

Future Tandridge Programme Update

Community Services Committee

Tuesday 5th November 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 planned savings across 2025/26 and the medium-term.
- An overview of the FTP 2-year savings plan, including further detail on target savings which impact on the Community Services Committee budget.

This report supports the Council's priority of:

Financial prudence and sustainability.

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Recommendations to Committee:

1. Note the financial context and progress in developing the 2025/26 Budget and Medium-Term Financial Strategy (MTFS).

2. Note the budget principles, approved by Full Council, which underpin the approach to the 2-year savings plan and which the Committee is required to operate within.

In respect of the 2-year savings plan, that Committee:

3. Approve the savings targets in Section 3 of this paper, subject to details of how the savings will be made being provided in the January Community Services Committee papers. These targets will form the basis of development of the 2025/26 Community Services draft budget to the Strategy and Resources Committee.

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, details are provided on those areas of focus in the 2-year savings plan which impact on the Community Services Committee and the associated savings targets.

In making decisions, the Committee is required to operate within the approved budget principles.

1.0 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.

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.

Table 1 - 3-year budget gap history and 4-year projection						
Year	Opening Budget	Budget Pressures	Savings	Total Budget	Funding	Gap
	£000	£000	£000	£000	£000	£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.

This report continues the process for producing the 2025/26 Budget. The timetable was set at the Strategy and Resources Committee on the 27th June 2024, an update is provided in Appendix B.

2.0 Budget principles

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 A).

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 eleven key principles which are set out below and were approved by Full Council on the 17th October:

1. In identifying the savings needed to deliver a balanced budget, the overarching aim is to minimise the impact on services to residents.
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.

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.

As these principles have been approved by Full Council, they will form the basis of all future decision making by Members relating to savings.

3.0 2-year savings plan

Areas identified in the June and September Strategy and Resources Committee reports have been developed with indicative savings targets set in each area.

These will continue to be developed and refined as part of the 2025/26 budget process. Savings are grouped into 3 broad areas:

1. Finance-led – identified centrally.
2. Service-led – savings in individual services.
3. Transformation – savings which require a longer timeline and a significant change in approach.

The table below summarises the latest estimates, for the Council as a whole.

Overall, the level of saving identified, if delivered, would be sufficient to close the budget gap in 2025-26. NB Targets shown for 2026-27 are indicative at this stage.

Area	Original Target 2025-26	Latest estimate 2025-26 (Oct 24)	Original Target 2026-27	2 yr Total (Cum)
	'000s	'000s	'000s	'000s
Finance / Corporate led	£325	£570	£430	£1,000
Service led	£225	£225	£175	£400
FTP2 Themes / Transformation	£350	£250	£350	£600
Totals	£900	£1,045	£955	£2,000
Target	£1,000	£1,000	£1,000	£2,000
Gap	-£100	£45	-£45	£0

Key points to note in the overall savings plan are:

All savings shown are for the Council as a whole, unless stated otherwise.

3.1 Budget risk review

The Council underspent its budget in 2023/24 and is currently forecasting an 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 2025/26**. Services are expected to manage and contain any routine 'in-year' pressures within their budget (**Principle 4**).

This approach does potentially create more risk of an overspend against individual budget lines. In setting its budget, the Council will accept this higher level of risk for individual service areas. (**Principle 5**).

3.2 Revenue Generation

The savings plan assumes an inflationary increase of c2% on those fees and charges which are not controlled by the Council, and an average level of increase for TDC controlled fees and charges of 5%.

A higher level of increase is currently assumed for the Garden Waste service (£5 per bin which equates to c6.5%). Every additional £1 which is added to the fee generates an additional revenue of c£14k for the Council.

Individual fees and charges, including those controlled by the Community Services Committee, will be reviewed as part of budget-setting with this general expectation. Taken together, these increases should generate additional revenue of more than **£150k in 2025/26**.

Work is continuing to determine the true costs of providing 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, by the Committee.

Estimated increased revenue from commercial activities is included at **c£70k in 2025/26**, with a further £100k in 2026/27. Year 1 growth is primarily derived from waste related services and income from the cemetery. Work is ongoing to develop a delivery plan for this growth and to explore the potential for other commercial activities.

3.3 Service-led

Service-led savings are made up of a combination of savings in service delivery costs and savings from suppressing increases in service delivery costs (e.g. contract inflation, staffing costs, changes in legislation etc), to keep them below the budgeted increase.

The bulk of the savings identified **c£225k in 2025/26** are due to suppressing service pressures rather than identifying savings in service delivery.

3.4 FTP Themes / Transformation

The Digital programme aims to improve residents experience and to drive the delivery of productivity improvements and savings through:

- moving more information online
- making it easier for residents to access their own personal information at a time of their choosing
- streamlining process steps
- answering queries at first point of contact
- reducing double handling of calls and correspondence

The Council is undertaking a phased implementation of the Tandridge MyAccount portal over the period from October to March, starting with the Revenues and Benefits Service. Waste and Operations are due to go live before December.

This will give residents access to their own personal information and act as a single source of contact for the most frequently used services. Increasing residents use of this portal and reducing the use of other means of contact will deliver savings over time.

Savings are delivered through process mapping to identify the reduction in time spent (i.e. 'before' and 'after' processes have been digitised or improved) which is translated into a reduction in capacity / number of staff needed.

Examples include:

Customer services – currently check for 'missed bins' which takes time to 'prove' a bin was missed – replacing this manual process with the use of data to review and tackle "repeat offenders" by exception saves time.

Digital mailroom – reducing the volume of mail sent and received.

Housing - rents enquiries - customers have no choice but to phone us as the information isn't currently available online.

Housing - enquiry forms for housing are currently either pdf forms which need transposition or are being handled over the phone.

Administration – garden waste admin. Bringing this in-house and moving to an online subscription & payment service will reduce costs.

3.5 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
	Non Pay	Pay	Income	Variance	Revenue increase	Budget / Cost review	Alternate funding	Asset Transfer	Service reduction	Original 2 Yr Target
Childrens Playground Maintenance	£110,396			£110,396		Yes	Yes	Yes	Yes	£40,000
Parks & Open Spaces	£795,350	£379,100	-£327,700	£846,750	Yes			Yes	Yes	£100,000
Public Conveniences	£67,600	£32,400		£100,000		Yes		Yes	Yes	£40,000
Leisure & Community Grants	£219,000		-£20,200	£198,800		Yes	Yes		Yes	£100,000
Leisure centres					Yes					£50,000
Car Parking Off-Street	£189,000		-£139,800	£49,200	Yes	Yes				£50,000
Cemetery Services	£30,550	£6,800	-£26,000	£11,350	Yes	Yes				£20,000
	£1,411,896	£418,300	-£513,700	£1,316,496	£0	£0	£0	£0	£0	£400,000

3.6 Community Assets

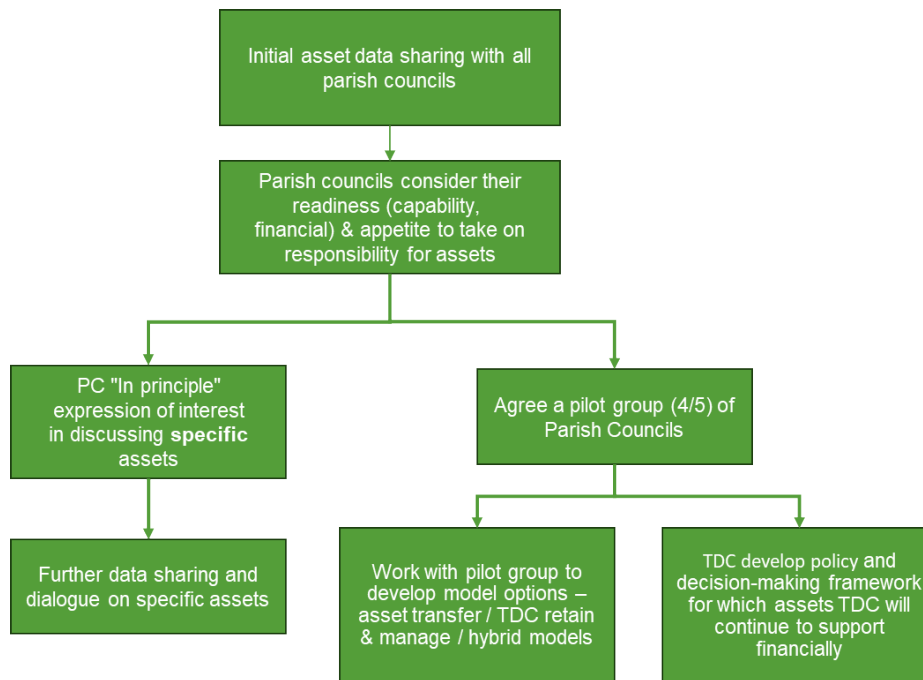
As part of the savings plan, a review of community assets owned by the council is underway, to understand the full costs of providing these assets and any subsidy which is currently being applied (**Principle 9**).

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 in the future. This will be used to inform decision-making going forward. (**Principle 10**).

Parish engagement

Engagement is underway with Parish Councils to explore the potential for asset transfer and other models which will allow the Council to reduce its costs going forward. The broad approach to this engagement is set out below.

Progress will be reported back to the Community Services Committee going forward.



Savings Plan – Next Steps

The savings set out in this report will form the basis of the plan for Community Services Committee to be included in the Draft Budget. Further details will be included in the papers presented to the Community Service Committee on 14th January 2025.

The Draft Budget for 2025/26 and four-year MTFS will be presented to Strategy & Resources Committee on the 28th November.

Whilst the Draft Budget will include an indicative phasing of savings across the next two financial years, more work will be required to react to Government funding announcements and any emerging budget pressures.

Once the Draft Budget is agreed, in order that a balanced budget is presented to the January Committee cycle, any proposals to vary savings need to be met with proposals to return the budget to balance **(Principle 11)**.

4. Comments of the Chief Finance Officer (S151)

This report sets out the financial context and approved budget principles for setting the 2025/26 budget. Although the final budgets aren't approved until the January Committee cycle, the intention is to ensure Community Services Committee has early sight of the proposals for services in the Committee's remit.

Further work will be required to agree the phasing of proposed savings, await final Government funding, determine the Council's tax base and review fees and charges. This work will continue between now and the January Committee cycle.

5. Comments of the Head of Legal Services

The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget 2025/26, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers.

Given the critical medium-term funding position presenting itself, once again the transformational change programme (FTP) will need to be fully aligned with the Council's need to deliver significant financial savings as described in the Medium-Term Financial Strategy that will be presented to Strategy & Resources Committee on the 28th November 2024.

It is therefore important that there is early oversight by Members when reviewing budget proposals for 2025/26.

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.

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.

Background papers

- Strategy & Resources Committee - June 2024
- Strategy & Resources Committee - September 2024 - [Future Tandridge programme](#)

Appendices

Appendix A – Savings achieved since 2021/22

Appendix B – Budget setting timetable