

Strategy & Resources Committee - 2022/23 Budget – Tranche 2 Pressure and Savings Distribution

Strategy & Resources Committee Thursday, 7 April 2022

Report of: Chief Finance Officer (Section 151)

Purpose: To approve the Tranche 2 Budget Report for 2022/23

Publication status: Unrestricted

Wards affected: All

Executive summary:

On 10th February 2022, Council approved the 2022/23 Final Budget Report and Medium-Term Financial Strategy (MTFS) to 2023/24 which sets out the Council's strategy for financial recovery and the development of sustainable medium-term financial plans.

This report set out that savings and pressures were going to be allocated in 3 Tranches. Tranche 1 was allocated as part of the January cycle of reports and approved by Full Council.

This report sets out the allocation of Tranche 2 pressures for the Strategy & Resources Committee and a summary for all four committees.

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

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Recommendations to Committee:

That:

- A. the revised 2022/23 net budget for the Strategy & Resources Committee and Corporate Items at **Appendix A** be approved;
- B. the uplifted Fees & Charges for the Strategy & Resources Committee at **Appendix B** be approved; and
- C. in light of A above and the decisions of the other Policy Committees at their respective March 2022 meetings, the overall Tranche 2 budget, as set out in Section 5, Table 2 and Appendix C be noted.

Reason for recommendations:

This report builds on the papers presented Council on 10th February 2022, where it was outlined that committees would, in March and April, approve the distribution of the Tranche 2 pressures and the subsequent committee budgets for 2022/23.

1. Introduction

- 1.1. On 10th February 2022, Council approved the 2022/23 Final Budget Report and Medium-Term Financial Strategy (MTFS) to 2023/24, which set out the Council's strategy for financial recovery and the development of sustainable medium-term financial plans.
- 1.2. The Council adopted a 'Twin Track' approach to developing its financial plans in response to these challenges. Track 1 focussed on delivering a balanced budget for 2022/23, whilst Track 2 simultaneously sought to address pressures over the medium-term.
- 1.3. Given capacity constraints in Finance and across the Council at the time, we took a pragmatic approach to the distribution of pressures and savings for January committees and February Council, meaning that some pressures and savings were held in Corporate Items pending distribution. These amounts are referred to as Tranche 2 and Tranche 3. This budget paper presents the distribution of Tranche 2, which includes savings and pressures for Strategy & Resources, as set out in section 3 below. Section 5 sets out the overall position for the Council.

2. General Fund - Revenue Budget Process to Date

- 2.1. The 2022/23 Revenue budget is balanced without the use of Reserves.
- 2.2. As detailed within the January and February budget papers, the distribution of budgets to Committees is being undertaken in tranches:
 - February 2022 Council - Tranche 1: The pressures set out in detail in the January Committee reports. These are the pressures which were straightforward and simple to allocate.

- March / April 2022 Committee cycle - Tranche 2: The distribution of these pressures is brought to this Committee for approval:
 - **£367k** of pressures comprising £193k of staffing increments, and **£174k** of contract inflation; and
 - **£200k** of vacancy factor savings
- June 2022 committee cycle - Tranche 3: 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 may be allocated across Community Services, Housing and Strategy and Resources Committees. Planning Policy Committee will not be allocated savings in 2022/23.** Further information is set out in section 6.

2.3. As part of proposed changes to the Financial Regulations, budget accountability statements will be produced. Budget Accountability Statements:

- are addressed to the Budget Accountable Officer (Senior Officers), from the Chief Finance Officer;
- request that the Budget Accountable Officer acknowledges the statement by a defined date (usually three weeks from distribution); acknowledgement returns are monitored by Corporate Finance. The Management Team is regularly updated on progress;
- summarise the financial strategy and direction;
- recap the roles and responsibilities of the Budget Accountable Officer (Senior Officers) that is within the Internal Business and Finance Agreement; and
- outline in financial terms the revenue and capital budgets for each Budget Accountable Officer for 2022/23.

3. Tranche 2 Budget Distribution

3.1. Tranche 2 distributes the inflation, salary increment and National Insurance (Social Care Levy) pressures. Corporately, these **total £367k of pressures** comprising £193k of staffing increments, and £174k of inflation. A £200k vacancy factor saving is also distributed. Strategy & Resources' share is set out below. Further budget details are set out in **Appendix A**. The overall distribution to other committees is set out in section 5.

Table 1: Tranche 2 Budget distribution to S&R

	Strategy and Resources Services £k
Budgets as at 10/2/2022	6,294
Tranche 2 - Pressures	246
Tranche 2 - Savings	(139)
Movement	107
Tranche 2 Revenue Budget	6,401

4. Fees & Charges

- 4.1. Charges for services form a key part of the mechanism for financing local services. In simple terms income from fees and charges offsets the cost of the service. If income from charging does not fully offset costs, then the Council Taxpayer must pay for the difference.
- 4.2. It is therefore important that charges are regularly reviewed and assessed to reflect the Council's corporate priorities and are increased annually to take account of inflation, demand and any other appropriate factors particular to individual charges. 2022/23 will be a challenging year with ongoing uncertainty relating to the pandemic. This is all exacerbated by the significant uncertainty with funding from Central Government over the medium-term. The Spending Review and the provisional settlement has only provided us with surety for one year.
- 4.3. There are a number of charges that are set externally over which the Council has no control to alter. This restricts the Council's ability to raise additional income and therefore the fees and charges set by statute are not required to be approved by this Committee.
- 4.4. Strategy & Resources Services fees & charges that are discretionary have been reviewed and where appropriate have been uplifted by inflation. Where we believe the fees & charges have been historically charged below the market rate we have uplifted by more than inflation.
- 4.5. **Appendix B** outlines the uplifted fees and charges.

5. Distribution of Tranche 2 from Corporate Items – Overview

- 5.1. Table 2, below, sets out the overall distribution of **£367k of pressures** and **£200k of savings** from Corporate Items relating to Tranche 2. These have been provisionally approved by Community Services, Housing and Planning Committees in March, pending approval by Strategy & Resources to the distribution from Corporate Items.
- 5.2. The Corporate Items budget itself is part of the re-distribution of inflation, as its income budget has been uplifted by £37k for increased recharges.

Table 2: Tranche 2 Budget distribution from Corporate Items

	Community Services £k	Housing General Fund £k	Planning Policy £k	Strategy and Resources Services £k	Corporate Items (Committee Budget) £k	Items (Distribution of T2 Items) £k	Overall £k
Budgets as at 10/2/2022	3,975	468	1,190	6,294	(743)	167	11,351
Tranche 2 - Pressures	116	28	14	246	(37)	(367)	(0)
Tranche 2 - Savings	(41)	(20)		(139)		200	0
Movement	75	9	13	107	(37)	(167)	0
Tranche 2 Revenue Budget	4,051	476	1,204	6,401	(780)	0	11,351

- 5.3. The detailed revenue budget for each committee is set out in Appendix C.

6. Tranche 3 Savings

- 6.1. The (£780k) closing Corporate Items Budget includes (£450k) of Tranche 3 savings to be allocated to other Committees (with the exception of Planning Policy) in the June cycle.
- 6.2. Tranche 3 are the more complex and cross-cutting savings, 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.
- 6.3. Services reviews commenced in March 2022, involving a prioritised, consistent and rigorous review of all services, challenging how and why we provide those services, the most appropriate delivery model, performance, cost and value for money.
- 6.4. The outcome of the reviews will support both the longer-term financial sustainability of the Council and the delivery of the £450k of Tranche 3 savings. This will result in a series of decisions for Management Team and Committees on the scope and structure of future service delivery.

- 6.5. The mechanism to oversee this process is the Benefits Board (described in more detail in the Future Tandridge Programme paper to this committee on the 1st February 2022). The Benefits Board meet on a monthly basis to ensure that the benefits are being defined, owned and delivered. The proposal is to take the 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.

7. Comments of the Chief Finance Officer

- 7.1. Further to the approval of the 2022/23 Budget by Full Council on 10th February (including the approval of Tranche 1 pressures) this report sets out the allocation of Tranche 2 pressures to the Strategy & Resources Services Committee, which is directly due to the increments of Strategy & Resources Services staff and the allocation of inflation. It also sets out the overall distribution from Corporate Items.
- 7.2. As stated in this report, it is imperative that the budget is delivered as stated for 2022/23 and Budget Accountability Statements are signed in acknowledgement. Training will be provided to all budget holders over the coming months to ensure they are familiar with and can undertake their roles as accountable budget managers and live within their budget envelope.
- 7.3. Attention has already turned to the distribution of the Tranche 3 savings across committees. Delivery of the overall £1.1m savings target is imperative to deliver the budget.

8. Comments of the Head of Legal Services

- 8.1. It is essential, as a matter of prudence, that the financial position of services continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.
- 8.2. Under S28 of the Local Government Act 2003, a local authority must review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in its budget. This report satisfies this statutory requirement.

9. Equality

- 9.1. 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.

- 9.2. 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.
- 9.3. 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.
- 9.4. 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.
- 9.5. 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).
- 9.6. 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.

10. Climate change

- 10.1. 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.

11. Appendices

Appendix A – Strategy and Resources Revenue Budget 2022/23

Appendix B – Strategy and Resources Fees & Charges 2022/23

Appendix C – Overall & Committee Revenue Budget 2022/23

Appendix D – Glossary of Terms

12. 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

10th Feb Council – Final Budget

10th Mar Planning Policy – Tranche 2

17th Mar Community Services – Tranche 2

24th Mar Housing Services – Tranche 2

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Appendix A - Strategy and Resources Revenue Budget 2022/23

	2021/22 Annual Budget £k	2022/23 Tranche 1 Budget £k	Movement £k	2022/23 Tranche 2 Budget £k
Legal Services	531	551	24	575
Human Resources	587	543	(79)	464
Leadership Team	370	350	(90)	261
Information Technology	1,328	1,328	55	1,383
Democratic Services	567	564	(2)	562
Communications	401	381	(8)	374
Financial Services	903	996	23	1,019
Office Services	320	237	49	286
Asset Management	159	159	(17)	142
Revenues & Benefit Services	194	201	53	254
Communities Executive Projects	107	107	26	133
Customer Services	645	645	57	702
Emergency Planning & Community Safety	226	231	15	246
Wellbeing Prescription	0	0	0	0
Strategy & Resources	6,338	6,294	107	6,401

	Pay £k	Non Pay £k	Income £k	2022/23 Tranche 2 Budget £k
Legal Services	595	43	(62)	575
Human Resources	276	189	0	464
Leadership Team	167	94	0	261
Information Technology	552	834	(4)	1,383
Democratic Services	214	348	0	562
Communications	310	63	0	374
Financial Services	760	259	0	1,019
Office Services	89	503	(306)	286
Asset Management	142	0	0	142
Revenues & Benefit Services	528	54	(328)	254
Communities Executive Projects	133	0	0	133
Customer Services	597	106	0	702
Emergency Planning & Community Safety	158	88	0	246
Wellbeing Prescription	408	109	(518)	0
Strategy & Resources	4,928	2,691	(1,218)	6,401

Note: Whilst updating the pay budgets, some posts have been realigned within the committee

Corporate Items Budget

	2021/22 Updated Annual Budget £k	2022/23 Tranche 1 Budget £k	Movement £k	2022/23 Tranche 2 Budget £k
Interest Payable	1,163	1,163	0	1,163
Interest Receivable & Investment Income	(1,418)	(1,498)	0	(1,498)
Property Income	(920)	(745)	0	(745)
Non GF Support recharges & Bank charges ¹	(1,894)	(2,026)	(31)	(2,057)
Minimum Revenue Provision (MRP)	871	1,179	0	1,179
Pension - Actuarial top up, Added Years, & Compensation	1,489	1,485	0	1,485
Pension provisions	(921)	0	0	0
Write Offs and Bad Debt Provision	22	22	0	22
Pressures and Saving on behalf of committees		(289)	(173)	(462)
Contribution to Income Equalisation Reserve	100	(85)	0	(85)
General Fund Balances	700	100	0	100
Partnership & Transformation Reserve	0	0	0	0
Contingency	117	117	0	117
Corporate Items	(690)	(576)	(204)	(780)

Note 1 – £31k Movement: charges to subsidiary consolidated within Corporate Items including £24k from Legal Services and £6k from Finance

	Pay £k	Non Pay £k	Income £k	Net Budget £k
Interest Payable		1,163		1,163
Interest Receivable & Investment Income			(1,498)	(1,498)
Property Income			(745)	(745)
Non GF Support recharges & Bank charges		(2,057)		(2,057)
Minimum Revenue Provision (MRP)		1,179		1,179
Pension - Actuarial top up, Added Years, & Compensation		1,485		1,485
Pension provisions		0		0
Write Offs and Bad Debt Provision		22		22
Pressures and Saving on behalf of committees ²		(462)		(462)
Contribution to Income Equalisation Reserve		(85)		(85)
General Fund Balances		100		100
Partnership & Transformation Reserve		0		0
Contingency		117		117
Corporate Items	0	1,462	(2,243)	(780)

Appendix B - Strategy and Resources Fees & Charges 2022/23

Fees and Charges	Gross Charges Current Charges 2021/22 £	Proposed Gross Charges 2022/23 £	Percentage Increase 2022/23 %	Budgeted Income 2021/22 £	Actual YTD at Feb 22 £	Expected Outturn 2021/22 £	Proposed Budget 2022/23 £
Legal Charges (Per Hour) *							
Head of Legal & Monitoring Officer	266.00	280.00	5.3%				
Principal Solicitor, Assistant Solicitor, Senior Lawyer (Per Hour)	251.00	264.00	5.2%				
Clerical Assistant, Legal Assistant (Per Hour)	186.00	196.00	5.4%				
Legal Assistant / Interns/ Case Officers	102.00	108.00	5.9%				
Support Officer / Apprentices	51.00	54.00	5.9%				
Drafting a simple licence	520.00	547.00	5.2%				
Drafting a simple wayleave agreement/ lease	1248.00	1310.00	5.0%				
Renewal of simple licence	312.00	328.00	5.1%				
Renewal of simple wayleave agreement/ lease	728.00	765.00	5.1%				
Right to Buy; Request for a management pack	208.00	219.00	5.3%				
Lease Notice	102.00	108.00	5.9%				
*Charities/ Community Groups may be eligible for a 50% discount on legal fees							
Total Budgeted Income				83,400	88,576	91,188	62,000
Court Costs (subject to confirmation from courts)							
Council Tax Summons Charges	62.50	66.00	5.6%				
Council Tax Liability Order	30.00	32.00	6.7%				
NNDR Summons Charges	102.50	108.00	5.4%				
NNDR Liability Order	20.00	21.00	5.0%				
Total Budgeted Income				128,500	-	59,569	137,662

Appendix C – Overall & Committee Revenue Budget 2022/23

	2021/22 Updated Annual Budget £k	2022/23 Tranche 1 Budget £k	Movement £k	2022/23 Tranche 2 Budget £k
Community Services	3,993	3,975	76	4,051
Housing Services General Fund	469	468	8	476
Planning Policy	1,185	1,190	14	1,204
Strategy & Resources	6,338	6,294	107	6,401
Corporate Items	(690)	(576)	(204)	(780)
General Fund	11,295	11,351	0	11,351
<u>Funded by:</u>				
Council Tax	(8,657)	(8,934)		(8,934)
Business Rates	(1,459)	(1,633)		(1,633)
General Government Grants:				0
Specific Government Grants COVID-19	(498)	0		0
Specific Government Grants	(681)	(784)		(784)
Funded by	(11,295)	(11,351)	0	(11,351)

	Budget 2022/23			Net Budget £k
	Pay £k	Non Pay £k	Income £k	
Community Services	1,309	5,640	(2,899)	4,051
Housing Services General Fund	527	18,632	(18,683)	476
Planning Policy	1,800	2,088	(2,684)	1,204
Strategy & Resources	4,928	2,691	(1,218)	6,401
Corporate Items	0	1,462	(2,243)	(780)
General Fund	8,564	30,513	(27,726)	11,351
<u>Funded by:</u>				
Council Tax			(8,934)	(8,934)
Business Rates			(1,633)	(1,633)
General Government Grants:				0
Specific Government Grants COVID-19			0	0
Specific Government Grants			(784)	(784)
Funded by	0	0	(11,351)	(11,351)
Overall total	8,564	30,513	(39,077)	0

Appendix D – Glossary of Terms

Term	Definition
Balanced Budget	Budget pressures fully offset by budget savings and funding changes.
Pressure	<p>Known budgeted expenditure increases and income reductions due to the following:</p> <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	<p>Known budgeted expenditure reductions and income increases which result due to the following:</p> <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.