

Final Budget 2023/24 and Medium-Term Financial Strategy to 2024/25**1. Introduction**

- 1.1 The Final Budget for 2023/24 and Medium-Term Financial Strategy (MTFS) to 2024/25 sets out the strategic context for the Council, an overview of the Committees and then the key elements of the 2023/24 budget, including:
- Budget Pressures
 - Savings Plans (through the Future Tandridge Programme)
 - Funding Projections
 - Reserves and Resilience
 - The Capital Programme
 - The Medium-Term Outlook
- 1.2 The Draft Budget for 2023/24 and Medium-Term Financial Strategy to 2024/25 was presented to Strategy & Resources Committee on 1st December 2022 as the starting point for this document. The report set out the proposed £1.7m savings plan, itemised budget pressures and a high-level assessment of the impact of inflation. Much of this report replicates the Draft Budget, since subsequent developments have reconfirmed the expectations set out in December.
- 1.3 The Draft Budget was collated 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 yet published at time of writing, 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 full savings plan is re-presented here for approval. The plan is unchanged, but further work has been undertaken to provide assurance on and begin to deliver the savings proposals, as set out in Section 6. 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 C 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 governance 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 Council's corporate budget includes a contingency, it is imperative that the savings are delivered or alternate measures identified where they cannot be.

- 1.5 A robust governance approach through the Future Tandridge Programme (FTP) has been mobilised to oversee delivery and manage these risks. This report provides an updated on key developments in the FTP since the last report.
- 1.6 Along with the savings plan, the report also allocates funding to Committees for a number of General Fund budget pressures, set out in Appendix B. These are based on the pressures included in the Draft Budget, but also include the distribution of 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.
- 1.7 At the equivalent point in the 2022/23 budget setting process, staffing increments, inflation and £450k of unidentified savings were held corporately pending further consideration. The final savings target was not distributed until 30th June 2022. It is a measure of the continued financial recovery of the Council that the 2023/24 savings plan is allocated in full and that robust plans exist for the delivery of the savings target. This represents a return to business as usual in terms of timetable. For 2024/25, officers will continue to develop the approach to savings plan development and reporting to build on the level of assurance and confidence already provided to Members.

2. Strategic Context

- 2.1 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 sets the direction for the Council and the district, reflecting 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 – in which it operates. Given this dynamic environment, the plan is due for review over the next year. At present, the plan presents four key priority areas:

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.

- 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 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.

- 2.2 In addition to the Strategic Plan, the Council also has a Corporate Improvement Plan. This Committee endorsed the plan in 2020. It comprised various measures necessary to take the Council forward, particularly during the Covid-19 emergency. Since its initial endorsement, further corporate improvement actions have been added to the plan as part of the Council's internal reviews of its governance, including the production of its Annual Governance Statement, and an external review of governance conducted by the Centre for Governance and Scrutiny.
- 2.3 Since the appointment of the Chief Executive, work has taken place to strengthen senior management and ensure the Management Team and Extended Management Team are aligned and working closely together. A management restructure was carried out earlier this year to empower heads of service and improve accountability. A new Deputy Chief Executive has been appointed and will join the Council in February 2023.
- 2.4 Corporate governance has been improved with the reintroduction of service plans, a review of performance indicators and risk registers, as well as a new appraisal process planned for 2023 to support stronger performance management. In addition, a more robust approach to audit management is being developed.
- 2.5 This work is linked to the current Strategic Plan, which now needs to be updated to reflect post-pandemic challenges and needs. Work to develop a new plan will begin in the new year, with a draft plan available for consultation in May.

- 2.6 The updated Strategic Plan will set the direction for the Council and enable the Council to track progress against corporate objectives, as well as help services and teams understand the strategy and how their work directly impacts its success. This ensures every level of the organisation is aligned around a shared purpose and staff understand their role in delivering services which meet the corporate objectives. This approach will become essential as the Future Tandridge Programme is implemented and leads to a smaller, more strategic, agile and responsive organisation.
- 2.7 The Strategic Plan's actions are in the process of being reviewed by the Extended Management Team. This is to ensure that areas which pose the highest risk to Council and impact its financial sustainability are prioritised accordingly. One element of this work has been completed, as the 2020/2021 Annual Governance Statement included a series of actions, identified as being of a high priority for the Council. These actions relate to the following areas:
- Service delivery: we have projects underway to ensure we have high performing, quality driven and cost-effective Planning and Finance functions;
 - Governance: we will adopt our draft Code of Corporate Governance, review our staff appraisal process, and ensure our systems of internal control in the areas of health and safety, fraud and commercial property management are robust; and
 - Strategic: senior management to review the Strategic Plan to ensure it reflects the current internal and external environment of the Council, which has changed since version one was adopted in July 2021. We will also ensure that the senior management team is set up in the most effective way to deliver on the plan's priorities.

3. Committee Overviews

- 3.1 This section provides a high-level overview of the activities, challenges and opportunities for each committee. It is intended to provide brief context to the budget pressures and savings captured in the draft budget, for the benefit of external readers who may be unfamiliar with the committees' work.

Community Services

- 3.2 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.

3.3 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
- Recommencing the playground refurbishment / replacement scheme
- Developing a strategic approach to deal with Ash die back across the District.

3.4 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

3.5 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 where they can increase their charge annually based on inflationary pressures. 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.

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

- Playground refurbishment and replacement; and
- Public conveniences.

3.7 Key lines of enquiry in respect of savings cover:

- 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 Ground 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

Housing Committee

3.8 The Housing 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 to prevent homelessness within the district.

- 3.9 As part of the FTP several key lines of enquiry have been identified. The most prominent is ensuring appropriate use of Government Homelessness Prevention Grant to offset expenditure. Other actions include introduction of a new housing structure and ensuring compliance with new and upcoming legislation. Actions identified within the review of the Council's income from the housing stock (HRA) are to be completed through 2023/24. This will form part of the service improvement plan and ensure income maximisation while delivering value for money to residents. Resource and priority issues 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.
- 3.10 Other activity for 2023/24 includes the tendering of a new private sector housing contract to deliver the Disabled Facilities Grants and adaptations to Council housing through a Home Improvement Agency. Review and further exploration of the IT systems used within housing will also take place with aim of providing an individual use platform that meets the needs for both the HRA and statutory housing services.
- 3.11 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. Construction materials and labour costs have risen drastically as the industry suffers from the cumulative effect of Covid-19, Brexit and the war in Ukraine. The housing programme is still subject to delay as a result of market conditions and a lack of resources within the development team. 47 homes were scheduled to complete in 2022/23 with all but 4 now handing over in 2023/24. The construction of 13 new homes started on site in 2022/23 with the forecast 35 now projected to start on site in 2023/24. The effects of Covid-19 saw delays to the programme over the past two financial years. On 17th September 2020 the Council agreed that all new developments will be net zero carbon (operational).
- 3.12 The need for affordable homes continues to grow 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. The buy-back programme has been a success and a further extension of the scheme is planned for 2023/24. The continued supply of Council owned homes to meet the growing demand will require the Council to pursue opportunities for open market land purchase as well as developing on existing land. 'Buy backs' of Council properties are also progressing.
- 3.13 The Housing team carries 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 and Disabled Facilities Grants are administered. Administration of Housing Benefit is brought to the Housing Committee. Much of the work is governed and dictated by legislation, with considerable statutory returns required throughout the year.

- 3.14 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 saw 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, however there is a balance to be struck between resident support and enforcement action given the cost-of-living crisis and inability for residents to afford their rent. 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. It is likely that the cost-of-living crisis will also mean more residents approach the Council for support with housing. This could increase demand on the service and will increase the use of bed and breakfast as temporary accommodation. This is not a situation that we have been used to at Tandridge but is reflective of the pressures faced by all local authorities.
- 3.15 The Housing Department continues to seek opportunities for shared services with neighbouring authorities. 2022/23 saw the introduction of the Afghan Resettlement and Homes for Ukraine Schemes. Joint working between internal teams and partnership working with colleagues from neighbouring authorities has led to the success of the implementation and ongoing management of these schemes. This work will continue into and most likely beyond 2023/24.

Planning Policy Committee

- 3.16 The Planning function is a key statutory function of the Council. The Planning Policy Committee is responsible for influencing and controlling development and use of land throughout the District in its role as Local Planning Authority. This includes:
- The preparation, adoption and review of all statutory Development Plans
 - Administration of Building Control regulations
 - Enforcement against planning breaches
 - All transport-related issues
 - Co-operation and liaison with agencies outside the Council in respect of conservation, heritage, economic development and other planning related issues.
- 3.17 Progress on the Local Plan was subject to a report to Planning Policy Committee on 22nd September 2022. Local Plan funding will be treated as ringfenced whilst the future spending need is established, with anything not spent this year preserved for future use.

- 3.18 The Planning Transformation started in 2021 and has continued into 2022. Development Management and Planning Validation are moving towards having a full-time complement of staff with significantly reduced reliance on contract staff. This should reduce budgetary pressures moving forward into the 2023/24 financial year. Changes are also being progressed in working practices to improve efficiency and to allow staff more time to work on processing and determining planning applications.
- 3.19 The pre-application service restarted last year having been suspended for several months. This has begun to bring in additional income as part of the overall budget for the Committee.
- 3.20 Land Charges have now moved back into the Planning Policy Committee. This service is undergoing a digital transformation which is being funded by Government Grant.
- 3.21 The administration of the Building Regulations is delivered by the Council as the host of a shared service in partnership with Reigate and Banstead Borough and Mole Valley District Councils under the name Southern Building Control Partnership (SBCP) A draft budget has been prepared and presented to the SBCP Board which consists of a Member and Senior officer from each member authority.
- 3.22 The partnership member authorities require that the partnership sets a balanced budget which ensures that its costs are covered by income from its chargeable services. The draft for 2023/24 includes items based on two key lines of enquiry: a) an increase in the support service recharge payable to Tandridge District Council and b) The delivery of an IT project to upgrade the partnership's Salesforce platform.
- 3.23 The Council is working with the Board to provide clarity around the methodology for the calculation of the support service recharge and mitigations should income fail to meet expenditure.
- 3.24 Tandridge District Council has a 35% share in the partnership and holds a ringfenced reserve to meet any deficit that may arise.
- 3.25 For 2023/24, because of the ongoing Planning Transformation programme and uncertainty in costs required for the emerging Local Plan, the Committee has not been required to identify efficiencies to close the budget gap, however budget pressures are set out in Appendix B. These are funded by an increased allocation to the Committee's budget.

Strategy and Resources Committee

- 3.26 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.

- 3.27 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.
- 3.28 The Committee is also responsible for the Corporate Items section of the budget (2022/23 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.
- 3.29 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 not fully recognised in the budget). While both are deemed to be ongoing issues, they are reflected in the Draft 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.
- 3.30 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 B.

- 3.31 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.
- 3.32 Services within the Committee also aim to realise better customer experience and efficiency through digital innovation, subject to a separate update within this report. 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.
- 3.33 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.

4. Budget Principles

- 4.1 The Council is working towards ensuring that the budget setting process adheres to the following guiding 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
 - Ensuring that managers are accountable for their budgets.
- 4.2 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
 - A corporate contingency held centrally to mitigate risk.

5. Revenue Budget Headlines

- 5.1 The Final Budget is balanced, with a modest increase to the previous year's level of contingencies, commensurate with the increased risks associated with volatile inflation, cost of living, interest rates and wider economic performance.
- 5.2 The overall budget position at the Draft Budget stage was a gap remaining to close of £0.259m. The provisional Local Government Finance Settlement published on the 19th December 2022 closed the gap with additional funding of £510k and provided certainty that the proposed savings plan will be sufficient to balance the budget. This avoided the need for further measures to close the budget gap and allowed for an increase to the Council's contingency. Further details of contingencies and reserves are set out in section 9.
- 5.3 In addition to the increase in central funding, Government confirmed that District Councils can raise their Council Tax by 2.99%, rather than the previous limit, which in this Council's case was £5. The Draft Budget assumed a £5 / 2.2% increase.

- 5.4 An additional £74k of funding is generated by opting for a 2.99% increase. The additional element would equate to an annual cost of £1.90, or 4 pence per week on a Band D property. The budget proposes that this element of the funding be held within contingency as an earmarked Cost of Living fund.
- 5.5 The fund will provide the Council with a specific allocation to call on to help residents in need with targeted support as required, without adding additional pressure to the revenue budget. Decisions on the deployment of the fund would be made by Strategy and Resources Committee.
- 5.6 The overall summary is set out in Table 1, below with detail on each Committee's movements in Appendices B and D.

Table 1 – Overall Budget Movements for 2023/24 and 2024/25

Service	2022/23 Current Budget £k	2023/24 Proposed Budgets			Total Movements £k	Total 2023/24 Budget £k	Estimate for 2024/25 £k
		Virements £k	Pressures £k	Savings £k			
Community Services	4,051	23	824	(338)	509	4,560	4,840
Housing General Fund	476	345	122	(260)	208	684	693
Planning	1,204	0	93	0	93	1,297	1,320
Strategy & Resources	6,222	7	491	(641)	(142)	6,080	6,335
Corporate Items	(601)	(375)	707	(415)	(83)	(685)	151
Total	11,351	0	2,238	(1,654)	584	11,935	13,340

Budget Pressures

- 5.7 Total spending pressures of £1.9 plus £0.3m of increased contingency are as follows, with further detail in Appendix B.

Table 2 – Summary Pressures for 2023/24 and 2024/25

Committee	Pressure		
	2023/24 £000	2024/25 £000	Total £000
Inflation	973	487	1,460
Staff costs	280	328	608
Service demands	337	600	937
Income pressures	171	0	171
Corporate items	150	0	150
Subtotal Spending Pressures	1,911	1,414	3,325
Contingency	327	0	327
Total Pressures	2,238	1,414	3,652

Inflation of £973k

Funding distributed to committees to cover inflation on contract costs, offset by an expectation that some fees and charges will increase and mitigate the impact of inflation on net budget. Fees and charges increases have been set out to individual committees for approval. An example of inflation is in electricity, where we expect the cost (c.£225k for the General Fund in 2022/23) to double to £450k in 2023/24. Further allocations include £560k in Community Services to cover increases in contract and other costs across Operations and Localities and £188k to cover contract costs in S&R.

Staff costs of £280k

Including:

- £91k of increments
- £230k allowance for a pay award based on a 3% uplift (subject to ongoing discussion on how this should be distributed)
- (£41k) offset by a reduction in Employer's National Insurance contributions.

Service Demands of £337k

Increased costs of delivering services, including:

- £67k increased Regulatory Services costs from staff and other costs in the partnership
- £10k O-Licence costs at the Depot
- £75k in tree health and safety costs including ash dieback
- £100k restructuring of the Housing Benefit budget to reflect the fact that Government funding is insufficient to recover the full cost of benefits
- £40k additional allowance for appeal costs in Planning Policy
- £25k to secure a dedicated Health and Safety resource, shared with a partner authority
- £20k to reflect the full cost of elections in S&R.

Income pressures of £171k

Pressures from a reduction either due to a change in behaviour resulting from Covid-19 and cost of living issues, or in some cases Government policy changes, including:

- £70k reduction in parking income
- £50k reduction in cesspool income
- £30k reduction in Local Land Charge information provision, as Government now provide this service
- £11k reduced expectation of bulky waste collection income
- £10k reduced expectation of Meadowside sales.

£150k Review of Charges to the Housing Revenue Account – A

completed review of 2023/24 staffing allocations shows that charges to the HRA for officer time should be reduced by £150k in 2023/24, as the balance of work for some posts has shifted to the General Fund. This shows as a £375k additional staff allocation to the Policy Committees, as set out in the virements column in Table 2, offset by an increase in Corporate Recharges.

£327k increase to Contingencies – This is based on a requirement to provide adequate contingency within the budget to acknowledge increased risks in the operating environment, not least from inflation, pressures on providers and the impact of economic pressure on our residents' ability to pay for services. A savings plan as complex as the Future Tandridge Programme will also inevitably require a degree of headroom, however it is the intent of officers to concentrate efforts on delivering savings.

- 5.8 Budgetary control, and close working between Finance and Heads of Service is essential to ensure the budget is delivered. Work is under way to strengthen this, including the transformation of Finance and the introduction of the Finance Business Partnering Agreement in 2022. The Tandridge Finance Transformation Programme included an action to introduce Budget Accountability Statements, through which Heads of Service and Management Team (who are responsible for budgets) explicitly sign up to the expectations of them as managers. Officers are developing the Budget Accountability Statement for 2023/24, and a working draft is presented for Member comment in **Appendix J**.

Recommendation 6: The net revenue budget requirement be set at £11.935million (net cost of services after service specific government grants) for 2023/24 (Appendix B and D), subject to confirmation of the Final Local Government Financial Settlement;

Recommendation 7: The Final Budget Envelopes for each Committee including the allocation of pressures and savings targets for 2023/24 Appendices B, C and D.

6. Future Tandridge Programme Update

- 6.1 The future Tandridge programme has now moved into the next phase and delivery activities are in progress. Significant progress has been made since the December report, as set out in more detail below.

Operations, Locality Services and Waste

- 6.2 As a result of the Operations, Locality and Waste service review and the business case taken to committee in October 2022, the Operations Transformation workstream is now progressing the following areas:
- Market engagement exercise underway to ascertain marketplace appetite to both the scale of the operation and the procurement process/timescales available.
 - Working with existing suppliers to explore potential savings that could be made by altering service provision
 - Collating asset data to prepare an in-house option followed by financial modelling during January and February to inform the specification/affordability of service levels, enable modelling of an internal DSO comparator option and ultimately inform any tender information to market.
 - Phase 1 staffing restructure launched.

The Operations Transformation workstream will bring a business case to committee in March, which will make recommendations and ask for approval on the future Operations delivery model.

Wider Service Reviews

- 6.3 The Digital and Customer Services workstream is progressing with the business case, which will be brought to the committee in March for approval. This business case will focus on the following areas:
- Channel shift – Chatbots, website redesign and potential savings to be made by switching to Digital channels
 - A 6 year TDC Technology roadmap including a cost benefit analysis
 - Outsourcing of print/mail to a third party
- 6.4 As a result of the service reviews carried out in 2022, there are two phases of service restructures planned for 2023. The restructures that have been identified by heads of service will deliver savings in 2023/2024. Phase 1 of the Restructure began on 17th January, with the following areas included:
- Communications
 - Customer Services
 - Housing
 - Localities
 - Revenues and Benefits

6.5 Phase 2 of the restructure is being planned for June 2023 and will focus on the following service areas:

- Operations
- Assets and FM
- HR
- IT
- Revenues and Benefits Phase 2

This second phase is expected to be implemented by October 2023.

6.6 Following the Communications business case approved in December, the team is now engaging with members to develop a new model which will consider the outcomes required by members and the council when building the new model. An update will be presented to the S&R committee in June 2023.

6.7 Commissioning discussions are now taking place to shape the Tandridge commissioning framework, these discussions will be developed with the EMT and updates provided in future committee papers.

6.8 The Legal team are reviewing the Legal spend across the council and will be carrying out a review of current budget/actuals and considering an alternative centralised approach of managing the legal budget and engaging with legal third parties.

Risk update

6.9 As part of the delivery phase, all programme level risks are recorded in a risk register and reviewed and updated/scored regularly. Fortnightly meetings are also in place with the EMT stakeholders to review progress and discuss and agree mitigating actions against risks to delivery highlighted by the EMT. Programme risks are updated with latest actions against agreed mitigating action. The latest FTP programme risk register is provided in Appendix K.

7. National Funding Context – Background

7.1 On the 6th September 2022, Liz Truss was appointed as Prime Minister. A major premise of the new Government's approach was an intention to stimulate growth in the economy, create jobs and reduce the tax burden.

7.2 On 23rd September, the then Chancellor of the Exchequer set out a series of announcements as part of the 'Growth Plan 2022'. A lack of detailed costing in these plans and updated fiscal forecasts by the Office for Budget Responsibility (OBR) led to turmoil in the financial markets; the pound fell to a record low of \$1.03 and the cost of Government borrowing rose sharply. The Bank of England stepped in to stabilise markets by announcing an emergency bond buying scheme.

- 7.3 Shortly afterwards, many of the Government's proposals were reversed by a new Chancellor and a new Prime Minister, but high cost of borrowing remains a feature of the economy.
- 7.4 From a Local Government perspective the level of turmoil gave local authorities very little certainty over the contents of the Local Government Finance Settlement (LGFS), with spending constraint expected for all Government departments. This uncertainty led to a £259k funding gap in the Draft Budget. The funding position has improved by £510k based on the LGFS, with a further £74k improvement by increasing Council Tax by 2.99% (£6.90) instead of £5. The £584k additional funding allows a modest increase to contingencies, which is vital to provide assurance over the overall stability of the 2023/24 budget.
- 7.5 Alongside the political turmoil, between December 2021 and December 2022 the Bank of England (BOE) has increased its base rate at 9 consecutive meetings, taking the base rate from 0.1% to 3.5% which is the highest level in 14 years. The BOE is attempting to quell rising inflation which is now well above the BOE's official target of 2%. Further increases are expected in 2023. This impacts favourably on the Council's investment returns, but also increases the cost of borrowing. The impact of this is considered in the Capital, Investment and Treasury Management Strategy to Investment Sub-Committee in January, but it simplistically means we should limit new borrowing by using cash reserves to fund the capital programme and set aside any surpluses to guard against volatility in the market value of investments.

8. Funding for 2023/24

- 8.1 The most significant influence on the Council's medium-term funding is the long-awaited implementation of fundamental Government funding reform; particularly any changes to the retention of Business Rates, Grant Funding and New Homes Bonus. The LGFS has confirmed that this fundamental reform will now **not** take place in this spending review period – i.e. until at least 2025/26. In the meantime, significant uncertainty remains over the future of funding streams, notwithstanding the resolution of Government funding for 2023/24.
- 8.2 For the final budget, funding is confirmed at **£11.935m** for 2023/24. This represents the Draft Budget position of £11.351m, with the following changes:
- £510k Government Funding improvement, largely the introduction of what Government are terming a 'funding guarantee' of £505k,
 - £74k Increased Council Tax income from applying 2.99% rather than £5 as previous assumed.

Despite the increase from the Draft Budget position, overall funding has increased by 5% year-on-year; significantly less than inflation (currently running at 11% for CPI). Furthermore, the Government's additional funding guarantee has only been included in the LGFS for 2023/24 (and is therefore

effectively one-off), with the LGFS also explicitly stating that funding for lower-tier authorities would need to be reviewed for 2024/25, despite fundamental reform being delayed to the next spending review period. This potential cliff edge in Government funding for 2024/25 means that taking advantage of the full 2.99% Council tax flexibility is the most prudent course of action. It also is likely to be seen as a pre-requisite to any application to DLUHC for a capitalisation direction.

Table 3 – Summary Funding Across 2021/22 to 2023/24

	2021/22 £000	2022/23 £000	2023/24 £000	Change £000	Comments
Council Tax Precept	8,690	8,937	9,255	317	Band D rate at 2.99%
Business Rates, Levy and Funding Guarantee	1,719	1,633	2,369	736	Includes £505k funding guarantee
Other Grant Funding	1,178	785	416	(370)	Reduction in New Homes Bonus & Services Grant
Funding before collection fund	11,587	11,355	12,039	684	
Council Tax Collection Fund	(32)	(5)	(104)	(100)	Allowance for impact of cost of living
Total Funding	11,295	11,351	11,935	584	

Council tax funding £9.3m

Core Council tax funding increase

- 8.3 Previously, the Council could increase its Council Tax charge by 1.99% or £5 (if higher) without the need for a referendum. The LGFS confirmed that the percentage limit would increase to 2.99%, with the £5 limit remaining. The Council can increase Council Tax by the higher of the two figures. The Budget assumes a £6.90 (2.99%) increase, resulting in an additional £0.3m funding in 2023/24.

Council Tax base

- 8.4 In October, the Council submitted the scheduled return on the quantification of the tax base (the number of Band D equivalent properties). The review confirmed a 0.5% increase in the base. The reasons for this growth are related to increases in property numbers, properties in higher bands and lower subsidies for exemptions, discounts and Council Tax support.
- 8.5 The tax base is then adjusted for an estimate of collectability. Due to the economic climate, the collectability adjustment remains at 1.2% in the budget, despite ongoing work to increase collectability. This includes efforts with the County and other Districts to share best practice and review cost of collection.

- 8.6 Changes to the tax base results in an increase in funding of £0.05m in 2023/24. The tax base was approved at Strategy & Resources on 1st December 2022.

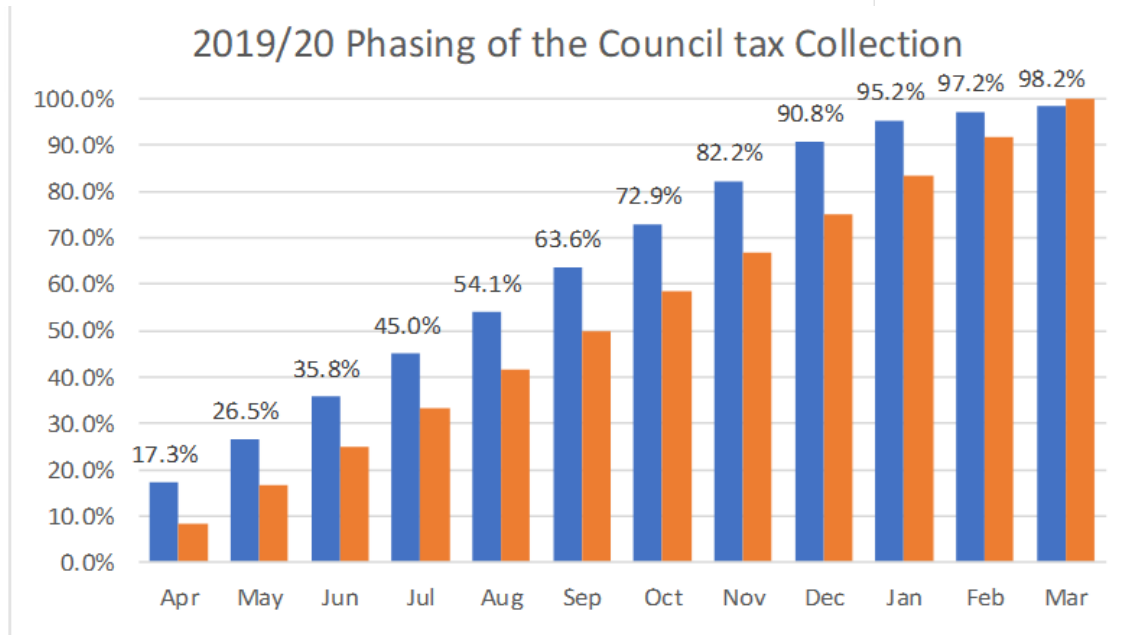
Recommendation 11: That Tandridge District Council set the precept for Band D Council Tax at £237.88, which represents a 2.99% uplift.

Collection Fund Performance

- 8.7 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 – i.e.: we bear the risks and benefits from the Parishes’ collection fund. Following Covid-19 the performance has been hard to project.

Table 4: Council Tax Collection Performance over the last four years and the usual collection trend. 2019/20 is provided as a comparator, being the last year before Covid-19 began to impact.

	Apr	Sep	Mar
	%	%	%
19/20	17.3	63.6	98.2
20/21	16.4	61.8	97.3
21/22	16.9	63.6	97.4
22/23	16.6	61.7	



[Blue Actual vs Orange Target]

- 8.8 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). The collection fund figures include the final year of that spread.
- 8.9 Collectability rates on the tax base are still lower than pre-Covid years. This reflecting both the impact of Covid-19 and the inflationary impact from events in Ukraine on energy costs and trade issues.
- 8.10 With the implementation of the NEC system for Collection Fund Management, there will be more opportunity to review historic debt levels. HM Inspectorate of Court Administration has reopened the debt recovery system which should also improve performance. A £50k resource was approved to pursue increased debt collection but the Council has so far found it challenging to recruit to associated posts. Work to progress this or identify an alternate solution continues.

8.11 Currently there is an estimated collectability rate of 98.8%. However due to the ongoing impact of inflation and cost of living pressures, this will need to be carefully managed during the year.

8.12 Based on the above, the assumed collection fund deficit for 2023/24 is **£0.1m.**

Council Tax discounts and exemptions

8.13 There are no changes to any of the discounts, premiums and exemptions to Council tax for 2023/24.

Local Council Tax Support

8.14 Under the Local Government Finance Act 2012, Councils are required to agree their Local Council Tax support scheme and make any changes as appropriate.

8.15 For 2023/24 it is proposed to make the prescribed requirement changes as set out in the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2023, 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.

8.16 The number of claimants receiving Council Tax support is currently 3,489 compared to 3,619 in 2021/22 (being the last full financial year of data).

8.17 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. We are now at a point we can use a scheme modelling tool on our new Revenues and Benefits system, and we can go out for public consult with residents on the proposed changes to the scheme from its current default scheme to a banded scheme. Consultation is due to begin after the End of Year process is finalised in April 2023. Once the consultation period has ended, a detailed report will be made to for future meetings of the Committee to approve any changes.

8.18 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 2: The current Local Council Tax support scheme is adopted for financial year 2023/24.

Business Rates, Levy and Funding Guarantee £2.4m

8.19 Business Rates funding is a headline term incorporating several separate elements, as set out below. The Government's funding guarantee of £0.5m has been included in this section because it works in a similar way to the existing system of business rates top-ups and tariffs, i.e. providing for a set level of funding:

- **Directly retained Business Rates income** - Local businesses pay Business Rates net of reliefs and discounts directly to TDC (**expected c£17m for 2023/24**) This has reduced by £4m since 2021/22, reflecting ongoing Covid-19 reliefs. 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£6.8m** - 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 **£3.4m**;
 - **Tariff and Levy:** A tariff is then applied because the Council generates more funding than Central Government calculate we require (**c£8.0m**), **plus a levy based on growth (£0.3m)**;
 - **Funding Guarantee:** A **£0.5m** Core Spending Power adjustment announced in the LGFS as a one-off increase in Council funding;
 - Leaving an amount of funding for Council services equal to the **c£2.4m**.

8.20 £2.4m of overall Business Rates funding represents a net increase of £0.7m on the 2022/23 projection. This increase is based partly on the Government's funding guarantee and partly on the total of core business rates and S31 grants, at £10.2m against the 2022/23 estimate £10.0m. Within that increase:

- S31 grant projections have increased from £1.6m to £3.4m, (£1.8m increase)
- Underlying rates reducing from £8.4m to £6.8m. (£1.6m reduction)
- This reflects the ongoing support provided to business by Government.

These changes are based on the Council's Government Return for business rates (NNDR1) for 2022/23.

To provide additional assurance, the 2023/24 total rates have also been validated against external advice provided by LG Futures, external Local Government funding advisors, in updates provided following the settlement. They are also consistent with the Core Spending Power documents published by Government, providing additional external evidence that they are accurate. The pooling gain from 2021/22 has yet to be finalised, but when confirmed will mitigate funding across the MTFS.

Grant Funding

- 8.21 Final Grant Funding for 2023/24 is £416k. This represents a like-for-like reduction of £370k on 2022/23. The breakdown of grants is set out below. Government have stated that although fundamental funding reform will not take place until 2025/26 at the earliest, there is still material uncertainty on the future of New Homes Bonus beyond 2023/24.

Table 5 – Grant Funding from 2021/22 to 2023/24

	2021/22 £000	2022/23 £000	2023/24 £000	Change £000	Comments
New Homes Bonus	341	618	359	(259)	Future remains uncertain
Services Grant	0	102	57	(46)	Reduced due to Employer's National Insurance reduction
Covid-19 Grant Funding	498	0	0	0	One off for 2021/22
Lower Tier Grant	340	65	0	(65)	One-off for 2022/23
	1,178	785	416	(370)	

9. Reserves Update and CIPFA Resilience Index – Section 25 Report

- 9.1 Section 25 of the Local Government Finance Act 2003 requires the Council's Section 151 Officer to state an opinion on the adequacy of the proposed financial reserves, that Members should have regard to when considering the budget for 2023/24, along with the robustness of estimates in setting the budget.
- 9.2 The Council's Section 151 Officer confirms that the budget is based on robust estimates and that the level of reserves as set out in Appendix I is at an 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. The reasons for this view are that:
- The General Fund reserve remains stable over the MTFS, with no planned use – it was increased by a marginal amount at 2021/22 outturn.
 - Further reserves are held for funding volatility and investment income volatility.

- The CIPFA resilience index shows some improvement from previous years, with further work to arrive at a position comparable with statistically similar authorities.
- The full savings target has been allocated to committees in advance of the financial year, with a robust system of governance to deliver.
- The expected pooling gain for 2021/22 has not been fully factored into the MTFs, providing a potential additional increase to reserves. The Council is also part of the 2023/24 business rates pool.
- A general fund contingency of £445k is programmed in for 2023/24, (commensurate with the current forecast overspend in 2022/23).

9.3 This is offset against risks in the operating environment which are increased from 2022/23:

- Volatile impact of inflationary increases to contracts;
- Impact of inflationary increases on providers, threatening their financial viability;
- Impact of increasing interest rates on borrowing costs (offset by an increase in investment income);
- Uncertain appetite for commercial properties owned by the Council and its subsidiaries;
- The need to deliver a significant savings plan for 2023/24.

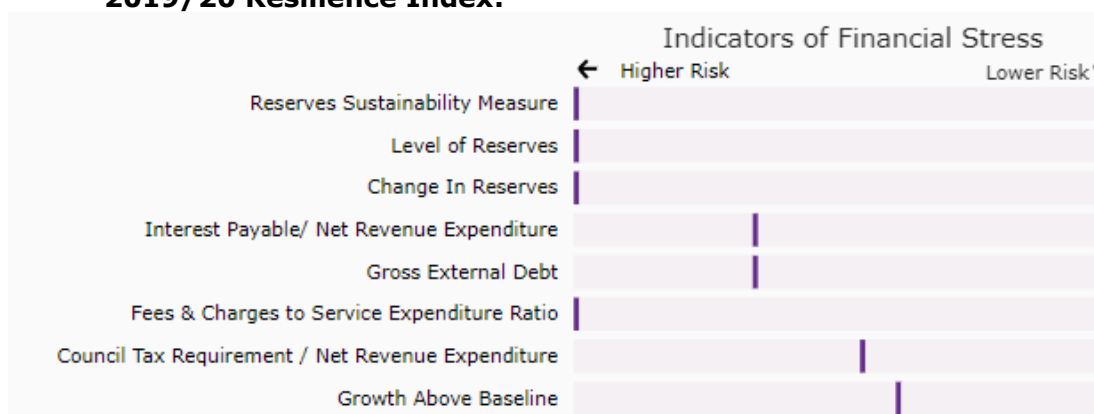
9.4 These risks have been captured in the budget where a reasonable value can be attached, particularly in respect of the impact of inflation. However it is inevitable that the Council will face further pressures over the course of the year. Further detail on the level of reserves is set out below and in Appendix I.

9.5 General Fund Reserves in the 2022/23 budget were set at £2.8m with further amounts set aside for funding (£0.3m) and income equalisation (£0.2m). Although 2021/22 was completed with a surplus of £458k, the majority of this was set aside as additional contingency or for approved spending need. The 2022/23 current forecast of a deficit of £447k (offset by £484k of overall contingencies and counter measures) means that underlying reserves are likely to remain at c£2.8m for 2023/24. This is an achievement given the volatile economic pressures and unexpectedly high inflation; however it leaves the Council in the same overall position of needing to increase its reserves resilience.

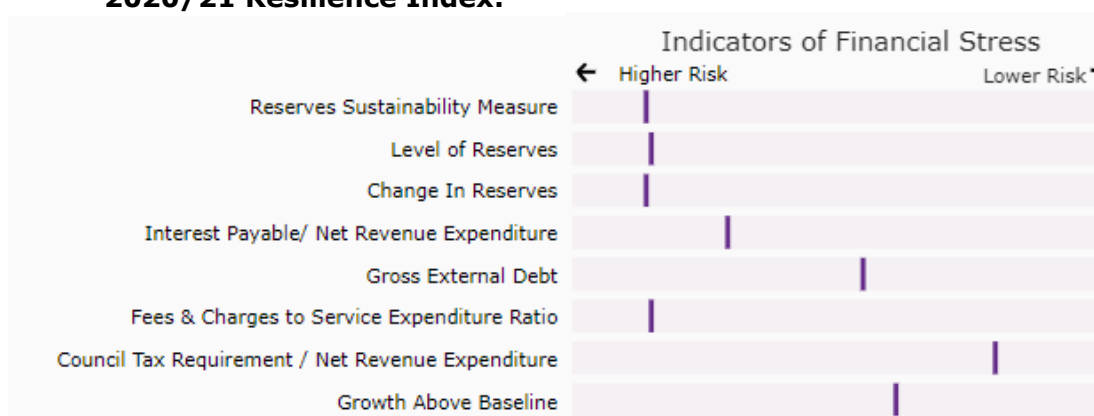
9.6 As part of the 2022/23 budget setting process, Council approved a request to DLUHC for a capitalisation direction to fund the transformation programme and replenish reserves. This was to be funded by the anticipated sale of the Redstone building.

- 9.7 Consequently, in January 2022, the Council requested a capital dispensation from DLUHC to initially replenish General Fund Reserves and secure flexibility for a further amount to fund transformation. The Council received notification on Wednesday 31st August that Government had refused the application. The refusal was based on the Government's "assessment of the Council's overall financial position, including our current level of reserves, and the steps currently underway in the Council to meet the identified budget pressure."
- 9.8 In the meantime, sector-wide flexibility to use capital receipts to fund transformation programmes has been extended, so plans to fund the Future Tandrige Programme remained intact.
- 9.9 Since that point, officers including the Chief Executive and Chief Finance Officer continue to meet with DLUHC representatives to update them on our current financial position and the challenges ahead. Given that there has been no material improvement to reserves since the capitalisation was last requested, officers intend to resubmit the application imminently.
- 9.10 The 2022/23 Budget and Medium-Term Financial Strategy Council in February also provided an update on the Council's performance in the CIPFA resilience index, based on provisional 2020/21 data. CIPFA has now released the final data for 2020/21. The two most recent years data are set out below:

2019/20 Resilience Index:



2020/21 Resilience Index:



9.11 Although the index is showing improvements in reserves sustainability, the level of reserves held, compared to other authorities is low. In addition, the index for 2020/21 was significantly impacted by Covid-19 funding, which in many cases was received at the end of the financial year and contributed to reserves, resulting in some authorities showing significant increases in levels of reserves (especially due to Collection Fund S31 grants spread across the three years) as at March 2021. Therefore, CIPFA recommends that it is viewed in the context of being a transitional year.

9.12 2021/22 data on the level of reserves has not yet been released.

Recommendation 4: Unavoidable external risks to the budget are mitigated through the retention of a general contingency of £0.445m per annum (increased by £327k from 2022/23) Held within the contingency, £74k generated by the ability to raise Council Tax by 2.99% / £6.90 rather than the previous £5 limit will be earmarked as a Cost of Living Fund, to ensure that the Council has an allocation to call on where targeted support for residents is required.

10. Flexible Use of Capital Receipts

- 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.
- 10.2 This flexibility was extended again on 4th April 2022 for use up to and including financial year 2024/25. The new flexibilities include a limitation that prevents receipts being used to cover discretionary element of redundancy costs; i.e. that anything beyond the statutory minimum must be covered by alternate means. The Council has a £75k reserve to cover any payments offered under the current redundancy policy (which has recently been made less generous). This reserve may require additional funding, potentially at 2022/23 outturn. An alternate would be to increase savings targets to cover the initial redundancy cost; the requirement for this will need to be kept under close review.
- 10.3 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 H**).
- 10.4 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 and the flexibility does not extend to using capital receipts to support General Fund reserves.
- 10.5 On 1st December 2022, the Committee noted the intention to re-submit the request for a capitalisation direction from Department of Levelling Up, Housing and Communities ('DLUHC') to use part of the receipt from the Redstone property to replenish general fund reserves. Now that the provisional Local Government Finance Settlement has been received and is deemed inadequate to allow a contribution to reserves, this request will be re-submitted for a value up to £500k.
- 10.6 The current position of general fund capital receipts is an estimated opening balance for 2023/24 of £0.6m. Loan repayments from the Leisure provider are classed as capital receipts and this will enhance the position by £0.3m in 2023/24. Against this, projected spend of £0.3m on the FTP is set out in the appendix. Therefore, the estimated position at the end of 2023/24 is £0.7m of residual receipts.

- 10.7 If the capital dispensation is not approved the residual receipts would have to be applied only to capital schemes.

The capital receipts reserve position is set out as part of Appendix I

Recommendation 9: The Flexible Use of Capital Receipts Strategy for 2023/24 to meet the statutory guidelines for the use of such receipts to fund transformation.

11. Proposed Capital Programme 2023/24 to 2025/26

- 11.1 This section of the report provides an update on the development of the Capital Programme for 2023/24 to 2025/26, taking into account work that has been carried out by officers in recent weeks. Further work was undertaken to review proposed allocations in advance of presenting this Final Budget Report, ensuring finalised costs of borrowing are included in the revenue budget. The Capital Programme is based on assumed spending need, and will include allocations for items such as IT hardware replacement. Members will be consulted on which of these, if any, require further detailed business cases before spend can be undertaken.
- 11.2 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).
- 11.3 The Capital Programme sets out our expenditure plans and how we will pay for them over a three-year period. The current three-year Capital Programme was approved by Council in February 2022. The Capital Programme has been reviewed as part of developing the final budget and is unchanged from the draft.
- 11.4 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 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.

- 11.5 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. 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 both external borrowing (loans) and internal borrowing. This is an annual revenue expense in the Council's budget. The cost of MRP to the 2023/24 budget is estimated to be £1.2m, pending confirmation of final borrowing figures for 2022/23. This represents no increase on the 2022/23 budget. This will be achieved through using capital receipts to reduce repayments either by repaying previous debt or avoiding new debt.
- 11.6 The Council's current MRP policy was approved by Council in February 2022. The annual charge is currently calculated using the annuity method, where MRP is the principal element for the year of the annuity required to repay borrowing over the asset's useful life. The policy for 2023/24 was included in the Capital, Investment and Treasury Strategy presented to Investment Sub Committee on 20th January 2023.
- 11.7 All borrowing for capital schemes takes place 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 Capital, Investment and Treasury Management Strategy and are monitored and reported to the Investment Sub Committee and Council on a regular basis. The Capital, Investment and Treasury Management Strategy demonstrates how the borrowing requirement will be managed.

The table below shows the draft three-year General Fund Capital Programme and how it is planned to be funded for 2023/24 to 2025/26.

Table 6: Summary Capital Programme

	2023/24 £000	2024/25 £000	2025/26 £000	Total Programme £000
Planning	500	741	0	1,241
Community Services	990	1,063	1079	3,131
Housing General Fund	503	504	505	1,511
Strategy & Resources	1,822	475	170	2,466
Total Capital Programme	3,814	2,782	1,753	8,349

	2023/24 £000	2024/25 £000	2025/26 £000	Total Programme £000
External Funding/Grants	1,753	879	880	3,511
Community Infrastructure Levy	500	741	0	1,241
Capital Receipts	0	0	0	0
Borrowing	1,562	1,163	873	3,597
Total Capital Programme	3,814	2,782	1,753	8,349

Community Services

11.8 The proposed three-year Capital Programme 2023/24 to 2025/26 for Community Services is £3.1m. The schemes comprise of:

- UK Shared Prosperity Fund – Delivery of Open Space Strategy and Rural England Prosperity Fund - £1.0m;
- Children’s Playground Improvements - £0.4m;
- Vehicle Replacement Programme - £0.4m;
- Parks, Pavilions and 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 and Machinery Replacement Programme.

Housing General Fund

11.9 The proposed three-year Capital Programme 2023/24 to 2025/26 for the Housing General Fund is £1.5m. This is the Disabled Facilities Grants (DFG) programme which is funded from DFG.

Strategy and Resources

11.10 The proposed three-year Capital Programme 2023/24 to 2025/26 for Strategy and Resources is £2.5m. The schemes comprise of:

- Asset development programme - £1.7m;
- IT Hardware and Infrastructure Projects - £0.7m; and
- Council Offices major works programme - £0.1m.

Planning Policy (Community Infrastructure Levy)

11.11 The proposed three-year Capital Programme 2023/24 to 2025/26 for Planning Policy is £1.2m. This is made up of grants and contributions to third parties for capital projects and are funded from CIL.

Housing Revenue Account

11.12 The draft HRA Capital Programme is funded from the following sources, as shown in the table below:

Table 7 – HRA Capital Programme

	2023/24 £000	2024/25 £000	2025/26 £000	Total Programme £000
HRA	15,398	12,731	3,945	32,074
HRA Capital Receipts/Reserves	9,012	9,012	3,945	21,969
Borrowing	6,386	3,719	0	10,105
Total HRA Funding	15,398	12,731	3,945	32,074

11.13 The proposed three-year Capital Programme 2023/24 to 2025/26 for the Housing Revenue Account is £32.1m. This is made up of:

- Council House Building Programme - £20.8m;
- Improvements to Housing Stock - £11.1m; and
- IT Hardware and Infrastructure Projects - £0.2m.

11.14 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.

- 11.15 In general, uncertainty remains over the economic backdrop. Inflation remains at extremely high levels and a continued upward trend will drive up costs of scheme delivery. Uncertainty on the path of interest rates has increased significantly due to the possible risk of unknowns including further tax changes. The risk remains that interest rates will continue to increase thus putting further pressure on revenue financing costs that the Council will need to manage.

Recommendation 8: The £40.4 million proposed three-year Capital Programme (comprising £7.1m General Fund, £1.2m Community Infrastructure Levy (CIL) and £32.1m Housing Revenue Account (HRA)) of which £19.2 million Capital Budget is for 2023/24 (Appendix E)

12. Medium Term Financial Strategy

- 12.1 Under normal circumstances, the Council would aspire to a three or five-year Medium-Term Financial Strategy, making clear the level of resource available to deliver priorities and core services. However, given significant uncertainty of the economic volatility on long-term Government funding, along with aspirations to fundamentally reform the funding system, the Budget can only sensibly comment on the potential gap for 2023/24 and the following financial year.
- 12.2 Section 8 sets out the 2023/24 funding position in detail. It is anticipated that funding will stay broadly flat into 2024/25. This is based on an increase in Tax Base, a 2.99% increase in the Band D rate, offset by further reductions to Government funding.
- 12.3 The outlook for 2024/25 assumes further cost pressures (corporate and service) of £1.4m, including inflation, allowance for a further pay award and a £0.6m allowance for service pressures yet to be quantified. Assuming funding does remain flat, a £1.4m savings programme would therefore be required in 2024/25 in broad alignment with previous years.
- 12.4 The Council's Strategy will be to continue to pursue savings to deliver a sound and balanced budget, rather than rely on reserves. In light of the significant economic challenges affecting the operating environment, particularly inflation and a suppression of income from fees and charges, the aspiration should be to avoid depleting reserves further and grow where possible.

13. 2022/23 Financial Performance

- 13.1 **Revenue Performance as at Month 6 (September) was reported to S&R committee on the 1st December 2022:** An £11.351m General Fund expenditure budget was approved in February 2022. The budget was then redistributed in April and June for the allocation of savings previously held corporately, after consideration and approval by committees. The overall budget was unchanged.

- 13.2 Against this revised budget, the forecast as at M6 (September) is £11.8m; a forecast deficit of £447k. This is set out below in summary form, with full details on the Q2 Budget Monitoring report. The ongoing effect of these pressures have been built into this draft budget where analysis deems them to have a 2023/24 impact that cannot be addressed within existing budgets. A £484k contingency is held in 2022/23 to address this deficit.
- 13.3 The current forecast position is subject to final checks before circulation but is not expected to change materially from M6. The ongoing pressures reported at M6 are reflected in increased allocations to committees set out in Appendix B. Furthermore, the contingency for 2023/24 has been increased to £445k; meaning that a similar degree of unanticipated issues could be managed for 2023/24.

Table 8: Month 6 Financial 2022/23 Performance

	2022/23			One-off events £k	Ongoing Pressures £k
	Forecast	Annual	Outturn		
	at M06 £k	Budget £k	Variance £k		
Community Services	4,375	4,051	324	(27)	351
Housing General Fund	432	476	(44)	0	(44)
Planning Policy	1,290	1,204	86	25	62
Strategy & Resources	6,333	6,222	111	7	104
Corporate Items	(632)	(601)	(31)	(115)	84
General Fund	11,798	11,351	447	(110)	557
Central Funding	(11,351)	(11,351)	0	0	0
Overall after central funding	447	0	447	(110)	557

14. Fees and Charges

- 14.1 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.
- 14.2 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 for 2024/25 and over the medium-term. The Spending Review and the provisional settlement has only provided us with surety for one year.
- 14.3 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 Committee.

- 14.4 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.
- 14.5 The results of the review were discussed with Members at an all-Member workshop on the 21st December 2022, with the outcomes reported to each of the policy committees for approval as part of the January committee cycle.

15. Next Steps

- 15.1 Subject to any comments from this Committee, the budget will be presented to Full Council for approval on the 9th February 2023. In the meantime, final precept information will be obtained from:
- Surrey County Council (to be approved on the 7th February 2023)
 - Surrey Police and Crime Commissioner (to be confirmed w/c 6th February 2023)
 - Parish Councils (Deadline of 17th January but a number outstanding at time of writing).
- 15.2 Following approval, officers will populate the financial system with the final budget, and distribute Budget Accountability Statements for agreement by budget holders.
- 15.3 Savings delivery will be managed through the Future Tandridge Programme and reported to each Policy Committee on a quarterly basis.
- 15.4 Planning will begin imminently for the 2024/25 Budget and refreshed Medium-Term Financial Strategy.

Further Appendices

- Appendix B – Summary of Pressures and Savings
- Appendix C – Detailed Savings Plan
- Appendix D – Subjective Detailed Budget Analysis
- Appendix E – Proposed Capital Programme
- Appendix F – Council Tax Requirement Statement
- Appendix G – Parish Council Tax Precepts [To follow]
- Appendix H – Flexible Use of Capital Receipts
- Appendix I – Projected Earmarked Reserves 2021/22 to 2024/25
- Appendix J – Budget Accountability Statement
- Appendix K - FTP Risk Register
- Appendix L - Glossary