

2022/23 FINAL BUDGET AND 2023/24 MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

Strategy & Resources Committee – 1st February 2022

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

Purpose: To approve the Final Budget Report and the Council Tax Requirement for 2022/23

Publication status: Unrestricted

Wards affected: All

Executive Summary:

The Final Budget for 2022/23 and the Medium-Term Financial Strategy (MTFS) is balanced, which the Council is legally obligated to do. The final version will be formally approved by Full Council on 10th February 2022.

Throughout January 2022, the detailed Revenue and Capital Committee budget allocations, budget pressures and savings proposals were presented to the respective Committees. Summaries of these individual budgets are set out in this report. The Capital, Investment and Treasury Management Strategy was considered by the Investment Sub-Committee on 21st January with a recommendation for approval by Full Council on 10th February 2022.

The report outlines:

- How the Organisational Strategy, Directorate Service strategies are integral to the budget setting process;
- Where the macro-economic climate, Central Government financial announcements (Spending Review and Provisional Settlement) and local funding (Council Tax and Business Rates Estimates) impact on the Council’s budget; and
- The governance, policies and core planning assumptions which are in place to mitigate the risk of economic uncertainty and strengthen financial resilience.

The Extended Management Team (EMT) has been integral to the budget setting process as it has ensured that revenue budgets, capital investment and savings plans are all aligned with Directorate strategies and Corporate priorities. This alignment provides a stable foundation for delivering services to the residents in the face of challenges presented by the pandemic and wider external pressures.

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.

The identification of a c.£920k error built into the budgets for 2020/21 and 2021/22 led to a series of wide-ranging, detailed reviews to provide confidence in the building blocks of Council’s finances. These are set out in **section 2**.

In December 2021, the 2020/21 Outturn was reported to Strategy & Resources (S&R) 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. This budget report sets out the progress to finalise the budget for 2022/23, setting out the final position and the changes since the Draft budget in December.

Local Government funding remains highly uncertain over the medium-term, with a number of factors likely to result in significant changes to the Council's funding position beyond 2022/23. These factors are set out in **section 5** of the report.

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

- The Council's Revenue and Capital Budgets for 2022/23, including savings proposals identified to balance the budget;
- The Council Tax Precept level for 2022/23; and
- The Council's Capital Programme for 2022/23-2024/25.

The pressures and savings included in the budget have been categorised into three tranches;

- Tranche 1 – Pressures and Savings which are readily distributed and allocated to Committees in these papers;
- Tranche 2 – Pressures and Savings which will be distributed and reported to Committees in March; and
- Tranche 3 – Savings which are of a more cross cutting nature and will be distributed in June, following further work coordinated through the Benefits Board.

The Benefits Board is the mechanism to oversee the distribution to Committees and delivery of savings set out in this budget report. It will meet on a monthly basis to ensure that the agreed benefits are being robustly defined, owned and delivered.

The Benefits Board will regularly feedback to the Members' Reference Group (MRG).

The attached 2022/23 Final Budget Report and MTFs, supported by the Appendices, underpin the Council's priorities and Council-wide transformation Future Tandridge Programme (FTP).

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

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Recommendation to Committee:

That Members recommend that Full Council:

Note the following:

1. The Independent Report of the Council's Financial Management and Reporting arrangements (**Appendix A**)
2. That for the purpose of section 52ZB of the Local Government Finance Act 1992, the Council formally determines that the increase in Council tax is not such as to trigger a referendum (i.e. not greater than £5);
3. The Local Council Tax support scheme (**para 6.23**) is unchanged for financial year 2022/23;
4. The Parish Councils' precept requirements for 2022/23 (**Appendix F – TO FOLLOW**);
5. That the Council is embarking on the Future Tandridge Programme (FTP) and £450k savings within the 2022/23 budget are to be distributed in June as tranche 3. Good practice would be to mitigate some of the risk through the application of a general contingency of c£0.1m per annum (£117k for 2022/23, £200k for 2023/24);
6. The impact of the financial strategy to build the General Fund Reserves after 2022/23, via a £0.5m contribution per annum. Prior to a decision from DULHC on the capitalisation dispensation, the General Fund balance at 31st March 2023 is projected to stand at to **£3.1m (Appendix H)**;

Approve the following:

7. The net revenue budget requirement be set at **£11.351million** (net cost of services after service specific government grants) for 2022/23 (**Appendix B**), subject to confirmation of the Final Local Government Financial Settlement;
8. The Final Budget Envelopes for each Committee for 2022/23 as at Tranche 1 (**Appendices B and C**);
9. The £35.4 million proposed three-year Capital Programme (comprising £4.3m General Fund, £3.1m Community Infrastructure Levy (CIL) and £28.0m Housing Revenue Account (HRA)) of which £16.0 million Capital Budget is for 2022/23 (**Appendix D**);
10. The Flexible Use of Capital Receipts Strategy for 2021/22 & 2022/23 to meet the statutory guidelines for the use of such receipts to fund transformation, and if successful utilisation of the capital dispensation (**Appendix G**)
11. That the total Council Tax Requirement be set at **£8.9 million** for 2022/23. This is based on a Council tax increase of £5 to cover core Council services (**Appendix E**);

12. That the Tandridge District Council set the precept for Band D Council Tax at £230.98, which represents a £5 uplift. This is a rise of £0.10 a week from the 2021/22 precept of £225.98. A full list of bands is as follows:

Valuation band	Precept
A	£153.98
B	£179.65
C	£205.31
D	£230.98
E	£282.30
F	£333.63
G	£384.96
H	£461.96

For Full Council, there will be additional recommendations incorporating the Surrey County Council and Surrey Police and Crime Commissioner's precepts to meet with legislative requirement when approving the Council Tax for 2022/23. Given the timing of the Surrey's Full Council meeting being on 8th February, the precept information will be sent to Members on 9th February in advance of Tandridge's Full Council meeting on 10th February. Surrey's precept information is required before TDC's precept information can be finalised.

Reason for recommendation:

This report provides the fiscal backdrop on the 2022/23 budget process and MTFs to 2023/24. The Council must approve a balanced budget for 2022/23 under legislation. This budget includes details of proposed savings and pressures.

If approved by Members, the report will proceed for recommendation to Full Council on 10th February 2022 and set the Council Tax Precept for 2022/23. This Committee has the power to recommend the budget to Full Council. The budget directs available resources to support the achievement of the Council's ambitions and priorities.

1. Introduction and Independent Reviews

1.1 Over the past 12 months the Council has significantly reshaped its financial governance and management. This is as a result of:

- Tandridge Finance Transformation Programme (TFT) remodelling the Finance structure, improving roles and responsibilities for budget holders and accountable officers, establishing good governance and accountability structure, and identifying continuous improvements to financial reporting (including Exchequer Services – Accounts Payable, Banking, Sundry Accounts Receivable), monitoring, setting and statutory),
- Grant Thornton LLP UK Forensic and Fact Finding Review, with the Council accepting all of the 15 recommendations,

- Line-by-line review of the 2021/22 budgets. The outcomes of this review are shown in Appendix A in 2022/23 Draft Budget Report for S&R Committee on the same agenda; and
 - Fundamental root and branch review into the Council's Financial Management & Reporting Arrangements. The review was undertaken by an external independent professional (Laura Rowley) to ensure we have a solid foundation on which to launch the Finance Transformation Programme. The Final Report can be found in **Appendix A**. (Interim Report was presented to S&R 2nd December, as part of the Outturn report Appendix B).
- 1.2 The outcome of the latter two reviews provide assurance that the Balance Sheet, and 2020/21 outturn have been independently assessed and 2021/22 budget reviewed in forensic detail found no further significant issues. This provides Members' confidence that the 2022/23 Final Budget can be approved. The independent review has also recommended further governance improvements that are set out on the same agenda.

Recommendation 1: Note the Final Independent Report of the Council's Financial Management and Reporting arrangements (Appendix A)

- 1.3 This allows the Council to move from a position of eroded confidence in the numbers and to one of a narrative reset whereby the Council is on a journey to a stable financial baseline on which to build resilience for the medium-term. The Council now has a budget setting process which has had strong collaboration from Members and officers and is owned and deliverable.

2. Background

- 2.1. The Council has had a turbulent and financially challenging few years, exacerbated by COVID-19. We have worked incredibly diligently to ensure we are on a stable footing by undertaking a number of reviews/initiatives of the finances to build a solid foundation on which to continue with TFT, set in train c12 months ago. We have large ambitions as a Council and delivering services to our residents in the most cost-effective way is front and centre of this aspiration. In order to deliver on this, we are embarking on a Council-wide transformation programme, which will change the shape of the Council in the future making us more agile, responsive and flexible to embrace change and seize opportunities to work with partners. The initiatives we have undertaken to shore up the finances have been discussed in great detail at Committee meetings over the past six months and are set out above (refer para 1.1).
- 2.2. The 2022/23 Final Budget Report and Medium-Term Financial Strategy (MTFS) to 2023/24 sets out the Council's strategy for financial recovery and the development of sustainable medium-term financial plans.

- 2.3. The Council's resilience is improving, and continues to make demonstrable improvements in in planning, building and using the budget to deliver the Council's priorities in the Strategic Plan. These priorities are:

1. Building a better Council – making the Council financially sustainable and providing residents with the best possible services.

2. Creating the homes, infrastructure and environment we need – both now and in the future.

3. Supporting economic recovery in Tandridge – from lockdown to growth that everyone benefits from.

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

- 2.4. Along with Members, the Extended Management Team (EMT) has been integral to setting the budget and MTFS. This integrated approach ensures that revenue budgets, capital investment and savings plans are all aligned with Departmental service plans and Corporate Priorities. Ensuring that each aspect of planning for 2022/23 and the medium-term is completely aligned provides a stable foundation for delivering services to Tandridge residents in the face of a challenging external environment.
- 2.5. Local Government funding will continue to remain highly uncertain over the medium-term, with a number of factors likely to result in significant changes to our funding position beyond 2022/23, as set out in **section 6**.
- 2.6. **Section 5** sets out the significant challenges (both national and local) that have served as the backdrop to the Council's 2022/23 budget process, most notably the impact of a c.£920k error built into the budget in 2020/21.
- 2.7. The Council has adopted a 'Twin Track' approach to developing its financial plans in response to these challenges. Track 1 focused on delivering a balanced budget for 2022/23, whilst Track 2 simultaneously seeks to address pressures over the medium-term. The approach serves to support the delivery of a sustainable medium-term financial position, through transformation opportunities EMT and Members have been, and will continue to be, instrumental in delivering the 'Twin Track' approach, supported by subject matter experts where it has been pertinent to do so.
- 2.8. 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. Further details are set out in **section 5**. 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 I.**

2.9. The Final Budget for 2022/23 comprises total funding of c£11.351m; a £56k net increase from c£11.295m in 2021/22. The main movements from 2021/22 are:

- Increase in Council Tax funding of £277k
- Increase in Business Rate funding of £173k (largely from anticipated 2021/22 Pooling Gain)

offset by:

- £394k reduction in Government Grant funding (£498k reduction in COVID-19 grants offset by £103k increase in other grants).

Full details are set out in **section 6**.

2.10. The Capital Programme for 2022/23 to 2024/25 is presented in **section 9 and Appendix D**. This proposes a total £35.4 million three-year Capital Programme (comprising £4.3m General Fund, £3.1m Community Infrastructure Levy (CIL) and £28.0m Housing Revenue Account (HRA)).

2.11. A Capital Budget of £16.0m has been set for 2022/23 (comprising £1.8m General Fund, £2.6m CIL and £11.6m HRA) as identified in **Appendix D**. The development of the Capital Programme has been based around achieving Council priorities whilst maintaining borrowing costs at a sustainable and prudent level.

2.12. The key elements of this Budget Report include:

- Strategic Plan (**section 3**);
- Committee Strategies (**section 4**);
- An update on the financial and economic climate (**section 5**);
- The Financial Strategy for 2022/23 – Revenue (**section 6**);
- Month 8 (November) 2021/22 Financial Performance – Revenue and Capital (**section 7**) [TO FOLLOW];
- The Medium-Term Financial Outlook - 2023/24 (**section 8**)
- Capital Programme (**section 9**);
- Flexible Capital Receipts Strategy 2021/22 and 22/23 (**section 10**);
- A Risk and Robustness Assessment of Reserves (**section 11**);
- The results of our Budget Consultation (**section 12**); and
- A Budget Equality Impact Assessment (**section 15**)

2.13. The Final Budget will be presented to Full Council for approval on 10th February 2022.

3. Strategic Plan

- 3.1. The Council has experienced a period of significant change and is making progress in addressing several important areas for improvement, including tackling significant financial challenges. The Council's Strategic Plan reflects both the need to move forward vital improvement work, and to respond to the District's local characteristics, the needs of the residents and businesses, and the wider context, both regional and national. Given this dynamic environment, the plan is due for review over the next year. At present, the plan presents four key priority areas:
- **Building a better Council** – This focuses on financial sustainability and exploring commercial opportunities and shared services. It also covers the progress of our governance improvements and digital strategy;
 - **Creating the homes, infrastructure and environment we need** – Delivering our local plan, protecting landscapes and developing local infrastructure is one key strand of this priority. The other is delivering on new homes for the district and ensuring our current social housing is of the right mix, of high quality and supports our aims to reduce carbon emissions;
 - **Supporting economic recovery in Tandridge** – Central to this priority is working with partners, such as the local BIDs, LEP and County Council, to understand and influence economic recovery in the district; and
 - **Becoming a greener, more sustainable district** – the Council is committed to taking all the steps it can to become carbon neutral by 2030, and support residents and businesses in the district to do the same. We have a climate change action plan that covers a range of actions, our key focus is on reducing the carbon footprint of our operational activities and property assets.
- 3.2. In addition to the Strategic Plan, the Council is embarking on a "Future Tandridge Programme (FTP)" as set out separately on this Committee's agenda.

4. Committee Strategies

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

Community Services Committee

- 4.2. The Community Services Committee is the Council's largest Committee in terms of spend and is responsible for the Council's policies in respect of Leisure, Community grants, Environmental Health, Licensing, Waste and Amenity Management.

- 4.3. Following an extensive procurement process a new contract for the Recycling and Refuse Collection contract commenced at the start of 2021/22. This contract awarded to Biffa seeks to improve efficiencies, provide new Council owned vehicles to deliver the service and improve recycling, carbon and particulate emissions rates.
- 4.4. The new contract brings a transfer of the ownership of the Green Waste service with increased control and income for the Council. There is potential to expand the service further in the future.
- 4.5. The administration of Bulky Waste has also been remodelled to improve efficiency with the addition of an on-line booking system while those unable to access the internet are still able to book by telephone. The take-up is currently lower than previously forecast and the 2022/23 budget includes a pressure of £39k to reflect this. It is however anticipated to increase over time. All proposals aim for better rates of recycling and more efficient disposal of materials.
- 4.6. A priority for the Council's Operational Services team is street cleaning and graffiti. They ensure the towns and village centres are swept and ensure public safety is at the fore. A consideration of their working models is to be progressed in 2022/23 to ensure fair rotas over the service which operates over six days. The Communities Executive work across teams to clear fly tipping and vigorously pursue prosecutions.
- 4.7. Operational Services are responsible for both On and Off-Street Parking and Parking Enforcement. New Contract arrangements were re tendered for 2021/22. The improvement in efficiency of enforcement has led to a greater availability of spaces and improved safety especially for pedestrians. As experienced across many local authorities, income from parking has been significantly affected by the impact of COVID-19. Although income is anticipated to recover, it is still expected to be £125k less than pre-COVID-19 levels in 2022/23. It is considered that this is likely to be a longer-term structural change linked to changes in behaviour and reductions in travel.
- 4.8. The Council maintains the District's Parks and many open spaces, keeping them open and accessible for public enjoyment. Services include grass cutting, hedge trimming, ditch clearance, landscaping works, tree surgery, footpath and car park maintenance. Work is evolving to look at improving biodiversity and to increase the benefits which can be offered by park pavilions and facilities.
- 4.9. An Open Space Strategy was approved on 9th March 2021 and implemented in 2021/22 following extensive consultation with residents, Parishes and other local interested parties to consider the use of the Council's parks and open spaces with a view to ensuring that the strategy captures and considers all the local community's and stakeholder requirements. This strategy pulls together options for our assets and how best to manage and improve them over five years through till 2026/27.
- 4.10. Community Services are also responsible for the Council's cemetery and handle all requirements of the unidentified deceased in a sensitive and thorough manner. Work will be progressed regarding the Garden of Remembrance works over the next year. More burial plots are planned for earlier release to allow families to consider and organise their wishes.

- 4.11. The Council has a shared Environmental Health and Licensing service with Mole Valley District Council which commenced in 2017. Working together has seen advantages and shared efficiencies through access to specialist knowledge. The Team monitors Food Safety and Health and Safety at Work, licensing and residential premises to prevent public nuisance, maintain standards of public safety provides great benefits. The Team has risen to the extreme challenges seen these past two financial years through the COVID-19 pandemic and has supported the wellbeing of the community by ensuring compliance with government guidelines.

Planning Policy Committee

- 4.12. 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.
- 4.13. Progress on the Local Plan has been delayed. Work continues both enabling the inspector to form his conclusions on the plan as well as associated policies and strategies. The funding for the additional work required on the plan will be financed from funds carried forward from the previous year.
- 4.14. 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.
- 4.15. 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.
- 4.16. 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.**

Housing General Fund Committee

- 4.17. This Committee is responsible for formulating and reviewing the Council's policies for the management including repair, maintenance, improvements, sale, acquisition, allocation and control of all the Council's housing stock. In addition, the Housing Committee has the vital role of looking at the private sector housing conditions including standards of condition and the provision of a housing advisory service.

- 4.18. A review of the Council's income from the housing stock Housing Revenue Account (HRA) is to be completed through 2022/23. Resource and priority issues have delayed this work through 2021/22. A review of the Council's garage stock is in progress and reviews of the condition of the housing portfolio take place on a cycle during a five-year programme. Mindful of increasing regulation over environmental concerns, work is commencing to ensure costings for future efficiencies through 'retrofitting' stock and moves towards a future carbon zero position.
- 4.19. Ongoing resilience of the Council's housing service is vital to be able to support our ongoing programme to provide a direct supply of new Council owned homes. The effects of COVID-19 saw delays to the programme over the past two financial years. 35 new homes are projected to start on site in 2022/23 with 47 scheduled to complete. On 17th September 2020 the Council committed that all new developments will be net zero carbon (operational).
- 4.20. The need for affordable homes grows in the District. The Council seeks to develop and extend the programme of Council house building in the next year alongside working with Housing Associations to improve the flow of supply. 'Buy backs' of Council properties are also progressing.
- 4.21. The Housing team carry out extensive support work for all residents of Tandridge not just Council tenants. Housing Needs are assessed, the Council's Homelessness strategy is being progressed, Disabled Facilities Grants are administered, and a handyman service. Administration of Housing Benefit is brought to the Housing Committee. Much of the work is governed and dictated by Legislation with considerable statutory returns throughout the year.
- 4.22. Capacity within the team has been affected by previous changes and COVID-19. Despite these, there have been efficiency benefits seen through the close working of revenue and benefits teams with Housing Needs and Tenancy Management. 2021/22 has seen the implementation of a new Revenues and Benefits collection system with additional customer direct access. Further work will be carried out over the next year to improve debt management. There have also been resource issues affecting the housing development programme. All teams have worked well together to seek new models of working to ensure that the full range of activities are covered.

Strategy & Resources Committee

- 4.23. The Committee is led by three Executive Leadership Leads. Strategy & Resources (S&R) Committee's function is predominately to enable and support the front-line services (82% of budget) including Legal Services, Information Technology, Financial services, Customer Services.
- 4.24. There are a small number of statutory (15%) services including Democratic Services, Emergency Planning and Revenues and Benefits Services and some are discretionary (3%) - Wellbeing Prescription, Asset Management.

- 4.25. 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.
- 4.26. The Committee aims to provide the Council with a more joined-up approach to support S&R functions, generating opportunities to realise better customer experience and efficiency through digital innovation. This is intended to help deliver a step change in the effectiveness of our services, and to improve the support we provide to our other policy Committees.
- 4.27. Alongside the 'Twin Track' Budget process (as detailed in the Draft Budget paper, 2nd December 2021, S&R 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.
- 4.28. In addition, the Committee plans capital investment and delivery plans relating to the continued refurbishment of Quadrant House supported by the LEP (£0.2m); IT Hardware & Infrastructure projects (£0.6m) and Town Hall updates (£0.1m) over the Financial Strategy period.

5. Financial and Economic Climate

Spending Review and the Provisional Local Government Finance Settlement

- 5.1. On 7th September 2021, the Chancellor launched the Spending Review 2021 (SR21) which concluded on 27th October 2021 alongside an Autumn Budget, stating; "The three-year review will set UK Government departments' resource and capital budgets for 2022/23 to 2024/25".
- 5.2. The Spending Review Headlines for the Council were as follows:
- Total departmental spending is set to grow, with Core Spending Power for local authorities increasing on average;
 - The Council Tax referendum threshold for increases in Council Tax is expected to remain at the higher of 2% or £5 per year.

- The Business Rates multiplier in 2022/23 will be frozen and the loss of income will 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 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.

Provisional Local Government Finance Settlement (LGFS)

5.3. The Provisional Local Government Finance Settlement (LGFS) was announced on 16th December. Despite the Department of Levelling-Up, Housing and Communities (DLUHC) receiving a three-year allocation in the Spending Review, only a single-year settlement has been passed on to local authorities, pending further consideration of distribution formula for 2023/24. The headlines for Tandridge are as follows:

- New Homes Bonus has been extended to 2022/23 at £618k (up from £341k in 2021/22). The future of New Homes Bonus beyond 2022/23 remains uncertain.
- Lower Tier Services Grant has been extended to 2022/23, but reduced from £340k to £65k
- A new, one-off for 2022/23, Services Grant worth £0.8bn million was announced for the sector, amounting to £101k for Tandridge.
- Ministers will be re-starting the local government funding reforms in the Spring. This means that the Fair Funding Review (FFR) and Baseline Reset are both going to be under consideration again, for possible implementation as early as 2023/24.

Economic Update

- 5.4. Over the last two years, the coronavirus outbreak has impacted significantly on the UK and on economies around the world. The arrival of the Omicron variant in December makes the ongoing economic impact difficult to predict.
- 5.5. The effect on unemployment from the end of the furlough scheme was smaller and shorter than the Bank of England had initially feared. Data released in December showed that unemployment initially increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this did not last long, as unemployment was falling again by the end of October.

- 5.6. On 15th December the CPI inflation figure for November was released, which increased further from 4.2% in October to 5.1%, confirming the volatility in inflationary pressures. Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies). Given this volatility, the final budget includes a general inflationary assumption of 4.2% for fees and charges (capped by statute at 4.1% for Housing).
- 5.7. Although it is possible that the Government could step in with further fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy-wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas).
- 5.8. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021. The Council's Treasury advisors, Link Group, expect the rate to raise again in quarter 2 of 2022.
- 5.9. Councils nationally have played a pivotal role in responding to the pandemic and the Government has enabled Local Authorities to achieve this through the swift provision of timely one-off resources. However, the economic shock the country has experienced and the recession we are facing will have profound and lasting effects, not entirely met by temporary funding.

Local Challenges

- 5.10. 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.
- 5.11. The following section recaps the journey from setting 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 erroneous past decisions and unusual budget practices, the budgets for 2020/21 and 2021/22 included a recurring budget imbalance 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 S&R on 14th September 2021 and Audit & Scrutiny 30th 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 also commissioned, at the request of the s151:
 - 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 S&R 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.

5.12. Against this backdrop, **the budget setting process for 2022/23 has been challenging but has concluded with a sound and balanced budget.** This 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.

6. **Financial Strategy and Final Budget 2022/23**

- 6.1. This section outlines our approach to setting the budget and MTFs adopting strategies to make our future finances as sustainable as possible in the medium-term. Working towards financial resilience will afford the Council opportunities to be more enterprising in the way we meet the needs of our residents.
- 6.2. The hallmarks of a good budget translate into the principles we adopt for our budget setting process. We also set out the TFT which strengthens our approach to financial management, decision making and budget accountability.

- 6.3. The outcome of the budget process for 2022/23 is outlined in the Revenue Budget Headlines section below. This is supported by **Appendix B and C** which set out pressures and savings for each Committee and a summarised revenue budget. Details are outlined in Committee reports presented in January.

Hallmarks of a Good Budget and Principles for Budget Setting

- 6.4. To ensure there is a robust budget setting process, we have assessed our process against a best practice framework. 2022/23 marks the second year of assessment. This framework outlines six hallmarks to determine improvements to the process. The table below presents an assessment of our progress against these hallmarks in setting the 2022/23 budget and MTF5.

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

Hallmark	Self-Assessment
The budget has a medium-term focus which supports the Improvement Plan and Corporate priorities	<ul style="list-style-type: none"> The budget process has been coordinated across EMT, Legal and Finance; the integrated approach ensures that the budget is focussed on delivering Corporate priorities. <p>Due to the significant uncertainty in the financial planning environment, the unprecedented impact of COVID-19 and the Future Tandridge our approach has focussed on a two-year medium-term budget, with an avoidance of the use of Reserves to balance the budget, and an ambition to grow in future.</p>
Resources are focused on our vision and our priority outcomes	<ul style="list-style-type: none"> The budget is based on clear integration with the Strategic Plan, and Corporate priorities; developed in partnership across the organisation. <p>The final budget has been subject to iterations through Members/Committees and EMT over the last six months to balance and clarify assumptions.</p>
Budget not driven by short-term fixes and maintains financial stability	<ul style="list-style-type: none"> We are aiming to build General Fund Reserves from 2023/24 onwards, to meet general risks and specific pressures to ensure that our sustainability as an organisation grows despite an increasingly volatile and uncertain external environment. We have also built a general Contingency for in-year unknown pressures and risks. Growth of Reserves was not possible in 2022/23 whilst the Council recovers from the local financial challenges set out in section 5.
The budget is transparent and well scrutinised	<ul style="list-style-type: none"> Workshops were held with Members and Committees setting out the approach, by Services, core planning assumptions and funding projections. The Draft Budget was presented to the S&R Committee in December and Group Budget Briefings were held in January 2022.

Hallmark	Self-Assessment
<p>The budget is integrated with the Capital Programme</p>	<ul style="list-style-type: none"> • Section 9 sets out the Capital Programme. The Programme is developed alongside the revenue budget. We will continue to clearly demonstrate delivery of corporate and service priorities and set out the impact and linkages with the revenue budget. • The full borrowing costs of proposed Capital Programme are integrated into the revenue budget
<p>The budget demonstrates how the Council has listened to consultation with local, people, staff and partners</p>	<ul style="list-style-type: none"> • Section 11 sets out our approach to consultation and engagement. During January 2022, we engaged with residents, to understand their views about the Draft Budget and whether we were prioritising our resources in the right places • Over the course of setting the budget the Chief Executive delivered staff briefings and presented to staff conference

Budget Principles

6.5. The principles are:

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

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

- Developing two-year plans, integrated capital investment across the Council. This year's MTFS is limited to two years in recognition of the challenging financial landscape and Future Tandridge Programme which will change the Operating Model of the Council from 2022/23 onwards;
- Continuing to adopt a budget envelope approach with a model to determine a consistent and transparent application of funding reductions to Directorate budget envelopes;
- Envelopes validated annually based on realistic assumptions;

- Evidence bases used to underpin all savings proposals;
- Assurance that all savings, pressures and growth are managed within budget envelopes to deliver accountability for implementation;
- Contract inflation allocated to Services to be managed within budget envelopes (part of Tranche 2 allocation); and
- A general Contingency held centrally as part of risk mitigation.

General Fund - Revenue Budget Headlines

- 6.7. **The 2022/23 Revenue budget is balanced without the use of Reserves.** This is a significant achievement given the financial challenges in-year having a knock-on impact on the commencement of the process. Since we presented the Draft Budget to this Committee in December, we have closed the gap of £307k. This was largely as a result of increased funding through the provisional settlement and the 2021/22 Business Rates Pooling Gain. The main changes from the Draft to the Final budget are:

Table 2: Changes since S&R 2nd December Draft to Final

	2021/22	2022/23	Movements	Movements	2022/23
	Annual Budget	Draft Budget	Funding Improvements	Reassign Savings	Final Budget
	£k	£k	£k	£k	£k
Community Services	3,993	3,882		93	3,975
Housing GF	469	518		(50)	468
Planning Policy	1,185	1,190		0	1,190
Strategy & Resources	6,338	6,124		170	6,294
Corporate Items	(690)	(363)		(213)	(576)
Overall	11,295	11,351	0	0	11,351
Funding:					
Council Tax	(8,657)	(8,934)			(8,934)
Business Rates	(1,459)	(1,459)	(174)		(1,633)
Specific Government Grants COVID-19	(498)				
Specific Government Grants	(681)	(651)	(133)		(784)
Funding	(11,295)	(11,044)	(307)	0	(11,351)
Overall (surplus)/ deficit	0	307	(307)	0	0

The reassignment of savings between Committees is set out in table 3, below.

Table 3: Reassignment of Savings since Draft Budget

	Community Services £k	Housing General Fund £k	Strategy & Resources (S&R) £k	Corporate Items £k
Reduction in Garden Waste saving, offset by adjustment to income inflation	11			(11)
Reduced funding for Westway saving corrected from Community Services to Housing General Fund	50	(50)		
Employee health insurance saving corrected from Corporate Items to S&R			(8)	8
Redeployment of 1 Full Time Equivalent from the Facilities team to a Trainee Community Surveyor Role moved from Community Services to S&R	33		(33)	
Virement from Corporate Items to S&R for quadrant house lease volumes			10	(10)
Saving from Back Office / Enabling Services review moved from S&R to Corporate Items pending Tranche 3 savings review			200	(200)
Overall Total	93	(50)	170	(213)

Table may not sum due to rounding differences

Recommendation 7: Approves the net revenue budget requirement be set at **£11.351million** (net cost of services after service specific government grants) for 2022/23 (**Appendix B**), subject to confirmation of the Final Local Government Financial Settlement;

- 6.8. The increased funding of £307k set out in Table 2 relates to the following, to set a balanced budget:
- **£174k - Assumed 2021/22 pooling gain** - A share of additional Business Rates income achieved by taking part in a pool with the County and other District and Borough Councils. Discussions with Local Government Funding experts LG Futures gives us confidence that this is achievable
 - **£133k – Increase in Government Grants** – Additional government grants, set out in the Provisional Local Government Finance Settlement:
 - £307k increase in New Homes Bonus
 - £101k new, Local Government Services Grant one-off for 2022/23
 Offset by:
 - (£275k) Reduced Lower Tier Services Grant

Table 4: Significant movements from 2021/22 net Revenue Budget to 2022/23 Final Budget

	2021/22 Annual Budget £k	Virements £k	Pressures £k	Savings £k	2022/23 Final Budget £k
Tranche 1					
Community Services	3,993		119	(136)	3,975
Housing GF	469		59	(60)	468
Planning Policy	1,185		5	0	1,190
Strategy & Resources	6,338	10	73	(128)	6,294
Corporate Items	(690)	(10)	545	(137)	(292)
Subtotal Tranche 1 Budgets	11,295	0	800	(461)	11,634
Corporate Items - Tranche 2 Pressures	0		367		367
Corporate Items - Tranche 2 Savings	0			(200)	(200)
Corporate Items - Tranche 3 Savings	0			(450)	(450)
Overall	11,295	0	1,167	(1,111)	11,351

6.9. Given the current capacity constraints in Finance and across the Council 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. This approach has also allowed us to ensure that allocations to Committees of savings and pressures is precise and accurate and not purely indicative. We will be distributing pressures and savings in three tranches:

- **Tranche 1** – savings and pressures are set in detail in the January Committee reports. 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/April for approval with detail on the resulting Committee budgets. 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.

Recommendation 8: Approves the Final Budget Envelopes for each Committee for 2022/23 as at Tranche 1 (**Appendices B and C**)

Funding

6.10. Detailed funding to 2023/24 is set out in the table, below.

Table 5: 2021 - 2024 funding

	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	0	19	27
Business Rates (Incl Collection Fund deficit offset by s31 grants)	1,459	1,632	1,474
Government Grants			
New Homes Bonus	341	618	30
Lower Tier Grant*	340	65	340
Local Government Services Grant		101	
Covid-19	498		
Grant Funding	1,178	784	370
Total Funding	11,295	11,351	11,044

**Although the Lower Tier Grant was reduced for 2022/23, our assumption for 2023/24 is that the one-off Local Government Services Grant and the New Homes Bonus will be redistributed by another mechanism, rather than removed altogether. It is expected that grant funding overall will reduce.*

Council tax funding £8.9m

Council tax funding

6.11. 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.

Recommendation 2: Note that for the purpose of section 52ZB of the Local Government Finance Act 1992, the Council formally determines that the increase in Council tax is not such as to trigger a referendum (i.e. not greater than £5);

Recommendation 11: Approves the total Council Tax Requirement be set at £8.9 million for 2022/23. This is based on a Council tax increase of £5 to cover core Council services (**Appendix E**);

Recommendation 12: Sets the Tandridge District Council precept for Band D Council Tax at £230.98, which represents a £5 uplift. This is a rise of £0.10 a week from the 2021/22 precept of £225.98.

Council Tax base

- 6.12. 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.
- 6.13. 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.
- 6.14. To reiterate, in the Draft Budget, S&R Committee (2nd December 2021) approved the gross Council Tax Base for 2022/23, determined at 39,162.8 after taking account of the Council's agreed Council Tax Support Scheme, and the net Council Tax Base for 2022/23 is determined at 38,692.9 after adjustment by 1.2% to allow for irrecoverable amounts, appeals and property base changes.
- 6.15. Changes to the tax base results in an increase in funding of £0.054m in 2022/23.

Net Collection Fund deficit £3k

- 6.16. 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.
- 6.17. 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).
- 6.18. Collectability rates on the tax base were reduced in 2020/21, reflecting the impact of COVID-19. Government announced compensation funding for 75% of 2020/21 collection fund deficits and DLUHC are in the process of finalising the amounts. This will be used to meet residual 2020/21 deficit after the amount spread over three years.
- 6.19. Current performance in 2021/22 highlights that collectability is similar to pre COVID-19 levels, suggesting that we can assume a return to small surpluses from 2021/22 onwards.

- 6.20. Overall, we have assumed a £118k gross deficit on collection as set out in the table, below. This will be met by £115k from the Tax Income Guarantee grant leaving a £3k net deficit as set out in the Draft Budget.
- 6.21. With the implementation of the Northgate (NEC) 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.

Table 6: 2021/22 Overall Deficit Collection Fund

Figures for Budget	Overall £	TDC £	SCC £	SPCC £
Year 2 of Spreadable Deficit	(180,149)	(21,848)	(134,266)	(24,035)
Remaining Deficit	(796,208)	(96,385)	(589,684)	(110,140)
Deficit After Spread	(976,357)	(118,233)	(723,950)	(134,175)

- 6.22. Full details of the Council Tax Requirement and a breakdown of the tax base can be found in **Appendix E. Appendix F** outlines the Parish precepts [TO FOLLOW when all Parish Councils have finalised their precepts.]. Note that any increases to parish precepts are the responsibility of the parish councils. Parish councils are the only local government organisation that does not have a cap in terms of how much it can increase the precept each year.

Recommendation 4: Note the Parish Councils' precept requirements for 2022/23 (Appendix F – TO FOLLOW);

Local Council Tax Support

- 6.23. Under the Local Government Finance Act 2012, Councils are required to agree their Local Council Tax support scheme and make any changes as appropriate.
- 6.24. For 2022/23 it is proposed to make the prescribed requirement changes as set out in the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2022, which makes a number of amendments to the working age statutory scheme and to the pension scheme (non-dependant deductions and personal allowances). The existing scheme will continue to be based upon the existing Council Tax Reduction Scheme England Regulations 2012. Local Tax support will be calculated using 100% of the Council Tax liability for both working age and pension age claimants.
- 6.25. The number of claimants receiving Council Tax support is currently 3,677 compared to 3,668 in 2020/21 (being the last full financial year of data).
- 6.26. A report was provided in September 2020 requesting approval to conduct a public consultation with residents on a new scheme. Unfortunately, due to increased volume of work due to COVID-19 and the implementation of Northgate, the new Revenues and Benefits system, there was insufficient time to conduct a consultation process for the 12-week statutory period. Officers will now consult with residents throughout 2022 now that Northgate is up and running. This will not only allow Officers to ensure a thorough consultation process but will ensure figures are calculated within the new system.

6.27. The Council receives funding and adjusts through its Council Tax base for Council Tax Support and therefore costs are already accounted for this scheme. Any further reforms or legislative changes to the scheme will be reported to future meetings of the Committee as appropriate.

Recommendation 3: The current Local Council Tax support scheme be adopted for financial year 2022/23

Business Rates Baseline funding £1.5m and Pooling Gain

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

- **Directly retained Business Rates income (Business Rates Baseline)** - Local businesses pay Business Rates net of reliefs and discounts directly to TDC (**c£21m**). This is adjusted as follows:
 - **Retention:** The amount retained after Surrey County Council (10%) and Central Government (50%) are allocated their shares. The remaining 40% - **c£8.4m** - is allocated to the Council;
 - **Reliefs:** Nationally set Business Rate reliefs subsidised by Central Government through Section 31 grants - This refers to Section 31 of the Local Government Act 2003 which enables Government to reimburse Local Authorities for the cost of subsidising Business Rates eg: Retail Reliefs. For the Council s31 grants equate to approximately **£1.6m**;
 - **Tariff:** A tariff is then applied because the Council generates more funding than Central Government calculate we require (**c£8.5m**); and
 - Leaving an amount of funding for Council services equal to the Business Rates Baseline of **c£1.5m**.
- **Reconciliation of estimates to actuals (Collection Fund)** - Estimated amounts included in the budget (captured in the NNDR1 statistical return submitted in the January prior to the start of each financial year) are compared to actual amounts generated (captured in the NNDR3 statistical return submitted in the July after the financial year has finished). The reconciliation reflects changes in occupation or differences between estimated and actual reliefs. The difference between the two impacts (i.e. a surplus or deficit) impacts on the following year's budget.
- **Changes to Business Rate retention policies – particularly taking part in a Business Rates Pool** – This enables pool participants to retain a greater percentage of Business Rates for the years that they take part in the pool. In Surrey, pool participation is dictated by the expected level of Business Rate growth. Whilst authorities can choose *not to* take part, they only qualify for inclusion if Business Rates growth indicates maximum gain for the county-area overall.

- 6.29. 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.
- 6.30. Due the complex nature of Business Rates funding, and to mitigate fluctuations in funding, we currently budget only for the predictable element of core Business Rates - the Central Government assessment that our baseline funding should be £1.459m.
- 6.31. The Council is a member of the Surrey Business Rates Pool for 2021/22 but did not qualify for 2022/23. **The 2022/23 budget assumes a pooling gain of from 2021/22 of £174k.**

Grant funding £0.8m

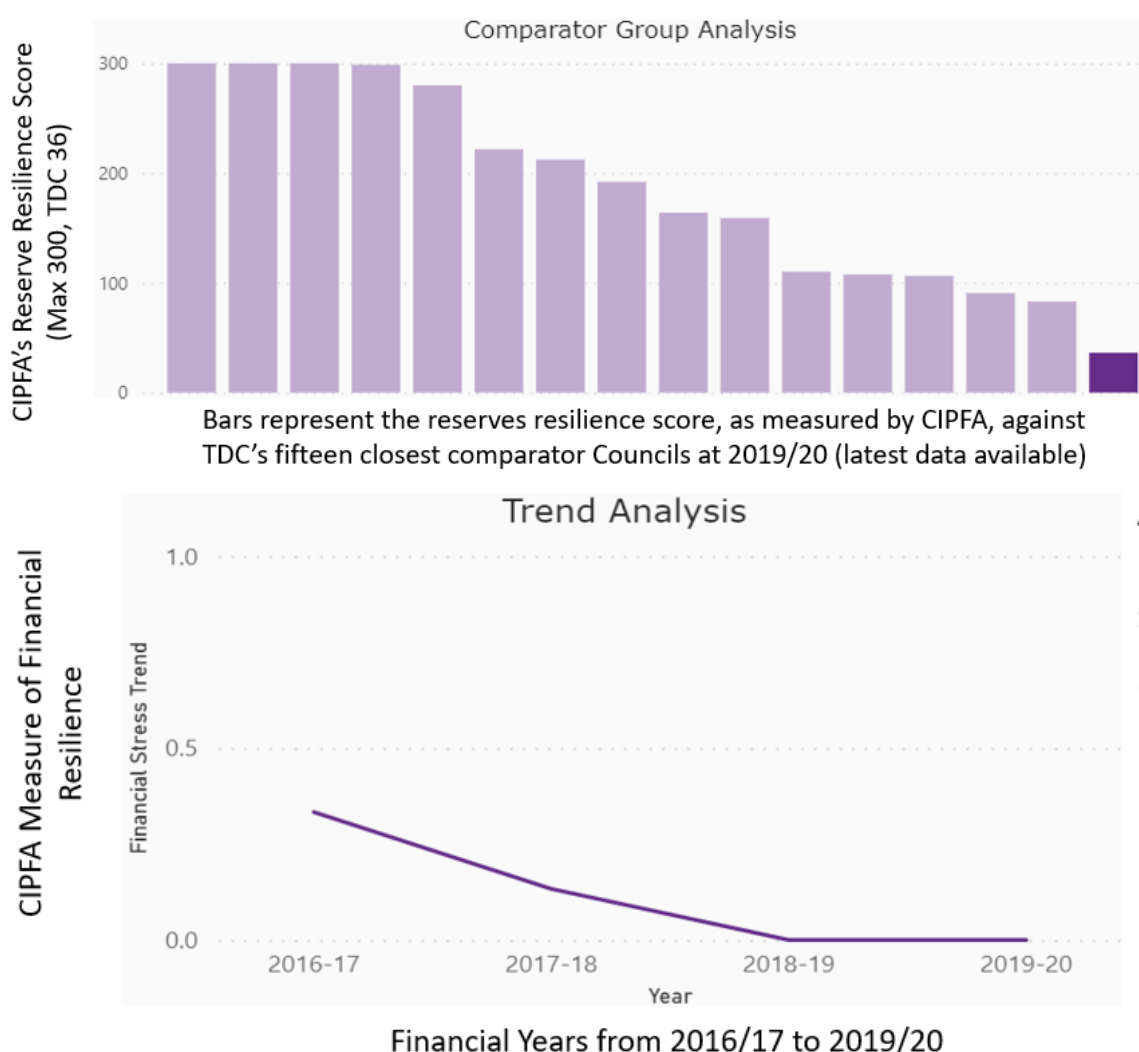
- 6.32. All grant assumptions have been updated to reflect the information provided through the Provisional Settlement.
- 6.33. The £498k COVID-19 grant funding included in the 2021/22 budget is one-off. The removal of this grant funding led to a £498k reduction in grants, before the additional funding received through the settlement, as set out in section 6.8.
- 6.34. Grant funding for 2023/24 is a very high-level estimate based largely on the continuing uncertainty over the future of New Homes Bonus. Additionally, in the settlement, Government advised that they would be reconsidering the distribution method of grants for 2023/24. For 2023/24, we have assumed a c.53% reduction from £784k to £370k based on a residual amount of New Homes Bonus and a continuation of the lower tier services grant at 2021/22 rates.

Expenditure and Service Income Assumptions

- 6.35. Current MTFS assumptions are based on best available information. However, all assumptions will continue to be amended until the final settlement in January/February. The following assumptions have been built into the budget:
- **Inflation** – 0% pay and an allowance for contract inflation held corporately and subject to allocation in Tranche 2.
 - **Fees & Charges** – a 4.2% uplift has been applied, where appropriate (except Housing capped at 4.1%)

Financial Resilience

- 6.36. Chartered Institute of Public Finance (CIPFA) release a Financial Resilience Index; a tool which aims to support decision making and good practice in the planning of sustainable finances. The index does not come with CIPFA's own scoring, ranking or opinion on the financial resilience of an authority. Instead, users of the index can undertake comparator analysis drawing their own conclusions. The main indicator of financial resilience is the level of an authority's Reserves, and the direction of travel in Reserve balances.
- 6.37. The Council's risk profile has increased in recent years as Reserves have been depleted. This is illustrated by the Resilience Index, below, which shows TDC's Reserves on a downward trajectory, and lower than all comparator authorities (shown in dark purple below).



- 6.38. The MTFS is built around replenishing Reserves to a sustainable level. A key part of that will be seeking authority from DLUHC to charge the c£920k pension pressure for 2021/22 to capital receipts (through a Capital Dispensation), in order to prevent a further reduction in Reserves and allow the authority to begin the process to rebuild resilience.

FM Code of Practice

6.39. CIPFA has developed the Financial Management Code (FM Code), 'designed to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability'. An assessment of Tandridge's compliance with the FM Code of Practice will be included in the 2021/22 Annual Governance Statement.

7. General Fund Financial Performance for 2021/22 as at Month 8 (November) Revenue and Capital

7.1. **Revenue Performance as at Month 8 (November):** An £11.3m General Fund expenditure budget was approved in February 2021. Due to findings within the GT report (confirming a c£0.9m budget pressure in pension technical accounting budgets), all budgets relating to technical accounting transactions have been removed, simplifying the revenue budget. This leaves the c£0.9m pension pressure to manage, provisionally via the use of Reserves in anticipation of the approval from DLUHC regarding Capital Dispensation.

7.2. The £11.3m general fund budget is unchanged but due to the GT report and Line-by-line review the distribution across the committees has been reflected due to the removal of budgets relating to accounting transactions like depreciation, and pension IFRS 19; and realignment reflecting the current organisational structure. Further details are within the previous committee paper on the Strategy & Resources budget.

7.3. Against this revised budget, the forecast as at M8 (November) is £11.5m; is a full-year forecast deficit of c£0.2m due to :

- **Community Services: £260k – Significant under recovery of income** mainly due to £180k reduced demand due restricted movement for car parking and taxi licensing;
- **Planning Policy: £72k - Additional costs** for the Public Enquiries/ Appeals and agency costs;
- **Corporate Items: £256k – mainly significant under recovery of property income of £311k;**
- Offset by:
- **Resources: £155k surplus** - mainly due to staff underspends £332k; offset by £124k of one-off costs and £53k ongoing budget pressures (included within the 2022/23 budget);
- **Housing Services: £1k;** and
- **Earmarked reserves & Specific Government grants £261k.**

Table 7: Council's Revenue 2021/22 Forecast Position

	2021/22		Annual Budget	Forecast Variance	BAU Variance	Covid-19
	YTD	Outturn				
	M8 £k	Forecast M8 £k				
Community Services	2,475	4,254	3,993	261	24	237
Housing Services	5,516	468	469	(1)	(1)	
Planning Policy	329	1,257	1,185	72	72	
Strategy & Resources	4,434	6,183	6,338	(155)	(155)	
Corporate items	1,029	(434)	(690)	256	256	
Earmarked Reserve drawdowns and Government Specific grants	0	(261)	0	(261)	(42)	(219)
General Fund	13,783	11,466	11,295	171	153	18
Central Funding	(5,924)	(11,295)	(11,295)	0		
Overall after central funding	11,981	171	0	171	153	18

- 7.4. **Capital:** The Council approved a capital budget for 2021/22 of £27.6m in February 2021. Against this budget, forecast capital spend at M8 is £20.3m. The changes are summarised in Table 8 below:

Table 8: Capital Programme 2021/22

	Forecast	
	Original Budget	variance as at M8
	£m	£m
General Fund	10.8	4.1
Housing Revenue Account	16.8	3.2
Total	27.6	7.3

- 7.5. The majority of the variance in the General Fund Capital Programme is in relation to the refurbishment of Quadrant House (£2.2m), where the total expenditure is still on budget but the project is now expected to be completed July 2022. Other reasons for the variance include; CIL capital contribution to third parties towards capital expenditure (£0.5m), public conveniences (£0.5m), children's playgrounds (£0.3m), disabled facilities grants (£0.2m) and IT hardware/infrastructure and projects (£0.2m).
- 7.6. For the HRA, £3.0m of the budget reduction is due to slippage in the Council House Building programme with £0.2m relating to slippage on IT hardware/infrastructure/projects.

8. Medium Term Financial Outlook to 2023/24

8.1. Over the medium-term, the gap between expected Departmental spending pressures and projected funding continues to grow. By 2023/24, the Council will need to close a further gap over the MTFS of c£0.9m, as shown in **Table 9** below. This is driven by:

- Growth pressures: including inflation and demand: c£1.3m; and
- Funding reduction of £0.3m
- Offset by savings identified to date: £0.7m

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

	Community Services £k	Housing General Fund £k	Planning Policy £k	Strategy & Resources (S&R) £k	Corporate Items £k	Council Total £k
2022/23 Final Budget	3,975	468	1,190	6,294	(576)	11,351
Pressures						
Service Demands	20		40	(10)	96	146
People and Enabling Services				150	85	235
Fees and Charges	50					50
Corporate Items - Reserves Build					433	433
Corporate Items - Other					416	416
Pressures Subtotal	70	0	40	140	1,030	1,280
Savings						
Service Efficiency	(97)			(52)	(58)	(207)
Fees and Charges	(31)	(40)			(170)	(241)
People and Enabling Services				(70)	(196)	(266)
Savings Subtotal	(127)	(40)	0	(122)	(424)	(713)
Overall movement	(57)	(40)	40	18	606	568
2023/24 Estimate	3,918	428	1,230	6,312	30	11,918
Funding						
2022/23 Funding						(11,351)
Increase in Council Tax						(266)
Reduction in Business Rates						159
Reduction in Grants						414
Overall movement						307
2023/24 Estimate						(11,044)
Gap						874

Table may not sum due to rounding differences

8.2. Our immediate priority has been understandably closing the gap and setting a balanced budget for 2022/23. Most, if not all the savings identified for 2022/23 are base budget savings and continue into the medium-term. Our Twin Track approach will continue to identify savings for 2022/23, with £150k planned for acceleration and part of closing the gap for 2022/23.

- 8.3. The unprecedented levels of uncertainty throughout the 2022/23 budget planning process continue over the MTFs. A further delay to Local Government Reform (Fair Funding Reform, New Homes Bonus and Business Rates reset) and a one-year settlement for next year leaves the Council facing further uncertainty into 2023/24, which provides challenges to effective planning.
- 8.4. Future Council Tax base and Band D increases are simpler to predict. However, Business Rates tax base and economy are extremely difficult to predict. After consulting with Local Authority funding experts, we are basing future Business rate funding on the minimum funding of the Business Rate baseline as a potential outcome. The estimated funding is outline in **section 6 Table 5** and is considered to represent likely outcomes at this point and will be subject to continuous review as any new intelligence emerges. The pooling gain will be one-off unless TDC qualifies for pool entry in 2022/23.

Council Tax

- 8.5. The scenario considered to be most likely is that Council Tax continues to increase within a referendum limit of £5 on annual increases (as is expected to be the case for 2022/23).
- 8.6. We assume a 0.7% growth in Tax Base for 2023/24, recovering slightly after the impact of the pandemic in 2021/22 and 2022/23.
- 8.7. The Collection Fund is expected to move to a slight surplus for 2023/24 due to collection rates starting to offset the 2020/21 deficit spread. We expect this to stabilise with modest surpluses thereafter.

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

- 8.8. The review of Local Government funding distribution, the FFR, and the move to 75% retention of Business Rates has been delayed again, with Government indicating that it will be implemented in 2023/24.
- 8.9. Confirmation over the timing of the reform is crucial to planning, not least because we anticipate the results will reduce our overall funding. We assume transitional arrangements will be put in place, so the pace of reduction is phased/more manageable. Under normal circumstances officers would review technical working group papers as a highly effective means of keeping informed about the potential direction of reform. However, working groups which were previously developing the new system have been suspended and so the ability to gather any new and robust intelligence has been somewhat reduced.

Retained Business Rates reset

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

9. Capital Programme to 2024/25

- 9.1. This section of the report provides an update on the development of the Capital Programme for 2022/23 to 2023/24, taking into account work that has been carried out by officers and Members over the last few months. The Final Capital Programme is set out in **Appendix D**.
- 9.2. Aligned to the revenue budget, Councils receive some general and specific grant funding to support capital expenditure. However, there are some significant differences to how capital expenditure is funded.
- 9.3. One of these is that Councils are permitted to borrow to fund capital expenditure as long as that borrowing is deemed affordable, prudent and sustainable. Councils can also fund capital expenditure from the proceeds of selling assets (called capital receipts).
- 9.4. The Capital Programme sets out our expenditure plans and how we will pay for them over a three-year period.
- 9.5. The current three-year Capital Programme was approved by Council in February 2021.
- 9.6. The Capital Programme is funded from a combination of external and internal resources. External funding is mainly in the form of Central Government grants and Community Infrastructure Levy (CIL). Internal funding takes the form of locally raised funds such as borrowing and capital receipts. There are significant constraints on the availability of internal funds, particularly capital receipts, which are finite in nature and depend upon identifying surplus assets for sale or disposal.

- 9.7. Borrowing to fund the Capital Programme has an impact on the revenue budget in the form of interest payments and Minimum Revenue Provision (MRP) payments. Although interest rates are historically low, the more that is borrowed to fund the Capital Programme the greater the impact on the revenue budget. MRP is the minimum amount which the Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans). This is an annual revenue expense in the Council's budget. The cost of MRP to the 2022/23 budget is £1.2m, grows to £1.4m in 2023/24 and reduces to £1.2m in 2024/25 as earlier loans are fully repaid.
- 9.8. All borrowing for capital schemes is done within agreed prudential limits which establishes a benchmark for affordability and sustainability. A range of indicators are maintained to demonstrate this. These indicators are maintained within the Council's Treasury Management Strategy and are monitored and reported to the Investment Sub-Committee and Council on a regular basis. The Treasury Management Strategy demonstrates how the borrowing requirement will be managed. This strategy was approved by the Investment sub-Committee on 21st January.
- 9.9. **Table 10** below shows the final three-year Capital Programme and how it is planned to be funded for 2022/23 to 2024/25.

Table 10: Final 3-year General Fund and CIL Capital Programme

	2022/23	2023/24	2024/25	Total Programme
	£000	£000	£000	£000
Community Services	522	590	538	1,650
Housing General Fund	460	460	460	1,380
Strategy & Resources (£950k CIL funding in 2022/23)	1,784	181	282	2,247
Planning (all Community Infrastructure Levy)	1,667	500		2,167
Total Capital Programme	4,433	1,731	1,280	7,444

	2022/23	2023/24	2024/25	Total Programme
	£000	£000	£000	£000
External Funding/Grants	835	461	460	1,756
Capital Receipts	0	0	0	0
Borrowing	981	770	820	2,571
Subtotal General Fund	1,816	1,231	1,280	4,327
Community Infrastructure Levy	2,617	500	0	3,117
Total Capital Programme	4,433	1,731	1,280	7,444

Community Services

9.10. The final three-year Capital Programme 2022/23 to 2024/25 for Community Services is £1.7m. The main schemes comprise of:

- Children’s Playground Improvements - £0.3m;
- Vehicle Replacement Programme - £0.4m;
- Parks, Pavilions & Open Spaces - £0.3m;
- Garden Waste, Recycling, Food Waste and Refuse bins - £0.3m;
- Car Park Equipment Replacement Programme - £0.1m; and
- Projects collectively below £0.1m: Replacement litter bins, Land Drainage Works, Plant & Machinery Replacement Programme.

Housing General Fund

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

Strategy & Resources

9.12. The final three-year Capital Programme 2022/23 to 2024/25 for S&R is £2.2m. The schemes comprise of:

- Croydon Road Regeneration - £1.3m including £950k CIL
- IT Hardware & Infrastructure Projects - £0.6m
- Land and Asset Redevelopment - £0.2m
- Council offices Major Works Programme £0.1m

Planning Policy (Community Infrastructure Levy)

9.13. The final three-year Capital Programme 2022/23 to 2024/25 for Planning Policy (all CIL) is £2.2m. This is made up of grants and contributions to third parties for capital projects and are funded from CIL. A further £950k of CIL funds the Croydon Road scheme in S&R bringing total CIL to £3.1m.

Housing Revenue Account

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

- Council House Building Programme - £16.5m;
- Improvements to Housing Stock - £11.2m; and
- IT Hardware & Infrastructure Projects - £0.2m.

The final HRA Capital Programme is funded from the following sources, as shown in **Table 11** below:

Table 11: HRA Capital Programme and Funding

	2022/23	2023/24	2024/25	Total
	£000	£000	£000	Programme £000
HRA	11,586	11,517	4,866	27,970
HRA Capital Receipts/Reserves	7,213	7,213	4,866	19,293
Borrowing	4,372	4,304	0	8,677
Total HRA Funding	11,586	11,517	4,866	27,970

9.15. The HRA will fund its Capital Programme from capital receipts, Reserves and borrowing. The HRA has three separate Reserves it can draw upon; the New Build Reserve, Repairs Reserve and Major Repairs Reserve. The HRA is also able to use retained receipts from Right-to-Buy sales to fund part of the expenditure on building new HRA stock. The HRA can also borrow to fund its Capital Programme using the rental income to cover the cost of interest and principal repayment. There is no requirement for the HRA to make MRP payments.

Recommendation 9: Approves the total £35.4 million proposed three-year Capital Programme (comprising £4.3m General Fund, £3.1m Community Infrastructure Levy (CIL) and £28.0m Housing Revenue Account (HRA)) of which £16.0 million Capital Budget is for 2022/23 (Appendix D);

10. Flexible Capital Receipts Strategy 2021/22 and 22/23

- 10.1. In the Spending Review 2015, the Chancellor of the Exchequer announced that to support Local Authorities in delivering more efficient and sustainable services, the Government would allow them to spend up to 100% of their capital receipts on the revenue costs of transformation projects. Initially this flexibility on the use of capital receipts was limited to those received between 1 April 2016 and 31 March 2019. However, the 2018/19 Local Government Finance Settlement extended these flexibilities for a further three years to March 2022. As of 19 January 2022, there has been no further official guidance that these flexibilities have been extended beyond March 2022 although this may be confirmed in the final Local Government Finance Settlement.
- 10.2. To take advantage of the potential for this flexibility, Local Authorities are required to produce a strategy which discloses the individual projects that will be funded, or part funded, through flexible receipts; this must be approved by Full Council (**Appendix G**).
- 10.3. The overall strategy for applying capital receipts to transformation is to meet one-off or time-limited costs necessary to deliver a medium-term benefit for the revenue budget without diverting vital revenue funding from service delivery. The benefit to the revenue budget will come either in reducing current costs or avoiding increases in future costs. This strategy does not allow for the use of one-off funding to subsidise the ongoing costs of delivering core services.
- 10.4. S&R on 2nd December approved the Chief Executive to request a capital dispensation from Department of Levelling Up, Housing and Communities (DLUHC) to initially replenish General Fund Reserves and secure flexibility for a further amount to fund transformation, if the sector-wide flexibilities are not extended. The request was made in early January 2022, we await a response.
- 10.5. The current position of general fund capital receipts is an opening balance of £1.3m. Freedom Leisure loan repayments are classed as capital receipts and this will enhance the position by £0.3m. Instead of funding general fund capital programme with internal borrowing, capital receipts can be applied. For 2021/22 it is estimated that £0.7m will be applied. There are also approved transformation schemes of £0.2m for Planning and Finance. Therefore, the estimated position at the end of 2021/22 is £0.7m of residual receipts.
- 10.6. If the capital dispensation is not approved, and the flexible use was not extended, the residual receipts would have to be applied only to capital schemes.
- 10.7. The below table is the estimated capital receipts if the capital dispensation request is approved.

Table 12: Estimated General Fund Capital Receipts position for 21/22 and 22/23 if the capital dispensation directive is approved.

	With dispensation		Net £k
	Receipts £k	Applied £k	
Position 01/04/21	1,337		1,337
21/22 Capital Programme		(754)	(754)
Planning Transformation Investment		(118)	(118)
Tandridge Finance Transformation		(80)	(80)
Loans until 23/24	318		318
Position 01/04/22	1,655	(952)	703
Potential sale of an asset previously wholly rented to NHS	1,300		1,300
Loans until 23/24	318		318
Build reserves			
Estimated 22/23 Capital Programme		(2,321)	(2,321)
Other transformation work			
Position 01/04/23	3,273	(3,273)	0

Recommendation 10: To approve the Flexible Use of Capital Receipts Strategy for 2021/22 and 2022/23

11. 2022/23 Adequacy of Reserves and Risk Mitigation Strategy

11.1. The Council is required to maintain an adequate level of Reserves to deal with future forecast or unexpected pressures. We are not permitted to allow spend to exceed available resources which would result in an overall deficit. Sections 32 and 43 of the Local Government Finance Act 1992 require Authorities to have regard to the level of Reserves to meet estimated future spend when calculating the budget requirement.

11.2. Reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies; and
- A means of building up funds (Earmarked Reserves) to meet known or predicted liabilities.

A summary of General and Earmarked Reserves, including usage and the forecast of Reserves and balances over the MTFs can be found in **Appendix H**.

11.3. Given the challenges in funding that the Council has experienced over recent years, **retention and build of the Council's Reserves at a suitable level will be essential in order to mitigate risk**, including future funding uncertainties and non-delivery planned budget savings.

- 11.4. The Council has over the last two to three years eroded General Fund Reserves. Although there is no generally recognised official guidance on the level to be held, the level should be justifiable in the context of local and external economic factors, and that taxpayers' money should not be tied up unnecessarily. The Council's external auditor comments on the level of Reserves as part of the annual audit of the Council's Accounts.
- 11.5. Since 2018/19, the General Fund Reserves have been eroded by £1.8m (1st April 2020 lowest point at £3m). The closing position of the General Fund balance (£3.1m) is low by comparison to other Authorities (as evidenced through the CIPFA Financial resilience index) which we have ambition to increase. To maintain resilience to address the level of risk, we have focussed on preserving our General Fund balance and Contingency for 2022/23 and building over the medium-term.
- 11.6. As at 1st April 2022, £2.8m of General Fund is expected to be brought forward, subject to the outturn position. No application of General Fund Reserves is planned for the 2022/23 budget.
- 11.7. Note that the position reflects the current reserve position. An updated position will be presented to the Committee if DLUHC approves the capital dispensation directive.
- 11.8. To maintain and then build financial resilience and sustainability, for 2022/23 we have budgeted for no movement on General Fund Reserves. A planned growth has been deferred to 2023/24 to allow for recovery from the 2020/21 pension budget error. In 2023/24, in addition to the current £2.8m General Fund balance, we have allowed for a £0.5m build to General Fund Reserves and the maintenance of a c£0.1m Contingency year-on-year over the MTFs.
- 11.9. The Local Taxation Equalisation Reserve (previously known as Business Rates Equalisation Reserve) stands at £0.3m to mitigate the uncertainties over the economy and support any further, and currently unknown Collection Fund deteriorations.
- 11.10. As part of the budget setting process, we have identified a £1.1m Savings Programme to balance the budget. Given the current level of Reserves, delivery of the savings plan is essential and any savings that do not deliver to the extent expected will need to be replaced with alternate measures in year. The Benefits Board will monitor this closely throughout the year.
- 11.11. We have also set aside £0.4m for inflationary and staffing increment pressures. These will be applied to Committee budget envelopes as part of Tranche 2 to cover expected increases.
- 11.12. On the basis, the Section 151 Officer considers Reserves to be at a legally acceptable level for now, but one which would require improvement through building in the next financial year. In future years, budgets and the financial strategy will target the replenishment of Reserves, increasing them to a level to create resilience against medium-term risk

12. Engagement and Consultation

- 12.1. Member engagement on the 2022/23 budget setting process has been undertaken over the Autumn of 2021 through Group Leaders and Deputy Group Leaders meetings. The Group Leaders and Deputy Group Leaders have disseminated the information to their related parties.
- 12.2. Additionally, in November 2021 a workshop was held with all Members in order to scrutinise the budget proposals that had been developed and put forward by Officers. Members have put forward proposals which have been subsequently reviewed and taken forward either for 2022/23 or 2023/24.
- 12.3. From 6th January to 1st February residents were able to comment on the Draft Budget proposals and the Committee final budgets. The consultation was on the Council's website and initially referred to the Draft Budget paper and directed residents to the Committee Final Budget papers when they are published. There were no residents' comments.

Comments of the Chief Finance Officer (s151)

- 12.4. 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 the Fair Funding Review 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, without the use of General Fund Reserves** 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 holding a contingency corporately to manage in-year budget pressures unanticipated at the time of setting the budget and 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.
- 12.5. 2021/22 is undoubtedly also a difficult year with a current (Month 8) overspend of c£0.2m 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.
- 12.6. 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 DLUHC 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.
- 12.7. 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 become unachievable during the year, or pressures added then offsetting savings must be identified to compensate.

13. Comments of the Head of Legal Services

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

14. Equality

- 14.1. 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.
- 14.2. 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.
- 14.3. 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.
- 14.4. 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.
- 14.5. 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).
- 14.6. 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.

15. Climate Change implications

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

16. Appendices

Appendix A – Executive Summary of Final Report- An Independent Review of Tandridge District Council’s Financial Management and Reporting Arrangements

Annex 1 - Final Report of Independent Review

Annex 2 – Capital Dispensation Request sent to DLUHC, Jan 2022

Annex 3 – Self assessment summary

Appendix B – Overall Revenue Budget 2022/23

Appendix C – List of Pressures and Savings by Committee

Appendix D – Overall Capital Programme 2022/23 – 2023/24

Appendix E – Council Tax Statement

Annex 1 – Council Tax Base 2022/23 (replicated from S&R Dec 2nd December, Appendix D)

Appendix F – Parish Precepts [TO FOLLOW]

Appendix G – Capital Flexible Receipts policy and Estimate

Appendix H – Earmarked and General Fund Reserves

Appendix I – Glossary of Terms

17. Background papers

2nd Dec Strategy & Resources – 2022/23 Draft Budget & MTFS to 2023/24

18th Jan Community Services – Outline Final Budget

20th Jan Planning policy – Outline Final Budget

25th Jan Housing – Outline Final Budget

1st Feb Strategy & Resources - Outline Final Budget

An independent Review of Tandridge District Council's Financial Management and Reporting Arrangements

Report to Anna D'Alessandro, Chief Finance Officer and Section 151 Officer, Tandridge District Council – Executive Summary of Findings

From Laura Rowley BA MBA FCPFA

Final Report 20 January 2022

Executive Summary

Background and Objectives

Tandridge District Council is aware that it faces a challenging financial situation and needs to improve its financial management across the Council. This situation, coupled with reduced capacity and capability in the finance team, led Tandridge District Council (TDC) to appoint through an open competitive process, Anna D'Alessandro as the Chief Finance Officer and Section 151 Officer. Subsequently, significant work is underway focussed on improving financial management and governance in the short term and transforming the finance function in the medium term.

This report sets out an Executive Summary of my findings. My full report and findings can be found at **Annex 1** to this report. **Annex 2** presents a copy of the Capital Dispensation Letter, signed by the Chief Executive, and sent to the Department of Levelling -Up, Housing and Communities in early January. **Annex 3** presents a summary of the Self-Assessment Framework, discussed below which formed the basis of my work. A more detailed version is available on formal request. Given the urgency with which this work needed to be undertaken to provide confidence to Members in approving the 2022/23 Budget in particular, areas for improvement in the self-assessment which have not been taken forward, could be considered for the next phase of the Tandridge Finance Transformation (TFT) Programme.

The Chief Finance Officer (CFO) has set the following **objectives for this review**:

Short-term Objectives:

1. To re-build confidence in the financial data and information used in the production of the 2020/21 Revenue Outturn Report and Statement of Accounts through careful analysis and review.

This will enable:

- the Chief Finance Officer (CFO) to recommend with assurance that Members approve the Revenue Outturn Report for 2020/21.
- the Statement of Accounts for 2020/21 to be submitted by the CFO to Deloitte for the external audit to be finalised, and their Annual Report and value for money conclusion published.
- the CFO to use the 2020/21 Revenue Outturn Report to inform the development of the 2022/23 Budget and rebuild Members' confidence that the Draft Budget Report can be supported because any underlying financial issues are either not material or will be addressed through transformation work.

Objectives identified during the course of the review:

2. To identify the most pressing significant weaknesses in the District Council's financial management and reporting arrangements and suggest improvements to the CFO for consideration.

3. To identify opportunities, complementary to the work being undertaken by Impower on pressures, growth, and savings proposals, that could help the Council set a balanced Revenue Budget for 2022/23 and future years.

Timetable, Scope, and Approach to the Review

The work is to be undertaken on a part time basis in the period of October to December 2021 and part of January 2022.

An Interim Report for the CFO was produced in November 2021 with a view to the CFO reporting to the Strategy and Resources (S&R) Committee on 2nd December 2021 when the Committee also considered the Revenue Outturn for 2020/21 and the draft Revenue Budget for 2022/23.

A Final Report for the CFO has been produced for mid - January 2022 with a view to the CFO reporting to S&R on the same Agenda (1st February 2022) as the Revenue Budget Report 2022/23.

It is understood that the scope of this review is limited and can only cover some aspects of the Council's financial management arrangements. The Council has commissioned work from the LGA, Grant Thornton and Impower over the last 18 months and this review will, as far as possible, avoid any duplication of effort.

The approach to this review will be different from that taken by auditors, inspectors, and consultants. Typically, such organisations will assess the Council's performance in a particular area against relevant standards or benchmarks and make recommendations for improvement which the CFO and her team must then respond to, work on and address. At times this can result in the CFO being presented with a list of recommendations to address problems that she already knows about, dials up the pressure and does little to help tackle those problems.

This review will seek to identify some of the more pressing significant weaknesses in the Council's financial management.

As a starting point for the review a self-assessment framework (Refer to **Annex 3**) was written by myself as the Independent Adviser. The self-assessment framework is adapted from the Use of Resources Assessment developed by the former Audit Commission. The self-assessment framework was populated with the views and responses by a number of members of the Finance team (TDC and SCC) from two meetings, together with individual contributions, for example from the former Deputy Section 151 Officer. I then reviewed it and made an assessment of the largest areas of weakness, which then formed the basis of my review.

A summary of findings from this Review

The findings from this review are summarised below.

Findings relevant to Objective 1: to re-build confidence in the financial data and information used in the production of the 2020/21 Revenue Outturn Report and Statement of Accounts through careful analysis and review.

- **Comment 1.** Audit and Scrutiny has improved substantially over the last year. The Committee meets regularly, the Agenda is relevant, the Chair is well briefed, and it is fully engaged in the discussion of key issues.
- **Comment 2.** Swift steps have been taken by the CFO to seek independent reviews of weaknesses in financial management and to act upon the outcomes.
- **Comment 3.** The base budget for the old year, 2021/22, has been reviewed systematically with care and due diligence by the finance team. The issues identified have been addressed in the 2022/23 draft Revenue Budget.
- **Comment 4.** The Finance team has been restructured and strengthened, with colleagues from Surrey County Council providing additional, expert, and experienced capacity in addition to professional leadership and direction. This will be supplemented by the newly appointed full-time CFO (s151).
- **Comment 5.** The Tandridge Finance Transformation (TFT) Programme is underway and is already bringing about change and improvement. The progress made on the Exchequer Services project is impressive and is already adding value.
- **Comment 6.** The Revenue Outturn Report for 2020/21 has been considered and noted by S&R on 2nd December 2021. The Full Council meeting on 16th December received and noted the decisions that the Strategy and Resources Committee had made under delegated powers. The Outturn Report for 2020/21 is now with the external auditors for review and sign-off.

Findings relevant to Objective 2: To identify the most pressing significant weaknesses in the District Council's financial management and reporting arrangements that should be addressed for implementation in the next financial year and suggest improvements to the CFO for consideration.

- **Comment 7.** The Council has made considerable and noticeable improvement in its financial reporting. Improvements include: issuing monthly monitoring information to Members, with key messages, risks and opportunities highlighted in plain terms. Information being presented in different ways, using graphs, charts and diagrams, together with narrative interpretation to ensure that messages can be understood.
- **Comment 8.** The Council's revenue monitoring information is now sufficiently reliable and robust to support members strategic decision-making and, the budget setting process.
- **Comment 9.** The Council's current Financial Regulations are not fit for purpose. The Monitoring Officer (MO) had already started to review and re-write these Regulations with support from the LGA and further work has been done as part of this independent review.
 - To help progress work in this area, **a draft of the existing Regulations has been produced as an output from this review for the CFO and the MO to consider. This draft is presented as a separate report on the same Strategy and Resources Committee Agenda as this Report,** so that the Committee has an opportunity to comment before a final version is taken to Full Council on 10th February for final approval.
- **Comment 10.** The Cash Book and Bank Reconciliation process is labour intensive, extremely slow and is not integrated with key financial systems. These systems issues will be addressed through the TFT.
- **Comment 11.** Suspense Accounts, for expenditure, were cleared in a timely manner and transactions allocated in time for inclusion in the 2020/21 Accounts and this is good practice.
- **Comment 12.** Income suspense accounts carried significant balances at the end of 2020/21. Work is underway to clear these balances to a more acceptable level by the end of 2021/22.
- **Comment 13.** Debtors (the amounts owed to the Council by people and organisations) are extraordinarily high as at 1st April 2021 as a proportion of the Council's Revenue Budget. It is difficult to take action to recover debt if the Council does not have an accurate record of the amounts paid by those debtors (see Comment 10 above). This situation is being actively managed and is also being tackled as part of the TFT.
 - To help progress work in this area, **a draft 'Payments from Customers and Debt Management Policy' and a draft 'Bad Debt Write-Off Operational Procedure' have been produced as an output from this review. The draft is presented as a separate report on the same Strategy and Resources Committee Agenda as this Report,** so that the Committee has an opportunity to comment before the final version is taken forward to Full Council on 10th February.

- **Comment 14.** It is imperative that Tandridge supports and implements modest invest-to-save measures in the areas of income collection and debt management without delay. A Business Case for investment in a person to support the active management of debt is planned for Audit and Scrutiny. I consider that it is essential for the Council to rebuild its capacity in this area if income and debt are to be managed more actively. Such investment will more than pay for itself.
- **Comment 15.** The exceptionally high level of volatility in the Revenue Budget variances between 2020/21 and 2021/22 can be explained satisfactorily.

Findings relevant to Objective 3: To identify opportunities that could help the Council set a balanced Revenue Budget for 2022/23 and future years.

- **Comment 16.** General Fund Capital Receipts could be used to offset the c£920,000 pension budget shortfall in 2021/22 and/or be used to fund transformation. The capital receipts could be used to support an application to the Secretary of State for a Capital Dispensation.
 - To help progress work in this area, a **draft Capital Dispensation request is attached as Annex 2 to this report**, in the form of a letter to the Secretary of State from the Chief Executive.
- **Comment 17.** The active management of the Council's fixed assets is good practice and has yielded capital receipts which can be used to fund a Capital Dispensation request. If approval is granted by the Secretary of State, the Capital Dispensation of £2.3m will enable capital receipts to be used as if they were revenue funding. This is not normally permitted. Funds of £2.3m can then be added to the Council's General Fund Reserves, increasing those Reserves by 75% and strengthening the Council's financial resilience.
- **Comment 18.** Work has been undertaken on reviewing the working papers supporting the Council's Balance Sheet for 2020/21. The Reserves position of £3.2m (estimated closing position for 21/22) is well supported and analysed. Some further work is necessary to evaluate a series of smaller balances, some of which may no longer be required for their intended purpose and could be written back into the General Fund. This would improve the Council's financial position.
- **Comment 19.** Substantial changes have been made to financial monitoring in the last year with the result that strategic decisions can now be taken with confidence and assurance that the financial implications have been identified and are soundly based. In addition, material changes have been made during the year to the consistency and quality of the CFO's financial commentary in key reports and governance documentation (such as waivers, procurement business cases and exemptions). As a result, strategic decisions can now be taken with confidence and assurance that the financial implications have been identified and are soundly based.
- **Comment 20.** The Council improved its approach to budget setting for the 2021/22 Budget, has built on that for the development of the 2022/23 Budget and is adopting rapidly an approach to budget setting for 2022/23 that is now close to a best practice model.

- **Comment 21.** The Council is changing – the approach to developing, communicating, and setting the Revenue Budget for 2022/23 is becoming more open, transparent and inclusive. The financial management culture is changing for the better.

Conclusions

Based on the work undertaken for this Review (October to January 2022) there is sufficient evidence of careful review and analysis of the data and information used in the production of the 2020/21 Outturn Report and the monthly revenue budget monitoring in 2021/22 to conclude that the CFO can proceed with a reasonable degree of confidence with the 2022/23 Budget Report, scheduled for S&R on 1st February.

The 2020/21 Outturn Report was ready and sufficiently robust for the CFO to recommend it to Members of the Strategy and Resources Committee on 2nd December 2021 and submit it with confidence to external auditors. The quality and coverage of working papers supporting the Accounts has improved and the Finance team are to be congratulated on their diligence, tenacity, and perseverance in getting to this position with limited resources.

Nonetheless, there is still much to do to ensure that financial management and accountability across the Council is improved, embedded, and becomes part of the Council's business as usual and that it is being addressed through the TFT, with Members updated through the Member Reference Group.

To help progress this work, a series of documents have been produced as outputs from this review:

1. Draft Financial Regulations (Completed – see separate report on this Agenda).
2. Draft Payments from Residents and Debt Management Policy. (Completed – see separate report on this Agenda).
3. Draft Operational Procedure for issuance by the CFO (in progress as at 20th January '22).
4. Capital Dispensation Request for c£2.3m. (Completed and attached as Annex 2 to this report)

These documents are intended to offer a practical contribution to bringing about improvements in financial management and in the Council's financial position.

The Draft Financial Regulations will be finalised by the CFO and MO over the coming weeks with input from S&R on 1st February, with a view to be taken to Full Council for approval as is required by the Constitution.

The Payments from Residents and Debt Management Policy is presented here in draft for Member comments, which will be incorporated in the final version to then be implemented immediately after Council approval.

If the Capital Dispensation request to the Secretary of State is approved, it will improve the Council's General Fund balances by c£2.3 million, strengthen the Council's financial resilience and facilitate investment in areas such as income collection, exchequer services and debt management, maximising the Council's future, recurring income streams.

One of the most important things that the CFO and her finance team are working on is changing the financial management culture in Tandridge. This takes time. It also takes considerable mental and emotional energy to change the culture within an organisation and sustain that change for the long term.

The extensive list of points highlighting progress demonstrates that the financial management culture is changing for the better and is moving towards best practice in a number of areas.

The Council is to be congratulated on the progress made over the last year or so. At this point in the financial cycle, the Council can afford to pause momentarily and reflect on the material improvement it has made in its financial management over the last year. Of course, there is more work to be done, nevertheless, the Council is in a far stronger position with its financial management, financial reporting, budgetary development, budget monitoring and financial resilience than it was a year ago.

End of Executive Summary

ANNEX 1 - THE INDEPENDENT FINAL REPORT IN FULL

An independent Review of Tandridge District Council's Financial Management and Reporting Arrangements

The context for this review

Tandridge District Council is aware that it faces a challenging financial situation and needs to improve its financial management across the Council. Tandridge has had a number of Section 151 Officers in the last five years. This constant change in the leadership of the Tandridge finance function has been unsettling for staff in the finance team. Moreover, the team has shrunk from 10 full time equivalent posts to 4 ½ full time equivalent posts over broadly the same five-year period, placing the staff under pressure at a time when internal audit, external reviews and scrutiny have added to their workload.

The difficult financial position for the Council as a whole, coupled with a weakened finance team, led Tandridge District Council to approach Surrey County Council for assistance, hence the appointment of Anna D'Alessandro as Section 151 Officer in mid-2020. Significant work has begun under her professional leadership and with the wholehearted support of the political leadership, on improving financial management and governance in the short-term and transforming the Finance function in the medium term. This transformation programme is designed to bring about steady, sustained improvement in financial control and financial management.

The objectives for this review

The Chief Finance Officer (CFO) has set the **following objectives for this review:**

Short-term Objectives:

1. To re-build confidence in the financial data and information used in the production of the 2020/21 Revenue Outturn Report and Statement of Accounts through careful analysis and review.

This will enable:

- the Chief Finance Officer (CFO) to recommend with assurance that Members approve the Revenue Outturn Report for 2020/21.
- the Statement of Accounts for 2020/21 to be submitted by the CFO to Deloitte for the external audit to be finalised, and their Annual Report and value for money conclusion published.
- the CFO to use the 2020/21 Revenue Outturn Report to inform the development of the 2022/23 Budget and rebuild Members' confidence that the Draft Budget Report can be supported because any underlying financial issues are either not material or will be addressed through transformation work.

Objectives set during the course of the review

- 2. To identify the most pressing significant weaknesses in the District Council's financial management and reporting arrangements and suggest improvements to the CFO for consideration.**
- 3. To identify opportunities, complementary to the work being undertaken by Impower on pressures, growth and savings proposals, that could help the Council set a balanced Revenue Budget for 2022/23 and future years.**

Timetable, Scope and Approach to the Review

The work was undertaken on a part time basis in the period of October to December 2021 and part of January 2022.

An Interim Report for the CFO was produced for November 2021 with a view to the CFO reporting to the Strategy and Resources Committee on 2nd December 2021 when the Committee also considered the Revenue Outturn for 2020/21 and the draft Revenue Budget for 2022/23.

A Final Report for the CFO has been produced for mid - January 2022 with a view to the CFO reporting to S&R on the same Agenda as the Revenue Budget Report 2022/23.

It is understood that the scope of this review is limited and can only cover some aspects of the Council's financial management arrangements. The Council has commissioned work from the LGA, Grant Thornton and Impower over the last 18 months and this review will, as far as possible, avoid any duplication of effort.

The approach to this review will be different from that taken by auditors, inspectors, and consultants. Typically, such organisations will assess the Council's performance in a particular area against relevant standards or benchmarks and make recommendations for improvement which the CFO and her team must then respond to, work on and address. At times this can result in the CFO being presented with a list of recommendations to address problems that she already knows about, dials up the pressure and does little to help tackle those problems.

This review will seek to identify some of the more pressing significant weaknesses in the Council's financial management by using a self-assessment framework produced for the review and completed by the Council's finance team. The self-assessment framework is adapted from the Use of Resources Assessment developed by the former Audit Commission. There is no need to spend public money on creating something bespoke.

There is a lot to do within finite resources. Hence the TFT is taking forward a number of workstreams simultaneously. This review will help inform the CFO's pragmatic decisions as to which areas of work should be tackled in the earlier phases of transformation and those which will necessarily have to be tackled later.

To begin with, the transformation programme has placed emphasis on getting back to basics and ensuring that financial data are reliable and accurate, and that fundamental financial processes such as Accounts Payable and Accounts Receivable are reviewed and improved.

This review began with the Finance team carrying out a self-assessment of the Council's present financial management arrangements. The completed framework for the self-assessment, developed from the former Audit Commission's Use of Resources Assessment. This assessment identified the areas of most weakness and informed the starting point of the review. A summary of this self-assessment can be found at **Annex 3**. A full version can be provided upon formal request.

The self-assessment needed to be done quickly and take up the minimum amount of time so that time could be spent by the team on developing solutions.

After a couple of meetings of members of the Council's Finance team and some individual contributions, sufficient work had been done for the purposes of this review to highlight the most pressing weaknesses in financial management arrangements that this review could usefully investigate further. Time was then spent on developing possible solutions to some of those problems rather than generating an ever longer list of work for others to do.

The overwhelming majority of problems faced by a local authority are not unique. Another authority is likely to have faced the same problem and found a reasonable solution that it is happy to share. In addition, CIPFA, the LGA, the Audit Commission and other publicly funded bodies have developed standards, guidelines and models that can be used, often at no expense. This review makes as much use of this material as possible and adapts it to meet Tandridge's particular needs.

The Findings from this Review

Comments and observations about financial management practices at Tandridge District Council based upon work carried out during this review are set out below.

Comment 1. Audit and Scrutiny has improved substantially over the last year. It meets regularly, the Agenda is relevant, the Chair is well briefed, and the Committee is fully engaged in discussion of key issues.

The records of the meetings of the Audit and Scrutiny Committee show a marked improvement in the regularity of meetings, the quality of reports and the breadth of issues covered by the Committee from mid-2020 onwards compared with the previous two years.

Tandridge DC, with advice from senior officers, has implemented a new audit and scrutiny function which is evolving and establishing its role. There is evidence in the meetings of active engagement from Members asking appropriate, relevant and probing questions. Whilst there is work to be done to sustain and further develop audit and scrutiny, this takes nothing away from the step change in the Council's governance arrangements that a strengthened audit and scrutiny function represents.

The Chair is well briefed and is fully engaged with key issues such as the setting of the Budget for 2022/23 and the closure of Accounts. Good governance on financial matters is evident in other ways too – for example the external auditor was challenged to explain why there had been an extended delay in completing the 2019/20 audit and to find ways to overcome difficulties arising from staff sickness absence so that the audit could be completed.

The Council's approach is consistent with that recommended by the Centre for Public Scrutiny which is a respected source of advice and best practice in this area.

Comment 2. Swift steps have been taken by the Chief Finance Officer to seek independent reviews of weaknesses in financial management and to act upon the outcomes.

The CFO has taken reasonable and prompt action to be able to recommend the 2022/23 budget to Members with a reasonable degree of confidence and with managed risk.

Independent reports on key areas of financial risk have been commissioned from:

- The Local Government Association,
- Internal Audit, and
- Grant Thornton.

In addition, key findings have been reported to Audit Committee, the CFO has followed-up and taken action on those findings and progress has been reported back to the Audit Committee.

Comment 3. The base budget for the old year, 2021/22, has been reviewed systematically with care and due diligence by the finance team and the issues identified have been addressed in the 2022/23 draft Revenue Budget.

The Tandridge Finance team has reviewed the 2021/22 budget line-by-line, sent to Members on 18th January, with diligence, not least because of the pressing need to balance the budget during the year and deal with the consequences of the c£920,000 unplanned budget gap.

Other examples of the work that has been undertaken to validate the Council's revenue Budget in 2021/22 include:

- Finance business partners, working with service managers, have reviewed and verified the salaries budget which represents about three quarters of the total budget for the year.
- Expenditure and income have been under close scrutiny since the appointment of the new Chief Executive and the CFO.

Comment 4. The Tandridge Finance team has been restructured and strengthened, with colleagues from Surrey County Council providing additional, expert, and experienced capacity in addition to professional leadership and direction.

Working together and effectively, in a short period of time the Finance Team has been restructured and strengthened with additional, experienced colleagues from the County Council supporting the Finance team. The combined team is already laying the foundations for the change in culture required to embed tighter financial control and deliver services more efficiently. 'Silo' working has reduced and there is a greater level of engagement and accountability across all levels of staff.

The intense scrutiny of the 2021/22 Revenue Budget and the marked improvement in the leadership, management and governance of the authority have led to more openness and transparency. As a result, Councillors can be more confident that the base budget for 2021/22 has been carefully reviewed within the time and resources available, weaknesses are being identified and addressed and it provides a reasonable basis for planning 2022/23.

Despite all the work done to date, there is still much to be done to develop and embed routine financial processes, effective financial management and reporting and efficient accounting and year end processes at Tandridge District Council. The transformation programme provides the means to prioritise, plan, deliver and monitor the improvements that are necessary. There will continue to be variances, it is likely that they will be less significant and identified sooner. For an example of the extensive scope and scale of detailed work that is required to bring all of the Council's processes closer to good practice standards, please see Comment 11.

Comment 5. The Finance Transformation Programme (TFT) is underway and is already bringing about change and improvement. The progress made on the Exchequer Services project is impressive and is adding value.

The TFT is part of a wider programme of service improvement and transformation being progressed across the Council as a whole. Progress on the TFT is evident in the areas listed below.

- An effective TFT Programme Management function is in place.
- The Tandridge Finance team has been restructured, interviews have been held, roles filled successfully and recruitment to vacancies is currently in train.
- Surrey County Council has provided support through a small number of highly-skilled and experienced staff to strengthen the Tandridge Finance Team. Tandridge is recharged for the support of some County Council Officers and is getting excellent value for money not least because those staff have been able to draw on the skills and expertise of their County colleagues.
- The Exchequer function is a particular area of focus in Phase 1 of the programme and is making headway. This issue is covered in some detail later in this report.

The Finance staff as a whole are working purposefully and professionally together, especially given the difficult circumstances.

Former Section 151 Officers are personally accountable (as prescribed in the legislation) for the effective and efficient financial management of the Council's resources. It follows that those officers carry the responsibility for failing to actively manage and prevent the deterioration in the Finance function in the period 2016 to mid-2020 (until the incumbent interim CFO came into post from SCC) and for the weaknesses identified in this report, and not the Finance Team as a whole.

There have been mitigating circumstances because local authorities have faced cuts in government grant during the 10 years of austerity following the financial crisis. But the most basic systems of income collection, cash book and bank reconciliations deserved more attention from former Section 151 Officers. As Government funding is beginning to improve, these functions now need sufficient resources, that could be funded on an invest to save basis, through the Finance transformation programme. Some relatively modest additions, such as a small number of accounting technicians or trainees, would generate more income than they cost. In addition, the Council would be in a better position to strengthen the basic transactional systems and associated procedures that enable assurance to be given on matters to do with financial regularity and probity.

Comment 6. The Revenue Outturn Report for 2020/21 has been considered and noted by the Strategy and Resources Committee on 2nd December 2021. The full Council meeting on 16th December received and noted the decisions that the Strategy and Resources Committee had made under delegated powers. The outturn report for 2020/21 is now with external auditors for review and sign-off.

The 2019/20 Accounts have been submitted to external audit. It is not yet clear why the audit has not been completed however that is being addressed by the Chair of the Audit & Scrutiny Committee. External auditors in general are lacking the resources that they need, especially given the very tight budgets allocated by the PSAA; this is likely to be a factor in the delay. It is expected that the 2019/20 Accounts will be signed off in January 2022. However, I have been made aware at the time of writing that they are to be signed by 27th January (pre-Audit & Scrutiny Committee)

The 2020/21 Outturn Report and Accounts have been prepared and presented to S&R on 2nd December 2021. In addition, a clear and comprehensive covering report helped to inform the discussion at the meeting. It is pleasing to note that the Outturn position reported was consistent with the Accounts. This has not always been achieved. In the past there has been significant variation as between the position shown in the Outturn and that shown in the final Statement of Accounts.

The stable position achieved by the Council shown in the Statement of Accounts helps to give confidence that the 2020/21 Outturn can be used as a sound basis upon which to build the Revenue Budget for 2022/23.

The work that has been done by some team members in preparing the 2020/21 Outturn Report and the associated working papers and slides has been meticulous. Much credit is due to the Finance team including those colleagues seconded and providing support from Surrey County Council whose patience and persistence has contributed to a better set of Accounts being produced for 2020/21.

The 2020/21 Accounts were considered and noted by S&R on 2nd December. In addition, the Committee received a report on the 2022/23 Revenue Budget. Their decisions, made under delegated powers, were reported to full Council on 16th December 2021 as follows:

- 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.

Please note that significant contributions have been made to Reserves at the end of 2020/21 (as set out in the Outturn Report) and this strengthens the Council's financial position.

Comment 7. The Council has made a considerable and noticeable improvement in its financial reporting.

The 2020/21 Outturn is consistent with the 2020/21 Accounts which are ready for external audit. This consistency has not been achieved in the past and it demonstrates the concerted effort made by the Finance teams during the year to produce accurate and timely revenue monitoring information has been worthwhile.

Comment 8. The Council's revenue monitoring information is now sufficiently reliable and robust to support Members' strategic decision-making, and the budget setting process.

The CFO, the Senior Finance Business Partner, Business Partners and their team members are to be congratulated on the leadership and development of the major step forward made by the Council in the timeliness, accuracy and quality of regular monitoring information provided to Members. Members of the Council, and senior officers are now in receipt of monthly revenue monitoring information which is accurate and up-to-date. This information is sent by email to Members so that it is received in a timely fashion. Key messages are drawn out by the CFO

Further work is planned to draw financial reporting information together with performance and risk information and present it to Committees on a regular basis and balance sheet information provided quarterly. The Council will then be in a better position to actively manage its working capital, especially the debt position, costs and performance levels of services and to demonstrate that it is delivering value for money to local people.

Comment 9. The Council's current Financial Regulations are not fit for purpose. The Monitoring Officer (MO) has already started to review and re-write these Regulations with support from the LGA and further work has been done as part of this independent review.

The Financial Regulations describe the roles and responsibilities of Members and Officers for the effective management of the Council's finances. Responsibility and accountability for financial management is delegated through the Financial Regulations. Furthermore financial controls such as expenditure limits are set out in these Regulations. It is essential that the Financial Regulations are redrafted by the CFO and the MO working together and taken to full Council for consideration and approval.

To help progress work in this area, a draft **set of Financial Regulations is presented on the same S&R agenda on 1st February for Members to note and comment on** and for the CFO to consider and finalise with the MO, with S&R Committee input, then onto Full Council for approval on 10th February. This draft is based on established good practice and CIPFA's standard model.

Comment 10. The Cash Book and Bank Reconciliation process is labour intensive, extremely slow and is not integrated with key financial systems. This will be addressed through the Tandridge Finance Transformation Programme.

At the end of the financial year the cash book and bank reconciliation as at 31st March 2021 was out of balance and detailed work was required by the then Deputy Section 151 Officer in order to prepare a reconciliation and supporting working papers that would satisfy the external auditor.

The bank reconciliation was out of balance, on the face of it, by around £30,000. The Council's cash book and bank reconciliation process is labour intensive, extremely slow and dependent upon a number of spreadsheets that are used to work around the lack of integration between key financial systems, not least Agresso (the General Ledger) and Adelante (the Income System). This is not satisfactory. Additional work was undertaken by the Deputy Section 151 Officer and the team in order to identify the reasons for the imbalance and provide working papers and explanatory notes for consideration by external audit. Further work is planned as part of the transformation programme so that a more permanent solution can be found.

Comment 11. Suspense Accounts for expenditure were cleared in a timely manner for the 2020/21 Accounts and this is good practice.

Suspense Accounts were cleared, and transactions allocated in time for inclusion in the 2020/21 Accounts. The uncleared suspense at 31st March 2021 was less than £1,000 in total. This is good practice.

Comment 12. Income suspense accounts carried significant balances at the end of 2020/21. Work is underway to clear these balances to a more acceptable level by the end of 2021/22.

Income suspense accounts arise largely because correct and complete references have not been used by the people or organisations making payments to the Council. As a consequence of the lack of a correct reference the customer's payment cannot be coded automatically to the correct account code and is coded to suspense instead. The Council could make it easier for people and organisations to make their payments and use correct reference numbers. This will help to reduce the volume of transactions in suspense accounts, reduce administration and keep the accounts of people and organisations up to date and accurate.

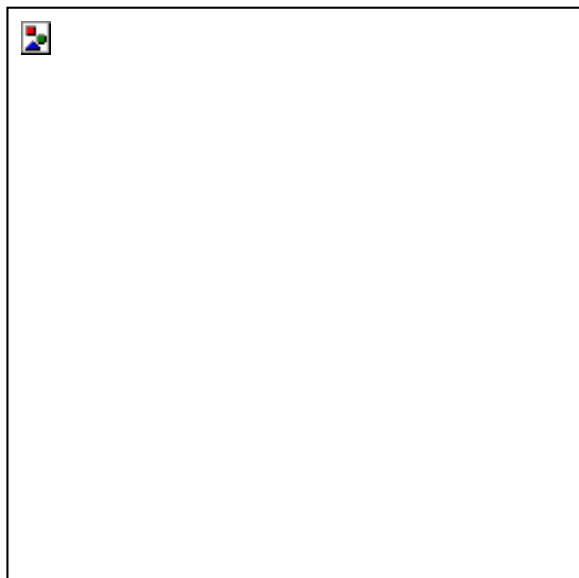
To help progress work in this area, a draft '**Payments from Customers and Debt Management Policy**' has been provided for the CFO to consider. This draft policy is also relevant to the comment on debtors below.

Comment 13. Debtors (the amounts owed to the Council by people and organisations) are extraordinarily high as at 1st April 2021 as a proportion of the Council's Revenue Budget. It is difficult to take action to recover debt if the Council does not have an accurate record of the amounts paid by those debtors (see 10 above). This situation is being actively managed and is being tackled as part of the finance transformation programme.

The Council's performance in collecting debt varies in different service areas. This patchy performance is being addressed in part through the active management and leadership of the Exchequer Services project. This is one part of the TFT that would more than repay any additional investment made in staffing, systems and resources. It is counter-productive to make savings in administrative posts and carry the level of unpaid debt that Tandridge has on its balance sheet. Additional resources are needed urgently in this area.

The amounts owed to the Council are in some cases up to twenty years old. The longer that debts are outstanding, the greater the likelihood that they will not be paid. Whilst the Council has been making provision on an annual basis for bad debts, the Council has not been following best practice with regard to writing-off bad debts against that provision.

Debtors as at 1st April 2021 are extraordinarily high as a proportion of the Council's revenue budget.



Tandridge District Council

outstanding debt totals

Service	Council fund	Outstanding as at 31/01/2021 (unless otherwise stated)	Outstanding as at 31/10/2021 (unless otherwise stated)
Housing Benefit Overpayments	Housing General Fund	1,447,215.10	1,469,692.33
Sundry Debts	General Fund - corporate items	2,038,887.18	2,486,348.72
General Fund - sub total		3,486,102.28	3,956,041.05
Council Tax arrears	Collection funds	2,202,143.20	4,300,530.10
National Non-Domestic Rates	Collection funds	378,403.99	832,606.21
Current tenant rent arrears (HRA)	Housing Revenue Account	438,721.32	372,258.86
Non General fund sub-total		3,019,268.51	5,505,395.17
Grand total		6,505,370.79	9,461,436.22

System used	Annual collection	Relevant notes
Capita and NEC (Northgate)	£18m	Debts dated up to 31/08/2021 in Capita, debts from 01/09/2021 in NEC (Northgate)
Agresso		Includes commercial rents, former Council tenant debt, leaseholder expenses debt and repairs recharges. Of the £1.1m of collectable debt as at 31/10/2021, 54% is over 6-months old.
Capita and NEC (Northgate)	£79m	Please note this figure is the accumulated arrears as at 31st March each year. Our collection rate currently 97%.
Capita and NEC (Northgate)	£30m	Please note this is the accumulated arrears as at 31st March each year. Our collection rate was 95% last however the last 5 years have averaged above 97%.
Orchard (Housing Revenue Account)	£15m	Approximately 72% of rent accounts owe in excess of £1,000.00

Steps are being taken to improve debt management collection rates, revise processes for the review and write-off of old debt and prioritise the collection of debt that is less than a year old.

To begin with, the Exchequer Services transformation activity is focussed on the management of sundry debt. The following work is underway:

An assessment of the current state of Exchequer Services. Collaborative work has started with key stakeholders to identify priority issues, review existing documentation, assess key reports (such as LGA, audit) and analyse the 'as is' position to capture all of the improvements required.

- An Agresso Health Check was undertaken during August and September to enable more efficient use of available functionality within existing systems, Agresso (Finance) and Adelante (Income) to streamline and automate. Improvements were identified to income allocation, plus improvements required to reminders and aged debt monitoring and reporting. Work is currently underway to agree the specification of work with the immediate focus on improving debt management and collection. There has been improved partnership working across Tandridge, for example:
 - Engaging with the Central Debt Unit to
 - establish regular monthly meetings between Exchequer and Income and Business to help with communications
 - better understand each other's teams, systems and processes
 - improve hand-overs and information sharing

- share improvement activity
- review specific debt cases to agree next steps and to ensure that lessons learnt are built into the new systems and processes as part of this transformation activity
- Interim improvements have been introduced to the aged debt monitoring reports. This is a work in progress. The intention is to establish monthly Exchequer reporting to senior key stakeholders across Tandridge to ensure that there is clarity regarding sundry debt outstanding debt position, and to highlight areas of priority focus.

As part of the programme governance, an Exchequer working group is established with nominations from across the council. This group will be used to communicate to the wider organisations on proposed changes, help improve the awareness of importance of key exchequer outputs such as prompt payment and debt recovery as well as provide services with the opportunity to influence the design of the future best practice approach to exchequer services.

Comment 14. It is imperative that Tandridge DC supports and implements invest to save measures in the areas of income collection and debt management without delay.

To help progress work in this area, a draft ‘**Bad Debt Write-Off Operational Procedure**’ has been prepared as an output from this review for the CFO to consider, with a view to consulting with the Management Team and then issuing to officers to implement as a final document

Comment 15. The exceptionally high level of volatility in the budget variances between 2020/21 and 2021/22 can be explained satisfactorily.

The level of volatility in the budget variances between financial years 2020/21 and 2021/22 is extraordinary, and rightly a cause of concern.

There follows a table that highlights the main reasons for the extraordinarily high variance that gave rise to a surplus (before adjustment for the error in the reallocation of the pension budget of c£920,000) of £1,778,000:

	Surplus as at 31.3.21 before adjustment for pensions error:	£1,778,000
	Offset by pensions error:	
(£920,000)		
	BAU surplus as at 31.3.21	
£858,000		
	Source of surplus of £1,778,000:	
	Additional Income: New Homes Bonus	£252,000
	Homes England Funding	£130,000
	Local Plan underspend	£552,000
	Salary underspends	£589,000
	Flexible use of capital receipts	£140,000
	Higher budget than required for secondary pensions	£362,000

Stationery and printing	£56,000
Offset by interest receivable overspend	(£174,000)
MRP overspend	(£152,000)
Other	(£23,000)

Surplus before adjustment for pensions error	£1,778,000
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Having reflected on the 2020/21 Revenue Outturn Report, the main reason for the volatility is that 2020/21 was characterised by an exceptional number of grant payments from the Government that were for one year only. These one-off grant payments, where they were underspent, were transferred to reserves at the end of 2020/21 and will not recur in 2021/22. In addition, there were a number of substantial one-off savings, in particular an underspend on the Local Plan and salaries.

Comment 16. General Fund Capital Receipts could be used to offset the c£920,000 pension budget shortfall in 2021/22 and/or be used to fund transformation.

There are ways in which Capital Receipts can be applied legitimately to support the Council's Revenue Budget. General Fund Capital Receipts provide an opportunity to fund service transformation. In addition, the Council could, if it chooses to, apply to the Secretary of State for a Capital Dispensation that could, if approved, cover the shortfall of c£920,000 in the 2021/22 Budget arising from the error made in the Pensions Budget (see Grant Thornton Forensic Review).

Opening Balance, General Fund Capital Receipts 01.04.2021	£1,337,184
Add: In-year Capital Receipts from loans	£318,000
Position at 16 November 2021 (assuming Capital Receipts are not used to fund the Capital Programme)	Total £1,655,184

Please note, there is potential for a further Capital Receipt arising from the sale of a surplus property during the remainder of the current financial year/early next year.

Comment 17. The active management of the Council's fixed assets and CIL allocations is good practice.

The potential capital receipt described above arises from the sale of a surplus property identified because of the Investment Sub-Committee's active management of the Council's physical assets. This is another example of good practice in financial management in Tandridge. Managing the fixed assets on the Council's Balance Sheet is at least as important as managing the revenue budget and in many authorities it receives much less attention than it should. By having a separate Investment Committee Tandridge is ensuring that there is a focus on managing such assets.

In a similar vein, the CIL Working Group provides a forum in which open and transparent decisions can be made about the effective use of the Community

Infrastructure Levy (CIL). CIL has become an increasingly important and valuable source of funding for local projects. The positive impact of such projects in a community is often amplified because of the energy and enthusiasm of volunteers who are willing to share their skills and knowledge at no cost to support their own community. A CIL Committee also provides a forum for those who receive grant to get advice and support. As the project progresses they can report back on progress and describe its value to their locality. This helps ensure some direct accountability for the effective use of the funding.

Comment 18. Work has been undertaken on reviewing the working papers supporting the Council's Balance Sheet for 2020/21. The Reserves position of £3.2m (estimated closing position for 2021/22) is well supported and analysed. Some further work is necessary to evaluate a series of smaller balances, some of which may no longer be required for their intended purpose.

In so doing, some of the old balances can be written back into the Revenue Account and in some cases, like the European Union Brexit Reserve of £52,000 and the Taxi Voucher Scheme Reserve of £96,000, the authority would be able to take advantage of one-off savings. It would be prudent to have completed further work on the Reserves and the provision for bad debts, in particular, take a view in the round of the net balance arising, before writing anything back into the Revenue Account.

Comment 19. Substantial changes have been made to financial monitoring in the last year with the result that strategic decisions can now be taken with confidence and assurance that the financial implications have been identified and are soundly based.

Financial monitoring reports are now sent to ELT, SLT and to all Council Members on a monthly basis. Tables of figures are interpreted and set out in narrative form so that clear and understandable key messages, financial risks and opportunities are drawn out. In addition, material changes have been made during the year to the consistency and quality of the CFO's financial commentary in key reports and governance documentation (such as waivers, procurement business cases and exemptions). As a result, strategic decisions can now be taken with confidence and assurance that the financial implications have been identified and are soundly based.

Comment 20. The Council improved its approach to budget setting for the 2021/22 Budget, has built on that for the development of the 2022/23 Budget and is adopting rapidly an approach to budget setting for 2022/23 that is moving towards a best practice model.

Both Members and the CFO have responsibilities under the law for budget setting. The setting of the budget is a function reserved to Full Council. The Council is required to set a balanced budget. In each financial year the Council must make its budget calculation in accordance with Sections 42A and 42B of the Local Government Finance Act 1992. In particular the Council must calculate the following:

- The expenditure the authority estimates it will incur in the coming year in performing its functions and will charge to the revenue account for the coming year.
- An allowance for contingencies that the authority considers appropriate in relation to expenditure to be charged to the revenue account in the coming year.

- The financial reserves that the authority estimates it will be appropriate to raise in the coming year to meet its estimated future expenditure.
- The financial reserves sufficient to meet a revenue account deficit for any earlier financial year that has not already been provided for.
- These calculations determine the Council Tax requirement for the year.

Once the budget is agreed by Full Council, Members cannot make any decisions which conflict with that budget, although virements and in-year changes may be made in accordance with the Financial Regulations which have been adopted by the Council.

The Council must then issue its precept before 1st March in the financial year preceding that for which it is issued.

When meeting these statutory obligations, the Council must have regard to the advice of its Chief Finance Officer appointed under Section 151 of the Local Government Act 1972. Furthermore, under Section 25 of the Local Government Act 2003 the CFO has a duty to report to the authority on the robustness of the estimates that underpin the calculations required of the Council.

Comment 21. The Council is changing – the approach to developing, communicating and setting the Revenue Budget for 2022/23 is becoming more open, transparent and inclusive. The financial management culture is changing for the better.

Changing the culture of an organisation is one of the most difficult leadership challenges. That is because an organisation's culture is influenced by interlocking sets of objectives (sometimes competing), roles, processes, values, communication practices, attitudes, differing perspectives, different levels of understanding of and access to information, and assumptions. This is not an exhaustive list – but it is an exhausting one when you try and change or influence a prevailing culture within an organisation.

The CFO and her team are trying to influence Tandridge's culture in one area – financial management. Some of the Council's managers and staff are joining in with this endeavour, as are some active and engaged Members. Others, (Members, managers and staff), are holding back a bit. Some may not realise that they could contribute – just by attending a meeting or taking a deep breath and raising a question about something they don't understand. Some may be so dispirited by past organisational changes that in some areas created more problems than they have solved – that they are waiting to see what might happen before they invest their physical, mental and emotional energy in trying to improve something as dull and boring as financial management.

Others have more important things to do build houses, collect rent, run community projects, deal with Covid19, collect the children from school, manage the Leisure Centre, teach swimming classes, mow the grass in the parks Whatever it might be that their job/role demands of them. But how many of these services could be delivered better with more money or resources? How many managers turn away increases in their budgets? Better financial management avoids waste, targets resources effectively to deliver added value and thereby frees resources that can be used to build more houses, reduce the rent, fund more community projects and so on. But it requires everyone to do their bit.

The Chief Executive, the CFO, the Management Team and most (possibly all?) of the Finance team are trying to create the right conditions for cultural change to happen by working differently. By working hard to model that it is possible to have a Revenue Outturn for 2020/21 that matches the Statement of Accounts for 20/2021. By demonstrating that Service Managers will participate willingly in reviewing budgets with their finance colleagues and getting the Base Budget right (or close enough) for 2022/23. By highlighting examples of staff who are showing leadership (regardless of their level/paygrade/role in the organisation) by joining in, by supporting, by attending meetings and asking questions, by challenging assumptions, by suspending disbelief and contributing to activities intended to bring about improvement, by doing their jobs well.

Conclusion

Based on the work undertaken for this Review (October to January 2022) there is sufficient evidence of careful review and analysis of the data and information used in the production of the 2020/21 Outturn Report and the monthly revenue budget monitoring in 2021/22 to conclude that the CFO can proceed with a reasonable degree of confidence with the 2022/23 Budget Report, scheduled S&R on 1st February. The 2020/21 Outturn Report was ready and sufficiently robust for the CFO to recommend it to Members of S&R on 2nd December 2021 and submit it with confidence to external auditors.

Nonetheless, there is still much to do to ensure that financial management and accountability across the Council is improved, embedded and becomes part of the Council's business as usual and that it is being addressed through the finance transformation programme, with Members updated through the Member Reference Group.

To help progress this work, a series of documents have been produced as outputs from this review:

- Draft Financial Regulations.
- Draft Payments from Customers and Debt Management Policy.
- Draft Bad Debt Write-Off Operational Procedure.
- Capital Dispensation Request.

These documents are intended to offer a practical contribution to bringing about improvement in financial management and in the Council's financial position.

The Draft Financial Regulations will be finalised by the CFO and MO post presentation of the draft to S&R on 1st February and then to Full Council for a decision which is required by the Constitution.

The Payments from Residents and Debt Management Policy is presented here in draft for Member comments, which will be incorporated in the final version to then be implemented immediately after Council approval.

If the Capital Dispensation request to the Secretary of State is approved, it will improve the Council's General Fund balances by c£2.3 million, strengthen the Council's financial resilience and facilitate investment in areas such as income collection, exchequer services and debt management, maximising the Council's future, recurring income streams.

One of the most important things that the CFO and her Finance team are working on is changing the financial management culture in Tandridge. This takes time. It also takes considerable mental and emotional energy to change the culture within an organisation and sustain that change for the long term. The extensive list of points highlighting progress demonstrates that the financial management culture is changing for the better and is moving towards best practice in a number of areas. The council is to be congratulated on the progress made over the last year or so. At this point in the financial cycle, the Council can afford to pause momentarily and reflect on the material improvement it has made in its financial management over the last year. Of course there is more work to be done, nevertheless, the council is in a far stronger position with its financial management, financial reporting, budget monitoring and financial resilience than it was a year ago.

ANNEX 2 – CAPITAL DISPENSATION REQUEST

[Chief Executive's headed paper]

[Final sent 5th January 2022]

Alex Skinner, Director Local Government Finance
Department for Levelling Up, Housing and Communities
2 Marsham Street
London SW1P 4DF

Dear Alex

Request for a dispensation from The Secretary of State under the Capitalisation Directive

I am writing on behalf of Tandridge District Council to request a dispensation under the Capitalisation Directive from the Secretary of State for £2.32m in 2022/23.

The request for a dispensation of £2.32m is necessary to help address an unplanned and recurring shortfall in income of £920,500 in 2020/21, 2021/22 and future years. When the error was discovered in April 2021, it was already affecting revenue budgets for two financial years, creating a cumulative shortfall of £1.84m.

A forensic review was commissioned from Grant Thornton which confirmed that the revenue budget had a recurring deficit of £920,500 (8% of the annual revenue budget of £11.3m for 2020/21) due to a technical accounting error related to pensions.

A technical accounting error of this sort was indicative of wider problems with the Council's finance function. For example, in the 5-year period to 2021, Tandridge District Council has had five Section 151 Officers. In the same period, the finance team resources were cut, and new ways of working were introduced by a former Chief Executive. Based upon a 'matrix management' approach, this structure has not worked well in practice and is not a good fit for transactional services. It is not surprising therefore that Grant Thornton made 15 wide ranging recommendations for improving financial governance and accountability.

The Council has adopted all 15 recommendations and is being actively supported by a team from Surrey County Council working on the transformation of financial services. This support has now been in place for more than a year, has recently been strengthened and a comprehensive transformation programme is well underway and progressing at pace. The improvements in financial management and governance being made will be at risk if the Council must divert funding for a second and a third year in succession to cover a past mistake.

The table below sets out Tandridge District Council's projected capital receipts as at the 31st of March 2023. The table shows that the Council will have capital receipts to support the Capital Dispensation requested of £2.32m.

	With dispensation		Net £k
	Receipts £k	Applied £k	
Position 01/04/21	1,337		1,337
21/22 Capital Programme		(754)	(754)
Planning Transformation Investment		(118)	(118)
Tandridge Finance Transformation		(80)	(80)
Loans until 23/24	318		318
Position 01/04/22	1,655	(952)	703
Potential sale of an asset previously wholly rented to NHS	1,300		1,300
Loans until 23/24	318		318
Build reserves			
Estimated 22/23 Capital Programme		(2,321)	(2,321)
Other transformation work			
Position 01/04/23	3,273	(3,273)	0

We have considered the following options for addressing Tandridge's financial shortfall.

- **Capitalisation** - The Council has £1.65m in available capital receipts as at 22 November 2021 in addition to which sale of a surplus property may yield £1.3m or more. A further £0.3m is due in 2022/23 because of interest repayments on outstanding loans. This means that the Council will have capital receipts available of £3.27m by 2022/23 of which £0.95m will be applied to fund the 2021/22 capital programme and the transformation of financial services leaving £2.32m available to cover the proposed Capital Dispensation. (See the table above).

If the Secretary of State approves the Capital Dispensation, Tandridge District Council can manage its own financial problems without the need for external, additional funding and in so doing there would be no impact on the Council's borrowing.

- **Increase Council Tax** - Our working assumptions on balancing the budget for 2022/23 already include an annual increase in Council Tax of £5, the maximum allowed within the current regulations.
- **General Fund Reserves** - General Fund Reserves of £3.1m would be reduced to unsustainable levels if the shortfall in income had to be met from those reserves.

Section 25 of the Local Government Finance Act 2003 requires the Council's s151 Officer to state an opinion on the robustness of the savings estimates and the adequacy of the proposed financial reserves that Members should have regard to when considering the budget for 2022/23. The Council's s151 Officer has confirmed that the level of Reserves is at a legally acceptable level, but one that requires increasing in the future to provide the Council with some flexibility and resilience in its financial planning in the medium term. This view is likely to be supported by external auditors.

Request for dispensation

Having considered the options, we are requesting a dispensation for £2.32m under the Capitalisation Directions Policy and Procedures – Financial Difficulties.

Evidence that the expenditure meets the capital directions financial difficulties tests

- **The capitalised expenditure is unavoidable and there is no alternative way of ensuring that the expenditure could be met.**

The Council has only a limited level of available revenue reserves and cannot capitalise any other expenditure within current guidelines.

- **The local authority could not meet the expenditure out of revenue resources without there being an unacceptable adverse impact on those who use or pay for its services**

As outlined above, the Council will not be able to repay any brought forward deficit without cutting services to a level potentially below that required by statute.

- **The financial difficulties are of an extreme nature**

The total shortfall in income of c£2.76m (£920,500 x 3) is almost 90% of the Council's General Reserves of £3.1m and is around 25% of its annual Revenue Budget.

If a Capital Dispensation of £2.32m were approved, it would be applied to:

- Reinststate and build reserves to provide the Council with a more stable and resilient financial base, and
- Fund the continuing work on the transformation of Finance, embedding good financial management across the Council, transformation of the Planning service and a new Target Operating Model for the Council as a whole, a course on which it has currently embarked.

Conclusion and Request for a Capital Dispensation of £2.32m

Tandridge District Council requests a dispensation under the Capitalisation Directive from the Secretary of State for £2.32m in 2022/23. In making this request, Tandridge District Council's objectives are:

- To return Tandridge District Council to a more stable and resilient financial position over the medium-term;
- With the support of Surrey County Council, to transform Financial Services and embed good financial management;
- To continue with the transformation of the Planning Service; and
- To embark on transformation journey for the entirety of the Council.

Yours Sincerely,



David Ford

Chief Executive

Annex 3 – Self Assessment – summary

Background and Introduction

The self-assessment framework is adapted from the Use of Resources Assessment developed by the former Audit Commission. The assessment “Use of Resources” focused on the importance of having strategic financial management, sound governance and effective financial reporting arrangements.

Early in the review, the self-assessment framework was populated with the views and responses by the wider Finance team (TDC and SCC) from two meetings, together with individual contributions, for example from the former Deputy Section 151 Officer. I (Laura Rowley – Independent Advisor) then reviewed it and made an assessment of the largest areas of weakness, which then formed the basis of my review.

Criteria and Definitions

Assessments have been made for each theme using a similar scale to the former Audit Commission's scale, see Table 1 below. This scale is used across the initial review.

Table 1 Standard scale used for assessments and inspections

- 2 Only at minimum requirements – adequate performance.
- 3 Consistently above minimum requirements – performing well.
- 4 Well above minimum requirements – performing strongly.

There are number of key evidence and comments required to meet each level. The requirement increases from level 2 to 4 for example: having working papers to support the financial accounts audit [level 2] to having exemplary working papers to support the financial accounts audit [level 4].

The Red, Amber and Green (RAG) status has been applied within the summary by colour coding the relevant row. This would state that the row was:

Green (G), it was achieved, Amber (A) – it was partially achieved, Red (R)– it was not achieved, or white (-) – not rated

Outcomes

Below is a summary of the key line of enquiry (KLOEs).

Table 2: Summary Key Line of Enquiry (KLOE's)

	2020/21 Outcome:			
	2	3	4	
1. Financial Reporting:	Meets Minimum level [Level 2]			
1.1 The Council produces annual accounts in accordance with relevant, standards and timetables, supported by comprehensive working papers	G	R	R	Significant improvements required to achieve higher standards [levels 3 & 4]
1.2 The Council promotes external accountability	G	A	R	Further improvements required to achieve higher standards [levels 3 & 4]
2. Financial Management:	Below and Meets minimum level [level 2]			
2.1 The council plan and manage its finances	A	R	R	Significant improvements required to achieve higher standards [levels 2, 3 & 4]
2.2 The council manages performance against budgets	G	A		Further improvements required to achieve higher standards [levels 3] No evidence required for level 4
2.3 The council manages its asset base	G	A	R	Further improvements required to achieve higher standards [levels 3 & 4]
3. Financial Standing	Meets Minimum level [Level 2]			
3.1 The council manages its spending within the available resources	G	A	R	Further improvements required to achieve higher standards [levels 3 & 4]
4. Internal Control	Meets Minimum level [Level 2]			
4.1 The council manages its significant business risks	G	R	R	Significant improvements required to achieve higher standards [levels 3 & 4]
4.2 The council has arrangements in place to maintain a sound system of internal control	G	-	-	Further assessment required for levels 3 & 4
4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	G	A	-	Further improvements required to achieve higher standards [level 3] & Further assessment required for level 4
5. Value for Money	Meets Minimum level [Level 2]			
5.1 The council currently achieves good value for money	G	-	R	Significant improvements required to achieve higher standards [levels 3 & 4]
5.2 The council manages and improves value for money	G	-	-	Further assessment required for levels 3 & 4

Conclusion

This was the initial assessment. The main report highlights where improvements have been made and that the status of the financial management and governance is improving by the day. This framework would help when reassessing how far the Council has come is such a short time scale and the foci for future improvement.

Level	Section	Initial Indicative Level Assessment 2020/21
	1. Financial reporting	
	How good are the council's financial accounting and reporting arrangements?	
	1.1 The council produces annual accounts in accordance with relevant, standards and timetables, supported by comprehensive working papers	
Level 2	* The council's accounts were prepared in accordance with statutory requirements, statutory/regulatory timetables, relevant accounting and reporting standards, and the council's agreed accounting policies.	In 2019/20 there was no Audit Committee - there is now - so this shows an improvement and a progression between levels 1 and 2.
Level 2	* The auditor received auditable accounts, including a complete set of financial statements, disclosures and notes, in accordance with the timetable agreed with the audited body.	
Level 2	* The accounts submitted for audit presented fairly, but contained several non-trivial errors.	
Level 2	* Comprehensive working papers supporting the accounts were provided at the start of the audit to the standard specified by the auditor.	
Level 2	* The council ensured that appropriate, knowledgeable and skilled staff were available to deal with external auditors' queries, to substantiate assertions, and to explain items of account	
Level 2	The auditor gave an unqualified opinion in the published statements.	
	1.1 The council produces annual accounts in accordance with relevant, standards and timetables, supported by comprehensive working papers	
Level 3	* The accounts submitted for audit presented fairly and contained only a small number of non-trivial errors.	
Level 3	* All additional requests from the auditor were responded to promptly in accordance with any agreed deadlines.	
Level 3	* The accounts submitted to the council/committee meeting at which they were approved were accompanied by an explanatory paper providing interpretation of the accounts and highlighting key issues for the benefit of members.	
Level 3	* The accounts were subject to robust member scrutiny prior to approval.	
	1.1 The council produces annual accounts in accordance with relevant, standards and timetables, supported by comprehensive working papers	
Level 4	The accounts submitted for audit presented fairly and contained only errors considered 'clearly trivial'.	Corporate debt policy approved Nov 2020
Level 4	The quality of the working papers provided was exemplary.	
	1. Financial Reporting	
	1.2 The Council promotes external accountability	
Level 2	* The council publishes its accounts and publicises how local electors can exercise their rights, in accordance with the requirements of the Accounts & Audit Regulations 2003.	
Level 2	* The council publishes the annual audit letter in accordance with the requirements of the Accounts & Audit Regulations 2003.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 2	* The agenda, reports and minutes for meetings of full council, committees and scrutiny panels are made available to the public) on a timely basis and in accessible formats appropriate to comply with duties under the equalities legislation.	
	1.2 The Council promotes external accountability	
Level 3	* The council can demonstrate that it is considering the views of a range of stakeholders in making its decision whether to publish an annual report.	
Level 3	* The council publishes summary financial information that meets the needs of a range of stakeholders.	
Level 3	* The most recent published accounts, annual audit letter, agenda, reports and minutes for meetings of council, committees and scrutiny panels are made available to the public on the council's website on a timely basis and in accessible formats appropriate to comply with duties under the equalities legislation.	
	1.2 The Council promotes external accountability	
Level 4	The council publishes in accessible formats an annual report or similar document which includes summary accounts and an explanation of key financial information/technical terms designed to be understandable by members of the public.	
Level 4	The annual report or similar document includes information and analysis about the council's environmental footprint	
	2. Financial Management	
	2.1 How well does the council plan and manage its finances ?	
Level 2	* The council has put in place a medium-term (three year) financial strategy which is linked to its key strategic objectives and takes account of both local improvement priorities and national priorities.	It is understood that a performance indicator for the recovery of Agresso debts is in the process of being introduced.
Level 2	*The council is undertaking equalities impact assessments of its strategies and understands the effect and impact these will have on its diverse population.	
Level 2	* The medium-term financial strategy models' income and expenditure <i>and resource requirements</i> over a minimum of three years and is reviewed and updated at least annually.	
Level 2	* A comprehensive and balanced revenue budget has been set, based on realistic projections about pay, inflation, and known service and capital development plans.	
Level 2	* The financing of expenditure is transparently explained in budget summaries and reports.	
Level 2	* An affordable capital programme designed to deliver the council's strategic priorities has been agreed and the current and future funding of this is built into revenue planning.	
Level 2	* Budgets are subject to review by senior officers and members.	Janyce has taken control and established an exchequer services function for the Council. This is already bringing about benefits for TDC including debt management reporting and a renewed focus on the active management of accounts receivable.

Level	Section	Initial Indicative Level Assessment 2020/21
Level 2	* The council undertakes cash-flow monitoring which is used to inform short- and long-term investment decisions.	
Level 2	* The budget reported to members includes a positive assurance statement from the chief finance officer about the robustness of estimates made for the purposes of the budget calculations, in accordance with the requirements of section 25 of the LG Act 2003.	
	2.1 How well does the council plan and manage its finances ?	
Level 3	* Business planning is integrated with financial planning.	
Level 3	* The corporate business plan drives the medium-term financial strategy and internal resource allocation, with changes in allocations determined in accordance with policies and priorities.	
Level 3	* The corporate business plan projects forward at least three years and takes account of each of the following: <ul style="list-style-type: none"> · stakeholder and partner views · external drivers, including funding variations and requirements to improve efficiency · capital investment plans and their revenue implications · risk assessments and financial contingency planning · sensitivity analysis · expected developments in services. 	The draft budget has been produced for 2021-22 and discussed at an early stage with members facilitating member comments and influence in the process.
Level 3	* The council's medium-term financial strategy is linked to other internal strategies/plans as appropriate, such as human resources, IT.	
Level 3	* The key messages from the council's medium-term financial strategy are communicated to staff and stakeholders as appropriate.	
Level 3	* Budgets are linked to: <ul style="list-style-type: none"> · the medium-term financial strategy and high-level budgets for future years within this · business and activity plans · operational activity indicators that are lead indicators of spend · risk assessments of material items of revenue and capital income and expenditure, 	
Level 3	* The council regularly reviews financial management arrangements to ensure that they remain 'fit for purpose' and keeps the financial services function under review to consider capacity, resourcing and training needs.	Jaynece has arranged workshops to map 'as is' processes and create robust work instructions for staff to follow.
Level 3	* There are project appraisals, business plans and affordability tests for new policy and capital developments.	
	2.1 How well does the council plan and manage its finances ?	
Level 4	The medium-term financial strategy describes in financial terms joint plans agreed with partners and other stakeholders.	
Level 4	The medium-term financial strategy models balances, resource requirements, and revenue items using different planning scenarios (for example best and worst case and most likely) and links this to its risk management and financial reports.	Debts are not recovered in a timely manner, which reduces the likelihood that the debt will be recovered.
Level 4	The council monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.	
	2. Financial Management	
	2.2 The council manages performance against budgets	
Level 2	* Budgets are input to the main accounting system on a timely basis, at an appropriate level of detail.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 2	* There is a formal scheme of budget delegation.	
Level 2	* There is guidance available to budget holders which includes a description of their responsibilities, an outline of the budget process, and a budget process timetable.	
Level 2	* Budgets are approved before the start of the year and monitored regularly throughout the year.	
Level 2	* Action plans are developed <i>and monitored</i> when a material variance arises, or a deficit is forecast.	
Level 2	* The appropriate member committee receives budget monitoring information that is accurate, relevant, understandable and consistent with underlying records, and data is as up to date as possible when reported.	
Level 2	* Relevant non-financial and financial information, in addition to the budget, is reported to and used by senior officers.	
Level 2	* There is a line of professional accountability between those with principal functional responsibility for finance within business groups and the chief finance officer, to ensure compliance with professional standards and objectivity of advice on financial matters.	
Level 2	* The budget shows the resources allocated to major spending activities and programmes, with user-friendly summaries, and separate identification of revenue and capital items to ensure focus on use of resources.	
Level 2	* The council regularly tests its financial systems to ensure that processes are secure.	
Level 2	* Where any significant departmental overspends have occurred they have been managed with no adverse impact on service delivery.	
Level 2	* The financial performance of significant partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon.	
	2. Financial Management	
	2.2 The council manages performance against budgets	
Level 3	* The council's financial information systems have flexible reporting tools to enable specialist reports to be designed.	No management reports in relation to the AR process, such as aged debt, suppressed debt or overpayments are produced or requested to enable analysis or monitoring. Performance indicators have not been set to ensure that the AR service is effective.
Level 3	* Informative profiled financial monitoring reports are received by all budget holders soon after the month end enabling managers to respond to issues in a timely way.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 3	* There is a regular training programme providing training on financial issues for members and relevant non-finance staff.	Audit observation- Fees and charges are not clearly signposted for all services on the website and some pages have out of date information or links that do not work e.g. Environmental Permits.
Level 3	* Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon.	
Level 3	*The council's budget monitoring is: · related to operational activity indicators that are lead indicators of spend; and	
Level 3	* The council's budget monitoring is: · informed by a risk assessment.	
Level 3	* Progress in achieving planned savings and efficiency gains is regularly reported to senior management with developed action plans.	
Level 3	* No significant departmental overspends/underspends have occurred that were not identified as a risk which was taken into account in developing the council's reserves strategy, and the associated underlying budgetary pressures are being managed effectively over time.	
	2. Financial Standing	
	2.3 The council manages its asset base	
Level 2	* The council has an up-to-date corporate capital strategy linked to its corporate objectives and medium-term financial strategy.	
Level 2	* The council has an up-to-date asset management plan that details existing asset management arrangements and outcomes, and planned action to improve corporate asset use.	
Level 2	* The council maintains an up-to-date asset register.	
Level 2	* The council has a designated corporate property function.	
Level 2	* The council has an annual programme of planned maintenance based on a rolling programme of property surveys.	
Level 2	* The council has an annual programme of planned maintenance based on a rolling programme of property surveys.	
Level 2	* The council has assessed the level of backlog maintenance.	
Level 2	* The council's capital programme gives priority to potential capital projects based on a formal, objective approval process.	
	2.3 The council manages its asset base	
Level 3	* A member has been allocated portfolio responsibility for the council's asset management.	
Level 3	* Members are aware of the level of backlog maintenance and have approved a plan to address it as appropriate.	
Level 3	* The council makes investment and disposal decisions based on thorough option appraisal and whole life costing.	
Level 3	* The council's asset management plan provides clear forward looking strategic goals for its property assets that shows how the council's land and buildings will be used and developed to help deliver corporate priorities and service delivery needs, now and in the future. The plan shows how property assets will be maintained, modernised and rationalised to ensure that they are fit for purpose.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 3	* The council maintains a record of all of its land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property.	
Level 3	* The council challenges whether all its assets are required, are fit for purpose and provide value for money to meet current and future needs by monitoring property performance and undertaking periodic property reviews. The council rationalises or disposes of under-performing or surplus assets.	
2.3 The council manages its asset base		
Level 4	* Performance measures and benchmarking are being used to describe and evaluate how the council's asset base contributes to the achievement of corporate and service objectives, including improvement priorities, sustainability objectives and set challenging targets for improvement.	
Level 4	* The council fully integrates asset management planning with business planning at corporate and service levels. The role and contribution of property is explicit in business plans such as flexible working policies, ICT plans and customer access strategies.	
Level 4	* The council uses its property portfolio as an enabler of change. It understands the opportunity cost of its property and exploits this to deliver better value for money and benefits for the local community.	
Level 4	* The council integrates the management of its asset base with others for example, third sector and local public agencies to identify opportunities for shared use of property and to deliver seamless cross-sector, cross-agency and community based services to users.	
3. Financial Standing		
3.1 The council manages its spending within the available resources		
Level 2	*The council sets a balanced budget that takes account of cost pressures and the impact on council tax and housing rents.	
Level 2	* The council maintains its overall spending within budget.	
Level 2	* The council has a soundly based policy on the level and nature of reserves and balances it needs that has been approved by members and reflected in the budget and medium-term financial strategy.	
Level 2	* The budget reported to members includes a positive assurance statement from the chief finance officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the LG Act 2003.	
Level 2	* The council monitors and maintains its levels of reserves and balances within the range determined by its agreed policy.	
Level 2	* The council keeps its treasury management strategy under review and monitors performance against it. The strategy reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.	
Level 2	* The council takes appropriate <i>and prompt</i> action to deal with any deterioration in the financial position, in accordance with the requirements of section 28 of the LG Act 2003.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 2	* The council sets and monitors targets for all material categories of income collection and recovery of arrears, based on age profile of Debt	Audit observation- Payment Plans are not subject to authorisation and are set up on an ad hoc basis by AR Case Officers on receipt of an instruction from the originating department. Supporting documentation giving the rationale for agreeing the repayment plan was not available for six out of the 10 payment plans reviewed.
	3.1 The council manages its spending within the available resources	
Level 3	* The council consistently maintains its spending within its overall budget <i>year on year</i> and without significant unexpected overspends or underspends.	
Level 3	* The council's policy for reserves and balances is based on a thorough understanding of its needs and risks, which is properly and clearly reported to and agreed by members. The approved level of balances is adhered to and ensures the council's financial standing is sound and supports the council in the achievement of its long term objectives.	
Level 3	* The council's targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.	
Level 3	* Monitoring information is available that evaluates the effectiveness of debt recovery actions, associated costs, and the cost of not recovering debt promptly for material categories of income.	
	3.1 The council manages its spending within the available resources	
Level 4	* The council sets challenging targets for a comprehensive set of financial health indicators, monitors performance and has a good track record of achieving these targets.	
Level 4	* Where target levels for reserves and balances are exceeded, the council has identified and reported to members the opportunity costs of maintaining these levels and compared this to the benefits it accrues.	
	4. Internal Control	
	4.1 The council manages its significant business risks	
Level 2	* The council has adopted a risk management strategy/policy that has been approved by members.	
Level 2	* The risk management strategy/policy requires the council to: <ul style="list-style-type: none"> · identify corporate and operational risks · assess the risks for likelihood and impact · identify mitigating controls · allocate responsibility for the mitigating controls and is complied with. 	
Level 2	* The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigns named individuals to lead on the actions identified to mitigate each risk.	
Level 2	* Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate.	
Level 2	* Reports to support strategic policy decisions and initiation documents for all major projects include a risk assessment.	
	4.1 The council manages its significant business risks	
Level 3	* The risk management process is reviewed and updated at least annually.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 3	* The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.	
Level 3	* All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment.	
Level 3	* The members with specific responsibility for risk management have received risk management awareness training.	
Level 3	* Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being identified and effectively managed, including reporting to full council as appropriate.	
	4.1 The council manages its significant business risks	
Level 4	* A senior officer and member jointly champion and take responsibility for embedding risk management throughout the council.	
Level 4	* The council can demonstrate that it has embedded risk management in its business processes, including: <ul style="list-style-type: none"> · strategic planning · financial planning · policy making and review · performance management · project management. 	
Level 4	* All members receive risk management awareness training appropriate to their needs and responsibilities.	
Level 4	* The council considers the opportunity side of risk management in the successful delivery of major innovative and challenging projects.	
Level 4	* Reports to support strategic policy decisions, and initiation documents for all major projects, require a risk assessment including a sustainability impact appraisal.	
	4. Internal Control	
	4.2 The council has arrangements in place to maintain a sound system of internal control	
Level 2	* An appropriate member group has responsibility for review and approval of the governance statement and considers it separately from the accounts.	
Level 2	* The council has conducted an annual review of the effectiveness of its governance framework, including the system of internal control, and reported on this in the governance statement.	
Level 2	* The sources of assurance to support the governance statement have been identified and are reviewed by senior officers and members.	Tracey Marlow has been putting in place governance
Level 2	* There are action plans in place to address any significant governance issues reported in the governance statement.	
Level 2	* The core functions of an audit committee, as identified in the CIPFA guidance, are being undertaken by members.	
Level 2	* The council has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government	
Level 2	* There are procedure notes/manuals in place for key financial systems and these are reviewed and updated as appropriate.	Audit observation- Lack of process documentation, employees have been creating their own
Level 2	* The council has a business continuity plan in place which is reviewed and tested on a regular basis.	
Level 2	* There are standing orders, standing financial instructions and a scheme of delegation in place and these are reviewed and updated as appropriate.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 2	* The council has arrangements in place to ensure that it has a sound system of internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems.	
	4.2 The council has arrangements in place to maintain a sound system of internal control	
Level 3	* The council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances.	
Level 3	* The assurance framework provides members with information to support the governance statement.	
Level 3	* The council can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance; that it provides challenge to the Executive when required and provides for effective leadership on governance, financial reporting and audit issues.	
Level 3	* Compliance with standing orders, standing financial Instructions and the scheme of delegation is monitored by management, and any breaches identified and appropriate action taken.	
Level 3	* The council has an effective scrutiny function to ensure constructive challenge and enhance performance overall.	
	4.2 The council has arrangements in place to maintain a sound system of internal control	
Level 4	* The assurance framework is fully embedded in the council's business processes.	
Level 4	* The council can demonstrate corporate involvement in/ownership of the process for preparing the governance statement.	
Level 4	* An audit committee has been established that is independent of the executive function, with terms of reference that are consistent with CIPFA's guidance. It provides effective challenge across the council and independent assurance on the risk management framework and associated internal control environment to members and the public, and can demonstrate the impact of its work.	
Level 4	* The standing orders, standing financial instructions and scheme of delegation make specific reference to partnerships as appropriate.	
Level 4	* Governance arrangements with respect to partnerships are subject to regular review and updating.	
Level 4	* The council obtains assurance on a risk basis of the viability of its significant contractors' / partners business continuity plans.	
	4. Internal Control	
	4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	
Level 2	* The council has formally adopted a code of conduct for members that includes the mandatory provisions of the statutory Model Code of Conduct.	
Level 2	* All elected and co-opted members have signed up to the code of conduct.	
Level 2	* The council has adopted a code of conduct for staff.	
Level 2	* The council has put in place arrangements for monitoring compliance with standards of conduct across the council including: <ul style="list-style-type: none"> · codes of conduct · register of interests · register of gifts and hospitality · complaints procedure · use of IT resources 	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 2	* There is a counter fraud and corruption policy applying to all aspects of the council's business which has been communicated throughout the council.	
Level 2	* The council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption.	
Level 2	* There is a whistleblowing policy which has been communicated to staff and those parties contracting with the council.	
Level 2	* The council has provided the required data for the National Fraud Initiative (NFI), has notified data subjects of this use of data, and has established a <i>comprehensive</i> process to follow-up NFI data matches that covers all match types and all levels of report (i.e. high, medium and same address)	
	4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	
Level 3	* The council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training.	
Level 3	* The council has undertaken an assessment of standards of conduct, including how effectively members are complying with the code of conduct, the number and types of complaints received, and takes action as appropriate.	
Level 3	* Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers and that they are regularly reviewed.	
Level 3	* The work of the standards committee is communicated openly to a wider public. Where appropriate, the council has taken effective action, learning from issues arising from local investigations and determinations.	
Level 3	* There are effective arrangements for receiving and acting upon fraud and corruption concerns and disclosures from members of the public.	
Level 3	* The whistleblowing policy is publicised and demonstrates the council's commitment to providing support to whistle blowers.	
Level 3	* The council can demonstrate its staff, and staff within contracting organisations, have confidence in the whistleblowing arrangements and feel safe to make a disclosure.	
Level 3	* The council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment.	
Level 3	* All application forms for services and benefits have an appropriate fair processing notification permitting data sharing for prevention and detection of fraud and corruption (both acting as a deterrent to fraudsters and facilitating the extension of National Fraud Initiative (NFI) into new areas).	
Level 3	* The council can demonstrate that counter fraud and corruption work is adequately resourced.	
Level 3	* Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff.	
Level 3	* The council has made effective <i>use of the NFI application functionality</i> to identify data matches for review. These were investigated promptly to prevent prolonged exposure.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 3	* The council works with other bodies such as DWP when following-up data matches from NFI. Details of proven frauds relating to public sector employees are shared with other bodies as per the NFI Information Exchange Protocol.	
Level 3	* Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, or data quality issues (due to capture or extraction) are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.	
Level 3	* All application forms for services and benefits have an appropriate fair processing notification permitting data sharing for prevention and detection of fraud and corruption (both acting as a deterrent to fraudsters and facilitating the extension of NFI into new areas).	
Level 3	* The council can demonstrate that counter fraud and corruption work is adequately resourced.	
Level 3	* Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff.	
Level 3	* The council has made effective <i>use of the NFI application functionality</i> to identify data matches for review. These were investigated promptly to prevent prolonged exposure.	
Level 3	* The council works with other bodies such as DWP when following-up data matches from NFI. Details of proven frauds relating to public sector employees are shared with other bodies as per the NFI Information Exchange Protocol.	
Level 3	* Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, or data quality issues (due to capture or extraction) are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.	
	4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	
Level 4	* The council can demonstrate that its members and staff exhibit high standards of personal conduct.	Relationships between the county and the district Council have improved as a result of working together on common issues (Laura Rowley) The learning and development work stream of the transformation programme gives Tandridge staff and Members access to Finance Academy (Laura Rowley)
Level 4	* The council can demonstrate a strong counter fraud culture across all departments. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.	
Level 4	* The risk of fraud and corruption is specifically considered in the council's overall risk management process.	
Level 4	* Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	
	5. Value for Money	
	5.1 The council currently achieves good value for money	
Level 2	* Costs are commensurate with the range, level and quality of services provided, including overheads and capital costs.	
Level 2	* Overall costs, including unit costs for key services are not significantly higher than other councils providing similar levels and standards of services, allowing for the local context.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 2	* Significant unintended high spending is identified and there are plans in place to address it.	
Level 2	* Areas of higher spending are in line with stated priorities.	
Level 2	* The council has a well managed capital programme linked to priorities and supporting service improvements.	
Level 2	* Projects are usually completed on time and on budget, and deliver outcomes which are fit for purpose.	
	5.1 The council currently achieves good value for money	
Level 3	* The council ensures that a range of quality services is delivered appropriate to statutory duties and local needs, while maintaining relatively low overall costs including overheads and capital, within the council's overall context.	
Level 3	* Overall costs, including unit costs for key services demonstrate best value compared to other councils providing similar levels and standards of services and allowing for the local context.	
Level 3	* Unintended high spending is identified and is being addressed.	
Level 3	* Areas of higher spending are in line with stated priorities and the investment results in improved services.	
Level 3	* The council has a well-managed capital programme linked to priorities and supporting service improvements, with projects completed on time, within budget, and delivering outcomes which are fit for purpose.	
Level 3	* The council can demonstrate that it uses its capital programme, with partners where appropriate, to challenge existing service models to achieve a transformation in service for users	
	5.1 The council currently achieves good value for money	
Level 4	* The council ensures that the range of services delivered effectively addresses statutory duties and local needs, and are delivered to high quality standards. Overall spending, including overheads and capital, consistently demonstrates best value from resources.	
Level 4	* High performance is achieved across a range of key services while costs, including unit costs and transaction costs ¹ demonstrate best value compared to others.	
Level 4	* The council can demonstrate a track record for effectively addressing areas of unintended high spending and emerging areas of budgetary pressure.	
Level 4	* There is a sustained track record of investment leading to improved outcomes for users and sustainable efficiency gains. New investment is supported by clear targets and timescales for measuring improvement.	
	5. Value for Money	
	5.2 The council manages and improves value for money	
Level 2	* There is some information on costs, including transaction costs and unit costs, and how these compare to the quality of services, but this is not fully understood. Such information includes comparatives with other councils. Managers use this information to review value for money and report to members.	
Level 2	* The council has adequate arrangements to produce reliable data.	
Level 2	* The council collects information on the needs of, and the impact of its decisions on, diverse communities. It is beginning to use the information to improve access to services, outcomes and VFM.	
Level 2	* Adequate processes for reviewing and improving VFM are in place.	
Level 2	* The council identifies and pursues opportunities to manage and reduce costs or improve quality within existing costs. Consideration is given to the likely impact on users of changes in spending levels.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 2	* The council can demonstrate some improvements in VFM in recent years.	
Level 2	* The council has produced and is delivering on an efficiency plan to achieve its savings target	
Level 2	* The council has effective procurement practices (which meet the requirements of procurement and equalities legislation) and can demonstrate improvements in value for money from significant	
Level 2	* Procurement exercises. It has explored options for joint procurement and works with the Lead Strategic Partnership (LSP if there is one) and other partners to improve VFM.	
Level 2	* Procurement decisions are not based solely on lowest cost options but reflect the best combination of cost and quality.	
Level 2	* The council has some understanding of its long- term costs and benefits, including environmental and social. There is some evidence of these being taken into account in decision making.	
Level 2	* Investment is made in underperforming services to secure future improvements in VFM.	
Level 2	* External funding is sought where appropriate to support local priorities.	
Level 2	* The council is making some use of partnership working to improve VFM. It has some understanding of the total resources at the disposal of its significant partnerships.	
Level 2	* The council makes some use of IT both to improve its own VFM and to improve access to services for users	
	5.2 The council manages and improves value for money	
Level 3	* There is clear information on costs, including transaction costs and unit costs, and how these compare to the quality of services. Such information includes comparatives with other councils as well as measuring trends over time. Members and managers routinely use this information to review and challenge VFM throughout services and corporately.	
Level 3	* The council has good arrangements to produce reliable data.	
Level 3	* The council collects information on the needs of and the impact of its services, policies and strategies on different community groups and is using this information to improve VFM, outcomes and access to services.	
Level 3	* There are clear policies and effective processes for reviewing and improving VFM. The scope for improving VFM is kept under review and scrutiny.	
Level 3	* Innovative approaches for improving VFM are used where appropriate.	
Level 3	* The council manages costs alongside quality of services and responding to local needs. The council considers with its significant partners the impact on users when making decisions on reducing costs.	
Level 3	* Significant improvements in VFM have been made in recent years.	
Level 3	* The council has successfully used joint procurement to improve VFM, achieve environmental and social benefits and improve service standards across a range of key services.	
Level 3	* There are clear improvements in VFM, particularly in priority areas, in recent years.	
Level 3	* Significant community benefits, e.g. economic, social or environmental, have been delivered through joint procurement with key partners.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 3	* The council uses best procurement practices, (which meet the requirements of procurement and equalities legislation) , knows where the greatest benefits can be gained and acts on these effectively. Opportunities for joint procurement with partners such as shared services are actively pursued, and the council works with the LSP and other partners to improve VFM.	
Level 3	* Procurement decisions seek to achieve the greatest benefit to the wider community, for example securing economic, social or environmental benefits.	
Level 3	* The council understands the impact of its long- term costs and benefits, including environmental and social and takes account of these when making decisions and monitoring outcomes.	
Level 3	* Investment is targeted at improving value for money in the longer term. Past investment has resulted in demonstrable improvements in VFM.	
Level 3	* The council understands and evaluates the impact of its term / whole life costs and benefits, including environmental and social, and takes account of these when making decisions. All policy proposals have in built cost analyses.	
Level 3	* There is a strategic approach to seeking external funding. The council has a successful track record of securing external funding and using it to deliver required outcomes and increased value for local people.	
Level 3	* Significant areas of previous underperformance have been addressed and, where there has been investment, sustained improvements in VFM have been delivered.	
Level 3	* External funding has been successfully used to address local priorities resulting in sustained improvements and greater long-term value for money.	
Level 3	* The council has evaluated its use of partnerships to improve VFM. It has an understanding of total resources at the disposal of its significant partnerships which it is using to support clearly identified outcomes.	
Level 3	* The council has implemented arrangements for partnership working. It has a clear understanding of the total resources at the disposal of its significant partnerships. It is on track to deliver planned improvement in outcomes.	<p>The financial services team at TDC has been much strengthened by the addition of colleagues from the County Council. Furthermore the TDC team continues to contribute well and more effectively under better leadership from Anna D (Laura Rowley)</p> <p>The draft budget has been produced for 2021-22 and discussed at an early stage with members facilitating member comments and influence in the process.(Laura Rowley)</p>
Level 3	* The council uses IT to drive and enable business process change to improve both its own VFM and access to services for users.	
Level 3	* The council has a strong track record of using IT and can demonstrate examples of significant service improvements, including access to services for users, or efficiency savings through using IT.	Agresso Healthcheck undertaken (2021)
5.2 The council manages and improves value for money		
Level 4	* The council has a track record of using high quality information and benchmarking on costs, including transaction costs and unit costs, and quality to actively manage performance, improve value for money and target resources. Members and managers actively use this information to review and challenge VFM throughout services and corporately.	

Level	Section	Initial Indicative Level Assessment 2020/21
Level 4	* The council has exemplary arrangements to produce reliable data. It has an agreed approach with partners to produce reliable data.	
Level 4	* The council can demonstrate that there is fair access to services across the community and a successful track record in tackling inequality in outcomes.	

Appendix B - Overall Revenue Budget 2022/23 to 2024/25

Community Services

	2020/21		2021/22	2022/23	2023/24
	Annual Budget	Outturn	Annual Budget	Annual Budget ¹	Estimate ²
	£k	£k	£k	£k	£k
Salaries	2,235	2,087	1,363	1,363	1,363
Car Parking-On Street	0	52	(100)	(25)	(25)
Car Parking-Off Street	(58)	98	(64)	(14)	(22)
Hackney Carriage/Private Hire	(18)	(0)	(18)	(18)	(18)
Leisure & Community Grants	230	212	260	260	260
Waste Services	3,077	3,094	2,023	1,877	1,904
Environmental Services	298	304	294	278	263
Cesspool Services	(107)	(114)	(109)	(109)	(109)
All Operational Services	(1,109)	(865)	(172)	(152)	(152)
Parks and Open Spaces	566	590	500	519	521
Streets & Public Conveniences	10	29	16	(4)	(67)
Covid-19 - Sales, Fees and Charges Reimbursement		(159)			
Community Services	5,125	5,328	3,993	3,975	3,918

Housing General Fund

	2020/21		2021/22	2022/23	2023/24
	Annual Budget	Outturn	Annual Budget	Annual Budget ¹	Estimate ²
	£k	£k	£k	£k	£k
Salaries	776	661	524	524	524
Meadowside Mobile Homes	(116)	(137)	(120)	(130)	(120)
Westway	100	123	100	50	0
Private Sector Enabling	64	53	71	71	71
Housing of the Homeless	(60)	(75)	(61)	(61)	(61)
Other Housing Renewal Functions	60	55	55	55	55
Syrian Refugees	15	(0)	15	15	15
Afghan Refugees	0	0	0	10	10
Redstone House	(49)	(48)	(49)	0	0
Housing Benefits	(193)	(132)	(69)	(69)	(69)
Care In The Community	1	1	1	1	1
Other Variances less than £10k	0	(51)			
Alarm Systems	(163)	(160)			
Housing General Fund	435	291	469	468	428

Planning Policy

	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
Community Infrastructure Levy (CIL)	0	0	0	0	0
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	1,338	709	1,185	1,190	1,230

Strategy and Resources

	2020/21		2021/22	2022/23	2023/24
	Annual Budget	Outturn	Annual Budget	Annual Budget ¹	Estimate ²
	£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	0	55	0		
Reimbursement					
Case workers ⁴	951	964			
Land Charges and Street Naming ³	(4)	(9)			
Strategy & Resources	6,627	6,100	6,338	6,294	6,312

	2020/21		2021/22	2022/23	2023/24
	Annual Budget	Outturn	Annual Budget	Annual Budget ¹	Estimate ²
	£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 ⁵				(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
Corporate Items	(2,227)	(359)	(690)	(576)	30

Overall	11,297	12,068	11,295	11,351	11,918
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Funding	(11,297)	(12,954)	(11,295)	(11,351)	(11,044)
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Overall (Surplus) / Gap		(885)	0	0	874
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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: Land Charges and Street Naming has been transferred to Planning Policy

Note 4: In the Line by Line Review - Case Workers were vired to the relevant services

Note 5: These are the pressures and savings to be distributed to the relevant Committees as part of Tranche 2 and Tranche 3. The Benefits Board will review the savings delivery plans and inflation and increments will be aligned

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

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.

COMMUNITY SERVICES

	2022/23 £000	2023/24 £000	Total £000
Brought forward budget	3,993	3,975	

Pressures

Theme	Description	Pressure		
		2022/23 £000	2023/24 £000	Total £000
Service Demands	Trees – Increase in provision for Ash die back	20	20	40
Service Demands	Playground inspection and maintenance contract (Jul 2021)	8	0	8
Service Demands	Increased net costs of Handy Man service	20	0	20
Service Demands - subtotal		48	20	68
Fees and Charges	Bulky waste collection volumes are below initial estimates	39	0	39
Fees and Charges	Parking and Penalty Charge Notice revenue is down in 2021-22 and expected to continue into 2022-23	125	0	125
Fees and Charges	Additional recycling credits	(93)	50	(43)
Fees and Charges - subtotal		71	50	121
Total Pressures		119	70	189

Savings

Theme	Description	Saving		
		2022/23 £000	2023/24 £000	Total £000
Service Efficiency	Mechanical Sweeper Utilisation	(20)	0	(20)
Service Efficiency	Move to fully cashless at Car Parks	0	(8)	(8)
Service Efficiency	Alteration to Specifications (Frequencies) and task approach for Parks activities	0	(10)	(10)
Service Efficiency	Through consolidating the lot structure, drive economies of scale	0	(25)	(25)
Service Efficiency	Route Mapping Exercise for Street Cleansing Service	0	(38)	(38)
Service Efficiency	Efficiency and income improvement on various regulatory services	(16)	(16)	(32)
Service Efficiency - subtotal		(36)	(97)	(133)
Fees and Charges	Increase Garden Waste charges	(64)	(23)	(87)
Fees and Charges	Charge schools for recycling collections	(25)	0	(25)
Fees and Charges	Tandridge Commercial Services works to Housing - Full cost recovery	(9)	0	(9)
Fees and Charges	Charge for contaminated Bin Clearances	(2)	0	(2)
Fees and Charges	General Maintenance Works to Housing - Full cost recovery	0	(6)	(6)
Fees and Charges	Review of lease at Parks Cafes	0	(2)	(2)
Fees and Charges - subtotal		(100)	(31)	(131)
Total Savings		(136)	(127)	(263)

Net movement for committee budget	(17)	(57)	(74)
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Indicative Budget Requirement	3,975	3,918	
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HOUSING GENERAL FUND

	2022/23 £000	2023/24 £000	Total £000
Brought forward budget	469	468	

Pressures

Theme	Description	Pressure		
		2022/23 £000	2023/24 £000	Total £000
Service Demands	Afghan refugees – Net funding pressure	10	0	10
Service Demands	Redstone – sale of the property / affordable housing – loss of rent	49	0	49
Total Pressures		59	0	59

Savings

Theme	Description	Saving		
		2022/23 £000	2023/24 £000	Total £000
Fees and Charges	Reduce funding for Westway Centre (Douglas/Broughton) as per the lease	(50)	(50)	(100)
Fees and Charges	Increase Meadowside Mobile Home Sales	(10)	10	0
Total Savings		(60)	(40)	(100)

Net movement for committee budget	(1)	(40)	(41)
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Indicative Budget Requirement	468	428
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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
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Indicative Budget Requirement	1,190	1,230
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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
Total Virements		10	0	10

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
Service Demands services - subtotal		1	(10)	(9)
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
People and Enabling services - subtotal		72	150	222
Total Pressures		73	140	213

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)
People and Enabling services - subtotal		(48)	(70)	(117)
Service Efficiency	Use of the Town Hall	(50)	(50)	(100)
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)
Service Efficiency - subtotal		(80)	(52)	(32)
Total Savings		(128)	(122)	(149)

Net movement for committee budget	(45)	19	(26)
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Indicative Budget Requirement	6,294	6,312	
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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)
Total Virements		(10)	0	(10)

Pressures

Theme	Description	Pressure		
		2022/23 £000	2023/24 £000	Total £000
Pressures held in Corporate Items - Tranche 1				
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)
Corporate Items - subtotal		545	649	1,194
Service Demands	Debt write off and appropriate budget for write offs	0	100	100
Service Demands	Property & Investment Income	185	0	185
Service Demands	Income equalisation reserve	(185)	100	(85)
Service Demands - subtotal		0	200	200
Pressures held in Corporate Items - subtotal		545	849	1,394
Pressures held on behalf of other committees - Tranche 2				
People and	Tranche 2 - Staffing Increments	193	85	278
Service Demands	Tranche 2 - Contract and utilities Inflation	174	96	270
Pressures held on behalf of other committees - subtotal		367	181	548
Total Pressures		911	1,030	1,942

Savings

Theme	Description	Saving		
		2022/23 £000	2023/24 £000	Total £000
Savings held in Corporate Items - Tranche 1				
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)
Fees and Charges - subtotal		(125)	(212)	(337)
Service Efficiency	Improvements to Building Control Productivity	(12)	(12)	(25)
Service Efficiency - subtotal		(12)	(12)	(25)
Savings held in Corporate Items - subtotal		(137)	(224)	(362)
Savings held on behalf of other committees - Tranche 2				
People and Enabling services	Tranche 2 - Introduce a Vacancy Factor in staff budgets	(200)	0	(200)
Tranche 2 - subtotal		(200)	0	(200)
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)
		(29)		(29)
		(79)		(79)
Tranche 3 - Twin Track Accelerated Savings - subtotal		(150)	0	(150)
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)
Tranche 3 - People and Enabling services - subtotal		(225)	(275)	(500)
Service Efficiency	Tranche 3 - Improve Commercial Value from External Spend	(75)	(75)	(150)
Tranche 3 - Service Efficiency subtotal		(75)	(75)	(150)
Reduce 2023/24 new savings because £150k has been delivered in 2022/23*		0	150	150
Tranche 3 - subtotal		(450)	(200)	(800)
Total Savings		(787)	(424)	(1,162)
Net movement for committee budget		114	606	720
Indicative Budget Requirement		(576)	30	

* The table shows the new savings planned each year. Because £150k of savings are accelerated into 2022/23, the level of new savings for 2023/24 is reduced

Appendix D: Final Capital Programme

Proposed Capital Programme	2022/23 £	2023/24 £	2024/25 £	Total 2022-25 £
Housing HRA				
Structural Works	855,000	830,000	838,300	2,523,300
Modernisation & Improvements	732,000	511,000	516,100	1,759,100
Energy Efficiency Works	559,500	546,000	551,500	1,657,000
Service Renewals	712,500	695,000	702,000	2,109,500
Void Works	425,000	425,000	429,300	1,279,300
Health & Safety	190,000	180,000	181,800	551,800
Adaptations for the Disabled	250,000	250,000	252,500	752,500
Essential Structural Works	185,000	185,000	186,900	556,900
Communal Services	30,000	30,000	30,300	90,300
Council House Building	7,586,100	7,824,100	1,109,400	16,519,600
HRA IT Hardware/infrastructure Projects	60,600	41,300	68,300	170,200
TOTAL HRA	11,585,700	11,517,400	4,866,400	27,969,500
Housing GF				
Disabled Facilities Grant	460,000	460,000	460,000	1,380,000
Total- Housing GF	460,000	460,000	460,000	1,380,000
Community Services				
Children's Playground Improvements	27,200	174,500	131,800	333,500
Parks, Pavilions & Open Spaces	114,200	114,500	114,500	343,200
Vehicle Fleet Renewals	204,300	122,500	115,100	441,900
Car Park Equipment/Maintenance	34,900	35,000	35,100	105,000
Litter Bins	8,300	8,400	8,500	25,200
Roads&Paths at St.Mary's Church Cemetery	0	0	7,600	7,600
Land Drainage	10,000	10,000	10,000	30,000
Plant & Machinery Replacement Programme	8,000	10,000	0	18,000
Garden Waste Bins	25,000	25,000	25,000	75,000
Recycling, food waste and refuse bins	90,000	90,000	90,000	270,000
Total- Community Services	521,900	589,900	537,600	1,649,400
Resources				
Council Offices Major Works Programme	50,000	25,000	25,000	100,000
IT - Hardware/infrastructure Projects	228,000	155,500	257,000	640,500
Land / Asset Development	181,000	0	0	181,000
Croydon Road Regeneration*	1,325,000	0	0	1,325,000
Total- Resources	1,784,000	180,500	282,000	2,246,500
Planning Policy - Community Infrastructure Levy				
Capital Contributions from CIL**	1,667,400	500,000	0	2,167,400
Total-Planning Policy	1,667,400	500,000	0	2,167,400
TOTAL GENERAL FUND AND CIL	4,433,300	1,730,400	1,279,600	7,443,300
Total Capital Programme	16,019,000	13,247,800	6,146,000	35,412,800

* This partly funded from CIL contribution of £950,000

** Full amount of CIL funding for 2022/23 is £2,617,400, however £950,000 is included in Croydon Road scheme

Appendix E – Council Tax Requirement Statement

1. Within the S&R Committee Draft Budget on 2nd December 2021, the Council Tax base for 2022/23 was approved. The tax base provided is scaled to the number of Band D equivalents. The total tax base for 2022/23 is 38,692.9 properties, an increase of 0.6% from 2021/22.
2. For dwellings in those parts of its area to which a Parish precept relates as shown below:

Table 1 – Tax Base by Parish

Parish	Net Tax Base (Band D Properties)
Bletchingley	1,350.60
Burstow	1,957.50
Caterham Hill	5,166.30
Caterham Valley	3,797.60
Chaldon Village	977.80
Chelsham & Farleigh	413.00
Crowhurst	173.30
Dormansland	1,658.20
Felbridge	1,170.30
Godstone	2,516.50
Horne	456.20
Limpsfield	2,053.20
Lingfield	1,957.70
Nutfield	1,245.10
Outwood	345.60
Oxted	5,087.30
Tandridge	336.50
Tatsfield	885.90
Titsey	40.20
Warlingham	4,013.60
Whyteleafe Village	1,883.10
Woldingham	1,207.40
Total	38,692.9

3. Each year, the Council must decide if its proposed Council Tax increase is excessive, a referendum must be held in relation to that amount. Whether the proposed increase is excessive must be decided in accordance with a set of principles determined by the Secretary of State (SoS), referred to as referendum principle.

4. In December 2021 the SoS for Levelling Up, Housing and Communities, The Rt Hon Michael Gove, set a core Council Tax referendum principle of up to 2% or £5 if greater for lower tier authorities.
5. **Council is asked to approve the increase to the core Council Tax by £5, for 2022/23.**
6. **The Council Tax precept is the Council Tax requirement divided by the tax base. The Council's own purpose Council Tax requirement (excluding parish precepts) is based on an overall increase of £5.**

Table 2: Council Tax Requirement

Gross Expenditure	38,762,379.00
Other income	(27,411,379.00)
Budgeted revenue expenditure	11,351,000.00
Business rates Income	(1,632,900.00)
Other Government Grants*	(899,046.67)
Council Tax collection fund balance	118,232.71
Council Tax requirement	8,937,286.04

**Includes £115k Tax Income Guarantee Grant*

7. The tax base is the number of Band D equivalent properties for precepting purposes. The tax base for 2022/23 is 38,692.9.
8. The tax base for 2021/22 shows an increase of 0.6% on the 2021/22 tax base.
9. The Band D Council Tax precept for 2022/23 is calculated as follows:

$$£8,937,286.04 \div 38,692.9 = £230.98$$
10. The proposed increase is not considered excessive in accordance with the set of principles determined by the SoS. Band D 2022/23 £230.98 – Band D 2021/22 £225.98 = £5. (referendum principle up to 1.99% (£230.47) or £5, if greater)
11. The proposals result in an overall increase of £5 per annum, £0.10 per week, for a Band D dwelling.
12. Details of the Aggregate Council Tax and all valuation bands and Aggregate Council Tax requirements by Parish will be added to this statement for Full Council when we receive the official precept figures for the Parish Councils, Surrey Police and Crime Commissioner and Surrey County Council.

Annex 1: Council Tax Base 2022/23 (as approved by S&R 2 Dec replicated for completeness)

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.

2021/22 Band D equivalent	Band	Total dwellings	Number of dwellings after applying discounts and premiums	Less adjustment for Council Tax Support	Chargeable dwellings	Ratio to Band D	2022/23 Band D equivalent
1.1	A(DR*)		2.8	-0.8	2.0	5/9	1.1
374.9	A	941	739.9	-128.7	611.2	6/9	407.4
977.3	B	2,191	1,819.0	-585.8	1,233.2	7/9	959.1
3,410.7	C	5,275	4,589.3	-726.3	3,863.0	8/9	3,433.8
7,318.6	D	8,915	8,110.0	-750.8	7,359.2	9/9	7,359.2
8,260.5	E	7,670	7,054.0	-257.0	6,797.0	11/9	8,307.4
6,450.5	F	4,877	4,557.3	-78.8	4,478.4	13/9	6,468.8
9,785.3	G	6,279	5,956.0	-37.6	5,918.4	15/9	9,864.1
2,342.7	H	1,254	1,186.8	-5.8	1,180.9	18/9	2,361.9
	Total	37,402	34,014.9	-2,571.5	31,443.3		
38,921.6	Gross Tax base						39,162.8
-467.1	Less adjustment for losses in collection 1.20%						-469.9
38,454.5	Net tax base						38,692.9

Adjustments:

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

Appendix F – Parish Council Tax Precepts [To follow]

Details of the council tax requirement by Parish will be added to this appendix for Full Council when we receive the final official precept figures for the Parish Councils.

Note: For Full Council, there will be additional recommendations incorporating the Surrey County Council and Surrey Police and Crime Commissioner's precepts to meet with legislative requirement when approving the Council Tax for 2022/23. Given the timing of the Surrey's Full Council meeting being on 8th February, the precept information will be sent to Members on 9th February in advance of Tandridge's Full Council meeting on 10th February. Surrey's precept information is required before TDC's precept information can be finalised.

Appendix G – Flexible Use of Capital Receipts

1. In the Spending Review 2015, the Chancellor of the Exchequer announced that to support Local Authorities in delivering more efficient and sustainable services, the Government will allow them to spend up to 100% of their capital receipts on the revenue costs of transformation projects.
2. Initially this flexibility on the use of capital receipts was limited to those received between 1 April 2016 and 31 March 2019. However, the 2018/19 Local Government Finance Settlement (LGFS) extended these flexibilities for a further three years to March 2022. At time of writing we are expecting the flexibilities to be extended as part of the 2022/23 Final LGFS. The criteria for the new flexibilities are yet to be confirmed but would typically require a reduction in cost or the prevention of an increase in cost.
3. As a fail-safe, the Council has applied to DLUHC for capitalisation dispensation to use address the 2020/21 budget error on a one-off basis for 2021/22 and to fund transformation projects over the MTF5
4. To take advantage of this flexibility, Local Authorities are required to produce a strategy which discloses the individual projects that will be funded, or part funded, through flexible receipts; this must be approved by Council.
5. This Appendix represents the strategy, which is only required to state that the projects comply with the current conditions, [as at 19 January] but could be subject to the Ministers approval. The following projects are approved for 2021/22 and 2022/23:

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

Appendix H - Projected Earmarked Reserves and Balances 2021/22 to 2023/24

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

General Fund essential Reserves for financial prudence:

- i) General Fund Balance:** To cover the day to day working balance requirements of the General Fund.
- ii) General Contingency:** Contributions from revenue put aside to cover in-year general unbudgeted pressures in services.
- iii) Local Taxation Equalisation Reserve (previously Business Rates Equalisation Reserve):** Set up to level out Business Rates and Council tax performance (reflected in the Collection Fund) across financial years and allay the risk of erosion due to the impact of economic downturn and provide for investment in the local economy.

General Fund Reserves to finance the Capital Programme

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

General Fund Earmarked Reserves for specific uses

- viii) Income Equalisation Reserve:** Set up to smooth rental income and investment interest income performance across financial years. This Reserve is being built up for use to cover any shortfall in the budget for reductions in rental income due to voids or reductions in the annual amount of investment income interest received.
- ix) Community Infrastructure Levy Administration Reserve:** To be spent on the administration of the levy.
- x) Section 31 Reserve –** Holding the balance of COVID-19 Section 31 grants to meet future collection fund account movements as the COVID-19 spreadable impact is unwound

- xi) Local Plan Reserve** - Planning Reserve to support the delivery of the Local Plan and other general Planning related activities (including £130k Homes England money)
- xii) Building Control Reserve:** Holds the Council's share of accumulated surplus on fee-earning building control operations and will be used to offset expenditure in future years in accordance with statutory requirements.
- xiii) EU Exit Preparation Reserve:** Government funding received in 2018/19 and 2019/20 and put aside to fund costs associated with leaving the European Union. If the Reserve is not utilised in 2021/22 – it will be transferred to the general fund.
- xiv) Care & Repair Reserve:** Funds put aside to cover future costs of the Care & Repair service.
- xv) Local Land Charges Reserve:** In line with the Lord Chancellor's amendment to the Local Land Charges Act 1975 (command 7026) the Council sets its fees on a cost recovery basis (over a three-year cycle) with any surpluses held in an earmarked Reserve for this purpose.
- xvi) Neighbourhood Plan Reserve:** Funds put aside to help fund the cost of the Neighbourhood plan in future years.
- xvii) Community Safety:** Funding received and put aside to fund future service costs.
- xviii) Community Infrastructure Levy (CIL):** This Reserve holds the CIL funds received from developers and waiting to be spent. CIL is a charge which can be levied by local authorities on all new development in their area, including new homes, with the aim of supporting local infrastructure such as roads and transport, education, medical, sport and recreation facilities.
- xix) Disabled Facility Grants (DFG) Reserve:** Holds the balance of ringfenced DFG grant that has been received in previous years but not yet spent.

Housing Revenue Account Reserves

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

xxiv) HRA Capital Receipts Reserve: To hold capital receipts received from the sale of HRA land and buildings for the purpose of funding future capital expenditure.

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

	Opening Balance 2021/22 £000	Transfers £000	Opening Balance 2022/23 £000	Transfers £000	Opening Balance 2023/24 £000	Transfers £000	Closing Balance 2023/24 £000
General Fund Essential Reserves for Financial Prudency							
General Fund Balance	2,772	0	2,772	0	2,772	250	3,022
General Contingency	0	0	0	117	117	200	317
Local Taxation Equalisation Reserve	255	0	255	0	255	0	255
Sub Total - Working Balance	3,027	0	3,027	117	3,144	450	3,594
General Fund Reserves to Finance the Capital Programme							
Capital Receipts Reserve	1,337	(634)	703	(703)	0	318	318
Revenue Contributions to Capital	68	0	68	0	68	0	68
Capital Grants & Contributions	30	0	30	0	30	0	30
TCS Renewals Fund	30	(30)	0	0	0	0	0
Sub Total - Working Balance	1,465	(664)	801	(703)	98	318	416
General Fund Earmarked Reserves for Specific Uses							
Income Equalisation Reserve	400	0	400	(185)	215	100	315
Community Infrastructure Admin	669	0	669	0	669	0	669
Section 31 Reserve	5,980	(4,500)	1,480	(1,480)	0	0	0
Local Plan Reserve	682	(130)	552	0	552	0	552
Building Control Reserve	56	0	56	0	56	0	56
EU Exit Preparation Reserve	52	0	52	0	52	0	52
Care & Repair Reserve	14	0	14	0	14	0	14
Local Land Charges Reserve	39	0	39	0	39	0	39
Neighbourhood Plan Reserve	26	0	26	0	26	0	26
Community Safety Reserve	0	0	0	0	0	0	0
Community Infrastructure Levy	5,789	(17)	5,772	(1,617)	4,155	500	4,655
Disabled Facility Grants Reserve	644	104	748	62	810	62	872
Sub Total - Working Balance	14,351	(4,543)	9,808	(3,220)	6,588	662	7,250
Sub Total - General Fund	18,843	(5,207)	13,636	(3,806)	9,830	1,430	11,260
Housing Revenue Account Reserves							
HRA Working Balance	750	0	750	0	750	0	750
HRA Major Repairs Reserve	2,046	61	2,107	0	2,107	0	2,107
HRA New Build Reserve	2,830	(1,137)	1,693	(82)	1,611	(82)	1,528
HRA Repairs Reserve	1,140	(584)	556	(42)	514	(42)	473
HRA Capital Receipts Reserve	0	0	0	0	0	0	0
Right To Buy New Provision Receipts	2,044	(700)	1,344	0	1,344	0	1,344
Sub Total - HRA	8,810	(2,360)	6,450	(124)	6,326	(124)	6,202
Grand Total (GF & HRA)	27,653	(7,567)	20,086	(3,930)	16,156	1,306	17,462

Appendix I – Glossary of Terms

Term	Definition
Balanced Budget	Budget pressures fully offset by budget savings and funding changes.
BID - Business Improvement District	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.
Business Rates Baseline	<p>The Business Rates Baseline is DLUHC’s assessment of each authority’s need for Business Rates to fund local services. It is calculated through a formula based on a number of factors including population, deprivation, offset by the ability of the authority to raise Council Tax.</p> <p>The baseline represents the level of Business Rates that can be collected and retained by each authority, prior to any growth. For Tandridge this assessed by DLUHC as £1.5m.</p> <p>In order to achieve a baseline funding of £1.5m, DLUHC assume that Tandridge will collect total Business Rates of c£21m, share 60% with other bodies - Surrey County Council (10%) and Government (50%) - and retain 40% / £8.4m. This is supplement by approximately £1.6m of grants from Government to compensate Tandridge for nationally applied Business Rate reliefs, giving approximate Business Rate income of £10m. A tariff of £8.5m is applied on Tandridge to bring this back to the baseline funding of £1.5m.</p> <p>DLUHC applies a safety net below which they will compensate authorities for lost income if Business Rates fall. This is £1.3m. It is not expected that TDC’s Business Rates will fall below £1.5m and may well be higher.</p> <p>Growth above the baseline is subject to a 50% levy (i.e. Central Government share 50% of the growth). This can offset by taking part in a Business Rates Pool, (see below).</p> <p>Business Rates income is particularly volatile at present due to the impact of COVID-19 and is subject to significant swings between income from business and compensation from Government where reliefs have been applied.</p>
Business Rates Levy	A 50% charge of Business Rates growth above the baseline, payable to Central Government; reduced through participation in the Business Rates Pool.

Business Rates Pool	Local authorities can join together in order to retain more growth from the Business Rates system (e.g. pay Government less of a levy against any increase in Business Rates over the Baseline). In Surrey, pool participation is dictated by the expected level of Business Rate retention. Whilst authorities can choose <i>not to</i> take part, they only qualify for inclusion if Business Rates growth indicates maximum gain for the County-area overall. TDC qualified and took part in 2021/22 but not 2022/23.
Business Rates Tariff	The difference between Baseline funding and retained Business Rates plus s31 grants, payable to Central Government.
Capital receipts	The income received when assets are sold (such as land or buildings) in Tandridge DC, these receipts will include the monies received from Freedom Leisure Loan. Capital receipts can only be used to buy or fund capital expenditure or fund transformation programmes under the flexible capital receipts directive. Capital expenditure is the money spent on buying assets that have a lasting value. These assets could be land, buildings or large pieces of equipment such as refuse vehicles. Any other utilisation of receipts must be approved by the Director of Local Government.
CIL – The Community Infrastructure Levy	Community Infrastructure 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.
Collection Fund	A ring-fenced fund to collect Business Rates and Council Tax and then distribute to the billing and precepting authorities (i.e. Tandridge, Surrey County Council, Surrey Police and Crime Commissioner and Parish Councils)
Collection Fund Surplus and Deficit	The difference between the budget for Business Rate and Council Tax collection and the actuals generated. If actuals are higher than budget, they are distributed in the following financial year. If lower, they are charged in the following year. The COVID-19 deficit in 2020/21 is spread over 2021/22 to 2023/24.
Core Spending Power	The measure DLUHC uses to gauge the extent of local authorities' core revenue funding, including Council Tax and locally retained Business Rates.
LEP - Local Enterprise Partnerships	Local Enterprise Partnerships 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

Lower Tier Services Grant	Lower Tier Services Grant was a new grant for 2021 to 2022, provided specifically to lower-tier authorities to support funding levels. It is assumed this grant (or more accurately funding of a broadly similar amount) will continue into 2022/23.
Minimum Revenue Provision	An amount of revenue budget set aside each year to repay debt on capital assets. Each year a charge is made to revenue to spread the cost of borrowing over the life of the asset and ensure that cash is set aside to repay loans when they mature.
New Homes Bonus	A grant from Government to reward local authorities for increases to the tax base. The future of NHB has been unclear for a number of years but the budget assumes that an amount equivalent to 2021/22 funding will be received in 2022/23.
Pressure	Known budgeted expenditure increases and income reductions due to the following: <ul style="list-style-type: none"> • 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.
Saving	Known budgeted expenditure reductions and income increases which result due to the following: <ul style="list-style-type: none"> • 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.
Reserves: General Fund balance	A contingency fund - money set aside for emergencies or to cover any unexpected costs that may occur during the year, such as unexpected repairs.
Reserves: Earmarked Reserves	Funds set aside by Council for a particular purpose, such as buying or repairing equipment or the maintenance of public parks or buildings or equalising over time a particular income stream.