

**Agenda Item No:**

**Report To:** Overview and Scrutiny Committee

**Date of Meeting:** 14 February 2023

**Report Title:** Report of the Budget Scrutiny Task Group

**Report Author &  
Job Title:** Abi Sheppard  
Policy and Scrutiny Officer

**Task Group  
Chairman:** Cllr. N Ovenden



<b>Summary:</b>	The Overview and Scrutiny Budget Scrutiny Task Group has scrutinised the council's draft 2023/24 budget over four meetings during December and January. The Task Group have made six recommendations for Cabinet to consider when making their final budget proposals to recommend to Council.
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**Key Decision:** NO

**Significantly  
Affected Wards:** None specifically

**Recommendations:** **The Overview and Scrutiny Committee recommends to the Cabinet that:**

- I. The council's draft budget for 2023/24 is sound and deliverable (noting recommendation II).
- II. The Task Group supports the proposal to use reserves to fund the 2023/24 deficit.
- III. The Task Group notes that in order to mitigate against the challenges presented by the current economic climate, a savings strategy needs to be developed to bridge the budget gap.
- IV. The Task Group note that work should be undertaken regarding the estates portfolio and the council's financial liabilities.

- V. Resources should be allocated to ensure the council continues to deliver more than the minimum requirement of 10% for fire safety checks in homes.
- VI. A presentation is provided to the wider council regarding the Housing Revenue Account.

**Policy Overview:** Under the council's Constitution, the O&S Committee has a duty to scrutinise the council's draft Revenue and Capital Budgets.

**Financial Implications:** As noted in the report

**Legal Implications** As Policy Overview above

**Equalities Impact Assessment** Not required as appended to main budget report

**Other Material Implications:** As noted in the report

**Exempt from Publication:** NO

**Background Papers:** [Draft 2023/24 budget](#), report to Cabinet 24 November 2022  
**Minutes of the Budget Scrutiny Task Group meetings are included in the Appendix.**

**Contact:**  
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## **Report Title: Report of Budget Scrutiny Task Group**

### **Introduction and Background**

1. In accordance with the council's Constitution, the Overview and Scrutiny Committee has a duty to scrutinise the council's draft Capital and Revenue Budgets. The Committee constituted a Task Group made up of five Members to undertake this work, and presents its findings of the draft Budget for 2023/24 within this report.

### **Report of the Chairman of the Budget Scrutiny Task Group**

2. The draft budget documents were considered by the Task Group and detailed how the council intends to fund its services and initiatives for the next municipal year. Although there may be some financial uncertainties during the next year, sufficient reserves were identified to mitigate the potential risks.
3. Members noted that the budget relied on use of reserves to fund the 2023/24 deficit and reserve levels remained strong despite this. Also, action was required to deliver savings in future and the Task Group agreed that work was needed to develop a savings strategy to achieve them and bridge the budget gap.
4. In relation to the council's assets, there was a national decline in need for rented office space, however, there had been an upshift in light commercial units. The Council also had a diverse property portfolio to reduce concentration risk which is managed by specialist teams.
5. I would like to thank the Members of the Task Group and all of the Officers who were involved with scrutinising the proposed budget for 2023/24. The Group were grateful for the hard work and time that officers had taken to prepare various presentations and reports regarding their Service. I would also like to thank the Portfolio Holders and other Members who attended the meetings.

### **Summary**

6. The budget scrutiny sessions yielded much information on the financial and resource challenges facing the authority and the Task Group focused on a number of key risks relating to the achievability of next year's budget.
7. The draft budget for 2023/24 was presented to the Task Group at its first meeting; this included all service budgets and financial risks. The purpose of this session was to assist Members in determining which areas to dedicate additional scrutiny time, these included the following:
  - a. The council's reserves positions and forecast.
  - b. Savings within the budget not yet identified

- c. Details on the borrowing portfolio and the expected borrowing interest rate increases.
- d. Housing Revenue Account Maintenance Programme
- e. Homelessness provision and housing options
- f. The risks around the maintenance of assets.
- g. Risks linked to the commercial property portfolio.

## **Consultation**

8. The council's Management Team have since seen the recommendations made by the Task Group and a summary of their advice to the Cabinet has been tabled below:

<b>No.</b>	<b>Recommendation</b>	<b>Summary</b>	<b>Management Team Advice</b>
I	The council's draft budget for 2023/24 is sound and deliverable (noting recommendation II).	The Task Group agreed that at this current time the council's draft budget was sound. It was advised that increases to borrowing interest rates were expected next year and some increases were factored into the budget.	<b>MT noted the recommendation.</b>
II	The Task Group supports the proposal to use reserves to fund the 2023/24 deficit.	It was proposed to Members that reserves would need to be used in this the next financial year to fund the 2023/24 deficit, and Members supported this strategy to enable the budget to be deliverable.	<b>MT noted the recommendation.</b>  MT accepts the use of reserves is for this year's budget only. The budget has been managed properly but a deficit has been created by uncontrollable external factors. Reserves have been set aside as a contingency for circumstances such as this.
III	The Task Group notes that in order to mitigate against the challenges presented by the current economic climate, a savings strategy needs to be developed to bridge the budget gap.	The need for savings was clearly apparent to maintain the financial strength of the Council. Proposals were currently being developed and have been discussed with Directors before presentation to Senior Management and the current administration. The savings proposals were not currently at the stage where they could be shared with the Task Group.	<b>MT noted the recommendation.</b>  The savings strategy is already underway and approximately £200k has already been identified. Details of this would be reported to Members soon.
IV	The Task Group note that work should be undertaken to assess the council's estates portfolio to determine whether assets should be retained.	Overall, Members were confident that there was no risk at this stage in time for the upcoming budget. However, work was required to assess the condition of the Council's assets and	<b>MT agreed the recommendation.</b>  This work would take place during the 23/24 financial year and would be brought

		understand if they should be retained within the portfolio or not.	forward to Members to understand priorities.
V	Resources should be allocated to ensure the council continues to deliver more than the minimum requirement of 10% for fire safety checks in homes.	Members raised concerns over the inspection level of just 10% of block fire doors per annum. It was confirmed that whilst this was the target was set under legislation, the service set considerably tougher targets in-house. The Task Group felt that resources should be allocated to this to ensure a higher inspection level continued. .	<b>MT agreed the recommendation.</b>  Resources have been allocated accordingly and the review would set an appropriate target. 10% was a minimum requirement, but the Council would be setting targets well in excess of this.
VI	A presentation is provided to the wider council regarding the HRA.	Members felt that it had been very useful to have greater insight into the operation of the Housing team as well as to understand the constraints on budgets. It was suggested that the knowledge was conveyed to other Members via subsequent presentations.	<b>MT agreed the recommendation.</b>  This was something that would be provided for the new Administration and as part of the new Members Induction programme in 23/24.

## Wrap Up

9. To conclude the Budget Scrutiny sessions, the Chairman of the Budget Scrutiny Task Group gave the opportunity for Members to discuss any outstanding issues regarding the budget and a summary presentation was shown to Members to relay some of the key findings of the last few budget scrutiny meetings.

## Conclusion

10. The Budget Scrutiny Task Group have considered the 2023/24 draft budget proposals together with the council's financial risks. The Task Group have made a number of recommendations, for the Overview and Scrutiny Committee to consider making to the Cabinet.

## Contact and Email

11. Abi Sheppard, Policy and Scrutiny Officer  
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# **Ashford Borough Council: Notes of a Meeting of the Overview and Scrutiny Task Group – 8<sup>th</sup> December 2022 (Budget Scrutiny 1)**

## **Present:**

Cllr. Ovenden (Chairman);

Cllrs. Barrett, Chilton, Hayward, Ledger.

## **Also in Attendance:**

Cllrs. Burgess, Harman, Shorter, Spain, Wright.

## **Also Present:**

Service Lead Finance, Policy and Scrutiny Officer, Member Services and Ombudsman Complaints Officer, Senior Accountant, Director of Customer, Technology and Finance.

## **1 Election of Chairman**

- 1.1 The Task Group elected Cllr. Ovenden as Chairman.

## **2 Notes of the previous meetings**

- 2.1 The Task Group agreed that the Minutes of the BSTG Meeting on the 11th January 2022 were an accurate record.

## **3 Draft Budget Report 2023/24**

- 3.1 The Draft Budget report was introduced and Members were invited to identify any areas they felt required extra detail and/or clarification at subsequent meetings:
- A Member asked how much of the outturn forecast and deficit was due to the interest rise in the current year. The Service Lead Finance responded that the pressure on the 2022/23 year was circa £500,000. As the strategy was changed to reflect economic climate, the actual pressure arose where the property company was not able to progress developments. He added that the organization had a good level of reserves and it was proposed to fund the deficit from reserves in the 2023/24 budget. However, this could not be continued in future years and a different approach would be required moving forward.
  - Members noted that the proposed savings had not been identified at this stage but that it would be crucial to secure these savings in the coming year. The Portfolio Holder for Finance, IT and Digital emphasized that a programme was currently in train to discuss the delivery of savings and that this work would need to be continued by the next Administration. The Chairman pointed out that any

new Administration would review, and possibly amend, the existing budget.

- The Chairman clarified that the role of the Task Group was to scrutinize the draft budget within the report, and to identify areas of risk to the budget where further information and scrutiny was required. He pointed out that Cabinet were still in the process of considering the draft budget at this stage.
- Members were in agreement on the importance of further scrutiny of the Housing and Homelessness budget.
- Members discussed a possible increase in Council Tax and noted that authorities were now obliged to be self-funding. Members recognized the current period of financial hardship for residents, but also considered that an increase in Council Tax was an opportunity to generate income for the authority. A Member pointed out that it was not necessary to increase Council Tax every year, but an increase this year could be useful in managing the budget pressures ahead. Members were aware that an increase in Council Tax could lead to further difficulties in collecting payments, and this had to be considered as a factor when making a decision. The Service Lead Finance also advised Members that income streams were not currently keeping pace with expenditure. The more reserves were used to finance the deficit, the less funds were available for investment and hence a lower income could be achieved.
- The Chairman pointed out that the report did not make clear that savings would be used to rebuild the authority's financial situation as the economy improved in future. He asked the Service Lead Finance to clarify this point within the report before it was finalized.
- The Task Group discussed the issue of unidentified savings and agreed that at this point it was not practicable to insist that savings were identified, although it was desirable for clarity on this point as soon as possible. Members recognized that savings were not currently required to make this budget deliverable, but that they were a lynchpin of the authority's financial management next year.

## **Recommendations**

**It was agreed that the Task Group would review the following areas:**

- **Corporate property maintenance programme risks**
- **Commercial property portfolio risk**
- **HRA maintenance programme**
- **Homelessness provision and housing options – including update on Henwood**
- **Current borrowing levels and forecasts - Arlingclose presentation**
- **Reserves position**
- **Savings to be identified – update where appropriate**

- **Planning paper – regarding how the service has changed during the last year, what is happening now and are they comfortable with the budget going forward.**

Councillor Ovenden (Chairman)  
Overview & Scrutiny Task Group – Budget Scrutiny

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# **Ashford Borough Council: Notes of a Meeting of the Overview and Scrutiny Task Group – 9<sup>th</sup> January 2023 (Budget Scrutiny 2)**

## **Present:**

Cllr. Ovenden (Chair);

Cllrs. Chilton, Hayward, Howard and Ledger.

## **Also in Attendance:**

Cllrs. Forest, Shorter.

## **Also Present:**

Director of Customer, Technology and Finance, Director of Place, Space and Leisure, Assistant Director of Environment, Property & Recreation, Head of Policy and Performance, Service Lead Finance, Senior Accountant, Estates Manager, Estates and Facilities Manager, Property Building Services Manager, Policy and Scrutiny Officer, Policy and Democratic Services Assistant, Senior Member Services Officer.

## **1 Environment, Property & Recreation - Commercial Property Portfolio Risk & Corporate Property Maintenance Programme Risks**

- 1.1 The Assistant Director of Environment, Property & Recreation drew attention to the report contained within the agenda papers and using a PowerPoint Presentation highlighted the diverse range within the portfolio and the risks contained within. The Council's property holdings included; two industrial estates, the Park Mall shopping centre, Elwick Place, offices, car parks, two Windmills and garage blocks. Specialist teams managed these assets and ensured that the portfolio was balanced and in line with the Council's risk appetite. These teams would also assess and make recommendations on whether the Council should maintain or dispose of assets. A contract had recently been awarded to Collier Stevens to undertake condition surveys on all of the assets within the portfolio with a view to a 5yr planned maintenance schedule being prepared. This work would be shared with Councillors as it became available.
- 1.2 Whilst there had been a nationwide decrease in office rentals, there had been an upshift in light industrial/commercial units, with waiting lists at Ellingham. Whilst the portfolio was diverse this itself reduced the risk because there was a greater constancy of income. Minimum Energy Efficiency Standards (MEES) meant that it was likely that all properties would be required to meet a minimum standard of C by 2027 with a proposal of B by 2030, currently energy white paper going through parliament. The aim was for all to meet B by 2027 to ensure that the work was completed once but it was recognized that this would involve a lot of work.

- 1.3 The work undertaken by the Economic Regeneration and Investment Board (ERIB) was highlighted and the Assistant Director of Environment, Property & Recreation welcomed Councillors bringing forward any opportunities for review. It was suggested that ERIB were provided with more detail and training on the property portfolio moving forward in order that all acquisitions and disposals were considered with a sound understanding of not only the individual risks and opportunities but the impact on the wider portfolio as a whole. The Assistant Director of Environment, Property & Recreation gave examples of voids and the work that was being undertaken to reduce these, in particular in Park Mall.
- 1.4 The item was opened up to the Task Group and the following responses were given to questions/comments:-
- The former NCP car park roof was closed and not the lower floor due to an increase in cars using the roof which in turn would increase water problems pushing through the asphalt and then tracking into the shops below. Works were ongoing to try to improve the situation.
  - The rebating of business rates was complex and was required to be done by way of formal rating appeals submitted through the Valuation Office Agency, it was not within the gift of the Council.
  - The mechanisms on the lifts at Edinburgh Road had been repaired and there was a cleaning schedule in place, however this would be re-assessed following concerns raised by Councillors.
  - Leases for tenancies were individual and would have their own renewal dates. These were set when tenancies were taken out and examples of these were given.
  - There was scope to look at the offer of light industrial units within the portfolio and how this could be increased.
  - The subsidy given to Tenterden Leisure Centre was discussed in detail, Assistant Director of Environment, Property & Recreation advised that this was under review and a paper in order to reduce the support would be provided to Directors in the coming weeks and Members would be updated. The Service Lead Finance advised that a tender process had been underway when the Coronavirus Pandemic struck and the incumbent tenant had only agreed to extend based on extension of subsidy support, as the Operator was not prepared to take any risk on the contract extension in the economic climate.
  - Officers were not always aware of issues in relation to leaseholders either defaulting or wishing to exit their leases early, quite often these discussions took place with financial advisors first. It was noted that at times the first indication of an issue would be when the Council was approached as part of a CVA.
  - No information was available to say that International House had not been impacted by the removal of the Eurostar service from Ashford alone.
  - The future of the Civic Centre was discussed with work needed to assess whether it should be retained as part of the portfolio or not.

Councillor Ovenden (Chair)  
Overview & Scrutiny Task Group – Budget Scrutiny

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# **Ashford Borough Council: Notes of a Meeting of the Overview and Scrutiny Task Group – 10 January 2023 (Budget Scrutiny 3)**

## **Present:**

Cllr. Ovenden (Chairman);

Cllrs. Chilton, Harman, Howard, Ledger.

## **Apologies for absence:**

Apologies had been received from Cllr. Hayward.

In accordance with Procedure Rule 1.2(c), Cllr. Harman was present in substitution for Cllr. Hayward.

## **Also in Attendance:**

Cllr. Shorter

## **Also Present:**

Director of Customer, Technology and Finance; Service Lead Finance; Senior Accountant; Accountant; Assistant Director Housing; Housing Development and Regeneration Manager; Development Partnership Manager; Housing Asset Manager; Head of Policy and Performance; Policy and Scrutiny Officer; Member Services Officer; Policy and Democratic Services Assistant.

## **1 Housing - HRA Maintenance programme**

- 1.1 The Group had requested further information on the Maintenance programme aspect of the Housing Revenue Business plan.
- 1.2 The Housing Asset Manager, in conjunction with the Assistant Director Housing, gave a presentation, explaining how decisions were made regarding the maintenance and upgrade of the housing stock, and the challenges and pressures of the present legislative and economic climate to successfully provide safe, comfortable and sustainable homes. A 30-year plan of capital works had been formulated, which was continuously monitored to ensure available HRA resources were being deployed to meet Decent Homes standard and above in a timely

manner. Focus would always be on compliance to ensure customer safety; programmes to monitor safety risk and correct any defects quickly were already in place, using specialist contractors and specifically-trained Officers. ABC owned no blocks over two stories where unsafe cladding had been installed. The stock was in good condition overall, and knowledge of that condition was strong, so projection of need could be assessed, but the projects required flexibility to allow for any change in prioritisation due to arising unknowns. A peppercorn approach to planned works did increase costs. Maintaining rental income was crucial to finance the projects, which presented challenges in the current economic climate of hardship for many customers; the focus was on advice and support at an early stage to mitigate debt and eviction; a 1% increase in arrears equated to a loss of £275K to the HRA. Costs for materials and labour had increased, exacerbated by Covid19 and the conflict in Ukraine; the repairs contractor was experiencing difficulties in delivering works within the financial confines of the contract. The delay to planned internal works caused by the pandemic was to be addressed. New legislation progressing through Parliament would require all social landlords to involve customers in decision-making processes that affected their homes and neighbourhoods, evidencing service delivery, reduction of any associated stigma, a compassionate attitude and respect; Tenant Satisfaction Measures would be introduced to evidence this. Housing Officers would be more visible on site in their patches, be more alert to customer need and trained to carry out regular block inspections to assess safety compliance and repair requirements, including at least 10% of fire doors per annum. Whilst maintenance service complaints were minimal, disrepair claims were increasing. Repairs Inspectors were to be upskilled where necessary to diagnose causes of damp, condensation and mould, whilst maintaining comprehensive property records; various methods of customer education to minimise the likelihood of occurrence of mould were being considered. Provision of a device called Switchee was being investigated. This functioned as a smart thermostat to regulate energy consumption whilst gathering useful data for the landlord to monitor living conditions in real time; initial investigations indicated the duration of time for return on the investment was favourable. Business cases for additional officer resource were being prepared.

- 1.3 To help achieve an EPC rating of C across the stock, a bid had been made for a grant of £8m from the Social Housing Decarbonisation Fund, a decision on which was imminent. Success would accelerate eligible works currently identified in the 30-year plan, which otherwise might need to be recalibrated into future work programmes. The strategy to improve affordable warmth, combat fuel poverty and reduce the carbon footprint of homes was to focus on retrofit measures under 'Fabric First' to raise thermal values, with improved insulation capturing and containing any heat generated, rather than on energy consumption reduction measures which incurred an on-going maintenance and renewal cost. Homes with

the lowest rating would be upgraded first, and works would be scheduled in a logical order to prevent expensive revisits in subsequent years.

- 1.4 The demand for disabled adaptation works had significantly increased, and was often of a complex nature to meet an individual's specific need. The aging population was a contributing factor, and a lack of suitably-adapted move-on property meant requests to improve accessibility of the current home had spiralled. Occupational Therapists were now requesting whole-property holistic adaptations, rather than just works to discrete areas. This could prove challenging and costly due to existing layouts and construction restraints. Adaptations with a mechanical or electrical element also had to be funded in terms of repair, servicing, insurance and replacement costs. An overspend was likely in the current financial year, and consideration to increasing this budget for future years was required.
- 1.5 The Officers were thanked for the presentation and explanations. A Member asked if the expectation was for a continued rise in adaptation requests and if adaptations were reversed when the property was vacated. The Asset Manager believed that requests were likely to continue to increase. The Assistant Director Housing confirmed, as much as practicable, new customers with similar needs were matched to adapted properties, or existing customers with similar needs offered a transfer, but inevitably there was sometimes a requirement to remove the adaptation on re-let.
- 1.6 A Member asked if the new Tenant Satisfaction Measures would apply to all social landlords and if responsibility to engage would fall on front-line staff; the Assistant Director Housing confirmed that was the case. As a result of the Grenfell fire tragedy, the new legislation implementation would require a culture shift to put the customer at the centre of provision, to meaningfully engage on decision-making, and to evidence that to the Housing Regulator inspectors in the future. In preparation, Housing staff had been working with Tpas (Tenant Participation Service), a consultancy with strong experience in the best methods of engagement. Action plans would be prepared to identify and rectify any areas of underperformance.
- 1.7 A Member considered there to be a high risk to continued asset quality, as any shortfall in the rental income impacted directly on the planned works and maintenance funding. It seemed a high reliance was being placed on grant funding to deliver the proposed schedule. The Assistant Director Housing answered that the department operated like a small business, closely and regularly monitoring available resources to enable delivery, and adjustments to the plan were made where necessary. She reiterated that the safety of customers would always take precedence and there were no concerns that a standard above Decent Homes could not be guaranteed.
- 1.8 A Member commented that void turnaround was not always swift and



straightforward, and that regular maintenance and tenancy management was key to keeping a home and its surroundings in good condition. The Assistant Director Housing believed that the strategy of increased Officer presence on site would improve early identification of concerns and encouraged Members to assist in highlighting any issues; the intention was to work more closely with communities in future.

- 1.9 A Member noted the positive impact of delivering suitable adaptations that allowed disabled customers to remain in their current locality, where other support measures were likely already in place, rather than offer an already-adapted home in another area. The Asset Manager provided an example of where provision outside of policy conditions had been made for a customer couple for that reason, emphasising the need to look at all cases on an individual basis, and perhaps agree with the customer the scope of what was realistically possible or not, long-term.
- 1.10 In response to a query from the Chair, the Assistant Director Housing confirmed that the entire HRA budget plan was reviewed in the case of any shortfall in income, not just planned works funding. There was no built-in contingency plan or framework as such, but regular monitoring meant issues were quickly identified and adjustments made to spread spend if necessary. The Service Lead Finance further confirmed that close monitoring and transfer of works from on-going revenue budgets into capital works programmes reduced borrowing costs, to help make the 30-year plan deliverable over its lifetime. The budget did contain recognition of projected loss of income from voids and rent restrictions. The HRA also had some reserves to help smooth in-year movements, offer resilience and deliver to the prescribed model.
- 1.11 A Member had concerns regarding the inspection of just 10% of block fire doors per annum. The Housing Asset Manager confirmed that, whilst this was the target to be set under legislation, the intention was to set considerably tougher targets in-house. Facilitating access to homes was a possible constraint to achievement.
- 1.12 Members thanked Officers for the insight into the operations of the Housing team and expressed a wish that the knowledge was conveyed to other Members via subsequent presentations. The Assistant Director Housing confirmed that internal discussions were taking place regarding information-sharing methods by Council services with Members, to be put in place following the elections in May 2023.

## **2 Housing – Homelessness provision and housing options - including update on Henwood**

- 2.1 The Group had requested further information on the Homelessness

funding aspect of the Housing Revenue Business plan.

- 2.2 The Assistant Director gave a presentation, explaining that the Housing Options team were tasked with managing housing need, via the waiting list, temporary accommodation, void properties and properties owned by private landlords and managed by ABC Lettings. The need for social housing was steadily increasing, the demand for affordable rented housing rising due to high private rental costs; benefits were sometimes capped or required top-up. ABC Lettings negotiated hard with their landlords to keep their rents realistic in the current economic climate. Some landlords were selling their properties, as mortgage repayments became unaffordable due to inflation and new regulations discouraged them to continue to supply rental accommodation. The Stodmarsh issue had stalled much new development, negatively affecting supply, and developers prioritised the offer of shared ownership to registered providers under Section 106 conditions, rather than rental stock. The number of families presenting with complex needs was increasing, requiring Officers to think creatively to help them. There was a strong perception that council stock was limitless and readily available. Approximately 45 households were housed each month in 2022, a balance of waiting list applicants, transfers and re-homing from temporary accommodation. The team received on average around 200 new applications each month. Increased supply depended largely on new build and shortening void periods. The service was reviewed in 2021/22, with a report to Members, consequent re-structuring and action planning. Grant funding was being maximised, for example that available for rough sleepers, and new sources of good-quality temporary housing solutions were being investigated. Early intervention to prevent homelessness had not been effective; it was thought the sometimes-sudden shift in economic circumstances, the knowledge that private rental accommodation was likely to be more expensive, and the lack of supply to meet demand were contributing factors. More were presenting at the 'relief' stage, where they were about to become homeless, or already without accommodation. Nevertheless, the plan had assisted in managing the situation, which could have been much worse if the measures had not been put in place. There had been a significant rise in the need for one-bed homes, and for single occupants with complex needs, of which the supply was very low. A placements profile for September 2022 showed that 163 households were then in temporary accommodation, of which only council-owned and rough sleeper homes could be provided at reasonable cost. There had been a rise in the net spend on homelessness.
- 2.3 The development at Henwood would provide 23 units of self-contained temporary accommodation, which would significantly reduce costs. The delivery of the project had seen a delay but once ready to be occupied in March 2024, would quickly recoup the build costs of £4.7m. The saving was projected at around £360K per annum.

- 2.4 The Chair asked if those savings included the cost of the build, which was confirmed by the Assistant Director Housing, as the cost of delivering the building was part of the maintenance loan to cover the running of the scheme.
- 2.5 A Member asked about the limiting factors to delivering similar schemes. The Assistant Director Housing responded that they had to be mindful that numbers needing temporary housing fluctuated; the lack of supply of move-on homes for permanent accommodation had a big effect, as it was important to maintain the flow onwards. This scheme was not subject to Stodmarsh constraints as it could be demonstrated that it was not increasing the numbers of those already housed elsewhere in Ashford, but other development of permanent homes on hold due to Stodmarsh was limiting supply. It was also challenging to identify suitable sites to develop that stacked up financially. The Housing Development and Regeneration Manager added that Christchurch House and Christchurch Lodge had been relatively-expensively converted from other prior usage, with communal facilities, a type of accommodation not preferred nationally now by Homes England. Conversations with the Local Planning Authority were undertaken to ensure sites were located close to existing services in the community. Every potential site opportunity was explored even though the preference would be for purpose-built homes. The Member commented that purely on a budgetary basis, the preference for Henwood-style temporary accommodation made sense, particularly since if it was not needed, it could easily be converted to alternative use and land purchase for this purpose should be pursued.
- 2.6 The Chair believed a balance needed to be struck between the potential need for more temporary accommodation and the apparent lack of move-on homes. The rise in homelessness was a drain on the General Fund rather than the HRA. He asked what priority was being given to the provision of one-bed accommodation from the HRA. The Assistant Director Housing replied that potential site opportunities were being explored, as it was recognised that a solution to the Stodmarsh issue would soon be found. The provision of more affordable rented homes was the correct strategy to resolve the homelessness issue.
- 2.7 A Member commented that such background information would be useful to Members on the Planning Committee, when Council-led applications were presented to them for consideration. It would also help if Members were included in pre-planning discussions to better understand the reasons for the application. The Assistant Director Housing replied that Housing worked closely with Planning Team colleagues, to include relevant information in the reports. The Chair asked for greater consideration to be made to including Members into early development conversations and presentations, to which the Assistant Director Housing agreed.
- 2.8 Members again praised the presentation and the comprehensive

information imparted. It had been very useful to have greater insight into the operation of the Housing team as well as to understand the constraints on budgets.

Councillor Ovenden (Chairman)  
Overview & Scrutiny Task Group – Budget Scrutiny

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# **Ashford Borough Council: Notes of a Meeting of the Overview and Scrutiny Task Group – 12<sup>th</sup> January 2023 (Budget Scrutiny 4)**

## **Present:**

Cllr. Ovenden (Chairman);

Cllrs. W. Howard, Ledger.

## **Apologies:**

Cllrs Chilton, Hayward

In accordance with Procedure Rule 1.2(c), Cllr. Harman was present in substitution for Cllr. Hayward.

## **Also in Attendance:**

Cllrs. Harman, Shorter, Wright.

## **Also Present:**

Mark Pickering – Arlingclose

Deputy Chief Executive, Head of Policy & Performance, Service Lead Finance, Policy and Scrutiny Officer, Senior Accountant, Policy and Democratic Services Assistant, Member Services Officer, Director of Customer, Technology & Finance

## **1 Finance, IT & Digital – Borrowing and Reserves**

- 1.1 Mark Pickering from Arlingclose Financial Consultancy delivered a presentation to the Task Group summarising the current financial situation on a national and global scale. The presentation highlighted political influences, including the change in leadership within the UK Government and the war in Ukraine, and the impact of these events on the Credit Default Swaps market. The presentation examined the result of increasing inflation on the Consumer Price Index and real average earnings growth and the resulting recession. In addition, house prices and unemployment were also identified as key indicators of consumer confidence. Mark went onto say that interest rates were anticipated to fall in Spring 2024, and very gradually thereafter. This slow and steady decrease was good news because it provided some stability and certainty in a market that was very tentative. Capital and borrowing were covered, as well as the question around whether the Council would wish to expose themselves to the current market risk, but he added that for the time being, those investments continued to deliver robust income and supported the revenue budget. Generally, all statistics presently were uncertain, which made forecasting base rates very difficult.
- 1.2 The Chairman thanked Mark for the comprehensive presentation on what was often a convoluted topic, which he had explained clearly and concisely to Members.

- 1.3 The Service Lead Finance explained that the impact of the current financial crisis was being felt not just around borrowing, but also on the wider organization including Revenues & Benefits in terms of Council Tax/Business Rates arrears and Housing with an increase in homelessness and rent arrears. Despite the forecast rates expected to reach 4.25%, it was felt that the Council would still be able to work within the existing budget, with a view to managing the Capital Programme more efficiently and effectively. Concerning the Capital Financing Requirement, this encompassed Newtown Works, loans of the property company and Henwood. Appendix B highlighted the amount of debt outstanding per asset, whilst Appendix C provided statistics on borrowing forecast for year-end. The Deputy Chief Executive added that it was important to consider the lifespan of some of those capital projects and the associated liability; e.g., the Newtown Works project would not be held as a liability on the balance sheet for a long time as once completed, units would be sold and contribute to paying off the loan.
- 1.4 A Member asked whether the Council could borrow less, and whether consideration had been given to what could be sold in order to reduce the interest payments and the loans, given the current financial difficulties. The Deputy Chief Executive explained that in simple terms, the Council could spend less to help tackle the deficit. He explained that they were revisiting the Capital Programme, deciding which items would still go ahead, and which would be put on hold, taking into account the rise in interest rates and costs. Phasing the Capital Programme was also an option to reduce the risk exposure. He agreed that selling assets was another possibility, although many assets were delivering purposes, and the consequences of selling them would need to be deliberated. The Chairman added that caution was needed for all these considerations, as there were pros and cons to each and the Arlingclose presentation forecast the crisis levelling out by the end of the year. The Portfolio Holder reflected on the due diligence carried out at the initiation of any project, and that consideration (in a different guise) should be continuous as the project continued to be delivered and the finance circumstances around it changed. He agreed with the Chairman that he too would be reluctant to embark on a knee jerk response, where assets were sold and projects put on hold and then in five years' time the Council regret it. He commended the Treasury and Financial Team for their professional approach over the years.
- 1.5 The discussion then focused on Reserves and it was noted that Central Government was driving questions around Local Authority levels of reserves; in particular why they existed and what they contained. The Deputy Chief Exec explained that this was strange seeing as the figures were transparent and published in the Councils final accounts and all Government returns. He felt there was a feeling in Government that Authorities should use a mixture of reserves and tax savings to deliver. Much of the reform that had happened in the last 10/15 years within Local Government finance had been a risk transfer and the Council had been encouraged to generate more income that shifted more risk into income streams, and ultimately the increase in risk had resulted in more reserves. The Finance Service Lead explained that there would be a reduction within the reserves pot in order to fund next year's deficit, but realistically that would only be sufficient for 2023 and 2024, and then the reserves would run out. The key message was to make sure the savings proposals were delivered, brought forward and supported.

## **2 Finance, IT & Digital – Savings**

- 2.1 The Director of Customer, Technology & Finance introduced this item and explained that Assistant Directors and Heads of Service had been asked to review their services and

separate out statutory services and discretionary services, and from there were asked to put down ideas where savings could be made. There were some quick wins where budgets could be reduced via smaller things that were not deemed vital and this would provide a saving of around £200,000. There were other saving ideas, but these were subject to whether the current administration would want to take those now or for the new administration in the future. Management had identified around £2.3 million savings, and all of these ideas would be put forward to Cabinet on 23<sup>rd</sup> February. The Chairman added that the Task Group was currently looking at the draft budget, which showed the deficit being dealt with from reserves, so hearing about savings was an added bonus, and although there would inevitably be some funding from reserves, it would not be to the level that was outlined in the draft budget. The programme of dates was shared for the Task Group to see.

- 2.2 A question was asked about the long-term effects of continuous cuts. The Director of Customer, Technology & Finance described how over the last 10 years Central Government had cut grants and applied caps, and if those types of funding sources continued to diminish, then there could come a point when the Council would only be able to deliver core statutory functions, and discretionary services would cease. The Portfolio Holder reinforced his feelings that this was exactly the reason to maintain a vision of the long game concerning ABC's investment programme. The Chairman highlighted that the draft budget offered a full term in which the Council and new administration would have the chance to review, react and plan forward. Depletion of the reserves was to be expected during this period of financial and political uncertainty, but certainly, within the next 12-24 months, a new strategy would be developed and implemented. A recommendation to monitor the budget over the next 12 months would be put forward. The Chairman added that difficult political decisions would need to be made, and these may not benefit every resident of the Borough.

### **3 Wrap Up and Next Steps**

- 3.1 The Policy & Scrutiny Officer introduced this item, which provided Members with a summary of the three previous Budget Scrutiny meetings and listed the recommendations to be taken forward to Cabinet. Members were asked for any additional comments and the Chairman noted that some recommendations were supplementary (non-financial) and therefore could be pushed to the end of the list.
- 3.2 A summary report containing the recommendations and Minutes would be sent to the O&S Committee for approval on 14<sup>th</sup> February 2023. The Final Report would then be submitted to Cabinet on 23<sup>rd</sup> February 2023.

Councillor Ovenden (Chairman)  
Overview & Scrutiny Task Group – Budget Scrutiny

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