



CABINET

Notice of a Meeting, to be held in the Civic Centre, Tannery Lane, Ashford, Kent TN23
1PL on **Thursday, 24th November, 2022 at 7.00 pm.**

Agenda

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9. **Draft Budget 2023/24**

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Agenda Item 9

Agenda Item No: 9

Report To: Cabinet

Date of Meeting: 24 November 2022

Report Title: Draft Budget 2023/24

Report Author & Job Title: Monica Hutanu - Senior Accountant
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Portfolio Holder Cllr. Neil Shorter
Portfolio Holder for: Finance & IT



Summary:

This paper presents the draft budget for 2023/24 for the General Fund and the Housing Revenue Account.

The draft budget for 2023/24 has been balanced by funding the £2.87m deficit from the Economic Risk Reserves and is broadly in line with the figure highlighted within the Medium Term Financial Plan (MTFP), which was presented to Cabinet in October, and formed the basis for this draft budget.

Funding the 2023/24 deficit from reserves with the expectation that Management, in conjunction with Portfolio Holders to undertake a thorough, and well considered piece of work to determine where the Council can make savings, to reduce the deficit. This is a challenge of similar scale to the one faced at the height of austerity and will need to co-operation and vision of both officers and members to tackle.

The Chancellor of the Exchequer has delivered the new government budget which has offered limited support to district councils by raising the council tax cap to 2.99%. For Ashford this would equate to circa £15,000 for 2023/24. The final funding settlement will not be published until the 23 December and will be reported as part of the final budget report.

The key service pressure and other risks to the delivery of this budget that are explored within the report.

The report also includes the Housing Revenue Account (HRA) draft budget which incorporates the assumptions used in the 30 year Business Plan which will be presented to Cabinet in December. The Chancellors statement indicated that rents can rise by up to 7%, this will be included in the final budget proposal.

Key Decision: YES

Significantly Affected Wards: None

Recommendations: **The Cabinet is recommended to:-**

- I. Approve the draft budget for 2023/24.
- II. Require the Cabinet, as portfolio holders, to be informed and be involved in progressing the savings required to reduce the budget deficit.
- III. Approve the draft Housing Revenue Account budget for 2023/24 Section 2 of the report.
- IV. Agree that this report will be used as the basis for budget consultation with the public, the business community, parish councils and staff.
- V. Agree the draft budget as set out in the report should now be submitted to the Overview and Scrutiny Committee's Budget Task Group for formal scrutiny.

Policy Overview: The Council's Revenue Budget is intended to support the priorities set out within the Corporate Plan 2022-24 and flows through from the Medium Term Financial Plan (MTFP).

Financial Implications: The Council has a requirement to produce a MTFP and a balanced budget and although this has been delivered it has been necessary to use £2.87m from the Economic Risk Reserve. The MTFP report contained advice on the Councils long term position and this advice is unchanged.

The use of reserves is appropriate as an interim measure but it will be necessary for the Council to make significant savings to reduce this deficit to ensure financial sustainability. This work has been started since the MTFP report with a view to providing savings options for consideration in the final budget and options for the new administration to consider in May 2023.

This report is based on a further one year funding extension as government have deferred the spending review once again. This delay prolongs uncertainty over future funding streams, and with increasing levels of national debt and a high inflation further pressure is being placed upon Local Councils.

The HRA budget has been prepared and informs an affordable 30 year Business Plan that will be presented at the next Cabinet meeting.

Legal Implications: The Council must set a balanced budget having regard to the advice of its Chief Finance Officer. This is a function reserved to the Council which will consider the final budget

Text agreed by the Principal Litigator of the Council on 15/11/2022. prepared and recommended by the cabinet in February 2023.

Equalities Impact Assessment A full assessment will be undertaken and will form part of the Final Budget report.

Other Material Implications: Consultation will be undertaken with the Joint Consultative Committee and business community, with findings reported back in March in the Final Budget Report.

Exempt from Publication: N/a

Background Papers: None

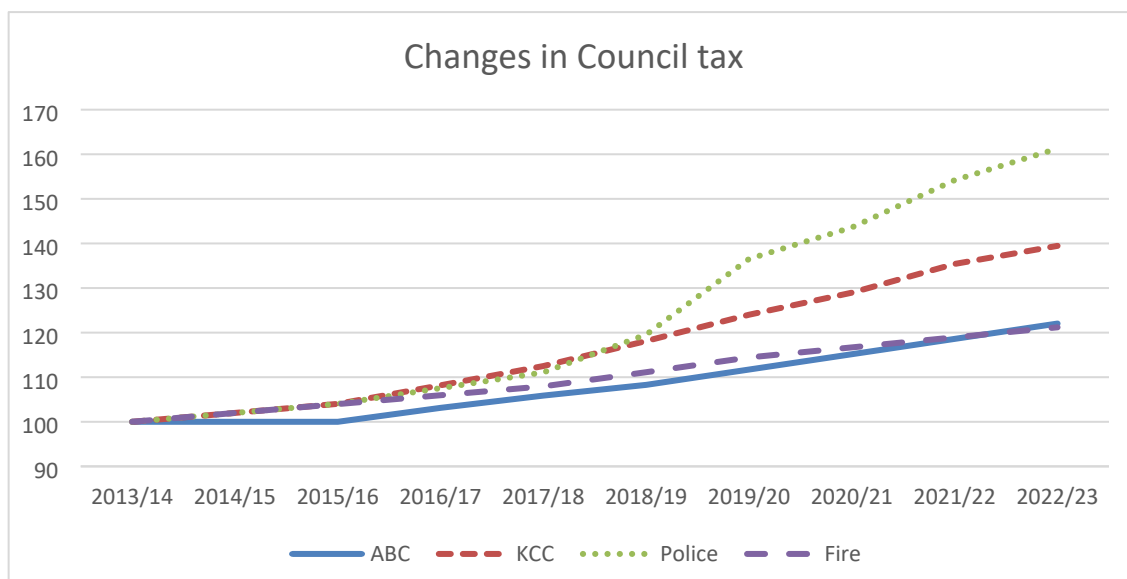
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Report Title: Draft Budget 2023/24

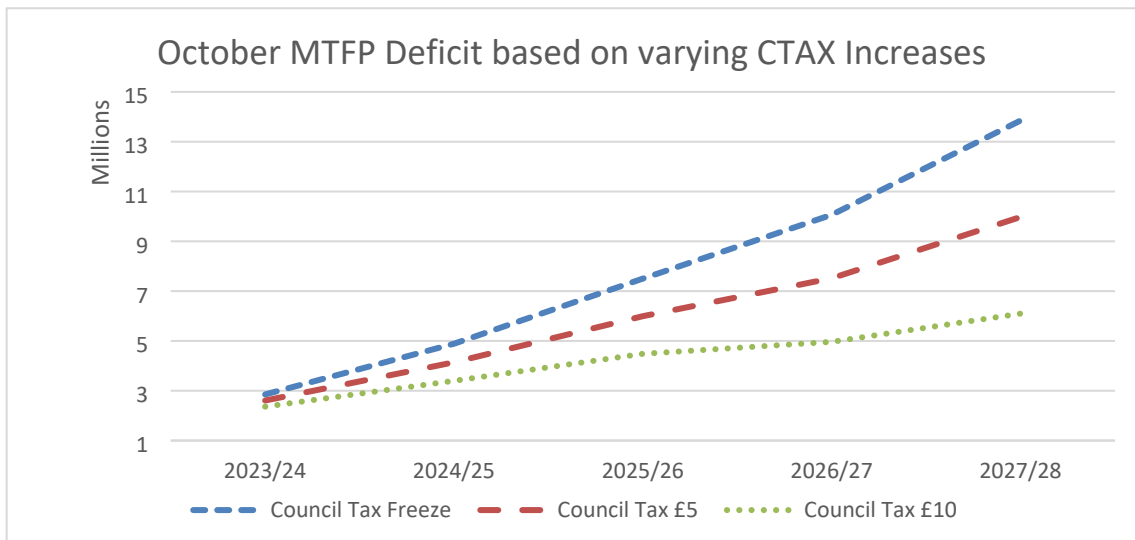
Introduction and Background

1. This report sets the scene for Cabinet to consider the draft budget for 2023/24 which is showing a deficit of £2.87m, which is broadly in line with what was presented to Cabinet in October 2022. The MTFP report provided important background and contextual information which has been considered in building the 2023/24 budget as presented within this report.
2. The Council agreed the corporate plan covering the period 2022-24 and this budget, in alignment with the MTFP reflects the priorities identified within that plan and includes future assumptions around inflationary and interest movements and government levels of funding.
3. The 2023/24 budget is built on the assumption of a further one year funding agreement with government, although spending reviews have been delayed again. The Chancellor introduced a new budget on 17 November 2022 and has increased the council tax cap to 2.99% for district councils without social care responsibilities. As a lower taxing authority Ashford has been able to charge circa 3% anyway in past years utilising the to the £5 cap limit. The increase to 2.99% for 2023/24 would enable the Council to levy and additional £15,000 in Council Tax receipts, if approved by Members. However the Council will make representations to the Government for considering further freedoms for lower tier Authorities which members would then have discretion over their use.
4. It is assumed that New Homes Bonus will continue to pay another one year only settlement, with no expectation to receive legacy payments as the scheme has been schedule for review for a number of years.
5. The Business Rate retention scheme will continue in its current form for 2023/24 and it is likely to continue in this form for the remaining life of the parliament.
6. It is anticipated, and now confirmed that government funding will follow previous years allocations which fundamentally do not provide any additional resource to counter inflation and assumes that tax revenues are maximised to permitted levels, effectively freezing funding in cash terms, or cuts in real terms to core spending power.
7. Therefore, if the Council decides to freeze or increase Council Tax at lower levels than the maximum permitted (now 2.99%), will cause a deviation between the actual spending power of the Council, and that forecast by Government which could affect future grant funding levels.
8. One possible benefit to the continued delay in the fair funding review is that the business rates baseline reset will be delayed. This delay means that the Council will retain more of its business rates growth which sits outside of the Council's Core Spending Power.
9. The budget is based upon a £5.00 (2.9%) increase in Council Tax for Band D properties which will continue to see the Council maintaining its position as one of the lowest in Kent. However, with the new increase to 2.99%, this could be increased by 31 pence per annum and will generate an additional £15,000. **It would be a recommendation by the Councils Chief Financial Officer that any increase is maximised.**

10. This cap on council tax rises has now been in place for a number of years and Ashford has been able to increase by £5 per annum as a lower taxing authority without triggering the need for a local referendum, a revised cap on the monetary amount has not been announced in the main budget but this could come at a later date, and Offices will keep members informed accordingly. It is worth noting that there is no published rationale for the £5 figure and this has not been increased for many years.
11. To put the impact of capping into perspective, which is set separately for each public service, the table below shows the deviation in Council tax increase assuming everyone started at £100 in 2013/14. It is obvious that the Police and Crime Commissioner (PCC) has been given significantly more funding to tackle crime as has KCC to support social care.
12. While the setting of Government caps is beyond our control, it is an indication of how District Councils are seeing their spending power reduced as other areas of the public sector are being supported. With the announcement within the budget, KCC as an upper tier authority will be able to levy an additional 2% in Council Tax to support adult social care services.



13. However, with government acknowledging pressures in Local Authority finances, they could always increase the Local Authority cap, as they have done with Police and KCC to support the sector. The new budget has highlighted the need for additional funding and has increased the Council Tax cap, but this does not support increased inflationary pressures.
14. To put this into context, and relating it back to October's MTFP report, if government has increased the cap to say £10 per annum for the life of the MTFP, then the deficit would reduce from circa £10m to £6m and therefore help reduce the level of cuts required to balance the budget preserving services to the public. The graph also shows the impact of freezing Council Tax and the addition financial pressure this would put on Council finances, increasing the 5 years deficit from £9m to £13m



15. Section 2 of this report covers the HRA draft budget which is the basis for the 30 year business plan which will be presented at the December Cabinet and will cover the HRA strategy and plans in more detail.
16. The forecast for the Council’s capital and repairs & renewal reserves (Section 3 - Capital Resources) is included and shows that these resources remain under pressure and as a consequence borrowing will need to be used to fund the majority of capital investments which carries a higher revenue budget cost than using internal resources.
17. This report seeks Cabinet’s approval to the draft budget that will then form the basis of the budget scrutiny and consultation processes with the final budget due to be reported to the February Cabinet for approval and recommendation to Full Council.

Structure of the report

18. For ease of consideration this report is split into sections;
 - i. Draft Budget 2023/24 (for the General Fund)
 - ii. Housing Revenue Account
 - iii. Capital resource forecast and capital programme implications
 - iv. Next steps

Section 1 - Draft Budget 2023/2024

19. The Draft budget for 2023/24 is showing a deficit of £2.87m, which is broadly in line with the MTFP report which was presented to the October Cabinet. As stated in the MTFP report, it was set against an evolving economic backdrop and therefore introduced a level of uncertainty in the forecasts. The economic conditions are less volatile now and key assumptions such as interest rate figures have been used in the more detailed budget setting process.
20. As recommended in the MTFP, it is proposed that the forecast deficit is funded from the Economic Risk reserve, however, we need to remember that reserves can only be used once and therefore is not sustainable policy going forward.
21. **To ensure that the Council maintains its strong financial standing and demonstrates sound financial management it will be necessary to take difficult decisions and explore all saving options between statutory and non-statutory services, and at what level can, and should be delivered going forward.**
22. It will be necessary to ensure any savings proposals are well considered, have Management and Member support, have clear timeframes for delivery, and be pro-actively monitored against those timeframes and reported through to Management and Members accordingly.
23. Management Team has already started the process of clarifying statutory and non-statutory services which while not being a definitive line in the sand, it will help determine areas to be explored further. Recommendation as to what can be done have also been sought as part of this process.
24. The intention is to identify savings proposals to reduce the gap for the final budget report and proposals for the next administration to consider in its first 100 days. **The advice in the MTFP report was that without taking strong action to reduce the budget deficit the Council's long term viability could be compromised and this advice still stands.**
25. The need to deliver significant savings should not be underestimated, this will be a difficult period for the Council Officers and Members but without making the required savings, the Council's S151 Officer would have to consider the possibility of issuing a Section 114 notice (bankruptcy for Councils) within the MTFP period.
26. Detailed service budgets have been built by the service budget managers in conjunction with the Accountancy Team, monitoring the overall position against the MTFP. Where service budgets materially differ from the MTFP assumptions, these movements have been reviewed and challenged accordingly. These services deliver a range of statutory and non-statutory functions and, following the strategy agreed by Cabinet in the MTFP, these are being reviewed in detail as part of the savings process.
27. This is a draft budget and management and the team will keep this under review and where any significant savings can be identified, these will be amended within the budget and report as part of the final budget report.
28. The draft budget presented below includes a £5.00 (2.9%) increase in council tax, with this Council's element of the charge now being £182.50 (2022/23 was £177.50) for a band D property. However it is recommended that the Council maximises any increase in line with the Chancellors budget announcements and views will be sought from Cabinet between now and the final budget report.

29. The draft high level budget is summarised below.

Table 2: Draft General Fund Budget 2023/24

DRAFT REVENUE BUDGET				
DIRECTORATE SUMMARY				
Actuals 2021/22 £	Budget 2022/23 £	Projected Outturn 2022/23 £	Directorate	Budget 2023/24 £
17,520,105	16,021,440	17,733,037	Service Expenditure	19,963,060
(1,603,780)	72,460	484,580	Non service specific	(1,983,520)
15,916,325	16,093,900	18,217,617	ABC Budget Requirement	17,979,540
(15,955,566)	(16,093,900)	(16,093,900)	Financing	(17,979,540)
(39,241)	0	2,123,717		0

30. The details of service expenditure are attached at **Appendix A**. Subject to Cabinet’s approval this budget will then be scrutinised and form the basis of the budget consultation process that will be completed in time for a final budget report to be presented to Cabinet in February and Council in March.
31. This is the second year that Ashford Port Held (APH) had been incorporated within the annual budget. On the face of the budget summary APH will show a balanced budget as its costs are completely underwritten by Government.
32. There have been some significant movements between 2022/23 and 2023/24 service budgets which are shown at **Appendix A**, narrative to support the most significant movements at a service summary level are detailed below. Most services are showing more growth than we are usually accustomed to seeing due to high inflation driving up supplies and services, and the forecast 5% increase in the cost of living payment for 2023/24 which is the Council’s largest areas of expenditure. More detailed analysis of movements will be provided to within budget pages that will be scrutinised by the Council’s Overview and Scrutiny Budget Task Group, and then published once the finale budget is approved in March.
33. Non distributed costs has increased primarily due to a 150% forecast increase in external audit fees following a re-procurement exercise by the PSAA (Public Sector Audit Appointments). This has arisen through the central procurement of Audit services and increased in response to the changes in the regulatory environment. This has not been funded by Government.
34. Contracts and procurement was split under the corporate restructure where it was previously fully recharged as part of Corporate Property and Projects, this recharge was not felt appropriate under the new structure and therefore the cost of Contract and Procurement is more clearly shown, less a recharge to the HRA.
35. Housing Options which is responsible for the Homeless budget has increased its budget by £265,000 to accommodate an anticipated increase in Homeless representations due to the economic climate and energy crises seeing ‘guests’ being asked to move on. This area has regularly appeared in financial monitoring reports in the last few years and it is anticipated that this increase in budget and with the long term plans to deliver purpose built accommodation, such as Henwood, and the Rough Sleepers Accommodation

Programme (RSAP) initiative this budget will be sufficient, while accepting it is always a risk to forecast due to our statutory obligations.

36. Safety Wellbeing and Port Services have increased their year on year budget with £190,000 in Parking and engineering for increased utility charges and increased transaction fees for cashless parking. There is also £287,000 increase in Community Safety, Ashford Monitoring Centre, Licencing due to increased employee costs following a service review, and increased support service costs.
37. Refuse, recycling and Street Cleansing has increased by circa £2m primarily due the extension of the Refuse and Recycling contract and the 13% uplift in 2022/23. The new refuse contract will commence in April 2024.
38. Estates has seen a reduction of circa £500,000 across the Council's portfolio. This reduction is caused by a number of void units where the Council also then becomes responsible for a proportion of the services charges and business rates. The team are working to market these properties and strengthen its position, however this is set against challenging economic conditions.
39. Development Management budget have increased as savings previously identified of circa £160,000 are no longer deliverable. This is part of a wider pool of saving that were outstanding within 2022/23 and will now be rolled into the new savings target/budget deficit.
40. The Council has also seen a significant rise in short term debt costs resulting in an increase in net Interest of debt expense of circa £2.1m between the 2022/23 and 2023/24 budget, interest rate risk is also further covered in the interest rate and inflation risk section at **Appendix B**.

Risks

41. The risks to the 2023/24 draft budget are shown at **Appendix B** and represent the risks to the budget at the time of writing this report. These risks will be reviewed throughout the budget setting cycle and be presented to the Overview and Scrutiny Budget Task Group.
42. These risks will be amended as risks are identified and will form the basis of the Chief Financial Officers report over the robustness of the budget which will be included in the Final Budget report for February Cabinet.
43. These risks should be read alongside the more strategic risks that were reported within the MTFP report which was presented to Cabinet in October.

Section 2 Housing Revenue Account

Draft HRA Budget 2023/24

45. The HRA is a ring fenced account within the General Fund, this means that the income earned from rent is used to repair, maintain, improve, and build housing. The ring fence arrangement also stops any proceeds being used to support the general fund although appropriate recharges between the general fund and HRA are permitted.
46. The budget for the HRA not only enables decent homes standards to be maintained across its stock, but also allows for investment in new development opportunities and the decarbonisation of those dwellings that do not currently meet the EPC rating of C, in line with the Councils' Corporate Plan and the Carbon Neutral agenda.
47. Rental income is usually increased in line with the Government formula, which is calculated as the September CPI + 1%, however with September's CPI reaching 10.1% this would lead to a rent increase of 11.1%. Government have consulted on a proposal to cap this increase, it is expected that the cap will be at 5%, however, at the time of writing this report the Government had not formalised its response to the consultation and confirmed a figure. However, the budgets, and the HRA Business Plan have both been built on the assumption of a 5% rent increase. **Government has now confirmed that the rent cap will be set at 7%, this will be updated for the final budget and be applied to the Business plan to be presented in December.**

HRA Business Plan

48. The HRA Business Plan will be presented to the December cabinet. The budget has been built using the same assumptions included in the business plan, and is in line with the general fund assumptions.
49. The HRA Business Plan will include a number of ambitious projects to increase the Social and Affordable Housing in the Ashford Borough and improve independent living accommodation and retrofitting of existing stock. However, a number of projects have been delayed as a result of the issues at Stodmarsh.
50. The business plan includes the financing for all of these projects and annual revenue spend for a 30-year period.
51. It is proposed that the draft HRA revenue budget should be scrutinised alongside the General Fund draft budget as part of the budget scrutiny process.

Table 3 – Draft Housing Revenue Account Budget 2023/24

Revenue Budget				
Housing Revenue Account				
Actuals	Budget	Projected	Detail	Budget
2021/22	2022/23	Outturn		2023/24
£	£	£		£
(27,332,130)	(28,775,130)	(28,781,500)	Income	(30,346,700)
10,727,336	6,731,860	6,661,920	Supervision and Management	6,499,450
5,271,859	4,347,100	4,390,235	Repairs and Maintenance	5,333,360
491,658	200,610	29,260	New Builds	105,340
15,911,189	15,959,600	15,676,800	Other	19,520,830
5,069,912	(1,535,960)	(2,023,285)	Service Expenditure	1,112,280

52. Members are asked to approve the draft HRA budget for 2023/24 for scrutiny purposes.

Section 3 - Capital Resources

53. Capital resources are the means by which the Council's Capital Programme is funded and are drawn from the following funding streams:
- a. Internal resources (capital receipt and revenue reserves)
 - b. External borrowing
 - c. Third party grants and contributions
 - d. Section 106 developer contributions

Internal Resources

54. This funding stream includes capital receipts and reserves, however where possible the Council will look to utilise capital receipts initially as these can only be used for capital purposes, where general reserves are more flexible.
55. Capital receipts are generated through asset rationalisation, and each year a small amount is anticipated from the sale of small land parcels which are used to fund the Council's contribution to Disabled Facility Grant, and Community Grants Scheme. Where larger capital receipts are received, any outstanding finance is settled before with the balance transferred to the capital receipts reserves to support capital projects. General Fund capital receipts were £381,000 as at 31 March 2022 and are expected to be around £100,000 as at 31 March 2023.
56. The Council has re-profiled reserves to support the new corporate plan and included an economic risk reserve to ensure the Council has sufficient funds to manage future budget gaps in the MTFP and weather any further economic shocks. It is time to deploy this reserve to bridge the current gap in the 2023/24 budget while savings can be identified and brought forward to secure long term financial resilience.
57. Given the current forecast deficit for 2022/23, and the potential draw on the economic risk reserve for 2023/24, it may be necessary to review the reserves as in previous years to ensure they remain appropriately balanced between what is available for projects, and what is available for risks. Allowing for 2023/24 to be fully funded from the economic risk reserve, this would only leave circa £1.5m to support any further or undelivered risks. This again shows how imperative it is that the Council embarks on a managed cost cutting exercise as previously discussed. A full list of reserve balances will be included in the final budget report presented to Cabinet in February.
58. Where general fund reserves are used directly to fund non-income generating projects, the Council needs to be mindful that in addition to diminishing reserves, those reserves can no longer be invested and generate an income, therefore adding an ongoing pressure to the revenue budget.

The Housing Revenue Account – Capital Receipts

59. The HRA has two kinds of capital receipts, general capital receipts that can be used for any capital purpose, and one-for-one receipts that can only be used for the provision of new affordable housing.
60. One-for-one receipts need to be spent within three years of receipt or they need to be repaid to Government with interest. To ensure that this does not happen, the one-for-one receipts are monitored routinely to ensure that they are spent well in advance of need, the Council has been so successful in using these receipts the street purchasing programme has had to be slowed.

External Borrowing

61. External borrowing should ideally, only be considered for projects that generate a regular income above the financing costs of the project, as the Council needs to make an annual 'prudent' provision for the repayment of debt, this is known as MRP (minimum revenue provision).
62. Where external borrowing is considered, then a full business case should be required to demonstrate the financial viability of the project.
63. There are instances where the Council will borrow for projects that are not directly funded, such as the capital repairs and maintenance of Council assets, which is necessary to keep assets fit for purpose. Where this debt is incurred, it adds pressure to the MRP budget which has to be funded from the Council's annual budget.
64. Where external borrowing is used to fund projects, the Accountancy Team (in conjunction with its treasury management advisors, Portfolio Holders and ERIB as appropriate) will determine the best structure and funding strategy for the debt. The increase in these costs may mean that projects are no longer viable and before commencement capital projects using debt funding will need to undertake a revised viability assessment to ensure that the scheme is deliverable.
65. All external borrowing will be undertaken giving regard to the CIPFA Prudential Code, the Council's own Prudential Indicators, and Borrowing Strategy.

Third party grants and contributions

66. Third party grants and contributions can be applied for by the Council and we have had much success in securing funding in recent years. This source of funding is particularly attractive for projects which are to be fully funded by borrowing or reserves, as any subsequent funding can then be set against the Council's funding requirement.
67. Grants should only be applied for where approval for any additional spend to support the application has been approved, and the conditions of each grant have been fully considered before progressing. This due diligence is necessary as many grants require an element of match funding. If grants are applied for with match funding requirements outside of the approved schemes, reserves contributions may be necessary to meet the match funding requirement, and potentially add pressure to revenues budgets if future liabilities are created.

Section 106 developer contributions

68. Section 106 developer contributions are part of the planning process and represent an agreement between the developer and the Council which is used to mitigate the impact of new developments on the local community and infrastructure.
69. These agreements can be both for capital and revenue projects and the use is often outlined in the section 106 agreement. As at 31 March 2022 contributions amounting to £6.1m (capital & revenue) were held in reserves.
70. The Council prepares a capital programme annually based on the Corporate Priorities which is included in the final budget report. The capital programme includes those strategic projects that are linked to the recovery plan. New projects are assessed through PID's (Project initiation documents) which are

used to assess the merits of each projects, so that the Council can deploy its limited resources to deliver the best outcomes for the Council.

72. The table below demonstrates the capital resources available to the Council, and the annual forecast for amounts received from the sale of small land parcels and allocated from borrowing, The capital receipts are used primarily to fund the Council’s contribution to Disabled Facility Grant and Community Grants Scheme and the borrowing allocation is it fund major property works, such as a replace roof.

Table 4 – Capital resource forecast (General Fund)

Resources available for capital expenditure (General Fund)	2023/24
Resources brought forward	
Capital Receipts	380
Borrowing for Property major repairs	0
Grants	370
Budget Resources receivable/allocated in year	
Capital Receipts	200
Borrowing for Property major repairs	500
Grants	1500
Budgetted spend on capital expenditure	
Capital Receipts	480
Borrowing for Property major repairs	500
Grants	1870
Uncommitted resources carried forward	
Capital Receipts	100
Borrowing for Property major repairs	0
Grants	0

Section 4 - Next Steps

74. Once approved by Cabinet the draft budget will be submitted for formal scrutiny by the Overview and Scrutiny Committee and its Budget Scrutiny Task Group. This will include an examination of the base budget, assumptions on inflation, growth items and budget reduction proposals. The scrutiny process will be conducted in December 2022 and likely concluded in January 2023 with conclusions reported to the Cabinet in February 2023.
75. The final budget report will also be presented to Cabinet in February and then will go onto Council in March. This will include any additional proposals for the budget, and recommend to Cabinet the measures necessary to bridge any budget gap arising.

Implications and Risk Assessment

76. Risk assessments will be being completed by Services and will form part of the Scrutiny process and reported back to Council with any recommendations from the Budget Scrutiny Task Group.

Equalities Impact Assessment

77. The assessment will be completed alongside the final budget reported to Cabinet in February and Council in March.

Consultation Planned or Undertaken

78. This report will form the basis of consultation with the business community, the public and parish councils. A summary document will be produced and sent to key stakeholders and posted on the website for comment.
79. The results from this consultation will help inform the final budget and will be reported back to the February Cabinet.

Conclusion

80. Members are asked to consider the contextual information against which the MTFP and draft budget have been developed.
81. To approve the draft budget for 2023/24 for the purpose of public consultation, consultation with the parish councils, and form the basis of budget scrutiny by the Overview and Scrutiny Committee.

Portfolio Holder's Views

82. This budget has been developed on the cusp of a recession and during a cost of living crisis which largely due to rising energy prices which saw inflation hit a 40 year high this month.
83. Rising inflation and interest rate rises have significantly impacted the Council's financial position, with income streams likely to come under economic pressure, government grant unlikely to increase, and the Council's cost base rising by inflation.
84. The circumstances above have led to a deficit of £2.87m for 2023/24, and it is imperative that Officers and Members of this Cabinet work together to explore real options to close this budget gap. The responsibility to drive through savings proposals will largely fall on the new administration but plans are already being developed to inform them of the options available.

85. It is imperative that action is taken now to bring the Council back to a financially sustainable position and provide comfort to the Council's S151 Officer that appropriate actions are being taken to address the deficit.
86. With freezing of core spending power, Council Tax increases are the only method for increasing Core Spending Power for District Councils, and therefore it is necessary that any increases permitted under government legislation are followed.

Contact and Email

87. Monica Hutanu – 01233 330520 – monica.hutanu@ashford.gov.uk

DRAFT REVENUE BUDGET				
DIRECTORATE SUMMARY				
Actuals 2021/22 £	Budget 2022/23 £	Projected Outturn 2022/23 £	Directorate	Budget 2023/24 £
2,860,933	2,961,270	2,797,005	Director Of Customer Tech & Finance	3,775,030
2,331,473	2,019,950	2,599,050	Director Of Health And Wellbeing	2,944,390
9,302,018	7,622,280	8,475,042	Director Of Place And Space	9,505,860
3,025,681	3,417,940	3,812,440	Executive Functions	3,737,780
17,520,105	16,021,440	17,683,537	Service Expenditure	19,963,060
(1,603,780)	72,460	484,580	Non service specific	(1,983,520)
15,916,325	16,093,900	18,168,117	ABC Budget Requirement	17,979,540
(15,955,566)	(16,093,900)	(16,093,900)	Financing	(17,979,540)
(39,241)	0	2,074,217		0

DRAFT REVENUE BUDGET				
SERVICE SUMMARY				
Actuals 2021/22 £	Budget 2022/23 £	Projected Outturn 2022/23 £	Service	Budget 2023/24 £
2,401,462	2,330,930	2,185,675	Finance and IT	3,113,320
459,471	630,340	611,330	HR, Customer Services, Comms and Digital	661,710
1,230,828	1,258,790	1,658,174	Housing	1,563,450
1,100,645	761,160	940,876	Safety Wellbeing and Port	1,380,940
6,519,565	5,266,170	5,792,898	Environment, Property and Recreation	6,856,450
2,782,453	2,356,110	2,682,144	Planning and Development	2,649,410
568,344	935,400	1,388,660	Corporate Management Costs	887,120
656,187	629,790	675,321	Head of Economic Development	751,190
1,387,271	1,442,240	1,421,519	Head of Performance and Policy	1,665,910
413,879	410,510	326,940	Solicitor to The Council and Monitoring Officer	433,560
17,520,104	16,021,440	17,683,537	Service Expenditure	19,963,060
(2,620,776)	(2,153,740)	(1,653,740)	Capital Charges & Net Interest	(234,500)
139,740	0	0	Revenue Funding of Capital Expenditure	0
275,964	282,000	282,000	Levies	325,000
601,292	1,944,200	1,856,320	Contribution to/(from) Balances	(2,074,020)
15,916,324	16,093,900	18,168,117	ABC Budget Requirement	17,979,540
			Income	
(2,592,133)	(485,000)	(485,000)	Government Grant	(416,190)
(3,699,900)	(4,685,000)	(4,685,000)	Retained Business Rates	(7,502,000)
(1,908,222)	(1,886,050)	(1,886,050)	New Homes Bonus	(1,136,000)
(7,755,310)	(9,037,850)	(9,037,850)	Council Tax	(8,925,350)
(39,242)	0	2,074,217		0

General Fund Draft Budget 2023/24

Actuals 2021/22 £	Budget 2022/23 £	Projected Outturn 2022/23 £	Department	Budget 2023/24 £
			Assistant Director of Finance and IT	
(131,434)	74,680	(37,690)	Accountancy	49,740
730,063	836,890	824,980	Benefits Administration	942,560
77,245	327,130	334,340	Council Tax Collection	410,220
653,291	(275,000)	(275,000)	Housing Benefits Payments	(250,000)
(150,748)	29,380	29,380	Miscellaneous Expenditure	28,840
(106,125)	(78,620)	(72,860)	Nndr Collection	(69,110)
974,028	1,221,100	1,221,100	Non-Distributed Costs	1,345,280
91,475	80,790	68,210	Exchequer	99,980
11,443	1,900	1,560	Debtors/Debt Recovery	(6,290)
90,392	26,650	(16,410)	Ict	32,470
8,108	50	13,050	Telephony	20
229,225	169,950	180,580	Corporate Management	221,660
(75,502)	(83,970)	(85,565)	Contracts & Procurement	307,950
2,401,462	2,330,930	2,185,675		3,113,320
			Assistant Director of HR, Customer Service and Communications	
(24,163)	18,710	6,250	Visitor & Call Centre	10
9,867	158,100	149,130	Human Resources	143,660
473,767	453,530	455,950	Communications & Marketing	518,040
459,471	630,340	611,330		661,710
			Assistant Director of Housing	
49,715	(30,360)	(21,860)	Project Delivery Team	130
25,452	17,330	16,540	Gypsy Site - Chilmington	33,710
869,713	963,460	1,368,094	Housing Options	1,209,820
181,419	184,590	180,120	Private Sector Housing	197,290
104,529	121,790	115,280	Housing Strategy And Enabling	122,500
0	1,980	0	Refugee Project	0
1,230,828	1,258,790	1,658,174		1,563,450
			Assistant Director of Safety Wellbeing and Port Services	
0	0	(120,000)	Ashford Port Health	0
(455)	(10)	(10)	Insurance	(10)
(162,265)	(574,450)	(412,310)	Parking & Engineering	(372,180)
534,879	547,930	632,351	Environmental Health	689,870
728,486	787,690	840,845	Community Safety,Amc,Licencing	1,063,260
1,100,645	761,160	940,876		1,380,940

General Fund Draft Budget 2023/24

Actuals 2021/22 £	Budget 2022/23 £	Projected Outturn 2022/23 £	Department	Budget 2023/24 £
			Assistant Director of Environment, Property and Recreation	
(49,029)	(20,150)	91,491	Facilities Management	93,740
321,745	50,910	57,624	Property Building Services	78,660
75,166	172,720	203,475	Commercial Projects	187,180
92,704	125,590	(31,230)	Street Scene	95,170
3,207,322	3,155,960	3,601,840	Refuse, Recycling, Street Clean	5,109,090
1,764,521	2,018,720	2,069,445	Grounds Maintenance	2,054,530
(1,775,730)	(2,069,470)	(1,916,201)	Estates	(2,048,850)
2,882,866	1,831,890	1,716,454	Recreation	1,286,930
6,519,565	5,266,170	5,792,898		6,856,450
			Assistant Director of Planning and Development	
60,289	114,890	95,206	Building Control	143,080
1,634,251	1,025,180	1,452,815	Development Manager	1,294,000
(1,763)	3,060	4,039	Land Charges	0
13,988	12,550	13,836	Planning Administration	(16,700)
1,075,688	1,200,430	1,116,248	Strategic Planning	1,229,030
2,782,453	2,356,110	2,682,144		2,649,410
			Corporate Management Costs	
(52,407)	70	70	Audit Partnership	(30)
552,797	848,040	1,302,530	Strategic Corporate Costs	833,630
67,954	87,290	86,060	Office Of The Leader	53,520
568,344	935,400	1,388,660		887,120
			Head of Economic Development	
185,153	162,590	160,750	Tourism & Heritage	176,010
8,505	0	0	Cultural Projects	0
462,529	467,200	514,571	Economic Development	575,180
656,187	629,790	675,321		751,190
			Head of Performance and Policy	
0	1,890	(161)	Climate Change	108,570
335,051	345,860	345,860	Single Grants Gateway	345,610
745,065	787,170	828,430	Democratic Representation	903,010
59,322	64,630	65,970	Mayor	61,970
247,834	242,690	181,420	Policy And Performance	246,750
1,387,271	1,442,240	1,421,519		1,665,910
			Solicitor To The Council And Monitoring Officer	
401,321	417,240	408,390	Electoral Services	457,630
12,558	(6,730)	(81,450)	Legal	(24,070)
413,879	410,510	326,940		433,560

2023/24 Draft Budget Report

The following table represents risks to the 2023/24 draft budget at both a service and economic level. These risks will be monitored throughout the Budget setting cycle and be updates accordingly before being presented to Cabinet in February as part of the final budget setting report.

Budget Component	Financial standing and management
1. Covid19 Pandemic	<p>Much of the world remains determined to move on from the pandemic and the lockdown that came with it. However China is applying a Zero Covid policy by continuing to apply lockdowns and severely restricting international transport.</p> <p>China is the world's largest exporting economy thus any interruptions mean serious consequences for the global supply chain forcing business to adapt by resourcing some or all of their supply chains from somewhere else.</p> <p>The effects of the Covid pandemic will be felt in the years to come as the pandemic has shaped our everyday life. People adopted hybrid working and online shopping meaning that the income streams from Parking decreased during the pandemic and although they gradually recovering they have not reached the levels before the Covid Pandemic, and now will likely be impacted by the cost of living crises.</p>
2. Ashford Port Health Authority	<p>In September 2020 DEFRA (Department for the Environment, Food and Rural Affairs) informed the Council that the Sevington Inland Border Facility (IBF) was being designated a Border Control Post and the Council would become responsible for carrying out various port health controls on behalf of the Government.</p> <p>The Council recruited 125 Officers to deliver the Ashford Port Health Facility at Sevington. However the Council has now been advised that only 54 Officers will be necessary to fulfil the checks required.</p> <p>Although the costs are currently being underwritten by Government, structural changes have been necessary to accommodate the proposed changes and central overheads were allocated accordingly.</p> <p>The changes have already increased recharges back to the general fund and there is a risk that any further changes will result in more costs being transferred back to the general fund. Once the service is up and running it is anticipated to be self-funding through the charging of fees.</p>
3. Government Spending Review	<p>Like in prior years the Government fair funding will be once again delayed and the Council will probably receive a one year settlement.</p> <p>It is likely that the resources received will be at 2022/23 levels, meaning that the Council will have to absorb the costs of inflation.</p>

4. Pressure on the 2022/23 Budget and impact going forward.

The ongoing impact of Covid19, as well as the war in Ukraine, and the UK's decision to leave the European Union are all having an impact on the economy, and as a Council Ashford is not protected from these pressures. The cost of living crisis is affecting both the Council finances and the finances of its residents who will need more support as a result.

Homelessness – This area has been under increasing pressure for a number of years, the pressure was exacerbated by the pandemic as well as the financial pressures households are now facing, due to the increase in costs the position is not expected to improve.

The 2022/23 budget was built on the assumption that there would be an average of 100 cases in Temporary Accommodation at any one time, however at the end of September there were 140 in Temporary Accommodation, leading to a significant increase in costs

To address the long term issues in this area the Rough Sleepers Accommodation Programme is underway, although the number of properties to be purchased has been reduced due to a lack of available properties that meet the required specifications.

In addition, the team are focussing more on prevention and are investigating a number of options for developing further bespoke homeless accommodation.

The modular units at Henwood have been delayed due to the constraints at Stodmarsh, these are now due for completion in November 2023.

The 2023/24 budget has been developed using the most up to date information, with the assumption that the current crisis will likely increase pressure on this area. An average of 135 monthly cases has used as a basis of the 2023/24 calculation, however this area is still a risk to the budget, therefore officers will be keeping it under constant review and ensuring that prevention work becomes the most important tool to keeping these numbers down.

Parking Income

The 2022/23 budget has continued to be impacted by Covid19, as people's habits and lifestyles have changed with working from home and internet shopping becoming more prevalent. It was hoped that the move to cashless parking would create savings from reduced cash collection, however, it led to an increase in transaction costs, officers are currently investigating ways that these transaction costs can be reduced going forward.

This budget will continue to be a risk in 2023/24, as the economic crisis impacts shopping and travelling decisions for individuals.

Budget Component	Financial standing and management
	<p>Planning And Development</p> <p>There continues to be pressure around staffing levels and the need for consultants to support the service, including planning appeals, for which additional counsel fees are also required.</p> <p>In addition to these costs there is also a reduction in anticipated income from pre-application advice as the scheme is not yet live, in part due to the Stodmarsh issues and the current economic climate which are both having an impact on developers.</p> <p>Environment, Property and Recreation</p> <p>The waste contract has seen a significant increase in 2022/23, due to the contracted inflationary increase of 13%, which was a lot higher than anticipated. If inflation continues to be high this will be a risk to the 2023/24 budget, and the MTFP. The existing contract will also expires and the new contract will not commence until April 2024 due to a shortage of new fleet vehicles being available. Additional costs for extending the contract to April 2024 have been factored into the 2023/24 budget.</p> <p>There are a number of vehicles in use in the service, including Aspire, the increase in fuel costs has had an impact on the budget, as has the increase in fleet hire costs.</p> <p>Building Maintenance costs, such as Edinburgh Road car park, the leisure centres and copper beech tree at Repton, are also higher than anticipated, with inflation playing its part in increasing the cost of materials. This will be funded from reserves in 2022/23, however any unanticipated spend in 2023/24 will be a risk to the budget.</p> <p>Rent income at Park Mall and Ellingham are lower than anticipated, and with the increase in the home working trend it is possible that the office rentals may also be affected. Officers are continuing to monitor this and will keep members informed accordingly.</p> <p>Recreation has seen an increase in costs, due to the closure of 3G facilities, as well as an increase in security costs and cleaning costs at the Pitch side and Courtside facility.</p>

Budget Component	Financial standing and management
5. Commercialisation	<p>The Council's commercialisation agenda is progressing and has a number of successes with Garden waste and the Electrical Services Division in recent years.</p> <p>This is seen as an area to promote continued improvement in what we do going into 2023/24 and a budget of £60,000, funded from the additional income achieved is available to support existing and new ideas.</p>
6. Transformation and digitalisation	<p>Digitalisation continues to be a key priority for the organisation to ensure systems work effectively and efficiently to deliver excellent services for our external stakeholders. The digitalisation programme is targeting systems to ensure efficiencies through digitalisation can be maximised to create staffing capacity to manage business growth within existing resources.</p> <p>One of the most significant areas under review will be the implementation of a new database for the Community Safety and Wellbeing service.</p>
7. Assumptions about increases in service income.	<p>For budget setting purposes income has been increased by an average of 16.0%, for legislative reasons or demand some charges will be lower or higher than this.</p> <p>The proposed fees and charges are presented in detail as part of the budget report. Any amendments to the proposals may involve a slight risk to the budget.</p> <p>A full review of the Council's income streams will be undertaken in 2023/24 to ensure fees and charges are appropriately set. One area to be reviewed is around statutory charges where costs of delivery are increasing annually but charges have been frozen for many years.</p>
8. Housing Revenue Account	<p>The HRA Business Plan has a number of priorities including decarbonisation and a number of projects to build more homes in the borough. The 30 year Business Plan will be fully presented at December Cabinet.</p> <p>The business plan is affordable although the current economic climate is impacting borrowing costs and development costs. This pressure would normally be partly offset by an inflationary increase in rents, however it is likely that the outcome of the Government consultation will recommend capping rent increases to 5%, limiting the HRA's ability to keep up with the increasing cost of running the service as well as improving the choice available to tenants. This will also impact the General Fund as the lack of affordable rented properties in the borough means a lack of move on accommodation for those families that find themselves homeless. Regular updating of the HRA business plan to include new projects and financial monitoring will occur during 2023/24.</p>

Budget Component	Financial standing and management
<p>9. Estimates of the level and timing of capital receipts.</p>	<p>Capital receipts are low in the General Fund, the budgets and financing of the capital plan reflects this.</p> <p>The Housing Revenue Account capital receipts have reduced over the last couple of years as right to buy sales have reduced considerably due to Covid and the current economic conditions.</p> <p>The majority of RTB receipts need to be held to fund affordable housing (funds 30% of the total cost) within the Borough, and this Council took the opportunity to retain these receipts for this purpose, these receipts are called 1-4-1 capital receipts.</p> <p>The receipts and capital plans are being closely monitored and ensure these receipts are used to avoid repayment which would attract interest of 4% above base. These funds are currently being spent well in advance of need as the on street purchasing programme was really strong, this scheme is now being reviewed to determine the best use of resources moving forward.</p>
<p>10. Major Capital Projects</p>	<p>There is a risk to projects of a capital nature at present as supply chain and economic conditions are significantly increasing tender prices that can challenge the affordability of self-funding schemes, or reduce that amount of work that can be undertaken for asset repairs and maintenance as we only have limited amount of capital resource.</p> <p>To maintain financial stability Members and Officers need to thoroughly assess new projects to ensure that they will not increase annual revenue costs to the Council, by way of additional unfunded borrowing costs or maintenance liabilities.</p> <p>It is acknowledged that some capital projects are delivered for more wider social and economic reasons, and that these schemes will need to be judged on their individual merits and the cost implications to the Council fully understood.</p>
<p>11. Business Rates</p>	<p>Changes to the council's business rates yield is a major risk to the budget as the revaluation of rates and the level of appeals against new valuations are likely to affect the overall level of rateable value within the borough.</p> <p>Government underwent a consultation exercise for a technical adjustment in the distribution of Business Rates between councils and Government. It is the Government's intention that Local authorities either gain or lose from the proposals, but with the detail not yet available it is unknown how it will affect Ashford.</p> <p>Any change in Rateable Values will inevitably lead to an increase in appeals which will likely reduce the income expected.</p> <p>At the time of writing, it is unknown what impact, if any the Autumn Statement will have on businesses, who are already feeling the impact of the increase in the cost of living. Any further pressure may result in an increase in Business Rate arrears, or in the closure of some businesses which will further impact the income to councils.</p>

<p>12. Inflation, Interest Rate and Pay Award</p>	<p>In November 2022 the inflation rate stood at 11.1% ,well above the 2% target mandated to the Bank of England. However, inflation is expected to start easing in the middle of next year as a UK recession and increased interest rates slow the economy.</p> <p>Inflation rose as oil and gas prices increased because they were in greater demand as life got back to normal after Covid. Further pressure on prices was added after the war in Ukraine started and the countries have imposed sanctions on Russia and started using less Russian oil and gas.</p> <p>The war in Ukraine also led to food prices going up, by reducing the amount of grain available within Europe.</p> <p>The high inflation has created a costs of living crises that has needed the Government to introduce a cap on energy bills although prices continue to squeeze household incomes across the board.</p> <p>Rising inflation for the Council means:</p> <p>Less income collected through Council tax and rent demands as the residents of the borough will in some instances have to make decisions over heating homes, or paying monies owed to the Council.</p> <p>Less income through business rates if shops fail as consumers look to cut back, especially within the Food and Beverage industry which was still recovering from the Pandemic.</p> <p>Reduced demand for Council statutory and discretionary services, such as parking income and environmental services such as garden waste bins and bulky refuse collections, the Council is already experiencing a decline in garage occupancy levels as people look to reduce costs.</p> <p>In response to the high inflation rate the Bank of England had to increase the interest rate aggressively. In November BOE increased rates by 0.75 percentage point to 3%, a further 0.5% is anticipated in December with further increases in 2023 expected, the peak interest rate is now expected to be 4.25%.</p> <p>Inflation is a factor that needs to be managed carefully within any financial planning regime. Inflation has been gradually climbing over the last few years and is now well above the Bank of England's (BOE) 2% target as spikes in energy prices and supply chain issues have driven up costs. Inflation rates are expected to have reached their peak and are forecasted to drop back to below target gradually by 1st Quarter 2024.</p> <p>Interest rates have been forecast at 3.75% (to represent the annual equated borrowing rate) although forecasting is incredibly difficult with current market uncertainty and presents a risk to forecast. As a net borrower the Council is exposed to interest rate risk on its borrowing portfolio, which is in line with its strategy.</p>
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Budget Component	Financial standing and management
	<p>The MTFP is assuming rate rises but if they rise more quickly than anticipated then this budget could be subject to interest rate pressures.</p> <p>Inflation is also a major driver in capital works and many of the council contracts are inflation linked, or inflationary rises will be applied. Some allowance has been built into the MTFP and bespoke increases have been applied to the largest contracts and utility costs.</p> <p>Pay – the draft budget has made an overall allowance of circa 9.8% for pay, this is 5% cost of living, 4.8% for increments.</p> <p>Increments were forecast to be 0.7% in the MTPF which is in line with historical averages, however due to a high turnover of staff and a number of regrading's across the organisation, the number of people incrementing moving into 2023/24 is exceptionally high.</p> <p>This is on the back of the work that was undertaken last year to review our pay structure to ensure that pay levels were comparable for lower paid members of staff and as part of the settlement for 2021/22 pay awards were geared towards the lower paid.</p> <p>At the time of writing this report, a pay award has not been agreed and therefore any movement away from this expectation will have a positive or negative influence on the budget.</p>

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