

Agenda Item No:

Report To: Cabinet

Date of Meeting: 25 November 2021

Report Title: Draft Budget 2022/23

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**Portfolio Holder
Portfolio Holder for:** Cllr. Neil Shorter
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Summary:

This paper presents the draft budget for 2022/23 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 October, 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.

This budget is set during the recovery phase of the global pandemic, ongoing implications from the United Kingdom leaving the European Union, and a high inflation economy. These factors have influenced the MTFP and this budget.

In relation to significant changes in service budgets, Corporate Property income has increased significantly in addition to growing the team, Housing Options (including Homelessness) have increased resources, and Leisure centre subsidies have reduced.

In relation to non-service spend, Capital Charges and Net Interest has reduced (usually a net income), there is an increase in the Minimum Revenue Provision (the amount set aside to repay debt) and the grant received for New Homes Bonus has been removed from the budget (now only a one year allocation) and is being set aside for corporate projects within the Corporate Plan. There are also increases in Business Rates and Council Tax receipts, partly due to 2021/22 performing better than budgeted.

The 2022/23 draft budget has a saving requirement of £827,800 which was identified in 2021/22 as part of the £3m annual target. £639,260 of these savings are still to be fully identified. These have been built into the budget and Heads of Service will report to members early next year on the progress of saving plans.

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 used in the 30 year Business Plan which will be presented to Cabinet in December.

Key Decision: YES

Significantly Affected Wards: None

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

- I. Approve the draft budget for 2022/23
- II. Note the savings still to be identified and approve the approach adopted to deliver these savings
- III. Request that Heads of Service provide updates on progress made towards achieving savings targets through the corporate Budget Monitoring report.
- IV. Approve the draft Housing Revenue Account budget for 2022/23 Section 2 of the report.
- V. Agree that this report will be used as the basis for budget consultation with the public, the business community, parish councils and staff.
- VI. 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 new 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. This report is based on a further one year funding extension as government have deferred the spending review until 2023/24. 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 and informs an affordable 30 year Business Plan that will be presented at the next Cabinet meeting.

Equalities Impact Assessment A full assessment will be undertaken and forms 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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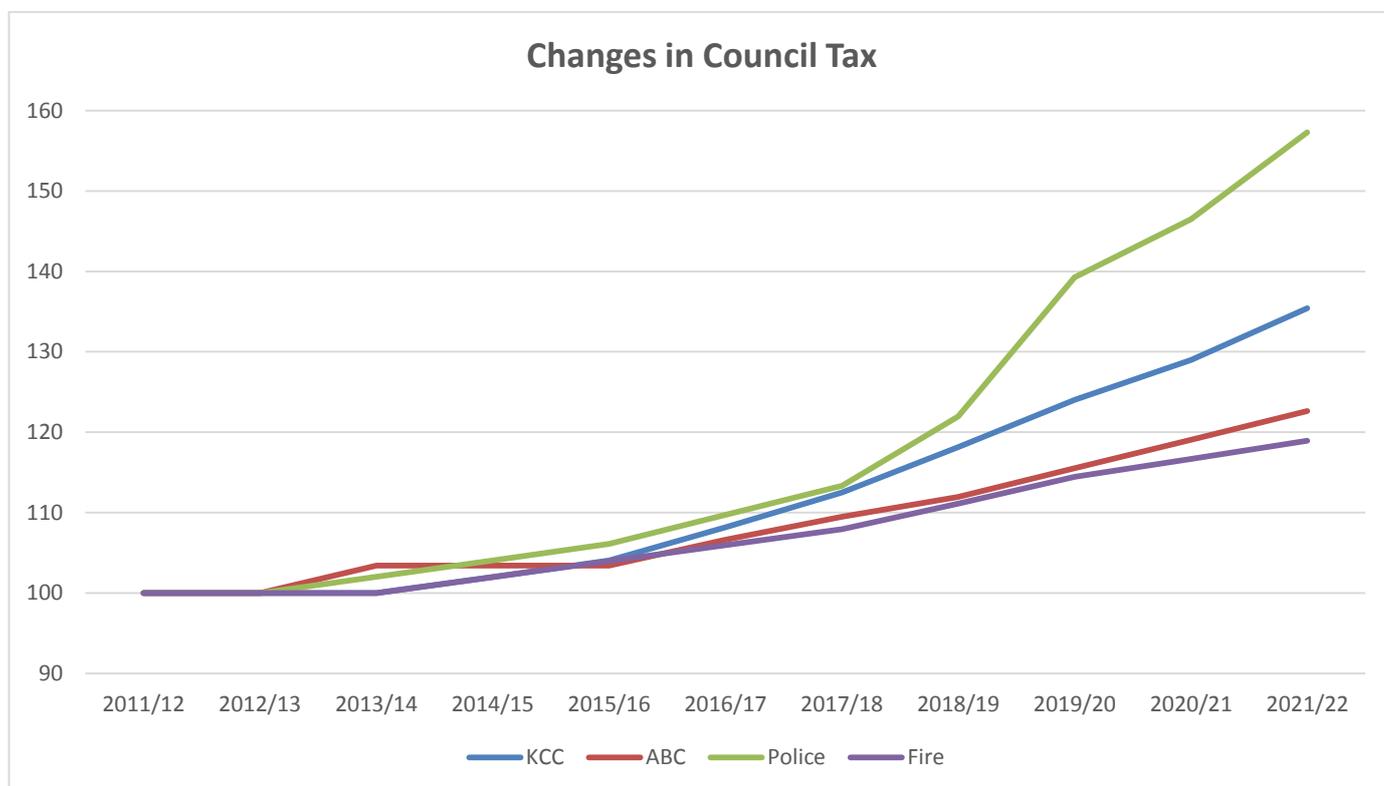
Report Title: Draft Budget 2022/23

Introduction and Background

1. This report sets the scene for Cabinet to consider the draft budget for 2022/23 and is based broadly in line with the assumption outlined within the Medium Term Financial Plan (MTFP) which was presented to Cabinet in October 2021. The MTFP report provided important background and contextual information which has been considered in building the 2022/23 budget as presented within this report.
2. The 2022/23 budget is built on the assumption of a further one year funding agreement with government spending reviews delayed again with a revised implementation date of 2023/24, although this could be extended to match the provisional settlement announced by Government that covers a three year period. Some commentators feel that this may be further delayed due to out of date information and Government prioritising the need for stability over reform and a multi-year settlement would support this approach. If multi-year funding is not provided then the Council will continue to have uncertainty around funding moving beyond 2022/23 as highlighted in the MTFP report.
3. Despite delays to the fair funding review, the 2021 provisional settlement which sets out how local government will be funded for the next three years indicated a slight rise in district Council core spending power (CSP) although still below the average does potentially mean more funding. This provisional settlement could be positive for local authorities and increases the possibility of continued lower tier grant funding and the removal of negative revenue support grant (RSG) that has been muted but not actioned for a number of years. However, this provisional settlement could look to significantly change or phase out new homes bonus altogether following delays in reporting the outcome of its previous consultation. This could possibly be used to fund the 'levelling up' agenda that will look to redistribute funding around the Country although the delivery of this policy is more complicated than previous scheme allocations. The current budget makes assumptions on the provisional settlement information and any adjustments arising from the settlement allocations which are released in December will be reported within the final budget.
4. It should be noted by Members that in year 2 and 3 of the settlement the majority of increases in Core Spending Power come from Council Tax increases, in line with policies set by Government, with an assumption Councils' will increase to the maximum. Therefore, if the Council decides to freeze or increase Council Tax at lower levels than the maximum permitted, services will need to be cut to fund the reduction in revenue. This would also cause a deviation between the actual spending power of the Council and that forecast by Government which could affect future grant funding levels. One area of clarification will be funding for the new Health and Social Care Levy (salary pressure), this has been included within the draft budget for 2022/23 however, there is a strong indication that this may be funded centrally. The final budget will include an adjustment to the draft budget if there are any changes.
5. It is anticipated that Ashford will still receive a Lower Tier Services Grant in 2022/23, this is particularly important to compensate district Councils from the reduction in central funding over the last few years.
6. One possible benefit to the 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. However, the new business rates reform which was muted back in 2015 as being a 100% retention scheme (current scheme is 50%), then reduced to 75% in 2017 has now been reversed as it conflicts with the Governments 'levelling up' agenda. This leaves the future of business rates reform and funding uncertain, with reportedly an appetite in Whitehall to address excessive growth, before a formal baseline reset that is not likely to be any earlier than 2025/26.

7. The detailed budget for 2022/23 has now been drafted and is broadly in line with the targets established within the MTFP. 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 the lowest in Kent.
8. 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.
9. To put our increase in the share of the Council Tax into perspective, in recent years the cap for the Police and Crime Commissioner (PCC) has been well above the cap on local authorities. Looking at the four years including the caps in place for 2022/23, the Council will look to have increased the average Band D council tax bill by £20, compared to £61 for the PCC, while this 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. This is demonstrated in the graph below with preceptors all re-based to 100 as at 2011/12.



10. Section 2 of this report covers the HRA draft budget which is the basis for the 30 year business plan that will be presented at the December Cabinet.

11. 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.
12. 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

13. For ease of consideration this report is split into sections;
 - i. Draft Budget 2022/23 (for the General Fund)
 - ii. Housing Revenue Account
 - iii. Capital resource forecast and capital programme implications
 - iv. Next steps

Section 1 - Draft Budget 2022/2023

14. The Services' draft budgets have been built broadly in line with the parameters set out within the MTFP report which was reported to the October 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 considered the continuing pressures from the Covid19 pandemic and what future income streams will look like and the ambitions within the new Corporate Plan.
15. 2022/23 represents the second year of the three year £3m saving plan that was introduced in 2021/22 and identified savings of £827,800 to be included within the 2022/23 draft budget. At the time of writing this report £188,540 of that savings target had been fully incorporated into the budget as originally planned. It is recognised that there has been some challenges over the past year and with the adoption of the new Corporate Plan some of the savings may no longer be deliverable in their current form, or may take some further time to be fully realised.
16. To recognise the commitment of the Council to deliver these saving to support the MTFP and financial resilience and stability of the Council, and allow it to divert resources to project delivery, the savings not yet fully realised have been included within service budgets as savings to be identified.
17. Some of the savings may no longer be delivered as originally intended, so Heads of Service will consider new options to deliver on their commitments and report progress to Cabinet through the Financial Monitoring process.
18. A full list of the savings included within the MTFP are shown at **Appendix C**, and indicates which savings still need to be delivered, Members are asked to note the savings still to be delivered and support the approach being taken to deliver them, and request that progress is reported back to Cabinet through the corporate financial monitoring report.
19. 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.
20. 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 £177.50 (2021/22 was £172.50) for a band D property.
21. The draft high level budget is summarised below.

Table 2: Draft General Fund Budget 2022/23

Actuals 2020/21 £	Budget 2021/22 £	Projected Outturn 2021/22 £	Directorate	Budget 2022/23 £
19,144,216	16,303,390	17,216,215	Service Expenditure	15,611,360
15,083,169	(1,562,950)	(2,580,120)	Non service specific	(372,510)
34,227,385	14,740,440	14,636,095	ABC Budget Requirement	15,238,850
(34,395,482)	(14,740,440)	(15,057,440)	Financing	(15,238,850)
(168,097)	0	(421,345)		0

22. 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.
23. This is the first annual budget to fully incorporate the Ashford Port Health (APH) Service and has ensured that appropriate resourcing and recharges have been applied across the organisation. On the face of the budget summary APH will show a balanced budget as this is fully self-funding service. The Council's budget book that will be published late in the year will provide further details on the composition of the budget.
24. Where APH have engaged support staff directly, such as ICT and HR Officers, these costs are captured within the individual services and then fully recharged to the APH service thus having a nil impact on the overall general fund budget. Overall though the introduction of the APH allowed for a greater sharing of central costs that have provided savings within the general fund.
25. There have been some significant movements between 2021/22 and 2022/23 service budgets reported at **Appendix A**, narrative to support the most significant movements at a service summary level are detailed below.
26. Corporate property has an overall increase in income of £780,070 between years, this is largely attributable to an increase in commercial property income of circa £548,000 across the portfolio, especially occupancy of the Carlton Road Depot which only has a few units remaining to let.
27. General fund Housing Services is responsible for Housing Options which includes the Homelessness function. This area has regularly appeared in financial monitoring reports in the last few years with increased demand and responsibilities placing pressure on the service.
28. Following a comprehensive review of the service and budgets within, the draft budget has identified the need to increase resources by circa £334,000. This increase is due to a number of factors including more funding for the prevention of homelessness and realigning the balance between temporary accommodation costs and benefits claimable. It is envisaged that as new temporary accommodation facilities becomes available, such as the Council's Henwood Development then costs will be reduced. The Housing Options budget also has provision for the new Rough Sleepers Accommodation Programme which will provide 20 units for those most in need of support.
29. Culture has seen a reduction in costs of circa £695,000 due to reduction in leisure facility subsidies and transitional cost to the new Stour Centre operator.

30. Environment and Land Management is reporting growth of £400,000 in budgets between years. £241,000 of this increase relates to the (nearly £4m) Refuse Collection and Recycling contract which is forecasting increases of 6.4%, this is circa 5% rise for future year and 1.4% for higher than expected costs last year. This rise represents contractual inflation plus the new property growth which is added to the contract.
31. There is also growth in Aspire salaries of £183,000, this makes provision for statutory annual increases and ongoing recognition that they are contracted, to work a 40 hour week, additional staffing to support the Victoria Park works which is grant funded, and Tree Officer to deliver the Queens Green Canopy (Ashford Living Legacy) project.
32. The Capital charges and net interest line has increased by £241,420, this represent an increase in Minimum Revenue Provision (amount set aside for the repayment of debt) of £485,000 and a net interest receipt of £244,000.

Risks

33. The risks to the 2022/23 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.
34. 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.
35. These risks should be read alongside the more strategic risks that were reported within the MTFP report which was presented to Cabinet on 28 October 2021.

Section 2 Housing Revenue Account

Draft HRA Budget 2022/23

37. The HRA is a ring fenced account within the Council, this means that it has to be fully self-financing which is achieved through rental income charged to tenants. Therefore tenants have a vested interest in the rental charge in that it is recycled into the Housing Stock, 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.
38. The HRA Budget has been built to enable the council to maintain Decent Homes Standards, service the debt incurred for the housing buyout, fund new development opportunities, and support the Council's Carbon Neutral agenda by investing in retrofitting Council Dwellings.
39. Rental income has been forecast to increase at the annual September CPI figure +1% as per the Government formula which is forecast to be 4.1% for 2022/23.

HRA Business Plan

40. The HRA Business Plan has been built using many of the same assumptions included in this budget.
41. 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.
42. The business plan includes the financing for all of these projects and annual revenue spend for a 30-year period and will be presented to the December Cabinet.
43. 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 2022/23

Revenue Budget				
Housing Revenue Account				
Actuals 2020/21 £	Budget 2021/22 £	Projected Outturn 2021/22 £	Detail	Budget 2022/23 £
(25,594,576)	(27,186,640)	(27,186,640)	Income	(28,775,130)
2,014,100	4,468,830	4,593,870	Supervision and Management	6,731,860
3,408,012	4,024,420	4,064,420	Repairs and Maintenance	4,347,100
293,373	221,700	191,150	New Builds	200,610
19,879,091	21,121,320	21,121,320	Other	15,959,600
0	2,649,630	2,784,120	Service Expenditure	(1,535,960)

44. Members are asked to approve the draft HRA budget for 2022/23 for scrutiny purposes and to formulate the 30 year business plan that will be presented to the December meeting of this Cabinet.

Section 3 - Capital Resources

45. 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

46. 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.
47. 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 £260,000 as at 31 March 2021 and are expected to be around £150,000 as at 31 March 2022.
48. 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, this year the full allocation (only one year received) has been made to the Improvement Delivery Fund (a project reserve to fund the Corporate Plan projects).
49. The Council has re-profiled reserves to support the new corporate plan but also ensure that the Council has sufficient funds to manage future budget gaps in the MTFP and weather any further economic shocks.
50. Following this repurposing of reserves, it is forecast that £263,000 will be remaining from the recovery project reserve, £2m has been earmarked as the Climate Change Delivery Fund, and £3.9m for the improvement delivery fund.
51. 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

52. 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.
53. 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

54. 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).
55. Where external borrowing is considered, then a full business case should be required to demonstrate the financial viability of the project.
56. 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.
57. 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.
58. 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

59. 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.
60. 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

61. 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.
62. 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 2021 contributions amounting to £5.6m (capital & revenue) were held in reserves.
63. 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.

65. 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)	2022/23
Resources brought forward	
Capital Receipts	150
Borrowing for Property major repairs	0
Budget Resources receivable/allocated in year	
Capital Receipts	300
Borrowing for Property major repairs	500
Budgetted spend on capital expenditure	
Capital Receipts	400
Borrowing for Property major repairs	500
Uncommitted resources carried forward	
Capital Receipts	50
Borrowing for Property major repairs	0

Section 4 - Next Steps

67. 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 2021 and likely concluded in January 2022 with conclusions reported to the Cabinet in February.
68. 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

69. 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

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

Consultation Planned or Undertaken

71. 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.
72. The results from this consultation will help inform the final budget and will be reported back to the February Cabinet.

Conclusion

73. Members are asked to consider the contextual information against which the MTFP and draft budget have been developed.
74. To approve the draft budget for 2022/23 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

75. The impact of the Covid19 Pandemic has extended beyond 2020/21, with a significant impact on the current year financial position, and still having an impact on the 2022/23 budget, where parking budgets have been further reduced.
76. It is good to see the Draft Budget is in line with the Medium Term Financial Plan however, there are significant movements explained in this report.
77. I would like colleagues to support the proposal on the planned savings and invite Management Team to develop plans to meet the saving targets placed on their service.
78. It is some comfort that the Government have delivered a three year settlement however, it is noted that after the first year, Council Tax increases are the only method for increasing Core Spending Power for District Councils. With additional controls being placed on Local Authorities the Council's ability to

generate additional income is being reduced. This will see Councils' relying on increasing taxes rather than thinking commercially and generating its own incomes streams.

79. This Council will still aim to maximise our investment opportunities alongside regeneration of the town, invest in digitalisation and transformation to ensure high quality services are maintained at a lower cost and continue to work with Arlingclose in delivering on its Treasury Management Strategy.

Contact and Email

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

DRAFT REVENUE BUDGET				
DIRECTORATE SUMMARY				
Actuals 2020/21 £	Budget 2021/22 £	Projected Outturn 2021/22 £	Directorate	Budget 2022/23 £
4,501,612	3,273,660	3,564,850	Chief Executive	3,292,670
14,642,604	13,029,730	13,651,365	Deputy Chief Executive	12,318,690
19,144,216	16,303,390	17,216,215	Service Expenditure	15,611,360
15,083,169	(1,562,950)	(2,580,120)	Non service specific	(372,510)
34,227,385	14,740,440	14,636,095	ABC Budget Requirement	15,238,850
(34,395,482)	(14,740,440)	(15,057,440)	Financing	(15,238,850)
(168,097)	0	(421,345)		0

DRAFT REVENUE BUDGET				
SERVICE SUMMARY				
Actuals 2020/21 £	Budget 2021/22 £	Projected Outturn 2021/22 £	Service	Budget 2022/23 £
1,292,207	1,173,200	1,191,700	Corporate Policy, Economic Development & Communications	1,135,300
(1,728,850)	(1,269,350)	(1,424,211)	Corporate Property & Projects	(2,049,420)
2,754,547	3,269,790	3,153,840	Finance & IT	3,153,830
1,376,827	914,200	1,009,280	Housing General Fund Services	1,255,610
(50,256)	0	0	Ashford Port Health	0
2,005,036	711,520	909,290	Community Safety and Wellbeing	701,880
74,602	155,350	147,810	HR & Customer Services	143,810
1,180,023	1,233,590	1,316,050	Legal & Democratic Services	1,311,680
4,562,713	3,208,300	3,604,050	Culture	2,514,000
5,176,317	4,738,700	4,839,306	Environmental & Land Management	5,138,670
2,501,050	2,168,090	2,469,100	Planning	2,306,000
19,144,216	16,303,390	17,216,215	Service Expenditure	15,611,360
(4,246,502)	(2,187,810)	(2,703,060)	Capital Charges & Net Interest	(1,946,570)
949,854	0	0	Revenue Funding of Capital Expenditure	0
270,466	276,000	276,000	Levies	282,000
18,109,351	348,860	(153,060)	Contribution to/(from) Balances	1,292,060
34,227,385	14,740,440	14,636,095	ABC Budget Requirement	15,238,850
(5,282,885)	(946,480)	(1,263,480)	Income Government Grant	(779,000)
(18,046,940)	(4,093,390)	(4,093,390)	Retained Business Rates	(4,685,000)
(3,053,420)	(1,908,220)	(1,908,220)	New Homes Bonus	(737,000)
0	0	0	Council Tax 2020/21 Surplus	(400,000)
(8,012,237)	(7,792,350)	(7,792,350)	Council Tax	(8,637,850)
(168,097)	0	(421,345)		0

General Fund Draft Budget 2022/23

Actuals 2020/21 £	Budget 2021/22 £	Projected Outturn 2021/22 £	Department	Budget 2022/23 £
			Corporate Policy, Economic Development & Communications	
252,306	276,120	270,720	Policy and Performance	234,360
574,411	451,800	475,700	Economic Development	458,450
465,490	445,280	445,280	Communications & Marketing	442,490
1,292,207	1,173,200	1,191,700		1,135,300
			Corporate Property & Projects	
(145,535)	17,600	1,150	Project Delivery Team	(34,870)
(107,174)	(10)	(125,990)	Facilities Management	(60,980)
(1,476,141)	(1,286,940)	(1,299,371)	Corporate Property	(1,953,570)
(1,728,850)	(1,269,350)	(1,424,211)		(2,049,420)
			Finance & IT	
(34,004)	26,610	10,180	Accountancy	63,660
501	(20)	(20)	Audit Partnership	70
762,566	778,920	722,650	Benefits Administration	827,320
508,970	367,610	517,380	Council Tax Collection	313,930
(16,979)	30	6,220	Debtors/Debt Recovery	0
388,782	35,130	35,130	Miscellaneous Expenditure	29,380
78,798	57,540	37,920	Exchequer	74,960
(848,598)	(280,000)	(280,000)	Housing Benefits Payments	(275,000)
(239,736)	(52,920)	(103,970)	NNDR Collection	(78,940)
1,181,647	1,419,400	1,089,400	Non-Distributed Costs	1,221,100
(44,425)	11,080	92,750	ICT	(700)
30,472	30	30	Telephony	50
803,985	690,750	801,490	Strategic Corporate Costs	814,960
182,568	215,630	224,680	Corporate Management	163,040
2,754,547	3,269,790	3,153,840		3,153,830
			Housing General Fund Services	
186,341	207,030	208,550	Private Sector Housing	179,940
108,047	114,600	115,300	Housing Strategy and Enabling	119,430
948,672	605,150	665,250	Housing Options	939,150
157,062	0	0	Refugee Project	0
(23,295)	(12,580)	20,180	Gypsy Site - Chilmington	17,090
1,376,827	914,200	1,009,280		1,255,610
			Ashford Port Health	
(50,256)	0	0	Ashford Port Health	0
(50,256)	0	0		0

General Fund Draft Budget 2022/23

Actuals 2020/21 £	Budget 2021/22 £	Projected Outturn 2021/22 £	Department	Budget 2022/23 £
			Community Safety and Wellbeing	
746,017	675,220	682,540	Community Safety,AMC,Licencing	770,510
465,700	579,590	509,930	Environmental Health	520,610
793,318	(543,290)	(283,180)	Parking & Engineering	(589,240)
2,005,036	711,520	909,290		701,880
			HR & Customer Services	
108,655	143,730	140,470	Human Resources	143,810
(34,053)	11,620	7,340	Visitor & Call Centre	0
74,602	155,350	147,810		143,810
			Legal & Democratic Services	
831,736	791,980	755,580	Democratic Representation	783,170
432,357	378,070	392,230	Electoral Services	411,310
(134,001)	0	15,640	Legal	(31,740)
49,931	63,540	60,890	Mayor	64,020
0	0	91,710	Office of the Leader	84,920
1,180,023	1,233,590	1,316,050		1,311,680
			Culture	
348,015	317,820	318,920	Cultural Services Management	283,070
2,782,321	1,691,040	2,059,680	Leisure Centres	1,022,660
295,965	301,120	305,920	Open Spaces and Conservation	312,360
320,839	315,860	336,000	Single Grants Gateway	345,860
191,991	182,910	184,170	Tourism & Heritage	159,140
623,582	399,550	399,360	Cultural Projects	390,910
4,562,713	3,208,300	3,604,050		2,514,000
			Environmental & Land Management	
243,038	261,410	246,460	Street Scene	162,550
3,304,015	2,986,900	3,102,190	Refuse,Recycling,Street Clean	3,153,620
1,629,265	1,490,390	1,490,656	Grounds Maintenance	1,822,500
5,176,317	4,738,700	4,839,306		5,138,670
			Planning	
82,681	88,310	88,310	Building Control	114,890
1,457,599	1,030,830	1,310,750	Development Manager	996,750
(32,085)	(70)	6,000	Land Charges	3,060
64,126	(10)	22,570	Planning Administration	(10)
928,727	1,049,030	1,041,470	Strategic Planning	1,191,310
2,501,049	2,168,090	2,469,100		2,306,000
19,144,216	16,303,390	17,216,215	NET EXPENDITURE ON SERVICES	15,611,360

2022/23 Draft Budget Report

The following table represents risks to the 2022/23 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>We are now entering the recovery phase of the pandemic and starting to understand what long term changes in habits might mean for Ashford both from an economic, societal and employer perspective.</p> <p>From an economic perspective the Council made significant budget revisions in 2021/22 for areas impacted by the pandemic, notably Parking and Corporate property income streams. The reductions in these income budgets were necessary and the Council is now starting to see stability and slow increases in parking income, and strong interest in commercial properties which have supported the 2022/23 draft budget.</p> <p>There is still a risk of further Covid measure being implemented by government which could slow the recovery.</p> <p>To deal with pressures arising from Covid19, and cuts in government funding, the Council identified savings of £3m in 2021/22 to be delivered over a 3 year period.</p> <p>Having delivered year 1, year 2 savings of £762,800 were identified to be incorporated into the 2022/23 budget. A significant proportion of these savings are still to be delivered and in some instances new proposals and strategies will be necessary.</p> <p>Having identified the savings and factored them into the draft 2022/23 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. Ashford Port Health Authority	<p>The Council has recruited a substantial number of Officers to deliver the Ashford Port Health Facility at Sevington.</p> <p>Despite Ashford being ready to deliver this statutory service, Government has delayed the opening of the facility and therefore no fees or charges are being collected to offset costs. The Council is working closely with DEFRA with the expectation that all lost income from the delays in opening will be met to cover expenditure. The Council will also push for a longer agreement to underwrite any losses in the first years of operation to mitigate any risk to the Ashford Tax Payer.</p> <p>Perhaps a greater risk is the need to build a specific contingency reserve to manage fluctuations in income streams in this business area. This contingency may not be funded by government and it need to be accrue over the first years of operation as a safety net. If DEFRA do not support this then any costs could fall upon the Councils other earmarked reserves to manage.</p>

Budget Component	Financial standing and management
3. Exit from the European Union	<p>The UK exited the European Union (EU) just before the Covid19 Pandemic started to have wider implication for the world.</p> <p>The Council was well prepared for exiting the EU and had significant contingency plans in place and was supported by government funding.</p> <p>Originally it was envisaged that disruption would be to controls at the ports etc. that would bring transportation issues to Ashford, this was indeed the case but more as a result of Covid that exiting the EU.</p> <p>Things have moved on since at it is now becoming apparent that changes to legislation have created employment issues most notably a shortage of HGV drivers that is creating supply chain issues.</p> <p>These issues have driven up costs of services and materials that could have an impact on the revenue budgets but more notably the Capital Plans for the Council.</p> <p>These prices will need to be monitored and decisions taken as to how the Council can balance resources, and perceived market fluctuations against the need to deliver the works/projects.</p>
4. Government Spending Review	<p>Although the Council has received a three year settlement the fair funding review continues to be delayed with potential changes in direction to meet new Government policies, such as levelling up.</p> <p>The delays and 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 and the electorate.</p>

<p>5. Pressure on the 2021/22 Budget and impact going forward.</p>	<p>2021/22 is still experiencing additional costs arising from Covid19 directly, but also through supporting other parties. The risks below will try to look through the one off pressures arising from Covid19 and focus on risks going forward.</p> <p>Homelessness – This area has been under pressure for a number of years which worsened due to the pandemic and is still continuing to experience pressure on its budget.</p> <p>To address the long term issues in this area a specialist consultant was engaged during 2021/22 to fully review and makes recommendation on how the service could be strengthened and what resources were necessary.</p> <p>The 2022/23 budget has been developed using the findings of this report and it is felt that this budget is more robust to support the challenges posed from homelessness. This change did result in a net increase in the budget which has allowed more money to be earmarked for prevention of homelessness and more accurately reflect the cost differential between benefits claimable and temporary accommodation costs.</p> <p>Going forward it is anticipated that some of the increased costs will be recovered as the Council is developing bespoke homeless accommodation such as Christchurch Lodge which is already operational, and Henwood Modular units which will be applying for planning permission in the near future. This development will save money by taking people out of expensive nightly and B&B accommodation.</p> <p>There is still some risk to the budget due to covid and the end of the furlough scheme, removal of the universal credit top up, and rising prices due to the current economic climate that could put pressure on tenants ability to pay accommodation costs, and therefore could be evicted and present as homeless.</p> <p>Parking Income</p> <p>The 2021/22 budget was impacted by further nation lockdown measures that placed significant pressure on the parking income budget for the first quarter of 2021/22. Parking income has since started to pick up although the increase in usage is slower than early trends predicted.</p> <p>To recognise the slowdown in usage the parking budget has been kept broadly in line with the 2021/22 budget which was reduced by 15% to recognise the impact of covid on usage.</p> <p>This budget will continue to be a risk in 2022/23 though if any new covid restrictions are put in place. Equally, if usage and returns to pre pandemic levels quicker than expected then additional revenues may be recognised.</p> <p>Planning</p> <p>Planning continues to have some pressure around staffing levels and the need for consultants to support the service, although this</p>
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Budget Component	Financial standing and management
	<p>position is improving and new incentives have been developed to attract and retain staff.</p> <p>The other pressures arising in planning is the cost of planning appeals, despite some allowance being available for counsel fees within the budget, any increase in Planning Enforcement activity or the need to defend against major planning appeals will need to be funded from general reserves.</p> <p>The Stodmarsh issues and current economic climate will continue to pose a risk to the planning budget in 2022/23.</p> <p>Cultural service</p> <p>This budget area is reporting a pressure within 2021/22 as the Council has supported an extension to the Leisure facilities contract in Tenterden for 2021/22. We are still awaiting confirmation of the plans for 2022/23 as a new operator will be in place before the start of the financial year.</p> <p>The risk to the budget is if the Council needs to further intervene to ensure the facility retains a service operator.</p> <p>Environmental Services</p> <p>The environmental services budget has provision for the Waste refuse and recycling contract which is budgeted to be nearly £4m in 2022/23, this is an increase 4.5% since previous years and represents contractual inflation and an element of new property growth. Although the contractual increase is compiled from a number of weighted indices there is a risk that the contractual inflation costs could be higher than forecast resulting in a potential budgetary pressure.</p> <p>The service has had really strong growth in the garden collection waste service in recent years, however if the economic conditions start to impact household income then renewals maybe be under pressure and new customers may delay taking up the service.</p>

Budget Component	Financial standing and management
6. Commercialisation	<p>The Council's commercialisation agenda is progressing and has a number of successes with Garden waste and the Electrical Services Division, it is now reviewing its inaugural year to see what lessons can be learnt and how the process can be strengthened.</p> <p>This is seen as an area to promote continued improvement in what we do going into 2022/23 and a budget of £60,000, funded from the additional income achieved is available 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>
7. 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 which is in progress.</p>
8. Assumptions about increases in service income.	<p>For 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>
9. Housing Revenue Account	<p>The HRA has an ambition development plan and this plan is built into the HRA's 30 year business plan and will also include a retrofit programme to reduce the carbon footprint of the stock, the 30 year business plan be fully presented at December Cabinet.</p> <p>The business plan is currently affordable although the inclusion of the retrofit programme limits its debt repayments over the long term, the model will 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 to include new projects and financial monitoring will occur during 2022/23.</p>

Budget Component	Financial standing and management
10. Estimates of the level and timing of capital receipts.	<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 have reduced over the last couple of years as right to buy sales have reduced due to Covid and the current economic conditions, although 2021/22 is on track to increase on 2020/21.</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 best used of resources moving forward.</p>
11. Major Capital Projects	<p>The Council has just published a new corporate plan that will be used to guide capital investment within the borough.</p> <p>However, 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>

Budget Component	Financial standing and management
12. Business Rates	<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.</p> <p>However, commentators are suggesting that a business rates baseline reset is now not likely until 2025/26. The delay to the baseline reset is actually favourable to Ashford as we have good growth since the previous baseline was determined. However, there is a risk that government may look to design a mechanism to target Councils with strong growth to redistribute.</p> <p>The future of business rate retention is now also uncertain as the review which commenced in 2016 has all but been ceased as the proposal for 100% retention, then 75% retention are inconsistent with Governments levelling up agenda. The current level of retention is 50%.</p> <p>As the economy recover from the impact of Covid19 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
13. Inflation, Interest Rate and Pay Award	<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 is expected to continue to rise and will spike in April 2022 at circa 5% before dropping back to target over the medium term.</p> <p>The BOE is looking through much of the inflationary pressure as transitional as the global economy and impact of Brexit work through however, this had led to commentators and the BOE themselves indicating that rate rises will be necessary to curb high inflation becoming sustained.</p> <p>Interest rates have been forecast in line with the Arlingclose (Treasury Management Advisors) forecasts although given the current market uncertainty these are not without risk. As a net borrower the Council is exposed to interest rate risk on its borrowing portfolio, which is in line with its strategy. 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>To mitigate some of this pressure the Council in took some fixed rate 20 year borrowing from the Public Works Loans Board (PWLB).</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 4.4% for pay, this is 3% cost of living, 0.7% for increments and 0.7% for increased costs relating to the new Health and Social Care Levy. 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>

Budget Component	Financial standing and management
<p>14. Regulatory risk, revisions to the prudential code.</p>	<p>As covered previously business rates reform looks like it will be reviewed which will likely lead to a revised consultation. The Council will monitor appropriate channels to determine what future proposals look like and how they will possibly impact on the Council. This is not necessarily an immediate risk but certainly will be a factor for significant consideration over the medium term.</p> <p>Currently CIPFA are consulting on a new Prudential Code and Treasury Management Code to strengthen changes already made by the PWLB that restricts Council's from borrowing from what are perceived to be risky 'debt for yield' investments.</p> <p>The new proposed changes to the code looks to clarify certain areas of the code and notably clarification in commercial and treasury investment.</p> <p>The guidance is suggesting that where a Council is a 'net borrower' then it should have a 'net book' management strategy and therefore not have any strategic investments but instead reduce its borrowing need, and therefore strongly recommends that strategic investments should be exited from where possible.</p> <p>Ashford is a net borrower but also has had strategic investment for a number of years that have provided stable revenue returns to the council which are forecast to be Circa £900,000 for 2022/23.</p> <p>If the Council had to sell from these positions, subject to capital market fluctuations the Council could reduce its borrowing requirement by circa £30m, thus saving debt expenses of circa £150,000 at an average rate of 0.5%.</p> <p>While this trade off would reduce the overall level of risk to the Council, it would also represent the need to raise taxes or cut services to fund the £750,000 reduction in income.</p> <p>Ashford will respond to the consultation and monitor the outcomes to determine what action is necessary as guidance is formulated, the guidance was originally due for 2022/23 but this is now deemed a soft launch before the expectation to follow any new guidance in 2023/24.</p> <p>This will be monitored through appropriate channels and reported accordingly.</p>

Savings included within the 2022/23 draft budget.

		2022/23	2022/23 Not Delivered	Delivered
Planning and Development				
Development Control	Generate income from Pre Planning Agreement advice	(50,000)	(50,000)	Not delivered
Development Control	Increase income from Planning Performance agreements	(10,000)	(10,000)	Still developing process
Development Control	Savings through Increased efficiency from implementation of new IT System	(100,000)	(100,000)	Not delivered - System not yet implemented
Total		(160,000)	(160,000)	
Corporate Property and Projects		2022/23	2022/23	
Corporate Property		(17,500)	0	Delivered
Project Delivery Team	Operational savings to be identified	(56,000)	(56,000)	Not delivered
Facilities Management	Additional letting of Civic Centre excess space	(50,000)	(50,000)	Not delivered
Total		(123,500)	(106,000)	
Corporate Policy, ED and Comms		2022/23	2022/23	
Communications & Marketing	Operational savings to be identified	(12,500)	(12,500)	Not delivered, saving still to be identified
Economic Development	Operational savings to be identified	(10,000)	(10,000)	Not delivered - saving still to be identified
Policy And Performance	Explore option of bringing management of the Love Ashford Website in house	(12,000)	(12,000)	Not delivered
Total		(34,500)	(34,500)	
Community Safety & Wellbeing		2022/23	2022/23	
Parking & Engineering	Reduce cash collection contract costs and maintenance	(75,000)	(75,000)	Not delivered
Environmental Health	Operational savings to be identified	(34,830)	(34,830)	Not delivered
Total		(109,830)	(109,830)	
Environment & Land Management		2022/23	2022/23	
Street Scene	Close public conveniences at New Rents	(20,720)	(20,720)	Not delivered - currently being reviewed
Street Scene	Close public conveniences at Victoria Park	(31,480)	(31,480)	Not delivered - Subject to Park redevelopment
Total		(52,200)	(52,200)	

Finance and IT (Includes Corporate)		2022/23	2022/23	
Strategic Corporate Costs	Operational savings to be identified	(18,750)	0	Delivered
Investigations	Operational savings to be identified	(50,000)	(15,000)	Delivered £35,000 - £15,000 TBC
ICT	Multi-Functional Device costs (printers)	(20,000)	(10,000)	Delivered £10,000 - £10,000 TBC
Total		(88,750)	(25,000)	
General Fund Housing Services				
		2022/23	2022/23	
Housing Options	Saving in TA costs as Christchurch House and Lodge are fully occupied	(57,070)	(11,280)	£45,790 delivered, additional savings need to be identified.
Housing Options	Saving in TA costs from Henwood Modular Housing scheme	(99,450)	(99,450)	Scheme Delayed
Housing Options	Operational savings to be identified	(32,000)	0	Delivered prior to service review
Total		(188,520)	(110,730)	
HR & Customer Services				
		2022/23	2022/23	
Visitor & Call Centre	Operational savings to be identified	(10,500)	0	Delivered
Visitor & Call Centre	Reduce face to face services in Tenterden	(6,500)	0	Delivered
Tenterden Gateway	Lease terminates at Tenterden Gateway	(11,000)	(11,000)	Not delivered
Total		(28,000)	(11,000)	
Legal and Democratic				
		2022/23	2022/23	
Legal	Legal services income	(30,000)	(30,000)	Not delivered
Electoral Services	Saving from cross service working	(12,500)	0	Delivered but not through cross working, reduced budgets
Total		(42,500)	(30,000)	
Savings total from Services		(827,800)	(639,260)	