

# TANDRIDGE DISTRICT COUNCIL

## STRATEGY & RESOURCES COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 2 December 2021 at 7.00 p.m.

**PRESENT:** Councillors Bourne (Chair), Langton (Vice-Chair), Black, Bloore, Botten, Caulcott, Cooper, Davies, Elias, Gillman, Pursehouse and Stamp

**ALSO PRESENT:** Councillors Duck, Farr, Lockwood, Mills, Morrow, Ridge, Sayer, Steeds and N.White

### 200. MINUTES OF THE MEETING HELD ON THE 5<sup>TH</sup> OCTOBER 2021

These minutes were confirmed and signed by the Chair.

### 201. DECLARATIONS OF INTEREST

Councillors Bloore, Morrow and Pursehouse declared interests in agenda item 6 (CIL Working Group – 8<sup>th</sup> November 2021 / Minute 204 below). The nature of their interests was that they were members of Warlingham Parish Council which had submitted the CIL application for the Warlingham Green improvement project. They left the Chamber for the discussion and voting on that agenda item.

### 202. QUESTIONS SUBMITTED UNDER STANDING ORDER 30

A question was submitted by Councillor Cooper, a copy of which is attached at **Appendix A**, together with the response from Councillor Bourne as Chair of the Committee. Councillor Cooper's supplementary question and the response from Councillor Bourne is also included within Appendix A.

### 203. INVESTMENT SUB-COMMITTEE - 5TH NOVEMBER 2021

The minutes of the Sub-Committee's meeting on the 5<sup>th</sup> November 2021 were considered.

The Chair responded to questions about the nature of the planning permission to be sought for Redstone House (i.e. residential) and the rationale for disinvesting in Funding Circle.

**COUNCIL DECISION**  
(subject to ratification by Council)

**RECOMMENDED** – that that the minutes, attached at **Appendix B**, be received and the recommendation in Item 4 (*that Redstone House, Nutfield be sold for the best consideration as can be achieved by the Executive Head of Communities*) be adopted.

## 204. CIL WORKING GROUP – 8<sup>TH</sup> NOVEMBER 2021

The minutes of the Working Group's meeting on the 8<sup>th</sup> November 2021 were considered.

**RESOLVED** – the minutes, attached at **Appendix C**, be received and the recommended CIL allocations in item 3 be adopted.

## 205. 2020/21 OUTTURN MONTH 12 (MARCH 2021)

The Committee considered a report regarding the Council's 2020/21 budget position at the end of March 2021.

After taking account of the £920,000 budget gap (confirmed by the Grant Thornton review) the General Fund revenue outturn was a £885,000 surplus, transfers of which to various reserves were recommended. The report advised that, for 2020/21, the £920,000 gap had been mitigated by in-year underspends across all services. Further mitigation measures were outlined for subsequent years, i.e.:

- 2021/22 – funding the gap from reserves. An application to the Secretary of State to allow the use of capital receipts to replenish reserves was in progress. If permission was not granted, the temporary use of reserves would become permanent.
- 2022/23 – the gap has been taken into account when determining the level of savings that would be required. Assuming that all the £1.2m of savings are delivered and because they are of a permanent nature, the gap would be permanently closed in 2022/23.

Capital expenditure of £11.2 million had been incurred against the combined General Fund and HRA capital programme budget of £15.7 million. After allowing for a £200,000 underspend, slippage of £4.3 million was recommended (£2.5 million to 2021/22 and £1.8 million to 2022/23). The report confirmed that improvements to the governance, monitoring and reporting of the capital programme would be undertaken as part of the finance transformation programme.

The Housing Revenue Account had achieved a surplus of £1,356,300 against the budgeted figure of £1,037,800 (a positive variance of £318,000).

The report also advised that a fundamental review of the Council's financial management and reporting arrangements was being undertaken by an independent external advisor (Laura Rowley BA MBA FCPFA). Laura Rowley's interim report was included within the agenda pack. This concluded that the Chief Finance Officer could proceed with a reasonable degree of confidence and that the data underlying the outturn report could be used to support the production of the 2022/23 draft budget. Laura Rowley joined the meeting via Zoom and confirmed her findings.

In response to Members' questions, the Chief Finance Officer explained:

- that the finance transformation project sought to ensure that, in future years, outturn positions would be predicted more accurately and that significant variations could be identified and tracked earlier in the financial year

- the overspend on Minimum Revenue Provision - the budgeted amount had not taken account of the need to apply MRP to internal (as well as external) borrowing.

The sentence in Laura Rowley's report which stated that Tandridge had approached Surrey County Council for assistance was questioned. This was on the basis that Tandridge had, in fact, originally interviewed two candidates for the Chief Finance Officer vacancy in 2020, one of which was Anna D'Alessandro who was duly appointed and proceeded to lead the joint working with the County Council. Laura Rowley confirmed that she would amend her report accordingly.

### **COMMITTEE DECISIONS**

*(under powers delegated to the Committee)*

**RESOLVED** – that

- A. the Council's revenue and capital positions for the year be noted;
- B. the gap mitigation strategy regarding the request for capitalisation dispensation for 2022/23 be noted; and
- C. the independent review of the Council's financial management and reporting arrangements be noted.

### **COUNCIL DECISIONS**

*(subject to ratification by Council)*

**RECOMMENDED** – that

- A. the following transfers to reserves from the outturn position be approved:
  - (i) £682,000 planning reserve to support the delivery of the Local Plan and other general planning related activities (including £130,000 Homes England money)
  - (ii) £134,000 reserve to mitigate future financial uncertainties /risks in the medium-term and support budget planning
  - (iii) £42,000 Academy/Northgate Reserve to support the delivery of the new revenues & benefits system in 2021/22
  - (iv) £27,000 CV-19 reserve to support future CV-19 related spend
- B. capital carry forwards of £4.3 million from 2020/21 to future years (£2.5 million to 2021/22 and £1.8 million 2022/23) be approved.

## 206. 2022/23 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY

A report was presented which recommended a draft budget for 2022/23; a Medium Term Financial Strategy; Council Tax exemptions and discounts; the Council Tax base for 2022/23; funding for the planning service; an application to Government for a 'capital dispensation'; and the flexible use of capital receipts strategy.

The report explained the twin track approach to developing the Council's financial plans, namely focusing on delivering a balanced budget for 2022/23 while seeking to address pressures over the medium term. It reflected upon the challenges associated with developing a balanced budget, especially the continuing impact of the pandemic and the underlying £920,000 budget pressure which was the subject of the Grant Thornton review commissioned by the Committee earlier in the year. At this early stage, the report concluded that up to £200,000 could be required from reserves to balance the budget for 2022/23, pending settlement outcomes, before being replenished in 2023/24.

The report provided details about:

- the need for Council wide transformation over the next two years to deliver a leaner, more sustainable organisation, involving a review of all services beyond the change programmes already underway in finance and planning (an 'improved operating model for Tandridge' was attached to the report - in response to a comment during the debate, the Chief Executive confirmed that actions for delivering the model would be developed in the near future)
- progress in implementing the finance transformation programme to date and an explanation of the change programme for the planning service (as reported to the Planning Policy Committee on the 25<sup>th</sup> November 2021) which involved the creation of four additional posts at a cost of £76,000 per annum; £114,000 was being sought for an eighteen-month period, expected to be funded from the flexible use of capital receipts
- the work undertaken in conjunction with IMPOWER to identify savings opportunities
- an explanation of the flexible use of capital receipts regime whereby the Government allowed Councils to spend their capital receipts on the revenue costs of transformation projects, and the requirement for the application of this type of receipt to be matched by revenue savings and/or cost containment
- strategies applicable to the four policy committees
- financial performance in 2021/22
- the emerging draft 2022/23 budget and Medium Term Financial Strategy/ outlook to 2023/24 as attached at **Appendix D**
- an update on the development of the capital programme 2022/23 to 2024/25.

Information concerning the proposed new and revised Council Tax discounts, exemptions and premiums were provided as per **Appendix E**.

Details regarding the Council Tax base for 2022/23 were presented as per **Appendix F**.

The Chief Finance Officer explained how the scope of the finance transformation project had extended since its inception, given the identification of the budget gap in April 2021 and associated activities to provide Members with confidence in the underlying numbers and to allow the Finance Transformation Programme to be built on a solid foundation. This had created a delay in its anticipated completion beyond the current financial year. However, she confirmed that the key objectives of the project would still be delivered within the original budget envelope.

Details of the £1.2 million efficiency savings referred to in the report (identified by senior officers and IMPOWER) had arisen from a Member workshop on the 9<sup>th</sup> November 2021 and had been shared with Group Leaders. However, some Members expressed concern that the information had not been presented to this or the other relevant committees for consideration and that all Councillors (especially those who were unable to attend the workshop) and residents (given that committee meetings are held in public) needed to be aware of the detailed aspects of the proposed savings before the draft budget could be approved. Officers explained that, as per paragraph 10.2 of the report ('Next Steps') it was intended to enable policy committees to review their individual future revenue and capital budgets, commencing with the Community Services Committee on the 18<sup>th</sup> January 2022 and concluding with the Strategy & Resources Committee on the 1<sup>st</sup> February 2022. Nevertheless, changes to Recommendation A of the report were proposed by Councillors Morrow and Caulcott, culminating in the following amendment:

"the draft budget for 2022/23 and Medium Term Financial Strategy to 2023/24 be approved-noted, pending consideration by policy committees of their proposed revenue and capital budgets, commencing with the Community Services Committee on the 18<sup>th</sup> January 2022 and concluding with the Strategy & Resources Committee on the 1<sup>st</sup> February 2022.

Upon being put to the vote, the amendment was agreed.

### **COMMITTEE DECISIONS**

*(under powers delegated to the Committee)*

#### **RESOLVED** – that:

- A. the draft budget for 2022/23 and Medium Term Financial Strategy to 2023/24 be noted, pending consideration by policy committees of their proposed revenue and capital budgets, commencing with the Community Services Committee on the 18<sup>th</sup> January 2022 and concluding with the Strategy & Resources Committee on the 1<sup>st</sup> February 2022;
- B. the following Council Tax exemptions and discounts for 2022/23 be approved:
  - (i) an exemption should the Council Taxpayer (liable person) be a care leaver living in independent accommodation under 25 years of age;
  - (ii) a 25% discount should the Council Taxpayer (liable person) be a care leaver 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)

- C. the gross Council Tax Base for 2022/23, be 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 be determined at 38,692.9 after adjustment by 1.2% to allow for irrecoverable amounts, appeals and property base changes;
- D. the funding request for the proposed transformation of the planning service of £114,000, including on-costs, be approved;
- E. the draft Flexible use of Capital Receipts Strategy, to be finalised and approved by Full Council in February 2022, be noted.

**COUNCIL DECISION**

*(subject to ratification by Council)*

**RECOMMENDED** – that the request for a capital dispensation from the Department for Levelling Up, Housing and Communities be approved 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.

## **207. HOUSEHOLD SUPPORT FUND – CONFIRMATION OF DECISION TAKEN UNDER URGENCY POWERS (STANDING ORDER 35)**

The Department for Work and Pensions had launched the Household Support Fund to provide financial support to vulnerable households during the winter months. Initial allocations for grant funding were to Unitary and County Councils. Surrey County Council had received nearly £5.3 million and had distributed £2.8 million to Surrey Boroughs and Districts (£234,649 to Tandridge) to enable solutions that meet local requirements. Authorities could deduct reasonable administration costs from their allocations and had discretion to administer the scheme within the scope of the guidance.

A Tandridge Household Support Scheme Local Eligibility Framework had been developed for the local administration of the scheme which confirmed that the Council would:

- exercise discretion to identify and support those most in need
- use the funds to meet immediate needs and help those who are struggling to afford food, energy or water bills and essential household expenditure
- in exceptional cases of genuine emergency, support housing costs where existing housing support schemes do not meet this exceptional need
- work with local services, community groups and other partners to identify and support households within the scope of the scheme.

A report was submitted which advised that the Framework had been approved by the Chief Executive under the urgency provisions of Standing Order 30 and that funds would be allocated to recipient households in the form of vouchers which could be redeemed to offset utility costs and to purchase groceries and other essentials such as clothing and white goods.

The Committee was advised of corrections to paragraph 6 of the report which clarified that the administration costs in Tandridge were anticipated to be approximately £17,756 made up as follows:

Activity	No of Hours	Hourly rate	Costs	Plus £18 per hour on-cost
Set-up	40	£55	£2,200	£2,920
IT development	22	£20	£440	£836
Administration	20 hours per week x 20 weeks	£17	£6,800	£14,000
<b>Total</b>			<b>£9,440</b>	<b>£17,756</b>

It was confirmed that the launch of the Tandridge Fund would be accompanied by a targeted promotional campaign and that relevant local voluntary organisations, with potential knowledge of residents in need of support, would be contacted.

**RESOLVED** – that the decision taken under urgency powers in accordance with Standing Order 35 to approve the Tandridge Household Support Scheme Local Eligibility Framework be ratified.

## 208. DESIGNATION OF POLLING STATION FOR CHELSHAM & FARLEIGH

The current polling place assigned for the Chelsham and Farleigh polling districts was Warlingham Park School (an independent school not covered by the relevant legislation which allowed Returning Officers to use school premises as polling stations).

A report was submitted which advocated that the polling place for the area be re-designated as the Bull Inn, Chelsham Common. This was in light of concerns raised during recent polls regarding the suitability of the school for electoral purposes. The Bull Inn had been used for the 6<sup>th</sup> May 2021 elections due to the impact of the covid-19 pandemic (social distancing could not be maintained in the school) and feedback from voters, polling station staff and Ward Members had been positive.

**COUNCIL DECISION**  
(subject to ratification by Council)

**RECOMMENDED** – that the Bull Inn be assigned as the polling place for the Chelsham and Farleigh polling districts.

Rising 8.44 pm

**Strategy & Resources Committee – 2<sup>nd</sup> December 2021**  
**Standing Order 30 Questions and responses**

**Question from Councillor Cooper**

The TDC Strategic Plan (Page 109 in the S&R Agenda) includes a statement about becoming greener; 'the Council is taking all the steps it can to become carbon natural (I assume the word should be neutral?) by 2030'. As it is about two years since the Council decided on this policy, I assume it is now understood what is needed to achieve this goal.

Therefore, could the following information be supplied about each of the areas to be addressed to meet this objective? (housing, travel etc):

- a) Current total carbon generated annually by each TDC council activity
- b) The intended approach to reduce the carbon generated to zero
- c) The cost to TDC of carrying out this work
- d) A total of carbon currently generated and the total cost of the work to be carried out. (Whether the work may qualify for government or other grant or not).

*Response from the Chair (Councillor Bourne)*

*The following responses have been provided to me by the relevant Officer:*

- a) *We have carbon emissions data for the buildings we operate, i.e. pay the bills for, and the fuel we use in our vehicles. However, we are still working on the most accurate way of accounting for emissions from other sources such as council homes and leased commercial assets.*
- b) *In brief, our intended approach is to focus on reducing our organisational emissions i.e. gas, electricity and fuel we consume. We also have actions to reduce emissions for our leased assets and to install EV chargepoints in the district.*
- c/d) *We do not have officers who work solely on this work nor a separate budget for climate change per se, it therefore forms part of our BAU activities. Some climate change work may qualify for government grants, however they do require resources in terms of officer time, i.e. to write grant proposals, prepare evidence and claim forms and so forth.*

*The annual update on the climate change action plan is due to come to the next meeting of this Committee on 11<sup>th</sup> January. It will also be discussed with the Climate Change Working Group on the 14<sup>th</sup> December, after which your colleagues on the Working Group should be able to update you.*



Supplementary question from Councillor Cooper

We need to understand the size of the problem if we are going to address it properly. We need to know the quantity of emissions being generated by the Council; the reductions our initiatives are intended to generate; and the cost of the work. When will the promised report on the Council's greenhouse gas emissions (which was supposed to ensure we are effectively measuring and managing our emissions) be published?

Response from the Chair (Councillor Bourne)

*My responses [on climate change matters] have been provided by officers. During the last six months, I've been concentrating on our significant financial challenges. The climate change issues have been assigned to the [Climate Change] Working Group and, until it reports back to us, I don't have any information on the subject. Perhaps you can wait until the 11<sup>th</sup> January meeting when the latest update on climate change actions will be given. Until then, I haven't got any information which hasn't been provided to me by the officers concerned.*

**TANDRIDGE DISTRICT COUNCIL****INVESTMENT SUB COMMITTEE**

Minutes and report to Council of the meeting of the Sub-Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 5 November 2021 at 10.00am.

**PRESENT:** Councillors Bourne (Chair), Cooper, Elias and Langton

**ALSO PRESENT:** Councillors Farr

**APOLOGIES FOR ABSENCE:** Councillor Jones

**1. MINUTES OF THE MEETING HELD ON THE 24TH SEPTEMBER 2021**

The minutes were confirmed and signed as a correct record.

**2. SUMMARY INVESTMENT AND BORROWING POSITION AT 30TH SEPTEMBER 2021**

The investment analysis at Appendices A and B was presented.

The Chair explained that the anticipated remodelled report from Link Group (the Council's treasury advisors) would now be presented to the Sub-Committee's meeting on the 21<sup>st</sup> January 2022. This would help to inform a decision on the use of the redeemed proceeds from Funding Circle which had accumulated since the decision to cease re-investing in its peer to peer loans and to withdraw funds as those loans were repaid. It was confirmed that the 11.2% yield rate from Funding Circle (Appendix A refers) reflected the withdrawal of the principal element of the investment, together with a one-off recovery of non-performing loans amounting to £38,000 and did not reflect pure income.

Members reiterated their wish from the 11<sup>th</sup> June 2021 meeting that the term 'high yielding' should be removed from future investment reports.

**RESOLVED** – that the Council's investment and borrowing position at 30th September 2021, as set out in Appendices A and B, be noted.

### 3. **GRYLLUS HOLDINGS, GRYLLUS HOUSING AND GRYLLUS PROPERTY FINAL ACCOUNTS 2020/21**

The Sub-Committee considered financial statements for the year ended 31<sup>st</sup> March 2021 in respect of these Council owned subsidiary companies, together with a report from Kreston Reeves LLP arising from its audit of the accounts.

The key issues identified within the Officer covering report were:

- Gryllus Holdings had been dormant during the reporting period and an unqualified audit opinion had been issued. (The term 'dormant' was questioned during the debate, but it was acknowledged that the company had not been trading and that no movement of balances had taken place).
- Gryllus Housing had been dormant during the reporting period and the accounts were unaudited.
- Gryllus Property Limited had recorded a loss of £1,792,530 arising from revaluations of the company's three properties (30-32 Week Street, Maidstone; 80-84 Station Road East, Oxted and Castlefield House, Reigate). This had been expected as Castlefield House was purchased during the 2020/21 reporting year and its valuation had attracted one off purchase costs. Without such costs, the company made an operational post tax profit of £72,373. An unqualified audit opinion had been issued.

The Kreston Reeves audit had identified:

- a late VAT payment (by one day) which had incurred an HMRC penalty fine
- an incorrect posting of £205,583 rental income.

Consequently, Kreston Reeves had recommended measures to reduce the likelihood of such errors reoccurring, namely additional staffing capacity to deal with VAT payments and a quarterly reconciliation of actual and expected rental income. It was confirmed that these matters would be addressed as part of the Finance Transformation Programme.

The Chief Finance Officer (Anna D'Alessandro) advised that she had replaced Simon Jones as a director of all three companies.

**RESOLVED** – that the following be noted:

- (i) the annual financial statements for Gryllus Holdings Limited, Gryllus Housing Limited and Gryllus Property Limited for the year ended 31<sup>st</sup> March 2021;
- (ii) the report from Kreston Reeves arising from its annual audit of Gryllus Holdings Limited and Gryllus Property Limited for the year ended 31<sup>st</sup> March 2021; and
- (iii) the management accounts for Gryllus Property Limited (profit by property).

## 4. INVESTMENT PROPERTY UPDATE

The Sub-Committee resolved to move into 'Part 2' for this item in accordance with Paragraph 3 (information relating to financial or business affairs) of Part 1 of Schedule 12A of the Local Government Act 1972.

The officer report advised Members about the performance of the of the commercial investment properties owned by the Council and its subsidiary company, Gryllus properties:

TDC properties:

- Quadrant House, Caterham Valley
- Redstone House, South Nutfield
- Village Health Club, Caterham on the Hill

Gryllus properties:

- Castlefield House, Reigate
- 80-84 Station Road East, Oxted
- 30-32 Week Street, Maidstone

The information comprised an update about asset management activity for each property; an analysis of opportunities and risks; and valuations carried out by Wilkes, Head and Eve (WHE) in December 2020 for the Gryllus properties and February 2021 for the TDC properties. Members considered that future WHE valuations would benefit from input from the asset management team to ensure they were as realistic as possible.

Members were also provided with:

- rent / service charge collection data for Quadrant House and a risk register compiled by Huntley Cartwright quantity surveyors; and
- an options analysis from Colliers (property consultants) regarding the future use of 30-32 Week Street. Arising from this, it was acknowledged that the property would be marketed 'to let'.

The officer report advocated that Redstone House be sold. Under the Council's scheme of delegation (Part E of the Constitution) such a disposal, due its value being more than £1 million, would need to be recommended by the Strategy & Resources Committee for ratification by Full Council. The property had recently been vacated by the Surrey & Borders Partnership NHS Foundation Trust which had been paying rent of approximately £50,000 per annum to the Housing General Fund. The rationale for selling the property had been presented in a briefing note to the Sub-Committee, Bletchingley & Nutfield Ward Councillors and Housing Committee members. The briefing note was appended to the agenda pack for the meeting and explained why the property was considered inappropriate for use as social housing.

The Sub-Committee supported the recommendation to sell Redstone House but considered that planning permission should be sought by the Council with a view to the property being offered for sale with the required consents in place.

Members also requested additional information regarding the capital expenditure requirements for Linden House prior to its re-letting. Officers undertook to provide this after the meeting.

**RESOLVED** – that

- A. the recent and proposed property asset management activity be noted; and
- B. Redstone House be marketed for sale and that planning consent for the necessary changes of use be sought to enable the property to be sold with the required planning permission already in place.

**COUNCIL DECISION**

*(subject to ratification by the  
Strategy & Resources Committee and Full Council)*

**RECOMMENDED** – that Redstone House be sold for the best consideration as can be achieved by the Executive Head of Communities.

**ACTIONS:**

		<b>Officers responsible for ensuring completion</b>	<b>Deadline</b>
1	Future external property valuations be informed by contributions from the Council's asset management team	Claire Hinds (Finance Business Partner) to liaise with Kate Haacke (Lead Asset Management Specialist)	As soon as practicable prior to the next valuation
2	E-mail to Sub-Committee members confirming the capital expenditure requirements for Linden House prior to its re-letting	Kate Haacke (Lead Asset Management Specialist)	19.11.21

Rising 11.24 am

## Summary of Investments and Borrowing

## Appendix A

Investment	Investment Amount 31/03/21 £	Net Asset Value 30/09/21 £	Yield Rate Note 1 %	Forecast Return 2021/22 £	Previous Year Actual £
<b>Non - Specified (Financial Investments)- Long Term (over 12 mths)</b>					
CCLA Property Fund	4,000,000	4,448,206	3.65	162,300	179,910
Schroders Bond Fund	3,000,000	2,915,856	4.38	127,600	125,529
UBS Multi Asset Fund	3,000,000	2,794,549	4.34	121,300	140,171
CCLA Diversification Fund	2,000,000	2,051,402	3.23	66,200	62,069
Funding Circle	863,160	637,686	11.20	84,900	77,070
<b>Sub Total Non-specified (Financial Investments)</b>	<b>12,863,160</b>	<b>12,847,699</b>		<b>562,300</b>	<b>584,749</b>
<b>Non - Specified (Non-Financial Investments)- Long Term (over 12 mths)</b>					
Gryllus Property Company Loan - Maidstone	2,394,000	2,394,000	5.81	139,023	139,023
Freedom Leisure- Loan (TLP)	774,857	774,857	5.50	42,600	53,271
Freedom Leisure- Loan (de Stafford)	496,571	496,571	7.58	37,600	47,050
Gryllus Property Company Loan - 80-84 Station Rd East	1,012,500	1,012,500	5.81	54,979	54,979
Gryllus Property Company Loan - Castlefield	11,664,000	11,664,000	6.10	711,504	711,504
Gryllus Property Company Share Capital Note 2	5,251,500	5,251,500	-	-	0
<b>Sub Total Non-specified (Non-Financial Investments)</b>	<b>21,593,429</b>	<b>21,593,429</b>		<b>985,706</b>	<b>1,005,827</b>
<b>Total Non-Specified Investments</b>	<b>34,456,589</b>	<b>34,441,128</b>		<b>1,548,006</b>	<b>1,590,576</b>
<b>Specified Investments-Short Term (less than 12 mths)</b>					
Notice Accounts	4,000,000	4,042,002	0.17	7,000	11,449
Money Market Funds	3,250,000	12,285,000	0.02	2,700	15,870
<b>Total Specified Investments</b>	<b>7,250,000</b>	<b>16,327,002</b>		<b>9,700</b>	<b>27,319</b>
<b>Total Non- Specified and Specified Investments</b>	<b>41,706,589</b>	<b>50,768,130</b>		<b>1,557,706</b>	<b>1,617,895</b>
<b>Total Investment Income Budget 2021/22</b>				1,515,700	2,764,200
<b>Over/(under) budget</b>				<b>42,006</b>	<b>(1,146,305)</b>

Borrowing	Loan Amount £	Interest %	Forecast Cost 2021/22 £	Previous Year Cost £
<b>General Fund Borrowing</b>				
Gryllus Loan	3,420,000	2.46	84,132	84,132
Freedom Leisure Loan	2,225,000	2.45	54,513	54,513
Village Health Club	938,678	2.38	22,341	22,341
Linden House	4,175,000	2.69	112,308	112,308
Linden House	254,000	2.42	6,147	6,147
Quadrant House	15,340,000	2.41	369,694	369,694
Quadrant House	800,000	2.28	18,240	18,240
Gryllus - 80-84 Station Road	724,400	2.28	16,516	16,516
Gryllus - Castlefield	15,549,000	2.91	452,476	450,913
<b>Sub Total General Fund Borrowing</b>	<b>43,426,078</b>		<b>1,136,366</b>	<b>1,134,803</b>
<b>Total GF PWLB Budget 2021/22</b>			<b>1,137,000</b>	<b>1,889,000</b>
<b>Over/(under) budget</b>			<b>(634)</b>	<b>(754,197)</b>
<b>HRA Borrowing</b>				
Public Works Loan Board	61,189,000	2.70	1,632,209	1,661,341
<b>Sub Total HRA Borrowing</b>	<b>61,189,000</b>		<b>1,632,209</b>	<b>1,661,341</b>
<b>Total HRA PWLB Budget 2021/22</b>			<b>1,662,500</b>	<b>1,926,500</b>
<b>Over/(under) budget</b>			<b>(30,291)</b>	<b>(265,159)</b>
<b>Total Borrowing</b>	<b>104,615,078</b>		<b>2,768,575</b>	<b>2,796,144</b>
<b>Total Budget 2021/22</b>			<b>2,799,500</b>	<b>3,815,500</b>
<b>Total Over/(under) budget</b>			<b>(30,925)</b>	<b>(1,019,356)</b>

**Notes:**

1. Yield Rate - forecast annual return divided by net asset value. Funding Circle yield rate - forecast annual return divided by average opening & closing net asset value adjusted for estimated principal withdrawn Sept 21 to Mar 22
2. Gryllus share capital comprises of equity shares arising from loans granted - no dividend will be paid in the current year

## Market Value of Long Term Investments at 30/09/2021

## Appendix B

	2016/17	2017/18	2018/19	2019/20	2020/21
Carrying Value	Carrying Value 31.3.2017	Carrying Value 31.3.2018	Carrying Value 31.3.2019	Carrying Value 31.03.2020	Carrying Value 31.03.2021
	£	£	£	£	£
CCLA Property Fund	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Schroders Bond Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
UBS Multi Asset Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
CCLA Diversification Fund	n/a	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total</b>	<b>10,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>

2021/22
Carrying Value 30.09.2021
£
4,000,000
3,000,000
3,000,000
2,000,000
<b>12,000,000</b>

	2016/17	2017/18	2018/19	2019/20	2020/21
Market Value	Market Value 31.3.2017	Market Value 31.3.2018	Market Value 31.3.2019	Market Value 31.03.2020	Market Value 31.03.2021
	£	£	£	£	£
CCLA Property Fund(mid-market value)	4,082,986	4,276,854	4,276,005	4,188,063	4,158,183
Schroders Bond Fund	2,963,563	2,912,837	2,865,130	2,539,938	2,908,911
UBS Multi Asset Fund	3,018,705	2,918,160	2,868,479	2,520,713	2,777,398
CCLA Diversification Fund(indicative market value)	n/a	1,921,257	1,982,167	1,804,193	1,955,874
<b>Total</b>	<b>10,065,254</b>	<b>12,029,108</b>	<b>11,991,781</b>	<b>11,052,907</b>	<b>11,800,366</b>

2020/21
Market Value 30.09.2021
£
4,448,206
2,915,856
2,794,549
2,051,402
<b>12,210,013</b>

	2016/17	2017/18	2018/19	2019/20	2020/21
Surplus/(Deficit)	Surplus/ (Deficit) 31.3.2017	Surplus/ (Deficit) 31.3.2018	Surplus/ (Deficit) 31.3.2019	Surplus/ (Deficit) 31.03.2020	Surplus/ (Deficit) 31.03.2021
	£	£	£	£	
CCLA Property Fund	82,986	276,854	276,005	188,063	158,183
Schroders Bond Fund	(36,437)	(87,163)	(134,870)	(460,062)	(91,089)
UBS Multi Asset Fund	18,705	(81,840)	(131,521)	(479,287)	(222,602)
CCLA Diversification Fund	n/a	(78,743)	(17,833)	(195,807)	(44,126)
<b>Total</b>	<b>65,254</b>	<b>29,108</b>	<b>(8,219)</b>	<b>(947,093)</b>	<b>(199,634)</b>

2020/21
Surplus/ (Deficit) 30.09.2021
448,206
(84,144)
(205,451)
51,402
<b>210,013</b>



Gross Revenue Yield	Yield 2016/17	Yield 2016/17	Yield 2017/18	Yield 2017/18	Yield 2018/19	Yield 2018/19	Yield 2019/20	Yield 2019/20	Yield 2020/21	Yield 2020/21
	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	164,434	4.03%	193,758	4.53%	183,989	4.30%	185,240	4.42%	179,910	4.33%
Schroders Bond Fund	127,340	4.30%	105,413	3.62%	120,508	4.21%	124,418	4.90%	125,529	4.32%
UBS Multi Asset Fund	100,600	3.33%	146,788	5.03%	116,513	4.06%	137,531	5.46%	140,171	5.05%
CCLA Diversification Fund	n/a	n/a	62,732	3.27%	67,030	3.38%	66,284	3.67%	62,069	3.17%
<b>Total</b>	<b>392,375</b>		<b>508,691</b>		<b>488,040</b>		<b>513,473</b>		<b>507,679</b>	

Surplus/(Deficit)- Capital Value	Surplus/ (Deficit) 2016/17	Surplus/ (Deficit) 2016/17	Surplus/ (Deficit) 2017/18	Surplus/ (Deficit) 2017/18	Surplus/ (Deficit) 2018/19	Surplus/ (Deficit) 2018/19	Surplus/ (Deficit) 2019/20	Surplus/ (Deficit) 2019/20	Surplus/ (Deficit) 2020/21	Surplus/ (Deficit) 2020/21
	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	(92,996)	-2.28%	193,868	4.53%	(849)	-0.02%	(87,942)	-2.10%	(29,880)	-0.72%
Schroders Bond Fund	16,634	0.56%	(50,726)	-1.74%	(47,707)	-1.67%	(325,192)	-12.80%	368,973	12.68%
UBS Multi Asset Fund	36,559	1.21%	(100,545)	-3.45%	(49,681)	-1.73%	(347,766)	-13.80%	256,685	9.24%
CCLA Diversification Fund	n/a	n/a	(78,743)	-4.10%	60,910	3.07%	(177,974)	-9.86%	151,682	7.76%
<b>Total</b>	<b>(39,803)</b>		<b>(36,146)</b>		<b>(37,327)</b>		<b>(938,874)</b>		<b>747,460</b>	

Net Yield	Net Yield 2016/17	Net Yield 2016/17	Net Yield 2017/18	Net Yield 2017/18	Net Yield 2018/19	Net Yield 2018/19	Net Yield 2019/20	Net Yield 2019/20	Net Yield 2020/21	Net Yield 2020/21
	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	71,438	1.75%	387,626	9.06%	183,140	4.28%	97,298	2.32%	150,030	3.61%
Schroders Bond Fund	143,974	4.86%	54,687	1.88%	72,801	2.54%	(200,774)	-7.90%	494,503	17.00%
UBS Multi Asset Fund	137,159	4.54%	46,243	1.58%	66,832	2.33%	(210,235)	-8.34%	396,856	14.29%
CCLA Diversification Fund	n/a	n/a	(16,011)	-0.83%	127,940	6.45%	(111,690)	-6.19%	213,751	10.93%
<b>Total</b>	<b>352,572</b>		<b>472,545</b>		<b>450,713</b>		<b>(425,401)</b>		<b>1,255,139</b>	

Peer to Peer Investment	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21
Funding Circle	£	%	£	%	£	%	£	%	£	%
Carrying Value	<b>2,003,355</b>		<b>2,075,341</b>		<b>2,056,664</b>		<b>1,831,028</b>		<b>863,160</b>	
Interest Paid by Borrowers	181,892		181,014		184,654		193,170		127,982	
Less FC Service fee	(19,121)		(19,668)		(19,729)		(19,611)		(12,462)	
Promotions/Transfer payment							470		0	
Bad Debts	(58,163)		(61,288)		(111,152)		(127,649)		(80,881)	
Recoveries	8,219		14,780		27,428		30,253		42,431	
Net Yield	<b>112,827</b>	<b>5.63%</b>	<b>114,838</b>	<b>5.53%</b>	<b>81,201</b>	<b>3.95%</b>	<b>76,634</b>	<b>4.19%</b>	<b>77,070</b>	<b>8.93% *</b>
Provisions for future losses	<b>0</b>		<b>0</b>		<b>(10,000)</b>					

\*Funding Circle Net yield - this has been calculated against the current value, however principal has been withdrawn throughout the year. If calculated against the average of the opening and closing value then the net yield would have been 8.93% as there was a large recovery received in June 2021 (£38,494) which has inflated this yield.

## **TANDRIDGE DISTRICT COUNCIL**

### **CIL WORKING GROUP**

Minutes of the meeting of the Working Group held in the Council Chamber, Council Offices, Station Road East, Oxted on the 8<sup>th</sup> November 2021 at 6.30pm.

**PRESENT:** Councillors Blackwell, Bloore, Botten, Bourne, Flower, Gaffney, Hammond, Langton, Lockwood and Pursehouse.

#### **1. ELECTION OF CHAIR FOR THE REMAINDER OF 2021/22**

Councillors Bourne and Pursehouse were nominated. Upon being put to the vote, Councillor Bourne was elected Chair of the Working Group for the remainder of 2021/22.

#### **2. DECLARATIONS OF INTEREST**

Members declared interests as follows:

Councillor Blackwell declared that she had been appointed by the Council to the Friends of Limpsfield Common (outside body) but had not been invited to a meeting for over two years and was not involved in the Limpsfield Common access and improvement project.

Councillor Bloore declared that he was a member of Warlingham Parish Council and withdrew from the vote on the Warlingham Green improvement project.

Councillor Gaffney declared that she was a Valley Ward Member but had not been involved in the Croydon Road, Caterham regeneration project, although she had attended meetings in her capacity as a local Councillor to receive updates about the initiative.

Councillor Langton declared that he was a volunteer member of the Friends of Limpsfield Common. He contributed to the discussion about the access and infrastructure project but did not vote.

Councillor Pursehouse declared that he was a member of both Warlingham Parish Council and the Warlingham Green improvement project team. He left the Chamber for the discussion and voting on that bid.

### 3. APPLICATIONS FOR CIL FUNDS

The Group had been provided with written copies of the completed application forms and officer assessments in respect of five CIL applications, i.e.:

<b>Project (applicant shown in brackets) in order of application number</b>	<b>CIL requested</b>	<b>Original Officer ranking</b>
Warlingham Green improvement project – phase 1 (Warlingham Parish Council)	£491,355	4
Limpsfield Common access and infrastructure project (Friends of Limpsfield Common)	£71,032	3
A25 Westerham Road signalised pedestrian crossing and traffic calming measures (Surrey County Council Highways)	£75,000	2
Croydon Road, Caterham regeneration (Tandridge District Council)	£950,000	1
Barn100 – improvements to the Barn Theatre, Oxted (Oxted & Limpsfield Barn Theatre)	£162,500	5
<b>Total CIL requested</b>	<b>£1,749,887</b>	
<b>CIL funding available</b>	<b>£3,097,014</b>	

Representatives of each organisation gave short presentations about their bids and responded to Members' questions.

Following the presentations, the Group discussed the merits of the bids and whether they should be supported in full, in part, or not at all. The key points to emerge were:

#### Warlingham Green improvement project – phase 1

The Group recommended that the bid should be approved in full. However, concerns were expressed at the imposition, by Surrey Highways, of a 12% supervisory charge which amounted to £37,120. It was agreed that representations should be submitted to the County Council arguing that such charges were unreasonable.

#### Limpsfield Common access and infrastructure project

It became apparent that the proposed works were phase 1 of a larger project, funding for which had not yet been sourced. Only 1.5% of match funding (£1,100 for a children's trail) had been raised for this phase, with the required CIL contribution now amounting to 98.5% which reduced both the 'match funding' assessment score, and the project's relative ranking (from 4<sup>th</sup> to 5<sup>th</sup>). However, this was partly offset by a higher rating for 'value for money' given the Group's wish to take the volunteering aspect and role of the National Trust into account. As such, the bid still scored well, and the Group recommended full payment, subject to the project being completed within two years of the commencement date.

#### A25 Westerham Road signalised pedestrian crossing and traffic calming measures

The bid was poorly received as Members argued that Surrey County Council (SCC) should not be relying on CIL funding to expedite the installation of the pedestrian crossing. Nevertheless, the need to prioritise the road safety of (Limpsfield Infant) school children was considered paramount and the Group concluded that the bid should be supported in full to enable the crossing to be installed at the earliest opportunity. It was, however, agreed that a letter (with cross-party support) be sent to the SCC to express the District Council's concerns.

#### Croydon Road, Caterham regeneration

The Group recommended that the bid should be approved in full.

#### Barn100 – improvements to the Barn Theatre, Oxted

The Group questioned the extent to which the bid met strategic infrastructure criteria. A partial award of £50,000 was, however, recommended in recognition of the value of this unique community facility to the District. Members also suggested that officers provide feedback to the Barn Theatre's project team concerning the bid.

Regarding the general aspects of the CIL bidding process, the Group considered that applicants should be encouraged, where practicable, to hire Tandridge based contractors for the delivery of projects. However, Members also acknowledged the need to balance value for money aspects against the desire to support the local economy.

**RECOMMENDED** – that the following be ratified by the Strategy & Resources Committee:

A. awards of CIL be made as follows:

Project	Award	Revised ranking
Warlingham Green improvement project – phase 1	£491,355	3
Limpsfield Common access and infrastructure project	£71,032 <sup>1</sup>	4
A25 Westerham Road traffic calming / road safety initiatives	£75,000	2
Croydon Road, Caterham regeneration	£950,000	1
Barn100 – improvements to the Barn Theatre, Oxted	£50,000	5
<b>Total CIL grant awarded</b>	<b>£1,637,387</b>	
<b>Balance available for future allocations</b>	<b>£1,459,627</b>	

*Note 1: subject to the Limpsfield Common access and infrastructure project being completed within 2 years of the commencement date.*

- B. representations be submitted to Surrey County Council's Executive Director of Customer and Communities expressing concern at the imposition of the Surrey Highways 12% supervisory charge for the Warlingham Green improvement project (£37,120);
- C. regarding the A25 (Limpsfield) traffic calming project, a letter be written to SCC, endorsed by all four Political Group Leaders, explaining Members' reservations about the nature of the bid and the reliance upon CIL funding to expedite the signalised pedestrian crossing but that, nevertheless, the application would be approved in the interests of children's safety;
- D. an advisory note be attached to all CIL decision notices encouraging the use of contractors from within the District wherever practicable.

Rising: 9.15 p.m.

**DRAFT BUDGET 2022/23 AND MEDIUM TERM FINANCIAL STRATEGY**

1. This appendix 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.
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 **Annex A**.

**Budget Principles**

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.
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. 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** from Redstone House.
  - **£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).
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
7. These are set out by Committee and theme in **Annex A**. 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.
8. 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 **Annex A**.

**Table 1: Summary Draft Budget Position for 2022/23**

	Roll-over budget £k	Corporate & Funding Pressures * £k	Net Service Pressures £k	Savings * £k	Committ ee 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)
<b>Net gap before possible mitigations</b>	<b>0</b>	<b>1,223</b>	<b>286</b>	<b>(1,202)</b>	<b>307</b>

*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

9. 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.
10. 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.
11. 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

12. On 3<sup>rd</sup> March 2021, the Chancellor of the Exchequer, the Right Honourable Rishi Sunak, delivered the Government's Budget 2021<sup>1</sup>. 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 27<sup>th</sup> October. Headlines are set out in the following sections.
13. 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 months<sup>2</sup>). Following the record-breaking drop in GDP in 2020 (-9.9%<sup>3</sup>), 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.<sup>4</sup>
14. Overall Government borrowing in Q1 was down over 19% from last year<sup>5</sup> 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%<sup>6</sup>.

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<sup>1</sup> [Budget 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/budget-2021)

<sup>2</sup> [GDP first quarterly estimate, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/economy/gdp/quarterly/gdpfirstquarterlyestimate)

<sup>3</sup> [GDP monthly estimate, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/economy/gdp/monthly/gdpmonthlyestimate)

<sup>4</sup> [Letter from the Governor to the Chancellor regarding CPI Inflation - September 2021 \(bankofengland.co.uk\)](https://www.bankofengland.co.uk/press/2021/09/letter-from-the-governor-to-the-chancellor-regarding-cpi-inflation)

<sup>5</sup> [Budget deficit continues to fall faster than expected - Office for Budget Responsibility \(obr.uk\)](https://obr.uk/budget-deficit-continues-to-fall-faster-than-expected)

<sup>6</sup> [Bank of England Monetary Policy Report May 2021](https://www.bankofengland.co.uk/monetary-policy/monetary-policy-report-may-2021)

## Spending Review

15. On 7<sup>th</sup> September 2021, the Chancellor launched the Spending Review 2021 (SR21) which concluded on 27<sup>th</sup> 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”<sup>7</sup>. 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)

16. The 27<sup>th</sup> 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.

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<sup>7</sup> [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

17. 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

18. 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

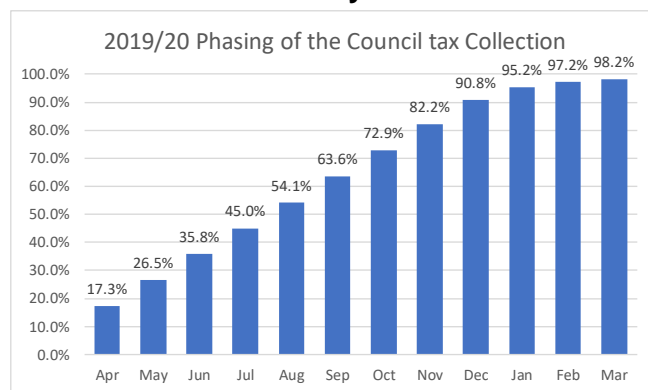
19. In October, we completed the usual return on the valuation of the tax base. It confirmed that we have a 0.6% increase in the base. The reasons for this growth are related to increases in property volumes, greater properties in higher bands and lower subsidies for exemptions, discounts and Council Tax support.
20. 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.
21. Changes to the tax base results in an increase in funding of £0.054m in 2022/23.

### Collection Fund Deficit

22. 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	



23. 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).

24. 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.
25. 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.
26. 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**

27. 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**

28. 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.
29. 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.
30. 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.
31. Under the it's delegated powers, the Committee has determined that, with effect from 1 April 2022, Care Leavers will be 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 25<sup>th</sup> birthday.
32. This brings the Council into line with other Surrey Districts and Boroughs, currently being the only one not to do so. **Council tax long term empty homes premium**

### **Council Tax long term empty homes premium**

33. Under its delegated powers, the Committee has also determined that, with effect from 1<sup>st</sup> April 2022, the empty property premium be increased to 300% for properties which have been empty over 10 years.

## Business Rates Baseline funding £1.5m

34. 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 e.g.: 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.

35. 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.

36. 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.

37. 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

38. 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	2022/23	2023/24
	£k	£k	£k
Council Tax	8,690	8,937	9,195
2020/21 Collection fund - 3 year spread	(32)	(22)	(22)
Collection fund		19	27
Business Rates (Incl Collection Fund deficit offset by s31 grants)	1,459	1,459	1,474
<u>Government Grants</u>			
New Homes Bonus	341	311	30
Lower Tier Grant	340	340	340
Covid-19	122	0	
Local Council Tax support	376	0	
Grant Funding	1,178	651	370
<b>Total Funding</b>	<b>11,295</b>	<b>11,044</b>	<b>11,044</b>

### Medium Term Financial Strategy and Outlook to 2023/24

39. 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.
40. Details of the 2022/23 funding position are set out above. 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.
41. 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

## 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 £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 £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



<b>Committee: Planning Policy</b>					
	Roll-over budget £k	Corporate & Funding Pressures * £k	Net Service £k	Savings * £k	Committee total £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

<b>Committee: Strategy &amp; Resources</b>					
	Roll-over budget £k	Corporate & Funding Pressures * £k	Net Service £k	Savings * £k	Committee total £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

<b>Committee: Corporate Items</b>					
	Roll-over budget £k	Corporate & Funding Pressures * £k	Net Service £k	Savings * £k	Committee total £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.*

**New / Revised Council Tax discounts, exemptions and premiums**

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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.

Error! Unknown document property name. – **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 approximately £2,000.

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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 them 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
<b>Band A</b>	1	£1,395.86
<b>Band B</b>	6	£1,652.55
<b>Band C</b>	4	£1,851.46
<b>Band D</b>	1	£2,114.32
<b>Band E</b>	2	£2,542.66
<b>Band F</b>	0	N/A
<b>Band G</b>	0	N/A
<b>Band H</b>	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%
<b>Tandridge</b>	<b>200%</b>
Woking	300%

Error! Unknown document property name. – **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.*

## 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	<b>Gross Tax base</b>						39,162.8
-467.1	Less adjustment for losses in collection 1.20%						-470.0
38,454.5	<b>Net tax base</b>						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.