

Strategy and Resources – September 2024

Appendix A - Medium Term Financial Strategy Overview & Assumptions

Introduction

1. The Financial Context section of the report sets out a budget gap of £1m per year over the life of the Medium-Term Financial Strategy (MTFS). By the end of a four-year MTFS period, from 2025/26 to 2028/29, the Council will need to reduce its annual spending or increase income by £4m (approximately 30%).
2. This appendix sets out the assumptions behind the £1m per year savings requirement with recent budget movements provided for context. In summary, funding is projected to stay broadly flat over the MTFS (i.e. at 2024/25 levels), but spending is expected to increase by £1m per year due to inflation and other pressures. Table 1, below, illustrates this gap.

Year	Opening Budget £000	Budget Pressures £000	Savings £000	Total Budget £000	Funding £000	Gap £000
2022/23	11,295	1,167	(1,111)	11,351	11,351	0
2023/24	11,351	2,238	(1,654)	11,935	11,935	0
2024/25	11,935	1,449	(586)	12,799	12,799	0
3 year total		4,854	(3,351)			
Less pension adjustment		(920)				
Less contingency		(445)				
		3,489	(3,351)			
Average		1,163	(1,117)			
2025/26*	13,000	1,000		14,000	13,104	896
2026/27	14,000	1,000		15,000	12,963	2,037
2027/28	15,000	1,000		16,000	13,266	2,734
2028/29	16,000	1,000		17,000	13,000	4,000

*The 2025/26 baseline has been increased by the £0.2m Service Capacity Fund, met by government funding added after the 2024/25 budget was set.

3. The table illustrates that:
 - Budget pressures (excluding contingency and the 2021/22 pensions adjustment) have averaged at £1.2m per year from 2022/23 to 2024/25. This is assumed to settle to £1m per year because inflation was particularly high in the 2023/24 budget. CPI was 11% when the 2023/24 budget was set and has reduced to 2.2% in July 2024.
 - Savings of £1m per year are realistic, having averaged £1.1m from 2022/23 to 2024/25, with a range from £0.6m to £1.7m.

- The table illustrates that funding has grown from £11.4m to £13.0m over the period. The 2024/25 budget was set at £12.8m, but £0.2m of Government Funding (used for the Service Capacity Fund) was added after the budget was finalised.
4. Given recent history on funding growth, it may seem overly prudent to assume it will stay flat at c.£13m over the four years to come. This assumption is based on the latest funding projections from LG Futures, an independent funding advisory body. It assumes a 2.99% annual increase in Council Tax, with a minor tax-base growth, offset by a reduction in Government funding.
 5. At this stage, it is difficult to anticipate decisions from the new government on the level of local government funding, but indications are that it will be under significant pressure.
 6. Table 2, below, sets out the funding projections provided by LG Futures. 2028/29 is not yet included in the external projections but is likely to include a further reduction in Government funding. 2028/29 funding has therefore been assumed at £13.0m.

Table 2 – Funding projections for Tandridge District Council

Tandridge	←	LGFUTURES			
	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Business Rates	1.7	1.9	1.9	1.5	1.5
New Homes Bonus	0.4	0.1	0.2	-	-
Council Tax	9.3	9.6	10.0	10.3	10.7
Total Grants (CSP + PH)	0.7	1.2	1.0	1.1	1.0
Total Resources	11.9	12.8	13.1	13.0	13.3

7. The funding projections do not currently assume fundamental reform to Government funding, but rather a steady reduction over the period. The Council is likely to see a funding reduction if the method of distribution is reformed. This assumption is based on the level of Core Spending Power (CSP), a government measure of the level of funding for each authority, which is currently high for Tandridge and therefore only likely to fall.
8. The chart overleaf, taken from the OFLOG data explorer, shows that Tandridge's CSP is £319.93 per dwelling in 2023/24, against the average of similar authorities of £278.14. The English median is £265.
9. Reducing CSP to the average of similar authorities would reduce total funding by £41.79 per dwelling or £1.6m in total, at approximately 38,000 dwellings. This disparity indicates a likelihood that funding reform would adversely affect Tandridge.

Chart 1 – OFLOG Data Explorer CSP – Tandridge vs similar authorities and English median

