

Budget Context and Future Tandridge Programme Update

Strategy and Resources Committee Thursday 26th September 2024

Report of: Chief Executive
Director of Resources (S151)
Transformation Programme Director

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive Summary:

This report provides:

- Financial context - detailing the approach to the 2025/26 budget process and planning savings across 2025/26 and the medium-term.
- A review of the progress with the overall Future Tandridge Programme (FTP), covering achievements to date, elements still to be delivered, risks, and an update on savings delivery for 2024/25.

This report supports the Council's priority of:

Financial prudence and sustainability.

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Recommendations to Committee:

In respect of the 2025/26 budget process, that Committee:

1. Note the financial context and progress in developing the 2025/26 Budget and Medium-Term Financial Strategy (MTFS).
2. Approve that the principles set out in section 3 are used as the basis for developing the 2025/26 budget and two-year savings programme. Following approval, Committees will be required to operate within them.

In respect of the wider Future Tandridge Programme, that Committee:

3. Note the progress to-date on delivering the Future Tandridge Programme, particularly the development of the 2-year savings plan.
 4. Note an update on the direction of travel for the future of the programme.
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Reason for recommendations:

The Council has made large savings over the last few years which has enabled it to achieve, at the current time, a stable financial position, although its reserves are still low.

To ensure the Council's continued financial stability, it is crucial to make further savings in the order of £4m over the next four years.

This will require the Council to cut its discretionary spending or to find alternative ways of funding it.

In support of this, once agreed, the principles set out in this report will be used to shape the development of Committee budgets going forward and Committees will be required to operate within them.

1.0 Introduction

This report continues the process for producing the 2025/26 Budget and Medium-Term Financial Strategy, preparing for Strategy & Resources Committee on the 30 January 2025 and Full Council on the 13 February 2025. The timetable was set at Committee on the 27th June 2024, with an update provided in Appendix B.

This report updates the Committee on the Future Tandridge Programme and provides an overview of the next phase of transformation.

2.0 Financial Context

In common with most of local government, the Council faces a significant financial challenge in 2025/26 and over the medium-term. Developing a robust Budget and Medium-Term Financial Strategy (MTFS), with an aligned savings plan, is critical to addressing this challenge and maintaining stable finances to underpin the delivery of Council priorities.

Three key financial messages serve as context for the development of the 2025/26 budget and a four-year MTFS:

1 – The Council faces a financial challenge of £4m (30%) over the MTFS period

- A savings target of £1m per year, every year, will be needed to balance the MTFS.
- If no savings were made, funding would fall short of requirements by £1m in 2025/26, £2m in 2026/27 and so on, with a gap of £4m per year after four years.
- The Council is legally required to set a balanced budget, and so savings are inevitable. The Council cannot rely on reserves or one-off funding to meet this challenge.
- If no action was taken, the Council's General Fund would be exhausted by the end of 2026/27.

2 – The challenge can be met, with strong financial resilience and a sound track record

- Financial resilience has been growing since 2021/22. Key elements of resilience are a £445k annual contingency, with £721k brought forward, and a £200k Service Capacity Fund. General Fund Reserves have been increased to £3.0m.
- The Council has delivered a savings plan averaging £1.1m per year for the last three years, demonstrating that a challenge of this magnitude can be met, and has been met before.

3 – Financially prudent and well-reasoned decision making is critical

- The Council has made a series of prudent financial decisions since 2021/22, which have grown resilience and redirected resources to front-line service delivery.
- All future decisions must be taken in the context of the financial position and move the Council closer to a balanced MTFS. Once Committee budget envelopes are established, any decision to commit further spend must be met by a proposal for funding it.
- Difficult decisions will be required, including a reduction in discretionary spend, increased fees and a full review of the services the Council can provide.

An MTFS gap of £4m will not be resolved immediately. A series of prudent decisions and steady progress towards identifying savings will be required. Closing the budget gap is not optional, and neither can one-off resources be relied upon to meet permanent spending challenges.

Appendix A sets out more information on how the MTFS savings target has been calculated.

3.0 Two-year savings plan

The Council has delivered savings of c£6m over the last 4 years (including 2024-25) and c£3.2m over the last 3 years under FTP1 (Appendix C).

Whilst this demonstrates a strong track record in savings delivery, it is evident that it is becoming increasingly challenging to deliver the level of savings needed in ways that do not impact on front line services.

Within this context, work has been ongoing to develop a 2-year savings plan commencing 2025/26. The approach taken is underpinned by some key principles which are set out below.

It is recommended that these are adopted as principles to guide Committee decision-making going forward.

Principles

1. In identifying the savings needed to deliver a balanced budget, the overarching aim is to minimise the impact on 'front line' services.
2. Revenue generation – the Council will seek to maximise its income from fees and charges.
3. Fees and charges – these will be set to reflect the true costs of providing the service, including both direct costs and a contribution to other costs. Any exceptions to this general principle should be explicitly agreed, along with the rationale for this being the case.
4. Service pressures – services are expected to manage and contain any routine 'in-year' pressures within their budget.
5. Budget risk – the Council will accept a higher level of risk in its budget-setting for individual service areas. In-year service overspends may be met from the Service Capacity Fund where these are demonstrated to be unavoidable despite best efforts to mitigate or offset from other headings.
6. "Discretionary" spend – in any future scenario, significant savings in the discretionary areas of the Council budget will be needed to balance the budget & meet MTFS pressures.
7. "Discretionary" spend - where these reductions in discretionary spend impact on third party organisations, the Council will manage this reduction over a reasonable period and engage with stakeholders to work on ways to mitigate the impact as far as possible.
8. Transformation – the Council will need to be more ambitious and determined in areas such as Digital, Shared Services and Commercial developments to meet the medium-term financial, whilst accepting that these areas take more time to produce realisable savings.

9. Assets – leaseholder charges should reflect the true costs of providing assets (including both direct costs and a proportion of overheads). Where there is a gap currently, the level of subsidy will be shared for consideration by the Council with a view to recovering the full amount over a reasonable period of time. Any exceptions to this principle should be explicitly agreed, along with the rationale for this being the case.
10. Community assets – the Council will adopt a consistent 'policy-led' approach to making decisions on which community assets it will continue to support financially and make clear the level of any subsidy applied. Any exceptions to this principle should be explicitly agreed, along with the rationale for this being the case.
11. Decision-making - once the savings plan has been developed and considered by the Council, any proposal to reduce a saving will only be considered if an equivalent alternate saving is also proposed at the same time.

3.1 Progress update

Areas identified in the June Strategy and Resources Committee report have been developed further with indicative savings targets in each area.

Savings are grouped into 3 areas:

1. Finance-led – identified centrally.
2. Transformation – savings which require a significant change in approach.
3. Service-led – savings in individual services with no wider impact.

The table below summarises the latest estimates and shows that, whilst there have been movements between the categories as expected, the level of saving identified, if delivered, would be sufficient to close the budget gap in 2025-26.

Area	2 yr target ('000s)		Original Target 2025-26	Latest estimate 2025-26 (Aug 24)	Original Target 2026-27	2 yr Total (Cum)
	Min	Stretch	'000s	'000s	'000s	'000s
Finance led	£600	£1,200	£325	£600	£500	£1,100
FTP2 Themes / Transformation	£500	£1,000	£350	£275	£350	£625
Service led	£300	£700	£225	£200	£150	£350
Totals	£1,400	£2,900	£900	£1,075	£1,000	£2,075
Target			£1,000	£1,000	£1,000	£2,000
Residual Gap			-£100	£75	£0	£75

Appendix D contains further detail on each of these savings areas. It is important to note that, whilst confidence is increasing, these still include a number of assumptions and will require some difficult decisions to be made in respect of reducing discretionary spend.

Key points to note in the plan are:

Budget risk review

The Council underspent its budget in 2023/24 and is currently forecasting a small underspend for 2024/25. A line-by-line review has identified areas where budgets can be reduced with a nil or minimal impact. This is estimated to contribute **c£300k in 2025/6**.

This approach does however potentially create more risk of an overspend against an individual budget line. In setting its budget, the Council will accept this higher level of risk for individual service areas.

In support of this approach, services are expected to manage and contain any routine 'in-year' pressures within their budget (**Principle 4**).

In-year service overspends may be met from the Service Capacity Fund where these are demonstrated to be unavoidable despite best efforts to mitigate or offset from other headings. (**Principle 5**).

Revenue Generation

The savings plan assumes an average level of increase for TDC controlled fees and charges of 5% and a higher level for Garden Waste which, taken together, generate additional revenue of more than **£150k in 2025/26**.

Work is continuing to determine the true costs of providing these services (including both direct costs and a contribution to other costs) and whether the fees and charges are set at a level to recover these.

Proposals will be brought forward to Committees to increase fees and charges further where this is not the case (**Principle 3**). Any exceptions to this general principle will need to be explicitly agreed, along with the rationale for this being the case.

Estimated increased revenue from commercial activities is included at **c£100k in 2025/26**. This is primarily from waste related services. Work is ongoing to develop a delivery plan for this growth and to explore the potential for other commercial activities.

Discretionary Spend

The savings plan is predicated on delivering **a minimum** of a £400k reduction in discretionary spend over the next 2 years (**£200k in 2025/26** and a further £200k in 2026/27).

Indicative targets are shown in the table below. These targets are subject to further change should this be necessary to produce a balanced budget.

Where these reductions impact directly on third party organisations, the Council will manage this reduction over a reasonable period and engage with stakeholders to explore ways to mitigate the impact as far as possible. (**Principle 7**).

Discretionary Spend – summary of indicative 2-year savings

New Service	Type				Options under review					Indicative only	RAG	Comments / areas to explore
	Non Pay	Pay	Income	Total Net Budget	Revenue increase	Budget / Cost review	Alternate funding	Asset Transfer	Service reduction	2 Yr Target		
Car Parking Off-Street	£189,000		-£139,800	£49,200	Yes	Yes				£50,000		Minimum achieve breakeven - optimise income / permits / costs
Cemetery Services	£30,550	£6,800	-£26,000	£11,350	Yes	Yes				£15,000		Increase in income target
Childrens Playground Maintenance	£110,396			£110,396		Yes	Yes	Yes	Yes	£40,000		Reduction in Maintenance costs and Council financial support to some playgrounds
Hackney Carriage/Private Hire	£69,000		-£87,600	-£18,600	Yes	Yes						May be potential for increased income
Leisure & Community Grants	£219,000		-£20,200	£198,800		Yes	Yes		Yes	£100,000		Reduction in level of grants, re-commission the service and seek alternate funding
Parks & Open Spaces	£795,350	£379,100	-£327,700	£846,750	Yes			Yes	Yes	£120,000		Increase in existing leases to reflect full costs / transfer of responsibility to parish councils
Public Conveniences	£67,600	£32,400		£100,000		Yes		Yes	Yes	£25,000		Reduce costs / rationalise
Leisure centres					Yes					£50,000		Renegotiate leases with FL to take advantage of VAT agency
	£1,787,496	£563,100	-£1,090,610	£1,259,986	£0	£0	£0	£0	£0	£400,000		

Community Assets

As part of the aligned savings plan, a review of community assets owned by the council is underway, to understand the full costs of providing these assets and any subsidy which is currently being applied (**Principle 9**).

In parallel with this, work is underway to develop a policy-led approach to be used to determine which assets the Council will support financially going forward. This will be used to inform decision-making going forward. (**Principle 10**).

3.2 FTP general update

Work is ongoing to mobilise other elements of FTP2 which were set out in the June report. A further update on these will be provided to the next Committee.

Work is also continuing to deliver the objectives of FTP1, notably:

- Implementation of the TDC "MyAccount" digital self-service project.
- Implementation of the new Grounds maintenance contract.
- Delivery of the agreed budget savings in 2024/25.

Further details can be found in Appendix E of this report.

4.0 FTP2 is a key programme for the Council and its development and delivery is being overseen by the Chief Executive, working with the Transformation Programme Director and other senior officers from the Council.

A Member Reference Group and senior officers from within the Council continues to monitor progress and provide guidance on priority areas going forward.

The governance of FTP and savings delivery has been assessed as providing 'substantial assurance' in two successive internal audit reports, the highest assurance level provided by auditors. Work will continue to ensure that governance remains robust and proportionate.

5.0 Comments of the Chief Finance Officer (S151)

With no real clarity on Government funding over the medium-term, 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. All decisions must contribute to balancing the MTFs position. Key financial messages and principles set out in this report will form the financial context for all committee decisions in future.

It is a legal obligation that the Council sets a balanced budget for 2025/26. This relies on the identification of sufficient savings to meet spending pressures and any funding 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.

The Section 151 Officer confirms that the 2025/26 Draft Budget and MTFS will be 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 2025/26.

6.0 Comments of the Head of Legal Services

It is clear that the Council faces a significant financial challenge, as with many other local authorities, and urgent attention will need to be paid to identifying further savings or income generation options to close the gap over the medium term. Using reserves to close any budget shortfall is only a short-term measure and with a growing financial gap in future years this is not a sustainable approach to balancing any budget.

Given the importance of delivering budget reductions and embedding the next phase of the programme of transformational change (FTP2), the Council will need to continue and deliver adequate savings and growth mitigation plans in 2025/26. However, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings can be delivered and that any new expenditure is contained within the available resources and budget. Accordingly, any proposals put forward by the FTP2 must identify the realistic measures and mechanisms to produce those savings.

7.0 Equality

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.

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.

The three parts of the duty applies to the following nine 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.

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.

Officers will review proposed budget changes against the initial equalities screening tool prior to finalisation.

8.0 Climate Change implications

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 a business case process.

9.0 Background papers

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- Strategy & Resources Committee - June 2023 - [Future Tandridge programme and 2024/25 budget setting process](#)
- Strategy & Resources Committee - September 2023 - [Future Tandridge programme](#)
- Strategy and Resources committee - June 2024 - [Future Tandridge programme](#)

Appendices

Appendix A – MTFS Overview & Assumptions
Appendix B – Budget setting timetable
Appendix C - Savings delivered since 2021-22
Appendix D – 2 year savings plan
Appendix E – FTP1 progress update
Appendix F - FTP Programme highlight report
Appendix G - FTP Risk Register
Appendix H - Glossary