

**Agenda Item No:** 7  
**Report To:** Cabinet  
**Date of Meeting:** 17<sup>th</sup> December 2020  
**Report Title:** Draft Budget 2021/22  
**Report Author & Job Title:** Lee Foreman  
Accountancy Manager  
**Portfolio Holder** Cllr. Neil Bell  
**Portfolio Holder for:** Finance & IT



**Summary:**

This paper presents the draft budget for 2021/22 for the General Fund and the Housing Revenue Account.

The draft budget is in line with the Medium Term Financial Plan (MTFP) which was presented to Cabinet in November, and forms the basis for this draft budget.

The draft budget outlined in this report will be submitted to the Overview & Scrutiny Budget Task Group for review and the budget consultation processes.

The impact of the Covid19 Pandemic has significantly influenced the 2021/22 budget which has allowed for reductions in Parking, and Corporate Property Income of £1.3m, and reduction are also expected in the region £1m for both Council Tax and Business rates.

These reductions come on top of cuts in government funding which have seen new homes bonus receipts cut from £3m in 2020/21, to £1.68m in 2021/22, adding a further pressure of £1.3m to the budget.

Despite these reductions in income and grant, a balanced budget for 2021/22 is presented which includes £2.3m of savings from services, including the removal of 30 full time equivalent posts, an anticipated pay freeze, and a £1.1m contribution from reserves.

There are a number of 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 in the 30 year Business Plan which is also on the December Cabinet agenda.

**Key Decision:** YES

**Significantly Affected Wards:** None

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

- I. Approve the draft budget for 2021/22
- II. Approve the draft Housing Revenue Account budget for 2021/22 Section 2 of the report.
- III. Agree that this report will be used as the basis for budget consultation with the public, the business community, parish councils and staff.
- IV. 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 Recovery Plan and flows through from the Medium Term Financial Plan (MTFP).

The Council's Recovery Plan, which replaces the corporate plan as the Council recover from the impact of Covid19 is geared to ensure that priorities are delivered and that the council's service activities are managed within the constraints of the forecast cuts in government funding and the wider economic climate.

**Financial Implications:**

The council has a requirement to produce a MTFP and a balanced budget. This report is based on a further one year funding extension as government have deferred the spending review until 2022/23 to focus on the Covid19 response. This delay prolongs uncertainty over future funding streams, and with increasing levels of national debt further pressure may be placed upon Local Councils.

The HRA budget has been prepared using the 30 year Business Plan and shows that the plans for maintaining investment in housing stock are affordable and within the current resource forecasts.

**Equalities Impact Assessment**

A full assessment will be undertaken and forms part of the Final Budget report and a separated assessment will be undertaken for the saving proposals.

**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:**

**Yes – Appendix C**

Not For Publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 - the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**Background  
Papers:**

None

**Contact:**

[Lee.foreman@ashford.gov.uk](mailto:Lee.foreman@ashford.gov.uk) – Tel: (01233) 330509

## **Report Title: Draft Budget 2021/22**

### **Introduction and Background**

1. This report sets the scene for Cabinet to consider the draft budget for 2021/22 and is based broadly in line with the assumption outlined within the MTFP which was presented to Cabinet in November 2020. The MTFP report provides important background and contextual information which has been considered in building the 2021/22 budget as presented within this report.
2. The 2021/22 budget is built on a further one year funding agreement with government spending reviews now expected to be announced from 2022/23 as they continue to focus on the Covid19. This will continue to create uncertainty around funding moving beyond 2021/22 as highlighted in the MTFP report, especially in light of mounting central government debt that will need to be funded.
3. The detailed budget for 2021/22 has now been drafted and is broadly in line with the targets established within the MTFP. The budget is based upon a £5.00 (3.0%) increase in Council Tax for Band D properties which will continue to see the Council maintaining its position as the lowest in Kent.
4. Section 2 of this report is in line with the HRA Business Plan that is elsewhere on this Cabinet agenda.
5. 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.
6. 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**

7. For ease of consideration this report is split into sections;
  - i. Draft budget 2021/22
  - ii. Housing Revenue Account
  - iii. Capital resource forecast and capital programme implications
  - iv. Next steps

## Section 1 - Draft Budget 2021/2022

8. The Services' draft budgets have been built broadly in line with the parameters set out within the MTFP report which was reported to the November Cabinet. As a reminder the setting of the MTFP involved making adjustments to reflect emerging pressures, which would have been identified through the budget monitoring process, discussions at Management Team, and with individual Heads of Service and Budget Managers. This process included reviewing potential savings and the financial implications of Covid19, considering the impact it will have both in the short, and long term for the Council.
9. This year as part of the MTFP process Services' were tasked with finding in the region of £3m to support the emerging budget gap identified within the MTFP. Officers and Portfolio Holders worked together and identified around £3m of savings per annum that can be fully delivered over the next few years. These savings will ensure that the Council can weather the economic shock of Covid19, make available funding for the recovery plan, and maintain financial stability during this unprecedented time. A full list of the savings identified and factored into the 2021/22 draft budget are summarised at Exempt **Appendix C**, and Members are asked to support these saving proposals.
10. Individual service budgets are then built by the 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 are reviewed and challenged accordingly.
11. Due to the timing and information available at the time of preparing this budget, the 2021/22 budget does not contain any budgets for the new BCP (Border Control Facility). It is anticipated however that this new responsibility will be fully underwritten by Government and will not present a risk to the 2021/22 budget.
12. However, the BCP costs are being recorded and updates will be provided through the usual quarterly budget monitoring reports. Once a clearer view of the requirements is determined, an in year budget will be developed and put forward for approval. The Border Control Facility report was presented at the November Cabinet meeting.
13. The draft budget presented below includes a £5.00 (3%) increase in council tax, with the borough Council's element of the charge now being £172.50 (2020/21 was £167.50) for a band D property.
14. The draft budget is summarised below and shows the impact of Covid19 on the 2020/21 forecast outturn, and the reduction in 2021/22 draft budget.

**Table 2: Draft General Fund Budget 2021/22**

Actuals 2019/20 £	Budget 2020/21 £	Projected Outturn 2020/21 £	Directorate	Budget 2021/22 £
18,813,278	17,129,560	21,429,180	Service Expenditure	16,303,390
(2,327,931)	(1,162,070)	(1,904,040)	Non service specific	(2,737,650)
16,485,347	15,967,490	19,525,140	ABC Budget Requirement	13,565,740
(16,521,843)	(15,967,490)	(19,033,910)	Financing	(13,565,740)
(36,496)	0	491,230		0

15. 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.
16. The Council's Medium Term Financial Plan continues to be predicated on the aim to become entrepreneurial and enterprising to raise revenues, while ensuring the continued need to demonstrate good economy and efficiency of resources to ensure value for money. Accordingly, and despite the savings already made, the budget continues to include a £130,000 efficiency target. Furthermore as per the Council's commercialisation strategy, £60,000 has been made available from commercially linked growth to support new ideas, and enable existing plans to mature.

#### *Risks*

17. The risks to the 2021/22 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.
18. 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.
19. These risks should be read alongside the more strategic risks that were reported within the MTFP report which was presented to Cabinet on the 26 November 2020.

## Section 2 Housing Revenue Account

### HRA Business Plan

21. The HRA Business Plan (also on this agenda of Cabinet) was built using many of the same assumptions included in this budget.
22. It is proposed that the HRA business plan should be scrutinised alongside the general fund draft budget as part of the budget scrutiny process.

### Draft HRA Budget 2021/22

23. The HRA Budget has been built to enable the council to maintain Decent Homes Standards, service the debt incurred, as a result of the HRA subsidy reform.
24. The HRA Business Plan includes a number of ambitious projects to increase the Social and Affordable Housing in the Ashford Borough and improve independent living accommodation. The business plan includes the financing for all of these projects and annual revenue spend and is affordable of a 30-year period.
25. Rent income has been forecast to increase at CPI +1%, as per the Government formula. There is also an increase due to the estimated completion of the New Quarter, adding 108 apartments to the Housing stock.

**Table 3 – Draft Housing Revenue Account Budget 2021/22**

Revenue Budget				
Housing Revenue Account				
Actuals 2019/20 £	Budget 2020/21 £	Projected Outturn 2020/21 £	Detail	Budget 2021/22 £
(24,993,460)	(25,369,020)	(24,677,520)	Income	(27,186,640)
(1,354,620)	6,051,230	5,959,100	Supervision and Management	6,088,830
3,595,060	3,758,000	3,702,000	Repairs and Maintenance	4,024,420
492,396	231,640	220,240	New Builds	221,700
23,200,623	15,958,050	15,732,150	Other	21,121,320
<b>940,000</b>	<b>629,900</b>	<b>935,970</b>	<b>Service Expenditure</b>	<b>4,269,630</b>
<b>(683,974)</b>	<b>0</b>	<b>0</b>	Contribution To/(From) General Reserves	<b>(1,620,000)</b>
<b>256,026</b>	<b>629,900</b>	<b>935,970</b>	<b>Net Revenue Expenditure</b>	<b>2,649,630</b>

26. These figures are in line with the position forecast within the HRA business plan, with a forecast service expenditure of £4.3m in 2021/22. This spend is as a result of £9m of PWLB (Public Works Loans Board) debt being repaid in year. £4.8m of this debt can be repaid in year (2021/22 surplus) with a further contribution of £1.6m being financed from the housing revenue reserve. The remaining £2.7m will need to be re-financed; the best re-financing option will be considered when the borrowing requirement is clear.
27. Members are asked to approve the draft HRA budget for 2021/22 for scrutiny purposes.

## Section 3 - Capital Resources

28. 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
  - b. External borrowing
  - c. Third party grants and contributions
  - d. Section 106 developer contributions

### *Internal Resources*

29. 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.
30. 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 is transferred to reserves to support capital projects. Capital receipts were £90,000 as at 31 March 2020 and are expected to be around £180,000 as at 31 March 2021.
31. Reserves are allocated for specific purposes including support for corporate projects. In recent years project reserves have been topped up from a proportion of the NHB (New Homes Bonus) funding, with Government phasing out NHB, this top up is currently not included in future years, although this will be reviewed once a replacement for NHB has been developed by Government.
32. As a result of the impact of Covid19, the Council has revisited its reserves positions and has repurposed them to support the Corporate Recovery plan, and provide the necessary flexibility to respond to the economic challenges as a result of the Covid19 Pandemic.
33. Following this repurposing of reserves, it is forecast that the funding available for recovery plan projects will be £533,000, the Leader has also earmarked £679,000 for smaller projects.
34. 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*

35. 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.
36. 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, this is currently the case with the on street purchases programme.

### *External Borrowing*

37. 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).
38. Where external borrowing is considered, then a full business case should be required to demonstrate the financial viability of the project.
39. 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 revenues.
40. Where external borrowing is used to fund projects, the Accountancy Team (in conjunction with its treasury management advisors) will determine the best structure and funding strategy for the debt.
41. 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*

42. 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.
43. Grants should only be applied for where they support the recovery plan, and the conditions of each grant should be 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*

44. 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.
45. These agreements can be both for capital and revenue projects as outlined in the section 106 agreement. As at 31 March 2020 contributions amounting to £5.7m (capital & revenue) were held in reserves.
46. 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.

48. The table below shows the capital receipts brought forward, and the annual forecast for receipts received from the sale of small land parcels which are used primarily to fund the Council's contribution to Disabled Facility Grant and Community Grants Scheme.

**Table 4 – Capital resource forecast (General Fund)**

<b>Resources available</b>	<b>2020/21 £'000</b>
<b>Resources brought forward:</b>	
Capital receipts	90
	90
<b>Potential resources</b>	
Estimate of capital receipts	250
	250
<b>Current planned outlay financed by:</b>	
Use of capital receipts	160
	160
<b>Uncommitted resources carried forward</b>	<b>180</b>

49. An asset realisation plan is currently underway and any future receipts, net of debt repayment, will be available in addition to the current funds.

## **Section 4 - Next Steps**

51. Once approved by Cabinet to 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 January 2021 with conclusions reported to the Cabinet in February.
52. 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**

53. Risk assessments are 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**

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

### **Consultation Planned or Undertaken**

55. 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.
56. The results from this consultation will help inform the final budget and will be reported back to the February Cabinet.

### **Conclusion**

57. Members are asked to consider the contextual information against which the MTFP and draft budget have been developed.
58. To approve the draft budget for 2021/22 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**

59. The impact of the Covid19 Pandemic has extended beyond 2020/21, and has had a significant influence on the 2021/22 budget which has allowed for reductions in Parking, and Corporate Property Income of £1.3m. Losses are also expected in the region £1m for both Council Tax and Business rates, with potentially more reductions to come when the Government furlough scheme ends.
60. These reductions come on top of cuts in government funding which have seen new homes bonus receipts cut from £3m in 2020/21, to £1.68m in 2021/22, and are forecasted to be cut again to £0.7m in 2022/23.
61. In response to the cuts of £2.6m above, Officers has worked diligently to identify in excess of £3m of savings that can be delivered over the next few years. These savings have required tough decisions to be taken and have

meant the deletion of roughly 30 full time equivalent posts, and an anticipated pay freeze, even before the Chancellors announcement on Public Sector pay.

62. With the expectation of further funding cuts when the next multiyear spending review is complete, further savings may be necessary, especially if the economy does not recover as forecast.
63. This budget is therefore presented with a significant focus on continuing to provide the statutory services to residents at existing levels, why accepting that only limited funds will be available to deliver projects in comparison to previous years.

### **Contact and Email**

64. Lee Foreman – 01233 330509 – leeforeman@ashford.gov.uk

DRAFT REVENUE BUDGET				
DIRECTORATE SUMMARY				
Actuals 2019/20 £	Budget 2020/21 £	Projected Outturn 2020/21 £	Directorate	Budget 2021/22 £
1,409,723	1,367,810	1,391,710	Chief Executive	1,173,200
4,455,249	2,740,690	3,961,830	Director of Finance & Economy	2,908,790
2,358,303	2,050,770	3,455,000	Director of Law & Governance	2,100,460
10,590,003	10,970,290	12,620,640	Director of Place & Space	10,120,940
<b>18,813,278</b>	<b>17,129,560</b>	<b>21,429,180</b>	<b>Service Expenditure</b>	<b>16,303,390</b>
(2,327,931)	(1,162,070)	(1,904,040)	Non service specific	(2,737,650)
<b>16,485,347</b>	<b>15,967,490</b>	<b>19,525,140</b>	<b>ABC Budget Requirement</b>	<b>13,565,740</b>
(16,521,843)	(15,967,490)	(19,033,910)	Financing	(13,565,740)
<b>(36,496)</b>	<b>0</b>	<b>491,230</b>		<b>0</b>

DRAFT REVENUE BUDGET				
SERVICE SUMMARY				
Actuals 2019/20 £	Budget 2020/21 £	Projected Outturn 2020/21 £	Service	Budget 2021/22 £
1,409,723	1,367,810	1,391,710	Corporate Policy, Economic Development & Communications	1,173,200
(978,623)	(1,778,020)	(763,610)	Corporate Property & Projects	(1,275,200)
3,641,761	3,658,460	3,498,210	Finance & IT	3,269,790
1,792,111	860,250	1,227,230	Housing General Fund Services	914,200
765,152	427,600	2,002,290	Community Safety and Wellbeing	711,520
76,808	197,340	112,430	HR & Customer Services	155,350
1,516,343	1,425,830	1,340,280	Legal & Democratic Services	1,233,590
3,512,553	3,342,230	4,378,330	Culture	3,208,300
5,238,038	5,453,140	5,286,860	Environmental & Land Management	4,744,550
1,839,412	2,174,920	2,955,450	Planning	2,168,090
<b>18,813,278</b>	<b>17,129,560</b>	<b>21,429,180</b>	<b>Service Expenditure</b>	<b>16,303,390</b>
(4,934,028)	(2,587,480)	(3,182,340)	Capital Charges & Net Interest	(2,437,810)
264,151	270,500	270,500	Levies	276,000
2,341,946	1,154,910	1,007,800	Contribution to/(from) Balances	(575,840)
<b>16,485,347</b>	<b>15,967,490</b>	<b>19,525,140</b>	<b>ABC Budget Requirement</b>	<b>13,565,740</b>
			<b>Income</b>	
(277,324)	0	(3,066,420)	Government Grant	0
(5,697,644)	(4,991,320)	(4,991,320)	Retained Business Rates	(4,093,390)
(2,954,410)	(3,053,420)	(3,053,420)	New Homes Bonus	(1,680,000)
(7,592,465)	(7,922,750)	(7,922,750)	Council Tax	(7,792,350)
<b>(36,496)</b>	<b>0</b>	<b>491,230</b>		<b>0</b>

**General Fund Draft Budget 2021/22**

<b>Actuals 2019/20 £</b>	<b>Budget 2020/21 £</b>	<b>Projected Outturn 2020/21 £</b>	<b>Department</b>	<b>Budget 2021/22 £</b>
			<b>Corporate Policy, Economic Development &amp; Communications</b>	
323,404	280,250	280,690	Policy and Performance	276,120
635,567	638,660	646,210	Economic Development	451,800
450,752	448,900	464,810	Communications & Marketing	445,280
<b>1,409,723</b>	<b>1,367,810</b>	<b>1,391,710</b>		<b>1,173,200</b>
			<b>Corporate Property &amp; Projects</b>	
18,202	17,880	(156,210)	Project Delivery Team	17,600
668	2,820	(46,020)	Facilities Management	(10)
(997,493)	(1,798,720)	(561,380)	Corporate Property	(1,292,790)
<b>(978,623)</b>	<b>(1,778,020)</b>	<b>(763,610)</b>		<b>(1,275,200)</b>
			<b>Finance &amp; IT</b>	
97,067	91,450	46,740	Accountancy	26,610
761	(10)	(10)	Audit Partnership	(20)
614,378	804,840	747,570	Benefits Administration	778,920
309,703	487,940	428,510	Council Tax Collection	367,610
121	2,100	(15,320)	Debtors/Debt Recovery	30
269,206	40,540	40,540	Miscellaneous Expenditure	35,130
76,353	68,000	80,360	Exchequer	57,540
(642,495)	(175,000)	(175,000)	Housing Benefits Payments	(280,000)
(91,281)	(40,090)	(43,970)	NNDR Collection	(52,920)
1,674,978	1,365,770	1,365,770	Non-Distributed Costs	1,419,400
79,311	26,310	28,290	ICT	11,080
29	220	12,240	Telephony	30
1,020,871	782,980	783,880	Strategic Corporate Costs	690,750
232,757	203,410	198,610	Corporate Management	215,630
<b>3,641,761</b>	<b>3,658,460</b>	<b>3,498,210</b>		<b>3,269,790</b>
			<b>Housing General Fund Services</b>	
211,809	144,600	144,600	Private Sector Housing	207,030
89,613	96,760	95,360	Housing Strategy and Enabling	114,600
1,218,720	609,520	1,001,450	Housing Options	605,150
246,326	3,620	0	Refugee Project	0
25,642	5,750	(14,180)	Gypsy Site - Chilmington	(12,580)
<b>1,792,111</b>	<b>860,250</b>	<b>1,227,230</b>		<b>914,200</b>
			<b>Community Safety and Wellbeing</b>	
648,258	692,610	808,310	Community Safety,AMC,Licencing	675,220
689,343	632,350	626,420	Environmental Health	579,590
(572,449)	(897,360)	567,560	Parking & Engineering	(543,290)
<b>765,152</b>	<b>427,600</b>	<b>2,002,290</b>		<b>711,520</b>

**General Fund Draft Budget 2021/22**

<b>Actuals</b> <b>2019/20</b> <b>£</b>	<b>Budget</b> <b>2020/21</b> <b>£</b>	<b>Projected</b> <b>Outturn</b> <b>2020/21</b> <b>£</b>	<b>Department</b>	<b>Budget</b> <b>2021/22</b> <b>£</b>
			<b>HR &amp; Customer Services</b>	
17,889	181,220	132,300	Human Resources	143,730
58,919	16,120	(19,870)	Visitor & Call Centre	11,620
<b>76,808</b>	<b>197,340</b>	<b>112,430</b>		<b>155,350</b>
			<b>Legal &amp; Democratic Services</b>	
840,219	851,890	836,870	Democratic Representation	791,980
613,541	478,990	470,150	Electoral Services	378,070
2,185	27,910	(26,780)	Legal	0
60,397	67,040	60,040	Mayor	63,540
<b>1,516,343</b>	<b>1,425,830</b>	<b>1,340,280</b>		<b>1,233,590</b>
			<b>Culture</b>	
305,837	318,750	348,080	Cultural Services Management	317,820
1,559,830	1,490,220	2,489,300	Leisure Centres	1,691,040
281,027	295,090	295,630	Open Spaces and Conservation	301,120
399,196	446,760	511,760	Single Grants Gateway	315,860
192,491	220,810	202,720	Tourism & Heritage	182,910
774,172	570,600	530,840	Cultural Projects	399,550
<b>3,512,553</b>	<b>3,342,230</b>	<b>4,378,330</b>		<b>3,208,300</b>
			<b>Environmental &amp; Land Management</b>	
250,986	289,700	292,700	Street Scene	267,260
3,332,001	3,421,280	3,254,280	Refuse, Recycling, Street Clean	2,986,900
1,655,051	1,742,160	1,739,880	Grounds Maintenance	1,490,390
<b>5,238,038</b>	<b>5,453,140</b>	<b>5,286,860</b>		<b>4,744,550</b>
			<b>Planning</b>	
149,500	48,410	62,270	Chilmington	35,140
38,512	74,350	100,460	Building Control	88,310
1,069,729	949,490	1,923,900	Development Control	1,030,830
(19,456)	(1,770)	(1,770)	Land Charges	(70)
597	12,350	(2,360)	Planning Administration	(10)
600,530	1,092,090	872,950	Strategic Planning	1,013,890
<b>1,839,412</b>	<b>2,174,920</b>	<b>2,955,450</b>		<b>2,168,090</b>
<b>18,813,278</b>	<b>17,129,560</b>	<b>21,429,180</b>	<b>NET EXPENDITURE ON SERVICES</b>	<b>16,303,390</b>

## 2021/22 Draft Budget Report

**The following table represents risks to the 2021/22 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>The Covid19 pandemic has delivered an unprecedented economic shock across the Globe that will be felt for many years to come.</p> <p>For Ashford this has led to a significant reductions in income, increased costs to support public facilities in the Borough, and a rethink of its corporate priorities as we move forward.</p> <p>To deal with the economic shock of Covid19 immediately and into the medium term, the Council has identified savings to be delivered over the next few years in the region of £3m.</p> <p>Having identified the savings and factored them into the draft 2021/22 budget and MTFP, it is now imperative that we closely monitor the delivery of these savings.</p> <p>Failure not to deliver the required savings will result in further draws on reserves and undermine the MTFP and financial sustainability of the Council.</p>
2. EU Exit and the Border Control Facility	<p>As part of the plans for the EU Exit, a new Inland Border Facility (IBF) is being sited by Government at Sevington and the Council will be required to provide port health functions at the site.</p> <p>There is an End of Transition Risk Register which is monitored by an internal “cell” and has been reported to cabinet callover recently.</p> <p>The Council is working closely with Defra to ensure the overall outcome of supporting the IBF will have no detrimental impact on the Ashford Tax Payer.</p>
3. Government Spending Review	<p>The days of multi-year settlements seem distant as we enter a second successive one year settlement following the end of the four year deal.</p> <p>It is understandable that Government needs to focus on recovering from the Covid19 pandemic and EU Exit plans this continues to provide uncertainty around long term funding for the Council.</p> <p>The single year reviews have been positive in funding terms for the Council, however there is concern that funding of local government could be reduced as Government looks to recover some of the costs of the Covid19 Pandemic, and support pledges to other Government Departments.</p>

<p>4. Pressure on the 2020/21 Budget and impact going forward.</p>	<p>2020/21 is an exceptional year and the risks below will try to look through the one off pressures arising from Covid19 and focus on risks going forward.</p> <p><b>Homelessness</b> – This area has been adversely impacted by Covid19 in 2020/21 which has resulted in the long term use of Bed &amp; Breakfast accommodation which is expensive and adds pressure to the budget.</p> <p>Numbers are starting to decline and new initiatives such as Christchurch Lodge and the Henwood Modular units (once progressed) will increase affordable Temporary Accommodation capacity to reduce costs.</p> <p>This budget could again be put under pressure if the long term impact of Covid19 leads to further job cuts once the furlough scheme ends, and hardship which could see an increase in people presenting as Homeless where they may find it difficult to support existing accommodation costs.</p> <p><b>Corporate Property</b> – Due to Covid19 income from corporate property has been under pressure during 2020/21 although new lettings at Elwick place have been strong.</p> <p>For 2021/22 the MTFP recognised the ongoing pressure which will be placed on Corporate Property incomes and reduced its overall income target so that realistic rental forecast could be made, and funding be available to support void costs.</p> <p>Economic risk will continue to undermine performance in this area for 2021/22 but the measures taken reduce this risk significantly and should provide a platform to grow income streams beyond 2020/21 as the economy recovers.</p> <p>Rent collection will continue to be vigorously monitored in 2021/22 to identify any emerging problems and be reported accordingly through the usual budget monitoring arrangements.</p> <p>The Council raised the repairs and renewals budget from £250,000 to £500,000 in 20/21. This level of support for ensuring council assets are maintained in good condition has been maintained for 2021/22, in addition to the £500,000 borrowing (capital budget) which continues to be allowed for.</p> <p><b>Parking Income</b></p> <p>The 2020-21 parking budget is forecasting 50% losses over the year although these have been strongly supported by the Governments sales fees and charges (SFC) scheme.</p> <p>Going forward it is anticipated that there could be a 15% reduction parking income and this has been reflected in the 2021/22 budget.</p> <p>This will continue to be a risk in 2021/22 though as Covid restrictions end and a ‘new’ base line for parking usage is established. Some support has been provided by Government which will see the SFC scheme extended for April, May and June 2021.</p>
--	---

Budget Component	Financial standing and management
	<p><b>Planning</b></p> <p>Despite initial robustness, planning fee income has started to fall in 2020/21 and is expecting to be down by around 40% in 2020/21.</p> <p>Planning has also incurred additional costs in 2020/21 following the Natural England Report into Stodmarsh with the need to seek an effective mitigation strategy going forward.</p> <p>Going into 2021/22, Planning is one of the few areas where expenditure has actually increased to support the service needs for 2021/22. This is as a result of minimal savings being identified in the service as part of the Corporate savings target, additional funding being necessary going forward to assess the environmental impact of new applications in relation to Stodmarsh, £50,000 budget for Counsel fees to support planning enforcement, and £60,000 for a new software solution which should provide efficiencies over the long term.</p> <p>Clearly the Stodmarsh issues and current economic climate will be a risk to the planning budget in 2021/22. Furthermore, despite some allowance being available for counsel fees, any increase in Planning Enforcement activity or the need to defend against planning appeals will need to be funded from general reserves.</p>

Budget Component	Financial standing and management
5. Commercialisation	<p>2020/21 saw the introduction of the Councils commercialisation strategy and the creating of a commercial hub.</p> <p>This initiative is progressing well and increases in areas such as garden waste income are already seeing increased numbers as a result of commercially minded marketing strategies.</p> <p>This is seen as an area of recovery going into 2021/22 and a budget of for £60,000, funded from the additional income achieved from the scheme will be introduced into the 2021/22 budget to support existing and new ideas.</p> <p>In terms of the wider context, the Council continues to have good reserves which have recently been re-purposed as part of the MTFP report to provide greater flexibility to protect budgets from economic shocks and uncertainty.</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 planning system.</p>
7. Assumptions about increases in service income.	<p>The budget setting purposes income has been increased by an average of 3.0%, 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>
8. Housing Revenue Account	<p>The HRA debt cap has now been removed and the ability to build affordable housing without the restrictions of the debt cap. The business plan factors in these new developments which are included in the 30 years business plan.</p> <p>Although the business plan is currently affordable, this need to be kept under review to ensure that new opportunities are properly assessed for viability as to not place pressure on the HRA model.</p> <p>Regular updating of the HRA business plan and financial monitoring will occur during 2021/22.</p>

Budget Component	Financial standing and management
<p>9. Estimates of the level and timing of capital receipts.</p>	<p>Capital receipts are now low in the General Fund, the budgets and financing of the capital plan reflects this.</p> <p>The Housing Revenue Account capital receipts had been increasing over the last couple of years due to the invigorated 'Right to Buy' policy, although this has slowed as a result of Covid19.</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 due to the on street purchasing programme.</p>
<p>10. Major Capital Projects</p>	<p>Due to the impact of Covid19 the Council has had to re-assess its corporate priorities and focus its resources on the recovery plan, and the projects identified within in it.</p> <p>To maintain financial stability Members and Officers need to focus on the recovery projects and new projects that will not increase annual revenue costs to the Council, by way of additional unfunded borrowing costs or maintenance liabilities.</p>
<p>11. Business Rates</p>	<p>Risks 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. Although Government has further delayed this business rates review and reset.</p> <p>The level of income from business rates is affected by the overall performance of the economy, and with Covid19 significantly impacting this, business rates forecast have been reduced accordingly.</p> <p>As lockdowns and Government support packages end for businesses, there could be increase pressure in this area. Business rates will be monitored regularly and any movement against budget will be flagged as part of the budget monitoring process.</p>

Budget Component	Financial standing and management
12. Inflation, Interest Rate and Pay Award	<p>Inflation is a factor that needs to be managed carefully within any financial planning regime. The council benefitted from the low levels of inflation over the last few years. Inflation is currently below the target of 2% set by the bank of England and is expected to recover back to target between 2022 and 2023.</p> <p>Interest rates have been forecast in line with the Arlingclose (Treasury Management Advisors) forecasts. As a net borrower the Council is exposed to interest rate risk on its borrowing portfolio, especially in line with its strategy. Interest forecast look flat over the period of the MTFP.</p> <p>Pay – the current budget assumes a freeze in pay although this is still to be formally agreed.</p>