

STRATEGY & RESOURCES COMMITTEE – 2ND FEBRUARY 2021

AGENDA ITEM 6

2021/22 FINAL BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY (MTFS) TO 2023/24

Report of: Anna D'Alessandro – Chief Finance Officer (Section 151)

Purpose: To approve the Final Budget Report and the Council Tax Requirement for 2021/22

Publication status: Unrestricted

Wards affected: All

Executive Summary:

The Final Budget for 2021/22 and the Medium-Term Financial Strategy (MTFS) to 2023/24 is balanced, which the Council is legally obligated to do. The final version will be formally approved by Full Council on 11th February 2021.

Throughout January 2021, the detailed Revenue and Capital Committee budget allocations, budget pressures and savings proposals were presented to the respective Committees. Summaries of these individual budgets are set out in this report. The Capital, Treasury Management and Investment Strategy was considered by the Investment Sub-Committee on 15th January with a recommendation for approval by Full Council on 11th February.

The report outlines:

- How the Organisational Strategy, Improvement Plan and Departmental service plans are integral to the budget setting process;
- Where the macro-economic climate, Central Government financial announcements (Spending Review and Provisional Settlement) and statutory returns (Council Tax and Business Rates Estimates) impact on the Council's budget; and
- The governance, policies and core planning assumptions which are in place to mitigate the risk of economic uncertainty and strengthen financial resilience.

The Executive Leadership Team (ELT) is integral to setting the budget process as it has ensured that revenue budgets, capital investment and savings plans are all aligned with each Department's service plans and Corporate priorities. This alignment provides a stable foundation for delivering services to the residents in the face of challenges presented by the pandemic and wider external pressures.

Local Government funding remains highly uncertain over the medium-term, with a number of factors likely to result in significant changes to the Council's funding position beyond 2021/22. These factors are set out in **section 5** of the report.

The overall outlook for the Council is one of stability and resilience, at least in the short-term, with a renewed emphasis on “getting the basics right”. Whilst the Council are not there yet, it has moved leaps and bounds in the last half of this current financial year. There remains, over the medium-term, significant challenges in managing inflationary pressures (although currently low, they are likely to grow over the medium-term), service pressures, and the ongoing impact of COVID-19 on budget envelopes. It is unlikely that the pandemic will end on 31st March and the challenges will continue into the next financial year. In the spirit of living within a budget envelope, ELT were tasked with identifying savings to close their own budget gap.

Members are required to consider and recommend to Full Council the following:

- The Council’s Revenue and Capital Budgets for 2021/22, including savings proposals identified to balance the budget;
- The Council Tax Precept level for 2021/22; and
- The Council’s Capital Programme for 2021/22-2023/24.

In year, the Council will review its future transformation requirements as it may change due to the appointment of a permanent Chief Executive. If a transformation programme is required for 2021/22, it can be funded from the use of Flexible Capital Receipts, if it meets the requisite criteria. No further guidance from Central Government has been received on whether flexible capital receipts can be applied beyond next year. Any such application will also need to be approved by Full Council and can be done so in-year. A Partnership & Transformation Reserve has been established as part of finalising the budget. This will provide Members with more options.

The budget setting process for 2021/22 commenced later than would have been expected. For 2022/23, the intention is to commence the process in early summer, to launch the budget process. At the end of May, we will be presenting the Month 1 (April) financial report. This will be light touch and focussed on risks, opportunities and any further impacts of COVID-19 and the continuing uncertainties surrounding Brexit.

The attached 2021/22 Final Budget Report and MTFS, supported by Appendices, underpin the priorities set out in the Council’s Improvement Plan.

This report supports the Council’s priority of: Building a better Council.

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Recommendation to Committee:

That Members recommend that Full Council:

1. Approves the net revenue budget requirement be set at **£11.3million** (net cost of services after service specific government grants) for 2021/22 **(Appendix A)**, subject to confirmation of the Final Local Government Financial Settlement;
2. Approves the Final Budget Envelopes for Departments for 2021/22 **(Appendix B)**;
3. Approves the total £39.6 million proposed three-year Capital Programme (comprising £11.3m General Fund and £28.3m Housing Revenue Account (HRA)) of which £25.1 million Capital Budget is for 2021/22 **(Appendix C)**;
4. Approves the total Council Tax Requirement be set at **£8.7 million** for 2021/22. This is based on a Council tax increase of £5 to cover core Council services **(Appendix D)**;
5. Notes 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 £5);
6. Sets the Tandridge District Council precept for Band D Council Tax at £225.98, which represents a £5 uplift. This is a rise of £0.10 a week from the 2020/21 precept of £220.98. A full list of bands is as follows:

Band A	£150.65	Band E	£276.19
Band B	£175.76	Band F	£326.41
Band C	£200.87	Band G	£376.63
Band D	£225.98	Band H	£451.96

7. Note the Parish Councils' precept requirements for 2021/22 **(Appendix E)**;
8. The current Local Council Tax support scheme (unchanged) be adopted for financial year 2021/22;
9. Note the impact of the financial strategy to build the General Fund Reserves via a £0.5m contribution per annum, application of a general contingency of c£0.1m per annum (£117k for 2021/22) and creation of a Partnership & Transformation Reserve to support exploring partnership opportunities (£0.2m 2021/22). This will bring the General Fund balance to £3.1m as at 31 March 2022 **(Appendix F)**.

Reason for recommendation:

This report provides the fiscal backdrop on the 2021/22 budget process and MTFS to 2023/24. The Council must approve a balanced budget for 2021/22 under legislation. This budget includes details of proposed savings and pressures.

If approved by Members, the report will proceed for recommendation to Full Council on 11th February 2021 and set the Council Tax Precept for 2021/22. This Committee has the jurisdiction to recommend the budget to Full Council. The budget directs available resources to support the achievement of the Council's ambitions and priorities.

1. Introduction and Background

- 1.1 The 2021/22 Final Budget Report and Medium-Term Financial Strategy (MTFS) to 2023/24 sets out the Council's sustainable and resilient medium-term financial plans. The impact, and continued uncertainty, is expected to continue into 2021/22 – at least during the early months – as the vaccine is rolled out, with the expected resumption of 'normality' later in 2021.
- 1.2 The Council's resilience is improving, and continues to make demonstrable improvements in in planning, building and using the budget to deliver the Council's priorities in the Strategic Plan. These priorities are:
 1. **Building a better Council** – making the Council financially sustainable and providing residents with the best possible services;
 2. **Creating the homes, infrastructure and environment we need** – both now and in the future;
 3. **Supporting economic recovery in Tandridge** – from lockdown to growth that everyone benefits from; and
 4. **Becoming a greener, more sustainable District** – tackling climate change.
- 1.3 Along with Members, ELT is integral to setting the budget and MTFS. The integrated approach ensures that revenue budgets, capital investment and savings plans are all aligned with Departmental service plans and Corporate Priorities. Ensuring that each aspect of planning for 2021/22 and the medium-term are completely aligned provides a stable foundation for delivering services to Tandridge residents in the face of a challenging external environment.
- 1.4 Local Government funding will continue to remain highly uncertain over the medium-term, with a number of factors likely to result in significant changes to our funding position beyond 2021/22, as set out in **section 5**.
- 1.5 The overall outlook for 2021/22 is one of building resilience and strengthening the foundations. There remain significant challenges in managing growth in demand, coupled with inflationary pressures and the ongoing impact of COVID-19 and the continuing uncertainties surrounding Brexit. ELT were tasked with identifying savings to close the gap against their budget envelopes.

- 1.6 The Final Budget for 2021/22 comprises total funding of c£11.3m; a £0.8m net increase from c£10.6m in 2020/21. To make central funding more transparent we have presented Central Government grant funding outside of the Committee budgets. In the current S&R Committee budget is the New Homes Bonus. To ensure all Central Government grants are combined and transparent we have transferred the New Homes Bonus grant into central funding (£0.3m). The other movements are:
- £0.5m reduction on Business Rates income reflecting the challenging economic climate evidenced through increased volumes of exemptions, discounts and support of Business Rates and Council Tax and based on national metrics all of which have a negative impact on Business Rates income
- offset by:
- c£0.4m Lower tier and Local Council Tax Support grant to provide temporary respite to the Council to maintain the Council core spending power (**section 5 & section 7**),
 - c£0.4m of Central Government funding for COVID-19 impacts in 2021/22, and
 - £0.1m Council Tax increase of £5 has been applied.
- 1.7 The Capital Programme for 2021/22 to 2023/24 is set out in **section 8** and **Appendix C**. This sets out a £39.6 million proposed three-year Capital Programme (comprising £11.3m General Fund and £28.3m HRA).
- 1.8 A Capital Budget of £25.1m has been set for 2021/22 (comprising £8.5m General Fund and £16.6m HRA) as identified in **Appendix C**. The development of the Capital Programme has been based around achieving council priorities whilst maintaining borrowing costs at a sustainable and prudent level.
- 1.9 The key elements of this Budget Report include:
- An update on Improvement Plans (Organisation and Finance) (**section 2**);
 - Department Service Strategies (**section 3**);
 - An update on the financial and economic climate (**section 4**);
 - The Financial Strategy for 2021/22– revenue and capital (**sections 5**);
 - 2020/21 financial performance – revenue and capital (**section 6**);
 - The medium-term financial outlook to 2023/24 (**section 7 & 8**);
 - A risk and resilience assessment (**section 9**);
 - The results of our budget consultation (**section 10**); and
 - A Budget Equality Impact Assessment (**section 13**)
- 1.10 The Final Budget will be presented to Full Council for approval on 11th February 2021.

2. Improvement Plan (Organisation and Finance)

Organisation

- 2.1 The Council has experienced a period of significant change and is making progress in addressing a number of important areas for improvement, including tackling significant financial challenges. The implementation of action plans is integral to the way in which it supports the local communities and economy as we move from response to the COVID-19 crisis to the recovery phase and beyond.
- 2.2 The Council's [Strategic Plan 2020/2021 - 2023/2024](#) reflects both the need to complete vital improvement work, and to respond to the District's local characteristics, the needs of our residents and businesses, and the wider context – both regional and national – in which we are operating.
- 2.3 The priorities identified in the Strategic Plan are:
 - **Building a better Council** – making the Council financially sustainable and providing residents with the best possible services;
 - **Creating the homes, infrastructure and environment we need** – both now and in the future;
 - **Supporting economic recovery in Tandridge** – from lockdown to growth that everyone benefits from; and
 - **Becoming a greener, more sustainable District** – tackling climate change.
- 2.4 Priorities will be achieved by working in partnership with other public-sector agencies and businesses in the District and beyond by adopting the principles of Local Government reform and exploring shared arrangements (if practical and cost effective). As Officers implement the Financial Recovery Plan (largely delivered through the MTFS supported by the Finance Improvement Programme), further actions will need to be identified to achieve priority outcomes identified in the strategy.
- 2.5 The Council has adopted an Improvement Plan which sets out key actions to enable the Council to both stabilise its finances, its governance and also make necessary improvements to services.
- 2.6 The Financial Recovery Plan is a key feature of the Improvement Plan and is covered in greater detail in this report. Other key actions include:
 - **Improvements in Risk Management & Performance Monitoring and Reporting** which is being embedded at a Service, Committee and Corporate level;
 - **Improvements to Organisational Governance**, including member and officer training. The modern.gov system is one example of the improvements but there have also been new initiatives such as regular member briefings and the introduction of new protocols;
 - **A new Internal Audit Programme**, led by the Executive Leadership Team and monitored through the Audit and Scrutiny Committee, Internal Audit now have a direct reporting line to the CFO;

- **Staffing and People Plan** – some changes to the officer structure are in train which will result in improved working. New policies have been put into place such as homeworking and other policies are being revised. A staff skills audit is also under way to ascertain training needs and a new People Plan is now in draft;
- **ICT and Digital Strategy** – The first priority has been to establish reliance on the Council's IT systems. Work is now underway to create a governance framework within the organisation, to update and establish disaster recovery arrangements and to introduce a standard project management methodology across the organisation;
- **Improvements to Planning Service** – this has involved stabilising the staffing structure and creating improvements to service delivery (for example a pre-application service). Performance has improved with all national performance indicators being met; and
- **Data Protection** – a data protection officer has been appointed and training on GDPR is mandatory for all staff.

- 2.7 Progress on these actions has been reported to previous Committee meetings and further reports on this and the Strategic Plan will be provided in early 2021. A report on progress with improvements to governance will be provided to Audit and Scrutiny Committee in January 2021.
- 2.8 Transforming our organisation to reform its function, form, focus and culture is key to delivering the priority objectives set out in the strategy. It will enable us to add more value, make greater impact and improve services so they deliver the best possible long-term outcomes for residents. The current challenges of the pandemic make it even more important that we achieve our ambitions to be an agile, flexible and responsive organisation. We want to improve the customer experience so that residents are more empowered and engaged and build stronger partnerships so that we can better deliver on our shared ambitions.
- 2.9 These priority objectives will help the Council to meet more immediate challenges, enable it to prioritise resources and activity and take advantage of opportunities that have emerged through the response to COVID-19.

Finance Improvement Programme (FIP)

- 2.10 The Council has faced significant financial difficulties over the last two to three years, leaving it in a position of a considerable overspend in the first quarter of the current financial year. This was exacerbated by precariously low General Fund Reserves.
- 2.11 The interim CFO, in post since July 2020, was recruited to support the Finance function and hence the Council to get back to a solid and sustainable basis. To achieve this, the CFO introduced the FIP. The key elements of the programme are listed below:

- **Business Partnering Model.** The Finance team, has over the last six months, been working as a business partnering team, directly aligned to a Service to provide guidance and advice on financials. The Services have already started to see the benefits of working in this way;
- **Getting the “basics right” in Finance.** We have produced a Budget Monitoring and Budget and MTFS preparation timetable. We are reporting to Members and ELT on a monthly basis whether or not there is a Committee meeting to which to report. We progressed rapidly into the Budget and MTFS setting process given a late start, with Member workshops having taken place in October, Scrutiny in November at Audit & Scrutiny Committee and a 2021/22 Draft Budget and MTFS to 2023/24 presented to Strategy & Resources in December. We initiated a Risk and Opportunity Tracker from Month 7 (October) as part of our ongoing improvements to monthly reporting. For 2021/22, as part of ongoing improvements there will be a COIVD and Savings Programme tracker, reported to Members monthly;
- **Redesigned monthly Financial Reports to Members.** Monthly finance reports to Members have been completely redesigned in terms of format and content to ensure they are understandable, transparent and accurate. The process commenced at Month 5 and continues to include further enhancements;
- **Baseline of 2020/21 finances for Revenue and Capital.** Revenue and Capital baselines (i.e. line-by-line review) have been completed and information fed through into monthly reports. There is some work continuing on the Capital spend profile for 2020/21. In 2021/22 there will be a stronger focus on the end-to-end capital process, with improvements to capital reporting and governance;
- **Budget Management Accountability.** This places the accountability for the delivery and management of budgets with the relevant ELT Officer and Committee. This has been enhanced through the creation of Departmental Leadership Teams (DLTs) to review finances on a monthly basis. This will be further rolled out in 2021/22;
- **Local Government Association commissioned to undertake a review of project capitalisation and Cash.** Work has now been completed and capitalisation of salaries with respect to capital projects, has been largely been incorporated into monthly reporting. A detailed review of the cashflow model and assumptions has also been undertaken and continues to be closely monitored;
- **Review of all Procurement activities (contract and off-contract spend) to identify areas of improvement.** An Improvement Plan has been developed with some savings attributable to the current year and beyond. This plan will be presented to Strategy & Resources Committee in February 2021;
- **Continuing a hard-line and grip on salary budgets and processes.** We continue to ensure we have a firm grip on salaries, this is essential given the relative size of this budget to that of the overall budget for the Council; and

- **Grip on internal controls through a renewed focus on Internal Audit.** This process has changed considerably. Internal Audit now has a direct reporting line to the CFO who will ensure all reports with limited or no assurance are presented to Audit & Scrutiny and management issues identified and addressed.

2.12 After the budget is completed the next piece of work will commence to review the Council's Financial Regulations and associated approvals levels and processes.

3. Committee/Departmental Strategies

3.1. Departments are at the heart of the Council's Strategic Plan. Strategies for each Department is summarised below. These set out their approach to delivering the best outcomes for residents whilst living within their budget envelopes.

Community Services

3.2. The Community Services Committee is the Council's largest Committee in terms of spend and is responsible for the Council's policies in respect of leisure, community grants, environmental health, licensing, waste and amenity management.

3.3. Key achievements that impact on our finances are:

- 2019/20 a procurement process for the Recycling and Refuse Collection contract was progressed. This is close to conclusion with a new contract set to be in place to commence 1st April 2021. This contract proposes to improve efficiencies, provide new vehicles to deliver the service and improve recycling, carbon and particulate emissions rates;
- As part of the new contract, options for greater involvement in the administration of the Green Waste collections are being developed. This will see a transfer of the ownership of the service with increased control and income for the Council. There is potential to expand the service further in the future; and
- Operational Services are responsible for both On and Off-Street parking and parking enforcement. New Contract arrangements were put in place in 2020 which are to be re tendered for 2021/2. The improvement in efficiency of enforcement has led to a greater availability of spaces and improved safety especially for pedestrians.

3.4. These achievements represent 45% of the overall savings found for 2021/22.

3.5. The biggest challenge for the Committee will be how COVID-19 will impact on services that are so resident focused. We have provided for some continuation of social distancing especially for waste collection services and anticipate that income generation fees and charges from businesses licences and leisure facilities could continue to see income deterioration due lower volumes or reduced high street usage.

Planning Policy Committee

- 3.6. The Planning function is a key service within the District. In 2019 the service was in need of improvement due to a number of issues including the decrease in qualified staff.
- 3.7. Key achievements that impact on our finances are:
- The staffing position has been stabilised with specialist roles filled by permanent staff. The reliance on agency workers has diminished and a new staffing model is being produced which will be a “mixed economy” approach consisting of a core of permanent staff supplemented by bank staff who will be used during peaks in workload and paid on a fee basis. Therefore, it has been possible to both reduce the agency budget and utilise vacant positions to enable this refreshed approach; and
 - Progress on the Local Plan has been delayed due to COVID-19. The Planning Inspector has provided his initial response. Further work is needed on the way forward. Planning Committee Members and Officers will work together to assess the most appropriate and affordable way regarding the Local Plan. Arrangements are being identified to enable the finances to be solid, backed-up by a comprehensive business case (using the HM Treasury Green Book Model) including a timeline for delivery so activities can be prioritised, and governance arrangements are robust and transparent. The business case will also need to include a provision for programme management support to ensure work is delivered on time and on budget. The budget for the use of consultants and also external legal advice has been reduced. It is anticipated that, options to continue to have use of internal legal resources are being considered.
- 3.8. One of the key challenges to 2021/22 Budget will be dependent on the Garden Community. Presently it is not known when work on the Garden Community will need to commence as this is entirely dependent upon the progression of the Local Plan following receipt of the Inspector’s preliminary findings and feedback. In the intervening months we will be assessing the timeline for evaluation, consultations and assessments.

Housing General Fund Committee

- 3.9. This 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 Housing 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. Notably the smallest net budget of c£0.5m however it has the highest gross budget of £19.1m offset by housing rents of £18.7m.

- 3.10. Capacity within the team has been affected by the implementation of the Customer First model and areas of expertise have been lost. Despite these, there have been efficiency benefits seen through the close working of revenue and benefits teams with Housing Needs and Tenancy Management. This work will be closely looked at over the next year to improve debt management. There have also been resource issues affecting the housing development programme. All teams have worked well to look at new models of working to ensure that the full range of activities are covered.
- 3.11. Resilience of the Council's housing service is vital to be able to support the Council's ongoing programme to provide a direct supply of new Council owned homes. In 2019/2020, 43 new homes were started and 40 were scheduled to complete although the effects of COVID-19 has seen these completions slip to 2021/22.
- 3.12. There are substantial financial challenges for 2021/22. Due to realigning the establishment for Customer First and looking at new models of working, we have identified a reduction of c£0.2m to the staffing budget. However due to the economic climate, there are more claimants and pressure on the limited affordable housing stock, that pressurise the budget to ensure overpayments and fraud are reduced (estimated at £0.1m). The Community Alarm service requires a significant service review but pressure on the service of £83k

Strategy & Resources Committee

- 3.13. Covering the administration functions (notably Information Technology, Democratic functions, Finance, Human Resources and Legal) and Corporate Income & Expenditure (Council Tax, Business Rates, Treasury impacts and central government grants) technical adjustments. The net budget may only be c£4.8m for the General Fund, but this Committee is responsible for over £100m due (£80m Council Tax, and £20m Business Rates) to billing residents Council Tax and businesses Business rates per year, without mentioning all of the business interruption and residents hardship claims from COVID-19 this year.
- 3.14. It also is very diverse due to all the Executive heads having accountability to this budget in various ways:
- Chief Planning Officer - Community Infrastructure Levy (CIL) & land charges;
 - Monitoring Officer – Legal Budget;
 - Chief Finance Officer – Finance & Exchequer services, Corporate support services recharges, and Corporate Income & Expenditure;
 - Executive Head for Community Services - Council Tax and Business Rates Billing & Collection, Inter-relations with HRA, Investment properties, and Office Services; and
 - Executive Head for Corporate Resources – HR, ITD and Customer Services.

- 3.15. All areas across Strategy & Resources have endeavoured to meet the financial challenges the current economic climate has thrown this year.

4. Financial and Economic Climate

- 4.1. On 4th January, the Government announced a third national lockdown, commencing on 5th January. The impact of this on the economy and impact on the current year's budget are not entirely currently known but a best estimate has been made on projected collection fund deficits for Council Tax and Business Rates. The continued, and now heightened uncertainty reinforces our focus on building resilience and stability.
- 4.2. UK Economic Position - the UK is currently in recession and economic recovery is very uncertain. It is difficult to know what long-term impact lockdowns and social distancing requirements will have on businesses. We do not know how confident customers will be to spend in future, or whether people will simply just change their spending habits. It is not certain whether there will be a second spike of the virus, or if and when a vaccine may be available. All these factors affect economic recovery. It is considered that Business Rates income has fallen by 6% (nationally) due to the economy. Added to this is the UK's exit from the European Union.
- 4.3. Unemployment - the Government's Job Retention Scheme (JRS) also known as "furlough" has mitigated the number of job losses to date and is currently extended until March 2021. There is the potential for unemployment rates to increase as the scheme is withdrawn.
- 4.4. Public Sector Debt – Government support for business and jobs during the pandemic has had a significant impact on Public Sector Borrowing. UK net debt recently reached £2tn for the first time and further heavy borrowing is expected in coming months. Over time, the UK Government is likely to seek to reduce debt to more sustainable levels. This may well have an impact for the funding of public services.
- 4.5. Fair Funding Review (FFR), rebadged as the Review of Relative Needs and Resources in the Spending Review in November. The comprehensive redesign of the current funding mechanism for Local Government in England has been delayed from its already delayed implementation date of 1st April 2021. Under the FFR reforms, the Business Rates system is due to be "reset" and funds retained by Councils in areas with high Business Rates growth redistributed more in line with needs.
- 4.6. Councils nationally have played a pivotal role in responding to the pandemic and the Government has enabled Local Authorities to achieve this through the swift provision of timely one-off resources. However, the economic shock the country has experienced and the recession we are facing will have profound and lasting effects, not entirely met by temporary funding.

Local Challenges

- 4.7. The Customer First restructure of the Council consumed a significant proportion of available reserves eroding financial resilience. Reserves continued to be weakened due to significant revenue budget overspends. Having eroded our Reserves substantially and facing significant financial pressures there was the very real possibility of the Council considering the potential issuance of a Section 114 notice. Close contact with MHCLG and the removal of TDC as Council with financial challenges from their list of concerns, coupled with the development of a FIP has resulted in a strengthening of our financial position over the second half of this year. Given the improved financial position and setting a balanced budget for 2021/22 a Section 114 is no longer a concern for the Council. This will however continue to be monitored closely.
- 4.8. The ongoing improvement to the Council's finances has provided us with the security to tackle the immediate challenges arising from the pandemic. Much has been made of the severe financial difficulties facing a number of other Authorities and now, due to events beyond our control, we too see the future as extremely challenging. On 11th November Croydon Council became only the second Council in over 20 years to issue a Section 114 notice. It is feared many other Councils are in similarly precarious positions. We will be working very diligently to ensure that TDC does not follow suit.

5. Financial Strategy and Final Budget 2021/22

- 5.1. This section outlines our approach to setting the budget and MTFS adopting strategies to make our future finances as sustainable as possible in the medium-term. Having this resilience affords the Council opportunities to be more enterprising in the way we meet the needs of our residents. We have taken a bottom-up approach to building our budget and MTFS, in an attempt to build a budget in line with best practice characteristics. The hallmarks of a good budget translate into the principles we adopt for our budget setting process. We also set out the FIP which strengthens our approach to financial decision making and budget accountability.
- 5.2. We have this year ensured that we have a well scrutinised process, taking all elements of the budget to Audit & Scrutiny in late November, Draft Budget in December and launched the residents' public budget consultation in mid-December.
- 5.3. The outcome of the budget process for 2021/22 is outlined in the Revenue Budget Headlines section below. This is supported by **Appendix A and B** which set out pressures and savings over £25k for each Department and a summarised revenue budget (details are outlined in Committee reports presented in late January). We conclude the section by reviewing our approach to securing financial flexibility and our compliance with latest best practice in financial management.

Hallmarks of a Good Budget and Principles for Budget Setting

- 5.4. To ensure there is a robust budget setting process, we have assessed our process against a best practice framework. This is the initial year of assessment. This framework outlines six hallmarks to determine improvements to the process. The table below presents an assessment of our progress against these hallmarks in setting the 2021/22 budget and MTFS.

Table 1 – Self-assessment against the Hallmarks of building the Budget

Hallmark	Self-Assessment
The budget has a medium-term focus which supports the Improvement Plan and Corporate priorities	<ul style="list-style-type: none"> The budget process has been coordinated across DLTs, Legal and Finance; the integrated approach ensures that the budget is focussed on delivering Corporate priorities. <p>Despite significant uncertainty in the financial planning environment and the unprecedented impact of COVID-19, our approach continues to focus on a three-year-medium term budget avoiding depletion of reserves.</p>
Resources are focused on our vision and our priority outcomes	<ul style="list-style-type: none"> The budget is based on clear integration with the Strategic Plan, and Corporate priorities; developed in partnership across the organisation. The final budget has been subject to iterations through Committees and ELT over the last six months to balance the budget and clarify assumptions. <p>The assessment led to the development of Core Planning Assumptions to provide a consistent framework for financial planning.</p>
Budget not driven by short-term fixes and maintains financial stability	<ul style="list-style-type: none"> We are building General Fund Reserves over the medium-term to meet general risks and specific pressures to ensure that our sustainability as an organisation grows despite an increasingly volatile and uncertain external environment. We have also built a general Contingency for in-year unknown pressures.
The budget is transparent and well scrutinised	<ul style="list-style-type: none"> Workshops were held with Committees early in the budget process to set out the approach, covering the Core Planning Assumptions, the approach by Services and funding projections. The Draft Budget was scrutinised by the Audit & Scrutiny Committee in November 2020.
The budget is integrated with the Capital Programme	<ul style="list-style-type: none"> Section 8 sets out the Capital Programme. The Programme is developed alongside the revenue budget. We will continue to clearly demonstrate delivery of corporate and service priorities and set out the impact and linkages with the revenue budget.

	<ul style="list-style-type: none"> • The full borrowing costs of proposed Capital Programme are reflected in the revenue budget
The budget demonstrates how the Council has listened to consultation with local, people, staff and partners	<ul style="list-style-type: none"> • Section 10 sets out our approach to consultation and engagement, in summary; • During December 2020 and January 2021, we engaged further with residents, to understand their views about the Draft Budget and whether we were prioritising our resources in the right places

Budget Principles

5.5. The principles are:

- A balanced revenue budget with no planned use, rather build of General Fund Reserves;
- Creation of a contingency to provide further medium-term financial resilience;
- Regular review of Reserves to ensure appropriate coverage for emerging risks;
- Budget envelopes set for each Service to deliver services within available resources;
- Evidence based savings plans which are owned, tracked, monitored and reported monthly; and
- Managers accountable for their budgets.

5.6. The principles more specifically relating to setting sustainable medium-term budgets are:

- Developing three-year plans, integrated capital investment across the Council;
- Continuing to adopt a budget envelope approach with a model to determine a consistent and transparent application of funding reductions to Departmental budget envelopes;
- Envelopes validated annually based on realistic assumptions;
- Evidence bases used to underpin all savings proposals;
- Assurance that all savings, pressures and growth are managed within budget envelopes to deliver accountability for implementation;
- Pay and contract inflation allocated to Services to be managed within budget envelopes; and
- A general Contingency held centrally.

General Fund - Revenue Budget Headlines

- 5.7. The 2021/22 Revenue budget is balanced. Throughout the planning process, we have followed the budget envelope principle where Departments were challenged with producing a budget that matches available funding. This entailed Departments identifying savings to offset pressures from growth, inflation and new responsibilities.
- 5.8. Since we presented the Draft Budget to this Committee in December, we have closed the gap of £189k. This was largely as a result of increased funding through the provisional settlement. The main changes from the draft to the final budget are:

Table 2: Identification of changes since S&R 16th December draft

	Community Services £000	Planning £000	Housing £000	Strategy & Resources £000	Overall £000	Funding £000
2020/21 Budget (brought forward)	6,351	1,338	459	2,412	10,560	(10,560)
Draft Budget Movements	(1,144)	(277)	11	1,486	75	
Funding changes						114
2021/22 Draft Budget	5,207	1,061	470	3,898	10,635	(10,446)
Service Pressures:						
Review of establishment to ensure key services are appropriately resourced in Strategy & Resources				105	105	
Planning Policy reassessed staffing		100			100	
Asylum Seeker grant saving reassessed			24		24	
Economy Development saving				22	22	
Reduce local plan		(100)			(100)	
Corporate charges & transfers	(309)		(2)	638	327	(327)
Service Pressures	(309)	0	22	765	478	(327)
Core Assumptions:						
Reduction in deterioration of Business rates (from £318k)					0	206
Create Reserves for Partnership & Transformation				200	200	
Reassessed Council Tax Collection assumptions (from £8k deficit)					0	23
Increase to contingency				17	17	
Notified in Prov Settlement - Increase New Homes Bonus (from £327k)					0	(14)
0.5% Reduction in pay inflation (from £274k incl increments)	(9)	(9)	(1)	(16)	(35)	
Notified in Prov Settlement - new one-off grants: lower tier grant, COVID-19 grant & LCTS					0	(737)
Core Assumption improvements	(9)	(9)	(1)	201	182	(522)
Balanced Revenue 2021/22 Budget	4,888	1,052	491	4,865	11,295	(11,295)

- 5.9. Throughout the planning process, Departments are challenged with producing a budget that matches available funding. This entailed Departments identifying savings to offset pressures from growth, inflation and new responsibilities. Since presenting the Draft Budget, the Economic Development saving has been transferred to Community Services. It supports the key priority "**Supporting economic recovery in Tandridge** – from lockdown to growth that everyone benefits from".

5.10. The main changes from 2020/21 are:

Table 3: Significant movements from 2020/21 net revenue budget to 2021/22

	Community Services £000	Planning £000	Housing £000	Strategy & Resources £000	Overall £000
2020/21 Budget (brought forward)	6,351	1,338	459	2,412	10,560
Service Movements and Transfers*	(1,566)	(318)	9	754	(1,121)
<u>Corporate items:</u>					
Inflation	103	32	23	144	303
General Fund contributions				500	500
Minimum Revenue Provision				241	241
Partnership & Transformation Reserve				200	200
Contingency				117	117
Return of Investment income loss				300	300
Property Income rent loss				197	197
Corporate Movements	103	32	23	1,699	1,857
2021/22 Budget	4,888	1,052	491	4,865	11,295

*Note: * Transfers includes moving the 2020/21 New Homes Bonus grant from S&R to central funding £0.7m, and depreciation movements changes between Committees. Service movements c£0.8m offset by savings £2.7m*

- 5.11. In setting the budget; Pay inflation is set at 0.5% and Pay increments are allocated to Departments. Contract and price inflation have been set based on a blended assumption of RPI and CPI of 2.0%, with variations for specific contracts where appropriate. Inflation has been included in Department envelopes.
- 5.12. The Corporate Items (in the above table) are solely within Strategy & Resources are summarised below. This includes the creation of three strategic reserves:
- £0.4m - Unavoidable Service costs reflecting current organisation policies (changing the commercial investment policy and capital strategy);
 - £0.3m - COVID-19 impact due to investment income and funding deterioration as a result of the contraction of the economy. This does not assume any 'lockdowns' during the new financial year; and
 - £0.8m – Financial sustainability measures (building of General Fund Reserves £0.5m, Partnership & Transformation Reserve £0.2m and Contingency c£0.1m).
- 5.13. Service pressures cover Department pressures (**Appendix B**), totalling c£0.8m, mainly relating to:
- £0.4m – Working arrangements and aligning the hierarchy to the Committee structure;
 - £0.3m – Contract reviews from commercial income and applying social distance and business interruption extra costs;

- £0.2m – Housing related increased costs for recovery of fraud and Community alarm; and
 - £32k – Extra statutory duties for private sector housing and Housing benefits
- 5.14. The Council's 2021/22 Savings Programme totals c£2.7m (**Appendix B**) and comprises of:
- £1.1m – Contract reviews especially Recycling and Refuse contract as outlined in **section 3**;
 - £0.9m - Working arrangements especially in relation to vacancy reviews and flexible resourcing;
 - £0.3m – Financing and Reserves notably - reducing the income equalisation reserve (£0.1m), reflecting the prior year triennial pension secondary contribution (£0.1m) and financing the renewal of leased vehicles (£21k);
 - £0.1m – Service demand especially on-street parking; and
 - £0.2m – Remodelling and review of Services notably Local Plan (£0.1m), Parks & Countryside (£0.1m).
- 5.15. The impact of savings is factored into the Risk and Resilience assessment (**section 9**) and Equality Impact Assessment, set out in **section 13**.

Revenue Budget Envelopes

- 5.16. The revenue budget envelopes for Committees are summarised in the table below. Overall, net expenditure has increased by £736k:
- A breakdown of the 2021/22 budget by Departments can be found in **Appendix A**.
 - Pressures and Savings are set out in further detail in **Appendix B**.

Table 4 – Revenue Budget Envelopes

	Roll-over budget £000	Pressures £000	Savings £000	Committee total £000
Community Services	6,351	(26)	(1,437)	4,888
Planning	1,338	165	(451)	1,052
Housing	459	179	(147)	491
Strategy & Resources	2,412	3,147	(695)	4,865
Policy Committees	10,560	3,465	(2,730)	11,295
Projected funding	(10,560)	(736)		(11,295)
Net Gap	(0)	2,730	(2,730)	(0)

Funding

- 5.17. At the Spending Review (SR) 2020, the Government announced that core spending power for Local Government as a sector would rise by an estimated 4.5% (c£2.2billion) along with a package of measures to support Local Government in their response to the COVID-19 pandemic. The major features of the national announcements were:
- Additional COVID-19 related funding from:
 - o £1,550m grant for additional expenditure pressure;
 - o £762m fund to support irrecoverable loss of Council tax and business rates revenues incurred in 2020/21;
 - o Sales, fees and charges (SFC) compensation scheme; which will be extended into the first three months of 2021/22; and
 - o £670m to fund Council tax support through a Local Council Tax Support (LCTS) grant; and
 - o £111m to fund lower tier Authorities.
- 5.18. The Provisional Settlement was announced on 17th December 2020. The settlement resulted in an additional £0.7m of funding for TDC, of which c£0.3m is the Council's share of the £1,550m grant for additional expenditure pressure, £0.1m to fund Council Tax support through a Local Council Tax Support (LCTS) grant and c£0.3m is the Council's share of the new £111m lower tier grant. These grants are for 2021/22 only.
- 5.19. Alongside the settlement MHCLG published a policy paper, seeking views on the package of measures to support Local Government in their response to the COVID-19 pandemic (discussed above). The paper includes technical details of how the fund to support irrecoverable loss of council tax and business rates revenue could work. Consideration of these measures has been built into the budget although it should be noted that they are not confirmed and, for the irrecoverable losses element, the actual allocation might not be confirmed until as late as January 2022.

Table 5: 2021 - 2024 funding

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Council tax precept	8,587	8,690	8,882	9,143
Business Rates	2,207	1,719	1,531	1,559
New Homes Bonus		341	281	
Lower Tier Grant		340		
LCTS & COVID-19 - extra costs funding		498		
Funding before collection fund	10,794	11,587	10,695	10,703
CT Collection Fund	(10)	(32)	(22)	(22)
BR Collection Fund	(224)	(260)	(72)	(72)
Total Funding	10,560	11,295	10,600	10,608

Council Tax funding £8.7m (Core funding £8.7m less collection fund deficit £75k)

- 5.20. **Core Council Tax funding increase:** The referendum principle is assumed to be maintained, allowing an increase in Council Tax of 1.99% or £5 if higher. To optimise funding in this climate we have assumed £5 increase, resulting in an additional £193k in 2021/22.
- 5.21. **Council Tax base:** In October, we completed the usual return on the valuation of the tax base. It confirmed that even though we have had a 4% increase in the volume of properties, this was offset by 4% increase to exemptions, discounts and council tax support. Therefore, the increases to deductions in Council Tax have wholly absorbed the volume increase. The tax base is then adjusted for an estimate of collectability and greater local Council Tax support claimants. Due to the economic climate, we have increased the adjustment from 0.7% to 1.2%, resulting in a reduction in funding of £43k in 2021/22.
- 5.22. Increasing the provision for lower collectability and evaluating that the deductions to Council Tax means we have considered the local economy contraction that could occur due to COVID-19 and the three national lockdowns.
- 5.23. **Empty Homes** – Last year there was an estimate of £47k to supplement Council Tax income. Surrey County Council's policy is that we need to demonstrate we have amended our policy and that the income is for investment to kick start owners bringing those properties back into the housing stock. As present we are not assuming any supplementary income for this in 2021/22.
- 5.24. **Net Collection Fund deficit £32k:** Based on current collectability and proposed methods of calculating the Collection Fund, the deficit for 2020/21 will be in the region of £0.6m. The Collection Fund is distributed across Surrey County Council, Surrey Police & Crime Commissioner (SPCC) and the Council. Our element of the estimated Collection Fund is 12%, therefore the estimate of the deficit for the Council is £75k. Reflected within this estimate is an increase to the debt provision, as discussed in setting the tax base.
- 5.25. The Council Tax Collection Fund deficit for current year (2020/21) will be spread over the next three financial years: To ease the immediate pressure on budgets the Government is proposing^[1] that repayments to meet Collection Fund deficits accrued in 2020/21 will be phased over a three-year period (2021/22 to 2023/24). The Government's intention is for the deficit phasing to apply to all Authorities and the scheme will be prescribed in secondary legislation. The Government guidance dictates that the loss should be spread equally over three years. Therefore, the part of the collection deficit that can be spread is £65k and this will be spread over the next three financial years. The amount relating to prior years and is non spreadable is £10k.

^[1]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/927363/200716_Technical_details_on_LGF_package_for_Treasurers_and_FDs_FINAL_.pdf

Table 6: 2020/21 Overall Deficit Collection Fund

Figures for budget:	Overall £	TDC £	SCC £	SPCC £
Collection Fund	(622,102)	(75,447)	(463,655)	(83,000)
Current year deficit to be spread	540,448	65,544	402,798	72,106
Annual figure for spread	(180,149)	(21,848)	(134,266)	(24,035)
Deficit after spread	(261,803)	(31,751)	(195,123)	(34,929)

- 5.26. Full details of the Council Tax Requirement and a breakdown of the tax base can be found in **Appendix D. Appendix E** outlines the Parish precepts. Note that any increases to parish precepts are the responsibility of the parish councils. Parish councils are the only local government organisation that does not have a cap in terms of how much it can increase the precept each year.
- 5.27. The Chancellor, in the SR, agreed to cover 75% of irrecoverable losses of the Business Rates & Council Tax Collection fund. The actual mechanics and principles are under consultation. This is still being clarified. Due to the scheme still needs some clarification, a prudent approach is to exclude it from the current budget estimates and report it as upside in year. It is envisaged that the income guarantees scheme will be funded to the Council in January 2022.

Local Council Tax Support

- 5.28. Under the Local Government Finance Act 2012, Councils are required to agree their Local Council Tax support scheme by 31st January each year (extended to February 2021) and make any changes as appropriate.
- 5.29. For 2021/22 it is proposed to make no changes to the existing scheme and this will continue 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.
- 5.30. The current value of Local Council Tax support therefore remains the same with a current year value of £4.5m.
- 5.31. The number of claimants receiving Council Tax support is currently 3,668 compared to 3,554 in 2019/20 (being the last full financial year of data).
- 5.32. 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. Offers have now withheld this consultation and will consult with residents throughout 2021 once the 'go live' of Northgate has occurred. This will not only allow Officers to ensure a thorough consultation process but will ensure figures are calculated within the new system.
- 5.33. The Council receives funding and adjusts through its Council Tax base for Council Tax Support and therefore costs are already accounted for this scheme.

- 5.34. Any further reforms or legislative changes to the scheme will be reported to future meetings of the Committee as appropriate.

Business Rates funding c£1.4m (Business rates £1.7m less collection fund deficit £0.4m)

- 5.35. **Net Retained rates decrease £0.5m:** A pragmatic approach has been applied to business rates funding due to the impact of the pandemic and the complexity of the calculation.
- 5.36. As the pandemic has significantly affected retail and leisure businesses the government provided some assistance with Business Rates. Nationally the assumption is that Business Rates have deteriorated by approximately 6%. Fortunately, Tandridge is less reliant on these business services. Currently, the Revenues and Benefits team have estimated that in fact our business rates estimate has been affected by 0.6%.
- 5.37. The estimates are based on the rateable valuation in December 2020. It is unclear whether there will be further deterioration in year due to economic uncertainties and how long the economy will take to recover or, whether it will recover from the impact of COVID-19.
- 5.38. Whilst the metrics were highlighting a national deterioration of 6%, we factored 5% deterioration for the Draft Budget. However, as the pandemic is still a challenge and we are unclear how the economy will be affected in the long term, we are still being pragmatic in setting a realistic budget for Business Rates funding.
- 5.39. Business Rates funding is extremely complex. There are three main elements which calculates our funding level. These elements are:
- Portioning the allocation for 50% to Central Government and 10% to Surrey County Council; then;
 - Applying a tariff payment and assessing a levy/safety net payment; and
 - A true-up of the differences between estimated rates and actual (Collection Fund) in the current year.
- 5.40. Normally this is straight forward albeit a complex calculation of many different information sources. However, the 2020/21 Collection Fund is even more complex due to COVID-19 and central government support/relief for retail and leisure businesses. As such, we have taken a pragmatic approach to estimating potential funding and the Collection Fund.
- 5.41. **Gross Retained rates:** As already stated a pragmatic approach has been applied to the Business Rates funding. As part of setting the Final Budget there has been an improvement in the estimation of the rates. This improvement of £0.4m will be added to the Local Taxation Equalisation Reserve to mitigate the following uncertainties and risks.
- Downturn and unclear recovery timescale of the economy;
 - Outcomes of 2020/21 Collection Fund position; and

- Recovering the drawdown applied to the 2020/21 budget for s31 grants (£0.6m) by reducing the Local Taxation Equalisation (previously known as Business Rates Equalisations)
- 5.42. **Net Business Rates Collection Fund deficit £406k:** Similarly, to Council Tax, the level of deficit will be influenced by the amount of business rates collected throughout the year, and the non COVID-19 related loss spread over three years. Business Rates also have a complication of how the Government recompensed authorities over the compulsory closure of the retail and leisure industry via a section 31 grant. The offset of Business rates against grant received will be reviewed and reported on at year-end to quantify the deficit that is offset by the s31 retail relief grant, bearing in mind that further deterioration could happen due the third lockdown. The estimated gross deficit for 2020/21 is £4.8m, s31 grants offset the deficit by £4.4m, overall net deficit is £0.4m.

Grant funding £1.2m

- 5.43. All grant assumptions have been updated to reflect the information provided through the Provisional Settlement as well as other proposals and publications.
- 5.44. Key assumptions for New Homes Bonus are that it will continue for only legacy payments and a notional £34k grant for 2021/22.
- 5.45. This had an impact of £395k loss in grants for 2021/22 (£737k 2020/21, £341k 2021/22). When the Draft Budget had been presented to S&R in December, the prudent expectation was that the Council would have a funding reduction of £395k due to the grant being used to incentivise house building and was due to cease with the planned introduction of the FFR in April 2020.
- 5.46. With the New Homes Bonus grant reducing, lower tier Authorities benefit from a new £111m lower tier grant. The grant is un-ringfenced and is specifically to ensure no Council sees a reduction in the core spending power as a result of the new homes bonus changes. This has only been assumed for 2021/22. The impact for the Council is a grant of £339k.
- 5.47. COVID-19 grants and associated expenditure is reflected in the assumptions. The grant funding is one-off. Due to the SR prudent assumptions are a notional amount for small Authorities will be provided. Our assumptions have been prudently based on 2020/21 Tranche 4 £375k grant given to all small Authorities. It has only been assumed for 2021/22.
- 5.48. Due to most billing Authorities anticipating smaller tax bases for Council Tax due great local Council Tax support claims, Central Government has provided £670m to support Local Authorities. Based on our claimants and average Council Tax bill, the Government has allocated £121k for 2021/22.

Expenditure and Service Income Assumptions

5.49. Current MTFS assumptions are based on best available information. However, all assumptions will continue to be amended until the final settlement in January/February. The following assumptions have been built into the budget:

- **Inflation** –0.5% pay and 2% contract inflation.
- **Fees & Charges** – a 2% uplift has been applied (except Meadowside plot 1.5%)
- **General Reserves & Contingency build year-on-year through MTFS**
 - £0.5m build year-on-year over the MTFS. The net contribution to Reserves will be dependent on the 2020/21 outturn position
 - c£0.1m contingency (£117k for 2021/22) build year-on-year through the MTFS

Table 7: 2021/22 Revenue Budget by Department

2020/21 Net Budget £000	Employee £000	Other £000	Income £000	Net Direct £000	Corporate Charges £000	2021/22 Net Budget £000
6,351 Community Services	1,290	5,336	(2,633)	3,993	895	4,888
1,338 Planning Policy	1,669	1,906	(2,523)	1,052	0	1,052
459 Housing	524	18,661	(18,716)	469	22	491
2,412 Strategy & Resources	5,266	5,207	(3,267)	7,207	(2,341)	4,865
10,560 Overall Budget	8,749	31,110	(27,139)	12,720	(1,424)	11,295
Funded By:						
(8,577) Council Tax			(8,658)	(8,658)		(8,658)
(1,983) Business Rates			(1,459)	(1,459)	0	(1,459)
Central Government Grants			(1,178)	(1,178)	0	(1,178)
(0)	8,749	31,110	(38,434)	1,425	(1,424)	0

Note: Corporate charges offset by £1,275k to HRA, £81k to Southern Building Control, and £68k to land charges.

Financial Resilience

- 5.50. CIPFA's Financial Resilience Index aims to support good practice in the planning of sustainable finance. The index does not come with CIPFA's own scoring, ranking or opinion on the financial resilience of an Authority. Instead, users of the index can undertake comparator analysis with other Authorities drawing their own conclusions.
- 5.51. The next release of the index, which considers the 2019/20 financial data, was due in December 2020. However, the main data source used to construct the index is not expected until early 2021. CIPFA is currently analysing the provisional data for 2019/20 in order to assess its completeness and consistency and to consider if it could be used for the next iteration of the Resilience Index, or whether to wait until after the final data is available before updating the Resilience Index.

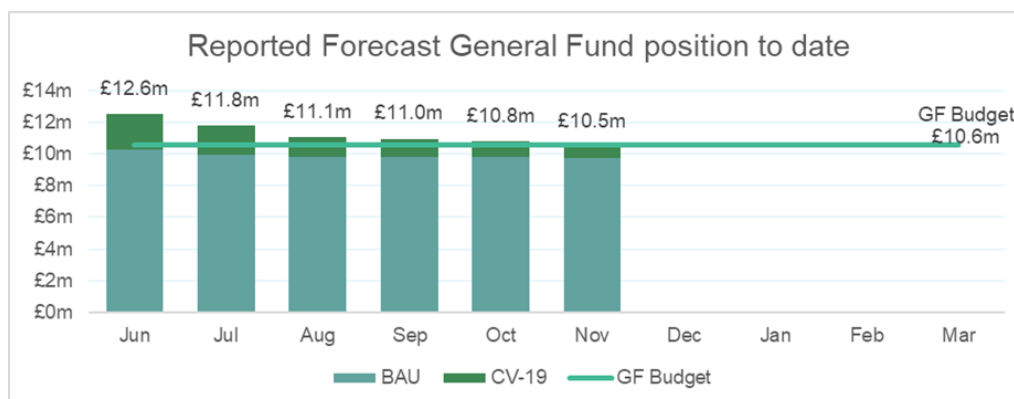
- 5.52. Irrespectively, the next release is due imminently and the outcomes will still highlight that out of the eight indicator categories, three of the index categories: lower reserve sustainability, lower level of reserves, and ratio of fees & charges to expenditure will still be relatively high risk, due to the fact that it is based on 2019/20 financial data.
- 5.53. The financial improvements made in-year and through the budget setting process will not be reflected in the current resilience index outcomes for at least another two years. Also, our position in the index will be dependent on our nearest neighbours' Financial Strategies.

FM Code of Practice

- 5.54. CIPFA has developed the Financial Management Code (FM Code), 'designed to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability.
- 5.55. CIPFA expects the first full year of compliance with the FM Code to be 2021/22 however recognises that the COVID-19 crisis has seen Local Authorities and their finance teams placed under extreme pressure and is considering whether 'working towards' full implementation from 2022/23 might be appropriate. The ultimate decision will rest with MHCLG and an announcement is expected imminently.
- 5.56. As soon as the budget setting process has been completed, officers will review the guidance to determine where the Council complies with the standards. Alongside with updated Flexible Receipts and Transformation policy, we will update the Committee on progress. and how the FIP and its next phases are reflected in the standards.

6. General Fund Financial Performance as at Month 8 (November) Revenue and Capital

- 6.1. The Month 8 (M8) Budget Monitoring position was presented to all Committees between 18th January to 21st January. Headline performance is set out below.
- 6.2. **Revenue:** As at November 2020 (M8) the Council is forecasting a c£0.1m underspend/surplus in 2020/21 against the budget baseline of £10.6m.



- 6.3. The Council has made significant strides to control spend and generate income in line with the budget over the last few months and is in an overall better financial position since the significant overspend of c£2m at M3 (June). This will ensure a more resilient financial position for 2021/22 and going into 2021/22.
- 6.4. **Capital:** The Council approved a Capital Budget for 2020/21 of £120.1m in February 2020. This was revised to £15.7m to reflect the revised Month 6 forecasts, recognising the impact of COVID-19. Against the revised budget, forecast capital spend at M8 is £14.9m; a decrease of £0.6m. The changes are summarised in **Table 8** below:

Table 8: Capital Programme 2020/21

	Restated Budget 2020/21 £	Forecast at M8 2020/20 £	Forecast Variance 2020/21 £	Change from M7 to M8 £
Strategy & Resources	1,747,200	1,722,200	(25,000)	0
Planning Policy	299,000	299,000	0	0
Community Services	3,813,400	3,102,400	(711,000)	(711,000)
Housing General Fund	526,000	426,000	(100,000)	0
Total General Fund	6,385,600	5,549,600	(836,000)	(711,000)
Housing Revenue Account	9,275,300	9,408,500	133,200	130,700
Total Capital Programme	15,660,900	14,958,100	(702,800)	(580,300)

- 6.5. The majority of the change in the General Fund Capital Programme was in relation to the Property Development Fund, where the budget was reduced by £97.9m due to a change of policy. There was also £0.6m slippage on Public Conveniences work with other minor net changes making up the remaining £0.2m reduction.
- 6.6. In the HRA, £5.5m of the budget reduction is due to slippage in the Council House Building programme with £0.2m relating to slippage on the programme of planned repairs and maintenance.
- 6.7. The 2020/21 expected outturn for both revenue and capital give us confidence that the underlying budget is realistic and deliverable; providing a solid base on which to build the 2021/22 budget. Where Service variances are forecast to have an ongoing negative effect on the financial position, these are built into the starting point for 2021/22.

7. Medium Term Financial Outlook to 2023/24

- 7.1. Over the medium-term, the gap between expected Departmental spending pressures and projected funding continues to grow. By 2023/24, the Council will need to close a total gap over the MTFS of c£3m, as shown in **Table 10** below. This is driven by:

- Growth pressures: including inflation and transfers: c£3.9m; and
- Savings identified to date: £2.8m

Table 9: Summary of pressures and savings to 2023/24

	2021/22 £'000	2022/23 £'000	2023/24 £'000
<u>Pressures due to:</u>			
Capital, Investment & Treasury Management Strategy incl extra cost due to COVID-19	916	514	103
Reserve Adjustments	763	(163)	0
Legislation changes	41		
Dependant on service volumes incl extra cost due to COVID-19	329	(100)	
Working arrangements and allocations	297		
0.5% Pay Inflation & Increment	238	362	369
Support & Corporate charges (offset against Land charges)	81		
2.0% Contract & Income Inflation	65	55	56
Total Pressures	2,730	668	528
<u>Savings relating:</u>			
Contract reviews	(1,132)	(5)	0
Working arrangements and allocations	(924)	(10)	(10)
Financing	(332)	40	0
Dependant on service income volumes	(118)		
Reduce / Remodel service	(224)	(40)	(40)
Total Savings	(2,730)	(15)	(50)

Note: Transfer moving of the 2020/21 New Homes Bonus grant from S&R to central funding £737k

- 7.2. Our immediate priority has been understandably closing the gap and setting a balanced budget for 2021/22. Most, if not all the savings identified for 2021/22 are base budget savings and continue into the medium-term with some additional savings identified. We need to do more work on pressure identification. This will be part of the budget setting process for 2022/23. We have however, identified financial resilience measures through the building of Reserves and a Contingency over the medium-term to provide us with flexibility.

Table 10: MTFS Gap to 2023/24

	Total				
	2020/21	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000	£000
Budget Envelope	10,560	11,295	10,600	10,608	
Brought forward budget	10,560	10,560	11,295	11,948	
Plus growth (inc inflation)		3,465	668	528	4,661
Less identified savings		(2,730)	(15)	(50)	(2,795)
Total Budget requirement		11,295	11,948	12,426	
Reductions still find		0	1,348	1,818	3,165

- 7.3. The unprecedented levels of uncertainty throughout the 2021/22 budget planning process continue over the MTFS. The second delay to Local Government Reform (FFR, New Homes Bonus and Business Rates reset) and a one-year settlement for next year leaves the Council facing further uncertainty into 2022/23, which provides challenges to effective planning.

- 7.4. Future Council Tax base and Band D increases are simpler to predict. However, Business Rates tax base and economy are extremely difficult to predict. After consulting with Local Authority funding experts, we are basing future Business rate funding on the minimum funding of the Business Rate baseline as a potential outcome. The estimated funding is outline in **section 5 Table 5** and is considered to represent likely outcomes at this point and will be subject to continuous review as any new intelligence emerges.

Council Tax

- 7.5. The scenario considered to be most likely is that Council Tax continues to increase within a referendum limit of £5 on annual increases (as is expected to be the case for 2021/22).
- 7.6. In line with 2021/22 assumptions, we anticipate that the pandemic and the recession lead to increasing levels of Local Council Tax Support and that house building growth would be offset by this; resulting in a relatively flat base into 2022/23 with, modest growth ranging from c0.25% after 2023/24.
- 7.7. The Collection Fund is expected to oscillate between deficit and surplus between now and 2023/24 due to the deficit spread unwinding and recoupment of arrears increasing. We expect this to stabilise with modest surpluses thereafter.

Local Government Reform (Fair Funding Review (FFR), Business Rates Reset and Social Care Reform)

- 7.8. The review of Local Government funding distribution, the FFR, and the move to 75% retention of Business Rates has been delayed for a second time although unlike the previous delay, the Government has not indicated when reform is likely to be implemented. The current working assumption is that the delay is for a further 12 months, with reform taking effect as of April 2022.
- 7.9. Confirmation over the timing of the reform is crucial to planning, not least because we anticipate the results will reduce our overall funding. We assume transitional arrangements will be put in place, so the pace of reduction is phased/more manageable. Under normal circumstances officers would review technical working group papers as a highly effective means of keeping informed about the potential direction of reform. However, working groups which were previously developing the new system have been suspended and so the ability to gather any new and robust intelligence has been somewhat reduced.

Retained Business Rates reset

- 7.10. The level of Business Rates retained changes is part of the reform mentioned above. At this point we see an increase to our Business Rates, and we expect Business Rates Multiplier also part of the overall reform. The level of business rates retained has a direct relationship with FFR and as such we expect this funding to reduce over the remainder of the MTFS as transitional arrangements unwind.
- 7.11. The uncertainty over the details and timing of the move to 75% business rates retention is further complicated by the delay to a revaluation of the rateable values of all business and other Non-Domestic property that was due to take place in 2021. Legislation had been introduced to bring the next Business Rates revaluation forward by one year from 2022 to 2021 but has now been postponed 'to ensure businesses have more certainty during this difficult time.' The delay is understandable with changing circumstances as a result of the coronavirus pandemic. Despite this, longer periods between revaluations could increase the level of funding the District and Borough Councils choose to set aside to deal with appeals.
- 7.12. We expect the Business Rates Collection Fund to have a minor surplus in 2022/23 and 2023/24 as a result of the deficit spread being offset by the recoupment of arrears in the subsequent year.

Business Rates Pooling

- 7.13. The Council has opted to join the Surrey Business Rates Pool for 2021/22. It is estimated that the gain for the Council in joining the pool in 2021/22 is likely to be somewhere between £50k and £215k however the benefit of this will not be felt until 2022/23 due to the way in which statutory Collection Fund accounting works. When the Collection Fund budget is set that determines the income the Council will receive regardless of whether planned collection rates are exceeded or not. Any surplus or deficit is then brought forward to the following financial year This is done to allow preceptors some certainty over their budget position. Due to the uncertainty of the benefit to the Council no allowance for the potential upside of pooling has been built into the MTFS at this stage.

Grant income

- 7.14. The significant non-specific grant - New Homes Bonus – we anticipate legacy payments only which fully unwind in 2023/24.

8. Capital Programme to 2023/24

- 8.1. This section of the report provides an update on the development of the Capital Programme for 2021/22 to 2023/24, taking into account work that has been carried out by officers and Members over the last few months. The Final Capital Programme is set out in **Appendix C**.
- 8.2. Aligned to the revenue budget, Councils receive some general and specific grant funding to support capital expenditure. However, there are some significant differences to how capital expenditure is funded.
- 8.3. One of these is that Councils are permitted to borrow to fund capital expenditure as long as that borrowing is deemed affordable, prudent and sustainable. Councils can also fund capital expenditure from the proceeds of selling assets (called capital receipts).
- 8.4. The Capital Programme sets out our expenditure plans and how we will pay for them over a three-year period.
- 8.5. The current three-year Capital Programme was approved by Council in February 2020. This was reviewed and rebased during this financial year to set a revised budget based on the change in the Property Investment strategy and to reflect delays due to the impact of COVID-19.
- 8.6. The main changes to the 2021/22 to 2023/24 Capital Programme beyond the rebasing exercise are reprofiling of the HRA projects across financial years, the removal of the Investment and Development Fund budget due to the changes in the Property Investment Strategy. It was replaced by Quadrant House Refurbishment Phase 2 and extending projects into 2023/24. Additionally, Planning Policy now includes a budget for capital grants and contributions to third parties which is funded from CIL.
- 8.7. 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 CIL. Internal funding takes the form of locally raised funds such as borrowing and capital receipts. 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.
- 8.8. 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. Although interest rates are historically low, 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 external borrowing (loans). This is an annual revenue expense in the Council's budget. The cost of MRP to the 2021/22 budget is £0.9m and scheduled to grow steadily each year (2023/24 £1.5m).
- 8.9. All borrowing for capital schemes is done 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 Treasury Management Strategy and are monitored and reported to the Investment Sub-Committee and Council on a regular basis. The Treasury Management Strategy demonstrates how the

borrowing requirement will be managed. This strategy was approved by the Investment sub-Committee on 15th January.

- 8.10. **Table 11** below shows the final three-year Capital Programme and how it is planned to be funded for 2021/22 to 2023/24.

Table 11: Final 3-year Capital Programme and funding

	2021/22 £000	2022/23 £000	2023/24 £000	Programme £000
Community Services	1,954	638	397	2,989
Planning	733	330	0	1,063
Housing General Fund	460	460	460	1,380
Strategy & Resources	5,367	228	272	5,867
Total Capital Programme	8,514	1,656	1,129	11,299

	2021/22 £000	2022/23 £000	2023/24 £000	Programme £000
External Funding / Grants	5,360	460	460	6,280
Community Infrastructure Levy	733	330		1,063
Capital Receipts	0	0	0	0
Borrowing	2,421	866	669	3,956
Total Capital Funding	8,514	1,656	1,129	11,299

MRP included in the General Fund Revenue Budget	871	1,344	1,443
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Community Services

- 8.11. The final three-year Capital Programme 2021/22 to 2023/24 for Community Services is £2.7m. The schemes comprise of:
- Children's Playground Improvements - £0.6m;
 - Vehicle Replacement Programme - £0.6m;
 - Works to Public Conveniences - £0.6m;
 - Parks, Pavilions & Open Spaces - £0.4m;
 - Garden Waste, Recycling, Food Waste and Refuse bins - £0.3m;
 - Car Park Equipment Replacement Programme - £0.1m; and
 - Projects collectively below £0.1m: Replacement litter bins, Land Drainage Works, Plant & Machinery Replacement Programme, Playground Improvement.

Planning Policy

- 8.12. The final three-year Capital Programme 2021/22 to 2023/24 for Planning Policy is £1.1m. This is made up of grants and contributions to third parties for capital projects and are funded from CIL. The schemes comprise of:
- Burstow Road Safety Scheme £0.3m;
 - Whyteleafe Surgery £0.2m; and

- Master Park Pavilion £0.5m.

Housing General Fund

8.13. The final three-year Capital Programme 2021/22 to 2023/24 for the Housing General Fund is £1.4m. This is the Disabled Facilities Grants (DFG) programme which is mainly funded from DFG.

Strategy & Resources

8.14. The final three-year Capital Programme 2021/22 to 2023/24 for Strategy & Resources is £5.9m. The schemes comprise of:

- Quadrant House Refurbishment Phase 2 - £4.9m (this is an agreed programme of Local Enterprise grant funding); and
- IT Hardware & Infrastructure Projects - £1.0m

Housing Revenue Account

8.15. The final three-year Capital Programme 2021/22 to 2023/24 for the Housing Revenue Accounts is £28.3m. This is made up of:

- Council House Building Programme - £16.7m;
- Improvements to Housing Stock - £11.2m; and
- IT Hardware & Infrastructure Projects - £0.4m.

8.16. The final HRA Capital Programme is funded from the following sources, as shown in **Table 12** below:

Table 12: HRA Capital Programme and Funding

	2021/22	2022/23	2023/24	Programme
	£000	£000	£000	£000
HRA	16,554	7,705	4,025	28,284
HRA Capital Receipts / Reserves	10,894	6,214	4,025	21,133
Borrowing	5,660	1,491		7,151
Total HRA Funding	16,554	7,705	4,025	28,284

8.17. 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.

9. 2021/22 Adequacy of Reserves and Risk Mitigation Strategy

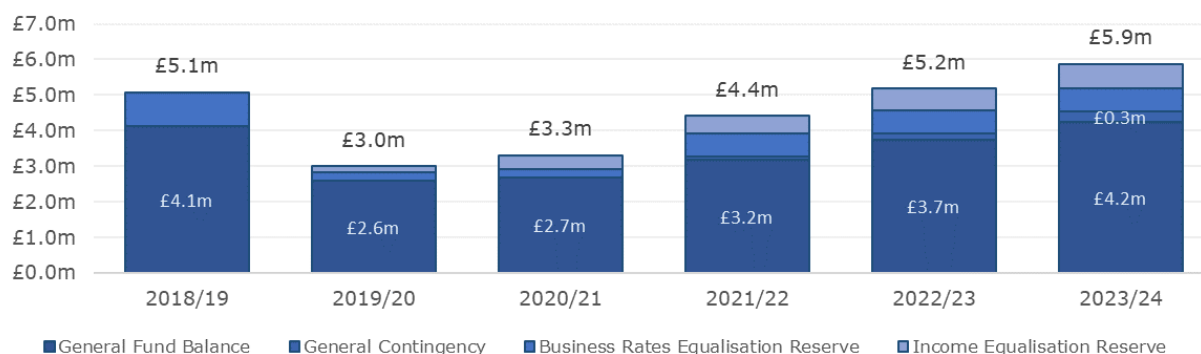
- 9.1. The Council is required to maintain an adequate level of Reserves to deal with future forecast or unexpected pressures. We are not permitted to allow spend to exceed available resources which would result in an overall deficit. Sections 32 and 43 of the Local Government Finance Act 1992 require Authorities to have regard to the level of Reserves to meet estimated future spend when calculating the budget requirement.
- 9.2. Reserves can be held for three main purposes:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
 - A contingency to cushion the impact of unexpected events or emergencies; and
 - A means of building up funds (Earmarked Reserves) to meet known or predicted liabilities.

A summary of General and Earmarked Reserves, including usage and the forecast of Reserves and balances over the MTFS can be found in

Appendix F.

- 9.3. Given the challenges in funding that the Council has experienced over recent years, retention of the Council's Reserves at a suitable level will be essential in order to mitigate risk, including future funding uncertainties and non-delivery planned budget savings.
- 9.4. The Council has over the last two to three years eroded General Fund Reserves. Although there is no generally recognised official guidance on the level to be held, the level should be justifiable in the context of local and external economic factors, and that taxpayers' money should not be tied up unnecessarily. The Council's external auditor comments on the level of Reserves as part of the annual audit of the Council's Accounts.
- 9.5. Since 2018/19, the General Fund Reserves have been eroded by £1.8m (1st April 2020 lowest point at £3m). The closing position of the General Fund balance (£3.3m) is low by comparison to other Authorities (as evidenced through the CIPFA Financial resilience index) which we have ambition to increase over time. To build resilience to address the level of risk, we have focussed on building our General Fund balance and Contingency for 2021/22 and over the medium-term.

General Fund reserves for financial prudence since closing balance position as at 2018/19 to 2023/24



- 9.6. As at 1st April 2021, £2.7m of General Fund was brought forward. This includes the 2020/21 Month 8 forecast surplus of £0.1m (subject to the outturn result). No application of General Fund Reserves is planned for the 2020/21 budget.
- 9.7. To build financial resilience and sustainability, for 2021/22, in addition to the current £2.7m General Fund balance, we have allowed for a £0.5m build to General Fund Reserves and the establishment of a c£0.1m Contingency year-on-year over the MTFS. The General Fund balance, in combination with the Contingency (for general purpose use), will mean that there is c£0.6m of cover to mitigate against future risk and uncertainties. There is also a transfer of the EU Exit Preparation Reserve (c£0.1m) to the General Fund in 2022/23.
- 9.8. The Local Taxation Equalisation Reserve (previously known as Business Rates Equalisation Reserve) has been strengthened by £0.4m to mitigate the uncertainties over the economy and support any further, and currently unknown Collection Fund deteriorations.
- 9.9. A Partnership & Transformation Reserve (£0.2m) has been created to support Services through exploring partnership opportunities and provides seed funding for transformation plans including any related redundancies. Drawing upon the Reserve will be subject to S151 Officer and Chief Executive approval and a comprehensive business case. The intention is that the Reserve will be self-funding through identification of benefits and savings that will fund its replenishment through a benefits realisation exercise.
- 9.10. As part of the budget setting process we have identified a £2.7m Savings Programme to balance the budget. This programme has been risk assessed for delivery as follows:
- Red - No plan, Unrealistic timescale & Consultation Assessment required
 - Amber - Deliverable but no agreed plan, Uncertain timescale & Consultations required
 - Green - Clear Plans, Realistic Timescale & Consultation complete

- 9.11. The outcome of the risk assessment is that 39% of savings have clear plans (green) and 61% are deliverable but as yet no agreed plan (amber). There are no savings without a plan (red). There are 28 savings plans, 21 have clear plans.
- 9.12. We have also set aside £0.3m for inflationary increases – both for pay and contract inflation. In order to de-risk the budget, we have applied the £0.3m to Directorate budget envelopes to cover these increases.
- 9.13. On the basis, the Section 151 Officer considers the 2021/22 Budget to be robust.

10. Engagement and Consultation

- 10.1. In the latter half of October, a number of budget workshops were established to allow Members to scrutinise budget proposals that had been developed and put forward by Officers. Individual workshops for each of the four Committees were set up with three hours allowed for each meeting.
- 10.2. At the workshops several savings proposals were put forward by Members and these have been considered by Officers to see if they could be worked through to develop savings or grow income in future years.
- 10.3. From 17th December to 17th January residents were able to comment on the Draft Budget proposals and the Committee final budgets. The consultation was on the Council's website and initially referred to the Draft Budget paper and directed residents to the Committee Final Budget papers when they are published. There were no residents' comments.

11. Comments of the Chief Finance Officer (s151)

- 11.1. The Council has a duty to ensure its expenditure does not exceed resources available. Although significant progress has been made over the last few months to improve the Council's financial position, the medium-term financial outlook remains uncertain. The pandemic has resulted in increased costs which may not be fully funded in the current year or the next.
- 11.2. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of Services in the medium-term.
- 11.3. It is a legal obligation that the Council sets a balanced budget for 2021/22 which has now been achieved for next financial year details of which are set out in this report. We have also created financial resilience next year through a build to General Fund Reserves and the creation of a general Contingency for in-year unforeseen budget pressures to be applied at the discretion of the CFO in consultation with the Chief Executive.

- 11.4. The Section 151 Officer confirms that the 2021/22 Draft Budget and MTFS to 2023/24 has been based on reasonable and robust assumptions, taking into account all material, financial and business issues and risks.

12. Comments of the Head of Legal and Monitoring Officer

- 12.1. The report updates the revised medium-term financial strategy. This is a matter that informs the budget process and may be viewed as a related function. It is, in any event, consistent with sound financial management and the Council's obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium-term financial strategy.
- 12.2. Members should have regard to the personal duties placed upon the Chief Financial Officer (CFO). The CFO is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of Council's financial affairs. The CFO must therefore exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health.
- 12.3. The Local Government Finance Act 2013 requires the CFO-s151 to also report on the robustness of the estimates for calculations and the adequacy of reserves to the Authority and that the Authority must take these matters into account when making decisions on matters before it. By law a local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'.
- 12.4. The report provides information about risks associated with the medium-term financial strategy and the budget. This is, again, consistent with the Council's obligation under section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit Regulations 2015 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.
- 12.5. The Council is a best value authority within the meaning of section 1 of the Local Government Act 1999. As such the Council is required under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty) which includes a duty to consult. Having a medium-term financial strategy therefore contributes to achieving this legal duty.

13. Equality

- 13.1. The Council has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equalities legislation are considered prior to any decision being made.
- 13.2. Section 149 of the Equality Act 2010, provides that a public authority must, in the exercise of its functions, have due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
 - advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 13.3. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 13.4. Members should have due regard to the public-sector equality duty when making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.
- 13.5. The Officers have reviewed their budget changes against the initial equalities screening tool. This has highlighted and concluded that all of savings within the 2021/22 budget will not have any direct effect on residents or service delivery (such as removal of vacant posts, renegotiation of contracts and reserve adjustments).
- 13.6. The outcome of this is that the budgetary changes have no negative or positive impact on protected characteristics and residents. However, the Council will continually monitor the effect of the Budget-setting process and decision-making by using equality impact assessments.

14. Climate Change implications

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

15. Appendices

Appendix A – Overall Revenue Budget 2021/22

Appendix B – List of Pressures and Savings by Committee

Appendix C – Overall Capital Programme 2021/22 – 2023/24

Appendix D – Council Tax Statement

Appendix E – Parish Precepts

Appendix F – Earmarked and General Fund Reserves

16. Background papers

16th Dec Strategy & Resources – 2020/21 Draft Budget & MTFS to 2023/24

18th Jan Community Services – Outline Final Budget & M8 Budget Monitoring Reports

19th Jan Housing – Outline Final Budget & M8 Budget Monitoring Reports

20th Jan Planning policy – Outline Final Budget & M8 Budget Monitoring Reports

21st Jan Strategy & Resources - Outline Final Budget & Month 8 (November) Budget Monitoring Reports, Update on Improvement Plan and Council Tax Base

Appendix A - Overall Revenue Budget 2021/22

2020/21 Net Budget £		Employee £	Other £	Income £	Net Direct £	Corporate Charges £	2021/22 Net Budget £
Community Services (Chair: Cllr B Connolly; Lead Officer: A Boote)							
138,142	Public Conveniences	30,930	63,100	0	94,030	39,600	133,630
4,420,801	Waste & Street Management	584,412	3,244,621	(1,036,685)	2,792,348	335,300	3,127,648
1,311,849	Management of Parks & Open Spaces	481,205	673,646	(340,100)	814,751	249,000	1,063,751
32,200	Client Services (incl Car Parks)	21,700	269,000	(439,300)	(148,600)	52,900	(95,700)
(305,800)	Operational Services	171,282	362,773	(665,510)	(131,455)	30,900	(100,555)
468,200	Community & Leisure Services		310,346	(20,200)	290,146	187,100	477,246
285,700	Environmental Health Services	500	412,680	(131,200)	281,980	0	281,980
6,351,092		1,290,029	5,336,166	(2,632,995)	3,993,200	894,800	4,888,000
Housing General Fund (Chair: Cllr L Parker ; Lead Officer: A Boote)							
373,503	Providing People with Homes	207,900	405,100	(392,200)	220,800		220,800
29,900	Improving the Quality of Housing & the Environment	12,500	0	(2,600)	9,900		9,900
(47,500)	Managing the Service Effectively	2,900	113,700	(211,400)	(94,800)	1,600	(93,200)
31,060	Community Services	0	101,000	0	101,000	20,800	121,800
72,100	Housing Benefits	300,400	18,041,300	(18,110,000)	231,700		231,700
459,063		523,700	18,661,100	(18,716,200)	468,600	22,400	491,000
Planning Policy (Chair: Cllr K Jecks ; Lead Officer: C Parker)							
987,300	Local Plan & Policy	382,400	109,000	0	491,400	0	491,400
349,638	Development Management	1,169,400	93,700	(702,900)	560,200	0	560,200
1,100	Environmental Improvement	0	400	0	400	0	400
0	Planning Grants	117,300	1,702,800	(1,820,100)	0	0	0
1,338,038		1,669,100	1,905,900	(2,523,000)	1,052,000	0	1,052,000
Strategy & Resources (Chair: Cllr T Elias; Lead Officers: J King, L Harrison, A D'Alessandro, A Boote)							
(25,400)	Local Taxation (incl support)	453,800	251,000	(513,600)	191,200	0	191,200
75,900	Community Support	0	69,900	0	69,900	0	69,900
659,000	Policy Support	958,800	71,400	(517,500)	512,700	0	512,700
13,900	Emergency Planning	0	10,300	0	10,300	0	10,300
1,309,563	Democratic Functions	471,200	721,565	(2,000)	1,190,765	0	1,190,765
462,200	Pensions	0	312,101	0	312,101	0	312,101
1,347,600	Information Technology	389,200	815,900	(6,900)	1,198,200	111,150	1,309,350
637,700	Financial Services	488,800	139,800	0	628,600	(81,000)	547,600
303,300	Legal Services	379,000	30,800	(63,400)	346,400	0	346,400
405,600	Office Services	124,800	596,500	(257,400)	463,900	(43,200)	420,700
403,400	Human Resources	454,600	62,900	0	517,500	(100,000)	417,500
473,400	Customer Services	493,700	5,000	0	498,700	(130,400)	368,300
951,100	Case Officer Services	1,052,300	0	0	1,052,300	(462,700)	589,600
(2,198,532)	Corporate Income & Expenditure		2,119,776	(1,906,702)	213,074	(1,635,150)	(1,422,076)
(2,407,192)	Corporate Charges						
2,411,539		5,266,200	5,206,942	(3,267,502)	7,205,640	(2,341,300)	4,864,340
10,559,732	Overall Budget	8,749,029	31,110,108	(27,139,697)	12,719,440	(1,424,100)	11,295,340
Funded By:							
(8,577,204)	Council Tax			(8,658,206)	(8,658,206)		(8,658,206)
(1,982,528)	Business Rates			(1,459,000)	(1,459,000)		(1,459,000)
	Central Government Grants			(1,178,134)	(1,178,134)		(1,178,134)
(0)		8,749,029	31,110,108	(38,435,037)	1,424,100	(1,424,100)	(0)

Appendix B – Summary Movement and List of Pressures and Savings by Committee

2020/21 Net Budget £000	Pressure			Savings		2021/22 Net Budget £000
	Inflation £000	Other pressures £000	Corporate Charges & Transfers £000	Total Pressures £000	£000	
6,351 Community Services	103	180	(310)	(26)	(1,437)	4,888
1,338 Planning Policy	32	133	0	165	(451)	1,052
459 Housing Services (General Fund)	23	158	(2)	179	(147)	491
2,412 Strategy & Resources	144	1,955	1,048	3,147	(695)	4,865
10,560 Overall Budget	303	2,426	737	3,466	(2,730)	11,295
(8,577) Council Tax						(8,658)
(1,983) Business Rates						(1,459)
Central Government grants						(1,178)
(0) Balanced Budget						0

Pressures:

Community Services:	180
Workforce Allocations and Employers costs (Primary Pension & Mobility Allowances)	140
Cemeteries income for new plots	30
Pressure below £25k	10
Planning Policy:	133
Workforce Allocations and Employers costs (Primary Pension & Mobility Allowances)	186
CIL Drawdown	(54)
Pressure below £25k	2
Housing:	158
Review Benefits - recovery of fraud and overpayments	100
Community Alarm service review	83
Workforce Allocations and Employers costs (Primary Pension & Mobility Allowances)	(57)
Pressure below £25k	32
Strategy & Resources:	1,955
General Fund reserve contribution	700
Loss of commercial income & tenants voids	375
Lower Investment returns due Bank of England base rate	300
Increased Minimum Revenue Provision	241
General Fund contingency	117
Applying social distancing and business interruption	100
Higher Land Charges support costs	81
Workforce Allocations and Employers costs (Primary Pension & Mobility Allowances)	32
Pressure below £25k	9

Savings:

Community Services:	(1,437)
Inflation containment and commissioning opportunities	(1,074)
On Street Parking income	(94)
Capitalise salaries for officers working on capital programme	(80)
Review staffing assignment to committees purpose	(68)
Parks & Countryside – bio diversity grass cutting	(47)
Saving below £25k	(75)
Planning Policy:	(451)
Evaluate external counsel policy and process	(123)
Improved agency / flexible resourcing approach	(121)
Evaluate consultants policy and procurement process	(100)
Reduce Local Plan - whilst review success criteria and timeline	(100)
Provide statutory minimum for local plan adverts	(8)
Housing:	(147)
Vacancy Review	(135)
Inflation and Contract Containment	(12)
Strategy & Resources:	(695)
Income Equalisation Reserve - Change of strategy lowers appropriate requirement	(150)
Triennial Pension actuarial review	(150)
Support service recharge to HRA	(147)
Capitalise salaries for officers working on capital programme	(116)
Inflation containment and commissioning opportunities	(46)
Agile workforce - less reliance on printing & stationery	(35)
Legal income recharged to third parties	(24)
Saving below £25k	(26)

Appendix C: Final Capital Programme

Proposed Capital Programme	2021/22 £	2022/23 £	2023/24 £	Total 2021-24 £
Housing HRA				
Structural Works	835,000	855,000	830,000	2,520,000
Modernisation & Improvements	439,000	732,000	511,000	1,682,000
Energy Efficiency Works	550,500	559,500	546,000	1,656,000
Service Renewals	685,000	712,500	695,000	2,092,500
Void Works	425,000	425,000	425,000	1,275,000
Health & Safety	190,000	190,000	180,000	560,000
Adaptations for the Disabled	250,000	250,000	250,000	750,000
Essential Structural Works	185,000	185,000	185,000	555,000
Communal Services	30,000	30,000	30,000	90,000
Council House Building	12,700,000	3,705,200	301,200	16,706,400
HRA IT Hardware/infrastructure/Projects	264,200	60,600	72,200	397,000
TOTAL HRA	16,553,700	7,704,800	4,025,400	28,283,900
Housing GF				
Disabled Facilities Grant	460,000	460,000	460,000	1,380,000
Total- Housing GF	460,000	460,000	460,000	1,380,000
Community Services				
Children's Playground Improvements	300,900	179,200	99,500	579,600
Parks, Pavilions & Open Spaces	202,800	114,200	114,500	431,500
Grange Meadow access works	250,000	0	0	250,000
Vehicle Fleet Renewals	450,800	167,900	5,000	623,700
Car Park Equipment/Maintenance	34,800	34,900	35,000	104,700
Public Conveniences	550,000	0	0	550,000
Litter Bins	8,200	8,300	8,400	24,900
Land Drainage	13,700	10,000	10,000	33,700
Plant & Machinery Replacement Programme	8,000	8,000	10,000	26,000
Garden Waste Bins	25,000	25,000	25,000	75,000
Recycling, food waste and refuse bins	90,000	90,000	90,000	270,000
Playground Improvements (Match Funding Pot)	20,000	0	0	20,000
Total- Community Services	1,954,200	637,500	397,400	2,989,100
Resources				
IT - Hardware/infrastructure/Customer First Projects	466,600	228,000	271,500	966,100
Quadrant House	4,900,000	0	0	4,900,000
Total- Resources	5,366,600	228,000	271,500	5,866,100
Planning Policy				
Capital Contributions from CIL	733,000	330,000	0	1,063,000
Total-Planning Policy	733,000	330,000	0	1,063,000
TOTAL GENERAL FUND	8,513,800	1,655,500	1,128,900	11,298,200
Total Capital Programme	25,067,500	9,360,300	5,154,300	39,582,100

Appendix D – Council Tax Requirement Statement

1. Within the S&R Committee 21st January 2021, the Council was approved the Council Tax base for 2021/22. The tax base provided is scaled to the number of Band D equivalents. The total tax base for 2021/22 is 38454.5 properties, a decrease of 1.2% from 2020/21.
2. For dwellings in those parts of its area to which a Parish precept relates as shown below:

Parish	2021/22 Taxbase
Bletchingley	1,339.8
Burstow	1,926.2
Caterham Hill	5,141.5
Caterham Valley	3,804.2
Chaldon Village	961.3
Chelsham & Farleigh	412.8
Crowhurst	171.0
Dormansland	1,689.4
Felbridge	1,170.1
Godstone	2,497.8
Horne	460.0
Limpsfield	2,025.3
Lingfield	1,941.3
Nutfield	1,223.4
Outwood	341.6
Oxted	5,054.5
Tandridge	331.7
Tatsfield	884.3
Titsey	37.7
Warlingham	3,976.7
Whyteleafe Village	1,877.7
Woldingham	1,186.2
Total for Parish	38,454.6

3. Each year, the Council must decide if its proposed Council Tax increase is excessive, a referendum must be held in relation to that amount. Whether the proposed increase is excessive must be decided in accordance with a set of principles determined by the Secretary of State (SoS), referred to as referendum principle.
4. In December 2020 the SoS for Housing Communities and Local Government, The Rt Hon Robert Jenrick, set a core Council Tax referendum principle of up to 2% or £5 if greater for lower tier authorities.

5. Council is asked to approve the increase to the core Council Tax by £5, for 2020/21.
6. The Council Tax precept is the Council Tax requirement divided by the tax base. The Council's own purpose Council Tax requirement (excluding parish precepts) is based on an overall increase of £5.

Table 1: Council Tax Requirement

	£
Gross Expenditure	38,435,037.00
Other income	(27,139,697.00)
Budgeted revenue expenditure	11,295,340.00
Business rates Income	(1,458,986.37)
Other Government Grants	(1,178,134.00)
Council Tax collection fund balance	31,750.88
Council Tax requirement	8,689,970.51

7. The tax base is the number of Band D equivalent properties for precepting purposes. The tax base for 2021/22 is 38,454.5.
8. The tax base for 2021/22 shows a decrease of 1.2% on the 2020/21 tax base.
9. The Band D Council Tax precept for 2020/21 is calculated as follows:

$$£8,689,970.51 \div 38,454.5 = £225.98$$
10. The proposed increase is not considered excessive in accordance with the set of principles determined by the SoS. Band D 2020/21 £220.98 – Band D 2021/22 £225.98 = £5. (referendum principle up to 1.99% (£225.37) or £5, if greater)
11. The proposals result in an overall increase of £5 per annum, £0.10 per week, for a Band D dwelling.
12. Details of the Aggregate Council Tax and all valuation bands and Aggregate Council Tax requirements by Parish will be added to this statement for Full Council when we receive the official precept figures for Surrey Police and Crime Commissioner and Surrey County Council.

Appendix E – Parish Council Tax Precepts

2020-21 Precept £	2020/21 Band D	Parish	2021-22 Precept £	2021/22 Band D	Change in Band D	% Change
40,000	£29.35	Bletchingley	40,000	£29.86	£0.51	1.74%
73,370	£37.98	Burstow	123,430	£64.08	£26.10	68.72%
108,339	£20.74	Caterham Hill	108,339	£21.07	£0.33	1.59%
72,486	£19.00	Caterham Valley	65,000	£17.09	-£1.91	-10.05%
30,284	£31.28	Chaldon Village	31,364	£32.63	£1.35	4.32%
19,046	£46.35	Chelsham & Farleigh	19,046	£46.14	-£0.21	-0.45%
15,600	£89.40	Crowhurst	15,600	£91.23	£1.83	2.05%
40,000	£23.76	Dormansland	55,000	£32.56	£8.80	37.04%
24,000	£20.49	Felbridge	24,000	£20.51	£0.02	0.10%
64,655	£25.81	Godstone	67,633	£27.08	£1.27	4.92%
25,250	£55.55	Horne	25,250	£54.89	-£0.66	-1.19%
33,315	£16.24	Limpsfield	33,315	£16.45	£0.21	1.29%
60,000	£30.60	Lingfield	60,000	£30.91	£0.31	1.01%
61,350	£50.02	Nutfield	65,685	£53.69	£3.67	7.34%
19,327	£55.57	Outwood	19,080	£55.85	£0.28	0.50%
55,500	£10.89	Oxted	50,000	£9.89	-£1.00	-9.18%
12,000	£35.47	Tandridge	15,000	£45.22	£9.75	27.49%
48,000	£54.20	Tatsfield	51,000	£57.67	£3.47	6.40%
0	£0.00	Titsey	0	£0.00	£0.00	
76,538	£19.23	Warlingham	78,450	£19.73	£0.50	2.60%
41,795	£22.70	Whyteleafe Village	41,795	£22.26	-£0.44	-1.94%
44,080	£37.40	Woldingham	44,080	£37.16	-£0.24	-0.64%
964,935		Total for Parish	1,033,067			
	£24.97	Average Band D		£26.86	£1.90	7.60%

Appendix F - Projected Earmarked Reserves and Balances 2020/21 to 2023/24

The Council holds a number of Earmarked Reserves for various purposes, which are listed below:

General Fund essential Reserves for financial prudence:

- i) **General Fund Balance:** To cover the day to day working balance requirements of the General Fund.
- ii) **General Contingency:** Contributions from revenue put aside to cover in-year general unbudgeted pressures in services.
- iii) **Local Taxation Equalisation Reserve (previously Business Rates Equalisation reserve):** Set up to level out Business Rates and Council tax performance (reflected in the Collection Fund) across financial years and allay the risk of erosion due to the impact of economic downturn and provide for investment in the local economy.
- iv) **Income Equalisation Reserve:** Set up to smooth rental income and investment interest income performance across financial years. This Reserve is being built up for use to cover any shortfall in the budget for reductions in rental income due to voids or reductions in the annual amount of investment income interest received.

General Fund Reserves to finance the Capital Programme

- v) **Capital Receipts Reserve:** Holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- vi) **Revenue Contributions to Capital Reserve:** General Fund Revenue contributions from previous years to be used to support the future capital programme.
- vii) **Capital Grants and Contributions Reserve:** This reserve holds grants from Central Government which have been held in reserve as expenditure in relation to the grant has yet to be incurred.
- viii) **TCS Renewals Fund:** Funding for future vehicle replacements.

General Fund Earmarked Reserves for specific uses

- ix) **Community Infrastructure Levy Administration Reserve:** To be spent on the administration of the levy.
- x) **Partnership & Transformation Reserve -** to support Services through exploring partnership opportunities, pump prime transformation plans, and fund any redundancy implications. The intention of the Reserve is that it be self-funding through Service benefits/savings that will replenish the fund identified through benefits realisation.

- xi) Building Control Reserve:** Holds the Council's share of accumulated surplus on fee-earning building control operations and will be used to offset expenditure in future years in accordance with statutory requirements.
- xii) EU Exit Preparation Reserve:** Government funding received in 2018/19 and 2019/20 and put aside to fund costs associated with leaving the European Union. If the reserve is not utilised in 2021/22 – it will be transferred to the general fund.
- xiii) Care & Repair Reserve:** Funds put aside to cover future costs of the Care & Repair service.
- xiv) Local Land Charges Reserve:** In line with the Lord Chancellor's amendment to the Local Land Charges Act 1975 (command 7026) the Council sets its fees on a cost recovery basis (over a three-year cycle) with any surpluses held in an earmarked reserve for this purpose.
- xv) Neighbourhood Plan Reserve:** Funds put aside to help fund the cost of the Neighbourhood plan in future years.
- xvi) Community Safety:** Funding received and put aside to fund future service costs.
- xvii) Community Infrastructure Levy (CIL):** This reserve holds the CIL funds received from developers and waiting to be spent. CIL is a charge which can be levied by local authorities on all new development in their area, including new homes, with the aim of supporting local infrastructure such as roads and transport, education, medical, sport and recreation facilities.
- xviii) Disabled Facility Grants (DFG) Reserve:** Holds the balance of ringfenced DFG grant that has been received in previous years but not yet spent.

Housing Revenue Account Reserves

- xix) HRA Working Balance:** To cover the day to day working balance requirements of the HRA.
- xx) HRA Major Repairs Reserve:** Established as a requirement of HRA legislation. This reserve is used to fund capital expenditure on repairs and maintenance of the HRA housing stock.
- xxi) HRA New Build Reserve:** Underspends from HRA revenue are held in this reserve to help fund future expenditure on the Council House Building Programme.
- xxii) HRA Repairs Reserve:** Established to meet the cost of expenditure on major repairs and enhancement in the HRA. This reserve is in addition to the Major Repairs Reserve and can be used to fund any unforeseen capital expenditure.
- xxiii) HRA Capital Receipts Reserve:** To hold capital receipts received from the sale of HRA land and buildings for the purpose of funding future capital expenditure.

xxiv) Right To Buy New Provision Receipts: To hold Right to Buy receipts that the Council has been permitted to retain provided they are spent on the provision of social housing, are spent within 3 years, and do not constitute more than 30% of the funding of the scheme being developed.

	Opening Balance 2020/21 £000	Transfers £000	Opening Balance 2021/22 £000	Transfers £000	Opening Balance 2022/23 £000	Transfers £000	Opening Balance 2023/24 £000	Transfers £000	Closing Balance 2023/24 £000
General Fund Essential Reserves for Financial Prudence									
General Fund Balance	2,585	86	2,671	507	3,178	552	3,730	500	4,230
General Contingency	0	0	0	100	100	100	200	100	300
Local Taxation Equalisation Reserve	255	(15)	240	406	646	0	646	0	646
Income Equalisation Reserve	150	250	400	100	500	100	600	100	700
Sub Total - Working Balance	2,990	321	3,311	1,113	4,424	752	5,176	700	5,876
General Fund Reserves to Finance the Capital Programme									
Capital Receipts Reserve	1,851	(1,664)	187	0	187	0	187	0	187
Revenue Contributions to Capital	68	0	68	0	68	0	68	0	68
Capital Grants & Contributions	191	0	191	0	191	0	191	0	191
TCS Renewals Fund	135	(135)	0	0	0	0	0	0	0
Sub Total - Working Balance	2,245	(1,799)	446	0	446	0	446	0	446
General Fund Earmarked Reserves for Specific Uses									
Community Infrastructure Admin	589	80	669	46	715	46	761	46	807
Partnership & Transformation Reserve	0	0	0	200	200	0	200	0	200
Building Control Reserve	77	(15)	62	0	62	0	62	0	62
EU Exit Preparation Reserve	52	0	52	0	52	(52)	0	0	0
Care & Repair Reserve	14	(4)	10	(4)	6	(4)	2	(2)	0
Local Land Charges Reserve	47	(21)	26	(26)	0	0	0	0	0
Neighbourhood Plan Reserve	26	0	26	(26)	0	0	0	0	0
Community Safety Reserve	1	(1)	0	0	0	0	0	0	0
Community Infrastructure Levy	4,888	901	5,789	1,067	6,856	1,470	8,326	1,800	10,126
Disabled Facility Grants Reserve	548	96	644	0	644	0	644	0	644
Sub Total - Working Balance	6,242	1,036	7,278	1,257	8,535	1,460	9,995	1,844	11,839
Sub Total - General Fund	11,477	(442)	11,035	2,370	13,405	2,212	15,617	2,544	18,161
Housing Revenue Account Reserves									
HRA Working Balance	750	0	750	0	750	0	750	0	750
HRA Major Repairs Reserve	0	0	0	0	0	0	0	0	0
HRA New Build Reserve	5,016	(1,623)	3,393	(3,393)	0	1	2	595	597
HRA Repairs Reserve	688	82	770	(770)	0	298	298	298	596
HRA Capital Receipts Reserve	0	0	0	0	0	0	0	0	0
Right To Buy New Provision Receipts	1,111	(434)	677	(91)	586	60	646	680	1,326
Sub Total - HRA	7,565	(1,975)	5,590	(4,254)	1,336	359	1,696	1,573	3,269
Grand Total (GF & HRA)	19,042	(2,417)	16,625	(1,884)	14,741	2,571	17,313	4,117	21,430