

**Agenda Item No:**

**Report To:** Cabinet

**Date of Meeting:** 30 November 2023

**Report Title:** Draft Budget 2024/25

**Report Author & Job Title:** Monica Hutanu - Senior Accountant  
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**Portfolio Holder** Cllr. Noel Ovenden  
**Portfolio Holder for:** Prosperity and Resource



**Summary:**

This report seeks Cabinet's approval for the draft budget that will then form the basis of the budget scrutiny and consultation processes. The final budget will be reported to the February Cabinet for approval and recommendation to Full Council which will include the Council Tax and Rent setting recommendations.

The draft budget for 2024/25 forecasts a deficit of £1.39m, this is broadly in line with the Medium Term Financial Plan (MTFP), which was presented to Cabinet in October, and formed the basis for this draft budget.

The deficit in the draft budget will be funded from reserves, this is a short term strategy, while saving proposals are developed and implemented.

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

The key service pressure and other risks to the delivery of this budget 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 is presented elsewhere on this agenda.

**Key Decision:** YES

**Significantly Affected Wards:** None

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

- I. Agree the draft budget for 2024/25 as set out in the report for submission to the Overview and Scrutiny

Committee's Budget Task Group for formal scrutiny and used for consultation.

- II. Develop a schedule of savings together with the Management team to reduce the funding deficit within the budget.
- III. Approve the draft Housing Revenue Account budget for 2024/25 Section 2 of the report.
- IV. Agree that this report will be used as the basis for budget consultation with the public, the business community, parish councils and staff.

**Policy Overview:**

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

**Financial Implications:**

The Council has a requirement to produce a five year MTFP and a balanced budget and although this has been delivered it has been necessary to use £1.39m from reserves to fund the budget gap. This is a funded budget and Section 4 of this report provides advice over the sustainability of this strategy on the Councils long term position.

This report is based on the second year of the local government settlement. Whilst this provides some certainty for 2024/25, there are still funding areas which are uncertain in the coming year (e.g. New Homes Bonus, Council Tax capping criteria). Funding in the past years has been well below the inflation rates meaning real term funding cuts for the Council.

The HRA budget has been prepared and informs an affordable 30 year Business Plan that will be presented elsewhere on the agenda.

**Legal Implications:**  
Text agreed by the Solicitor to the Council & Monitoring Officer on 20/11/2023.

The Council must set a balanced budget having regard to the advice of its Chief Finance Officer. This is a function reserved to the Council which will consider the final budget prepared and recommended by the cabinet in February 2024.

**Equalities Impact Assessment**

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

**Other Material Implications:**

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

**Exempt from Publication:**

N/a

**Background  
Papers:**

None

**Contact:**

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## Report Title: Draft Budget 2024/25

### Introduction and Background

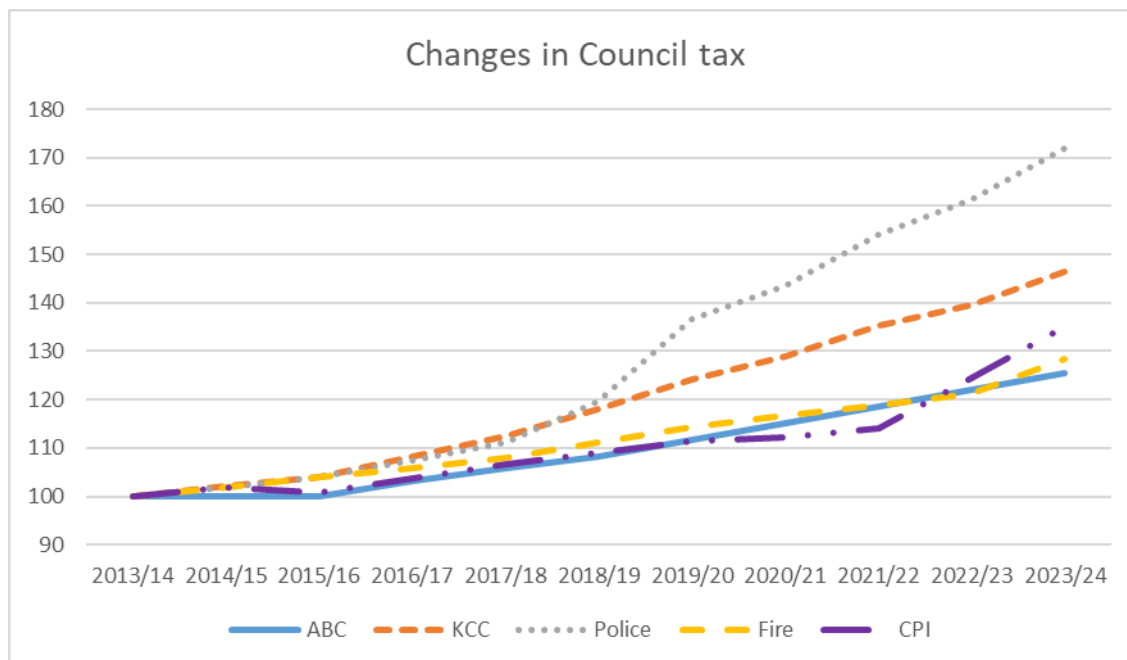
1. This report sets the scene for Cabinet to consider the draft budget for 2024/25 which is showing a deficit of £1.39m, which is broadly in line with the MTFP presented to Cabinet in October 2023. The MTFP report provided important background and contextual information which has been considered in building the 2024/25 budget as presented within this report.

In 2023/24 the government delivered a two year financial settlement. The 2024/25 budget is built based on the second year key assumptions.

2. New Homes Bonus (NHB) is expected to pay another one year only settlement, although the amount included within the draft budget has been reduced compared to prior years. An announcement on the future of the scheme is now expected before the local authority finance settlement in December.
3. The Business Rate retention scheme will continue in its current form for 2024/25 although a baseline reset is expected within 2026/27, which potentially will see Ashford's resources significantly cut (advice on this risk was included in the MTFP report to the October Cabinet).
4. Currently Ashford Borough Council is part of the Kent Business Rates Pool that offers a number of benefits to the Council including benefiting from the business rate growth within the district. This arrangement is reviewed annually and delegated responsibility has been previously agreed for the Deputy Chief Executive in consultation with the Portfolio for Prosperity and Resource to renew its membership if it continues to be advantageous for the Council.
5. In the two year settlement government has committed to a settlement where funding will follow previous years allocations which fundamentally do not provide any additional resource to counter inflation. The Funding Model is based upon 'Core Spending Power', where the government calculates a level of resources available to an authority and this targets a percentage change in Core Spending Power. This model assumes that tax revenues are maximised to permitted levels, with other funding streams adjusted to bring the change in core spending power back to a predetermined level.
6. Therefore, if the Council decides to freeze or increase Council Tax at lower levels than the maximum permitted (2.99%), this will cause a deviation between the actual spending power of the Council, and that forecast by Government which could affect future grant funding levels.
7. Last year the Chancellor increased the council tax cap to 2.99% or £5 whichever is the greater without the need for a local referendum. The budget is based upon a £5.46 (2.99%) increase in Council Tax for Band D properties, taking the average Band D property to £187.96 in line with the MTFP.
8. The Cap is significantly below the levels of inflation that we have experienced over the last two years and therefore we have seen real terms erosion in the Councils spending power, as seen in the graph below. With much of the Councils spend linked to contracts this reduces funding available for discretionary expenditure.
9. To put the impact of capping into perspective, which is set separately for each public service, the graph below shows the deviation in Council tax increase

assuming everyone started at £100 in 2013/14. Both the Police and Crime Commissioner and KCC have had greater potential to raise resources to support services over this period. From 2023/24 the Council had the lowest increase in funding compared to other public services for this period

10. While the setting of Government caps is beyond our control, it is an indication of how District Councils are seeing their spending power reduced, comparative to inflation and other areas of the public sector.



11. Section 2 of this report covers the HRA draft budget which is based on the 30 year business plan which is elsewhere on this agenda.
12. The forecast for the Council's capital and repairs & renewal reserves (Section 3 - Capital Resources) is included. These resources remain under pressure as a consequence higher borrowing costs and price inflation.
13. This report seeks Cabinet's approval of 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

14. For ease of consideration this report is split into sections;
  - i. Draft Budget 2024/25 (for the General Fund)
  - ii. Housing Revenue Account
  - iii. Capital resource forecast and capital programme implications
  - iv. CFO advice on Budget Robustness
  - v. Next steps

## Section 1 - Draft Budget 2024/25

15. The Draft budget for 2024/25 is showing a deficit of £1.39m, this is broadly in line with the MTFP report which was presented to the October Cabinet.
16. It is proposed that the forecast deficit is funded from reserves, however, we need to remember that reserves are limited and therefore this is not a sustainable policy going forward.
17. **To ensure that the Council maintains its strong financial standing and demonstrates sound financial management it will be necessary to explore all saving options within the Council and make some difficult choices between statutory and non-statutory services, and at what level they should be delivered going forward.**
18. The need to deliver significant savings should not be underestimated, this will be a difficult period. It will be necessary to ensure any savings proposals are well considered, have Member and Management support, have clear timeframes for delivery, and be pro-actively monitored against those timeframes and reported through to Management and Members accordingly.
19. As proposed within the MTFP, the Management Team in conjunction with the MTFP task group should identify and review savings proposals to close the MTFP and budget deficit.
20. **The advice from the Councils S151 officer in the MTFP report was that without taking action to reduce the budget deficit the Council's long term viability could be compromised and this advice still stands.**
21. Individual service budgets have been built by the service budget managers in conjunction with the Accountancy Team, monitoring the overall position against the MTFP. Where service budgets materially differ from the MTFP assumptions, these movements are reviewed and challenged accordingly. These services deliver a range of statutory and non-statutory functions and these will need to be reviewed in detail as part of the savings process.
22. This is a draft budget and this will be kept under review and where any significant savings can be identified, these will be amended within the budget and reported as part of the final budget report.
23. The draft budget presented below includes a £5.46 (2.99%) increase in council tax, the Council's element of the charge now being £187.96 (2023/24 was £182.50) for a band D property. **Should the Council tax cap be increased at the Financial Settlement announcement in December, then the opportunity should be strongly considered in increasing this further.**
24. The draft high level budget is summarised below.

**Table 2: Draft General Fund Budget 2024/25**

DRAFT REVENUE BUDGET				
DIRECTORATE SUMMARY				
Actuals 2022/23 £	Budget 2023/24 £	Projected Outturn 2023/24 £	Directorate	Budget 2024/25 £
17,838,121	19,763,060	20,842,832	Service Expenditure	20,535,550
(530,244)	(1,059,220)	(1,515,835)	Non service specific	438,870
17,307,877	18,703,840	19,326,997	ABC Budget Requirement	20,974,420
(16,823,293)	(18,703,840)	(18,703,840)	Financing	(20,974,420)
484,584	0	623,157		0

25. 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.
26. There have been some significant movements between 2023/24 and 2024/25 service budgets which are shown at **Appendix A**, narrative to support the most significant operational movements at a service summary level is detailed below. More detailed analysis of movements will be provided within budget pages that will be scrutinised by the Council’s Overview and Scrutiny Budget Task Group, and then published once the final budget is approved in March.

*Finance and IT*

27. The main movements within Finance and IT are due to a pressure of £200,000 within Housing Benefits Payments due to a reduction in benefit overpayments collectable as benefits change to universal credit which is collected by the Department for Work and Pensions, (£309,000) within Non-distributable costs due to a reduction in pension backfunding contributions, although this is absorbed into wider salary costs as employer pension contributions have increased. There is a movement of (£240,000) within Contracts and Procurement due to change in recharging methodology, so the contra to this movement is reflected in other services.

*Housing*

28. Housing Options which is responsible for the Homeless budget has increased its budget by £840,000 to accommodate an anticipated increase in Homeless representations due to the economic climate, which includes ‘guests’ being asked to move on. This area has regularly appeared in financial monitoring reports in the last few years and it is anticipated that this increase in budget (£500,000 added in MTFP) and with the long term plans to deliver purpose built accommodation, such as the Rough Sleepers Accommodation Programme (RSAP) initiative this budget will be sufficient, while accepting it is always a risk to forecast due to our statutory obligations.

*Environment, Property and Recreation*

29. Estates has forecast a reduction of £420,000. There is an increase in rental income of approximately (£300,000) coming from the rentals of Trafalgar

House and International House offsetting a forecast loss of rental income from Wilko.

30. Parking and Engineering has reduced costs by approximately £320,000 mainly due to the increase in parking fee charges, and a saving from service charges at Park Mall car park as the services was brought in-house.
31. Recreation budget has increased by £390,000 due to a reduction in the management fee received for the Stour Leisure Centre. This change reflects the impact of Covid on the operator's projections and re-profiles the management fee over the term of the contract, so the Council will still receive the total amount due as originally anticipated.

#### *Planning and Development*

32. The budget has increased year on year by circa £350,000 mainly due to annual increases in employee costs.
33. It should be noted that the income fee for planning applications is expected to increase by 35% for major applications and by 25% for medium and minor applications. This proposed increase has been partially included in the budget to keep fee projections at 2023/24 levels despite a reduction in planning applications, any surplus from the increased fees and charges will be used to offset the costs of the local plan which are currently a future draw on reserves. There are risks associated with the increase in charges and these are covered in paragraph 38.
34. *Wellbeing and Port services Ashford Port Held (APH) had been incorporated within the annual budget* with all its costs underwritten by Government until operational at which stage it shall be self-funded from income.

#### *Capital Charges and Net Interest*

35. The Council has seen a significant rise in short term debt costs resulting in an increase in net Interest of debt expense of circa £2m between the 2023/24 and 2024/25 budget, interest rate risk is also further covered in the interest rate and inflation risk section at **Appendix B**.

#### *Risks*

36. The risks to the 2024/25 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.
37. One of the emerging risks to the budget is around KCC recycling credits, this equates to £270,000 per annum and has been payable since the start of the Biffa waste contract. During the budget build period, the position on future payments has become more uncertain with mixed messaging coming from KCC. This figure is currently included within the draft budget, but will be monitored moving forward.
38. As mention earlier within the report there are significant increases in planning application fees that are set by Government coming into force on 6 December 2023. These are partially in the budget as described earlier. However, to be able to justify the higher rate and speed up the planning process, non-major applications will need to be determined within 16 weeks (26 weeks was the time given before the change) after being validated or applicants will be eligible to have their application fees returned (unless an Extension of Time to determine the application has been agreed with them).
39. If an Extension of Time cannot be agreed there is a risk that the application will be refused which may then lead to an increase in planning appeals and



therefore more costs to the Council. The Council will need to monitor and ensure efficient processes are in place to enable applications to be delivered to statutory deadlines, to enable this increased fee to be charged and therefore support the costs of the planning service.

40. These risks will be amended as risks are identified and will continue to form the basis of the Chief Financial Officers report over the robustness of the budget which will continue to be updates throughout the budget setting process. Cabinet.
41. These risks should be read alongside the more strategic risks that were reported within the MTFP report which was presented to Cabinet in October.

## **Section 2 - Housing Revenue Account**

### *Draft HRA Budget 2024/25*

42. The HRA is a ring-fenced account within the General Fund, this means that the income earned from rent is used to repair, maintain, improve, and build housing. The ring-fence arrangement also prevents any proceeds being used to support the General Fund, although appropriate recharges between the General Fund and HRA are permitted.
43. The budget for the HRA not only enables major works and repairs across its stock, but also allows for investment in new development opportunities. There is also a significant investment in decarbonisation, in line with the Councils' Corporate Plan and the Carbon Neutral agenda, which will ensure that all properties have at minimum an EPC rating of C.
44. The HRA Business Plan is elsewhere on the agenda of this Cabinet meeting. The budget has been built using the assumptions within in the business plan, which are in line with General Fund assumptions.
45. Rental income is usually increased in line with the Government formula, which is calculated as the September CPI + 1%, however September's CPI was 6.7%, therefore the rent increase included within the HRA business plan is 7.7%. However, in 2023/24 Government intervened and capped the rent increase to 7% instead of the 11.1% as per the formula, there is a risk that Government may intervene again and narrative coming out of Government will be monitored accordingly with any changes to this assumption being updated for the final budget.
46. 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 2024/25**

<b>REVENUE BUDGET</b>				
<b>Housing Revenue Account</b>				
<b>ACTUAL</b>	<b>BUDGET</b>	<b>PROJECTED</b>	<b>DETAIL</b>	<b>ESTIMATE</b>
<b>2022/23</b>	<b>2023/24</b>	<b>OUTTURN</b>		<b>2024/25</b>
<b>£</b>	<b>£</b>	<b>2023/24</b>		<b>£</b>
<b>£</b>	<b>£</b>	<b>£</b>		<b>£</b>
9,847,132	6,531,770	6,881,230	Supervision & Management	7,541,950
(29,338,722)	(30,346,700)	(30,685,250)	Income	(33,045,850)
185,450	105,340	158,160	New Builds	69,370
14,958,473	19,520,830	18,901,200	Other	20,379,470
4,422,676	5,333,360	6,014,890	Repairs & Maintenance	6,384,510
<b>75,009</b>	<b>1,144,600</b>	<b>1,270,230</b>	<b>SERVICE EXPENDITURE</b>	<b>1,329,450</b>

47. Members are asked to approve the draft HRA budget for 2024/25 for scrutiny purposes.

## Section 3 - Capital Resources

48. 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*

49. 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.
50. 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 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 £110,000 as at 31 March 2023 and are expected to be around £100,000 as at 31 March 2024.
51. Given the current forecast deficit for the medium term financial plan, it is necessary to review the reserves and reduce the balance available for projects, and increase the amount allocated to cover risks. A full list of reserve balances will be included in the final budget report presented to Cabinet in February.
52. 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*

53. 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.
54. One-for-one receipts need to be spent within five 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*

55. 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).
56. Where external borrowing is considered, then a full business case should be required to demonstrate the financial viability of the project.
57. 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.
58. 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. The increase in these costs may mean that projects are no longer viable and before commencement capital projects using debt funding will need to undertake a revised viability assessment to ensure that the scheme is deliverable.
59. 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*

60. 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.
61. 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 revenue budgets if future liabilities are created.

### *Section 106 developer contributions*

62. 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.
63. These agreements can be both for capital and revenue projects and the use is often outlined in the section 106 agreement.
64. 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, Capital receipts are used primarily to fund the Council's contribution to the Community Grants Scheme and the borrowing allocation is it fund major property works, such as a roof replacements.

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

<b>Resources available for capital expenditure (General Fund)</b>	<b>2024/25</b>
<b>Resources brought forward</b>	
Capital Receipts	110
Borrowing for Property major repairs	0
Reserves	3,737
Grants	1,623
<b>Budget Resources receivable/allocated in year</b>	
Capital Receipts	200
Borrowing for Property major repairs	500
Reserves	600
Grants	7,954
<b>Budgetted spend on capital expenditure</b>	
Capital Receipts	210
Borrowing for Property major repairs	500
Reserves	1,459
Grants	9,577
<b>Uncommitted resources carried forward</b>	
Capital Receipts	100
Borrowing for Property major repairs	0
Reserves	2,878
Grants	0

## Section 4 - CFO advice on Budget Robustness

66. The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and precept, the Chief Finance Officer must report to it on the following matters: the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
67. The draft budget for 2024/25 was built on the basis of the MTFP which was presented to Cabinet in October 2023, and includes any significant changes that have occurred from the time of the writing the MTFP and this report.
68. The Draft budget for 2024/25 is showing a deficit of £1.39m, which is broadly in line with the MTFP report. The authority has adequate levels of reserves to cover this gap, however it **would not** be prudent to rely on reserves to manage budget pressures and savings will need to be developed to address the underlying budget gap.
69. As recommended in the MTFP, it is proposed that the forecast deficit is funded from the Economic Risk reserve, however, we need to remember that reserves are limited and therefore is not a sustainable policy going forward.
70. **The MTFP report included a comprehensive risk assessment and this applies in equal measure to this report.**
71. The Council Tax for a Band D property used in the draft budget has been increased to the maximum amount permitted without triggering a referendum. This now is £187.96, £5.46 (2.99%) more than the previous year (£182.50). The assumption that Council tax is maximised is appropriate considering that Government assumes so when calculates the grants for Local Authorities. By limiting Council Tax increases you are effectively telling Government we do not need the funding.
72. Changes to government funding is well below inflationary costs, a number of reviews have been delayed by government until after the next election which further builds pressure in the budget. Whilst each review will affect the Council, it is clear that as things stand the amount of resources that central government has available for local government, does not equal the cost pressures that the sector faces and therefore any settlement will be tight for local authorities.
73. There have been some notable failures in the sector with headline grabbing causes, the pressures of managing Adult & Childrens Social Care, Homelessness, and years of austerity have left the sector extremely fragile. Any Government proposals to change the redistribution of funding between authorities (e.g. Business Rates Reset) without some way of either growing other resources (e.g. Council Tax) or enabling a significant reduction of costs will push those authorities that lose resources towards S114 territory.
74. I am comfortable this authority is not in that territory yet, the development of this budget has highlighted the need for the Council to identify an appropriate savings program that will bring the councils medium term financial plan back into balance. Management Team has been tasked to develop budget savings proposals of £1.5m per annum. This will require members to take tough decisions over the services that we provide and how we provide them. Finally there is a risk to the Councils Medium Term Financial Plan should the proposal to relocate to International House be rejected – this would double the Savings target and is the subject of an extraordinary Council Meeting between the publication and meeting of this agenda.

## **Section 4 - Next Steps**

75. 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. The scrutiny process will be conducted in December 2023 and likely concluded in January 2024 with conclusions reported to the Cabinet in February 2024.
76. 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**

77. 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**

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

### **Consultation Planned or Undertaken**

79. 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.
80. The results from this consultation will help inform the final budget and will be reported back to the February Cabinet.

### **Conclusion**

81. Members are asked to consider the contextual information against which the MTFP and draft budget have been developed.
82. To approve the draft budget for 2024/25 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**

83. The draft budget for 2024/25 forecasts a deficit of £1.39m and this deficit will be funded from reserves in the short term.
84. Savings would need to be developed and careful consideration should be given to the impact these would have on services and residents.
85. Rising inflation and interest rate rises have significantly impacted the Council's financial position, with income streams likely to come under economic pressure, government grant unlikely to increase, and the Council's cost base rising by inflation.
86. With freezing of core spending power, Council Tax increases are the only method for increasing Core Spending Power for District Councils, and therefore it is necessary that any increases permitted under government legislation are followed.

## Contact and Email

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DRAFT REVENUE BUDGET				
DIRECTORATE SUMMARY				
Actuals 2022/23 £	Budget 2023/24 £	Projected Outturn 2023/24 £	Directorate	Budget 2024/25 £
1,938,485	3,758,250	3,335,770	Director Of Customer Tech & Finance	3,330,650
2,701,133	2,331,170	2,817,740	Director Of Health And Wellbeing	3,061,370
9,422,040	9,973,020	10,983,162	Director Of Place And Space	10,700,690
45,067	130	130	Head of Development	30
3,731,396	3,700,490	3,706,030	Executive Functions	3,442,810
<b>17,838,121</b>	<b>19,763,060</b>	<b>20,842,832</b>	<b>Service Expenditure</b>	<b>20,535,550</b>
(530,244)	(1,059,220)	(1,515,835)	Non service specific	438,870
<b>17,307,877</b>	<b>18,703,840</b>	<b>19,326,997</b>	<b>ABC Budget Requirement</b>	<b>20,974,420</b>
(16,823,293)	(18,703,840)	(18,703,840)	Financing	(20,974,420)
<b>484,584</b>	<b>0</b>	<b>623,157</b>		<b>0</b>

DRAFT REVENUE BUDGET				
SERVICE SUMMARY				
Actuals 2022/23 £	Budget 2023/24 £	Projected Outturn 2023/24 £	Service	Budget 2024/25 £
1,549,881	3,097,440	2,745,490	Finance and IT	2,715,180
388,604	660,810	590,280	HR, Customer Services, Comms and Digital	615,470
2,150,946	1,530,990	2,102,700	Housing	2,340,800
550,187	800,180	715,040	Wellbeing and Port	720,570
6,896,914	7,336,850	8,269,090	Environment, Property and Recreation	7,728,270
2,525,126	2,636,170	2,714,072	Planning and Development	2,972,420
1,492,266	833,600	882,830	Corporate Management Costs	631,340
660,382	776,190	742,090	Head of Economic Development	796,380
1,335,502	1,677,140	1,658,540	Head of Performance and Policy	1,523,970
243,246	413,560	422,570	Solicitor to The Council and Monitoring Officer	491,120
45,067	130	130	Head of Development	30
<b>17,838,121</b>	<b>19,763,060</b>	<b>20,842,832</b>	<b>Service Expenditure</b>	<b>20,535,550</b>
(2,998,304)	(734,500)	(269,580)	Capital Charges & Net Interest	889,040
144,777	0	0	Revenue Funding of Capital Expenditure	0
298,121	325,000	325,000	Levies	342,880
2,025,162	(649,720)	(1,571,255)	Contribution to/(from) Balances	(793,050)
<b>17,307,877</b>	<b>18,703,840</b>	<b>19,326,997</b>	<b>ABC Budget Requirement</b>	<b>20,974,420</b>
			<b>Income</b>	
(384,178)	(614,500)	(614,500)	Government Grant	(1,019,000)
(5,375,346)	(7,502,000)	(7,502,000)	Retained Business Rates	(9,589,000)
(1,885,977)	(1,662,000)	(1,662,000)	New Homes Bonus	(1,000,000)
(9,177,792)	(8,925,340)	(8,925,340)	Council Tax	(9,366,420)
<b>484,584</b>	<b>0</b>	<b>623,157</b>		<b>0</b>

**General Fund Draft Budget 2024/25**

<b>Actuals 2022/23 £</b>	<b>Budget 2023/24 £</b>	<b>Projected Outturn 2023/24 £</b>	<b>Department</b>	<b>Budget 2024/25 £</b>
			<b>Assistant Director of Finance and IT</b>	
(349,361)	46,860	(5,220)	Accountancy	20,450
803,006	942,560	927,160	Benefits Administration	895,590
21,459	410,220	405,220	Council Tax Collection	420,440
(91,420)	(250,000)	(250,000)	Housing Benefits Payments	(50,000)
(215,136)	28,840	28,840	Miscellaneous Expenditure	0
(201,177)	(69,110)	(68,970)	Nndr Collection	(67,140)
1,351,688	1,345,280	1,025,280	Non-Distributed Costs	1,036,280
117,573	97,980	85,710	Exchequer	98,970
10,114	(6,290)	(6,290)	Debtors/Debt Recovery	50
(21,892)	32,470	79,130	lct	109,230
21,945	20	20	Telephony	(30)
191,089	210,660	214,210	Corporate Management	226,980
(88,007)	307,950	310,400	Contracts & Procurement	24,360
<b>1,549,881</b>	<b>3,097,440</b>	<b>2,745,490</b>		<b>2,715,180</b>
			<b>Assistant Director of HR, Customer Service and Communications</b>	
(72,152)	10	(45,880)	Visitor & Call Centre	(3,310)
14,602	142,760	142,760	Human Resources	143,690
446,154	518,040	493,400	Communications & Marketing	475,090
<b>388,604</b>	<b>660,810</b>	<b>590,280</b>		<b>615,470</b>
			<b>Assistant Director of Housing</b>	
48,921	33,710	30,690	Gypsy Site - Chilmington	37,590
1,850,206	1,209,820	1,786,800	Housing Options	2,048,790
148,951	197,290	194,980	Private Sector Housing	181,360
108,839	90,170	90,230	Housing Strategy And Enabling	73,060
(5,971)	0	0	Refugee Project	0
<b>2,150,946</b>	<b>1,530,990</b>	<b>2,102,700</b>		<b>2,340,800</b>
			<b>Wellbeing and Port Services</b>	
(123,042)	0	(95,000)	Ashford Port Health	(95,000)
25	(10)	(10)	Insurance	30
642,015	688,870	688,680	Environmental Health	657,780
31,189	111,320	121,370	Licencing	157,760
<b>550,187</b>	<b>800,180</b>	<b>715,040</b>		<b>720,570</b>

General Fund Draft Budget 2024/25				
Actuals 2022/23 £	Budget 2023/24 £	Projected Outturn 2023/24 £	Department	Budget 2024/25 £
			<b>Assistant Director of Environment, Property and Recreation</b>	
265,749	73,740	128,410	Facilities Management	127,520
356,473	28,660	294,100	Property Building Services	181,310
167,481	187,180	116,760	Commercial Projects	10,490
74,842	95,170	44,310	Street Scene	23,650
3,647,245	5,109,090	5,085,390	Refuse,Recycling,Street Clean	5,076,170
2,002,211	2,048,030	1,960,360	Grounds Maintenance	2,029,010
(2,096,631)	(2,071,710)	(2,032,450)	Estates	(1,550,760)
(387,329)	(372,180)	(350,210)	Parking & Engineering	(688,430)
761,820	951,940	960,600	Community Safety,Amc	840,230
2,105,053	1,286,930	2,061,820	Recreation	1,679,080
<b>6,896,914</b>	<b>7,336,850</b>	<b>8,269,090</b>		<b>7,728,270</b>
			<b>Assistant Director of Planning and Development</b>	
90,287	143,080	100,110	Building Control	166,870
1,482,134	1,280,760	1,514,720	Development Manager	1,444,500
(13,416)	0	0	Land Charges	0
(7,196)	(16,700)	(89,290)	Planning Administration	(16,570)
973,317	1,229,030	1,188,532	Strategic Planning	1,377,620
<b>2,525,126</b>	<b>2,636,170</b>	<b>2,714,072</b>		<b>2,972,420</b>
			<b>Corporate Management Costs</b>	
70	(30)	(30)	Audit Partnership	(30)
1,406,136	833,630	882,860	Strategic Corporate Costs	631,370
86,060	0	0	Office Of The Leader	0
<b>1,492,266</b>	<b>833,600</b>	<b>882,830</b>		<b>631,340</b>
			<b>Head of Economic Development</b>	
160,920	176,010	176,010	Tourism & Heritage	191,810
0	0	5,000	Cultural Projects	30,000
499,463	600,180	561,080	Economic Development	574,570
<b>660,382</b>	<b>776,190</b>	<b>742,090</b>		<b>796,380</b>
			<b>Head of Performance and Policy</b>	
(107,280)	108,570	109,760	Climate Change	83,080
350,547	345,610	345,610	Single Grants Gateway	265,250
820,306	914,240	888,180	Democratic Representation	868,010
71,097	61,970	68,240	Mayor	66,270
200,832	246,750	246,750	Policy And Performance	241,360
<b>1,335,502</b>	<b>1,677,140</b>	<b>1,658,540</b>		<b>1,523,970</b>
			<b>Solicitor To The Council And Monitoring Officer</b>	
351,809	457,630	466,640	Electoral Services	491,120
(108,564)	(44,070)	(44,070)	Legal	0
<b>243,246</b>	<b>413,560</b>	<b>422,570</b>		<b>491,120</b>
			<b>Head of Development</b>	
45,067	130	130	Project Delivery Team	30
<b>45,067</b>	<b>130</b>	<b>130</b>		<b>30</b>

**2024/25 Draft Budget Report**

**The following table represents risks to the 2024/25 draft budget at both a service and economic level. These risks will be monitored throughout the Budget setting cycle and be updated accordingly before being presented to Cabinet in February as part of the final budget setting report.**

To help summarise the strategies each risk will be referenced using one of the four 'T's, **Treat** (how do we manage the risk to an acceptable level), **Terminate** (can we stop doing the activity), **Tolerate** (accept the risk) and **Transfer** (transfer risk to another party, usually through insurance).

Budget Component		Financial standing and management
1. Ashford Port Health Authority	Treat / Tolerate	<p>In September 2020 DEFRA (Department for the Environment, Food and Rural Affairs) informed the Council that the Sevington Inland Border Facility (IBF) was being designated a Border Control Post and the Council would become responsible for carrying out various port health controls on behalf of the Government.</p> <p>The Council recruited 125 Officers to deliver the Ashford Port Health Facility at Sevington. However last year the Council has been advised that only 54 Officers will be necessary to fulfil the checks required. The facility is meant to start operating in January 2024. Once the service is up and running it is anticipated to be self-funding through the charging of fees.</p> <p>The costs are currently being underwritten by Government and the Council allocates a proportion of central overheads accordingly. Should the facility not progress as expected, there is a risk that more costs will be transferred back to the general fund, equally if the service requirement expands, there can be a greater sharing of costs.</p>
2. Government Spending Review	Treat/ Tolerate	<p>The budget was based on the second year government funding settlement.</p> <p>It is likely that the resources that will be received will be far less compared to the cost of inflation leaving the Council with less money for its services.</p>
3. Stodmarsh	Tolerate / treat	<p>There is a risk that the restrictions placed will cause a drop in property completions coming forward that will impact new Council Tax Growth and planning fee income.</p> <p>However in the past few months Government has been involved trying to find a solution and it is expected that they will try to unlock developments across the country that are captured by the nutrient mitigation issue.</p> <p>The Council is continuing to explore solutions for releasing nutrient neutrality credits for its own developments with local solutions.</p>

<p>4. Pressure on the 2023/24 Budget and impact going forward.</p>	<p>Treat/ Tolerate</p>	<p><b>Homelessness</b> is a statutory responsibility for the Council, this area has been under increasing pressure for a number of years, with a record high number of people in temporary housing due to the financial pressures households have been facing, and the position is not expected to improve any time soon.</p> <p>To address the long term issues in this area the Rough Sleepers Accommodation Programme is underway, although the number of properties to be purchased has been reduced due to a lack of available properties that meet the required specifications.</p> <p>In addition, the team are focussing more on prevention and are investigating a number of options for developing further bespoke homeless accommodation.</p> <p>Financially the 2024/25 budget has been increased by £900,000, to allow for the Council to cover the pressure in this service. This area is still a risk to the budget, therefore officers will be keeping it under constant review and ensuring that prevention work becomes the most important tool to keeping these numbers down.</p> <p><b>Planning And Development</b></p> <p>The general economic climate and Stodmarsh nutrient mitigation issue have been putting pressure around the income generated through planning fees. This is notable within the major applications which have seen the biggest drop in 2023/24.</p> <p>Central government has started looking at a legislative solution, as nutrient neutrality issues are restricting a considerable amount of development across the Country.</p> <p>If however this remains unresolved there is a risk that planning fee income will continue to be impacted.</p> <p><b>Environment, Property and Recreation</b></p> <p>High inflation remains a risk to the cost of the waste collection contract. Also financial pressures on households could see a reduction in discretionary services such as waste bins and bulk collections.</p> <p>Building Maintenance costs, such as Edinburgh Road car park, the leisure centres and the tree work at Repton, are also higher than anticipated, with inflation playing its part in increasing the cost of materials. This will be funded from reserves in 2023/24, however any unanticipated spend in 2024/25 will be a risk to the budget.</p>
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		<p>Rent income at Elwick place is lower than anticipated, and with the squeeze on people's finances, increase in business rates and general economic pressures it is possible that this trend will continue and more businesses will struggle. Officers are continuing to monitor this and will keep members informed accordingly.</p>
5. Planning fees	Treat	<p>From 6 December planning fees for major applications will increase by 35%, while medium and minor applications will increase by 25%. The Government is also amending the 'Planning Guarantee' so that non-major applications will need to be determined no later than 16 weeks after being validated or applicants will be eligible to have their application fees returned (unless an Extension of Time to determine the application has been agreed with them).</p> <p>There is the risk that where an 'Extension of Time' cannot be agreed, this may result in a need to refuse an application in order to avoid the risk of a 'Planning Guarantee' request. This may then lead to an increase in the number of planning appeals which itself would add to the workload of the Service and/or have a budgetary pressure if external specialist support were required to support the Council's position. Performance indicators will be closely monitored to establish any trend data once the new fees and Planning Guarantee rules come into force.</p>
6. Transformation, digitalisation and commercialisation	Treat	<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>Managing growth is key focus as the Council looks to balance the MTFP over the long term, enabling the Council to do more with less through efficient practices.</p>



<p>7. Assumptions about increases in service income.</p>		<p>For budget setting purposes income has been increased by an average of 5%, for legislative reasons or demand some charges will be lower or higher than this.</p> <p>Garden waste collection service will increase to £60, this increase is to cover increased costs in the new refuse collection contract that becomes operational on 27 March 2024.</p> <p>Planning application fees are expected to increase 35% for major applications and 25% for medium and minor applications.</p> <p>The proposed fees and charges are presented in detail as part of the final budget report. Any amendments to the proposals may involve a slight risk to the budget.</p>
<p>8. Housing Revenue Account</p>	<p>Treat/ Tolerate</p>	<p>The HRA Business Plan has a number of priorities including decarbonisation and a number of projects to build more homes in the borough. The 30 year Business Plan is presented elsewhere in this agenda.</p> <p>The business plan is affordable although the current economic climate is impacting borrowing costs and development costs. This pressure is partly offset by a rent increase, which at this time is anticipated to be 7.7%, but this could change, dependent on any Government intervention.</p> <p>The Major Works budget includes an additional £5m which will be used to address the repairs backlog, as well as any issues arising from the Stock Condition Survey.</p> <p>Regular updating of the HRA business plan to include new projects and financial monitoring will occur during 2024/25.</p>
<p>9. Estimates of the level and timing of capital receipts.</p>	<p>Treat</p>	<p>Capital receipts are low in the General Fund, the budgets and financing of the capital plan reflects this.</p> <p>The Housing Revenue Account capital receipts have reduced over the last couple of years as right to buy sales have reduced considerably due to the current economic conditions.</p> <p>The majority of RTB receipts need to be held to fund affordable housing (funds 40% 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 within the 5 year period to avoid repayment. These funds are currently being spent well in advance of need in support of the on street housing programme.</p>

<p>10. Major Capital Projects</p>	<p>Treat/ Tolerate</p>	<p>There is a risk to projects of a capital nature at present as high inflation is 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 projects to ensure that they will not increase annual revenue costs to the Council, by way of additional unfunded borrowing costs or maintenance liabilities.</p> <p>It is acknowledged that some capital projects are delivered for more wider social and economic reasons, and that these schemes will need to be judged on their individual merits and the cost implications to the Council fully understood.</p>
<p>11. Business Rates</p>	<p>Tolerate</p>	<p>Changes to the council's business rates yield is a major risk to the budget as the revaluation of rates and the level of appeals against new valuations are likely to affect the overall level of rateable value within the borough.</p> <p>The Valuation Office have undergone a re-valuation exercise, it is likely that the number of appeals will increase as a result of this, assumptions for this have been built into budget.</p> <p>At the time of writing, it is unknown what impact, if any the Autumn Statement will have on businesses, who are already feeling the impact of the increase in the cost of living. Any further pressure may result in an increase in Business Rate arrears, or in the closure of some businesses which will further impact the income to councils.</p> <p>The Business Rate baseline reset although not affecting 2024/25 budget represents a great risk to the Council's income in the future years. This risk has been discussed in more detail within the MTFP which was presented to Cabinet in October 2023.</p>

<p>12. Inflation, Interest Rate and Pay Award</p>	<p>Tolerate</p>	<p>In November 2022 the inflation rate was 11.1%, although this has slowly declined to 6.7% in September 2023 is expected to fall back to the 2% target towards the end of 2024.</p> <p>On-going geo-political tensions including the war in Ukraine and Gaza are likely to influence the prices globally.</p> <p>In the UK the high inflation has created a costs of living crises that is squeezing household incomes.</p> <p>What does rising inflation mean for the Council:</p> <p>Increase in people needing temporary accommodation or becoming homeless.</p> <p>Less income collected through Council tax and rent demands as the residents of the borough will in some instances have to make decisions over heating homes, or paying monies owed to the Council.</p> <p>Less income through business rates if shops fail as consumers look to cut back.</p> <p>Reduced demand for Council discretionary services, such garden waste bins and bulky refuse collections, the Council is already experiencing a decline in garage occupancy levels as people look to reduce costs.</p> <p>In response to the high inflation rate the Bank of England had to increase the interest rate and as at November 2023 this stands at 5.25% with Bank of England freezing the interest rate during its last 2 meetings.</p> <p>Inflation is a factor that needs to be managed carefully within any financial planning regime. Inflation is still above the Bank of England's (BOE) 2% target.</p> <p>The draft budget assumes interest rate at 5.75%. As a net borrower the Council is exposed to interest rate risk on its borrowing portfolio.</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.</p> <p>Pay – the draft budget has made an overall allowance of 5.7% for pay, this is 5% cost of living, 0.7% for increments.</p> <p>Increments were forecast to be 0.7% in the MTPF which is in line with historical averages.</p>
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		<p>At the time of writing this report, a pay award has not been agreed and therefore any movement away from this expectation will have a positive or negative influence on the budget.</p>
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