

# Strategy & Resources Committee – 2023/24 Draft General Fund Budget and Medium-Term Financial Strategy

## Strategy & Resources Committee Tuesday, 31 January 2023

Report of: 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 requested to agree the recommendations below. These recommendations are consolidated into the overall position, which 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.

**Contact officer** Mark Hak-Sanders Chief Finance Officer (Section 151)  
mhaksanders@tandridge.gov.uk

---

## Recommendations to Committee:

The approved Strategy & Resources budget will form part of the Council-wide budget setting process (to be ratified by Full Council on 9<sup>th</sup> February 2023). This report focusses on the budgets for Strategy & Resources Committee including Corporate Items, and recommends that that the Committee:

- A) **Agree the Strategy & Resources Committee – Proposed Revenue Budget for 2023/24 of £6.080m**, as shown in **Appendices A and C**, taking account of the 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 Full Council.
- B) **Agree the Fees and Charges for Strategy & Resources as set out in Appendix D**
- C) **Agree the Strategy & Resources Committee’s Final Capital Programme** for 2023/24 being the sum of £1.822m for 2023/24, as shown in **Appendix E**
- D) **Agree the Corporate Items – Draft Revenue Budget for 2023/24 of (£0.685m)** as shown in **Appendices A and C**, noting that the amount set aside for a pay award is £230k, the equivalent of a 3% increase, and will ultimately be distributed to committee budgets.
- E) **Note the Subjective Revenue Budgets in Appendix C**, noting movements from 2022/23 to 2023/24 and an estimated movement to 2024/25.

---

## Reason for recommendations:

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 30<sup>th</sup> 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 1<sup>st</sup> December 2022. The report set 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 19<sup>th</sup> 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 Strategy and Resources 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 the Strategy and Resources 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 Strategy and Resources and Corporate Items.

## **2. Strategy & Resources Committee Overview**

- 2.1 The Strategy and Resources Committee's primary purpose is to enable and support frontline services with resource functions including Legal, Information Technology, Finance, Human Resources, Customer Services, Policy and Communications.
- 2.2 There are a small number of statutory services delivered in the Committee including Democratic Services, Emergency Planning and Revenues and Benefits, and some discretionary services including Wellbeing Prescription and Asset Management.
- 2.3 The Committee is also responsible for the Corporate Items section of the budget (2022/2023 budget is for a £601k surplus) which supports the whole Council. These include:
  - Ensuring support costs are charged to ring-fenced business areas (HRA, Southern Building Control Partnership, Gryllus Ltd, Wellbeing Prescription, 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.
  - Accounting for the bank charges, bad debt provision movements/write-offs on sundry debts, and movements in reserves and contingency.
- 2.4 The budgetary position for the current financial year shows that Strategy and Resources support costs are forecast to overspend by £111k. This relates predominantly to a shortfall in rental income and increased election costs (the latter now recognised in the budget). While both are deemed to be ongoing issues, they are reflected in the proposed Budget position for 2023/2024. The budget includes a £50k increase in the target for rental income, including recovering the position against the current year's budget.
- 2.5 Corporate Items is forecasting a net surplus of £31k at outturn. Even though this is a small variance, there are corporate pressures for 2023/24 as detailed in Appendix A.

- 2.6 In last year's budget, the update reflected on the impact of Covid-19, noting that teams are responsive, adaptable and collaborative in tackling extreme challenges. In 2022/23, the Council received a Federation of Small Businesses award for Covid-19 Support and Recovery in the South-East, reinforcing this point. The Committee wants to build on this, to provide the Council with a more joined-up approach to support Strategy and Resource functions. Support services will be developed around a business partnering model, where roles and responsibilities are clear and service expectations are documented. An example of this is the Finance Business Partnering Agreement, and Budget Accountability Statements, which will act as a template document for other services. The overall aim is to enable frontline service delivery while minimising the cost to the Council.
- 2.7 Services within the Committee also aim 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 other policy committees.
- 2.8 As part of the Future Tandridge Programme, the Committee is continuing to pursue improvements to the delivery of its services and savings to the revenue budget. 2023/24 will see the implementation of the key lines of enquiry from the Future Tandridge Programme and associated savings of £1.1m, or approximately 18% of the net budget. Over the two years including 2022/23, the net saving will be closer to 20%. This reflects a desire to target savings toward support services wherever possible and maintain delivery of services to residents.

### **3. Revenue Budget – Strategy & Resources Services**

- 3.1 The **revenue budget for Strategy & Resources Services totals £6.080m. Appendix C(i)** shows the detailed budget for this element of the Committee, taking account of the changes set out in this report
- 3.2 **Financial savings totalling £641k / 10%** have been included in the proposed Budget for this committee. **Appendix A** itemises savings and pressures and further details on savings are in **Appendix B**.
- 3.3 The savings have been identified through the Future Tandridge Programme and include:
- Reduced spend across all S&R services,
  - Opportunities for working with Local Government partners, particularly in Revenues and Benefits, and
  - A £325k management structure saving, of which £155k in S&R and £170k currently held in Corporate Items pending the next phase of restructure.

3.4 **Financial pressures excluding a pay award (totalling net £491k / 8%)** have been included and summarised as follows:

- **Staffing costs of £33k, comprising:**
  - £33k - 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 in corporate items until approved by Strategy & Resources committee and full Council.
- **Inflation Demands of £413k, comprising:**
  - Inflation on contract costs based on 11% CPI except where contractual obligations require an alternate rate, offset by inflation on income budgets.
- **Service Demands of £45k, comprising:**
  - £20k TDC Elections Funding - Budget Review
  - £25k Move from no designated Health and Safety provision in TDC to a shared H&S role with Elmbridge BC

3.5 The pay award allocation will be distributed from Corporate Items when it has been agreed by Full Council.

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

#### **4. Revenue Budget – Corporate Items**

4.1 The **revenue budget for Corporate Items totals (£0.685m)**. **Appendix C** shows the detailed budget for this Committee, taking account of the changes set out in this report.

4.2 **Financial savings totalling £415k** have been included in the proposed Budget for this committee.

The main items included are:

- **Corporate recharges; £212k;** review of all recharged, including those assigned to the Housing Revenue Account, and Southern Building Control Partnership.
- **Increased investment property income of £33k,** part of a wider £50k saving to increase property income, the remainder of which is in Strategy and Resources.
- **FTP Management Structure 170k;** part of a wider savings target of £325k, of which £155k is in Strategy and Resources committee, to be delivered through a management restructure to ensure cost effective management and clear accountability for delivering services.

4.3 **Financial pressures excluding a pay award of £477k** have been included and summarised as follows:

- **Minimum Revenue Provision - £188k**; increase to fund 2022/23 capital programme
- **Redstone Receipt (£188k)**; Assume the use of Capital Receipts to offset MRP increases for 2023/24 by limiting borrowing in 2022/23
- **Corporate Allocations £150k**; Review Housing Revenue Account and General Fund allocations
- **Contingency & Reserves £327k**

4.4 An allocation for a pay award of £230k has been included in Corporate Items. Although this is based on a straightforward 3% uplift in salaries, it does not necessarily need to be deployed as a blanket percentage uplift. Subject to approval of the overall budget at Council, the deployment of this pay award will be determined in discussion with Staff Conference and Members.

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

## 5. Review of Fees and Charges

5.1 Charges for services for a key part of the mechanism for financing local services. In simple terms income from fees and charges offsets the cost of the service. If income from charging does not fully offset costs, then the Council Taxpayer must pay for the difference.

5.2 It is therefore important that charges are regularly reviewed and assessed to reflect the Council's corporate priorities and are increased annually to take account of inflation, demand and any other appropriate factors particular to individual charges. 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 over the medium-term. The Spending Review and the provisional settlement has only provided us with surety for one year.

5.3 There are a number of charges that are set externally over which the Council has no control to alter. This restricts the Council's ability to raise additional income and therefore the fees and charges set by statute are not required to be approved by this Committee.

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

5.5 As a result, it is proposed fees and charges are uplifted in accordance with the detail set out in **Appendix D**:



## **6. Capital Programme**

- 6.1 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.
- 6.2 Included in the Appendix is a narrative description of each scheme.

## **7. Consultation**

- 7.1 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.
- 7.2 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.
- 7.3 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**

### **8. Comments of the Chief Finance Officer**

- 8.1 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.
- 8.2 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.

- 8.3 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.

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

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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.
- 9.5 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 MTFs therefore contributes to achieving this legal duty.
- 9.6 The Council is required to obtain approval by Full Council of its MTFs.

## **10. Equality**

- 10.1 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.
- 10.2 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.
- 10.3 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 apply to the first part of the duty.
- 10.4 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.
- 10.5 Officers have reviewed proposed budget changes against the initial equalities screening and have nothing to report.

## **11. Climate Change implications**

- 11.1 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 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 – 1<sup>st</sup> December 2022 - Draft Budget 2023/24 and Future Tandridge Programme Update

----- end of report -----