

2022/23 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

Strategy & Resources Committee – 2 December 2021

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

Purpose: To approve the 2022/23 Draft Budget, Council Tax Exemptions and Discounts and Council Tax Base

Publication status: Unrestricted

Wards affected: All

Executive Summary:

The Draft Budget for 2022/23 and the Medium-Term Financial Strategy (MTFS) is brought to this Committee to inform Members of the current budget position for the Council. The final version will be approved by Full Council on 10 February 2022. Details of the current budget gap and budget pressures and high-level savings proposals are identified in this report.

The report will discuss the national and local context of the budget setting process, organisational and Committee strategies, aligned to the financial strategy and give details of the Tandridge Finance Transformation Programme (TFT), budget assumptions and principles.

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

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Recommendation to Committee:

That the Committee:

- A. Approves the Draft Budget for 2022/23 and Medium-Term Financial Strategy to 2023/24;
- B. Approves the following Council Tax exemptions and discounts for 2022/23:
 - (i) an exemption to be allowed should the Council Taxpayer (liable person) be living in independent accommodation under 25 years of age;
 - (ii) a 25% discount to be allowed should the Council Taxpayer (liable person) be living in semi-independent accommodation under 25 years of age;
 - (iii) an additional 300% Council Tax premium for long-term empty property (properties empty over 10 years)

(This is set out in Section 5.26 and **Appendix C**)
- C. Approves the gross Council Tax Base for 2022/23, determined at 39,162.8 after taking account of the Council's agreed Council Tax Support Scheme, and the net Council Tax Base for 2022/23 is determined at 38,692.9 after adjustment by 1.2% to allow for irrecoverable amounts, appeals and property base changes (Refer to Section 5.18 and **Appendix D**);
- D. Approves the funding request for the proposed transformation of the Planning service of £0.114m including on-costs, set out in Section 3.29;
- E. Propose to Full Council to approve the request for a capital dispensation from the Department for Levelling Up, Housing and Communities ('DLUHC') to:
 - initially replenish general fund reserves; and
 - if the sector-wide flexibilities are not extended, secure flexibility for a further amount to pump-prime transformation, set out in Section 3.36;
- F. Note the draft Flexible use of Capital Receipts Strategy, to be finalised and approved by Full Council in February 2022, set out in Section 3.30 – 3:35

Reason for recommendations:

The Council is legally obliged to set a balanced budget for 2022/23 which will include details of the proposed savings and pressures. It is good practice to present a draft Budget in advance to set out progress, outline the scale of the challenge and the work needed over the next two months to finalise the budget.

1. OVERVIEW

- 1.1 This draft Budget Report and Medium-Term Financial Strategy (MTFS) updates on progress to delivering a balanced budget for 2022/23. It expresses in financial terms how the Council intends to deliver its priorities and core services whilst recovering from several financial challenges. The final version of the budget for 2022/23 and MTFS will be presented to this Committee on 1st February 2022 for recommendation for approval to Full Council on 10th February 2022. Details of the current budget gap, budget pressures and savings proposals are identified in this report.
- 1.2 Given all the transformative changes the Council intends to undertake over the coming circa two years, the Council will look and feel very differently, as such it is felt prudent at this point in time to only extend the MTFS to 2023/24.
- 1.3 The Council continues to make demonstrable improvements in its approach to developing, building and using the budget to deliver its priorities, which 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.

4. Becoming a greener, more sustainable District – tackling climate change.

- 1.4 The Council has adopted a 'Twin Track' approach to developing its financial plans. Track 1 focusses on delivering a balanced budget for 2022/23, whilst Track 2 simultaneously seeks to address pressures over the medium-term. The approach will deliver a sustainable budget for the Council, through transformation opportunities that look across the organisation to deliver priority objectives within constrained funding. The Senior Management Team (the Executive Leadership Team working in collaboration with the Senior Leadership Team) and Members have been, and will continue to be, instrumental in delivering the 'Twin Track' approach, supported by subject matter experts where it is pertinent to do so.
- 1.5 The 2022/23 budget has been developed in an extremely challenging environment, including the continuing effect of Covid-19 and, most notably, the impact of a c£0.9m underlying budget pressure in pensions, representing 8% of the Council's revenue budget. The circumstances which led to the pressure are subject to extensive reporting elsewhere - particularly the forensic review that was conducted by Grant Thornton, commissioned by this Committee and reviewed by Audit and Scrutiny Committee. This report acknowledges it has a key issue in setting a balanced budget for 2022/23, but one which has been largely addressed.

- 1.6 The Council is part way through a transformation journey in some of its services, namely Finance and Planning. Progress is detailed in Section 3. These improvements will enable the delivery of the 2022/23 budget whilst reshaping the Finance Team and creating a culture and approach to financial management that has accountability at its core, to enable them to confidently deliver Council priorities and core services in the future. The current draft budget is estimating a budget gap of c£0.3m. There is still a lot of work to be done but the s151 Officer is confident that the budget will be balanced with limited call on reserves (estimated at c£0.2m). This is despite addressing significant service and corporate pressures, a reduction in funding and resolving the c£0.9m pensions pressure.
- 1.7 Continuing a trend set over several previous financial years, Local Government funding remains highly uncertain, with several factors likely to result in significant changes to the Council's funding position over the medium-term. These factors are set out in Section 5 of this report. The provisional Local Government Finance Settlement is expected to be released in mid-December and a final settlement in January 2022. Until this is available, significant uncertainty on funding remains, hence the prudent assumptions. Government spending to combat Covid-19 and mitigate its impact on business and individuals has led to record levels of public sector borrowing and a damaging effect on the economy; this will have an influence on the level of funding available for Local Authorities.
- 1.8 Whilst there has been positive progress with the 2022/23 budget, there remains a provisional budget gap of c£0.3m. A balanced budget is required for 2022/23 and it is expected this will be achieved through increased funding, refined pressures and efficiencies and the targeted utilisation of one-off funding sources. At this early stage, it is possible that up to £0.2m reserves will be required to balance the budget in 2022/23, pending settlement outcomes, before being replenished in 2023/24.
- 1.9 The outturn for 2020/21, to be reported separately to this Committee will show a positive position, mainly due to relatively high levels of one-off Central Government funding or one-off events e.g, underspends for the Local Plan and the utilisation of capital receipts to fund transformation and one-off funding not anticipated at the time of setting the budget. The 2020/21 outturn position is followed in the current financial year by a much more modest forecast deficit variance (as set out in Section 7), as at Month 6 (September). The strategy for balancing the 2021/22 outturn is initially to explore the feasibility of capitalising the budget gap identified in the Grant Thornton LLP UK (GT) report, funded from capital receipts, and then as a less desirable option, utilising firstly, the contingency and then reducing the build to General Fund Reserves.
- 1.10 The budget for 2022/23 has been robustly challenged and scrutinised to ensure it is built on secure foundations based on root and branch/fundamental review of the Finance Team as part of the Transformation Programme and reflective of current funding expectations.

1.11 The key elements of this report include:

- Strategic Plan;
- Transformation and the 'Twin Track' approach to budget setting;
- Committee Strategies;
- The Financial Strategy for 2022/23;
- The Capital Programme;
- 2021/22 Financial Performance – Revenue and Capital;
- The medium-term financial outlook (at this stage to 2023/24);
- Our approach to consultation; and
- Next steps.

1.12 Between now and February 2022 when the budget is approved by Full Council, Officers and Committee Members will work together to close the current budget gap; challenge and refine assumptions and finalise the development of the Capital Programme.

2. Strategic Plan

2.1 The Council has experienced a period of significant change and is making progress in addressing several important areas for improvement, including tackling significant financial challenges. The Council's Strategic Plan reflects both the need to move forward vital improvement work, and to respond to the District's local characteristics, the needs of the residents and businesses, and the wider context – both regional and national – in which we are operating. Given this dynamic environment, the plan is due for review over the next year. At present, the plan presents four key priority areas:

- **Building a better Council** – This focuses on financial sustainability and exploring commercial opportunities and shared services. It also covers the progress of our governance improvements and digital strategy;
- **Creating the homes, infrastructure and environment we need** – Delivering our local plan, protecting landscapes and developing local infrastructure is one key strand of this priority. The other is delivering on new homes for the district and ensuring our current social housing is of the right mix, of high quality and supports our aims to reduce carbon emissions;
- **Supporting economic recovery in Tandridge** – Central to this priority is working with partners, such as the local BIDs, LEP and County Council, to understand and influence economic recovery in the district; and
- **Becoming a greener, more sustainable district** – the Council is committed to taking all the steps it can to become carbon natural by 2030, and support residents and businesses in the district to do the same. We have a climate change action plan that covers a range of actions, our key focus is on reducing the carbon footprint of our operational activities and property assets.

- 2.2 In addition to the Strategic Plan, the Council also has a Corporate Improvement Plan. This Committee endorsed the plan in 2020. It comprised various measures necessary to take the Council forward, particularly in the light of the Covid-19 emergency. Since its initial endorsement, further corporate improvement actions have been added to the plan as part of the Council's internal reviews of its governance, such as through the production of its Annual Governance Statement, and an external review of governance conducted by the Centre for Governance and Scrutiny.
- 2.3 The plan's actions are in the process of being reviewed by the Executive and Senior Management Team. This is to ensure that those which pose the highest risk to Council and impact its financial sustainability are prioritised accordingly. One element of this work has been completed, as the 2020/2021 Annual Governance Statement included a series of actions, identified as being of a high priority for the Council. These actions relate to the following areas:
- **Service delivery:** we have projects underway to ensure we have high performing, quality driven and cost-effective Planning and Finance functions;
 - **Governance:** we will adopt our draft Code of Corporate Governance, review our staff appraisal process, and ensure our systems of internal control in the areas of health and safety, fraud and commercial property management are robust; and
 - **Strategic:** senior management to review the Strategic Plan to ensure it reflects the current internal and external environment of the Council, which has changed since version one was adopted in July 2021. We will also ensure that the senior management team is set up in the most effective way to deliver on the plan's priorities.

3. Transformation and the 'Twin Track' approach

- 3.1 In recent years, the Council has grappled with a precarious financial position, which was exacerbated in 2020/21 by the global pandemic and an unanticipated pressure in budgeting for pensions. Since the last financial year progress has been made in clarifying the full extent of the financial difficulties and setting in train a process to resolve them. The appointment of a permanent Chief Executive and initiating joint working arrangements with Surrey County Council (SCC) for financial management is slowly providing a platform of stability and confidence to enable demonstrable and tangible change.

Corporate Transformation

- 3.2 Whilst the journey of change has commenced in Finance and Planning, the Council's ambitions are much greater. There is an indisputable need for improvement right across the Council and the Chief Executive is currently in the process of determining plans for this in conjunction with Members and the Executive and Senior Management Team. Within the context of the challenging environment this Council is working in, with less resources the Council knows that there is a need to fundamentally change the way in which it works to ensure the services it delivers meet the needs of residents in the most effective way possible. The Council knows that it will look very differently over the next two years and it also knows that it cannot take this journey in isolation. The Council will involve all our people, our residents and other partners to achieve our ambitions.

3.3 Appendix B sets out what an improved Operating Model for Tandridge should look like underpinned by several design principles. Understanding what the Council is seeking to achieve is going to be important in informing programmes to deliver change over the coming months.

3.4 The model sets out a Framework based around seven key principles, which should apply to any effective Council:

- a. The Council operates to several agreed and costed priorities and objectives, set out in a Corporate Plan which is owned by Councillors;
- b. The Council has a clear political direction supported by effective governance and underpinned by respectful relationships;
- c. Services are designed to meet customer needs, evidence based and with clearly defined and measurable performance standards;
- d. Services are delivered using the most effective model to achieve the Council objectives;
- e. Leaders and managers drive a high-performance culture throughout the organisation;
- f. Staff are clear about their contribution to delivering the Council objectives, are engaged, motivated, valued and rewarded for high-performance; and
- g. Strong financial management is embedded across the Council along with a culture of budget accountability and financial decision making based on evidence and insight.

3.5 Two key aspects of the change programme will be Service Reviews and Organisational Development:

Service review, redesign and delivery – whilst Back Office has been identified as a savings priority, the Council will still need to review all services. The Executive Leadership Team are designing a process, to be implemented as soon as is practicable, which fundamentally challenges how the Council provides services and addresses the following questions:

- What is the current (and future) demand for the service?
- Should we / who should be providing this service?
- Are residents getting value for money?
- Is there another way of achieving these outcomes?
- What are our outcome Key Performance Indicators and metrics over the Strategic Plan/Medium Term Financial Strategy period?

Organisational review, redesign and delivery – this will focus on the workforce and culture within the Council. Inevitably there will need to be a reduction in staffing numbers and this will need to be managed in a fair and transparent way. The Chief Executive will need to consider new, leaner management structures to deliver the operating model. Within this context the Executive Leadership Team will need to consider how the Council retains and recruits staff who will fit in with the 'Tandridge model'. That will be about managers and staff feeling valued and motivated. It will also be about introducing a robust performance management approach. It will also be about developing staff and nurturing talent.

The Tandridge Finance Transformation (TFT) Programme

3.6 At this Committee's meeting in March 2021 it was agreed to proceed to a joint working agreement with SCC to provide the Council with a comprehensive Finance function comprising the Section 151 Officer role and leadership and management of a full range of financial functions.

3.7 The TFT Programme was subsequently developed and approved at this Committee in July 2021. This programme is supported by SCC and aims to deliver improvements in both the Finance function in and across a range of areas across the Council.

3.8 Going forward, the direction and development of the shared Finance function and our ambitions will be guided by an overall mission and a set of guiding principles taken together as set out below:

3.9 Overall Mission

- To blend the skills, experience and expertise of the Surrey and Tandridge teams into a **high performing, resilient, Finance function for the Council**;
- To **build a trusted, proactive and insightful Finance service** which is at the heart of a strong culture of financial management, accountability and evidence-based decision making across the Council; and
- To improve our processes and use our systems more effectively to **increase efficiency, free up capacity and strengthen controls**.

3.10 Guiding principles for the Finance function

- **Stability** – provides the Council with a long-term stable Finance function;
- **Resilience** – able to withstand pressures and demands placed upon it;
- **Expertise** – provides the Council with access to specialist expertise in key areas;
- **Partnership oriented** – a strong focus on partnering with Council services and working effectively across both councils to make best use of the experience and expertise of both; and
- **High performing** – provides a basis and environment for the team to perform at a high level.

3.11 Guiding principles for the role of Finance within the Council

- **Trusted** – services trust the advice of the service to inform their plans;
- **Proactive and insightful** – proactively supports services in their plans rather than 'firefighting';
- **Leads a culture of strong financial management; and accountability** – is at the heart of leading the development of strong financial management in the Council; and
- **Locally owned** – recognised as this Council 'owned'.

3.12 TFT Programme Workstreams

The TFT plan sets out five workstreams which taken together will transform the Finance function and the role of Finance within the Council. The overriding purpose of each workstream is set out below.

- **New Finance Model**

A right-sized, re-shaped and strengthened model and staffing structure. This is a blend of the Council directly employed staff and senior members of the SCC Finance team who will provide management oversight, best practice guidance and if applicable direct delivery of services. The Council also agreed to invest an additional £76k per annum to provide additional capacity within the team as part of business as usual to deliver greater resilience and capability, plus investment of £30k in supporting transformation.

- **SCC Transition**

A transition of Corporate Finance functions to the SCC Finance team to provide management oversight, best practice guidance and (in some cases) take on delivery of services to the Council.

- **Organisational Development**

Strengthened overall financial management, increased budget holder ownership and accountability and increased grip over and adherence to key corporate processes and controls across the wider Council, allowing better identification and management of financial risks.

- **Exchequer Transformation**

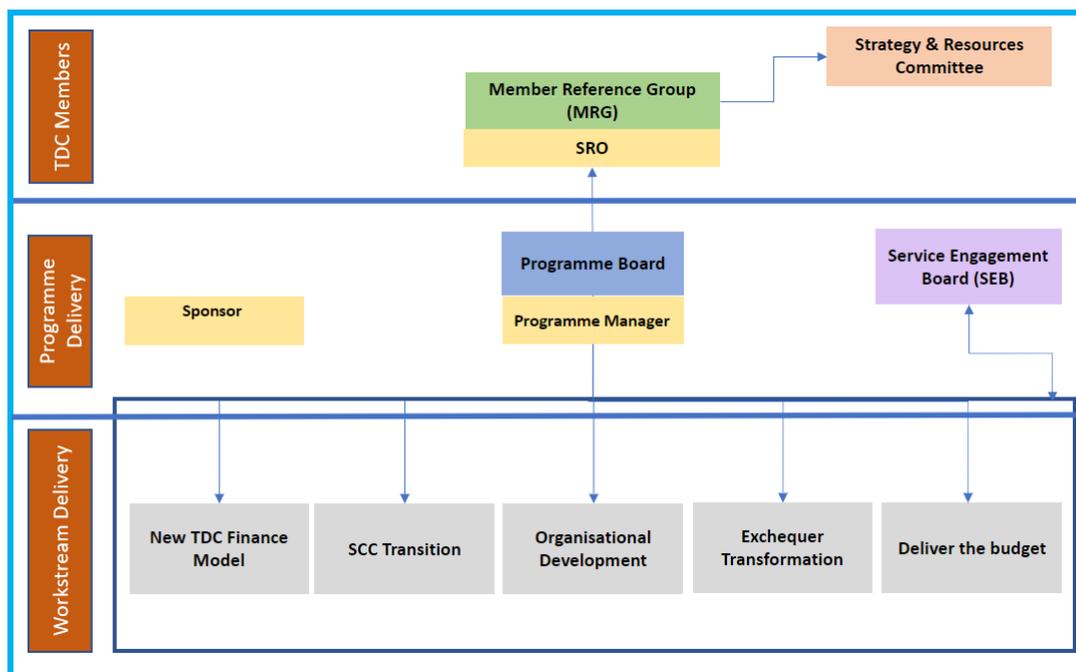
A transformed exchequer function with a reshaped team, a new set of business rules and controls which are operating effectively, a refined set of documented processes with clear ownership and performance metrics underpinned by an optimised use of the core financial systems resulting in a reduction of manual workarounds. The Council agreed to invest £50k in the project team to deliver these changes.

- **Deliver the Budget**

This workstream will ensure a continuing focus on delivering the 2021/22 and 2022/23 budget and the savings required to ensure a robust future financial position is established going forward, whilst incorporating the outcomes of the Grant Thornton forensic review.

3.13 Programme Governance

The TFT programme is managed as shown in the chart below with progress monitored through a Member Reference Group and formal decisions taken through this Committee. The plan delivery is managed through a Programme Board and Programme Manager with each of the 5 workstreams having a sponsor and lead officer. The overall sponsor of the Programme is the Chief Finance Officer (s151).



3.14 Progress to date

A programme roadmap has been created to track the delivery of each of the workstreams (as shown below), supported by detailed plans for each activity. Although still at a relatively early stage the TFT Programme is making good progress.

Key achievements include:

- Remodelling the joint Council and SCC finance team to align with the SCC finance function and provide additional capacity, resilience and expertise;
- Appointing to the new structure for the finance function;
- Transitioning in senior members of the SCC finance team to provide management oversight;
- Building a 'one team' approach across the two Council teams;
- Establishing a Strategic Engagement Board (Chaired by the Executive Head of Communities & Housing) to oversee improvements in financial management and accountability across the Council;
- Undertaking a survey of budget managers to determine areas of strength and areas for improvement and actions to address weaknesses;
- Providing the Council with access to an award-winning learning and development platform;
- Undertaking a financial system health-check review of the key exchequer processes (payments, banking and debt collection);
- Identifying improvements in financial reporting;
- Developing plans to address the 15 recommendations arising from the Grant Thornton Review;

- Undertaking an in-depth review of areas which underpin confidence in the accuracy of the budget including a review of the Balance Sheet, Reserves, Provisions and associated policies, a review of the control and suspense accounts and a line-by-line review of every 2021/22 budget line, to ensure the base budget is sound; and
- Commissioning of the 'Twin Track' budget approach to support the identification of savings and income generation to offset reductions in funding and ongoing service pressures.

CIPFA FM Code of Practice

- 3.15 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.'
- 3.16 In preparation to adopt the Code, a wide-ranging review in collaboration with SCC and a wider network of authorities is planned to take place over the remainder of 2021/22 to review areas where development or improvement would be beneficial.
- 3.17 This review will complement and dovetail into the overall plans for improvement, particularly the TFT and addressing the recommendations from the Grant Thornton review.

'Twin Track' Approach

- 3.18 The budget setting process for 2022/23 has focused on two parallel strands of activity:
- Developing a viable and balanced budget for 2022/23 (Track 1); and
 - Considering the opportunities to deliver further financial benefits from 2023/24 onwards (Track 2).
- 3.19 Given the scale of the financial challenge facing the Council, IMPOWER were engaged to work by the Council to identify a full set of financial savings opportunities based on their specialist knowledge and experience across the sector. These opportunities were developed through a high-level assessment of the way services are currently delivered compared with available comparative benchmarks, best practice models, the priorities of the Council with consideration given to various risk factors.
- 3.20 The savings included for delivery in 2022/23 are incorporated into this report. The 'Twin Track' programme identifies further financial improvement opportunities in addition to those already included in 2022/23. Given the budget challenges faced by the Council some of the savings originally identified for delivery in 2023/24 will be accelerated to have a part-year impact in 2022/23.
- 3.21 The financial improvements have been identified in individual services and in cross-cutting areas across the Council; savings have been grouped into the three themes of:
- People and Enabling Services;
 - Fees and Charges; and
 - Service Efficiencies.

- 3.22 The Council is developing a Council-wide programme approach and an aligned organisational framework to enable the delivery of these opportunities. The programme will require investment, strong governance, a robust evidence base, detailed service redesign and review processes, aligned to a revised Strategic Plan and a new target operating model.
- 3.23 The delivery of these financial improvements (for both 2022/23 and 2023/24) will be sponsored by the Chief Executive, overseen by a Programme Delivery and a Benefits Realisation Board. All financial improvement initiatives will also be monitored through this Board.
- 3.24 The programme needs to commence with urgency given the timescales required to undertake more detailed analysis and develop options for Members to consider in next year's budget process.

Planning Service Transformation

- 3.25 In response to the review by the Planning Advisory Service (PAS), the Council agreed the need for a transformation programme with investment to be commenced with the aim of building a high performing, resilient and reputationally strong Development Management Service.
- 3.26 A business case setting out the details of the proposed re-structure including additional resource together with supporting data and a progress update on key work streams will be presented to Planning Policy Committee on the 25th November 2021.
- 3.27 The provision of additional posts has been targeted to areas where statistics have highlighted a lack of resilience, that is 1 x Senior Planning Officer, 1 x Planning Officer, 1 x Planning Assistant, and 1 x Apprentice.
- 3.28 The net additional cost considers rationalisation of the current resource and additional funding received from the apprenticeship levy.
- 3.29 The net increase is £76k per annum including on-costs. It is envisaged that this funding will be required for 18 months which equates to a total funding requirement of £114k, which is proposed to be drawn down from flexible capital receipts. At the end of the transformation period there will be a need for the investment to be absorbed into the base budget either by increased income or a reduction in the establishment.

Recommendation: To approve Funding investment of £0.114m for 18 months, expected to be funded from flexible use of capital receipts, required to implement the programme.

Flexible Use of Capital Receipts Strategy for Transformation

- 3.30 In the Spending Review 2015, the Chancellor of the Exchequer announced that to support Local Authorities in delivering more efficient and sustainable services, the Government would allow them to spend up to 100% of their capital receipts on the revenue costs of transformation projects.

- 3.31 Initially this flexibility on the use of capital receipts was limited to those received between 1 April 2016 and 31 March 2019. However, the 2018/19 Local Government Finance Settlement extended these flexibilities for a further three years to March 2022. This strategy has been included in the Draft Budget in anticipation of either an extension to the sector-wide flexibilities, or an application¹ to DLUHC to enable the Council to continue to fund its vital transformation programme into 2022/23. The Final Budget to Council in February will include clarity on which option will be taken forward.
- 3.32 To take advantage of this flexibility, Local Authorities are required to produce a strategy which discloses the individual projects that will be funded, or part funded, through flexible receipts; this must be approved by Full Council.
- 3.33 The overall strategy for applying capital receipts to transformation is to meet one-off or time-limited costs necessary to deliver a medium-term benefit for the revenue budget without diverting vital revenue funding from service delivery. The benefit to the revenue budget will come either in reducing current costs or avoiding increases in future costs. This strategy does not allow for the use of one-off funding to subsidise the ongoing costs of delivering core services.
- 3.34 The Council currently has £0.9m of receipts available to fund Transformation after having met the amount expected to fund the Capital Programme in 2021/22 and other drawdowns which enable investment in Finance and Planning (Capital Receipts (Outturn Appendix B) c£1.6m less £0.7m for 21/22 Capital programme). Further receipts are expected in 2022/23 and beyond. The projects likely to be funded or part-funded from Capital Receipts in 2021/22 and 2022/23 are as follows, with further detail to be provided in the final budget:

Project	Indicative cost to be met from Capital Receipts £000	Expected benefits for the revenue budget
Planning Transformation Programme	114	One-off costs to deliver an efficient Planning Service, as set out above. This investment will allow the service to deliver efficiencies and/or increased income to offset the ongoing costs after 18 months
Tandridge Finance Transformation	80	To deliver a more efficient Finance and Exchequer function
Future Transformation Programme – The Council-wide Transformation Programme	TBC	Proposals to fund future transformation to deliver a leaner and more sustainable organisation is likely to be require an element of Capital Receipt financing. The resourcing implications are currently being worked through

¹ Ordinarily capital receipts can be applied to the revenue costs of transformation projects until 2021/22. A capital dispensation would extend these rules to include any revenue expenditure and could transfer a capital receipt to a revenue general fund reserve. A dispensation only applies to one year.

3.35 Note due to Investment Sub committee there are further potential receipts due from Redstone House. If the sector-wide flexibilities were discontinued or the dispensation denied – the transformation programme would have to be funded from reserves (CIPFA Resilience index section 7.5).

3.36 To recap the draft strategy is currently dependant on:

- Firstly, as there is only one dispensation application, to request for 2022/23 a dispensation to support the replenishment of general fund reserves and secure the ability to apply further revenue costs relating to transformation irrespective of the any sector-wide flexibilities extension but is dependent on the sale of Redstone to generate further receipts;
- Secondly if the dispensation is declined and the settlement confirms the extension of sector-wide flexibilities, to apply further revenue costs relating to transformation; and
- Finally, if the dispensation is declined and the settlement confirms the sector-wide flexibilities have not been extended, revenue costs relating to transformation will have to be supported by depleting reserves.

Recommendation: To propose to Full Council to approve the request for a capital dispensation from Department of Levelling Up, Housing and Communities ('DLUHC') to initially replenish general fund reserves and secure flexibility for a further amount to fund transformation, if the sector-wide flexibilities are not extended.

Recommendation: To note the draft Flexible Use of Capital Receipts Strategy, to be finalised and approved by Full Council in February

4. COMMITTEE STRATEGIES

COMMUNITY SERVICES COMMITTEE

- 4.1 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.
- 4.2 Following an extensive procurement process a new contract for the Recycling and Refuse Collection contract commenced at the start of 2021/22. This contract awarded to Biffa seeks to improve efficiencies, provide new Council owned vehicles to deliver the service and improve recycling, carbon and particulate emissions rates.
- 4.3 The new contract brings a transfer of the ownership of the Green Waste service with increased control and income for the Council. There is potential to expand the service further in the future.

- 4.4 The administration of Bulky Waste has also been remodelled to improve efficiency with the addition of an on-line booking system while those unable to access the internet are still able to book by telephone. The take-up is currently lower than previously forecast and the 2022/23 budget includes a pressure of £39k to reflect this. It is however anticipated to increase over time. All proposals aim for better rates of recycling and more efficient disposal of materials.
- 4.5 A priority for the Council's Operational Services team is street cleaning and graffiti. They ensure the towns and village centres are swept and ensure public safety is at the fore. A consideration of their working models is to be progressed in 2022/23 to ensure fair rotas over the service which operates over six days. The Communities Executive work across teams to clear fly tipping and vigorously pursue prosecutions.
- 4.6 Operational Services are responsible for both On and Off-Street Parking and Parking Enforcement. New Contract arrangements were re tendered for 2021/22. The improvement in efficiency of enforcement has led to a greater availability of spaces and improved safety especially for pedestrians. As experienced across many local authorities, income from parking has been significantly affected by the impact of Covid-19. Although income is anticipated to recover, it is still expected to be £125k less than pre-Covid19 levels in 2022/23. It is considered that this is likely to be a longer-term structural change linked to changes in behaviour and reductions in travel.
- 4.7 The Council maintains the District's Parks and many open spaces, keeping them open and accessible for public enjoyment. Services include grass cutting, hedge trimming, ditch clearance, landscaping works, tree surgery, footpath and car park maintenance. Work is evolving to look at improving biodiversity and to increase the benefits which can be offered by park pavilions and facilities.
- 4.8 An Open Space Strategy was approved on 9th March 2021 and implemented in 2021/22 following extensive consultation with residents, Parishes and other local interested parties to consider the use of the Council's parks and open spaces with a view to ensuring that the strategy captures and considers all the local community's and stakeholder requirements. This strategy pulls together options for our assets and how best to manage and improve them over five years through till 2026/27.
- 4.9 Community Services are also responsible for the Council's cemetery and handle all requirements of the unidentified deceased in a sensitive and thorough manner. Work will be progressed regarding the Garden of Remembrance works over the next year. More burial plots are planned for earlier release to allow families to consider and organise their wishes.
- 4.10 The Council has a shared Environmental Health and Licensing service with Mole Valley District Council which commenced in 2017. Working together has seen advantages and shared efficiencies through access to specialist knowledge. The Team monitors Food Safety and Health and Safety at Work, licensing and residential premises to prevent public nuisance, maintain standards of public safety provides great benefits. The Team has risen to the extreme challenges seen these past two financial years through the Covid-19 pandemic and has supported the wellbeing of the community by ensuring compliance with government guidelines.

PLANNING POLICY COMMITTEE

4.11 The Planning function is a key statutory function of the Council service. The Planning Policy Committee is responsible for influencing and controlling development and use of land throughout the District in its' role as Local Planning Authority. This includes:

- The preparation, adoption and review of all statutory Development Plans;
- Administration of Building Control regulations; and
- All transport-related issues.

4.12 Progress on the Local Plan has been delayed. Work continues both enabling the Inspector to form his conclusions on the Plan as well as associated policies and strategies. The funding for the additional work required on the Plan will be financed from funds carried forward from the previous year.

4.13 The pre-application service has restarted having been suspended for several months. This will bring in additional income but there is expected to be a small residual pressure against the 2022/23 budget as set out below.

4.14 Land Charges have now moved back into the Planning Policy Committee. This service is undergoing a digital transformation which is being funded by Government Grant.

4.15 For 2022/23, because of the Development Management Transformation Programme and work to progress the Local Plan, the Committee has not been required to identify efficiencies to close the budget gap, however the following pressures are included:

- Allowance for Planning Appeals £40k – The Council is making a specific allowance in the budget to fund the expected cost of planning appeals. Previously these costs have been absorbed into the service budget;
- Risk on pre-planning income £15k – The pre-application service was withdrawn in 2020/21 and is currently being reinstated the expectation is that income from the service will recover to pre-Covid-19 levels with a residual pressure in 2022/23; and
- Offset by an increase in planning income of £50k – an increase relative to the current budget which is expected to continue into 2022/23.

HOUSING GENERAL FUND COMMITTEE

4.16 The Housing 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.

4.17 A review of the Council's income from the housing stock (HRA) is to be completed through 2022/23. Resource and priority issues have delayed this work through 2021/22. A review of the Council's garage stock is in progress and reviews of the condition of the housing portfolio take place on a cycle during a five-year programme. Mindful of increasing regulation over environmental concerns, work is commencing to ensure costings for future efficiencies through 'retrofitting' stock and moves towards a future carbon zero position.

- 4.18 Ongoing resilience of the Council's Housing Service is vital to be able to support our ongoing programme to provide a direct supply of new Council owned homes. The effects of Covid-19 saw delays to the programme over the past two financial years. 35 new homes are projected to start on site in 2022/23 with 47 scheduled to complete. On 17th September 2020 the Council committed that all new developments will be net zero carbon (operational).
- 4.19 The need for affordable homes continues to grow in the District. The Council seeks to develop and extend the programme of Council house building in the next year alongside working with Housing Associations to improve the flow of supply. 'Buy backs' of Council properties are also progressing.
- 4.20 The Housing team carries out extensive support work for all residents of Tandridge not just Council tenants. Housing Needs are assessed, the Council's Homelessness strategy is being progressed, Disabled Facilities Grants are administered, and a handyman service. Administration of Housing Benefit is brought to the Housing Committee. Much of the work is governed and dictated by Legislation with considerable statutory returns throughout the year.
- 4.21 Capacity within the team has been affected by previous changes and Covid-19. Despite these, there have been efficiency benefits seen through the close working of revenue and benefits teams with Housing Needs and Tenancy Management. 2021/22 has seen the implementation of a new Revenues and Benefits collection system with additional customer direct access. Further work will be carried out over the next year to improve debt management. There have also been resource issues affecting the housing development programme. All teams have worked well together to seek new models of working to ensure that the full range of activities are covered.

STRATEGY AND RESOURCES COMMITTEE

- 4.22 The Committee is led by three Executive Leadership Leads. Strategy and Resources Committee's function is predominately to enable and support the front-line services (82% of budget) including Legal Services, Information Technology, Financial services, Customer Services.
- 4.23 There are a small number of statutory (15%) services including Democratic Services, Emergency Planning and Revenues and Benefits Services and some are discretionary (3%) - Wellbeing Prescription, Asset Management.
- 4.24 The Committee is also responsible for the Corporate Items (2021/22 budget is£690k) that support the whole Council, these include:
- Ensuring the support costs are identified that relate to the ring-fenced business areas (HRA, Southern Building Control Partnership, Gryllus, Ltd Wellbeing Prescription, CIL and Land charges);
 - Managing interest receivable, interest payable and investment property income;
 - Setting aside the appropriate revenue provision when investing in capital assets;
 - Reviewing pension fund performance against the pension funding position to assess the primary (part of salaries budgets) and secondary rate of contributions to cover the cost of new benefits; and

- Accounting for the bank charges, bad debt provision movements/write-offs on sundry debts, and movements in reserves and contingency.
- 4.25 When looking at the current financial position, Strategy & Resources – support costs are forecast to underspend by £18k. However, there are some £18k of ongoing cost pressures for service demands predominately due to departmental software subscriptions and requirements. This is offset by one-off items detailed within the Current financial position section.
- Corporate Items are forecasting a net under recovery of income of £29k at outturn. Even though a small variance (detailed within the Current financial position section), there are significant pressures for 2022/23 detailed throughout the financial strategy that are offset by one-off opportunities in 2021/22.
- 4.26 Covid-19 has shown how teams are responsive, adaptable and collaborative in tackling extreme challenges. The Committee wants to build on this, to provide the Council with a more joined-up approach to support Strategy and Resource functions, generating opportunities to realise better customer experience and efficiency through digital innovation. This is intended to help deliver a step change in the effectiveness of our services, and to improve the support we provide to our other policy committees.
- 4.27 Alongside the 'Twin Track' Budget process, the Committee is looking to provide efficient services without reducing the service offer. 2022/23 begins the process of identifying efficiencies following progress in stabilising and raising the quality of services provided.
- 4.28 In addition, the Committee plans capital investment and delivery plans relating to the continued refurbishment of Quadrant House supported by the LEP (£0.2m); IT Hardware & Infrastructure projects (£0.6m) and Town Hall updates (£0.1m) over the Financial Strategy period. These investment plans are developed in close consultation with front line services to ensure that the Council's assets are used effectively and are fit to support the efficient delivery of services to our residents and to support our staff to carry out their responsibilities.

5. FINANCIAL STRATEGY AND DRAFT BUDGET 2022/23

Overview

- 5.1 This section sets out our approach to developing the 2022/23 Budget and Medium-Term Financial Strategy, built on a number of high-level principles which are used as a framework to guide the setting of the budget. The key priority for 2022/23 is that the budget position is **balanced**. Looking at the medium-term, the guiding principle will be that it is **sustainable**. The budget for 2022/23 therefore does anticipate a limited use of reserves as a one-off to measure to achieve a balanced position, dependent on the provisional settlement. This will leave reserves at an acceptable level, but one which would benefit from improvement in future. Subsequent budgets will target the replenishment of reserves, increasing them to a more level more resilient to medium-term risk.

5.2 The process followed to date has been well scrutinised and good progress has been made. Workshops have been held with both Senior Leadership Teams and Committee Members to allow rigorous testing of parameters. The overall 2022/23 funding gap has fallen from c£2m (including service pressures) to c£0.3m during this period. We are confident the gap can be closed and a balanced budget set for 2022/23. More detail on all pressures and savings by Committee can be found in **Appendix E**.

Budget Principles

5.3 The Council is working towards ensuring that the budget setting process adheres to the following guiding principles:

- A balanced revenue budget with the use of General Fund Reserves restricted to solving one-off pressures in 2022/23;
- Maintaining a contingency to provide further medium-term financial resilience and to mitigate risk;
- Supporting and enabling the Council to fund emerging partnership and transformation programmes;
- Exploring options to build resilience of General Fund Reserves through capitalisation dispensation options to fund sustainability;
- Completing a service delivery and redesign reviews within available resources with appropriately set budgets;
- Producing evidence-based savings plans which are owned/delivered, tracked, monitored and reported monthly; and
- Ensuring that managers are accountable for their budgets.

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

- Developing three-year plans, integrated with capital investment across the Council;
- Reinstatement of a budget envelope approach with a model to determine a consistent and transparent application of funding reductions to Committee budget envelopes;
- Envelopes validated annually based on realistic assumptions;
- Evidence bases used to underpin all savings proposals and investments;
- Assurance that all savings, pressures and growth are managed within budget envelopes to ensure accountability for implementation;
- Pay and contract inflation allocated to Service budgets to be managed within budget envelopes; and
- A corporate contingency held centrally to mitigate risk.

Revenue Budget Headlines

5.5 As a starting point for developing the budget, an initial costing of potential budget pressures identified a provisional funding shortfall/corporate gap for 2022/23 of c£1.7m. This was set with prudence with regards to Central Government funding as 2021/22 was supported by a number of one-off grants due to the pandemic. Over the last three months, since the inception of the budget setting process, provisional funding has been reviewed as a result of the recent collection fund forecasts, intelligence on the economy and Spending Review implications. The revised 2022/23 corporate gap is c£1.2m. Service budget pressures have added c£0.3m to this gap.

Corporate Pressures c£1.2m:

- **£0.3m - Funding deterioration.** This is due to unavoidable grant changes (£0.5m) such as reduction in New Homes Bonus grant and one-off Government grants for Covid-19, offset by improvements on of the tax base of £0.1 and £0.2m in Band D charge increases;
- **£0.9m – Pension pressure** referred to in the GT review;
- **£0.7m - Unavoidable costs** reflecting current organisation policies (existing staff contract obligations, changing the commercial investment policy, reduced investment property income, service charge costs and the costs of funding capital investment);
- **£0.3m – Inflationary impacts** to cover increasing prices (including contract, utilities and pay);
- **Offset by:**
 - **(£0.6m) – One-off reduction of the financial sustainability measures** built into the 2021/22 budget (removing an expected contribution to General Fund Reserves £0.5m and Income Equalisation Reserve 0.1m); and
 - **(£0.2m) – Drawdown on Income Equalisation Reserve** to fund the investment property income and service charge costs; and
 - **(£0.1m) - Cessation of temporary support** for Freedom Leisure loan arrangements over the pandemic.

Service Pressures - c£0.3m

- **£178k Service Demands:**
 - **£90k Service demand changes** – notably £40k providing for planning appeals,
 - **£39k Contractual demands;** and
 - **£49k loss of rent** at Redstone.
- **£72k to improve Finance service** capacity as part of the Tandridge Finance Transformation programme; and
- **£36k change in Fees and Charges** particularly – £125k change to income targets revised car parking targets to reflect changing resident lifestyles offset with £93k greater recycling credits).

5.6 Executive & Senior Leadership Team and IMPOWER have identified c£1.2m of efficiency savings. In November, the proposed savings list has been outlined at the Member workshop. Only efficiencies that have been agreed by Members are part of the budget setting assumptions and have been included within these figures. To date, savings of c£1.2m have been identified, grouped under the themes of:

- People and Enabling Services;
- Fees and Charges;
- Service Efficiencies;

These are set out by Committee and theme in **Appendix E**. Further work to demonstrate deliverability, risk and developing business cases will be undertaken with IMPOWER between now and the Final Budget where the savings will be itemised.

5.7 Together, these result in a **gap to be closed for 2022/23 of c£0.3m** as shown in **Table 1** below. Further information on the position for each Committee is set out in **Appendix E**.

Table 1: Summary Draft Budget Position for 2022/23

	Roll-over budget £k	Corporate & Funding Pressures * £k	Net Service Pressures £k	Savings * £k	Committee total £k
Community Services	3,993	0	86	(197)	3,882
Housing GF	469	0	59	(10)	518
Planning Policy	1,185	0	5	0	1,190
Strategy & Resources	6,338	(30)	136	(320)	6,124
Corporate Items	(690)	1,002		(675)	(363)
Policy Committees	11,295	972	286	(1,202)	11,351
Projected funding	(11,295)	251			(11,044)
Net gap before possible mitigations	0	1,223	286	(1,202)	307

*Note: * Staffing and inflation movements have been assigned to Corporate items. When the final budget is finalised, these items will be distributed to the appropriate Committee. Also, there are some savings that require further clarification before being allocated and so are held in Corporate Items whilst the outline business plans are being drafted.*

Potential mitigations

5.8 Funding assumptions may improve. Several sector advisors indicate a potential level of funding higher than currently included in the Draft Budget. There is too much uncertainty to include in the draft funding estimates, but a further £0.150m could be achievable – particularly within one-off Government grants or in the Business Rate pooling gain. Some degree of clarity will be achieved with the Local Government Finance Settlement, due mid-December, but the Business Rates pooling gain will take longer to finalise.

- 5.9 Over the coming weeks, the Draft Budget will be thoroughly reviewed and Committees will ultimately propose final budgets to the Strategy and Resources Committee and Full Council in February 2022, for approval. The final reviews will clarify pressures and savings and refine assumptions around inflation, pay increments pressures and funding.
- 5.10 There is every reason to be confident that a balanced budget will be achieved by the time the final budget is approved by Council in February 2022 however this is likely to require the use of up to £0.2m of reserves. This will be confirmed following the provisional settlement in mid-December and the final budget work.

National Funding Context

Background

- 5.11 On 3rd March 2021, the Chancellor of the Exchequer, the Right Honourable Rishi Sunak, delivered the Government's Budget 2021². As a result of the continuing Covid-19 pandemic, the Chancellor set out several measures to deal with the economic impact, announcing an additional £65 billion of measures over this year and next, to support the economy in response to coronavirus. The launch of the three-year Spending Review (SR21) and announcements of fiscal envelopes were delivered on the 27th October. Headlines are set out in the following sections.
- 5.12 Economic data shows some positive signs with Gross Domestic Product (GDP) growing strongly (4.8% growth in April to June 2021 compared to the previous 3 months³). Following the record-breaking drop in GDP in 2020 (-9.9%⁴), it is possible that GDP might achieve its pre-pandemic levels by the end of the year. However, there are signs of strain in areas such as workforce shortages. There is also considerable growth in inflation (linked in the main to elevated energy price inflation) with Bank of England forecasting it to rise to slightly above 4% in 2021 Q4 and potential to rise further.⁵
- 5.13 Overall Government borrowing in Q1 was down over 19% from last year⁶ and lower than the Office for Budget Responsibility's (OBR) forecasts in March 2021. In addition, it is anticipated that the OBR will reduce their forecast of scarring to the economy because of the pandemic from 3% of GDP to the Bank of England's estimate of 1%⁷.

² [Budget 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/budget-2021)

³ [GDP first quarterly estimate, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/gdp/quarterly-estimates)

⁴ [GDP monthly estimate, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/gdp/monthly-estimates)

⁵ [Letter from the Governor to the Chancellor regarding CPI Inflation - September 2021 \(bankofengland.co.uk\)](https://www.bankofengland.co.uk/press-releases/2021/09/letter-from-the-governor-to-the-chancellor-regarding-cpi-inflation-september-2021)

⁶ [Budget deficit continues to fall faster than expected - Office for Budget Responsibility \(obr.uk\)](https://obr.uk/budget-2021/budget-deficit-continues-to-fall-faster-than-expected)

⁷ [Bank of England Monetary Policy Report May 2021](https://www.bankofengland.co.uk/monetary-policy-report/2021/may)

Spending Review

5.14 On 7th September 2021, the Chancellor launched the Spending Review 2021 (SR21) which concluded on 27th October 2021 alongside an Autumn Budget. "The three-year review will set UK Government departments' resource and capital budgets for 2022-23 to 2024-25 and the devolved administrations' block grants for the same period"⁸. The Spending Review Headlines for the Council are as follows:

- Total departmental spending is set to grow, with Core Spending Power for local authorities increasing on average. As an assumption, Tandridge's core spending power is £11m and a 1% increase on this, would be approximately £0.110m. This growth is largely driven by Council Tax increases, although national grant funding within Core Spending Power will still be increasing in real terms (by approximately 0.6%). Tandridge's share of this remains to be confirmed, however funding through the Lower Tier Services Grant is anticipated at approximately £0.340m;
- The Council Tax referendum threshold for increases in Council Tax is expected to remain at 2% per year. Local authorities with social care responsibilities are expected to be able to increase the ASC precept by up to 1% per year. As the threshold is unchanged – it is assumed that Tandridge will be able to increase Council Tax by £5, generating an additional c£0.19m of funding;
- The Business Rates multiplier in 2022/23 will be frozen and the loss of income should be offset by a Section 31 grant;
- In addition, Business Rates will include a new one-year Retail, Hospitality and Leisure relief, again offset by a Section 31 grant;
- The Draft Budget anticipates the continuation of the New Homes Bonus for one year of £0.311m for 2022/23;
- The rise in the National Living Wage from £8.91 to £9.50 from 1 April 2022 should have no material impact for Tandridge and therefore no adjustments have been made;
- The first £1.7bn from the Levelling Up Fund was announced – although some will be allocated to Scotland, Wales and Northern Ireland. For Tandridge the business case relating to Caterham Valley town centre was unsuccessful, but can be resubmitted for later rounds; and
- No new funding has been announced for ongoing Covid-19 pressures.

2021/22 Provisional Local Government Finance Settlement (provisional LGFS)

5.15 The 27th October 2021 announcements confirmed the budget for the Department for Levelling Up, Housing and Communities (DLUHC) and the Local Government share; with a £1.6bn per year increase. Following this, the allocation to individual Councils will be announced, likely to be included in December's Local Government Finance Settlement.

⁸ [Chancellor launches vision for future public spending - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/chancellor-launches-vision-for-future-public-spending)

Funding Assumptions for 2022/23

5.16 The most significant influence on the Council's funding is the long-planned implementation of fundamental Government funding reform; particularly any changes to the retention of Business Rates, Lower Tier Services Grant and New Homes Bonus. The Spending Review included no further information on these, and so clarity is expected in the Provisional Local Government Finance Settlement in mid-December.

Council tax funding £8.9m

Core Council tax funding increase

5.17 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 £0.193m in 2022/23.

Council Tax base

5.18 In October, we completed the usual return on the valuation of the tax base. It confirmed that we have a 0.6% increase in the base. The reasons for this growth are related to increases in property volumes, greater properties in higher bands and lower subsidies for exemptions, discounts and Council Tax support.

5.19 The tax base is then adjusted for an estimate of collectability. Due to the economic climate, we are proposing to maintain the adjustment at 1.2%. 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 national lockdowns.

5.20 Changes to the tax base results in an increase in funding of £0.054m in 2022/23.

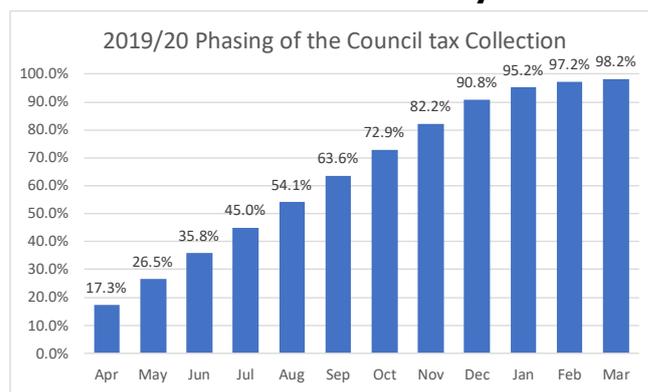
Recommendation: To approve that the gross Council Tax Base for 2022/23 is determined at 39,162.8 after taking account of the Council's agreed Council Tax Support Scheme, and the net Council Tax Base for 2021/22 is determined at 38,692.8 after adjustment by 1.2% to allow for irrecoverable amounts, appeals and property base changes.

Collection Fund Deficit

5.21 The Council Tax collection fund is a ringfenced account to collect, hold and distribute the four precepts (Surrey County Council, Surrey Police and Crime Commissioner, Parishes and the Council). The Collection Fund deficit is distributed only across the two main preceptors (SCC and SPCC) and this Council being the Billing authority - ie: we bear the risks and benefits from the Parishes' collection fund. As to be expected after a pandemic the performance has been hard to evaluate.

Table 2: Council Tax Collection Performance over the last three years and the usual collection trend

	Apr %	Sep %	Mar %
19/20	17.3	63.6	98.2
20/21	16.4	61.8	97.3
21/22	16.9	63.6	



- 5.22 In the December 2020 Spending Review, the Chancellor dictated that any Collection Fund Deficits due to Covid-19 should be spread across three financial years (2021/22, 2022/23 and 2023/24).
- 5.23 Collectability rates on the tax base were reduced, reflecting the impact of Covid-19. Current performance in 2021/22 highlights that collectability is similar to pre Covid-19 levels, suggesting that we can assume the spreadable deficits will be covered by current year collection fund surpluses.
- 5.24 Government provided compensation funding for 75% of our 2020/21 deficit within the s31 Reserve, as reported in the draft Statement of Accounts. This is not being applied until the Collection Fund position is more certain, after allowing for the other preceptors' share of any surpluses.
- 5.25 With the implementation of the Northgate system for Collection Fund Management, there should be more opportunity to review historic debt levels. HM Inspectorate of Court Administration has reopened the debt recovery system which should also improve performance.

Revised and new Council Tax discounts and exemptions

- 5.26 Included in the Draft Budget are three proposals to change Council Tax Discounts, Exemptions and Premiums. These are set out as follows and are part of the tax base calculation, albeit having a negligible impact on tax base.

Council Tax Care Leavers Discounts and Exemptions

- 5.27 Under Section 13A of the Local Government Finance Act 1992 the Council has the power to reduce liability for Council Tax in relation to individual cases or class(es) of cases that it may determine. This is a discretionary responsibility.
- 5.28 A proposal to reduce the Council Tax liability for care leavers, is aligned with Surrey County Council's policy of financial support to care leavers and is part of an overall package of support offered to prepare our care leavers for independence, supporting them in the successful transition to adulthood.
- 5.29 In practice the discounts and exemptions proposed would be for Care Leavers that are no longer in education or claiming benefits and are in paid employment or higher paid apprenticeships and are living in final stage social housing or privately rented accommodation.

5.30 Under the Committee's delegated powers, it is recommended that, with effect from 1 April 2022 Care Leavers are exempt if they are living independently or will receive a 25% discount if living semi-independently for their Council Tax which they would otherwise be liable for up to their 25th birthday.

5.31 Approving this recommendation would bring the Council into line with other Surrey Districts and Boroughs, currently being the only one not to do so. Please see Appendix C.

Recommendation: To approve the following Council Tax exemptions/discounts for 2022/23:

- **An exemption to be allowed should the Council Tax payer (liable person) be living in independent accommodation under 25 years of age.**
- **A 25% discount to be allowed should the Council Tax payer (liable person) be living in semi-independent accommodation under 25 years of age.**

Council tax long term empty homes premium

5.32 Under the Committee's delegated powers, it is also proposed that, with effect from 1st April 2022 the empty property premium be increased to 300% for properties which have been empty over 10 years.

Recommendation: To approve an additional 300% Council Tax long term empty property premium for properties empty over 10 years.

Business Rates Baseline funding £1.5m

5.33 Business Rates funding is a headline term incorporating several separate elements:

- **Directly retained Business Rates income (Business Rates Baseline) -** Local businesses pay Business Rates net of reliefs and discounts directly to TDC (**c£21m**). This is adjusted as follows:
 - **Retention:** The amount retained after Surrey County Council (10%) and Central Government (50%) are allocated their shares. The remaining 40% - **c£8.4m** - is allocated to the Council;
 - **Reliefs:** Nationally set Business Rate reliefs subsidised by Central Government through Section 31 grants - This refers to Section 31 of the Local Government Act 2003 which enables Government to reimburse Local Authorities for the cost of subsidising Business Rates eg: Retail Reliefs. For the Council s31 grants equate to approximately **£1.6m**;
 - **Tariff:** A tariff is then applied because the Council generates more funding than Central Government calculate we require (**c£8.5m**); and
 - Leaving an amount of funding for Council services equal to the Business Rates Baseline of **c£1.5m**.

- **Reconciliation of estimates to actuals (Collection Fund)** - Estimated amounts included in the budget (captured in the NNDR1 statistical return submitted in the January prior to the start of each financial year) are compared to actual amounts generated (captured in the NNDR3 statistical return submitted in the July after the financial year has finished). The reconciliation reflects changes in occupation or differences between estimated and actual reliefs. The difference between the two impacts (i.e. a surplus or deficit) impacts on the following year's budget.
- **Changes to Business Rate retention policies – particularly taking part in a Business Rates Pool** – This enables pool participants to retain a greater percentage of Business Rates for the years that they take part in the pool. In Surrey, pool participation is dictated by the expected level of Business Rate growth. Whilst authorities can choose *not to* take part, they only qualify for inclusion if Business Rates growth indicates maximum gain for the county-area overall.

5.34 The announcements by the Chancellor on the 27th October included a new one-year Retail, Hospitality and Leisure relief and a freeze to the Business Rates multiplier in 2022/23, both of which will be compensated to TDC via a Section 31 grant as appropriate. The balance between Business Rates collected and s31 Grants from Government is currently very volatile because of Covid-19, as a result of which Government are funding additional wide-ranging national reliefs but compensating authorities with s31 grant. The balance will be reviewed for the Final Budget but will have a net-nil impact on funding.

5.35 Due the complex nature of Business Rates funding, and to mitigate fluctuations in funding, we currently budget only for the predictable element of Business Rates - the Central Government assessment that our baseline funding should be £1.459m.

5.36 The Council is a member of the Surrey Business Rates Pool for 2021/22 but did not qualify for 2022/23. For the 2021/22 Business Rates pool, there has currently been no assumption of benefit of the pool taken in setting the 2022/23 budget. This will be assessed again prior to finalising the 2022/23 budget.

Grant Funding

5.37 The Draft Budget for 2022/23 has been formulated on the basis that both the Lower Services Tier grant and the New Homes Bonus funding continue in some form. An estimated £0.651m has been included in the budget on this basis. We are awaiting the confirmation in the Local Government Finance Settlement to determine the method of funding and the final allocation.

Overall Funding

Table 3: Overall anticipated funding for 2021/22 to 2023/24:

	2021/22 Outturn Forecast M6 £k	Annual Budget £k	Forecast Variance £k	BAU Variance £k	Covid-19 Variance £k
Community Services	4,276	3,993	283	43	240
Housing Services	471	469	2	2	
Planning Policy	1,236	1,185	51	51	
Strategy & Resources	6,320	6,338	(18)	(18)	
Corporate items	(661)	(690)	29	29	
Earmarked Reserve drawdowns and Government Specific grants	(161)	0	(161)	(42)	(119)
General Fund	11,481	11,295	186	65	121
Central Funding	(11,295)	(11,295)	0		
Overall after central funding	186	0	186	65	121

6. DRAFT CAPITAL PROGRAMME 2022/23 TO 2024/25

- 6.1 This section of the report provides an update on the development of the Capital Programme for 2022/23 to 2024/25, taking into account work that has been carried out by officers over the last few months. Further work is being undertaken to review proposed allocations in advance of presenting a Final Budget Report, ensuring all costs of borrowing are included in the Revenue budget as part of the Final Budget Report in January and February 2022.
- 6.2 Aligned to the revenue budget, councils receive some general and specific grant funding to support capital expenditure. However, there are some significant differences to the funding of capital expenditure. 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).
- 6.3 The Capital Programme sets out our expenditure plans and how we will pay for them over a three-year period. The current three-year Capital Programme was approved by Council in February 2021. The Capital Programme has been refreshed as part of developing the Draft Budget and the main changes are in a reprofiling of the HRA projects across financial years.

- 6.4 The Capital Programme is funded from a combination of external and internal resources. External funding is mainly in the form of Central Government grants and Community Infrastructure Levy (CIL). Internal funding takes the form of locally raised funds such as borrowing and capital receipts. 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.
- 6.5 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 both external borrowing (loans) and internal borrowing. This is an annual revenue expense in the Council's budget. The cost of MRP to the 2022/23 budget is £1.1m.
- 6.6 The efficiencies proposed in the 2022/23 revenue budget include a proposal to move from a straight-line to annuity method for calculating MRP. Adopting the annuity method better aligns an increasing amount of debt repayment to a decreasing interest cost liability, which evens out the revenue costs over the life of the asset. The change in MRP approach will be recommended to Audit and Scrutiny Committee as part of the MRP Policy prior to the approval of the Final Budget by Council in February
- 6.7 All borrowing for capital schemes takes place within agreed prudential limits which establishes a benchmark for affordability and sustainability. A range of indicators are maintained to demonstrate this. These indicators are maintained within the Council's Capital, Investment and Treasury Management Strategy and are monitored and reported to the Investment Sub-Committee and Council on a regular basis. The Capital, Investment and Treasury Management Strategy demonstrates how the borrowing requirement will be managed. This strategy will be set out as part of the Final Budget papers in February 2022.
- 6.8 Table 4 below shows the draft three-year General Fund Capital Programme and how it is planned to be funded for 2022/23 to 2024/25.

Table 4: Draft 3-year General Fund Capital Programme and funding

	2022/23	2023/24	2024/25	Total Programme
	£m	£m	£m	£m
Community Services	0.5	0.6	0.5	1.6
Housing General Fund	0.5	0.5	0.5	1.4
Planning	1.0	0.5		1.5
Strategy & Resources	0.5	0.2	0.3	0.9
Total Capital Programme	1.4	0.7	0.3	2.4

	2022/23	2023/24	2024/25	Total Programme
	£m	£m	£m	£m
External Funding/Grants	0.5	0.5	0.5	1.4
Community Infrastructure Levy	1.0	0.5	0.0	1.5
Capital Receipts	0.0	0.0	0.0	0.0
Borrowing	1.0	0.8	0.8	2.6
Total Capital Programme	2.4	1.7	1.3	5.4

Estimated MRP included in the General Fund Revenue Budget	1.2	1.4	1.2
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Community Services

6.9 The proposed three-year Capital Programme 2022/23 to 2024/25 for Community Services is £1.6m. The schemes comprise of:

- Children’s Playground Improvements - £0.3m;
- Vehicle Replacement Programme - £0.4m;
- Parks, Pavilions and Open Spaces - £0.3m;
- 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 and Machinery Replacement Programme.

Housing General Fund

6.10 The proposed three-year Capital Programme 2022/23 to 2024/25 for the Housing General Fund is £1.4m. This is the Disabled Facilities Grants (DFG) programme which is funded from DFG.

Strategy and Resources

6.11 The proposed three-year Capital Programme 2022/23 to 2024/25 for Strategy and Resources is £0.9m. The schemes comprise of:

- Asset development programme - £0.2m;
- IT Hardware and Infrastructure Projects - £0.6m; and
- Council Offices major works programme - £0.1m.

Planning Policy

6.12 The proposed three-year Capital Programme 2022/23 to 2024/25 for Planning Policy is £1.5m. 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;
- Smallfield Flood Alleviation Scheme - £0.2m; and
- M25 Junction 6 feasibility funding £1.0m.

Housing Revenue Account

6.13 The proposed three-year Capital Programme 2022/23 to 2024/25 for the Housing Revenue Accounts is £28.0m. This is made up of:

- Council House Building Programme - £16.5m;
- Improvements to Housing Stock - £11.3m; and
- IT Hardware and Infrastructure Projects - £0.2m.

6.14 The draft HRA Capital Programme is funded from the following sources, as shown in Table 5 below:

Table 5: HRA Capital Programme and Funding

	2022/23	2023/24	2024/25	Total
	£m	£m	£m	Programme £m
HRA	11.6	11.5	4.9	28.0
HRA Capital Receipts/Reserves	7.2	7.2	4.9	19.3
Borrowing	4.4	4.3	0.0	8.7
Toatl HRA Funding	11.6	11.5	4.9	28.0

6.15 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.

7. FINANCIAL PERFORMANCE 2021/22

7.1 **Revenue Performance as at Month 6 (September)** : An £11.3m General Fund expenditure budget was approved in February 2021. Due to findings within the GT report (confirming a £0.9m budget pressure in pension technical accounting budgets), all budgets relating to technical accounting transactions have been removed, simplifying the revenue budget and leaving the £0.9m pension pressure to manage. Additionally, the Strategy and Resources Committee will be realigned to clarify the distinction of corporate items and supporting services.

7.2 Against this revised budget, the **forecast as at M6 (September) is £11.5m; a deficit of £0.2m** at outturn due to:

- **Community Services: £283k** – Significant under recovery of income due the:
 - £197k reduced demand due restricted movement for car parking and taxi licensing;
 - £62k lower volumes of bookings (Bulky waste and cess pooling services);
 - £45k extra costs at assess ash die back in the tree population;
 - £25k reduction in license fee income;
 - £23k increase in streets and public convenience; Offset by £60k staff vacancies.
- **Housing Services: £2k** - Expired lease for Redstone House £24k offset by Contain Outbreak Management Fund grant correction (£22k)
- **Planning Policy: £51k** - Additional costs for the Public Enquiries/ Appeals and agency costs
- **Corporate Items: £29k** - £240k Property rent service charges costs due to voids offset by £140k interest receivable and investment income due to Freedom Leisure loan repayments and improved yields on investment income, £44k lower secondary pension costs due payment timings, due and £26k lower MRP costs
- Offset by **Resources £18k**
 - £95k – net staff vacancies
 - £48k – net one-off opportunities (limited training opportunities in the first half of the year, Agile workforce offset by £33k overspend to on contractual obligations (GT Report & Treasury services)
 - £20k over recovery of Town Hall income due to later break in rent;
 - offset by: £87k – prior year costs arising in 21/22; £46k – extra costs due to delayed projects and £18k - 22/23 budget pressure

- **Earmarked reserves Drawdowns: £69k** - £42k Northgate reserve & £27k Covid-19 reserve and Government specific grants **£92k** - from the Quarter 1 - Sales, Fees & Charges return to compensate c71% for the reduced income due to COVID-19 eg: car parking income etc.

7.3 Table 6: Council's Revenue 2021/22 Forecast Position

	2021/22			BAU Variance £k	Covid-19 Variance £k
	Outturn	Annual	Forecast		
	Forecast	Budget	Variance		
	M6 £k	£k	£k		
Community Services	4,276	3,993	283	43	240
Housing Services	471	469	2	2	
Planning Policy	1,236	1,185	51	51	
Strategy & Resources	6,320	6,338	(18)	(18)	
Corporate items	(661)	(690)	29	29	
Earmarked Reserve drawdowns and Government Specific grants	(161)	0	(161)	(42)	(119)
General Fund	11,481	11,295	186	65	121
Central Funding	(11,295)	(11,295)	0		
Overall after central funding	186	0	186	65	121

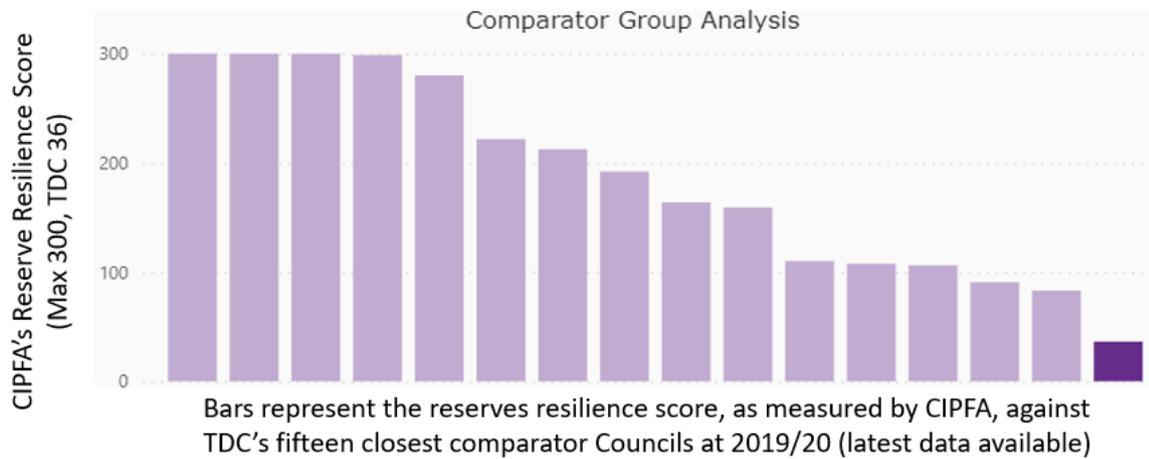
Possible mitigations to balance 2021/22 revenue budget

7.4 Currently the c£920k gap in 2021/22 will be temporarily funded from reserves. The Council is in the process of applying for a capital dispensation (explained below) for 2022/23 to replenish reserves with capital receipts. If this permission is not granted, the temporary reserves funding will be permanent as it is unlikely that the Council will be in a surplus position in the current year to mitigate this magnitude of gap. This would run counter to our desires/objectives to build Reserves and become financially sustainable. The application of capital receipts will be a one time only. Please see section 3.30 – 3.35 for further explanation.

CIPFA Resilience Index

7.5 Chartered Institute of Public Finance (CIPFA) release a Financial Resilience Index; a tool which aims to support decision making and good practice in the planning of sustainable finances. 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 drawing their own conclusions. The main indicator of financial resilience is the level of an authority's reserves, and the direction of travel in reserve's balances.

7.6 The Council's risk profile has increased in recent years as reserves have been depleted. This is illustrated by the Resilience Index, below, which shows TDC's reserves on a downward trajectory, and lower than all comparator authorities (shown in dark purple below).



The Medium-Term Financial Strategy will be built around replenishing reserves to a sustainable level. A key part of that will be seeking a capitalisation direction for the c£920k pension pressure for 2021/22 in order to prevent a further reduction in reserves and allow the authority to begin the process to rebuild resilience.

7.7 **Capital:** The Council approved a capital budget for 2021/22 of £27.6m in February 2021. Against this budget, forecast capital spend at M6 is £20.9m; a decrease of £6.7m. The changes are summarised in Table 3 below:

Table 7: Capital Programme 2021/22

	Original Budget £m	Forecast Variance as at M6 £m
General Fund	10.8	(4.1)
HRA	16.8	(2.6)
Total	27.6	(6.7)

7.8 The majority of the variance in the General Fund Capital Programme is in relation to the refurbishment of Quadrant House (£2.2m), where the total expenditure is still on budget but the project is now expected to be completed July 2022. Other areas include CIL capital contribution to third parties towards capital expenditure (£0.5m), public conveniences (£0.5m), children's playgrounds (£0.3m), disabled facilities grants (£0.2m) and IT hardware/infrastructure and projects (£0.2m).

7.9 In the HRA, £2.5m of the budget reduction is due to slippage in the Council House Building programme with £0.2m relating to slippage on IT hardware/infrastructure/projects.

The impact of Covid-19

7.10 Despite there being no further Government funding for the longer-term impact of Covid-19 on the Council's resources, it remains a significant factor in the 2021/22 and 2022/23 budget pressures, especially evident in lower income targets for car parking and investment property income. For Q1 and Q2 in 2021/22 there is the potential to recover some of this lost income through the application to the Government's Income Compensation Scheme, but it is not offset in full. Parking income in particular features as a £125k budget pressure in 2022/23. The Government did not commit to any further funding for Covid-19 pressures in the Spending Review.

8. MEDIUM TERM FINANCIAL STRATEGY AND OUTLOOK TO 2023/24

8.1 Under normal circumstances, the Council would aspire to a three or five-year Medium-Term Financial Strategy, making clear the level of resource available to deliver priorities and core services. However, given significant uncertainty on the long-term effect of Covid-19, Government funding and reforms and an ambition to undertake a Council-wide improvement programme, the Draft Budget can only sensibly comment on the potential gap for 2022/23 and the following financial year.

8.2 Section 5 sets out the 2022/23 funding position in detail. It is anticipated that funding will stay broadly flat into 2023/24. This is based on an increase in Tax Base, a £5 increase in the Band D rate, offset by further reductions to Government funding.

8.3 The outlook for 2023/24 assumes further cost pressures (corporate and service) of £1.3m, including inflation, incremental minimum revenue provision and the requirement to replenish reserves and restore a sustainable level of contingency. Coupled with the savings identified to date, a gap of c£0.6m remains to be addressed for 2023/24. This will be tackled through Track 2 of the 'Twin Track' approach and the Council-wide transformation programme (Future Tandridge Programme).

	2022/23	2023/24
	£k	£k
Corporate pressures	972	1,020
Service Pressures	286	260
Cost Pressures	1,258	1,280
Funding Pressures	251	0
Overall Pressures	1,509	1,280
Savings	(1,202)	(713)
Gap	307	567

9. ENGAGEMENT AND CONSULTATION

- 9.1 Member engagement on the 2022/23 budget setting process has been undertaken over the last couple of months on a weekly basis through Group Leaders and Deputy Group Leaders meetings. The Group Leaders and Deputy Group Leaders have disseminated the information to their related parties.
- 9.2 Additionally, in November 2021 a workshop was held with all Members in order to scrutinise the budget proposals that had been developed and put forward by Officers. There were also proposals put forward by Members which have been subsequently reviewed and taken forward either for 2022/23 or 2023/24.
- 9.3 Residents, Organisations and Businesses will be able to comment on these Draft Budget proposals and the Committee Draft budgets. The consultation will be on the Council's website and will initially refer to this paper and will direct residents to the Committee Draft budget papers when they are published. The results from this engagement will inform the Final Budget and MTFs published in February.

10. NEXT STEPS

- 10.1 The provisional Local Government Finance Settlement is due in mid-December, with the final due in January 2022. Any changes resulting from these announcements will be incorporated into the final budget.
- 10.2 The policy committees will review the individual revenue (including fees & charges) and capital budget commencing with Community Services on 18 January. There is a schedule of meetings concluding with Strategy & Resources on 1st February 2022.
- 10.3 At Strategy and Resources Committee on 1st February 2022 the Overall Final Budget Report will be consolidated and presented. This Committee will propose to Full Council the final budget on 10th February 2022, for their approval.
- 10.4 The Final Budget report will include a judgement by the Council's Section 151 Officer on robustness of the budget including the adequacy and approach to Reserves and Balances, to ensure delivery of a sustainable budget over the medium-term. The Final Budget Report will also list the Council's Earmarked and General Fund Reserves as well as providing the required disclosures and details for the Council Tax Requirement.
- 10.5 The report will include consideration of Equality Impact Assessment (EIA) of specific savings proposals and seek to finalise proposals that will support the delivery of the 2022/23 budget.

10.6 The final Capital Programme will be set out in the Final Budget Report. The associated Capital Strategy will also contain a high-level overview of how capital expenditure, capital financing and treasury management activities contribute to the provision of services along with an overview of how associated risks will be managed by the Council.

11. COMMENTS OF THE CHIEF FINANCIAL OFFICER (s151 Officer)

- 11.1 The Council has a duty to ensure its expenditure does not exceed resources available. Although progress is being made 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 2022/23. If this does not eventuate by the time of Final report to Strategy & Resources and Council in February, the Council will have no choice but to draw on its already low General Fund Reserves. We need to build not draw on Reserves to ensure medium-term financial stability.
- 11.4 The Section 151 Officer confirms that the 2022/23 Draft Budget and MTFS is based on reasonable assumptions, taking into account all material, financial and business issues and risks and is confident that if the principles and recommendations set out in this report are adopted that a balanced budget can be set for 2022/23.

12. COMMENTS OF THE HEAD OF LEGAL SERVICES

- 12.1 There are no legal implications arising from this report although the Committee will appreciate that it is a statutory requirement for the Council to set a balanced budget each year. 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-s151'). The CFO-s151 is required by section 151 of the Local Government Act 1972 to decide for the proper administration of Council's financial affairs. The CFO-s151 must therefore exercise a professional responsibility to intervene in spending plans to maintain the balance of resources so that the Council 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 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 This report does not disadvantage or discriminate against any different groups with protected characteristics in the community.
- 13.2 Each budget saving will undertake and Equalities Impact Assessment to ascertain if there is a detrimental effect on any particular group. This assessment will be included in the Final Report to ensure Councillors are fully aware of the impact on the community, if any

14. CLIMATE CHANGE IMPLICATIONS

- 14.1 There are no significant environmental/sustainability implications associated with this report.

Appendix A – Glossary of Terms

Term	Definition
Business Rates Baseline	<p>The Business Rates Baseline is DLUHC’s assessment of each authority’s need for Business Rates to fund local services. It is calculated through a formula based on a number of factors including population, deprivation, offset by the ability of the authority to raise Council Tax.</p> <p>The level of Business Rates that can be collected and retained by each authority, prior to any growth. For Tandridge this assessed by DLUHC as £1.5m.</p> <p>In order to achieve a baseline funding of £1.5m, DLUHC assume that Tandridge will collect total Business Rates of c£21m, share 60% with other bodies - Surrey County Council (10%) and Government (50%) - and retain 40% / £8.4m. This is supplement by approximately £1.6m of grants from Government to compensate Tandridge for nationally applied Business Rate reliefs, giving approximate Business Rate income of £10m. A tariff of £8.5m is applied on Tandridge to bring this back to the baseline funding of £1.5m.</p> <p>DLUHC applies a safety net below which they will compensate authorities for lost income if Business Rates fall. This is £1.3m. It is not expected that TDC’s Business Rates will fall below £1.5m and may well be higher.</p> <p>Growth above the baseline is subject to a 50% levy (i.e. Central Government share 50% of the growth). This can offset by taking part in a Business Rates Pool, (see below).</p>
Business Rates Levy	A 50% charge of Business Rates growth above the baseline, payable to Central Government; reduced through participation in the Business Rates Pool.
Business Rates Pool	Local authorities can join together in order to retain more growth from the Business Rates system (e.g. pay Government less of a levy against any increase in Business Rates over the Baseline). In Surrey, pool participation is dictated by the expected level of Business Rate retention. Whilst authorities can choose <i>not to</i> take part, they only qualify for inclusion if Business Rates growth indicates maximum gain for the County-area overall. TDC qualified and took part in 2021/22 but not 2022/23.
Business Rates Tariff	The difference between Baseline funding and retained Business Rates plus s31 grants, payable to Central Government.

Collection Fund	A ring-fenced fund to collect Business Rates and Council Tax and then distribute to the billing and precepting authorities (i.e. Tandridge, Surrey County Council, Surrey Police and Crime Commissioner and Parish Councils)
Collection Fund Surplus and Deficit	The difference between the budget for Business Rate and Council Tax collection and the actuals generated. If actuals are higher than budget, they are distributed in the following financial year. If lower, they are charged in the following year. The Covid-19 deficit in 2020/21 is spread over 2021/22 to 2023/24.
Contain Outbreak Management Fund	The Contain Outbreak Management Fund (COMF) provides funding to local authorities in England to help reduce the spread of Covid-19 and support local public health. It is distributed via Surrey County Council.
Core Spending Power	The measure DLUHC uses to gauge the extent of local authorities' core revenue funding, including Council Tax and locally retained Business Rates.
Lower Tier Services Grant	Lower Tier Services Grant was a new grant for 2021 to 2022, provided specifically to lower-tier authorities to support funding levels. It is assumed this grant (or more accurately funding of a broadly similar amount) will continue into 2022/23.
Minimum Revenue Provision	An amount of revenue budget set aside each year to repay debt on capital assets. Each year a charge is made to revenue to spread the cost of borrowing over the life of the asset and ensure that cash is set aside to repay loans when they mature.
New Homes Bonus	A grant from Government to reward local authorities for increases to the tax base. The future of NHB has been unclear for a number of years but the budget assumes that an amount equivalent to 2021/22 funding will be received in 2022/23.

An improved Operating Model for Tandridge

A. Design Principles to underpin the improved Operating Model

1. The Council operates to achieve a prioritised and costed set of aims and objectives, set out in a Corporate Plan which is owned by Councillors.
2. The Council has a clear political direction supported by effective governance and underpinned by respectful relationships
3. Services are designed to meet customer needs, evidence-based and with clearly defined and measurable performance standards.
4. Services are delivered using the most effective model to achieve the Council objectives
5. Leaders and Managers drive a high-performance culture throughout the organisation
6. Staff are clear about their contribution to delivering the Council objectives, are engaged, motivated, valued and rewarded for high performance
7. Strong financial management is embedded across the Council along with a culture of budget accountability and financial decision making based on evidence and insight.

B. Framework for the improved Operating Model

1. The Council operates to a number of agreed and costed priorities and objectives, set out in a Corporate Plan which is owned by Councillors.

- a. Set out in a 3-4 year Corporate Plan – signed off by Councillors
- b. Informed by stakeholders, customer insight, other data sources
- c. Defines Council's community leadership role
- d. Measurable goals – outcome focused and underpinned by KPIs
- e. The Council role in delivering objectives is defined – direct delivery, partnership, enabling, lobbying
- f. Identifies how resources are / will be allocated to support delivery of objectives

2. The Council has a clear political direction supported by effective governance and underpinned by respectful relationships

- a. Strong political leadership
- b. Distinction between councillor strategic and oversight role and officer role is understood and applied
- c. Councillor and officer relationships are strong
- d. Decision making is agile
- e. Scrutiny is effective

3. Services are designed to meet customer needs, evidence-based and with clearly defined and measurable performance standards.

- a. Customers involved in design / redesign of services
- b. Principle of channel shift to make it as easy as possible for customers to access council information and services
- c. Customer Insight used to inform and drive service improvements
- d. Projects are commissioned with clear objectives and consideration of resourcing implications

4. Services are delivered using the most effective model to achieve the Council objectives

- a. The Council seeks to optimise the delivery of services using the most appropriate model and is open to alternative forms of service delivery – outsourcing to private sector or Third sector, creating new ventures, shared service delivery
- b. (Service) Performance is underpinned by meaningful benchmarking
- c. The Council employs a smaller directly employed workforce

5. Leaders and Managers drive a high-performance culture throughout the organisation

- a. Teams and staff know how they are contributing to Corporate objectives
- b. Annual service planning at service level used to review performance against objectives, set future targets
- c. Managers and staff accountable for performance
- d. Regular reporting to councillors on performance
- e. Culture of addressing underperformance

6. Staff are clear about their contribution to delivering the Council objectives, are engaged, motivated, valued and rewarded for high performance

- a. Understand their contribution to council objectives
- b. Buy into and understand the values and behaviours we expect of them
- c. Are effectively communicated with and are engaged in the work across the council
- d. Good performance is recognised and rewarded Poor performance is effectively addressed
- e. Morale is high and staff feel valued and are motivated
- f. Talent is identified and there are clear pathways for career development
- g. Tandridge is known as a great place to work -effective retention and recruitment

7. Strong financial management is embedded across the Council along with a culture of budget accountability and financial decision making based on evidence and insight.

- a. Robust Medium Term Financial Strategy
- b. Good financial systems and support in place for Service Managers
- c. Service Managers accountable for budgets
- d. Culture of effective budget monitoring, review and setting based on meaningful budgets
- e. Budget focussed on delivering Council priorities
- f. Value for money underpinning budget decision making

Appendix C - New / Revised Council Tax discounts and exemptions:

Council Tax Carers Discount:

Tandridge District Council is now the only Surrey Authority not to agree to this discount or exemption due to previous Council Officer's (S151) deciding against a recommendation.

Introduction and background

Corporate Parenting means that the local authority pursues the same outcomes for children in care (looked after children) as a parent. The County Council retain the legal responsibility for 'looked after' children and care leavers. However, The Children and Social Work Act 2017 brought about change in 2017 when it determined that all local authorities have a responsibility to be "good corporate parents". The above Act introduced seven principles of corporate parenting. One of these principles is the need to prepare children and young people for adulthood and independent living

Care leavers have often had their childhoods punctuated by instability and trauma, they leave home earlier and have less support than other young people. As a result, they have some of the worst life chances in the county. A 2016 Children's Society report found that when care leavers move into independent accommodation, they find managing their own finances extremely challenging. With no or limited family support and insufficient financial education care leavers are falling into debt and financial difficulty.

The Children and Social Work Act 2017 asks local authorities to expand its corporate parenting duties to care leavers and provide an exemption or discount on paying Council Tax up to the age of 25, helping them make the transition to independence. Eligibility is as follows;

Care Leavers

If you are a care leaver aged under 25 who is paying Council Tax or living with someone who pays Council Tax, we may be able to reduce the amount you pay.

How to tell if you qualify as a Care Leaver

You are deemed to be a Care Leaver if:

- You are aged under 25.
- You were previously in local authority care.
- You are supported by a personal adviser or someone from the Leaving Care Team within any local authority Social Services department.

What will I pay?

- If you live alone in the property you will have nothing to pay.
- If you live with other people, all of whom are Care Leavers, you will have nothing to pay.
- If you live with someone else who is not a Care Leaver the Council Tax bill will be reduced by 25%.
- If you live with two or more people who are not Care Leavers, no discount is available.

The reduction can only be paid up to your 25th birthday.

A neighboring authority, Mole Valley, has 8 care leavers ranging from Band A to C.

Council Tax Carers Discount – Financial impact:

Surrey County Council (SCC) have committed to paying their proportion (75.8%). As yet the Surrey Police & Crime Commissioner (SPCC) has not been consulted. If the SPCC declines the exemption and discount, Tandridge would therefore have to contribute 12% to each care leavers' Council Tax bill.

There is estimated about 10 care leavers between 18 and 25 living in independent living or semi-independent living in Tandridge. A band "C" property is approximately £1,851.46 charged per annum for Council Tax. The estimated element if the SPCC disagrees would be approx. £2k

Council Tax Long Term Empty Homes Premium:

The Government believes these changes could help to reduce the number of empty homes by incentivising owners to bring them back into use and thereby helping to meet the current housing shortage.

In addition, increases in the number of empty properties that an authority has in its area, has a negative impact on the value of new homes bonus (NHB) it can claim. The calculation for NHB compares the number of physical properties less empty properties between years and after subtracting a 4% expected growth value, determines the base of the grant.

Introduction and background

The Chancellor's November 2017 budget announced that local authorities, with effect from April 2019, are now able to increase the additional Council Tax premium for a property left unfurnished and unoccupied over 10 years from 50% to 300%. This change was to encourage owners of empty homes to bring their properties back into use.

From 1 April 2020, when a property becomes empty and unfurnished, Strategy and Resource Committee, held on 23 January 2020, agreed to the following changes to long term empty homes;

- **From April 2020** onwards to charge a 100% premium on an empty and unfurnished property over 2 years.
- **From April 2020** onwards to increase the premium to 200% for properties that have been empty for more than 5 years.

Tandridge District Council, as of 12 November 2021, had 14 properties that have been empty and unfurnished over 10 years and the table below details them by individual bands.

Empty Over 10 years*	Number of properties	Council Tax 2021/22
Band A	1	£1,395.86
Band B	6	£1,652.55
Band C	4	£1,851.46
Band D	1	£2,114.32
Band E	2	£2,542.66
Band F	0	N/A
Band G	0	N/A
Band H	0	N/A

***As at 12/11/2021**

An additional table below highlights neighboring authorities' current additional premium for properties empty and unfurnished over 10 years.

Council	Current Premium
Croydon	300%
Epsom and Ewell	300%
Guildford	300%
Mid Sussex	300%
Mole Valley	100%
Reigate and Banstead	300%
Sevenoaks	300%
Surrey Heath	50%
Tandridge	200%
Woking	300%

Council Tax Long Term Empty Homes Premium – financial impact

A 300% premium would increase the total tax base as at December 2021 by 14 Band D equivalents, which is worth approximately £3,256.26, based on Tandridge's 11% share of the Council Tax. This additional income is likely to diminish over time as the change may encourage bringing homes back into use more quickly, which is a positive outcome given the shortage of housing in the District.

**Approximate figures are based on the current 2021/22 Council Tax figures, however, as Council Tax increases year on year you would expect additional revenue to be higher than forecasted.*

Appendix D: Council Tax Base 2022/23

Introduction and background

1. The Council tax base is one element of the calculations concerned with setting the Council Tax under the Local Authorities (Calculation of Council Tax Base) (England) Regulation 2012.
2. All domestic properties within the District are banded by the Valuation Officer in one of eight bands. The tax base calculation includes the estimated number of chargeable dwelling after allowing for discounts and exemptions, appeals and voids for each parish for the period to 31st March 2021. The number of chargeable properties is converted to Band D equivalents by applying the prescribed formula. The Council must set its Council Tax base and notify the precepting authorities by 31st January 2022.
3. There are various factors which have to be taken into account to arrive at the tax base for 2022/23.

Table: 2022/23 Council Tax base.

Council Tax base for 2022/23								
2021/22 Band D equivalent	Band	Total dwellings	Number of dwellings after applying discounts and premiums	Less adjustment for Council Tax Support	Chargeable dwellings	Ratio to Band D	2022/23 Band D equivalent	
1.1	A(DR*)		2.8	-0.8	2.0	5/9	1.1	
374.9	A	941	739.9	-128.7	611.2	6/9	407.4	
977.3	B	2,191	1,819.0	-585.8	1,233.2	7/9	959.1	
3,410.7	C	5,275	4,589.3	-726.3	3,863.0	8/9	3,433.8	
7,318.6	D	8,915	8,110.0	-750.8	7,359.2	9/9	7,359.2	
8,260.5	E	7,670	7,054.0	-257.0	6,797.0	11/9	8,307.4	
6,450.5	F	4,877	4,557.3	-78.8	4,478.4	13/9	6,468.8	
9,785.3	G	6,279	5,956.0	-37.6	5,918.4	15/9	9,864.1	
2,342.7	H	1,254	1,186.8	-5.8	1,180.9	18/9	2,361.9	
	Total	37,402	34,014.9	-2,571.5	31,443.3			
38,921.6	Gross Tax base							39,162.8
-467.1	Less adjustment for losses in collection 1.20%							-470.0
38,454.5	Net tax base							38,692.8

Adjustments:

4. The Local Government Finance Act 2012 (LGFA 2012) includes a number of amendments to the LGFA 1992 which affects the calculation of the Council Tax base. These amendments gave powers to determine own discounts and set premiums in certain circumstances.
5. Section 10 of the Local Government Finance Act 2012 imposes an obligation on Billing Authorities to set up a Council Tax Reduction Scheme to replace Council Tax Benefit from 1 April 2013. The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 specify that the tax base must be adjusted to take account of the amount to be paid in accordance with the reduction scheme. This adjustment is shown in a separate column in on the above table.
6. In arriving at a net base, allowance must be made for irrecoverable amount, movements as a result of appeals and property base changes (new properties). For this purpose, an allowance of 1.2% is proposed.

Appendix E: 2022/23 Service Pressures and Savings by Themes:

For the Council:

	Roll-over budget £k	Corporate & Funding Pressures * £k	Net Service Pressures £k	Savings * £k	Committee total £k
21/22 final Budget	11,295				11,295
Virements	0				0
21/22 updated Budget	11,295				11,295
Service Demands		183	178	0	361
People and Enabling services		245	72	(632)	(315)
Service Efficiency		0	0	(232)	(232)
Fees and Charges		0	36	(338)	(303)
Corporate items		545	0	0	545
22/23 draft net Budget	11,295	972	286	(1,202)	11,351
Funding Pressures	(11,295)	251	0	0	(11,044)
22/23 draft Budget	0	1,223	286	(1,202)	307

By Committee:

Committee:	Community Services				
	Roll-over budget £k	Corporate & Funding Pressures * £k	Net Service Pressures £k	Savings * £k	Committee total £k
21/22 final Budget	4,888				4,888
Virements	(895)				(895)
21/22 updated Budget	3,993				3,993
Service Demands		0	48	0	48
People and Enabling services		0	(33)	0	(33)
Service Efficiency		0	0	(36)	(36)
Fees and Charges		0	71	(161)	(90)
Corporate items		0	0	0	0
22/23 draft Budget	3,993	0	86	(197)	3,882

Committee:	Housing GF				
	Roll-over budget £k	Corporate & Funding Pressures * £k	Net Service Pressures £k	Savings * £k	Committee total £k
21/22 final Budget	491				491
Virements	(22)				(22)
21/22 updated Budget	469				469
Service Demands		0	59	0	59
People and Enabling services		0	0	0	0
Service Efficiency		0	0	0	0
Fees and Charges		0	0	(10)	(10)
Corporate items		0	0	0	0
22/23 draft Budget	469	0	59	(10)	518

Committee:	Planning Policy				
	Roll-over budget	Corporate & Funding Pressures *	Net Service	Savings *	Committee total
	£k	£k	£k	£k	£k
21/22 final Budget	1,052				1,052
Virements	133				133
21/22 updated Budget	1,185				1,185
Service Demands		0	40	0	40
People and Enabling services		0	0	0	0
Service Efficiency		0	0	0	0
Fees and Charges		0	(35)	0	(35)
Corporate items		0	0	0	0
22/23 draft Budget	1,185	0	5	0	1,190

Committee:	Strategy & Resources				
	Roll-over budget	Corporate & Funding Pressures *	Net Service	Savings *	Committee total
	£k	£k	£k	£k	£k
21/22 final Budget	5,765				5,765
Virements	573				573
21/22 updated Budget	6,338				6,338
Service Demands		(30)	31	0	1
People and Enabling services		0	105	(240)	(135)
Service Efficiency		0	0	(80)	(80)
Fees and Charges		0	0	0	0
Corporate items		0	0	0	0
22/23 draft Budget	6,338	(30)	136	(320)	6,124

Committee:	Corporate Items				
	Roll-over budget	Corporate & Funding Pressures *	Net Service	Savings *	Committee total
	£k	£k	£k	£k	£k
21/22 final Budget	(901)				(901)
Virements	211				211
21/22 updated Budget	(690)				(690)
Service Demands		213	0	0	213
People and Enabling services		277	0	(391)	(114)
Service Efficiency		0	0	(116)	(116)
Fees and Charges		0	0	(167)	(167)
Corporate items		512	0	0	512
22/23 draft Budget	(690)	1,002	0	(675)	(363)

*Note: * Staffing and inflation movements have been assigned to Corporate items. When the final budget has been finalised, these items will be distributed to the appropriate Committee. Also, there are some savings that require further clarification before being allocated and so are held in corporate items whilst the outline business plans are being drafted.*