2023/24 Budget and 2023-27 Medium Term Financial Plan

Cabinet	12 January 2023
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Status	For Decision and Recommendation
Classification:	Unrestricted
Key Decision	Budget and Policy Framework

Executive Summary:

This report presents the 2023/24 revenue budget and 2023-27 capital programme for the General Fund

Recommendation(s):

1. The 2023/24 General Fund revenue budget be recommended to Council for approval;

2. The 2023-27 General Fund capital programme be recommended to Council for approval.

Corporate Implications

Financial and Value for Money

As detailed in the body of the report

Legal

The Council is required to set a balanced budget each year by various pieces of legislation, notably section 31(A) of the Local Government Finance Act 1992. Section 151 of the Local Government Act 1972 requires a suitably qualified named officer to keep control of the council's finances. The Director of Finance is currently undertaking this role in an acting up capacity. Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report on the robustness of the estimates made for the purposes of the calculations for the budget, and on the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the budget.

Corporate

The budget has been prepared with reference to the corporate priorities.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Actions arising from this report - in particular the savings requirements - will each be assessed for equalities implications by relevant managers.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- *Growth*
- *Environment*
- *Communities*

1. Introduction

1.1. This report provides the draft 2023/24 budget for Cabinet's consideration and recommendation to Council for approval. The budget has been produced within the context of our corporate priorities, government financial policy and resident feedback. Whilst only provisional information is available regarding government funding at the time of writing the report projected funding is presented along with budget pressures and proposals, which give rise to a balanced budget for 2023/24.

1.2. The report covers the General Fund, both revenue and capital. A separate report is included elsewhere on this agenda in regards to the Housing Revenue Account.

2. Background and Context

2.1. The next year's budget has been developed in a relatively unstable macroeconomic environment; inflation is at a 40 year high, resulting in increased cost pressures for both the council and our core stakeholders such as the district's residents, local businesses and the council's service users.

2.2. In budgetary terms these pressures are being realised directly through increased unit costs for items such as energy, fuel and utilities, alongside inflation linked contractual cost increases and also the need to agree a fair and affordable pay offer for staff. In addition to the increased costs for service provision, the macroeconomic environment is also resulting in increased demand for some of our services, most notably temporary accommodation for homelessness.

2.3. Coinciding with increased expenditure expectations for next year is the continuation of restrained increases in council's core income streams, with government funding increasing by 5.8% and council tax increases limited to below 3%. This divergence between the expenditure and core income budgets led to the development of budget strategy with a focus on maximising local income streams wherever possible, in order to protect and invest in service provision. This is explained further at section 3.2.

2.4. The draft 2023/24 budget has also been developed with the objective of allocating sufficient resources to successfully deliver both the auditor's statutory section 24 recommendations and those of the Independent Monitoring Officer (IMO).

2.5. The development and progression of the council's Levelling Up Fund projects, both for Margate and Ramsgate, and also the Margate Town Deal make up a large proportion of the council's capital programme, meaning that the council has a sizable £51m capital programme to deliver over the next four years. These funds in particular offer the opportunity for significant investment in the two of the district's towns and the budgetary impacts are set out in the draft 2023/24 to 2026/27 capital programmes.

3. Budget Strategy

3.1. As referred to above, the budget strategy was developed in the context of a high inflation environment resulting in increased costs for the council alongside below inflation increases in core funding.

Budget Strategy - Principles

3.2. To address this budgetary problem the following principles within the strategy have been developed:

1. Build up our Key Income Streams

Given that government funding is limited, and council tax is capped, other locally generated sources of income are even more important than ever and should be considered and treated as commercially as possible, in order to optimise these income streams. This mainly includes, but is not limited to, fees and charges for service provision and property rental income. It is important the council organises itself and invests in ways that maximise that income, whilst balancing this with managing the impact on our residents and service users..

The report setting out the proposed 2023/24 fees and charges is included elsewhere in this Cabinet agenda; overall budget holders were challenged to apply a 10% inflation linked increase to fees and charges wherever possible.

2. Invest in Assets and Infrastructure

A recurring theme to many of the council's budgetary and operational problems is the lack of investment, over a number of years, in our key property assets. In accordance with the first principle, the council needs many of those assets to generate income streams, but it also needs to safeguard those assets and where possible utilise them for wider economic and community regeneration.

3. Digitalise Service Delivery

The council's residents and customers expect a seamless corporate approach to maximising online access to our services. That should increase customer satisfaction and reduce costs. Currently the council's digital service delivery is not yet as joined-up as we aspire to and we need to develop corporately led standards and choices about what we invest in to achieve this.

4. Allocate Growth to Resources to Support the Delivery of Income and Investment and our Key Policy Priorities

Some of our service areas are under-resourced and they aren't traditional 'politically' high priority areas, but are critical to our ability to deliver aspects of this budget strategy and fundamentally the council's priorities. Accordingly, this will require an appropriate level of investment in some support services.

5. Delivery of Section 24 Statutory Recommendations and Independent Monitoring Officer Recommendations

Following from the 4th Principle that directs the council to invest in some of its support services, one of the IMO recommendations was to

"Review of the HR resource within TDC to ensure that it is sufficient to meet the needs of the council in respect of HR case work and organisational development."

Accordingly, an in depth review of the Human Resources (HR) function and its needs was undertaken and proposals for investment in the service are reflected in the draft budget. Moreover, meeting the recommendations of the IMO and the external auditors has been considered throughout the budget setting process.

6. Revise Approach for Inclusion of Business Rates Growth in the Base Budget

Since the introduction of the retained business rates (RBR) system in 2013/14 the council has only included a proportion of the growth it retains in the base budget. The rationale for doing so was reasonable and well founded, in that this income stream is less certain and secure over the medium term and therefore excluding it from the base budget de-risks the council's financial position. However, the size of this income stream has grown cumulatively over the decade since the RBR was introduced and is estimated to be a sizable £1.3m of income for 2023/24. Given the financial challenges and pressures the council faces, alongside the continued delay to any reform of the local government finance system, it is considered to be appropriate to include this key income stream in the base budget.

Budget Strategy - Budget Prioritisation Meetings

3.3. One of the key tools for implementing the budget strategy was the use of budget prioritisation meetings, to consider services' current resource allocations and also assessing any budget proposals.

3.4. A series of such meetings were chaired by the Leader of the Council, who was assisted by a panel comprising the Portfolio Holder for Finance, the Interim Chief Executive, the Acting Deputy Chief Executive & s151 Officer and also Finance Officers.

3.5. There were 19 budget prioritisation meetings in total, held between Tuesday 8th November and Thursday 17th November. At each meeting a specific service area was considered and the relevant Portfolio Holder and Service Director were invited to present any budget proposals for inclusion in the draft budget and answer any questions the panel had regarding the finances of that service area.

3.6. The relatively short duration of time over which all the meetings were conducted allowed for an intensive and corporate approach for the formation of the budget proposals for 2023/24; cross cutting service issues were presented in a compact timeframe, allowing the panel to consider them from differing perspectives whilst also addressing them corporately.

3.7. It should be noted, to aid the facilitation of frank and open conversation and also constructive criticism all the budget prioritisation meetings were held privately, not minuted and are not subject to public record.

3.8. The actions and outputs from these meetings were then consolidated by the panel and consequently produced the majority of the content of the draft budget proposals for 2023/24.

4. Draft 2023/24 General Fund Revenue Budget

4.1. Table 1 below sets out a balanced draft 2023/24 General Fund revenue budget for Cabinet's consideration and recommendation to Cabinet to approval.

Table 1 - General Fund Revenue Draft 2023/24 Budget

Factor	£000	£000
Base Budget 2022/23		**17,902**
Spending Pressures		
Pay award, Increments, Living Wage, Pensions	1,584	
Non-pay Inflation	660	
Budget Growth (service pressures, net cost of borrowing etc.)	1,460	
Budget Proposals and Priorities	1,268	
Sub-total		**4,972**

Savings, Efficiencies and Income Generation		
Fees and Charges	-610	
Savings, Efficiencies and Income Generation	-852	
Sub-total		**-1,462**
2023/24 Net Service Revenue Base Budgets		**21,412**
Reserve Movements		**-657**
2023/24 NET GENERAL FUND REVENUE BUDGET		**20,755**
Funded by		
Government Grants	-1,317	
Retained Business Rates & Section 31 Grants	-8,060	
Business Rates Collection Fund Deficit	199	
Council Tax	-11,690	
Council Tax Collection Fund Deficit	113	
Total Funding		**-20,755**

4.2. Taking all the expenditure adjustments into account provides a proposed net service revenue expenditure budget of £21.412m for 2023/24, representing a £3.510m or 19.6% increase on net revenue spending compared to 2022/23.

4.3. This equates to a significant increase in spending for the authority and is planned in order to finance both inflationary pressures and also service investment. The increase in spending for next financial year has been financed from a variety of sources, including:

- The inclusion of additional retained business rates growth in the base budget (£0.708m),
- Increases in fees and charges (£0.610m),
- One-off reserve contributions (£0.940m) to fund corporate property repairs, temporary accommodation and a climate change officer,
- Council tax income (£0.530m) and
- Government funding (£0.995m).

4.4. Beyond the £3.510m increase in net service spending set out above, there has also been approximately a further £0.850m increase in revenue service budget expenditure that will be wholly financed from equivalent additional service revenue income.

4.5. The key aspects of the draft budget reports are set out in detail in the following sections.

Pay and Remuneration

4.6. Pay and remuneration is one of the council's biggest items of expenditure. The 2023/24 budget has assumed that £1.580m of additional resources are needed to fund increases in pay due to:

- **Pay awards** - A 4% pay award has been assumed in the budget estimates and this pay-offer has been communicated with unions, the cost of this award is approximately £0.700m. This is in addition to the further 1% increase in pay that was agreed during 2022/23, and increased the total pay award for 2022/23 from 2% to 3%, which wasn't included in the 2022/23 budget and therefore creates pressure for the 2023/24 budget. Cumulatively this results in an £880k pay pressure for the 2023/24 budget.

  It should be noted every 1% increase in the pay-award creates a permanent and cumulative budget pressure of approximately £175k.

- **Increments** - the salary for each role at the council is graded according to an objective job evaluation process, which ensures that jobs are paid according to their relative demands, compared to other roles at the council. The salary for each grade has a range that is set out across nine salary scale points; annually staff move up the scale points and receive an increase in pay until they are positioned at scale point nine, the top of the grade.

  The total cost of incremental increases in pay is approximately £145k, which is broadly comparable to a further 1% increase in pay (as noted above). As such, consolidating incremental increases with the proposed 4% pay-award sees an overall increase in staff pay of approximately 5% (please note actual pay increases for individual staff would vary depending on the relative value of their incremental increases). This is broadly in-line with pay proposals being developed by other local authorities in the county and also with average increase in pay across the wider economy (The Office for National Statistics's August to July 2022 data reported average annual pay increases of 5.4%, excluding bonuses).

  National Living Wage (NLW) - The exception to the 5% average increase in pay are the lowest graded roles that are paid at the NLW. The NLW rate will increase by 9.7% from 1 April 2023 an increase of 92 pence per hour, taking the NLW to 10.42 per hour. The cumulative effect of the recent annual increases NLW are impacting on the integrity of the Council's pay structure. Pay differentials are being eroded for roles that had been assessed under the equal pay framework to require different levels of pay because of the requirements of the role. As such, management are currently considering proposals to address this and develop a pay offer that is both fair and affordable. The expected financial implications of this review are expected to be in the region of £150k have been included in the draft budget.

- **Pension Contributions -** the employer's pension contribution rate has increased by 1.7% to 20.7% of pay (previously 19%), following the triennial revaluation of the pension fund. The additional cost of this increase is approximately £250k per annum.

- Various other minor changes to some roles in the establishment (e.g. changes grading following job re-evaluation or change in hours)

Contractual and Essential Price Increases

4.7. The draft budget assumes a £0.660m pressure for non-pay inflation. Like many businesses and households across the country, the council's finances are also being significantly affected by increased energy, fuel and utility costs. In addition to this many of our contractual arrangements have inflation linked commitments. The overall cost of this budget pressure has been managed corporately, by examining all over and underspending budget lines in the current and previous financial years and reallocating resources accordingly; without undertaking this exercise the gross cost of the inflation budget pressure would have been significantly higher.

Budget Growth

4.8. The following paragraphs under the 'Budget Growth' heading set out the budgetary pressures that to a greater or lesser degree are unavoidable due to the nature of the expenditure.

4.9. ***Temporary Accomodation £0.800m -*** Homelessness has grown as a challenge for many local authorities over the last year or so, Thanet included. There are additional pressures on Housing Services as the gap between supply and demand increases and previously plans have been developed to ensure that this pressure is minimised. The council has reviewed and is delivering its homelessness strategy action plan, is regularly monitoring the levels of homelessness and has commissioned new services to address the increasing need for support. This work will continue. The council has also successfully bid for new government funding to support homelessness services locally.

The financial pressure shown in-year monitoring is currently estimated as a £0.900m overspend for 2022/23 based on current homelessness levels. As such, a budget growth pressure of £0.800m has been used as the starting position for 2023/24, with an assumption that the impact will be reduced in future years.

A £100k contribution from the earmarked reserve for homelessness is also being proposed, in order to partially offset the increase in costs associated with this service.

4.10. ***Building Control £115k -*** Historically the service has not been able to meet its budgeted income targets, this is a legacy pressure that now needs to be concluded. It is proposed that staffing resources are increased to allow for the appointment of a dedicated Building Control Manager (note this post was removed as part of budget saving proposal in 2017/18 - and income levels subsequently fell significantly) and also that income budgets are adjusted downwards to a more realistic level. The combined financial impact of these changes is a budget pressure of £115k.

4.11. ***Land Charges £100k -*** His Majesty's Land Registry (HMLR) will be taking over responsibility for the provision of LLC1 property searches and as a result the HMLR will take the income associated with these searches. However, TDC will still be required to undertake the CON29 element of the land search and also be required to continue to update the property register for HMLR from our records. This loss of income results in a net £100k pressure for the council.

4.12. **Net Cost of Borrowing & Minimum Revenue Provision £147k** - The annual cost of servicing and repaying the council's borrowing is expected to increase by £147k. This is detailed in the council's 2023/24 Treasury Management Strategy, which is included elsewhere on this cabinet agenda.

Budget Proposals and Priorities

The budget prioritisation process explained at section 3 resulted in the following budget proposals being progressed for inclusion in the draft 2023/24 budget.

Service Investment

4.13. ***Property Repairs and Maintenance £0.800m -*** The council holds £0.800m in its repairs and maintenance earmarked reserve and it is proposed to contribute this to the general fund revenue budget for 2023/24, in order to invest in our corporate assets and infrastructure in-line with our second budget strategy principle. Combining this with the existing base budgets for repairs and maintenance and also the potential for further capital investment in significant improvements to our estate will provide a substantial funding envelope to begin addressing the necessary investment in our assets and infrastructure

4.14. ***Coastal Enforcement £168k -*** It is proposed to create five new enforcement posts (Coastal Environmental Officers), providing resources for the enforcement of the Public Space Protection Orders. This will aid the district in maintaining the Blue Flag and Seaside Awards and protecting the coastal environment for the community and visitors.

4.15. ***Seaweed £45k*** - Additional resources to allow for extra seaweed collections from Thanet beaches have been included in the draft budget.

4.16. ***Coastal Cleansing £10k*** - It is proposed that a further £10k be allocated to this budget each year over the medium term. For 2023/24 this additional funding will be used for the provision of additional and improved signage to warn and inform on the risks of slips and falls on slipways and steps to the foreshore.

4.17. ***Technical Services and Grounds Maintenance £70k -*** Additional staffing resources for these two service areas have been included in the draft budget. The joint management of these services is currently being considered as part of the Corporate Management Team restructure consultation.

4.18. ***Climate Change £40k*** - A two year fixed term Climate Change Coordinator role, to be funded from the Risk Management reserve, tol be created to assist the Climate Change Officer with the coordination of the necessary corporate actions and implementation of the changes required to deliver the council's Net Zero strategy.

4.19. ***CCTV £45k -*** It is proposed to invest an extra £60k in the service, with £15k being charged to the HRA, and return staffing levels back to pre-2022 levels. This will allow for two additional CCTV officers to be appointed, leading to an increase in active monitoring and control room coverage.

4.20. ***HR £57k -*** In accordance with the IMO's recommendations it is proposed that additional staffing resources be provided for the HR function. This will allow for increased capacity for organisational development and also HR administration. A proportion of this resource will be recharged to the HRA.

4.21. ***Visitor Information Services £13k -*** It is proposed to reverse a previous budget saving proposal, and to provide relatively modest levels of resources to maintain current levels of visitor information service provision.

4.22. ***Communications £24k -*** Additional staffing resources for the Communications function have been included in the draft budget. This will allow the creation of an additional Communications Officer and aid the council's ambitions to drive more proactive communications; this aspiration is directly linked to the ability delivery of the IMO recommendations and to ultimately help improve and safeguard the council's reputation.

Further Cost Neutral Service Investment

4.23. ***Property (£0.625m)*** **-** Restructure of the Property & Estates Team, with additional staff roles funded from an increase in rental income and the reallocation of some salary costs to capital projects.

4.24. ***Legal (£50k)*** **-** Additional staffing resources for legal services, primarily for property related activities and accordingly again to be funded from an increase in property income. Provisionally a further £50k has also been earmarked for 2024/25, depending on the progress with property income streams.

4.25. ***Planning (£37k)*** **-** It is proposed to introduce a Section 106 monitoring charge in all planning obligations and legal agreements, with the additional income used to fund a full time Planning Obligations officer role to record and monitor Section 106 agreements.

4.26. ***Coastal (£11k)*** **-** The council is seeking to enter into a concession agreement for Margate tidal pool, with the corresponding income to be used to fund supervisory activities during peak season.

4.27. ***Private Sector Housing (£59k)*** - This proposal moves two existing and occupied posts from an unfunded position to being funded by the General Fund. It is proposed that these posts be funded from costs expected to be recovered from the recent successful prosecution in this area and then from future selective licensing income on an ongoing basis.

4.28. ***Regeneration (£46k) -*** An additional Economic Development Officer role has been included in the draft budget. It is proposed that this role is wholly funded from a proportion of income council receives from the Kent Business Rate pool that must be spent on regeneration related activities. Dialogue with KCC officers is on-going in order to seek the necessary funding approvals.

Fees and Charges

4.29. The fees and charges paper presented elsewhere on this Cabinet agenda recommends increases and variations to fees and charges for the forthcoming year that will generate an anticipated additional income of £0.610m.

Savings, Efficiencies and Income Generation

4.30. As part of the star chamber process, service directors were challenged with identifying realistic and deliverable savings. The priority when identifying proposed savings has been to minimise the impact on council services and also to avoid compulsory redundancies. It would be reasonable to conclude that after a decade of budget reductions this is not an easy challenge to complete; most budgets have been reduced significantly over this period and are now very lean.

4.31. ***Property Income £100k*** - Through the aforementioned investment in the Property Service it is anticipated that the council's budget for income from commercial property rents can be increased by c.£100k.

4.32. ***Planning Income £40k*** - The council is expecting an increase in the volume of planning applications and associated income.

4.33. ***Financial Service Restructure £25k*** - It is expected a restructure of the Financial Services team will provide a saving of approximately £25k.

4.34. ***Interest Receivable Investment Income £400k*** - Due to the increase in interest rates it is anticipated that interest earned on the council's investments will increase by approximately £400k per annum. This budgeted level of income is being set by assuming that the average rate of return be approximately 4.4% on an average cash holding of £35m over the medium term. More detail is set out in the council's Treasury Management Strategy, included elsewhere on this Cabinet agenda.

4.35. ***Refinancing of Your Leisure Loans £160k* -** The council is working with colleagues from Your Leisure to find a mutually beneficial resolution for the refinancing of loans associated with the council's leisure centre facilities. It is anticipated that this will result in a saving of approximately £160k per annum for the council.

4.36. ***Salary Void Target £100k* -** It is proposed to increase the corporate savings target for vacant posts by £100k.

4.37. ***Capitalised Salaries £25k***- Due to the significant size of the capital programme over the coming years, it is anticipated that a greater proportion of salaries can be charged to the capital programme and as such provide a saving of at least £25k for the revenue budget.

4.38. It should be noted that there are no compulsory redundancies arising from this saving review. Furthermore, members should note that it is also not anticipated that any of the savings proposed will have a significant equalities impact on any group with a protected characteristic.

5. Funding Allocations

5.1. The Provisional Local Government Finance Settlement 2022-23 was announced on 16 December 2021. Local government was a major beneficiary of the Autumn Statement 2022, with larger increases in funding than any other part of the public sector. Much of the increase was directed towards social care, but it is fair to say that the provisional settlement was positive for Thanet and the allocations were towards the top-end of the council's previous assumptions.

5.2. Authorities with higher levels of deprivation, such as TDC, will receive larger increases in Core Spending Power. This is the result of government distributing two-thirds of Core Spending Power using needs-based formulas, and continues the trend of recent settlements, where more-deprived authorities have received larger Core Spending Power increases.

5.3. It is difficult to make accurate like for like comparisons to last year, because of the one-off nature of some of the allocations that were provided, but our provisional core grant funding for 2023/24 is broadly £408k higher or 5.79% than was allocated for 2022/23. The government's preferred metric for local authority funding is 'Core Spending Power', which combines the core grant funding with assumed council tax increases (it should be noted the government always assumes councils will approve the maximum increase permissible without triggering a referendum), under which funding for TDC is presented as increasing by £0.879m or 4.83% compared to 2022/23.

Table 2 - 2022/23 Forecast and 2023/24 Assumed Government Funding

	2022/23 £000	2023/24 £000	Change £000	Change %
Revenue Support Grant(i)	103	358	255	247.57%
Business Rates Baseline Funding Level	5,054	5,243	189	3.74%
Settlement Funding Assessment	**5,157**	**5,601**	**444**	**8.61%**
New Homes Bonus	549	415	-134	-24.41%
3% Funding Guarantee	0	348	348	N/A
Lower Tier Funding	231	0	-231	N/A
Services Grant	348	196	-152	-43.68%
Compensation for under indexing the BR multiplier(ii)	516	893	377	73.06%
Adjustment for grants rolled in to RSG(iii)	244	0	-244	N/A
Core Grant Funding	**7,045**	**7,453**	**408**	**5.79%**
Assumed Council Tax(iv)	11,160	11,631	471	4.22%
Core Spending Power	**18,205**	**19,084**	**879**	**4.83%**

Notes:

(i) ***RSG*** *- allocations for 2023/24 have increased partially due to the rolling-in of the council tax admin support grant. See note (iii) below. After accounting for this adjustment RSG increased by £11k or 3.7%.*

(ii) ***Compensation of under indexing the BR multiplier*** *- Actual amount will be higher after compensation is applied to the growth the council retains above Business Rates Baseline Funding*

(iii) ***Adjustment for grants rolled in to RSG*** *- see note 1 above*

(iv) ***Assumed Council Tax -*** *Government assumes that all councils will increase council tax by **t**he maximum permitted without triggering a local referendum on excessive increases.*

5.4. However, some caution must be taken when comparing Core Spending Power figures, both in terms of year-on-year increases and also in comparison to other authorities. For instance Core Spending Power excludes some sizable specific grants, such as those for homelessness, and also excludes the amount of growth retained from the business rates system, so it does not give a complete picture of the amount of funding each authority has.

Table 3 - Corporate Funding outside of Core Spending Power

	2023/24 £000
Spending Power	**19,084**
Business Rates Growth	1,358
Compensation for under indexing the BR multiplier on BR Growth	346
Other BR Adjustments	221
Expected Council Tax	59
Collection Fund Deficits	-312
Corporate Funding	**20,756**

Table 3 shows that approximately £1.7m of additional corporate funding, most notably from retained business rates growth can be added to Core Spending Power in order to arrive at the Council's total budgeted corporate funding for 2023/24.

5.5. The most disappointing aspect of the settlement was it provided funding allocations for one year only, as opposed to the multi-year settlements that have been provided in previous years. The provisional settlement and an accompanying policy statement did give some direction on what funding may look like in 2024/25, stating that:

> *"The core settlement will continue in a similar manner for 2024-25. The major grants will continue as set out for 2023-24."*

5.6. This gives some assurance that Baseline Funding Levels should be uplifted by inflation in 2024/25 and clarity that council tax Band D thresholds will remain at 3%. What we have less certainty about is whether the 3% funding guarantee or New Homes bonus will continue.

5.7. This also tells us that any significant reform of the local government funding system will not be undertaken within this Comprehensive Spending Review period, which means 2025/26 at the earliest opportunity. Consequently considerable uncertainty about the shape of local government funding and how much money the Council will receive from central government from 2025/26 onwards.

5.8. More detail on the individual grant allocations included in the settlement are provided in the following sections.

Government Grants

5.9. ***Revenue Support Grant (RSG) £358k -*** RSG is a non-ring fenced grant that can be used for any purpose and TDC will receive £358k in 2023/24.

5.10. With the objective of simplifying the number of grant streams, a couple of grants have been incorporated (referred to as 'rolled in') into RSG for 2023/24, namely:

- Local Council Tax Support Admin Grant - £228k
- Family Annex Council Tax Discount Grant £15k

After accounting for this adjustment RSG has increased by £11k or 3% compared to 2022/23. However, RSG has been in decline for a number of years (for example TDC received £4.1m in 2013-14) and is still expected to be removed or replaced in the next couple of years.

5.11. ***3% Funding Guarantee £227k*** - This grant is being introduced in 2023/24 and as its name suggests is provided to ensure authorities receive at least a 3% increase in their Core Spending Power.

5.12. ***Services Grant £196k -*** This grant was introduced in 2022/23 as a one-off grant to be distributed to every authority in the country. Previous consultation made it very clear that this was a one-off grant, however it has continued on to 2023/24 despite this. The grant has been reduced by £152k compared to 2022/23 to reflect that it previously included funding to compensate authorities for the increase in National Insurance premiums, which have now been reversed.

5.13. ***New Homes Bonus £415k -*** The Council will receive a bonus of £415k in 2023/24. The NHB is calculated based upon net movement in the council tax base as at the end of October each year.

The end of New Homes Bonus has been expected for many years, following successive years of reform and government's stated intention to replace it with a new scheme to incentivise house building. As such perhaps the biggest surprise of the provisional finance settlement was continued inclusion of the New Homes Bonus for another year.

Due to the possible termination of the scheme in 2024/25 it is recommended that funding from NHB is not used to support the base budget in 2023/24, but is instead used to part finance a capital scheme for Homelessness Accommodation.

Business Rates

5.14. The retained business rates system is a highly complex system, which is ripe for reform. In simple terms, the Council has included £8.060m in next year's budget from business rates related income, in addition to a £199k payment to the collection fund. The breakdown of this budget allocations is set out below.

5.15. ***Baseline Funding Level £5.243m -*** This is a guaranteed allocation that has been determined by a government assessment of relative needs and resources. It has increased by £189k or 3.47% compared to 2022/23. Across the medium term, this is a relatively secure allocation and as a minimum the council should continue to receive this funding from a reformed system.

5.16. ***Compensation of under indexation £1.239m -*** Every year business rate bills for local businesses are adjusted by inflation, however due to varying reasons bills have been frozen for the past few years; this year primarily because of the increase in energy costs for businesses the Chancellor of the Exchequer decided to freeze bills again. Consequently local authorities are provided with a central government grant to compensate them for the reduction in business rates income that can be collected. Due to the succession of annual freezes in business rates, and also the current high level of inflation this grant has cumulatively grown over the last few years and is now a significantly large source of income for the council.

5.17. ***Business Rates Growth £1.330m -*** Since the RBR system was introduced in 2013/14 local authorities have been allowed to retain a proportion of the additional business rates that are generated in their district. TDC also participates in a Kent wide pool that allows Kent authorities to retain a greater proportion of income than operating independently under the national scheme. The council expects to retain £1.0m from this component of the system in 2022-23, plus a further £330k from participation in the Kent pool.

5.18. This strand of income is the most uncertain element of business rates income, both in terms of in-year allocations and also for future reform. Previous budget strategies have been to include only approximately half of the possible growth within the base budget; however, due to the inflation driven cost pressures the council is facing, constraints on government funding and delayed reform of the local government finance system the budget strategy for 2023/24 departs from the previous approach and accordingly, for 2024/25, the whole £1.330m of the expected retained growth is included in the base budget.

5.19. **Cost of Collection Grant £221k** - The council receives a government grant to contribute towards the administration costs from the collection of business rates. This grant is included in the total income budget for business rates for the year.

5.20. ***Collection Fund Deficit £199k*** **-** The council must budget to make a £199k payment to the business rates collection fund in 2023/24. This is in-part to make good the deficits on the collection of business that were incurred during 2020/21 due to the pandemic. This cost has been partly funded by central government grant and an allocation from reserves is being made to fund it in full.

Council Tax

5.21. The government has confirmed in its provisional financial settlement for 2023/24 that Council Tax referendum limits will apply, so that any increase of 3% or more or greater than £5 on a Band D equivalent will be deemed excessive and be subject to a local referendum.

5.22. For TDC a 2.99% increase in the Band D equivalent is equal to a £7.42 increase and therefore is the maximum permitted and this is the proposed increase for 2023/24. It is proposed that the maximum 2.99% increase in council tax is recommended to Council for approval.

5.23. The combination of the 1.74% increase in the council tax base and a 2.99% increase in the Band D equivalent annual charge will provide a £530k increase in income for the authority. Included elsewhere on this agenda is a report setting out the 2023/24 council tax base for Cabinet's approval.

5.24. Similarly to Business Rates, a budgeted payment of £113k must be made to the Council Tax Collection Fund to make good the pandemic related deficits incurred during 2020-21. Again, a government grant was made to cover part of this cost and a contribution from reserves is budgeted to cover this in full.

6. Reserves

Reserves

6.1. ***General Fund Reserves****:* The Local Government Finance Act 1992 specifies that precepting authorities, such as Thanet District Council, must have regard to the level of reserves needed for estimated future expenditure when calculating the budget requirement. In order to comply with this requirement each year the council reviews its level of reserves, taking account of the financial risks that could pose a threat to the Authority over the medium term. The general reserve, or contingency, of £2m is considered to be the minimum required for the planning period.

6.2. ***Earmarked Reserves:*** In addition to the General Reserve, a number of earmarked reserves are set aside for specific purposes. Local Authorities generally hold reserves for three purposes:

- working balance to help cash flow
- contingency for unexpected events or emergencies
- building up funds to meet known or predicted requirements

6.3. Ultimately they are held to help the Council manage risk. This is important as we cannot borrow money over the medium-term, other than for investment in assets, and we are required to balance our budget on an annual basis.

Reserve Levels

6.4. At the end of 2020/21 the council held £2m in its General Fund balance, £12.4m in earmarked reserves (non-covid) and £11.3m in covid related reserves. However, the draft 2021/22 accounts are still to be published, audited and finalised, which limits the ability to assess reserve holdings at that juncture. The production of draft 2021/22 accounts is nearing completion and it is expected that provisional reserve figures will be available in time to be presented and considered within the budget report to Council on 9 February 2023.

Planned reserve movements

6.5. To balance next year's budget, the following reserve contributions are proposed.

6.6. ***Collection Fund Movements £312k -*** A £172k contribution will be taken from the Equalisation reserve and £140k from the Covid Reserve to fully fund the budgeted collection fund deficits on Business Rates and Council tax as referred to at section 5.

6.7. ***Homelessness £100k -*** As set out in section 4 the council is forecasting £800k of additional financial pressures in 2023/24 associated with homelessness. At the end of 2020/21 the Council held £330k in a specific earmarked reserve for homelessness, with the purpose of the reserve being to hold unspent homelessness grant and recovered rent deposit monies to draw down on depending on the Economic Climate and homelessness projects. Given the increasing demand being placed on the service it is considered appropriate to make a £100k contribution from this earmarked reserve in 2023/24 to support the base budget.

6.8. ***Governance £180k -*** On 2 November 2021 Council approved the statutory recommendations made by external auditors, Grant Thornton, which included the recommendation that the Council:

> *"Revisit the financial plans and identify additional savings plans to address the further cost pressures created in resolving the grievances and whistleblowing complaints."*

Therefore, a £180k contribution to reserves was agreed to be included in the 2022/23 budget and also over the next four years of the medium term financial plan, in order to restate the reserve balances that were used to fund the anticipated costs associated with the conclusion of governance and disciplinary matters. This contribution helps the council improve its financial health and resilience.

6.9. ***New Homes Bonus £415k -*** As set out in section 5, NHB is an uncertain funding stream and it is recommended that it is not included in the base budget. As such, it is recommended the funding is used to part-finance a Homelessness Accommodation capital scheme.

6.10. ***Climate Change -*** It is proposed that £40k be taken from the risk management reserve for the next two years to fund a Climate Change Coordinator post.

7. Local Government Funding Reform

7.1. The reform of the local government finance system has been deferred again, with any change now not expected within this parliament. As such, significant change to the funding landscape are now not expected until at least 2025/26, but when they arrive the changes in funding could be significant. Consequently, this makes forecasting for 2025/26 and beyond very difficult. Potential reforms include:

7.2. ***Fair Funding Review (FFR)*** to examine the relative needs and allocation of resources between authorities. This was initially planned for introduction in 2019-20, but was first delayed due to the Brexit impasse and secondly due to Covid. This could result in more or less funding being allocated to Thanet depending on the outcome of this review.

7.3. ***System Reset*** This will in effect remove and redistribute the business rate growth that authorities' have generated since the system was introduced in 2013-14.

7.4. ***Fundamental review of Business Rates*** - The government committed to conduct a fundamental review of business rates, with the objective of:
- reducing the overall burden on businesses
- improving the current business rates system
- considering more fundamental changes in the medium-to-long term

7.5. The implications of this review for Local Government are uncertain, but have the potential to be profound. Signs from the last two local government finance settlements, based on a change in the direction or composition of allocations, indicate there may be more funding available for authorities with higher levels of deprivation, which would be consistent with the Government's levelling up agenda.

7.6. Nonetheless, the risks to TDC's finances associated with the reform of the local government finance system are significant. To avoid going into too much technical detail surrounding these reforms, in simple terms the outcome of these reforms mainly puts at risk the amount of funding the council can retain from business rates.

8. Risks and Uncertainty

8.1. There are a number of other risks and variables that officers and members must consider when approving the 2023/24 budget. The key risks that will be considered within the budget setting environment are:

Non-delivery of efficiency savings - There are relatively limited savings included in the 2023/24 budget compared to previous years. Nonetheless, the non-delivery of these proposals (e.g. refinancing of YL loans) would still place a financial strain on the 2023/24 budget.

Temporary Accommodation Costs - An £0.800m budget provision has been allocated to within the budget in reflection of pressure on service delivery from the rising demand for homelessness service. However, this is a demand led service and the council has limited capacity to reduce the demand placed on the service and should external factors place further demand on the service then this additional financial provision would likely be insufficient.

Inflation - Estimates have been made for inflation within the 2023/24 budget. Should these assumptions result in underestimates of inflation, especially that of energy, this would result in an in-year budget pressure.

Pay &/or Industrial Action - A 4% pay offer has been formally presented to the unions. However, given the industrial action that has been seen across many industries in recent months there is a risk that this offer may not be accepted and that subsequent industrial action follows

Recruitment and Retention - The council is aware that pay needs to be competitive in order to recruit and retain sufficient numbers of appropriately skilled staff in order to deliver the budget and the council's priorities.

Local political stability - The council has operated successfully under no overall control during the last four years, with many examples of active cross-party working. However, no overall control still presents a greater risk when approving the budget as cross party consensus needs to be established.

Ability to fund climate change demands and pressures - Across the medium term significant investment is required in order to achieve the objectives set out in the Net Zero Strategy. For example, the level of infrastructure investment and the acquisition of eclectic refuse freighters is reflected in the capital programme, however the associated borrowing costs places pressure on the revenue budget over the medium term.

8.2. It will be necessary to continue to manage and monitor key budgetary, service and corporate risks through our risk management processes and strategy.

9. Medium Term Financial Plan

9.1. As stated at above, the expected changes in the local government funding system make forecasting for 2025/26 and beyond very difficult. However, despite this uncertainty it is still prudent to plan for a number of different eventualities including those that are more pessimistic.

9.2. The Council's MTFP has been built factoring the business rate modelling assumptions explained in section 7 and the other key assumptions that have been applied to arrive at the central forecast as set out in Table 3.

Table 3: MTFS

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Neutral	0	518	2,600	2,750

9.3. The key assumption in place under this central forecast is that the reform of the local government finance system is implemented in 2025/26, resulting in:

- Funding allocations being broadly the same in 2024/25, including one final year of NHB at £400k
- A reset of the business rates systems, leading to a loss of £1.1m in accumulated growth,
- But that business rates baselines and related compensation funding remain at current levels and are increased by inflation
- No core grant funding (RSG, NHB or otherwise) allocated from 2025/26 onwards with a consequent £1.4m loss of funding

Other key assumption applied include:

- Continued high inflation and stagnant economic growth at least into 2024/25
- Consequent 3% pay award assumed in the later years of MTFS
- Financial pressures on the Homelessness service remain high but gradually reduce by

- That the Council Tax referendum limit is 3% in 2024/25 and then 2% afterwards and that the council sets council tax at these limits (as per government funding assumptions)
- The Council tax base grows about 2% in each of the following three years of the MTFP
- Significant borrowing repayments associated with the financing of the capital programme, including budget provision for electrification of refuse collection vehicles.

9.4. Clearly there is great uncertainty as to what form local government finance will take over the medium term, let alone the shape of the macroeconomic environment. Nonetheless, the council continues to prudently identify longer-term budget savings, which can be implemented if and when necessary to close the forecast budget gaps presented above.

9.5. In November 2021 Cabinet approved the recommendation that the Council identify savings in excess of £2m. The work of Cabinet and CMT priorities have been shaped by this financial objective and initial work indicates that reform and repositioning of our property estate will provide a significant proportion of this £2m target; with a number of propositions being considered, including a review of corporate accommodation and the Manston Depot. In addition to this, other areas for consideration include but are not limited to:

- Undertake a well evidence strategic review of parking across the district.
- Looking to increase our property portfolio for the direct management of temporary accommodation in order to reduce the cost of the homelessness service.
- Property reviews, including stock condition surveys, updating EPC's, improving and re-letting vacant properties.
- In-line with the identified areas requiring growth to support continued service delivery in housing and waste the Cabinet is committed to continuing to ensure the services are delivered as efficiently as possible within the MTFS.
- Continued digitalisation and transformation of front facing and back office services
- Implementation of a new public toilet strategy, working closely with town and parish council's.
- In-line with the Margate Town Deal prospectus, a review of the provision and delivery of leisure and cultural services in the district, including the Theatre Royal and Winter Gardens.
- The Ramsgate Levelling Up programme of works could bring in new income for the council from the Port, the Smack Boys and/or the Fishing Facilities in the town.
- Consideration of using the Minor Works team to generate income from selling handyperson services.
- A review of printing services income and expenditure including scope to in-source more printing.

10. Resident Views and Corporate Priorities

10.1. Every year the council conducts a residents' survey to capture the feedback of a random selection of local people. The survey is carried out to understand the priorities of residents and to ask for feedback on a range of key council services. Results are used to help inform the annual budget setting process and to ensure that resources can be directed towards the areas that matter most to local people. Feedback regarding satisfaction with key council services is also used as part of the way that the council monitors its overall performance to understand trends in satisfaction.

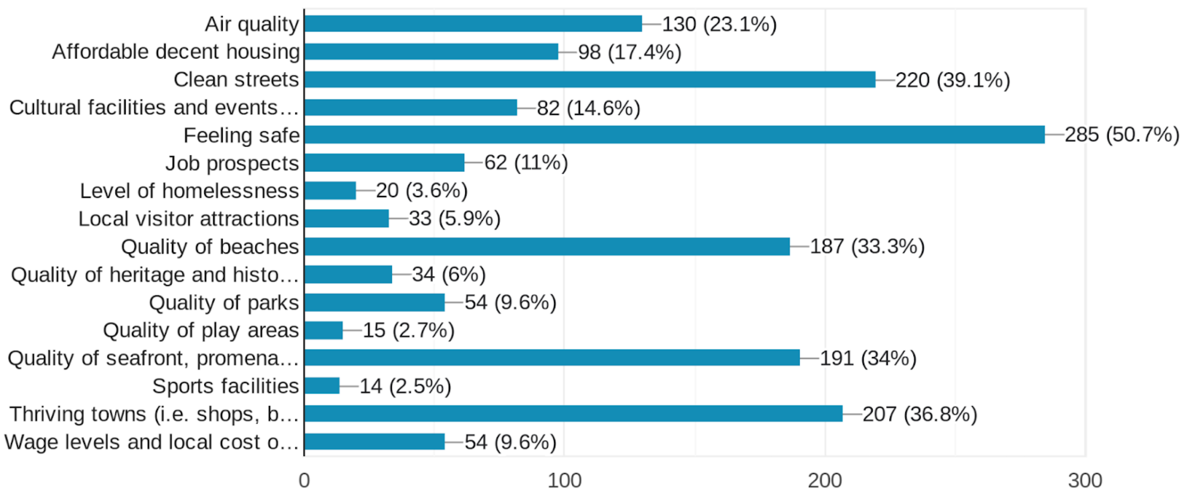
10.2. The 2022 survey was conducted at its usual timeframe of the Autumn, in order to feed into the budget process.

The budget

10.3. This year's survey found that 59% were surprised that the council receives such a small proportion of the overall Council Tax bill. Some 38% of respondents expressed agreement to the statement that the council provides value for money for the Council Tax that is paid. When respondents were asked whether they were aware that the council had seen an £8 million (60%) drop in funding from central government, the majority (65%) said they were aware, compared to 30% who were not.

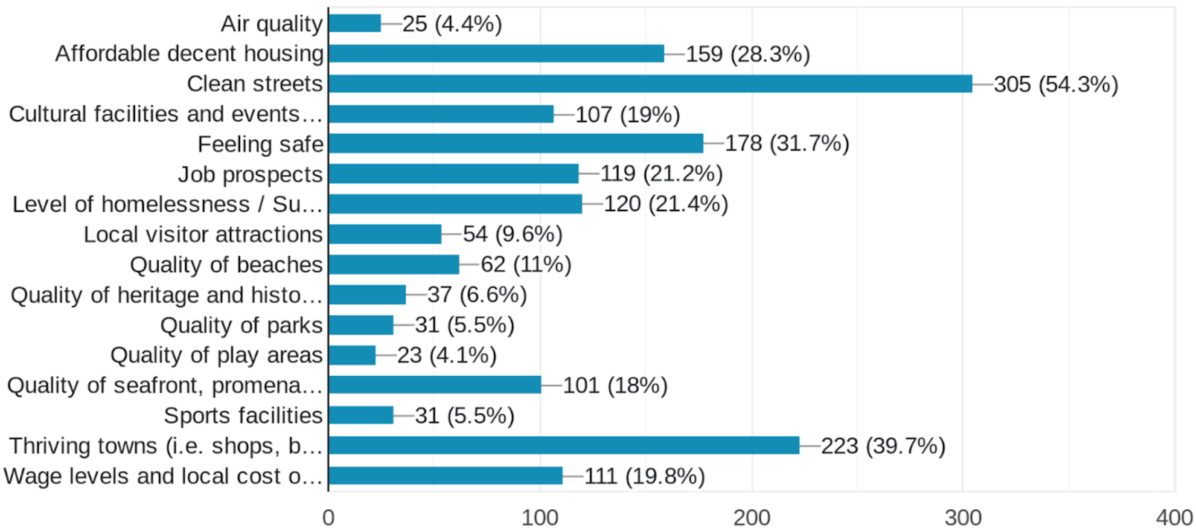
Residents' priorities

10.4. When invited to select three responses from a given list of priorities, feeling safe (51%) remains the top response in making Thanet a good place to live.



10.5. This year, clean streets (39%) is the second most commonly selected priority for respondents - previously fourth. Thriving towns moves down to third (37%), having been second last year

10.6. When asked to select three responses from the same list of priorities, which reflect areas within the council's control that most need improving, clean streets (55%) remain the top and thriving towns (40%) remain second.



10.7. Despite some of the changes in order of priority, when considering the responses of 'most important' together with those 'most in need of improving', clean streets, thriving towns and feeling safe once again remain the overall priority areas.

10.8. When asked how satisfied or dissatisfied residents are with some of services that the council provides, respondents were most satisfied with waste collection, recycling collection and Beach cleaning and respondents were least satisfied with toilets, street cleaning and car parks.

Service	Dissatisfied	Satisfied	Neither	Not used
Household black bin collections	15%	74%	11%	2%
Household recycling collection	19%	70%	11%	3%
Beach cleaning	21%	61%	18%	4%
Garden waste collection (green bins)	15%	50%	35%	32%
Local parks	21%	49%	29%	7%
Seafront and promenades	27%	50%	22%	2%
Local play areas	23%	41%	37%	22%
Tourism (Destination promotion, Business Support and Visitor Information Services)	25%	34%	41%	12%
Local cultural facilities	31%	28%	41%	12%
Planning applications	30%	14%	56%	33%
Leisure facilities / Sports facilities	40%	24%	36%	20%
Housing - the provision of social and affordable housing	35%	11%	54%	25%
Public car parks	46%	22%	32%	8%
Street cleaning	52%	28%	20%	7%
Public toilets	75%	10%	15%	13%

Service Cuts and Savings

10.9. Respondents were asked, if a service they cared about were at risk of being cut, how likely or willing would they be to support eight different suggestions. The most popular suggestion was that of the council moving to cheaper and smaller offices which received the support of 83% of respondents. Transferring appropriate services to town/parish councils (61%) and the move to digital delivery of services (60%) were second and third respectively. The sale of assets no longer required was supported by 51%. Although respondents were less likely to support paying a new or higher charge each time they use the service (38%), volunteering some of their time (34%), paying more Council Tax (29%) or making a one off contribution (24%).

Corporate Priorities

10.10. The council's budget and Medium Term Financial Strategy supports the corporate priorities set out within the Corporate Statement which very much focuses on delivering in these areas of concern. The Medium Term Financial Strategy (MTFS) 2021-25 was approved by Cabinet on 14 January 2021. It set out themes to be adopted to address the projected funding gap for 2021/22 and beyond. These were as follows:

- ***Growth:*** We will continue to ensure we work to consider new ways to generate income and invest our current resources. Delivering a council that is financially strong to discharge its services and invest in the growth of the district.

- ***Environment:*** Having a clean and well-maintained environment remains important to us. We will be clear with our residents on what we will do and what our asks of residents are

- cultivating a shared responsibility approach. Delivering a clean and accessible living environment, maintaining an emphasis on prevention but where necessary we will use an enforcement approach.

- ***Communities:*** Through effective partnership working with both the public sector agencies and the community, we will provide leadership and direction across the district and the region to ensure everyone is working to the same goal. Delivering high-quality housing, safer communities and enhancing the health and wellbeing of our residents.

10.11. It should be noted that the Council's corporate statement runs to 2023 and will be refreshed after the 2023 local elections.

11. General Fund Capital Programme

11.1. This section considers the capital programme and supporting strategy for the period 2023/24 to 2026/27. A detailed breakdown of the programme, at individual scheme level, is included in Annex 4.

11.2. The draft General Fund capital programme for 2023/24 is £33m, with £55m programmed to be spent across the four years up to 2026/27. This represents a significant increase in scale of the programme for the council compared to past years and is largely the result of an increase in the number and size of the schemes that are backed by external funding.

11.3. A minimum level of £15k has been set for capital expenditure (expenditure on the acquisition, construction or enhancement of a fixed asset which is expected to be in use for more than one year). Expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure also includes qualifying grants and loans, such as those provided for the enhancement of buildings to increase the extent to which they can be used by a disabled or elderly person. Capital expenditure can be met from borrowing, capital receipts, grants or revenue contributions.

11.4. Due to the complex and large-scale nature of capital projects, the original budgets have to be based on estimations that often need revising as the project advances. This in turn leads to re-phasing of the capital programme, in order to keep the overall costs within the agreed budget.

The Capital Budget Strategy

11.5. In order to ensure that the capital budget is able to meet the council's needs in the wider sense and to manage the impact on the revenue budget, the development and use of the capital programme is underpinned by a Capital Budget Strategy as follows:

- To maintain an affordable four-year rolling capital programme.
- To ensure capital resources are aligned with the council's strategic vision and corporate priorities.

- To undertake prudential borrowing only where there are sufficient monies to meet in-full the implications of capital expenditure, both borrowing and running costs.
- To maximise available resources by actively seeking external funding and disposal of surplus assets.
- To engage local residents in the allocation of capital resources where appropriate.

11.6. Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, the capital programme is subjected to a thorough review. This is to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority and/or reduce the pressure on the revenue account.

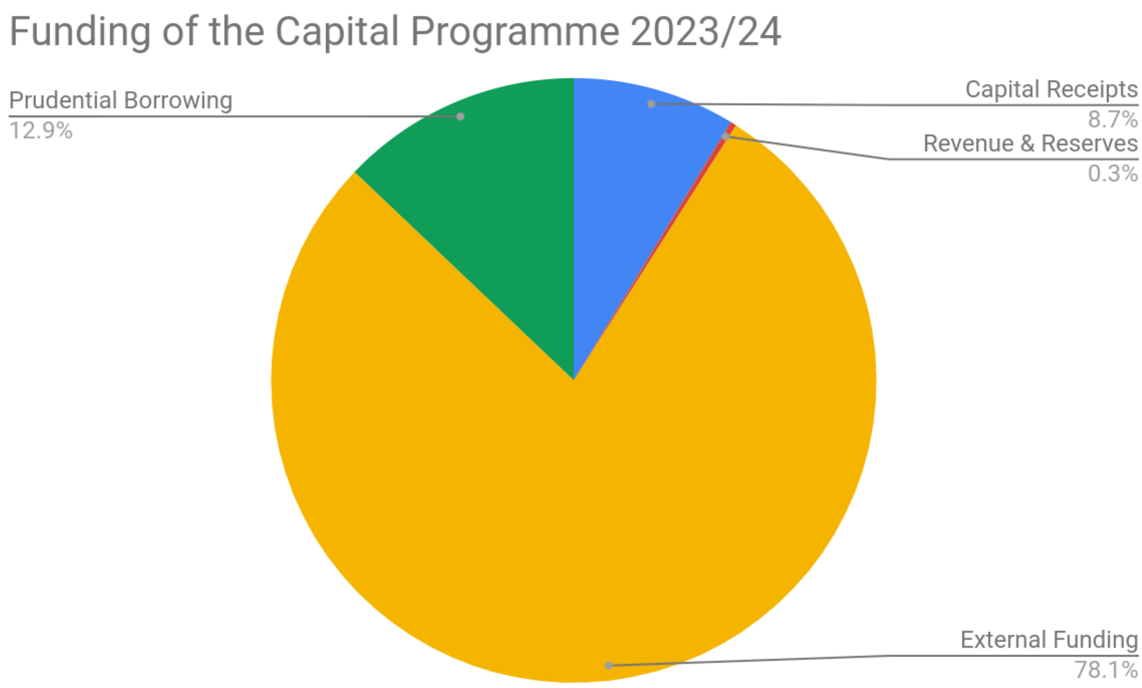
11.7. The level of resources available raises a number of issues and risks for future years, which need to be addressed. Over the past few years the council has seen a reduction in its available capital receipts, however the proposed expansion of the Property Service function should result in a reversal of this trend. Should insufficient disposals be realised in 2023/24 onwards it would be necessary to reduce or defer the capital programme or to borrow, thus increasing the revenue pressure on the General Fund. Regular monitoring will be reported back to members and the capital programme adjusted accordingly.

11.8. Applications for capital bids have been reviewed by members of the Corporate Management Team and other specialist officers and scored against a weighted matrix to ensure they focus on the council's core priorities, benefit to the community, environmental impact, health and safety requirements, the generation or protection of income streams and affordability.

Available Capital Funding

11.9. Capital expenditure can be financed from revenue resources, grants, usable capital receipts and borrowing. The General Fund can only be used to fund General Fund related capital expenditure, and the Housing Revenue Account (HRA) can only finance expenditure on HRA assets; there can be no cross subsidisation between accounts. In both cases, the revenue resources are limited.

11.10. As referred to above the capital programme is of considerable scale for 2023/24 through to 2024/25, largely due to the extent of external funding the council has been successful in bidding for. This is illustrated in the graph below.



11.11. ***Capital Grants*** – these are offered by external funders to assist with certain types of expenditure. Capital grants include those from the Environment Agency and Lottery Fund. The Better Care Fund allocation for 2023/24 is estimated to be at least in line with the 2022/23 allocation, £3m. £3m has been set aside to fund the Housing Assistance Policy within the capital programme. This is made up of funding from the Better Care Fund and recycled Regional Housing Board monies. The 2023/24 capital programme also includes the Margate Town Deal, Margate & Ramsgate Levelling Up Funds, Ramsgate Future High Street Fund and projects to bolster Thanet's sea defences.

11.12. ***Capital Receipts*** – When a fixed asset is sold, provided that the sale receipt is over £10k, the income has to be treated as a "capital receipt", which means that it can only be used to fund capital expenditure. All of the monies received from the disposal of General Fund assets are available to the council for use.

11.13. Before the start of each financial year, a Flexible Use of Capital Receipts Strategy has been prepared as part of the annual budget documents. This sets out the circumstances when the council can capitalise expenditure that would normally be deemed as revenue. The Flexible Use of Capital Receipts Strategy is set out in Annex 2 and details the criteria where this may be considered as per guidance issued by Government. The Flexible Use of Capital Receipts scheme ends on 31 March 2025.

11.14. The level of capital receipts available from the sale of surplus assets has been very constrained over the last few years. Reasons for this have included the economic situation, assets being removed from the disposal list following consultation, and capital funding being switched from reserves to capital receipts wherever possible due to significant pressures on the council's revenue budget. Members should note that an estimated £2.850m in capital receipts has been forecast to fund the 2023-24 programme. This will be monitored closely during the financial year, as it may be necessary to adjust the programme in-year depending on asset disposal and funding outcomes.

11.15. Every new capital project requires a funding source. This may be external grant funding, or else funded from within the council's own resources. A major source of funding the capital programme for some years has been capital receipts. The policy has been to dispose of some of the council's assets to enable investment in other of the council's assets. The council needs to be sure that the assets that benefit from investment offer a return of some sort; such as additional social value or an enhanced operational capability to deliver better/more efficient services. Only in exceptional cases does the council consider funding a capital project from borrowing, as this creates a long term liability that requires debt repayments, the cost of which has to be funded from the same source as for service delivery.

Capital Projects and Schemes

11.16. Projects already agreed from previous years within the four year programme are:

- **Margate Levelling Up Fund** - The total size of this capital project is £6.3m across all financial years with £1m currently programmed to be spent in 2023/24. This scheme is wholly externally funded and will fund the development of the Margate Digital campus.
- **Ramsgate Levelling Up Fund -** The total size of this capital project is £19.84m, with £14.0m currently programmed to be spent in 2023/24. This scheme is wholly externally funded and will provide funding for investment in the port, a new green campus building to provide a centre for excellence for operations and maintenance including a training and low carbon business centre, development of the smack boys building into a hotel, improvements to fishing facilities, development of the clock house, new public realm at pier yard square and improvements to community space.
- **Margate Town Deal** - The total size of this capital project is £20.35m, with £7.750m currently programmed to be spent between 2023/24 and 2025/26. This scheme is wholly externally funded and delivers a range of initiatives including creation of the Creative Land Trust, invest in the Theatre Royal, a programme to reinvigorate and provide new wellbeing infrastructure at key sites, improving links between key areas of the town and enhancing the Dreamland site.
- **Ramsgate Future High Street Fund -** The total size of this capital project is £2.7m, with £0.916m currently programmed to be spent in 2023/24. This scheme is wholly externally funded and will deliver creative workspace and highway improvements.
- **Housing Assistance Policy (including Disabled Facilities Grants)** £3m per annum rolling programme that is grant funded.
- **Vehicle & Equipment Replacement Programme** - £4.5m over four years, the size of the scheme has been increased significantly to include budget provision for electrification of refuse collection vehicles. The delivery of this expanded scheme will depend on the successful completion of the associated new infrastructure. This scheme is funded from borrowing.

- **Property Enhancement Programme** - £1m over 4 year programme to allow for capital enhancement to corporate property estate. Funded from the disposal proceeds of surplus properties.
- **End User Computing Refresh of Devices & IT Infrastructure -** £0.950m over four years, funded from borrowing.
- **Stone Bay Sea Wall Work** - £450k, reprofiled for delivery in 2024/25, externally funded.
- **Ramsgate East Pier Building Structural Improvements -** £260k, funded from borrowing
- **Ramsgate Dock Office on Eastern Crosswall** - £30k, funded from borrowing
- **Ramsgate Port & Harbour** - Plant & Equipment (Vehicle Barrier, Marina Access Gates & CCTV, Signal Light Repeaters), £83k split across the four schemes to be spent over three years, funded from borrowing.
- **Broadstairs Flood and Coast Protection Scheme** - £0.880m, externally funded
- **Ramsgate Port - Berth 1 Refurbishment** - £300k reprofiled for delivery now in 2024/25, funded from borrowing
- **Westbrook to St Mildred's Sea Wall Work -** £450k, previously included in the 2022/23 budget, now reprofiled for delivery in 2023/24, externally funded.
- **Walpole Coping and Sea Wall -** 450k, previously included in the 2022/23 budget, now reprofiled for delivery in 2023/24, externally funded.
- **Royal Harbour Multi-Storey Car Park** - £3m for the purchase of this site (which the Council currently leases), funded from borrowing.
- **Office Accommodation** - £2.5m has been included for office enhancement or relocation, however this scheme can only proceed if a disposal receipt from one of the council's office sites is realised.

11.17. Capital bids for the forthcoming years have been reviewed and scored. Where projects require prudential borrowing further details can be found within the attached Annex 4.

Table 4: New Capital Projects

New Capital Project	Total Cost (over 4 years) £'000	Project Outline
Ramsgate Harbour - Flap Gate Emergency Closing 25-26	80	Mitigation against the risk of water loss from the harbour in the event of hydraulic failure of the flap gates.
Ramsgate East and West Pier Hand Railings and Access Gates 23-24	170	Install railings to the West Pier, upgrade the East Pier railings, and install an access gate to the East Pier.

Customs Cutter Berth Refurbishment 23-24	70	Refurbish the Custom Cutter Berth at Ramsgate Port & Harbour to extend its service life.
Ramsgate Harbour - Replacement Oil Disposal Point 23-24	40	Replace the current Oil Disposal Point which is reaching the end of its service life.
Replacement Dock Master's Office 23-24	21	Install a new office (which has lower maintenance and utility costs) at Ramsgate Port & Harbour.
Smart Metering Upgrade 23-24	105	Upgrade the metering of electricity supply to customers at Ramsgate Port & Harbour (upgrading the current system which is reaching the end of its service life, and to increase coverage).
Vehicle CCTV Cameras, Trackers and Software Upgrade 23-24	261	Upgrade the cameras, trackers and associated IT requirements for the council's vehicle fleet (upgrading the current system which is reaching the end of its service life, and to increase coverage).
Infrastructure 23-24	1,320	Improve infrastructure in relation to the council's vehicle fleet and equipment, and facilitate the transition from diesel to electric power.
Homelessness Accommodation (Phase 2) 23-24 and 24-25	2,220	The further provision of temporary accommodation to meet the needs of homeless people.

11.18. The draft General Fund Capital Programme for 2023/24 is £33.000m, which will be funded in the main from grants, usable capital receipts and prudential borrowing. This is shown in summary format below.

Table 5: Draft Capital Programme 2023-2027

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Statutory and Mandatory Schemes	3,000	3,000	3,000	3,000
Ongoing Schemes from Previous Years	2,500	0	0	0
Annual/Regular Enhancement Programmes	1,299	2,304	1,919	873
Wholly/Part Externally Funded	22,786	2,510	600	0
Construction, Replacement and Enhancement	3,315	1,528	3,097	0
Capitalised Salaries (not yet allocated to capital projects)	100	100	100	100
Total Capital Programme Expenditure	**33,000**	**9,442**	**8,716**	**3,973**

Capital Resources Used:				
Capital Receipts and Reserves	2,850	350	350	350
Grants and Contributions	25,786	5,510	3,600	3,000
Contributions from Service Revenue Budgets	105	0	0	0
Prudential Borrowing	4,259	3,582	4,766	623

11.19. Any slippage from the 2022-23 capital programme will be in addition to the numbers in the above table. For example, the Budget Monitoring Report for the 15 December 2022 Cabinet meeting gives an estimated 2022-23 General Fund capital programme underspend of £16.542m.

12. Options

12.1. Cabinet could choose not to recommend to Council some or all of the proposals presented in the report. This could include the proposed budget growth, the Council Tax increase or planned contributions to or from reserves, as well as any amendments as proposed by OSP. However, Cabinet would also need to identify alternative ways of bridging the budget gap, if the changes gave rise to a budget shortfall.

13. Next Steps

13.1. If approved, this report will be considered by the Overview & Scrutiny Panel on 17 January 2023 and if the Panel makes recommendations to Cabinet, the Cabinet meeting on 26 January 2023 will consider them.

13.2. Council on 9 February 2023 will approve the budget and Council on 23 February 2023 will approve the Council Tax.

Contact Officer: *Chris Blundell (Acting Deputy Chief Executive)*
Reporting to: *Colin Carmichael (Interim Chief Executive)*
Annex List

Annex 1: General Fund Capital Programme 2022-23 to 2025-26
Annex 2: Flexible Use of Capital Receipts

Background Papers

Title: 2022/23 Budget Monitoring No.2,Cabinet 15 December 2022
Title: Fees and Charges 2023/24, Cabinet 12 January 2023

Corporate Consultation

Finance: *Not applicable*
Legal: **Sameera Khan (Interim Head of Legal & Monitoring Officer)**