

PLANNING POLICY COMMITTEE 2022/23 DRAFT BUDGET and MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

Planning Policy Committee – 20th January 2022

Report of: Cliff Thurlow – Interim Executive Head of Planning
 Kathryn Scott – Finance Business Partner

Purpose: To propose the 2022/23 draft Planning Policy Budget to Council

Publication status: Unrestricted

Wards affected: All

Executive summary:

The purpose of this report is to present the Draft Budget for 2022/23 and Medium-Term Financial Strategy (MTFS), including the Capital Programme, for this committee.

Members are requested to agree the recommendations below. These recommendations will be consolidated into the overall position, which will form part of the Council-wide budget setting process (to be ratified by Full Council on 10th February 2022).

This report supports the Council's priority of: Building a better Council / Creating the homes, infrastructure and environment we need / Supporting economic recovery in Tandridge / Becoming a greener, more sustainable District.

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Recommendations to Committee:

CHANGE TO THE TERMS OF REFERENCE

This recommendation transfers the responsibility for the Community Infrastructure Levy from Strategy & Resources to Planning Policy Committee (to be ratified by Full Council on 10th February 2022). This will ensure that responsibility for all aspects of the Community Infrastructure Levy (CIL) regime, including budget setting, falls within the remit of one single committee, and recommends that:

A) **The committee proposes to Council that, subject to the additional underlined wording, the following clauses regarding CIL be transferred from the Strategy & Resources to the Planning Policy Committee's terms of reference and powers 'to resolve':**

- the determination of CIL allocation criteria and applications for CIL funding
- the setting of CIL budgets and the monitoring of CIL income, expenditure and disbursements to Parish Councils
- the power to resolve:
 - revisions to CIL allocation criteria; and
 - CIL allocations upon consideration of applications and associated representations.

PLANNING POLICY BUDGET

The approved Planning Policy budget will form part of the Council-wide budget setting process (to be ratified by Full Council on 10th February 2022). This report focusses on the budgets for Planning Policy Committee, and recommends that the Committee:

- B) **Agree the Planning Policy Committee – Planning Policy Draft Revenue Budget for 2022/23 of £1.19m**, taking account of pressures allocated as part of **Tranche 1**. Refer to **Appendix A**.
- C) **Agree the Planning Policy Committee's Community Infrastructure Levy Final Capital Programme** for 2022/23 being the sum of £1.7m for 2022/23, as shown in **Appendix C**
- D) **Note** that due to timing and capacity constraints across the Council, **c£0.4m of pressures** could not be allocated in time for January and February committee cycle, as such they will be allocated in three tranches (refer para 1.4):
- a. **Tranche 1** - which are directly attributable to the committee have been allocated as per **Appendix A**. **For Planning Policy there are only directly attributable pressures, no savings have been applied;**
 - b. **Tranche 2** - will be brought to the March committee cycle for approval. **The only element of Tranche 2 savings applicable to Planning Policy will be increments directly relating to Planning staff adjusted for any share of Planning staff T&C's/pay review savings;**
 - c. **Tranche 3** – which are savings be applied as part of the June committee cycle, however **this will not be attributed to Planning Policy.**
- E) **Note the Subjective Revenue Budgets in Appendix B**, noting movements from 2020/21 to 2022/23 and an estimated movement to 2023/24.

Reason for recommendation:

Section 151 of the Local Government Act 1972 requires all Councils in England and Wales to make arrangements for the proper administration of their financial affairs. It is a legal obligation that the Council sets a balanced budget for 2022/23. If the Council is unable to set a balanced budget, the Council will either have to draw down on its reserves which are already below the level considered prudent or it will have to make tough choices about service delivery.

1. Responsibility and Terms of Reference

- 1.1. The Community Infrastructure Levy (CIL, "the levy") is a charge which can be levied by local authorities on new development in their area. It is an important tool for local authorities to use to help them deliver the infrastructure needed to support development in their area. Most new development which creates net additional floor space of 100 square metres or more, or creates a new dwelling, is potentially liable for the levy. Some developments may be eligible for relief or exemption from the levy. This includes residential annexes and extensions, and houses and flats which are built by 'self-builders'. There are strict criteria that must be met, and procedures that must be followed, to obtain the relief or exemption.
- 1.2. CIL matters came under the remit of Planning Policy until 2018/19 when a separate CIL Committee was established. It changed with effect from the start of 2019/20 when the CIL Committee was abolished and, as agreed at the Annual Council meeting on 21st May 2019, CIL was transferred to Strategy & Resources Committee. Approval of fees and charges and budget monitoring were unchanged and remained within the Planning Policy Committee decision making as opposed to being transferred to Strategy & Resources.
- 1.3. As the levy is dependent on Planning Policy, especially where new developments can occur and having knowledge of planning technical information, it would be clearer and more expedient to have the remit within one single committee. Hence the recommendation to transfer the responsibility from Strategy & Resources to Planning Policy Committee.
(Recommendation A)

2. Introduction and background

- 2.1. COVID-19 has exacerbated what have been two particularly challenging financial years. This has only served to confirm our requirement to re-build our Reserves, in order to create financial resilience and support the recovery from previous budget deficits.
- 2.2. The following section recaps the journey from the setting of the 2021/22 budget to the present day, as context for the Council's current financial position and proposed 2022/23 budget:

- In February 2021, the Council approved a balanced budget for 2021/22, aiming also to replenish depleted reserves.
- By May 2021, when the 2020/21 outturn should have been reported, it was found that due to past decisions and unusual budget practices, the budgets for 2020/21 and 2021/22 included a recurring budget mistake of c£920k.
- In June 2021, Grant Thornton (GT) was commissioned to conduct a Fact Finding and Forensic Review to confirm that the c£920k was an actual budget gap, which they did, and also confirmed that it was a base budget (i.e. ongoing) issue.
- The GT report was presented to Strategy & Resources on 14 September 2021 and Audit & Scrutiny 30 September 2021.
- Confidence in the Council's finances was eroded as a result, with a genuine risk that the ongoing budget position was unsustainable.
- The Council required urgent assurance that the base position was sound, following correction of the budget error.
- The GT report, and subsequent work, provides the Council with confidence that the proposed budget for 2022/23 is sound, and built on solid foundations on which to build the Tandridge Finance Transformation Programme (TFT)
- In addition to the GT review, and acceptance of their 15 recommendations, the Council commissioned:
 - An independent, fundamental root and branch review of the Council's finances; and
 - A line-by-line budget review of 2021/22.
- In order to provide confidence to set a draft budget for 2022/23, the results of these two reviews have been presented to Members; providing assurance that the Balance sheet and 2020/21 outturn have been independently assessed and 2021/22 budget reviewed in forensic detail to find no further significant issues.
- To complete the rebuild of the Council's budget, in December 2021 the 2020/21 Outturn was reported to Strategy & Resources along with the Draft Budget for 2022/23. The approved outturn has subsequently been provided to our External Auditors (Deloitte) to continue their work on finalising the 2020/21 Accounts.

2.3. Against this backdrop, the budget setting process for 2022/23 has been extremely challenging. Concluding the process with a sound and balanced budget has been made possible with independent advice and support from GT, Laura Rowley and IMPOWER. The challenges outlined above had a severe impact on the time and resources available to set the 2022/23 budget, which took place in very compressed timelines, whilst Finance was also transitioning to a new Target Operating Model. Arriving at a position which allows the Council to set a balanced budget is a major achievement and testament to the combined hard work of Members and officers.

- 2.4. Given the current capacity constraints in Finance and across the Council however, we have taken a pragmatic approach to the distribution of pressures and savings in order to ensure a balanced position is achieved for 2022/23 and presented in this report. For the purposes of budget setting, pressures and savings are generic terms used to identify changes (increases or decreases) to budgeted income and expenditure. For example; pressures could include costs due to contract inflation or increases in demand for services. Savings could include optimising existing sources of income or delivering services in an improved/more efficient way to provide better value for money. Refer to the Glossary of Terms in **Appendix A**
- 2.5. We will be distributing pressures and savings in three tranches (only two of which are relevant for this Committee):
- **Tranche 1** – pressures are set out in **Appendix A**. These are the pressures which were straightforward and simple to allocate.
 - **Tranche 2** – will require a bit more time to allocate correctly to each committee and include **£367k of pressures** comprising £193k of staffing increments, and £174k of contract inflation. These are currently being worked through and will be brought to the next committee cycle in March for approval. In the intervening period they will be held in Corporate Items. **Note that for Planning Policy Committee the only applicable savings from Tranche 2 will be staffing increments which relate directly to Planning staff adjusted for any Planning staff T&C's/pay review savings.**
 - **Tranche 3** – are cross-cutting savings not currently allocated will be distributed in June, **however none apply to the Planning Policy Committee.**
- 2.6. As part of the budget setting process for 2022/23 there were a number of indicative pressures identified for 2023/24. They have been identified in **Appendix A** and will be reviewed and updated as part of next year's budget setting process.
- 2.7. **The final budget for 2022/23 no longer anticipates the use of reserves to balance, with the anticipated pooling gain and additional funding allocated through the settlement closing the remaining gap.** This will leave reserves at a legally acceptable level for now, but one which would require improvement through building in the next financial year. In future years, subsequent budgets and the financial strategy will target the replenishment of reserves, increasing them to a level to create resilience against medium-term risk.
- 2.8. The process followed to date has been well scrutinised and good progress has been made. Internal workshops have been held with Finance, Senior Leadership Teams and Members to allow discussions on both pressures and savings. Identified in this report are the committee's pressures.

- 2.9. Still, the COVID-19 pandemic will continue to create uncertainty into the 2022/23 financial year and possibly further into the medium-term. The Council has been integral in the response to support residents and will continue to do all it can and as long as it is required. This is not however without its risks and financial challenges.
- 2.10. The draft version of the Budget and MTFS was taken to Strategy & Resources Committee on 2 December 2021 detailing a budget gap for 2022/23 of c£0.3m. Further to the provisional settlement received on 16th December, **we have now proposed a balanced budget**. The consolidated and overall position for the Council will be reflected in the Final 2022/23 Budget Report and MTFS and will be presented for approval by Full Council on 10th February.

3. Planning Policy Committee

- 3.1. The Planning function is a key statutory service within Tandridge. The Planning Policy Committee is responsible for influencing and controlling development throughout the district in its role as Planning Authority. This includes:
- The preparation, adoption and review of all development plans;
 - Administration of Building Control regulations;
 - Collection, distribution, and monitoring of CIL and setting out the levy rates; and
 - All transport related issues.
- 3.2. 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.
- 3.3. The preapplication 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.
- 3.4. Land Charges has now moved back into the Planning Policy Committee. This service is undergoing a digital transformation which is being funded from a Government Grant.
- 3.5. 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 savings to close the budget gap**.

4. Revenue Budget

- 4.1. The **revenue budget for Planning Policy totals £1.2m. Appendix B** details the subjective budgets from 2020/21 outturn to Estimated Budget 2023/24.
- 4.2. The revenue budget proposals have been prepared on the basis that all existing services to residents are maintained.
- 4.3. **Tranche 1 Financial pressures (totalling net £5k)** have been included and summarised as follows:
- **Service Demands of £40k:** Allowance for Planning Appeals – The Council is making a specific allowance in the budget to fund the expected cost of planning appeals. Previously these costs had been absorbed into the service budget.
 - **Fees and Charges of net (£35k):**
 - Risk on pre-planning income £15k – the pre application service was withdrawn in 2020/21 and is currently being reinstated - the expectation is that the income from the service will recover to pre Covid 19 levels with a residual pressure in 2022/23
 - Offset by an increase in planning fee income of £50k – **an increase already being achieved in 2021/22** which is expected to continue into 2022/23.
- 4.4. The remaining tranche of pressures will be distributed as set out in para 2.4 above.
- 4.5. **Appendix A** is an extract from the MTFs for this committee which details the pressures identified and details the overall budget position against the budget envelope.

5. Review of Fees and Charges

- 5.1. Charges for services for a key part of the mechanism for financing local services. In simple terms income from fees and charges offsets the cost of the service. If income from charging does not fully offset costs, then the Council Taxpayer must pay for the difference.
- 5.2. It is therefore important that charges are regularly reviewed and assessed to reflect the Council's corporate priorities and are increased annually to take account of inflation, demand and any other appropriate factors particular to individual charges. 2022/23 will be a challenging year with ongoing uncertainty relating to the pandemic. This is all exacerbated by the significant uncertainty with funding from Central Government over the medium-term. The Spending Review and the provisional settlement has only provided us with surety for one year.
- 5.3. There are a number of charges that are set externally over which the Council has no control to alter. This restricts the Council's ability to raise additional income and therefore the fees and charges set by statute are not required to be approved by this Committee.

- 5.4. Some Planning Policy fees and charges are discretionary, particularly including those for the preapplication service. These will be presented within the detailed budget paper to the Committee in March 2022. The fees are to be reviewed and benchmarked against other government and local authorities' charges. This is necessary for the preapplication service which has recently been re-started based on previous fee levels, which need to be validated.

6. Community Infrastructure Levy - Capital Programme

- 6.1. The levy can be used to fund a wide range of infrastructure, including transport, flood defences, schools, hospitals, and other health and social care facilities (for further details, see section 216(2) of the Planning Act 2008, and regulation 59, as amended by the 2012 and 2013 Regulations). This definition allows the levy to be used to fund a very broad range of facilities such as play areas, open spaces, parks and green spaces, cultural and sports facilities, healthcare facilities, academies and free schools, district heating schemes and police stations and other community safety facilities. This flexibility gives local areas the opportunity to choose what infrastructure they need to deliver their relevant plan. Most of these schemes would be defined as a capital scheme.
- 6.2. The proposed Capital Programme for this committee is wholly related to the CIL capital programme shown at **Appendix C**. The programme covers a three-year period but will be reviewed and updated annually. The Appendix shows the current agreed programme, revisions to existing schemes and any new schemes added and the proposed programme after all revisions.
- 6.3. There is one scheme that is being directly managed by Strategy & Resources due to it being funded by a number of other funding streams. Included in **Appendix C** is a narrative description of each of the contribution towards other schemes.

7. Other options considered

- 7.1. It is a legal obligation that the Council sets a balanced budget for 2022/23 and this has been achieved with the Planning Policy Committee having balanced its budget.

8. Consultation

- 8.1. It is good practice for the Council to consult on its proposed budget for the next financial year. The views of local people and key stakeholders were considered in arriving at the final budget setting process.
- 8.2. The Council's budget consultation exercise in relation to the Budget for 2022/23 is taking place over January 2022, providing information in relation to the budget challenge that the Council faces. The outcome of that consultation will be included in the consolidated Final Budget report.

- 8.3. The public consultation will give residents and stakeholders an opportunity to comment on the 2022/23 overall budget before final decisions are formalised in the Council's annual budget.

Key implications

9. Comments of the Chief Finance Officer (s151)

- 9.1. The Council has faced a turbulent and challenging financial year with the identification of the error in the 2020/21 budget, coupled with the ongoing effects of the pandemic. These challenges are set to continue over the medium-term, particularly with the likely introduction of Fair Funding Reform and Business Rates reset for 2023/24 as was alluded to in the Provisional Settlement of 16th December. Despite all this **we have set a balanced budget for 2022/23** but this will need to ensure that in-year pressures are managed.
- 9.2. 2021/22 is undoubtedly also a difficult year with a current (Month 7) overspend of c£200k forecast for year-end. We collectively need to ensure we manage this position as tightly as possible as we approach year-end to minimise the call on Reserves, which are at legally acceptable levels but are insufficient to provide us with any financial resilience in the medium-term.
- 9.3. Given the challenges of setting the 2022/23 against the backdrop set out above, we chose not to build Reserves in 2022/23 however for 2023/24 we must set back on this course. Due to the strategy adopted in budget setting for 2021/22 to build reserves our call on them to mitigate the 2020/21 budget error has been minimised and there is the hope that they can be replenished through our request to Department of Levelling Up Communities and Housing for a Capital Dispensation. This is currently in train and we will be notified of our success or otherwise in the early part of 2022.
- 9.4. The Council is required to set a balanced budget for 2022/23 and the proposals in this report help achieve that objective. If pressures are added, then offsetting savings must be identified to compensate.

10. Comments of the Head of Legal Services

- 10.1. The report updates Members with the MTFS for this Committee. This is a matter that informs the budget process, is 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 MTFS.

- 10.2. The report provides information about risks associated with the MTFS 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.
- 10.3. Section 28 of the Local Government Act 2003 imposes a duty on the Council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in any original budget calculations. The Council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.
- 10.4. The Council is a best value authority within the meaning of section 1 of the Local Government Act 1999. As such the Council is required under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty) which includes a duty to consult. Having a MTFS therefore contributes to achieving this legal duty.
- 10.5. Although the MTFS is not a statutory document it is considered best practice.

11. Equality

- 11.1. The Council has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equalities legislation are considered prior to any decision being made.
- 11.2. Section 149 of the Equality Act 2010, provides that a public authority must, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA;
 - advance equality of opportunity between persons who share a relevant protected characteristic (as defined by the EA) and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 11.3. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

- 11.4. Members should have due regard to the public-sector equality duty when making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome.
- 11.5. The Officers have reviewed their budget changes against the initial equalities screening tool. This has highlighted and concluded that all of savings within the 2022/23 budget will not have any direct effect on residents or service delivery (such as removal of vacant posts, renegotiation of contracts and reserve adjustments).
- 11.6. The outcome of this is that the budgetary changes have no negative or positive impact on protected characteristics and residents. However, the Council will continually monitor the effect of the Budget-setting process and decision-making by using equality impact assessments.

12. Climate change

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

Appendices

Appendix A - 2022/23 Revenue Budget Movements, including pressures allocated as part of Tranche 1

Appendix B – Subjective Revenue Budgets from 2020/21 to 2023/24

Appendix C – Draft CIL - Capital Programme 2022/23 – 2024/25

Background papers

2nd Dec S&R – 2022/23 Draft budget and medium-term financial strategy (MTFS)

Appendix A – 2022/23 Revenue Budget Movements, including pressures allocated as part of Tranche 1

PLANNING POLICY

		2022/23 £000	2023/24 £000	Total £000
Brought forward budget		1,185	1,190	
Pressures				
Theme	Description	Pressure		
		2022/23 £000	2023/24 £000	Total £000
Service Demands	Allowance for planning appeals	40	40	80
Service Demands - subtotal		40	40	80
Fees and Charges	Risk to pre-application income budget	15	0	15
Fees and Charges	Additional planning fee income	(50)	0	(50)
Fees and Charges - subtotal		(35)	0	(35)
Total Pressures		5	40	45
Net movement for committee budget		5	40	45
Indicative Budget Requirement		1,190	1,230	

Note: for 2023/24 Pressures are indicative only at this stage. These will be reviewed as part of the annual budget setting cycle for 2023/24.

Glossary of Terms

Budget pressures: Known budgeted expenditure increases and income reductions due to the following:

- Growth factors – e.g. demographic, inflation and/or increased demand for services;
- Full year effects – to take account of changes to expenditure or income which have taken effect in-year and need to be accounted for in future years as they are of an ongoing nature, e.g. ongoing changes to car parking income due to the pandemic; and/or
- Other increases in expenditure or reduction in income as a result of strategic, governance, funding or policy changes e.g. additions to the organisational structure or additional service activities undertaken and not budgeted for as they occur after the budget is set and have ongoing implications.

Budget savings: Known budgeted expenditure reductions and income increases which result due to the following:

- Containing additional costs of Inflationary increases in contracts or pay;
- Driving forward efficiencies in the provision of existing services i.e. providing services in an improved way to deliver better value for money;
- The delivery of new or additional services; and/or
- Optimising sources of income.

Balanced budget: Budget pressures fully offset by budget savings and funding changes.

Appendix B - Subjective Revenue Budgets from 2020/21 to 2023/24

	2020/21		2021/22	2022/23	2023/24
	Annual Budget	Outturn	Annual Budget	Annual Budget ¹	Estimate ²
	£k	£k	£k	£k	£k
Planning Applications & Advice	167	428	661	361	361
Planning Strategy & Policy Guidance	368	330	294	294	294
Appeals	0	0	0	40	80
Enforcement	173	101	50	224	224
Tree Preservation & Advice	1	1	0	92	92
Local Development Plan - Evidence	621	(82)	174	174	174
Transfer to/from Neighbourhood Plan Reserve	8	28	8	8	8
Covid-19 - Sales, Fees and Charges Reimbursement		(97)			
Land Charges and Street Naming ³			(3)	(3)	(3)
Planning Policy - General Fund	1,338	709	1,185	1,190	1,230
Community Infrastructure Levy (CIL) ⁴	0	0	0	0	0
Planning Policy	1,338	709	1,185	1,190	1,230

Note 1: The Annual budget will be represented, to the committee in March 2022, when the Corporate Items Pressures have been distributed

Note 2: These include the indicative pressures the committee

Note 3: Land Charges and Street Naming has been transferred to Planning Policy from Strategy and Resources

Note 4: Community Infrastructure Levy – The mechanism is to collect all of the levies through revenue (Est £1.8m) and transfer the levy to reserves less the administrative costs.

Appendix C – Community Infrastructure Levy Capital Schemes

CAPITAL PROGRAMME 2021/22 TO 2024/25 - Planning Policy

COMMITTEE SCHEMES	Current Programme 2021/22 £	Estimated Programme 2022/23 £	Estimated Programme 2023/24 £	Estimated Programme 2024/25 £	Total Programme 2021-25 £
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Planning Policy

Current Continuing Programme					
Capital Contributions from CIL	1,017,000	330,000	0		1,347,000
Total Current Continuing Programme	1,017,000	330,000	0	0	1,347,000

Revisions and New Bids					
Capital Contributions from CIL		1,337,400	500,000		1,837,400
Total Revisions and New Bids	0	1,337,400	500,000	0	1,837,400

Proposed Programme					
Capital Contributions from CIL*	1,017,000	1,667,400	500,000	0	3,184,400
Total Proposed Programme	1,017,000	1,667,400	500,000	0	3,184,400

* The full amount of CIL funding for 2022/23 is £2,617,400, however £950,00 is funding the Croydon Road Regeneration project which is shown as a separate scheme in Strategy & Resources Committee.

CAPITAL PROJECT APPRAISAL - PLANNING POLICY

Title of Scheme	Capital Contributions from CIL
Description of Scheme	Contributions from Community Infrastructure Levy monies to third parties for works of a capital nature.
Key Aspects of Scheme (including benefits, contract details, key dates and reasons for revisions where applicable)	Community Infrastructure Levy monies are allocated to schemes for work of a capital nature. The 2022/23 financial year includes schemes such as Warlingham Green Improvement Project, Smallfield Flood Alleviation, A25 Westerham Road Traffic calming/road safety initiatives etc.