments** – This allows for a future discussion with Members and the union on the appropriate level of pay award for 2024/25, which should be held after the Final 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 12. 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 however the Local Government Finance Settlement was sufficient to allow the Draft Budget savings plan to progress for approval unmodified.

Table 5 – 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)
Total Savings	(586)

8. Funding

8.1 The table, below, sets out a summary of projected funding for 2024/25, amounting to £12.799m. The table also shows the increase from previous years.

Table 6 – 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	2,883	514	Includes Government funding guarantee
Other Grant Funding	1,178	785	416	234	(182)	New Homes Bonus Continues for 2023/24/25
Funding before collection fund	11,327	11,355	12,039	12,703	664	
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	12,799	864	

Council Tax - £9.586m

8.2 The Council Tax Base was approved by Strategy & Resources Committee on the 30th November 2023 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 of Band D Rate to £244.99 (subject to approval): £0.278m
- **Total: £9.586m**

Table 7: 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 collection fund smoothing reserves, which in total stand at £1.1m. This is a prudent release of surpluses collected in previous years. 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. Subject to audit, it is expected that the reserve will be supplemented by the 2021/22 pooling gain of £0.6m to show a net £0.4m improvement in 2024/25.
- 8.8 **Recommendation 1: To note that for the purpose of section 52ZB of the Local Government Finance Act 1992, the Council formally determines that the increase in Council tax is not such as to trigger a referendum (i.e. not greater than the higher of £5 or 2.99%);**

- 8.9 **Recommendation 9: That Council approve the total Council Tax Requirement be set at £9.6 million for 2024/25. This is based on a Council tax increase of 2.99% to cover core Council services (Appendix E)**
- 8.10 **Recommendation 10: That Council approve that Tandridge District Council set the precept for Band D Council Tax at £244.99 which represents a £7.11 / 2.99% uplift, equating to 14 pence per week.**

Council Tax discounts and exemptions

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

Local Council Tax Support

- 8.12 Under the Local Government Finance Act 2012, Councils are required to agree their Local Council Tax support scheme and make any changes as appropriate.
- 8.13 For 2024/25 it is proposed to make any prescribed requirement changes as set out in the Council Tax Reduction Schemes Regulations, expected in February. The existing scheme will continue to be 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.
- 8.14 The number of claimants receiving Council Tax support is currently 3,347 compared to 3,436 in 2022/23 (being the last full financial year of data).
- 8.15 A report was provided in September 2020 requesting approval to conduct a public consultation with residents on a new scheme. Unfortunately, due to increased volume of work due to COVID-19 and the implementation of Northgate, the new Revenues and Benefits system, there was insufficient time to conduct a consultation process for the 12-week statutory period. Discussions and consultation on the new scheme are due to begin during 2024/25. Once the consultation period has ended, a detailed report will be made to for future meetings of the Committee to approve any changes.
- 8.16 The Council receives funding and adjusts through its Council Tax base for Council Tax Support and therefore costs are already accounted for this scheme. Any further reforms or legislative changes to the scheme will be reported to future meetings of the Committee as appropriate.

Recommendation 2: Note that the current Local Council Tax support scheme is adopted for financial year 2024/25.

Business Rates and Funding Guarantee - £2.883m (increase of £0.162m from Draft Budget)

8.17 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£19.480m 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£7.792m** - 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 **£3.199m**;
 - o **Tariff and Levy:** A tariff is then applied because the Council generates more funding than Central Government calculate we require (**c£9.092m**)
 - o **Funding Guarantee £0.984m**– a Government intervention to ensure that Core Spending Power increased by a minimum of 3% in 2024/25 (assumed to continue)
 - o Leaving an amount of funding for Council services equal to the **c£2.883m**.

8.18 £2.9m of overall Business Rates funding represents a net increase of £0.5m on the 2023/24 projection. Within this movement, increases are based largely on the total of core business rates, S31 grants and Funding Guarantee, at £12.0m against the 2023/24 estimate £10.8m. The increase consists of:

- o S31 grant projections, which have increased from £3.1m to £3.2m,
- o Underlying rates increasing from £7.2m to £7.9m
- o Funding Guarantee, which has increased from £0.5m to £1.0m.

Offsetting the increase, the Tariff payment has increased from £8.6m to £9.1m along with minor other adjustments.

These changes are based on the Council's Government Return for business rates (NDR1) 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 3rd January 2024.

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 audited, but is expected at £0.6m, and 2023/24 is in progress. When confirmed, any gains will be available to mitigate risks in the budget.

Grant Funding (Increase of £0.178m from Draft Budget)

8.19 The Draft Budget for 2024/25 was formulated on the basis that grant funding reduced to a residual £57k for the services grant, where no change has been assumed from 2023/24. It was assumed that other grants including New Homes Bonus would cease. Whilst grant funding has reduced, the reduction has not been as severe as expected in the Draft Budget, with funding confirmed at £234k:

Table 8: Grant funding projections

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Change £000	Comments
New Homes Bonus	341	618	359	128	(231)	Now confirmed, at a reduced level.
Revenue Support Grant	0	0	0	97	97	Reintroduced through funding formula.
Services Grant	0	102	57	9	(48)	Reduced in provisional settlement.
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	234	(182)	

Recommendation 6: That Council approve that the net revenue budget requirement be set at £12.799million (net cost of services after service specific government grants) for 2024/25 (Appendix B and C), subject to confirmation of the Final Local Government Finance Settlement;

Recommendation 7: That Council approve the Final Budget Envelopes for each Committee including the allocation of pressures and savings targets for 2024/25 (Appendices B and C).

9. Reserves Update and the Office for Local Government (Oflog) resilience statistics (Section 25 Report).

9.1 Section 25 of the Local Government Finance Act 2003 requires the Council's Section 151 Officer to state an opinion on the adequacy of the proposed financial reserves, that Members should have regard to when considering the budget for 2024/25, along with the robustness of estimates in setting the budget.

9.2 The Council's Section 151 Officer confirms that the budget is based on robust estimates and that the level of reserves as set out in Appendix H is at an acceptable level, but one that requires increasing in the future to provide the Council with some flexibility and resilience in its financial planning in the medium term. The reasons for this view are that:

- The General Fund reserve remains stable over the MTFS, with no planned use – it was increased by a marginal amount (£16k) at

2021/22 outturn and may increase at 2023/24 outturn if the contingency is not fully deployed;

- Further reserves are held for funding volatility and investment income volatility;
- The full savings target has been allocated to committees in advance of the financial year, with a robust system of governance to deliver;
- The expected pooling gain for 2021/22 of £0.6m has not been factored into MTFS funding, providing a potential additional increase to reserves (pending audit). The Council is also part of the 2023/24 business rates pool;
- A general fund contingency of £445k is programmed in for 2024/25, (commensurate with the current forecast overspend in 2023/24).

9.3 This is offset against risks in the operating environment which are similar to those apparent in 2023/24:

- Volatile impact of inflationary increases to contracts;
- Uncertain income levels, particularly where national fees have changed;
- Impact of inflationary increases on providers, threatening their financial viability;
- Impact of increased interest rates on borrowing costs (offset by an increase in investment income);
- Uncertain appetite for commercial properties owned by the Council and its subsidiaries;
- The need to deliver the savings plan for 2024/25 and plan for savings from 2025/26 onwards.

9.4 These risks have been captured in the budget where a reasonable value can be attached, particularly in respect of the impact of inflation. However it is inevitable that the Council will face further pressures over the course of the year. Further detail on the level of reserves is set out below and in Appendix H.

9.5 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 for 2024/25.

9.6 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 sale of the Redstone building.

9.7 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.”

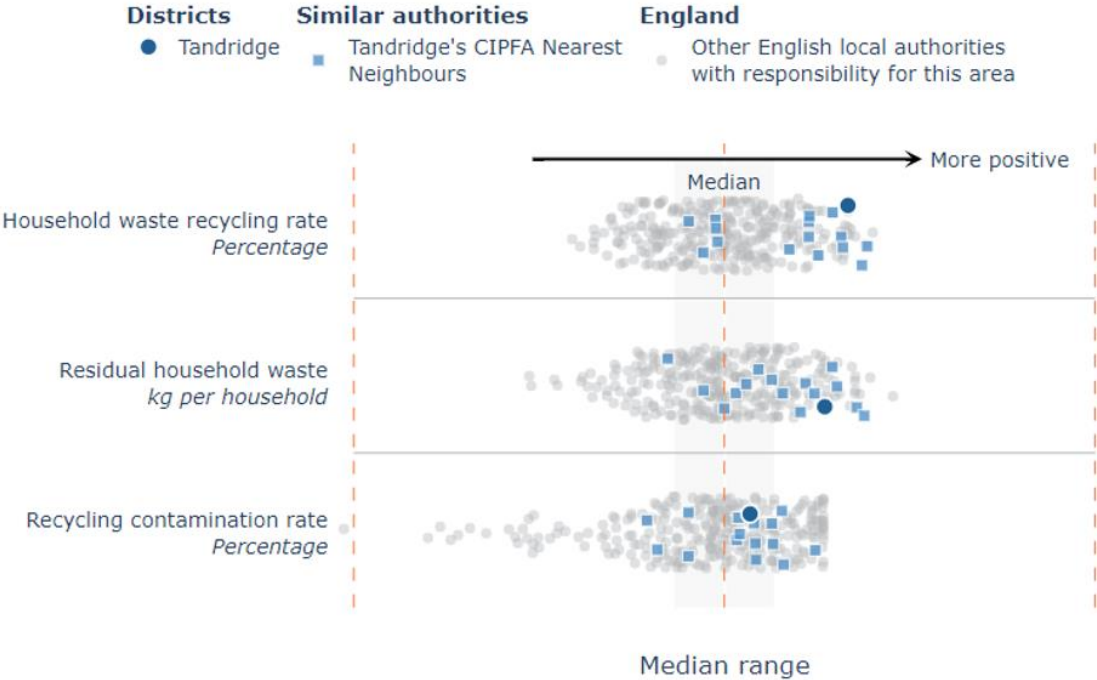
- 9.8 In the meantime, sector-wide flexibility to use capital receipts to fund transformation programmes remain in place, so plans to fund the Future Tandridge Programme remain as previously set out.
- 9.9 The Office for Local Government (Oflog) was launched on 4th July 2023 and with the intention of providing authoritative and accessible data about the performance of Councils.
- 9.10 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 Tandridge.

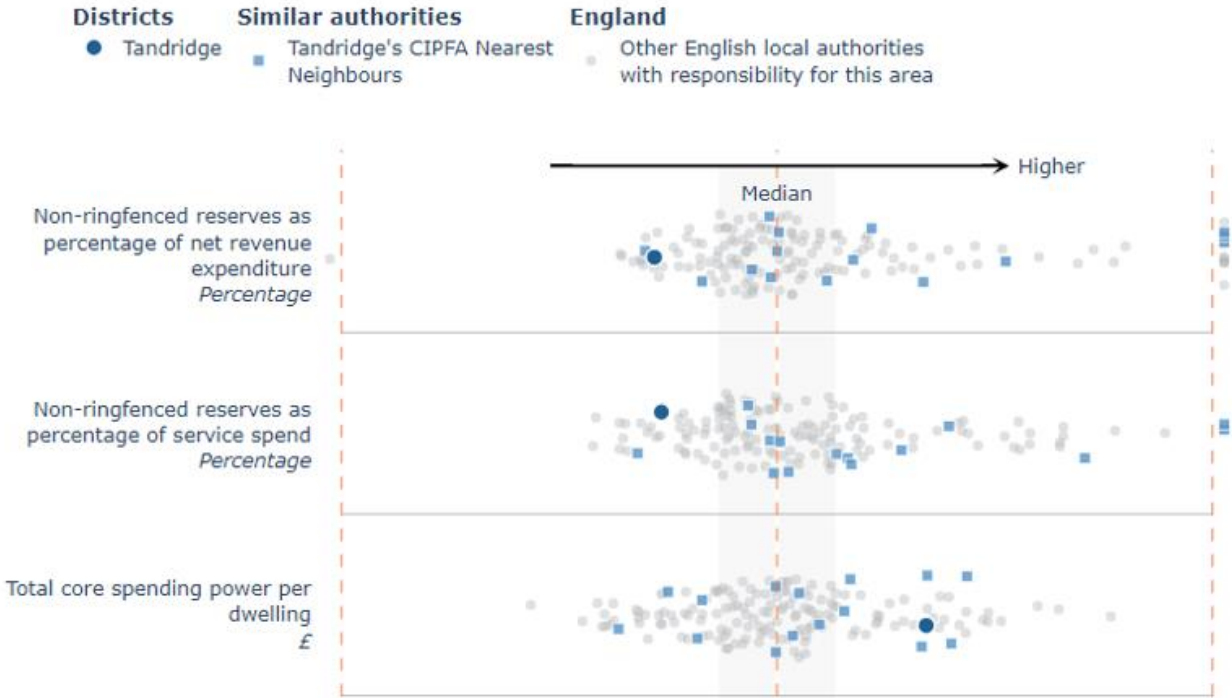
Data for the Oflog indicators is taken from the same source as that used for the CIPFA Resilience Index and so it is proposed to refer to these Government endorsed statistics in future, although they are problematic (as set out below).

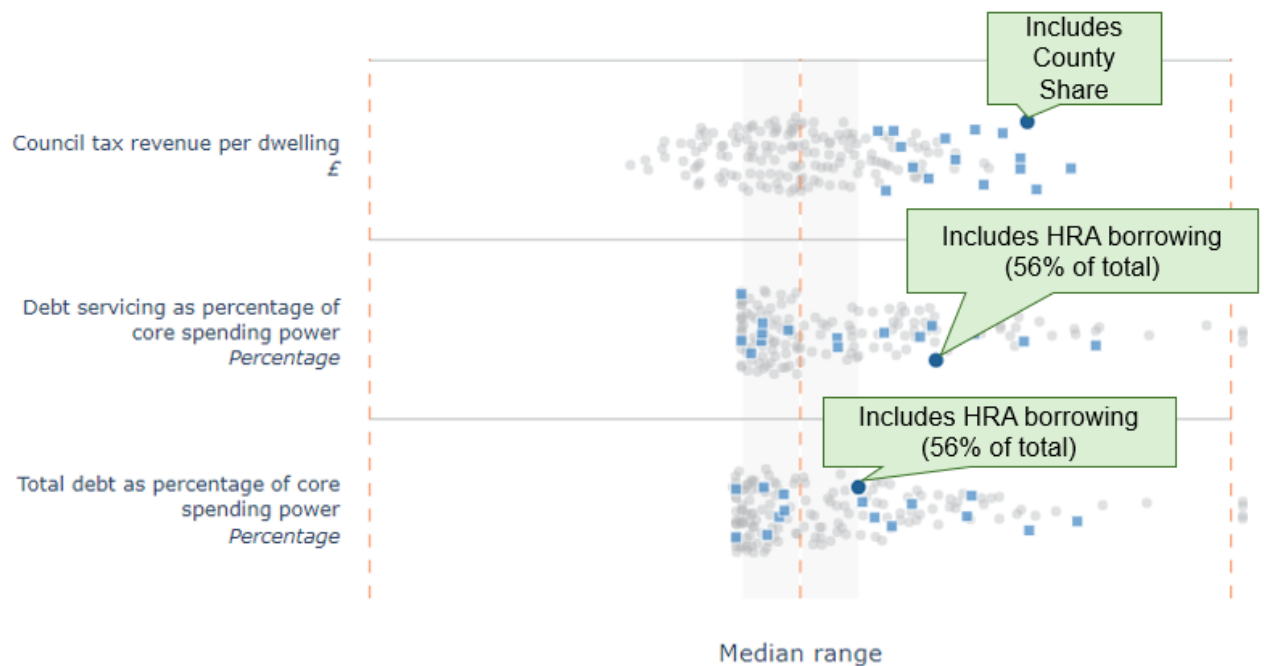
Below are Oflog graphs that demonstrate TDC performance against similar authorities. It can be seen that TDC performs strongly for Waste metrics:

Waste Metrics



Finance Metrics – Similar Authorities





- 9.11 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.
- 9.12 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.
- 9.13 The Government's use of the remaining indicators is 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.
- 9.14 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.
- 9.15 A full breakdown of reserves is reported in Appendix H. 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.
- 9.16 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.

Recommendation 4: Note that unavoidable external risks to the budget are mitigated through the retention of a general contingency of £0.445m per annum (held at the same level as 2023/24).

Recommendation 5: Note the financial strategy to build the General Fund Reserves using unused contingency from the current level of £2.8m.

10. Flexible Use of Capital Receipts

- 10.1 In the Spending Review 2015, the Chancellor of the Exchequer announced that to support Local Authorities in delivering more efficient and sustainable services, the Government would allow them to spend up to 100% of their capital receipts on the revenue costs of transformation projects. Initially this flexibility on the use of capital receipts was limited to those received between 1 April 2016 and 31 March 2019. However, the 2018/19 Local Government Finance Settlement extended these flexibilities for a further three years to March 2022.
- 10.2 This flexibility was extended again on 4th April 2022 for use up to and including financial year 2024/25. The current flexibilities include a limitation that prevents receipts being used to cover discretionary element of redundancy costs; i.e. that anything beyond the statutory minimum must be covered by alternate means. The Council has a £75k reserve to cover any payments offered under the current redundancy policy (which has recently been made less generous). The requirement for this will need to be kept under close review.
- 10.3 To take advantage of the potential for this flexibility, Local Authorities are required to produce a strategy which discloses the individual projects that will be funded, or part funded, through flexible receipts; this must be approved by Full Council and is set out at **Appendix G**.

The overall strategy for applying capital receipts to transformation is to meet one-off or time-limited costs necessary to deliver a medium-term benefit for the revenue budget without diverting vital revenue funding from service delivery. The benefit to the revenue budget will come either in reducing current costs, generating income, or avoiding increases in future costs. This strategy does not allow for the use of one-off funding to subsidise the ongoing costs of delivering core services and the flexibility does not extend to using capital receipts to support General Fund reserves.

On 28th September 2023, the Future Tandridge Programme Update report set out to Committee that indicative capital receipt funding of c.£500k would be required in 2024/25 to:

- Deliver the 2024/25 Savings Programme of £0.6m (although given the straightforward nature of most savings), only modest resources will now be required for this.

- Develop medium-term plans to address likely reductions in funding and ensure that the Council can continue to deliver priorities whilst retaining the financial stability achieved in recent years.
- Provide initial investment for Commercial Opportunities.

Out of the £500k indicative requirement, S&R approved the recruitment of a Transformation Programme Director, with an indicative cost of c.£90k for one year. Recruitment to this post is well progressed and it is anticipated a preferred candidate will be in post for 1st April 2024. Further core resources were set out, totalling £250k, as set out below. Since September, the Commercial Finance Analyst funding has been moved into the General Fund Budget to reflect the ongoing need for commercial finance capacity. Spending requirements will continue to be reviewed and will be subject to further Committee approval.

Table 9: 2024/25 Transformation Programme Resource

2024/25 Transformation Resource	
	1-year
	£000
Programme Management	90
PMO	50
Programme Support	40
Commercial Finance Analyst	70
Sub-total - baseline transformation resource	250
External Support	150
Contingency	100
Additional indicative amounts - to be approved as necessary	250
	500

- 10.4 The current position of general fund capital receipts is an estimated opening balance for 2024/25 of £0.8m. Loan repayments from the Leisure provider are classed as capital receipts and this will enhance the position by £0.3m in 2024/25. Against this, projected spend of £0.5m on the FTP is set out in the appendix (subject to future Member approval). Therefore, the estimated position at the end of 2024/25 is £0.6m of residual receipts.

The capital receipts reserve position is set out as part of Appendix H on overall reserves. Longer-term sustainability of transformation funding will need to be a consideration for 2025/26.

Recommendation 11: That Council approve the Flexible Use of Capital Receipts Strategy for 2024/25 to meet the statutory guidelines for the use of such receipts to fund transformation (Appendix G).

11 Capital Programme 2024/25 to 2026/27

- 11.1 This section of the report provides an overview 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. 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.

- 11.2 The Capital Programme sets out the Council's expenditure plans and how it 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 Final Budget.
- 11.3 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.
- 11.4 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 £1.1m, 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.
- 11.5 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 is included as part of the Capital, Investment and Treasury Strategy and is unchanged.
- 11.6 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.

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

Table 10: Summary General Fund & CIL Capital Programme

	2024/25	2025/26	2026/27	Total
	£000's	£000's	£000's	Programme
	£000's	£000's	£000's	£000's
Planning	1,619	1,150	2,864	5,633
Community Services	1,400	1,079	718	3,196
Housing General Fund	420	420	420	1,260
Strategy & Resources	2,892	284	237	3,413
Total Capital Programme	6,331	2,933	4,239	13,502
	2024/25	2025/26	2026/27	Total
	£000's	£000's	£000's	Programme
	£000's	£000's	£000's	£000's
External Funding/Grants	2,101	795	420	3,316
Community Infratsructure Levy	2,569	1,150	2,864	6,583
Capital Receipts	0	0	0	0
Borrowing	1,661	988	955	3,603
Total Capital Programme	6,331	2,933	4,239	13,502

Community Services

11.7 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

11.8 The proposed three-year Capital Programme 2024/25 to 2026/27 for the Housing General Fund is £1.3m. This is the Disabled Facilities Grants (DFG) programme which is funded from DFG.

Strategy and Resources

11.9 The proposed three-year Capital Programme 2024/25 to 2026/27 for Strategy and Resources is £3.4m. The schemes comprise of:

- Croydon Road Regeneration - £2.3m
- IT Hardware and Infrastructure Projects - £0.9m; and
- Quadrant House works - £0.2m

Planning Policy (Community Infrastructure Levy)

11.10 The proposed three-year Capital Programme 2024/25 to 2026/27 for Planning Policy is £5.6m. 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

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

Table 11 – HRA Capital Programme

	2024/25 £000's	2025/26 £000's	2026/27 £000's	Total Programme£000's
HRA	19,135	26,150	15,968	61,253
HRA Capital Receipts/Reserves	11,521	12,819	8,781	33,121
Borrowing	7,614	13,331	7,187	28,132
Total HRA Funding	19,135	26,150	15,968	61,253

11.12 The proposed three-year Capital Programme 2024/25 to 2026/27 for the Housing Revenue Account is £61.3m. This is made up of:

- Council House Building Programme - £49.4m;
- Improvements to Housing Stock - £11.8m; and
- IT Hardware and Infrastructure Projects - £0.1m.

11.13 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. Future bidding to the Homes England capital grant fund is also planned, with £1.5m being secured to-date.

11.14 In general, uncertainty remains over the economic backdrop. Inflation remains at comparatively 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.

Recommendation 8: That Council approve the £74.8 million proposed three-year Capital Programme (comprising £7.9m General Fund, £5.6m Community Infrastructure Levy (CIL) and £61.3m Housing Revenue Account (HRA)) of which £25.5 million Capital Budget is for 2023/24 (Appendix D)

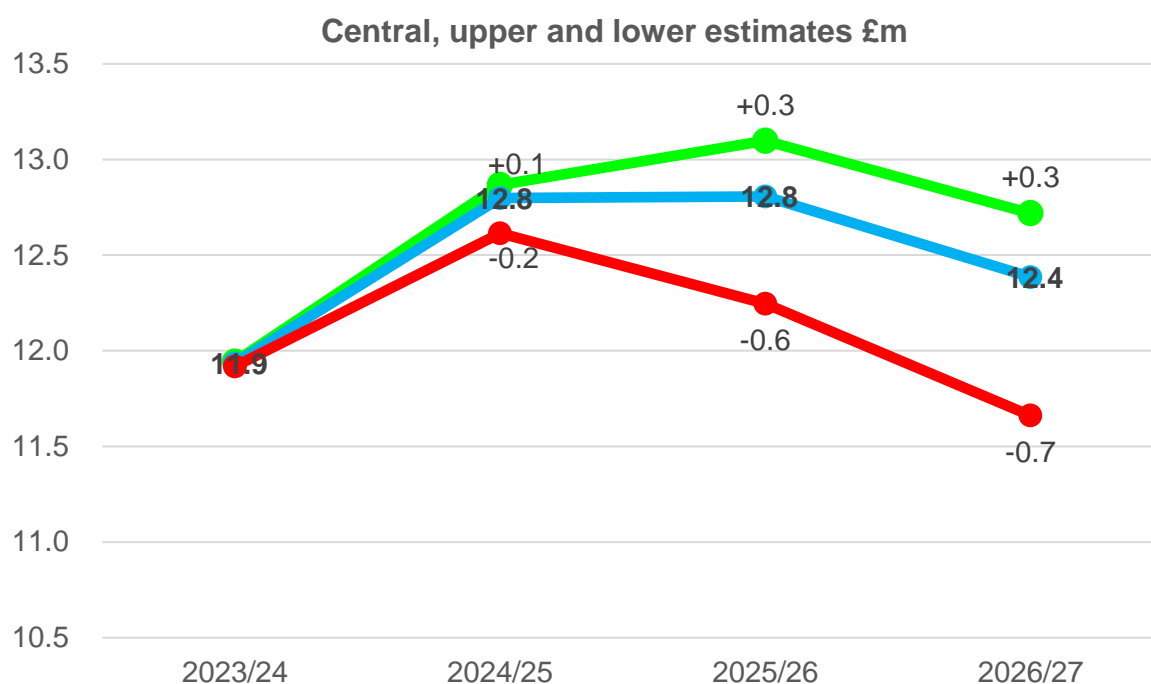
12 Medium Term Financial Strategy

- 12.1 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.
- 12.2 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.
- 12.3 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 the Council's approach. The potential medium-term gap is summarised in the table, below:

Table 12 – Medium Term Budget Gaps

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Comments
Brought forward budget	11,351	11,935	12,799	14,064	
Pressures	2,238	1,450	1,265	1,287	See Table 2 in section 6
Identified Savings	(1,654)	(586)	0	0	See Table 3 in section 7
Projected Spending Requirement	11,935	12,799	14,064	15,351	
Funding	(11,935)	(12,799)	(12,799)	(12,399)	
Gap	0	0	1,265	2,952	

The chart, 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.



12.4 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 intent should be to avoid depleting reserves and grow where possible.

13 2023/24 Financial Performance

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

13.2 Against this revised budget, the forecast as at M6 was £12.296m; a forecast deficit before contingencies of £361k. As set out in Section 5, contingencies of £921k are available to meet this (reducing to £721k if £200k is carried forward to provide for future appeal costs). A balanced outturn is therefore expected. This is set out below in summary form, with full details in the Q2 Budget Monitoring report. The ongoing effect of these pressures have been built into this budget where analysis deems them to have a 2024/25 impact that cannot be addressed within existing budgets.

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

Table 13: 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

13.4 Financial performance is reported to Committee quarterly, with the next formal report expected in March 2024. However, monthly management reviews show an improvement to the overall Q2 position of £18k. Although not a major change, this demonstrates stability in the 2023/24 forecast.

14 Next Steps

- 14.1 Subject to any comments from this Committee, the budget will be presented to Full Council for approval on the 8th February 2024. In the meantime, final precept information will be obtained from:
- Surrey County Council (to be approved on the 6th February 2024)
 - Surrey Police and Crime Commissioner (to be confirmed w/c 5th February 2024)
 - Parish Councils (Deadline of 17th January 2024 but a number outstanding at time of writing).
- 14.2 Following approval, officers will populate the financial system with the final budget, and distribute Budget Accountability Statements for agreement by budget holders.
- 14.3 Savings delivery will be managed through the Future Tandridge Programme and reported to each Policy Committee on a quarterly basis.
- 14.4 Planning will begin imminently for the 2025/26 Budget and refreshed Medium-Term Financial Strategy.

Further Budget Appendices

- Appendix B – Summary of Pressures and Savings
- Appendix C – Subjective Detailed Budget Analysis
- Appendix D – Proposed Capital Programme
- Appendix E – Council Tax Requirement Statement and Council Tax Base
- Appendix F – Parish Council Tax Precepts [To follow for full Council]
- Appendix G – Flexible Use of Capital Receipts
- Appendix H – Projected Earmarked Reserves 2022/23 to 2024/25