

Agenda Item No:	4
Report To:	Overview and Scrutiny
Date of Meeting:	28 January 2025
Report Title:	Report of the Budget Scrutiny Task Group
Report Author & Job Title:	Cllr B Chilton Cllr, Chair of Overview and Scrutiny Budget Task Group
Task Group Chairman:	Cllr.Chilton
Other Members of the Task Group	Cllr N. Bell, Cllr Bartlett, Cllr Ledger, Cllr Shilton, Cllr Michael



Summary:

The Overview and Scrutiny Budget Scrutiny Task Group has scrutinised the council's draft 2025/26 budget over four meetings during December and January.

The Task Group concluded that the budget is achievable notwithstanding the significant risks to the Budget and need for the Council to be mindful of the potential additional costs that could face the Council this year in respect of local government reorganisation.

The Task Group made 14 recommendations which are around future risks for the Cabinet to consider when making their final budget proposals to Council.

Key Decision: No

Significantly Affected Wards: None specifically

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

- I. they support the permanent formation of the Overview and Scrutiny Budget Task Group as a subgroup of the full Overview and Scrutiny Committee.
- II. a notional charge for commercial rent is included within the Port Health budget to mitigate future risks and make provision for being charged for occupying the facility in the future.

- III. a budget be made available, funded from reserves for costs associated with Devolution and Local Government Reform (where not externally funded).
- IV. the provision for Counsel costs of £113,000 within the Planning budget is not sufficient for 2025/26 with several major appeals expected to come forward. Members should be aware that additional costs for defending appeals should be met from reserves.
- V. develop a process to approve defending appeals where they are going to incur significant additional costs to the council.
- VI. there should be a deep dive review of recharges for 2026/27 ensuring 'all' appropriate charges are made between funds to prevent the risk of cross funding.
- VII. the additional grant for homelessness from the provisional financial settlement should be used to offset further growth within homelessness following the draft budget, with a focus on funding prevention.
- VIII. The Council reviews options to see if we can work with supported / modular housing providers to provide more TA accommodation to reduce pressure on the budget going forward.
- IX. changes in business rates reliefs (notably RHL (retail, Hospitality and Leisure dropping from 75-40%) could reduce collection rates and increase recovery costs if businesses struggle to pay in the current economic climate.
- X. due to a worse than anticipated financial settlement within the MTFP (medium term financial plan), there is an expectation that the MTFP gap could increase and propose that 'new' savings plans are developed to mitigate this risk ahead of the 2026/27 budget setting process.
- XI. note that the increase in Employers National Insurance Contributions for external contractors could be a risk to the budget if they seek contractual changes / support to cover additional costs.
- XII. Ashford Cinema Ltd. could seek an extension to the existing funding agreement which presents a risk of additional costs coming forward, which could be met from reserves.
- XIII. there is a risk that increasing borrowing costs could increase Council borrowing costs above the fixed rate provided to Ashford International

Development Company which could add pressure to the budget.

- XIV. they note the impact on the budget of ending the provision of lifeline services and provide assurance that the active monitoring of CCTV will be continued.

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 Budget 2025/26](#) report to Cabinet 12 December 2024.

Minutes of the Budget Scrutiny Task Group meetings are included at the end of the report.

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Report Title: Report of the Budget Scrutiny Task Group – Further Recommendation

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 budgets. The Committee constituted a Task Group made up of six Members to undertake this work and present its findings of the draft Budget for 2025/26 within this report.

Chairmans (Cllr Chilton) Statement on Budget Scrutiny

2. This report presents the Overview and Scrutiny Committee's Budget Task Group 2025 scrutiny of the administrations 2025-2026 Ashford Borough Council Budget.
3. The Task Group was composed of a good mix of new and experienced members, including Cllr Brendan Chilton (Chair), Cllr Paul Bartlett, Cllr Winston Michael, Cllr David Ledger, Cllr Neil Bell and Cllr Johnny Shilton.
4. The Task Group would like to express its thanks to Member Services and the Finance Department for the support they provided to the Task Group during the scrutiny of the Budget.
5. The Task Group would further like to thank all Officers who attended our meetings to take questions and present information to the Task Group. It is noted that Portfolio Holders did not attend the meetings this year.
6. This year's Budget was constructed under tight fiscal conditions. The new government has implemented tax measures to mend the public finances that will have a cost impact on local government including Ashford Borough Council. Policy decisions by the new government may also increase pressure on the Council through extra demand for local services particularly in respect of welfare support.
7. The Task Group determined that it would undertake deep dives into housing and homelessness, recharges, and the port-health authority, and examined the Medium-Term Financial Plan. The Task Group also examined the loan facility to the International Development Company and arrangements for Ashford Cinema Ltd.
8. Inflation remains higher than usual at around 4% and at the time of writing this report, interest rates remain higher than usual. This means our spending power is impacted and the rate at which we can borrow and at which we can lend money is more expensive. The Task Group noted the particular risk these place on the arrangements with Ashford International Development Limited. The rate of inflation could rise this year if the incoming US administration does pursue a protectionist trade policy.
9. The Task Group has made several recommendations that are in this report, and we commend them to the Cabinet.

10. Through the course of the 2025-26 Budget, we will now have the extra work of implementing a reorganisation of local government in Kent. This may involve the Council making additional spend on local consultations, particularly with unparished parts of our Borough.
11. The Task Group concluded that the budget is achievable notwithstanding the significant risks to the Budget and need for the Council to be mindful of the potential additional costs that could face the Council this year in respect of local government reorganisation.
12. The Task Group is recommending to the Overview and Scrutiny Committee and to the Full Council that it remains as a standing Task Group of Overview and Scrutiny and that it be given delegated powers by Overview and Scrutiny to fulfil scrutiny functions in relation to the Council's finances, companies, investments and budgets.

Summary

13. The Overview and Scrutiny Budget Task Group held four meetings through December and January. The initial meeting in December covered the detailed budget pages for the 2025/26 draft budget and Members challenged Officers on various items throughout the evening with many points raised being covered on the night.
14. This meeting also provided the opportunity to consider what areas would be relevant for further scrutiny during the following three meetings of the group and the following agenda items were developed:-

Meeting Two Items (6 January 2025)

15. **Ashford Port Health** – Members felt that this is significant emerging risk to the Council having become independent underwriting in 2024/25 and requested more information around the following key areas to better understand the financial and operational risks to the Council.
 - a. Income generation
 - b. Fees and Charges
 - c. Operational Expenditure
 - d. Recharges
 - e. Risks
16. **Corporate Recharges** – to develop greater understanding of recharges, notably due to significant changes in relation to charging Port Health, and other 'funds' outside of the General Fund.
17. **Other Information** – this was a wash-up of question not fully answered in the initial meeting, significantly a paper around planning income and proposed future charges.

Meeting Three Items (8 January 2025)

18. **Medium Term Financial Plan** – this item was requested as a reminder of the assumptions made in the original modelling that informed the budget. This item also presented the opportunity to consider the implication of the draft financial settlement and the impact on Ashford in both the short to medium term.
19. **Housing Temporary Accommodation** – with the continued increase in representations and costs associated with that, members were keen to understand if the draft budget was sufficient and what action was being taken by the service to try and manage future demand and capacity.

Meeting Four Items (13 January 2025)

20. **Financial Policy Statement and Provisional settlement** (this was a deferral for the MTFP items at meeting two).
21. **Ashford Cinema** – This item was requested, and restricted to understanding the financial risks associated with Ashford Cinema Ltd. for 2025/26.
22. **Ashford International Development Company Ltd.** - This item was requested, and restricted to understanding the financial risks associated with Ashford International Development Company Ltd. for 2025/26.
23. **Wrap-up** – The item was included to enable members to raise any further concerns relating to the 2025/26 budget.

Summary

24. The Overview and Scrutiny Budget Task Group were broadly satisfied with the information and responses provided by Officers and were grateful for receiving presentations and information within a challenging time frame.
25. The minutes of the Task Group meetings are available as part of this report and provide a good overview of the discussion had at the meeting with key points captured at **Appendix A** with recommendations.
26. The Task Group made fourteen recommendations through the course of the meetings, and these are shown at **Appendix A** with a summary of the concern and Management Team's advice.
27. As expected, there was some discussion around Devolution and Local Government Reform, and although one recommendation is made regarding setting aside some reserves, it was agreed that there were better forums for it to be discussed in the future.

Recommendations arising from Overview and Scrutiny Budget Task Group for 2025/26 Draft Budget

1. **Recommendation prelude: - The Overview and Scrutiny Committee recommends to the Cabinet that:-**

	Recommendation	Summary	Management Team Advice
I.	they support the permanent formation of the Overview and Scrutiny Budget Task Group as a subgroup of the full Overview and Scrutiny Committee.	<p>Members of the Budget Task Group feel that the focus and challenge explicitly around financial matters provides a further benefit to the operation of the wider Overview and Scrutiny Committee function.</p> <p>The need for this additional committee could be beneficial in helping the Council navigate future financial challenges as the Council faces uncertain times with risks of further cuts to Government Funding and Local Government Reorganisation.</p>	This is a matter to be considered by members and member services to determine if this is appropriate and how it would be implemented if progressed.
II.	a notional charge for commercial rent is included within the Port Health budget to mitigate future risks and make provision for being charged for occupying the facility in the future.	<p>The Task Group confirmed that at present the Port Health facility does not pay for rent for the unit occupied as this is covered by the site owners (HMRC) through the common user charges that is made to all users of the fleet and is currently set at £10 per visit.</p> <p>Members felt that as the site matures and further costs associated with maintenance of the site and units become prevalent that there is a risk that funding from the users, i.e. the Council Port Health Function could be made.</p> <p>The recommendation therefore makes provision to mitigate this potential risk.</p>	<p>This is a recognised risk and Officers will work with the Council's valuer to work out an appropriate notional rent to be included within the Port Health Budget.</p> <p>Where this rent is not demanded, then the saving will be transferred to the Port Health risk reserves to progress them more quickly to an appropriate level.</p>
III.	a budget be made available, funded from reserves for costs associated with Devolution and Local Government Reform (where not externally funded).	<p>During the Budget Task Group timeline KCC expressed an interest to Government that they would be interest in an accelerated Devolution deal that is coupled with an expectation of Local Government Reform, in an equally accelerated manner.</p> <p>To ensure that the Council can understand and assist with informing decisions to be made, a budget, to be funded from reserves should be made available.</p>	<p>It will be challenging to make an explicit budget available without understanding the potential costs and external funding available.</p> <p>However, it is acknowledged that there will inevitably be costs associated with exploring/supporting Devolution and Local Government Reform and</p>

Recommendations arising from Overview and Scrutiny Budget Task Group for 2025/26 Draft Budget

		It should be noted however, that external funding should be sought in the first instance.	funding this from reserves would be an appropriate approach.
IV.	the provision for Counsel costs of £113,000 within the Planning budget is not sufficient for 2025/26 with several major appeals expected to come forward. Members should be aware that additional costs for defending appeals should be met from reserves.	<p>Members expressed concern that the budget of £113,000 within the Planning Budget for Counsel services was not sufficient due to several known large appeals coming forward.</p> <p>Officers confirmed that this budget was for general appeals and traditionally major appeals are reported as a financial pressure and subsequently funded from reserves. It was also explained that there would be a risk to increasing and decreasing the appeals budget annual to allow for major appeals as this could lead to funding issues in relation to the wider budget.</p> <p>Members are supportive of the approach outlined above but ask that Members are made aware that this is a known risk and there will likely be a call on reserves in 2025/26 to fund major appeals.</p>	Management Team support this pragmatic recommendation and will ensure that reserve funding for appeals is more clearly reported through budget monitoring reports.
V.	develop a process to approve defending appeals where they are going to incur significant additional costs to the Council.	<p>This followed on from the recommendation above in that Members are concerned about the level of spend on appeals that are outside of the Council's approved budget framework.</p> <p>However, it is also accepted that the decision of the Planning Committee should be upheld and therefore it is right and proper that subsequent appeals are then vigorously defended.</p> <p>Members have recommended that options to develop a framework to approve appeals be considered.</p>	<p>Management Team acknowledge the intent of the recommendation and the risk of financing appeals.</p> <p>However, as identified by the committee the Council has a duty to defend decisions vigorously to ensure integrity of the planning decision making process.</p> <p>Although a 'formal' policy is not recommended as this would give the impression that it was a financial decision. Officers will explore options to provide further training to members of the Planning Committee setting out the costs associated with previous appeals and also highlight where the</p>

Recommendations arising from Overview and Scrutiny Budget Task Group for 2025/26 Draft Budget

			<p>Council has had positive and negative experiences in defending appeals.</p> <p>As referenced in the previous recommendation, reporting of appeal expenditure will also be strengthened within financial monitoring reports.</p>
VI.	<p>there should be a deep dive review of recharges for 2026/27 ensuring 'all' appropriate charges are made between funds to prevent the risk of cross funding.</p>	<p>Members review the papers provided and were supportive to the overall approach to recharges, including recharges to Ashford Port Health.</p> <p>However, there is a risk that some of the cost drivers and recharge methodologies could be dated and recommend that Officers do a complete review of recharge for 2026/27.</p> <p>It was highlighted by Members that particular attention should be given to recharges made between funds, notably the General Fund, HRA, and Port Health.</p>	<p>This recommendation is accepted and given structural changes and service developments in recent years is due a deep dive review.</p>
VII.	<p>the additional grant for Homelessness from the provisional financial settlement should be used to offset further growth within Homelessness following the draft budget, with a focus on funding prevention.</p>	<p>In reviewing the report on the Provisional Financial Settlement and having considered cost increases to Temporary Accommodation, Members were informed that an additional grant of £483,330 was received in government grant for 2025/26.</p> <p>Members supported Officers recommendation that this additional grant should be matched with an equally sized budget to recognise future growth (which is already above budgeted levels) in Temporary Accommodation and prevention costs.</p>	<p>Management Team support this recommendation and acknowledge that this should support both general cost increases but also funding for homeless prevention.</p>
VIII.	<p>The Council reviews options to see if we can work with supported / modular housing providers to provide more temporary accommodation to reduce</p>	<p>To help reduce further pressures within the Temporary Accommodation budget, members are aware that the Council is working with sheltered housing providers to support homeless residents.</p> <p>However, given the success of Henwood, although accepting that Henwood 2 is not necessarily the solution, Officer should expand its</p>	<p>Management Team support this recommendation and will explore options with both sheltered and modular housing providers.</p>

Recommendations arising from Overview and Scrutiny Budget Task Group for 2025/26 Draft Budget

	pressure on the budget going forward.	remit to explore options for working with Sheltered, but also providers of modular housing to try and provide more capacity to manage temporary accommodations costs.	
IX.	changes in business rates reliefs (notably RHL (retail, Hospitality and Leisure dropping from 75-40%)) could reduce collection rates and increase recovery costs if businesses struggle to pay in the current economic climate.	<p>Through discussions around business rates, members were aware of and raised concern that changes to business rate reliefs could have an impact on the budget for 2025/26.</p> <p>Officer confirmed that this is a risk moving forward as reliefs which started during the Covid Pandemic are being reduced, notably the retail hospitality and leisure relief which is reducing from 75% to 40% relief.</p> <p>While reductions in reliefs to not reduce the amount billed, it does make the tenant liable for a larger amount and this could lead to financial distress in what are already challenging economic times, especially given the recent increases in Employer National Insurance Contributions.</p>	<p>Management Team acknowledge the concern of members and confirm that this pattern is already impacting Council Tax collection rates as household support funding comes to an end.</p> <p>In relation to business rates, the collection rates are likely to reduce as reliefs are paid by government grant and therefore strengthen collection rates. To allow for this risk Officers have increase the bad debt provision for business rates from 0.8% to 1.2% which is an increase in provision of around £700,000.</p>
X.	due to a worse than anticipated financial settlement within the MTFP (medium term financial plan), there is an expectation that the MTFP gap could increase and propose that 'new' savings plans are developed to mitigate this risk ahead of the 2026/27 budget setting process.	<p>Members identified through the MTFP review that some of the assumption over the medium term were likely to increase following economic events since the MTFP was developed, including the US election result and the Autumn Statement, both of which have created economic uncertainty which has led to increased gilt prices, and subsequently increased borrowing costs for a longer than expected period.</p> <p>Members were also mindful that the MTFP allowed for the same level of government funding for 2025/26, however following the draft financial settlement the core funding power reduced as increases in Council Tax Growth were diminished by a corresponding cut in Government Grant as the core spending power was frozen in cash terms between 2024/25 and 2025/26.</p>	<p>Management Team acknowledge that the MTFP outlook has weakened given recent economic events and a revised MTFP should be prepared in the spring.</p> <p>Following the outcome of this review, and factoring in other income opportunities for the Council, appropriate options will be developed to manage any budget gaps.</p>

Recommendations arising from Overview and Scrutiny Budget Task Group for 2025/26 Draft Budget

		Members of the task group are mindful that the previous MTFP was broadly balanced over the term and that the impact of the above scenarios could lead to deficits moving forward, and therefore it would be prudent to consider savings options in advance of the 2026/27 budget setting process.	
XI.	note that the increase in Employers National Insurance Contributions for external contractors could be a risk to the budget if they seek contractual changes / support to cover additional costs.	Members raised concern that large Council contractors may be financially challenged by increases in Employer National Insurance Contributions and may seek support from the Council to manage increased costs.	This is noted, and Management Team recognise that this could be a significant challenge for upper tier authorities through social care providers but represents a low risk to ABC.
XII.	Ashford Cinema Ltd. could seek an extension to the existing funding agreement which presents a risk of additional costs coming forward, which could be met from reserves.	Members noted the report and made a recommendation to highlight the likelihood that additional funding would be requested by Ashford Cinema Ltd. and that if agreed, this should be funded from reserves.	Management Team agree with the recommendation should further support be provided for 2025/26.
XIII.	there is a risk that increasing borrowing costs could increase Council borrowing costs above the fixed rate provided to Ashford International Development Company	Following discussion around the paper presented to Members, concern was expressed that given current increases in borrowing costs, that they could soon be above the rate at which the Council lends to AIDC. Officers confirmed that this is a risk and would be monitored going forward although there are other contractual options available for the Council to manage this risk if necessary.	Management Team note the recommendation and will monitor accordingly.

Recommendations arising from Overview and Scrutiny Budget Task Group for 2025/26 Draft Budget

	which could add pressure to the budget.		
XIV.	they note the impact on the budget of ending the provision of lifeline services and provide assurance that the active monitoring of CCTV will be continued.	<p>In the wrap up item on the final meeting the cessation of lifeline service being provided by ABC was discussed and that the financial implications will be reported as part of the final budget.</p> <p>Members express concern that despite cuts to lifeline services, and the impact of increased costs of operating the CCTV Monitoring Centre, that they seek reassurance, as previously discussed with the Cabinet that active monitoring of CCTV cameras in maintained.</p>	Management Team note the recommendation and will need to consider the full implications and options moving forward. Any decision would then need to be considered by Members before being progressed.

Contact and Email

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