

# **STRATEGY & RESOURCES COMMITTEE 2022/23 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY (MTFS)**

## **Strategy & Resources Committee – 1<sup>st</sup> February 2022**

Report of: Anna D'Alessandro – Chief Finance Officer (Section 151)  
Verity Royle – Finance Business Partner

Purpose: To propose the 2022/23 Draft Strategy & Resources Budget  
(including Corporate Items) to Full Council

Publication status: Unrestricted

Wards affected: All

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### **Executive summary:**

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

Members are requested to agree the recommendations below. These recommendations will be consolidated into the overall position, which is the next agenda item, and is part of the Council-wide budget (to be ratified by Full Council on 10<sup>th</sup> February 2022).

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**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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### **Recommendation to Committee:**

Following on from this item is the consolidated position for the whole Council, to be ratified by Full Council on 10<sup>th</sup> February 2022. This report focusses on the budgets for Strategy & Resources Committee (including Corporate Items), and recommends that the Committee:

- A) **Agree the restructure of 2021/22 budgets (approved by Full Council in February 2021) between Strategy & Resources and Corporate Items** to realign spend between Strategy & Resources and Corporate Items to ensure it is correctly reflected, and to take account of some of the recommendations from the Grant Thornton review. All of this will provide a stable basis for the build of the 2022/23 budget and ensure opening balances are correct. Refer to **Appendix A**
- B) **Agree the Strategy & Resources Draft Revenue Budget for 2022/23 of £6.3m**, taking account pressures and savings allocated as part of Tranche 1. This is shown in **Appendix B**. Note that a further two tranches of pressures and savings currently held in Corporate Items on behalf of other Committees will be distributed over the coming months (refer to para 1.4);
- C) **Agree the Corporate Items Draft Revenue Budget for 2022/23 of (£0.6m)**, as shown in **Appendix B**. Note that a further two tranches of pressures and savings currently held in Corporate Items on behalf of other Committees will be distributed over the coming months (refer to para 1.4);
- D) **Agree the Strategy & Resources Committee's Final Capital Programme** for 2022/23 being the sum of £1.8m for 2022/23, as shown in **Appendix D**;
- E) **Note the Subjective Revenue Budgets in Appendix C**, noting movements from 2020/21 to 2022/23 and an estimated movement to 2023/24;
- F) **Note** that due to timing and capacity constraints across the Council, **c£0.7m of savings** (as part of a £1.1m savings programme) and **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):
- **Tranche 1** which are directly attributable to the committee have been allocated as per **Appendix B**;
  - **Tranche 2** will be brought to the March committee cycle for approval; and
  - **Tranche 3** will be overseen and monitored by the Benefits Board and will be brought to the June committee cycle for approval.

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### **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.

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## **1. Introduction and background**

1.1. COVID-19 has exacerbated what have been two particularly challenging financial years. This has only served to confirm our requirement to rebuild our Reserves, in order to create financial resilience and support the recovery from previous budget deficits.

1.2. 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; and
- 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.

- 1.3. 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.
- 1.4. 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**
- 1.5. We will be distributing pressures and savings in three tranches:
- **Tranche 1** – savings and pressures are set out in **Appendix B**. These are the savings and 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, **plus savings of £200k for vacancy factor**. 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
  - **Tranche 3** – are the more complex **cross-cutting savings totalling £450k**, which will require Service Reviews and business cases to be undertaken to ensure accurate distribution to committees. These savings include £200k enabling services/back-office review, £150k of Twin Track accelerated savings in 2022/23, £25k of review of staffing increments, pay award and terms and conditions and £75k of ensuring best value for external spend. The mechanism to oversee this process is the Benefits Board (described in more detail in the Future Tandridge Programme paper on this same agenda). The first meeting of this Board will take place in January and will meet on a monthly basis to ensure that the benefits are being defined, owned and delivered. The proposal is to take the cross-cutting savings allocation to committees in June for approval. Although, this will not occur until the end of quarter 1 in 2022/23, the Benefits Board will support their delivery on behalf of committees, and they will be monitored closely internally. In the intervening period they will be held in Corporate Items.

- 1.6. As part of the budget setting process for 2022/23 there were a number of indicative pressures identified for 2023/24 and savings which reflect the ongoing nature of those from 2022/23. They have been identified in **Appendix B** and will be reviewed and updated as part of next year's budget setting process.
- 1.7. **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.
- 1.8. 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 and savings that are proposed to support closing the Council's budget gap.
- 1.9. 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.
- 1.10. 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 16<sup>th</sup> December, **we have now proposed a balanced budget.** The consolidated and overall report for the Council is reflected in the attached report (next agenda item) as the Final 2022/23 Budget Report and MTFs and will be presented for approval by Full Council on 10<sup>th</sup> February.

## **2. Strategy and Resources Departmental Strategy**

- 2.1. The Committee is led by three Executive Leadership Leads. Strategy & Resources Committee's function is predominately to enable and support the front-line services (82% of budget) including Legal Services, Information Technology, Financial services, Customer Services.
- 2.2. There are a small number of statutory (15%) services including Democratic Services, Emergency Planning and Revenues and Benefits Services and some are discretionary (3%) - Wellbeing Prescription, Asset Management.
- 2.3. The Committee is also responsible for the Corporate Items that support the whole Council, these include:
  - Ensuring the support costs are identified that relate to the ring-fenced business areas (HRA, Southern Building Control Partnership, Gryllus Ltd, Wellbeing Prescription, Community Infrastructure Levy (CIL) and Land charges);

- Managing interest receivable, interest payable and investment property income;
  - Setting aside the appropriate revenue provision when investing in capital assets;
  - Reviewing pension fund performance against the pension funding position to assess the primary (part of salaries budgets) and secondary rate of contributions to cover the cost of new benefits; and
  - Accounting for the bank charges, bad debt provision movements/write-offs on sundry debts, and movements in reserves and contingency.
- 2.4. The Committee aims to provide the Council with a more joined-up approach to support Strategy & Resource functions, generating opportunities to realise better customer experience and efficiency through digital innovation. This is intended to help deliver a step change in the effectiveness of our services, and to improve the support we provide to our other policy committees.
- 2.5. Alongside the 'Twin Track' Budget process (as detailed in the Draft Budget paper – 2 December 2021, Strategy & Resources Committee), the committee is looking to provide efficient services without reducing the service offering to residents. 2022/23 begins the process of identifying efficiencies following progress in stabilising and raising the quality of services provided.
- 2.6. In addition, the committee plans capital investment and delivery plans relating to the continued refurbishment of Quadrant House supported by the LEP (£0.2m); IT Hardware & Infrastructure projects (£0.6m) and Town Hall updates (£0.1m) over the Financial Strategy period.

### **3. Budget Restructure in 2021/22**

- 3.1. As part of the assurance work undertaken to ensure that the 2021/22 budget provided a robust base for the development of the budget for 2022/23, officers undertook a line-by-line budget review. For this committee, the outcome of that review is a recommendation to restructure budgets within and between Strategy & Resources and Corporate Items.
- 3.2. The intention of the restructure is to remove unusual budgetary practice (such as assigning budgets to non-cash items as confirmed by the GT review), ensure that each budget has a clearly identified budget holder, reflects the current organisation structure and has a clearly defined split between Resources and Support services and Corporate budgets.
- 3.3. The Committee is recommended to approve the following virement to enact these changes in 2021/22. Full details are provided in **Appendix A**. The revised budgets are assumed as the starting point for the 2022/23 budget, explained in the following sections.

**Table 1: Recommended restructure of the S&R Budgets.**

	Feb 2021 Budget Papers 2021/22 £	Corporate items £	Accounting Items £	Other committees £	Virements £	Updated 2021/22 Budget £
Resources & Support Services	<b>6,286,416</b>	<b>887,921</b>	<b>(717,950)</b>	<b>(118,000)</b>	<b>51,971</b>	<b>6,338,387</b>
Corporate Items	(1,422,076)	(887,921)	717,950	902,300	732,329	(689,747)
Strategy & Resources	<b>4,864,340</b>	0	0	784,300	<b>784,300</b>	<b>5,648,640</b>

#### **4. Revenue Budget - Resources and Support Services**

- 4.1. Following the budget restructure set out above, the **revenue budget for Resources and Support Services totals c£6.3m. Appendix C** 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 directly (customer services) or indirectly (supporting other policy committees).
- 4.3. **Tranche 1 of Financial savings (totalling £128k)** have been included in the draft Budget for this committee. **Appendix A** and **Appendix B** set out full details of virements, and this tranche of allocated savings and pressures. The summary savings items are as follows:
- **Service Efficiencies £80k**; comprising reassessment of occupancy of the Town Hall and external opportunities for external organisations leasing space capacity, removal of the Tandridge Magazine and reduction in telephony costs from the review of contracts, and
  - **People & Enabling Services £48k**; comprising review of the organisation structure to release vacant posts and other small staffing related savings.
- 4.4. **Tranche 1 Financial pressures (totalling net £73k)** have been included and summarised as follows:
- **People & Enabling Services net £72k**; comprising investment in the new Finance Operating Model, investment to strengthen the Revenues and Benefits service to ensure that Council Tax and Business Rates are appropriately applied offset by redeployment of a post from the General Fund to the HRA, and
  - **Service Demands net £1k**; comprising licencing and software, offset by a reduction in corporate expenses budget.
- 4.5. The remaining two tranches will be distributed as set out in para 1.4 above.

## 5. Revenue Budget - Corporate Items

- 5.1. The Revenue Budget as presented for this committee totals (£0.6m). **Appendix A** details the subjective budgets from 2020/21 Outturn to Estimated Budget 2023/24
- 5.2. As set out above the Corporate Items budget will have its own savings and pressures to mitigate and will also temporarily hold those on behalf of the other committees whilst they are being distributed. This is detailed in **Appendix B**.
- 5.3. **Financial savings (totalling £137k)** have been included in the 2022/23 Draft Budget for Corporate Items. Summary savings include:
  - **Fees & Charges £125k**; review of all fees and charges, including those assigned to the General Fund, and
  - **Service Efficiency £12k**; improvements to Building Control productivity.
- 5.4. **Financial net pressures (£545k)** have been included in the 2022/23 Draft Budget and summarised as follows:
  - **Corporate Items Budgets £545k**; comprising corporate elements of budgets such as MRP, the 2020/21 pensions budget gap offset by the removal of corporate reserves and contingencies from the base budget and one-off support to Freedom Leisure, and
  - **Service Demands of a net nil** financial impact due to pressures in property and investment income being equally offset by the income equalisation Reserve.
- 5.5. **Appendix B** is an extract from the MTFS for this committee which details the pressures and opportunities/savings identified and details the overall budget position against the budget envelope.

## 6. Fees and Charges

- 6.1. 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.
- 6.2. 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.



- 6.3. Fees and charges for Strategy & Resources are very limited and relate to either debt recovery (Summons and Liability Orders) or Legal Services advice or housing related documents (Wayleaves, Leases or Right to buy packs). Extra costs added to debts for formal recovery require approval by the Magistrates Court. Any increases to these fees would be unlikely to be successful in the current climate.
- 6.4. Therefore, charges will be retained as follows, with no inflationary impact:
- |                             |         |
|-----------------------------|---------|
| Council Tax Summons Charges | £62.50  |
| Council Tax Liability Order | £30.00  |
| NNDR Summons Charges        | £102.50 |
| NNDR Liability Order        | £20.00  |
- 6.5. Legal services fees & charges will be updated in a paper to S&R in March 2022. The fees are to be reviewed and benchmarked against other government and local authorities' charges.

## **7. Capital Programme**

- 7.1. The proposed Capital Programme for this committee is shown at **Appendix D**. 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.
- 7.2. Included in the Appendix is a narrative description of each scheme.

## **8. Other options considered**

- 8.1. It is a legal obligation that the Council sets a balanced budget for 2022/23 and this has been achieved with the Strategy & Resources Committee having balanced its budget.

## **9. Consultation**

- 9.1. 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 are considered in arriving at the final budget setting process.
- 9.2. The Council's Budget Consultation exercise, in relation to the Budget for 2022/23, took place over January 2022, providing information in relation to the budget challenge that the Council faces. The outcome of that consultation is included in the consolidated Final Budget Report.
- 9.3. The public consultation gave residents and stakeholders an opportunity to comment on the 2022/23 overall budget before final decisions were formalised in the Council's annual budget.

## **Key implications**

### **10. Comments of the Chief Finance Officer (s151)**

- 10.1. 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 16<sup>th</sup> 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 and savings as set out in this report are delivered. We have de-risked this to the extent possible by the introduction of a Benefits Board to ensure we can deliver the benefits for 2022/23 from April and take the full-year effect. The progress of these savings will be reported to Members through routine management reporting.
- 10.2. 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.
- 10.3. 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.
- 10.4. The Council is required to set a balanced budget for 2022/23 and the proposals in this report help achieve that objective. If any efficiency proposals or savings are rejected, or pressures added then offsetting savings must be identified to compensate.

### **11. Comments of the Head of Legal Services**

- 11.1. 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.

- 11.2. 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.
- 11.3. 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.
- 11.4. 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.
- 11.5. Although the MTFS is not a statutory document it is considered best practice.

## **12. Equality**

- 12.1. 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.
- 12.2. 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.
- 12.3. 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.

- 12.4. 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.
- 12.5. 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).
- 12.6. 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.

### **13. Climate change**

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

### **Appendices**

**Appendix A** – Strategy & Resources Updated Budget for 2021/22 from that approved by Full Council in February 2021

**Appendix B** - 2022/23 Revenue Budget Movements, including virements, savings and pressures allocated as part of Tranche 1

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

**Appendix D** – Draft Capital Programme 2022/23 – 2024/25

### **Background papers**

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

## Appendix A – Strategy & Resources Updated Budget for 2021/22 from that approved by Full Council in February 2021

	Feb 2021 Budget Papers 2021/22 £	Corporate items £	Accounting Items £	Case Workers £	Organisation alignment £	Other committees £	Virements £	Updated 2021/22 Budget £
Asset Management					159,200		159,200	159,200
Communities Executive Projects					106,900		106,900	106,900
Customer Services	368,300	130,400		63,800	82,900		277,100	645,400
Emergency Planning (& Community Safety)	10,300			23,700	192,200		215,900	226,200
Office Services	420,700	250,000	(206,800)		(143,800)		(100,600)	320,100
Local Taxation incl Support (now known as Revenues and Benefits Service)	191,200					3,200	3,200	194,400
Wellbeing Prescription	0						0	0
Director of Communities and Housing	990,500	380,400	(206,800)	87,500	397,400	3,200	661,700	1,652,200
Democratic Functions	1,190,765	(224,078)			(400,087)		(624,165)	566,600
Human Resources	417,500	100,000		69,500			169,500	587,000
Information Technology	1,309,350	400,000	(511,150)	129,400			18,250	1,327,600
Leadership Team				176,000	194,387		370,387	370,387
Legal Services	346,400			98,500	36,000	49,700	184,200	530,600
Monitoring Officer and Head of Legal Services	3,264,015	275,922	(511,150)	473,400	(169,700)	49,700	118,172	3,382,187
Financial Services	547,600	81,000		221,300	53,400		355,700	903,300
Chief Financial Officer	547,600	81,000	0	221,300	53,400	0	355,700	903,300
Communications	0				400,700		400,700	400,700
Chief Executive	0	0	0	0	400,700	0	400,700	400,700
Case Officers	589,600	462,700		(881,400)		(170,900)	(589,600)	0
Community Support	69,900				(69,900)		(69,900)	0
Policy Support & Economic Development	512,700			99,200	(611,900)		(512,700)	0
Pensions	312,101	(312,101)					(312,101)	0
Services reassigned	1,484,301	150,599	0	(782,200)	(681,800)	(170,900)	(1,484,301)	0
Resources & Support Services	6,286,416	887,921	(717,950)	0	0	(118,000)	51,971	6,338,387
Corporate Items:								
Pension - Actuarial top up, Added Years, & Compensation		1,489,301					1,489,301	1,489,301
Interest Payable	780,700	381,900					381,900	1,162,600
Minimum Revenue Provision	535,900	335,100					335,100	871,000
Write Offs and Bad Debt Provision		22,400					22,400	22,400
Property Income	(905,010)	10,500				(14,900)	(4,400)	(909,410)
Investment Income	(690,200)	(727,500)					(727,500)	(1,417,700)
Non GF Support recharges & Bank charges		(1,904,249)					(1,904,249)	(1,904,249)
Contingency		116,811					116,811	116,811
Contribution to / (from) Reserves	792,133	7,867					7,867	800,000
Budget Gap due to Pension Provisions <sup>1</sup>		(920,500)					(920,500)	(920,500)
Reassigned:								
Transactions with HRA	(300,449)	300,449					300,449	0
Depreciation	(1,635,150)		717,950			917,200	1,635,150	0
Corporate Items	(1,422,076)	(887,921)	717,950	0	0	902,300	732,329	(689,747)
Strategy & Resources	4,864,340	0	0	0	0	784,300	784,300	5,648,640

Note 1: The "Budget Gap due to Pension Provisions" line appears in this Appendix as a credit/income/negative budget. When the 2021/22 budget was set, the budget for pensions was inadequate as a result of being incorrectly reduced (netted down) by £920,500. The proposed virements create an adequate budget for pension costs by reversing out the error and showing the pension budget and the gap in gross terms. This leaves £920,500 showing as a gap to be resolved - a negative figure. Appendix B includes a pressure for £917,000 to resolve the gap and remove the credit budget (the small difference of £3,500 being the net pressure after minor adjustments).

## Appendix B – 2022/23 Revenue Budget Movements, including virements, savings and pressures allocated as part of Tranche 1

STRATEGY AND RESOURCES		2022/23 £000	2023/24 £000	Total £000
Brought forward budget		6,338	6,294	

### Virements

Theme	Description	Virement		
		2022/23 £000	2023/24 £000	Total £000
Virements	£10k from property income to deal with Quadrant house leases volumes	10	0	10
<b>Total Virements</b>		<b>10</b>	<b>0</b>	<b>10</b>

### Pressures

Theme	Description	Pressure		
		2022/23 £000	2023/24 £000	Total £000
Service Demands	Corporate reduction in expenses	(30)	(10)	(40)
Service Demands	Legal online subscriptions	10	0	10
Service Demands	Mod.gov system licences	12	0	12
Service Demands	Agresso licences	4	0	4
Service Demands	Audit fee pressure	5	0	5
<b>Service Demands services - subtotal</b>		<b>1</b>	<b>(10)</b>	<b>(9)</b>
People and Enabling services	Review Housing Revenue Account and General Fund allocations	0	150	150
People and Enabling services	Joint Working Agreement with SCC Finance	70	0	70
People and Enabling services	Redeployment of 1 Full Time Equivalent from the Facilities team to a Trainee Community Surveyor Role	(33)	0	(33)
People and Enabling services	Rev and Bens Inspector for local taxes discounts and exemptions	35	0	35
<b>People and Enabling services - subtotal</b>		<b>72</b>	<b>150</b>	<b>222</b>
<b>Total Pressures</b>		<b>73</b>	<b>140</b>	<b>213</b>

### Savings

Theme	Description	Saving		
		2022/23 £000	2023/24 £000	Total £000
People and Enabling services	Identifying General Fund posts which could be not recruited to	(22)	0	(22)
People and Enabling services	Identifying opportunities to reduce the staff expenses and training budgets	(18)	0	(18)
People and Enabling services	Stop the current purchase of My Staff Shop	(0)	0	(0)
People and Enabling services	Reduce the provision of Health Insurance provided to TDC Employees	(8)	0	(8)
People and Enabling services	Introduce chat bots and live agent chat and Customer Service efficiencies	0	(65)	(65)
People and Enabling services	Identifying opportunities to reduce consultancy and interim spend	0	(5)	(5)
<b>People and Enabling services - subtotal</b>		<b>(48)</b>	<b>(70)</b>	<b>(117)</b>
Service Efficiency	Use of the Town Hall	(50)	(50)	
Service Efficiency	Tandridge Magazine	(20)	0	(20)
Service Efficiency	Consolidate Facilities Management/Housing contracts	0	(2)	(2)
Service Efficiency	Reduce Mobile Telephony in line with usage	(10)	0	(10)
<b>Service Efficiency - subtotal</b>		<b>(80)</b>	<b>(52)</b>	<b>(32)</b>
<b>Total Savings</b>		<b>(128)</b>	<b>(122)</b>	<b>(149)</b>

<b>Net movement for committee budget</b>	<b>(45)</b>	<b>19</b>	<b>(26)</b>
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<b>Indicative Budget Requirement</b>	<b>6,294</b>	<b>6,312</b>
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Note: for 2023/24 Pressures are indicative only at this stage and savings are those which are a continuation of those identified for delivery in 2022/23. These will be reviewed as part of the annual budget setting cycle for 2023/24.

CORPORATE ITEMS		2022/23 £000	2023/24 £000	Total £000
Brought forward budget		(690)	(576)	

### Virements

Theme	Description	Virement		
		2022/23 £000	2023/24 £000	Total £000
Virements	£10k from property income to deal with Quadrant house leases volumes	(10)	0	(10)
<b>Total Virements</b>		<b>(10)</b>	<b>0</b>	<b>(10)</b>

### Pressures

Theme	Description	Pressure		
		2022/23 £000	2023/24 £000	Total £000
<b>Pressures held on behalf of other committees</b>				
People and Enabling services	Tranche 2 - Staffing Increments	193	85	278
Service Demands	Tranche 2 - Contract and utilities Inflation	174	96	270
<b>Pressures held on behalf of other committees - subtotal</b>		<b>367</b>	<b>181</b>	<b>548</b>
<b>Pressures held in Corporate Items</b>				
Corporate items	Pensions Provision	917	98	1,015
Corporate items	Invest to save funding	0	30	30
Corporate items	Interest received	20	0	20
Corporate items	Minimum Revenue Provision	308	188	496
Corporate items	Contingency & Reserves	(600)	333	(267)
Corporate items	Removal of one-off Freedom Leisure support	(100)	0	(100)
<b>Corporate Items - subtotal</b>		<b>545</b>	<b>649</b>	<b>1,194</b>
Service Demands	Property & Investment Income	185	0	185
Service Demands	Debt write off and appropriate budget for write offs	0	100	100
Service Demands	Income equalisation reserve	(185)	100	(85)
<b>Service Demands - subtotal</b>		<b>0</b>	<b>200</b>	<b>200</b>
<b>Pressures held in Corporate Items - subtotal</b>		<b>545</b>	<b>849</b>	<b>1,394</b>
<b>Total Pressures</b>		<b>911</b>	<b>1,030</b>	<b>1,942</b>

### Savings

Theme	Description	Saving		
		2022/23 £000	2023/24 £000	Total £000
<b>Savings held on behalf of other committees</b>				
People and Enabling services	Tranche 2 - Introduce a Vacancy Factor in staff budgets	(200)	0	(200)
<b>Tranche 2 - subtotal</b>		<b>(200)</b>	<b>0</b>	<b>(200)</b>
Twin Track Accelerated Savings	Tranche 3 - Accelerate 23-24 Twin Track opportunities - Fees and Charges (£42k), Service Efficiency (£29k) and People and Enabling services (£79k)	(42)	42	0
		(29)	29	0
		(79)	79	0
<b>Tranche 3 - Twin Track Accelerated Savings - subtotal</b>		<b>(150)</b>	<b>150</b>	<b>0</b>
People and Enabling services	Tranche 3 - Enabling services / back office review	(200)	(200)	(400)
People and Enabling services	Tranche 3 - Review of staff increments, terms and conditions and reward policy	(25)	(75)	(100)
<b>Tranche 3 - People and Enabling services - subtotal</b>		<b>(225)</b>	<b>(275)</b>	<b>(500)</b>
Service Efficiency	Tranche 3 - Improve Commercial Value from External Spend	(75)	(75)	(150)
<b>Tranche 3 - Service Efficiency subtotal</b>		<b>(75)</b>	<b>(75)</b>	<b>(150)</b>
<b>Tranche 3 - subtotal</b>		<b>(450)</b>	<b>(200)</b>	<b>(650)</b>
<b>Savings held on behalf of other committees - subtotal</b>		<b>(650)</b>	<b>(200)</b>	<b>(850)</b>
<b>Savings held in Corporate Items</b>				
Fees and Charges	Full review of all Recharges to and from the General Fund	(85)	(100)	(185)
Fees and Charges	Increase to Building Control Income	0	(112)	(112)
Fees and Charges	Increase Shared Service recharges in line with actual costs incurred	(40)	0	(40)
<b>Fees and Charges - subtotal</b>		<b>(125)</b>	<b>(212)</b>	<b>(337)</b>
Service Efficiency	Improvements to Building Control Productivity	(12)	(12)	(25)
<b>Service Efficiency - subtotal</b>		<b>(12)</b>	<b>(12)</b>	<b>(25)</b>
<b>Savings held in Corporate Items - subtotal</b>		<b>(137)</b>	<b>(224)</b>	<b>(362)</b>
<b>Total Savings</b>		<b>(787)</b>	<b>(424)</b>	<b>(1,212)</b>

<b>Net movement for committee budget</b>		<b>114</b>	<b>606</b>	<b>720</b>
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<b>Indicative Budget Requirement</b>		<b>(576)</b>	<b>30</b>	
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*Note: for 2023/24 Pressures are indicative only at this stage and savings are those which are a continuation of those identified for delivery in 2022/23. 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.

**Minimum Revenue Provision (MRP):** An amount of revenue budget set aside each year to repay debt on capital assets. Each year a charge is made to revenue to spread the cost of borrowing over the life of the asset and ensure that cash is set aside to repay loans when they mature.



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

	2020/21		2021/22	2022/23	2023/24
	Annual Budget	Outturn	Annual Budget	Annual Budget <sup>1</sup>	Estimate <sup>2</sup>
	£k	£k	£k	£k	£k
Legal Services	303	386	531	551	551
Human Resources	436	340	587	543	543
Leadership Team	619	339	370	350	335
Information Technology	1,348	1,175	1,328	1,328	1,328
Democratic Services	461	434	567	564	564
Communications	331	304	401	381	381
Financial Services	697	721	903	996	996
Office Services	226	238	320	237	187
Asset Management	211	171	159	159	159
Revenues & Benefit Services	(25)	7	194	201	349
Communities Executive Projects	416	370	107	107	107
Customer Services	566	530	645	645	581
Emergency Planning & Community Safety	90	74	226	231	231
Wellbeing Prescription	0	0	0	0	0
Covid-19 - Sales, Fees and Charges Reimbursement	(4)	(9)	0		
Case workers <sup>3</sup>	951	964			
Land Charges and Street Naming <sup>4</sup>	0	55			
<b>Strategy &amp; Resources</b>	<b>6,627</b>	<b>6,100</b>	<b>6,338</b>	<b>6,294</b>	<b>6,312</b>

	2020/21		2021/22	2022/23	2023/24
	Annual Budget	Outturn	Annual Budget	Annual Budget <sup>1</sup>	Estimate <sup>2</sup>
	£k	£k	£k	£k	£k
Interest Payable	1,915	1,137	1,163	1,163	1,163
Interest Receivable & Investment Income	(2,756)	(1,507)	(1,418)	(1,498)	(1,498)
Property Income	(989)	(584)	(920)	(745)	(745)
Non GF Support recharges & Bank charges	(1,753)	(1,889)	(1,894)	(2,026)	(2,221)
Minimum Revenue Provision (MRP)	630	782	871	1,179	1,367
Pension - Actuarial top up, Added Years, & Compensation	1,639	1,368	1,489	1,485	1,583
Pension provisions	(920)	0	(921)	0	0
Write Offs and Bad Debt Provision	22	83	22	22	122
Pressures and Saving on behalf of committees <sup>5</sup>				(288)	(307)
Contribution to Income Equalisation Reserve	0	250	100	(85)	15
General Fund Balances	0	0	700	100	350
Partnership & Transformation Reserve	0	0	0	0	0
Contingency	(15)	0	117	117	200
<b>Corporate Items</b>	<b>(2,227)</b>	<b>(359)</b>	<b>(690)</b>	<b>(576)</b>	<b>30</b>

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

Note 2: These include the indicative pressures and savings for the committees

Note 3: In the Line by Line review to S&R on 11<sup>th</sup> January – Case Workers were vired to the relevant services to support services.

Note 4: Land Charges and Street Naming has been transferred to Planning Policy

Note 5: These are the pressures and savings to be distributed to the relevant committees in March. The Benefits Board will review the savings delivery plans, and subsequently inflation and increments will be aligned

## Appendix D

### CAPITAL PROGRAMME 2021/22 TO 2024/25 - Strategy & Resources

COMMITTEE SCHEMES	Current Programme 2021/22 £	Estimated Programme 2022/23 £	Estimated Programme 2023/24 £	Estimated Programme 2024/25 £	Total Programme 2021-25 £
<b>Strategy &amp; Resources</b>					
<b>Current Continuing Programme</b>					
Council Offices Major Works Programme	25,000	0	0		25,000
IT - Hardware/infrastructure/Projects	680,600	228,000	271,500		1,180,100
Quadrant House	5,440,000	0	0		5,440,000
Land / Asset Development	0	0	0		0
<b>Total Current Continuing Programme</b>	<b>6,145,600</b>	<b>228,000</b>	<b>271,500</b>	<b>0</b>	<b>6,645,100</b>
<b>Revisions and New Bids</b>					
Council Offices Major Works Programme		50,000	25,000	25,000	100,000
IT - Hardware/infrastructure/Projects			(116,000)	257,000	141,000
Quadrant House	(125,000)				(125,000)
Land / Asset Development		181,000			181,000
Croydon Road Regeneration (Part CIL) <sup>1</sup>	125,000	1,325,000			1,450,000
<b>Total Revisions and New Bids</b>	<b>0</b>	<b>1,556,000</b>	<b>(91,000)</b>	<b>282,000</b>	<b>1,747,000</b>
<b>Proposed Programme</b>					
Council Offices Major Works Programme	25,000	50,000	25,000	25,000	125,000
IT - Hardware/infrastructure/Projects	680,600	228,000	155,500	257,000	1,321,100
Quadrant House	5,315,000	0	0	0	5,315,000
Land / Asset Development	0	181,000	0	0	181,000
Croydon Road Regeneration (Part CIL) <sup>1</sup>	125,000	1,325,000	0	0	1,450,000
<b>Total Proposed Programme</b>	<b>6,145,600</b>	<b>1,784,000</b>	<b>180,500</b>	<b>282,000</b>	<b>8,392,100</b>

Note 1: Croydon Road Regeneration is funded from £950k CIL, £300k LEP, £100k Parish Council Contribution and £100k Caterham BID

**CIL – The Community Infrastructure Levy** (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.

**LEP - Local Enterprise Partnerships** (LEPs) are voluntary partnerships between local authorities and businesses, set up in 2011 by the Department for Business, Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area

**BID - Business Improvement District** is a defined area in which a levy is charged on all business rate payers in addition to the business rates bill. This levy is used to develop projects which will benefit businesses in the local area.

## CAPITAL PROJECT APPRAISAL - STRATEGY & RESOURCES

<b>Title of Scheme</b>	<b>Council Offices Major Maintenance Programme</b>
<b>Description of Scheme</b>	A 25 year planned maintenance programme to enable compliance with legislative and health and safety requirements, achieved through replacement or refurbishment of the major components of the Council Office in line with their deterioration and new compliance requirements.
<b>Key Aspects of Scheme (including benefits, contract details, key dates and reasons for revisions where applicable)</b>	This scheme will include the progression of decarbonising the Council Offices.

<b>Title of Scheme</b>	<b>IT - Hardware/Infrastructure Projects - GF</b>
<b>Description of Scheme</b>	The Customer First project envisaged significantly enhancements & development of the existing IT systems. However, Customer First was implemented before the technology solutions, in particular on line capability, were put in place. This has been one of the issues which has led to the performance and staffing issues following the implementation. Consequently, the savings expected under Customer First were removed from the budget prior to the technology being available. Additional projects outside the original scope of Customer First have been identified as essential due to failing software/hardware, system modules bought 3 years ago but not implemented and further possible savings resulting from automation.
<b>Key Aspects of Scheme (including benefits, contract details, key dates and reasons for revisions where applicable)</b>	<p>It is necessary to invest in a number of areas :-</p> <ol style="list-style-type: none"> <li>1. Disaster recovery solution</li> <li>2. Replacement cycles for laptops, desktops, servers, switches, firewalls on a cyclical basis (2021/22 onwards)</li> <li>3. Automation of book and pay</li> <li>4. Planning – end to end migration from one salesforce org to another (completed)</li> <li>5. Civica disposal module and licence to comply with General Data Protection Regulation (GDPR)</li> <li>6. Orchard – implementation of Promaster, Asset Go, DLO and Service Charge models</li> <li>7. Replacement of outdated telephony which is not fit for purpose</li> <li>8. Northgate – cloud-based on line solution for Revenues, Benefits and National Non-Domestic Rates (NDR)</li> <li>9. Replacement of Adelante and implementation of automated bank reconciliation</li> </ol> <p>An IT Strategy Board has been formed to develop the Council's IT Strategy and to agree the development and implementation of specific IT schemes to improve service delivery and reduce staffing costs if possible. The IT Strategy Board will be officer based and will report to the Council's Improvement Working Group. The commissioning of each project will be based on a detailed business case being approved by the IT Strategy Board.</p>

<b>Title of Scheme</b>	<b>Quadrant House Phase 1 &amp; 2</b>
<b>Description of Scheme</b>	Phase 1 - refurbishment of common parts (lobbies, WCs, communal kitchens, lifts, stairwells, corridors) and setup of a Business Hub. Phase 2 - refurbishment of the exterior and the vacant suites and a package of environmental improvements. Phase 2 includes improvements to the external fabric including better insulation and decoration, replacement roof coverings and fire escape route upgrades, a green wall for the Croydon Road elevation, a roof terrace for the third floor in Quadrant South, refurbishment of vacant suites to include heat pump variable refrigerant flow (VRF) heating cooling technology (gradual phasing out of reliance on gas boilers) and, if budget allows, photovoltaic panels on the flat roof.
<b>Key Aspects of Scheme (including benefits, contract details, key dates and reasons for revisions where applicable)</b>	The works at Quadrant House will deliver a significantly improved building which will be more sustainable, both economically and environmentally and which is a key project for Caterham regeneration. The direct benefits of the works include ability to let vacant suites and generate higher rental returns as well as contribute to our carbon reduction objectives. Phase 1 (internal common parts refurbishment) took place throughout 2021. Phase 2 (living wall, roof terrace, new lifts, new escape stairs, improved wall and roof insulation, refurbishment of some vacant office suites with heat recovery AC and renewed services) commenced in autumn 2021 and is anticipated to complete in summer 2022.

<b>Title of Scheme</b>	<b>Land/Asset Development</b>
<b>Description of Scheme</b>	Capital budget for refurbishment works as required to the property portfolio, to maximise revenue.
<b>Key Aspects of Scheme (including benefits, contract details, key dates and reasons for revisions where applicable)</b>	This scheme is to ensure that sufficient budget is available to refurbish commercial space that becomes vacant during the year, and requires modernisation in order to attract a new tenant. The office market in particular is demanding high specifications. Poor quality space is not letting. Tenants are demanding top quality space. Failure to achieve this is likely to lead to lengthy void periods and failure to generate income from lettings, which would have a significant impact on revenue budgets.

<b>Title of Scheme</b>	<b>Croydon Road Regeneration</b>
<b>Description of Scheme</b>	Improvements to the Croydon Road streetscape including provision of better amenity space such as parklets and seating, more greenery including trees and planting, improved road safety, new surfacing materials for pavements and parking areas, cycle parking and so forth.
<b>Key Aspects of Scheme (including benefits, contract details, key dates and reasons for revisions where applicable)</b>	Key benefits including: helping to revitalise the local economy, in conjunction with other investment that is going into the town; encouraging new businesses into the town and inspiring existing businesses to improve their premises; introducing greenery into the town centre, reducing street clutter, renewing materials, slowing traffic speeds, thereby improving the quality of the environment for shoppers, visitors and workers, encouraging greater wellbeing, longer dwell times and higher spend; encouraging active travel and redressing the current imbalance that favours car users over pedestrians & cyclists; attenuating excess surface water via trees and new planting thus contributing to a wider flood mitigation strategy for the town; providing a small amount of good quality public realm space e.g. parklets and some outdoor licensable space for businesses. Stage 1 highways design is complete; stage 2 highway design (detailed design) is scheduled to commence Jan 2022 and is expected to last approximately 6 months; construction is expected to last approx 6 months and timing will need to be sympathetic to the needs of the businesses i.e. may commence in early 2023 rather than late 2022. Contractor to be procured on conclusion of detailed design and achievement of highways approval to proceed. SCC placemaking and transport development planning teams to be closely involved, together with Caterham BID.