

Community Services Committee – 2023/24 Draft General Fund Budget and Medium-Term Financial Strategy

Community Services Committee Tuesday, 17 January 2023

Report of: Alison Boote – Executive Head of Communities
Mark Hak-Sanders – Chief Finance Officer (Section 151)

Purpose: For Decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

The purpose of this report is to present the proposed Budget for 2023/24 and Medium-Term Financial Strategy (MTFS), including the Capital Programme, for this Committee.

Members are asked to agree the recommendations below. These recommendations will be consolidated into the overall position, which will form part of the Council-wide budget setting process (to be ratified by Full Council on 9th February 2023).

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

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Recommendation to Committee:

The approved Community Services budget will form part of the Council-wide budget setting process (to be ratified by Full Council on 9th February 2023). This report focusses on the budgets for Community Services Committee, and recommends that that the Committee:

- A) **Agree the Community Services Committee – Draft Revenue Budget for 2023/24 of £4.560m**, as shown in **Appendix A and Appendix C**, taking account of pressures and savings to the committee. Note that further allocations will be made to distribute an amount equal to the agreed Council pay award, subject to approval at Strategy & Resources Committee and Full Council.
 - B) **Agree the Community Services Committee’s Fees and Charges** for 2023/24 as shown in **Appendix D**
 - C) **Agree the Community Services Committee’s Capital Programme** for 2023/24 being the sum of £990k for 2023/24, as shown in **Appendix E**
 - D) **Note the Subjective Revenue Budgets in Appendix C**, showing movements from 2022/23 to 2023/24 and an estimated movement to 2024/25.
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Reason for recommendation:

Section 151 of the Local Government Act 1972 requires all Councils in England and Wales to make arrangements for the proper administration of their financial affairs. It is a legal obligation that the Council sets a balanced budget for 2023/24.

1. Introduction and background

- 1.1 The proposed budget for 2023/24 has been collated through an extensive process over the past six months, beginning with a report to Strategy & Resources Committee on the 30th June 2022 which set out the timetable, process and key milestones. Throughout the process, the budget has been developed with an expectation that a savings target of £1.7m (with a range up to £2m) would be required in order to balance the Council’s overall budget.
- 1.2 The results of the budget process were captured in the *Draft Budget 2023/24 and Future Tandridge Programme Update* report to Strategy & Resources Committee on the 1st December 2022. The report sets out the full £1.7m savings plan, itemised budget pressures and a high-level assessment of the impact of inflation.
- 1.3 The Draft Budget was presented with significant uncertainty on whether Government funding would be sufficient to allow the budget gap to be closed with the existing £1.7m savings plan. On the 19th December 2022, the Government released the provisional Local Government Finance Settlement, which set out funding for each Council. Although the final settlement is not expected until later in January, it is highly unlikely that funding allocations will materially change. This Council’s allocation was sufficient to balance the budget for 2023/24 based on the £1.7m savings

set out in the Draft Budget, and so the Community Services element of the savings plan is re-presented here for approval. The budget will only balance if the £1.7m savings plan is approved, so any proposed alteration to savings proposals would need to be met by approval of an increased target elsewhere.

- 1.4 The savings plan has been drawn together through a programme of rigorous service reviews, directed and coordinated through the Future Tandridge Programme, which has been subject to ongoing reporting to Strategy & Resources Committee – and to each Policy Committee for updates relevant to their service areas. Appendix B sets out the savings resulting from the service reviews at summary level, following the detail that has been reported previously. The savings plan is subject to ongoing review to provide assurance on deliverability; however it is inevitable with the extent of changes required that delivery risks will need to be managed. Whilst the wider Council's corporate budget includes a modest contingency, it is imperative that the savings are delivered or alternate measures identified where they cannot be. A robust governance approach through the Future Tandridge Programme has been mobilised to oversee delivery and manage these risks.
- 1.5 Along with the savings plan, the report also allocates funding to Community Services Committee for a number of budget pressures, set out in Appendix A. These are based on the pressures included in the Draft Budget, but also include allocations for staff increments and inflation (previously held corporately) as well as an adjustment to reflect a review of the allocation of salaries between the Housing Revenue Account and the General Fund.
- 1.6 The overall budget has been drawn together on the following principles:
 - A balanced revenue budget with the use of General Fund Reserves avoided. Unforeseen pressures should be met from reduced spend in the first instance or contingency if other avenues have been exhausted;
 - Maintaining and ideally building the contingency to provide further medium-term financial resilience and to mitigate risk;
 - Supporting and enabling the Council to fund the Future Tandridge Programme and associated improvements to its services;
 - Continuing to explore options to build resilience of General Fund Reserves, including through capitalisation direction applications to Government;
 - Completing the Future Tandridge Programme within available resources, delivering services with appropriately set budgets;
 - Producing evidence-based savings plans which are owned/delivered, tracked, monitored and reported monthly; and
 - Ensuring that managers are accountable for their budgets.
- 1.7 The principles more specifically relating to setting sustainable medium-term budgets are:
 - Developing multi-year plans, integrated with capital investment across the Council;

- Application of a budget envelope approach with a model to determine a consistent and transparent application of funding reductions to Committee budget envelopes, backed by formal reporting to committee;
- Envelopes validated annually based on realistic assumptions;
- Evidence bases used to underpin savings proposals and investments;
- Assurance that all savings, pressures and growth are managed within budget envelopes to ensure accountability for implementation;
- Pay and contract inflation allocated to Service budgets to be managed within budget envelopes; and
- A corporate contingency held centrally to mitigate risk.

1.8 The remainder of this report sets out the detail for Community Services Committee.

2. Community Services Committee Overview

1.9 This section provides a high-level overview of the activities, challenges and opportunities for the committee. It is intended to provide brief context to the budget pressures and savings captured in the budget.

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

1.11 The Committee is pursuing the following key developments for 2023/24:

- New process and procedures for allocating Community & Voluntary grants
- Work with internal and external partners to implement an anti-social behaviour strategy to improve the Council's response and identify priorities and hotspots across the District.
- Support the response to the Ukraine crisis through community engagement and support to both guests and hosts
- Adoption of the new Waste Strategy for Surrey
- Commissioning the delivery of the grounds maintenance for parks / opens spaces and the housing sites
- Recommending the playground refurbishment / replacement scheme
- Developing a strategic approach to deal with Ash die back across the District.

1.12 The key risks identified in 2023/24 include:

- Inflationary pressure on external contracts,
- Tree management including Ash die back disease,
- Under-recovery of income from car parking and cesspool emptying,
- Monitoring and managing the impact of inflationary and other costs pressures on external contractors delivering services on behalf the Council

1.13 Significant pressures include:

- The under-recovery of income from car parking has continued since the pandemic and it is considered that this is likely to be a longer-term structural change linked to changes in behaviour and reductions in travel.
- Inflation has a significant impact on the costs of external contracts which increase annually based on inflationary indices. The Council has little influence on these external forces and as such this does represent a significant risk going forward.
- Ash die-back and general management of trees is a risk area for the Council both in terms of health and safety and financially as more work will need to be carried on the Council's trees and woodlands. In 2023/34 a more strategic approach to managing Ash die-back will be developed.

1.14 There are several significant capital programmes that will need to be delivered in 2023/24 including:

- Playground refurbishment and replacement; and
- Public conveniences.

1.15 Key lines of enquiry (KLOES) in respect of savings covered:

- The Operations and Localities service review, which has identified that we need to reform how we commission the services with a view to make them more efficient, fit for purpose and value for money. As part of this work the grounds maintenance work carried out by internal and external resources is being reviewed to deliver a new service model by November 2023.
- A new staffing structure for Operations and Localities will be delivered as part of the service review and will be informed by how services will be delivered in the future.
- Identify alternative funding streams to deliver Domestic abuse Intervention programme (IRIS)
- Review delivery of social prescribing model across East Surrey with East Surrey Place partners
- Review opportunities for partnership working with Surrey County Council to deliver statutory duties for Emergency planning and business continuity.

3. Revenue Budget

1.16 The **revenue budget for Community Services totals £4.560m.** **Appendix B** details the subjective budgets from 2022/23 budget to Estimated Budget 2023/24 and 2024/25.

1.17 **Financial savings (totalling £338k / 8%)** have been included in the proposed budget for this committee. **Appendix A** itemises savings and pressures, with further detail on savings in **Appendix B**. The summary savings items are as follows:

- **Service savings of (£338k), comprising:**
 - **£26k Regulatory Services**

- **£239k Operational Services**
- **£50k Bring Banks**
- **£23k Increased Garden Waste Charges**

Further detail supporting the proposed savings was reported to this Committee on 18th October 2022, under the agenda item *Community Services Committee – Future Tandridge Programme Update*. A further detailed update on Operations and Localities services was provided to Strategy & Resources Committee on the 1st December 2022, under Appendix F to the item *Draft Budget 2023/24 and Future Tandridge Programme Update*. Additionally, all-Member workshops were held for key items of savings, including Operations and Localities. This report and appendices summarise the previous reports which are available for reference.

1.18 **Financial pressures excluding a pay award (totalling net £824k / 20%)** have been included and summarised as follows:

- **Inflation on contract costs of £560k**, based on 11% CPI except where contract obligations require an alternative rate, partly offset by inflation on income budgets.
- **Staff Costs (£12k)**, staffing incremental progression, offset by a reduction in the employer’s national insurance rate. This does not include an allowance for a pay award, which will be held corporately until approved by Strategy and Resources committee and full Council.
- **Service Demands of £145k, comprising:**
 - **£10k – O Licence** for Depot Vehicles.
 - **£60k – Environmental Health Shared Service** cost increase incurred by Mole Valley District Council, including staffing pressures and database running costs.
 - **£75k – Trees** – Health & Safety work and including Ash Die Back.
- **Reduced income of £131k, comprising:**
 - **£50k – Cesspool service**
 - **£70k – Parking** income pressure
 - **£11k – Bulky Waste** lower than expected on introduction of the service

1.19 The pay award allocation will be distributed from Corporate Items when it has been agreed by S&R and Full Council.

1.20 **Appendix A** is an extract from the MTFs for this committee which details the pressures identified and details the overall budget position for the budget envelope.

1.21 **Appendix C** shows the detailed budget for this Committee, taking account of the changes set out in this report.

4. Review of Fees and Charges

1.22 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.

1.23 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. 2023/24 will be a challenging year with ongoing uncertainty relating to inflation and cost of living. This is exacerbated by the significant uncertainty with funding from Central Government for 2024/25 and over the medium-term. The Spending Review and the provisional settlement has only provided us with surety for one year.

1.24 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.

1.25 Fees and charges have been reviewed by service managers with support from Finance, taking into account factors such as the impact of increases on residents, anticipated demand, comparison with competitors and other Councils, previous levels of performance and inflation.

1.26 As a result, it is proposed fees and charges are uplifted according to the following broad principles, with full detail set out in **Appendix D**. Fees and charges were discussed with Members at an all-Member workshop on the 21st December 2022, with these proposals reflecting the discussion:

- Despite Consumer Price Inflation (CPI) being at 11%, it is proposed that most fees for this Committee are increased at a lower level, with 5%-10% being applied in the majority of cases
- The intention of this is to limit the impact of inflation, where possible, on residents whilst striking a balance against meeting the increased costs of delivering services
- Headline proposals are as follows:
 - Current free parking arrangements retained, with a 10% increase proposed on the hourly rate where currently charged
 - Cemetery charges to increase by 5%
 - Premises Licences and other Environmental licences to increase by 6% on average to reflect anticipated inflationary increase to costs in the partnership delivery model

- Garden Waste collection charges to increase by 13.5% to reflect below-inflationary increases in previous years and a significant increase in collection costs.

5. Capital Programme

- 1.27 The proposed Capital Programme for this Committee is shown at **Appendix E**. The programme covers a three-year period but will be reviewed and updated annually. The appendix shows the current agreed programme, revisions to existing schemes and any new schemes added and the proposed programme after all revisions.
- 1.28 Included in the appendix is a narrative description of each scheme.

6. Consultation

- 1.29 Consultation on the budget has been restrained in recent years as a result of Covid-19 and time-restrictions in setting the 2022/23 budget, caused by the aftermath and investigation of budgeting errors in previous years.
- 1.30 Similarly, the scale of the £1.7m savings plan required for 2023/24 leaves very little room for extensive consultation and so this year's approach will follow last year's; i.e. communicating the emerging budget to residents and businesses in January to provide an opportunity for comment and feedback in advance of the finalisation of the budget by Council on the 9th February 2023.
- 1.31 A more extensive programme of consultation is planned alongside the 2024/25 budget, linked to the refresh of the Council's Strategic Plan and priorities. Early consultation will allow for more meaningful engagement with residents and businesses on the allocation of funding to priorities.

Key implications

7. Comments of the Chief Finance Officer

- 1.32 With no clarity over Government funding from 2024/25 onward, our working assumption is that financial resources will continue to be constrained. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium-term.
- 1.33 It is a legal obligation that the Council sets a balanced budget for 2023/24. This relies on the identification of sufficient savings to meet spending pressures and any income reductions. Drawing on already low General Fund reserves to cover a shortfall in savings is not a sustainable option and would only be used as an absolute last resort. The Council needs to build, rather than draw on reserves to safeguard its medium-term financial stability.

- 1.34 The Section 151 Officer confirms that the proposed 2023/24 Budget and MTFS is based on reasonable assumptions, taking into account all known material, financial and business issues and risks and is confident that if the principles and recommendations set out in this report are adopted that a balanced budget can be set for 2023/24.

8. Comments of the Head of Legal Services

- 1.35 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. The Local Government Act 2003 places a duty on the Council's Chief Finance Officer to advise on the robustness of the proposed budget and the adequacy of reserves.
- 1.36 The report updates Members with the MTFS for this Committee. This is a matter that informs the budget process, is consistent with sound financial management and the Council's obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a MTFS. Members have a duty to seek to ensure that the Council acts lawfully and produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality, and level of services which they consider should be provided against the costs of providing such services.
- 1.37 The report provides information about risks associated with the MTFS and the budget. This is, again, consistent with the Council's statutory obligation 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.
- 1.38 Section 28 of the Local Government Act 2003 imposes a duty on the Council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in any original budget calculations. The Council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.
- 1.39 The Council is a best value authority within the meaning of section 1 of the Local Government Act 1999. As such the Council is required under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (the best value duty) which includes a duty to consult. Having a MTFS therefore contributes to achieving this legal duty.
- 1.40 The Council is required to obtain approval by Full Council of its MTFS.

9. Equality

- 1.41 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.
- 1.42 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.
- 1.43 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 apply to the first part of the duty.
- 1.44 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.
- 1.45 Officers have reviewed proposed budget changes against the initial equalities screening and have nothing to report.

10. Climate Change implications

- 1.46 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 the business case process.

Appendices

- Appendix A – Summary of Pressures and Savings
- Appendix B – Detailed Savings Plan
- Appendix C – Subjective Detailed Budget Analysis
- Appendix D – Proposed Fees and Charges
- Appendix E – Proposed Capital Programme
- Appendix F - Glossary

Background papers

- Strategy and Resources Committee – 1st December 2022 - Draft Budget 2023/24 and Future Tandridge Programme Update
- Community Services Committee – 18th October 2022 - Community Services Committee – Future Tandridge Programme Update

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