

## Draft 2024/25 Budget

<b>Cabinet</b>	19 October 2023
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<b>Portfolio Holder</b>	Cllr Rob Yates, Cabinet Member for Corporate Services
<b>Status</b>	For Decision
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	Budget and Policy Framework

### Executive Summary:

This report presents the draft 2024/25 revenue budget and 2024-28 capital programme for the General Fund

### Recommendation(s):

1. The proposed budget consultation be approved for publication;
2. The draft 2024/25 General Fund revenue budget be considered and noted; and
3. The 2024-28 General Fund capital programme be considered and noted.

### 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 Corporate Services undertakes this statutory role.

Under the Localism Act 2011 there is a general power of competence which explicitly gives councils the power to do anything that an individual can do which is not prohibited by other legislation. Statutory guidance published in 2003 outlines how costs and charges should be established and that guidance remains in force (see: 'General Power for Best Value Authorities to Charge for Discretionary Services', ODPM, 2003). The Council must have regard to the guidance when charging for discretionary services under the 2003 Act.

## **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*

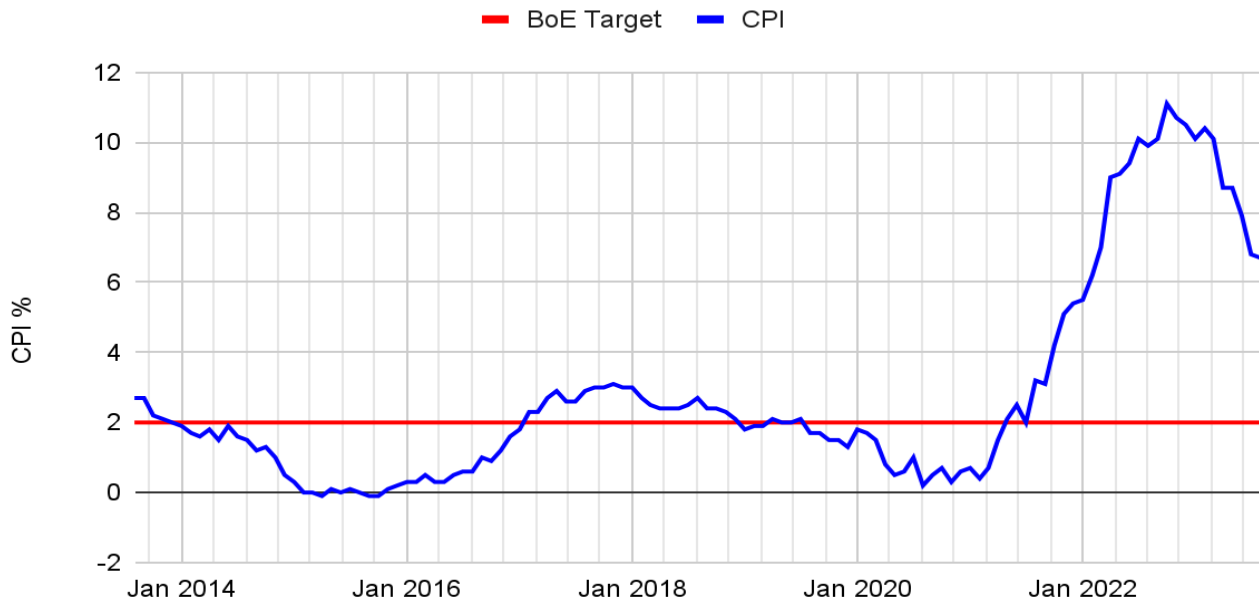
### **1. Introduction**

- 1.1. This report provides the draft 2024/25 budget for Cabinet's consideration. Cabinet is also asked to consider and approve the proposed budget consultation in order to obtain feedback from residents and other key stakeholders on next year's draft budget.
- 1.2. The budget has been produced within the context of our new corporate priorities, as presented elsewhere on the Cabinet agenda, government financial policy and the wider macro-economic environment.
- 1.3. Whilst information regarding local government funding for next year is still to be announced by the Department of Levelling Up, Housing and Communities (DLIHC), based on current assumptions for projected funding, along with budget pressures and proposals, a balanced draft budget for 2024/25 is presented to Cabinet.
- 1.4. The report covers the General Fund, both revenue and capital. A separate report will be presented to Cabinet in due course in regards to the Housing Revenue Account.

### **2. Background and Context**

- 2.1. The macroeconomic environment remains relatively unstable; whilst inflation (the rate of price increases) is falling from last year's 40 year high, prices are still rising with the Consumer Price Index (CPI) at 6.7% for August 2023 (September 2023 data to be published on 18 October 2023), which is well above recent historical averages and also the Bank of England's (BoE) 2% target.

## CPI



- 2.2. Consequently there are continuing 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.
- 2.3. 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.
- 2.4. Coinciding with increased expenditure expectations for next year is the continuation of restrained increases in council's core income streams, with government grant funding expected to be largely unchanged and council tax increases limited to below 3%. This divergence between the expenditure and core income budgets over the last couple of years has led to the development of budget strategy with a focus on optimising local income streams wherever possible, in order to protect and invest in service provision.
- 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 £92m capital programme to deliver over a four year timeframe. These funds in particular offer the opportunity for significant investment in 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. Allocate Growth to Resources in Accordance with Our Objectives**

The Council's objectives and priorities are set out in our Corporate Plan, which in turn sets our overarching approach and direction for the allocation of our financial resources, via the budget process, in order to achieve these goals. This plan is being updated and is included elsewhere on the Cabinet agenda.

Accordingly, the draft budget has been produced in accordance and alignment with the Corporate Plan, as demonstrated by the character of the budget proposals for the allocation of additional resources.

##### **2. 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 2024/25 fees and charges is included elsewhere in this Cabinet agenda; overall budget holders were challenged to apply a 7-8% inflation linked increase to fees and charges wherever possible.

##### **3. 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. We will also be investing in our assets to decarbonise are property estate and also investing in the necessary electric vehicle charging infrastructure.

##### **4. 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.

## **6. Continue with the 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 £2.2m of income for 2024/25. 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 Director of Corporate Services & s151 Officer and also Finance Officers.
- 3.5. There were numerous budget prioritisation meetings, held between Wednesday 2th August and Thursday 17th August. At each meeting a specific service area was considered and the relevant Portfolio Holder, Director and Head of Service 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 2024/25; 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. 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 2024/25.

## **4. Draft 2024/25 General Fund Revenue Budget**

- 4.1. Table 1 below sets out a balanced draft 2024/25 General Fund revenue budget for Cabinet's consideration.

**Table 1 - General Fund Revenue Draft 2023/24 Budget**

<b>Factor</b>	<b>£000</b>	<b>£000</b>
<b>Base Budget 2023/24</b>		<b>21,412</b>
<b>Spending Pressures</b>		
Pay award, Increments, Living Wage, Pensions	1,610	
Non-pay Inflation	380	
Debt Repayment & net cost of borrowing	300	
Budget Proposals - Base budget	200	
Budget Proposals - one-off reserve backed	399	
<b>Sub-total</b>		<b>2,889</b>
<b>Savings, Efficiencies and Income Generation</b>		
Fees and Charges	-350	
Savings, Efficiencies and Income Generation	-350	
<b>Sub-total</b>		<b>-700</b>
<b>2024/25 Net Service Revenue Base Budgets</b>		<b>23,601</b>
<b>Reserve Movements</b>		<b>-526</b>
<b>2024/25 NET GENERAL FUND REVENUE BUDGET</b>		<b>23,075</b>
<b>Funded by</b>		
Government Grants	-1,370	
Retained Business Rates & Section 31 Grants	-9,538	
Council Tax	-12,167	
<b>Total Funding</b>		<b>-23,075</b>

- 4.2. Taking all the expenditure adjustments into account provides a proposed net service revenue expenditure budget of £23.601m for 2024/25, representing a £2.189m increase on net revenue spending compared to 2023/24.

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 the next financial year has been financed from a variety of sources, including but not limited to:

- The additional retained business rates income (£1.667m);
- Increases in fees and charges (£0.350m);
- One-off net reserve contributions (£0.526m) to fund one-off activity associated with the delivery of corporate priorities or to forward fund invest to save schemes or activity that will generate additional income in the future;
- Council tax income (£0.590m).

4.4. Beyond the £2.189m increase in net service spending set out above, there has also been approximately a further £0.260m increase in revenue service budget expenditure for the planning service that will be wholly financed from equivalent additional planning 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 £1.610m of additional resources are needed to fund increases in pay due to:

- **Pay awards** - A 5.75% 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 £1.075m. It should be noted every 1% increase in the pay-award creates a permanent and cumulative budget pressure of approximately £187k.
- **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 £200k, which is broadly comparable to a further 1% increase in pay (as noted above). As such, consolidating incremental increases with the proposed 5.75% pay-award sees an overall increase in staff pay of approximately 6.75% (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 [May to July 2023 data](#) reported average annual pay increases of 7.8%, excluding bonuses).

**National Living Wage (NLW)** - The exception to the 6.75% average increase in pay are the lowest graded roles that are paid at the NLW. The NLW rate is anticipated to increase by 5.56% from 1 April 2024 an increase of 58 pence per hour, taking the NLW

to £11 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, the Corporate Management Team is 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 and have been included in the draft budget, if agreed this will also push equivalent pay to £11.21 per hour for these roles, i.e. above the living wage.

- The balance consists of other minor changes to some roles in the establishment (e.g. changes in grading following job re-evaluation or change in hours) plus additional pension and National Insurance costs.

### **Contractual and Essential Price Increases**

- 4.7. The draft budget assumes a £0.300m 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.

### **Net Cost of Borrowing & Minimum Revenue Provision**

- 4.8. The annual cost of servicing and repaying the council's borrowing is expected to increase by £300k. This will be detailed in the council's 2024/25 Treasury Management Strategy, which will be presented to the Cabinet for consideration at its January meeting.

### **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 - Base Budget**

- 4.9. **Open Spaces £65k** - £65k to be allocated in 2024/25, with a further £57k proposed for 2025/26, to facilitate the recruitment of three full time equivalent (FTE) new staff positions within the Open Spaces service over a two year period. The funding allocation will also allow for additional transportation costs and supplies and services.

This allocation will also create capacity for some additional graffiti cleaning within the Minor Works team. Associated with this revenue allocation is a £35k capital investment in the Capital Programme for an additional vehicle for the service.

- 4.10. **Playground Maintenance £22.5k** - It is proposed to increase the budget for playground maintenance by £30k overall, with £22.5k allocated through this proposal and a further £7.5k from the HRA for investment in parks on HRA land.



- 4.11. **Cleansing £68k** - It is proposed to create six new street cleansing operative posts through the utilisation of both this £68k allocation and the reallocation of £120k of budget savings, which have already been identified in the service area primarily through the implementation of a 'four-on four-off' rota.
- 4.12. **Resident Engagement £11k** - It is proposed to make a base budget allocation to allow us to continue using of the new online engagement platform 'Your Voice Thanet'
- 4.13. **Member Casework Delivery Officer £33k** - One additional full time equivalent post to enable and facilitate improved coordination of councillor casework and responding to ward queries.

#### **Reserve Allocations or Cost Neutral Service Investment**

- 4.14. **Planning £260k** - Increased planning resources funded from the increase in nationally determined planning fees. This additional income must be spent on planning activities and it is expected that £260k will be generated from the additional fees, with this being used to:
- Create 2 FTE planning posts at a cost of £124k,
  - Establishing Design Code support at £80k and
  - A BioDiversity Net Gain activities £56k
- 4.15. **Private Sector Housing 50k** - It is proposed to create a (1.0 FTE) new Private Sector Housing Projects Officer post. To aid delivery of private sector housing projects, including new selective licensing designations and significant responsibilities that will be imposed on the council by the Renters (Reform) Bill when it receives Royal Assent. The postholder will also be required to enhance the team's ability to impose financial penalties on rogue landlords.

The proposal requires £100k of reserve funding for the first two years (£50k per annum), but is expected to be fully funded by year three via selective licensing fee and financial penalty income.

- 4.16. **Public Health Agenda Officer £39k** - This proposal will create a new (1.0 FTE) Public Health Agenda Officer within Regulatory Services, initially for a 3 year fixed term contract. Given the health inequalities in Thanet and synergies with the work of public protection and environmental protection teams, locating this post within Regulatory Services will allow the opportunity to progress related projects and capitalise on the available funding. The post will be fixed term for 3 years and therefore funded from reserves (£117k in total), after which point it will be reviewed to assess the benefits of a permanent post.
- 4.17. **Procurement £80k** - Additional resources to aid efficient procurement functioning across the council, with focus on ensuring delivery of our enhanced capital programme including the council's extensive regeneration programme. To facilitate this it is proposed two posts (2x1.0 FTE) are created to work with service/contract managers at the front-end of the procurement process to aid them with the preparation of procurement approach and related documentation. Given the temporary nature of the works and pressures on the capital programme it is proposed to fund this from the risk reserve (£160k in total).
- 4.18. **Port and Harbour Dredging £180k** - The dredging budget has been reduced over several years to the point where the port and harbour cannot complete adequate dredging operations to maintain safe access to the port and harbour. This also means the port and

harbour cannot accommodate larger vessels leading to the potential for revenue loss. Therefore it is proposed to make a one-off reserve allocation of £180k to fund these works, with the expectation they will be fully funded from additional income associated with the port concession contract in future years.

- 4.19. **Port and Harbour Maintenance £50k** - Maintenance contract with approved lock gate operator for 6 monthly/ annual inspections and maintenance on lock gates and bascule bridge. The lock gates are very specialist equipment that require regular maintenance and inspections to ensure optimal operation. In the event of a failure we face high repair costs and insurance claims from harbour users. Again it is proposed this cost pressure is funded from reserves in 2024/25, with the expectation that it will be fully funded from additional income associated with the port concession contract in future years.

### **Other Priorities**

- 4.20. The council has to balance its budget, so not all priorities can be funded and included in the budget. If more funding is made available through the Local Government Finance Settlement following service areas and initiatives will be considered for additional resource allocation:

- **Neighbourhoods** - Additional graffiti cleansing and fly tipping removal.
- **Neighbourhoods** - Environmental Health Apprentices
- **Elections & Legal** - Additional staffing resources in these service departments.

### **Fees and Charges**

- 4.21. The council's approach to setting fees and charges for 2024/25 has been to target a minimum 8% inflationary increase (the rate of CPI in June 2023) in our fees and charges for next year. To ensure that charges remain competitive and that income budget expectations are realistic (e.g. where there are existing shortfalls of actual income against budget) for 2024/25 only a £350k (£600k for 2023/24) increase in our total budget income for fees and charges has been assumed; this is equal to approximately a 3.26% increase in our expected income take from fees and charges for the forthcoming year.
- 4.22. There is still some remaining work to complete in order to finalise the proposed schedule of fees and charges for 2024/25. At this stage in the budget setting process, the key headlines in terms of proposed changes to fees and charges are as follows:

**Maritime** - Inflation based increases in charges for this service area should generate a further £164k.

**Parking** - The primary consideration when setting parking charges is to manage traffic flow. In order to maintain the real-terms affect on customer behaviour a broad inflation based increase of approximately is proposed to be applied. The financial implications of this change is that revenues are expected to increase by approximately £150k.

**Garden Waste** - The council is considering applying an inflation based increase in this area, however this may only increase the income budget by a further £15k, due to existing in-year deficits on income projections for 2023/24

**Crematorium** - Fees and charges are being examined closely in this area to ensure the offer remains competitive given opening of crematoria facilities in Herne Bay and Faversham and the potential risk of a share of our existing customer base to be lost to these new facilities. At present no change in the income budget for this service is proposed.

**Planning** - As detailed above, the £260k of additional income expected to be retained following the increase in the nationally set planning fees will be reinvested into the planning service.

- 4.23. As part of the overall budget setting process, the full detailed schedule of the proposed fees and charges for 2024/25 will be presented to both the Overview and Scrutiny Panel and the Cabinet in January 2024 for recommendation to Council for approval in February.

### **Savings, Efficiencies and Income Generation**

- 4.24. 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.

There are no savings proposed that adversely impact services delivery or directly impact the size of the staffing establishment. The following efficiency savings are proposed:

- **A £50k digitalisation and transformation saving** - This is a modest level of savings that is expected to be realised from activities and budgets across the council by continuing the delivery of our digital transformation programme.
- **£100k from the establishment of a new Service Delivery Vehicle (SDV) to Replace the Civica Contract** - A prudent £100k is expected to be saved for TDC from a review of recharges and overheads that are currently apportioned across the East Kent partnership, as part of the existing shared contract with Civica for the provision of Revenues & Benefits and Customer services. Greater savings should be realised beyond 2024/25, with the potential for accompanied income gains too if a Local Authority Trading Company is adopted as the preferred SDV.
- **Interest on Balances £200k** - A further increase from our interest received on our cash balances.

## **5. Funding Allocations**

- 5.1. The Chancellor's Autumn Statement is expected on the 22 November 2023, following which the Provisional Local Finance Settlement for 2024/25 is expected to be announced in mid-to-late December. Until then it is necessary to budget based on the assumed level of government support that we expect to receive.
- 5.2. More detail on assumed income allocations is provided in the following sections.

### **Council Tax**

- 5.3. It is expected that the maximum district councils will be permitted to increase council tax for 2024/25 will again be limited to the higher of 3% or £5. For Thanet, a 3% increase results in a £7.64 increase in the band D equivalent and this is proposed in the draft budget.

Alongside an expected 2% increase in the council taxbase (number of chargeable homes), we expect to see a £600k increase in our income from council tax.

### **Business Rates**

- 5.4. The existing retained business rates retention system is expected to continue in its current form for at least the next two years. Based on current assumptions (within a very complex system) we are expecting to retain an additional £1.7m from business rates next year, which is now Government's main mechanisms for funding inflation pressures in local government.

### **Grants**

- 5.5. The grant regime and our allocations for 2024/25 are expected to be largely unchanged from 2023/24. The main change in our approach is to include £100k of our expected £400k allocation from New Homes Bonus (NHB) in the base budget, on the assumption that the government will still have some form of grant scheme (albeit smaller) in place to incentivize house building after NHB is eventually phased out.

## **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 2021/22 the council held £2m in its General Fund balance, £15.6m in earmarked reserves (non-covid) and £4.1m in covid related reserves. However, the draft 2022/23 accounts are still to be published, audited and finalised, which limits the ability to assess reserve holdings at that juncture. The production of draft 2022/23 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 Cabinet in the new calendar year.

- 6.5. Our reserve position has much improved in recent years, which allows some flexibility to fund one off or time-limited proposals from reserves. The planned movements in reserves are set out below.

### **Planned reserve movements**

- 6.6. To balance next year's budget, the following reserve contributions are proposed.
- 6.7. **Service Investment £399k** - As detailed at sections 4.14 to 4.19 timelimed reserve allocations are proposed to support cabinet priorities or to forward-fund invest to save or income generation initiatives.
- 6.8. **Homelessness £75k** - At the end of 2021/22 the Council held £330k in a specific earmarked reserve for homelessness, with the purpose of the reserve being to hold unspent homelessness grants and recovered rent deposit monies to draw down, depending on the economic climate and homelessness projects. Given the increasing demand being placed on the service it is agreed to make a £100k contribution from this earmarked reserve in 2023/24 to support the base budget and a contribution of £75k is proposed for 2024/25.
- 6.9. **New Homes Bonus (NHB) £300k** - NHB is an uncertain funding stream and it is recommended that it is not included in the base budget in full. As such, it is recommended only £100k of the allocation is included in the base budget and that £300k of the funding is allocated to the reserves and earmarked to part-finance Homelessness Accommodation capital schemes.
- 6.10. **Climate Change** - When setting the 2023/24 budget it was agreed that £40k would be taken from the risk management reserve for the next two years to fund a Climate Change Coordinator post. This is the second year of the planned allocation.
- 6.11. **Collection Fund Movements £312k** - A £239k contribution will be taken from the Equalisation reserve and £73k from the Covid Reserve to fully fund the budgeted collection fund deficits on Business Rates and Council tax.
- 6.12. **Governance** - 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.”*

Planned contributions to reserves of £180k were agreed to be included in the 2022/23 and 2023/24 budgets, in order to restate the reserve balances that were used to fund the anticipated costs associated with the conclusion of governance and disciplinary matters. However, given the overall improvement in the council's reserves and balance position this planned contribution is no longer required for 2024/25 and beyond.

## **7. General Fund Capital Programme**

- 7.1. This section considers the draft capital programme for the period 2024/25 to 2027/28. A detailed breakdown of the programme, at individual scheme level, is included in Annex 1.
- 7.2. The draft General Fund capital programme for 2024/25 is £53m, with £92m programmed to be spent across the four years up to 2027/28. 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.
- 7.3. 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.
- 7.4. 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.

### Capital Projects and Schemes

- 7.5. 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 £4.891m currently programmed to be spent in 2024/25. 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 £18.242m currently programmed to be spent in 2024/25. 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 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 £20.412m, with £17.117m currently programmed to be spent between 2024/25 and 2025/26. This scheme is wholly externally funded and delivers a range of initiatives including creation of the Creative Land Trust, investment 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 £1.867m currently programmed to be spent in 2024/25. 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** - £10.960m 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** - £1.250m 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** - £0.740m over four years, funded from borrowing.
- **Stone Bay Sea Wall Work** - £450k, reprofiled for delivery in 2025/26, externally funded.
- **Ramsgate Port - Berth 1 Refurbishment** - £300k reprofiled for delivery now in 2024/25, funded from borrowing
- **Walpole Coping and Sea Wall** - £450k, preprofiled for delivery in 2024/25, externally funded.
- **Royal Harbour Multi-Storey Car Park** - £3m in 2025/26 for the purchase of this site (which the Council currently leases), funded from borrowing.
- **Homelessness Accommodation (phase 2)** - The total size of this capital project is £2.2m, of which £1.2m is profiled for 2024/25 (funded from borrowing).

7.6. 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 1.

**Table 4a: New Capital Projects**

<b>New Capital Project</b>	<b>Total Cost (over 4 years) £'000</b>	<b>Project Outline</b>
Vehicle & Equipment Replacement Programme (Maritime)	771	To give Maritime its own programme rather than having separate capital projects. This will increase flexibility as well as streamlining and simplifying the capital process for Maritime vehicles and equipment.
Margate Harbour Wall Stabilisation	450	To reduce the risk of structural failure, maintain flood protection for Margate old town, and maintain access to the harbour arm and businesses.
CCTV Control Room and Systems Upgrade	350	Expand the CCTV control room, upgrade systems, and further develop the district's CCTV coverage and monitoring.
Ramsgate Leisure Centre - solar panels	570	To generate clean and renewable electricity on site, and to reduce carbon emissions.
Hartsdown Leisure Centre - solar panels	213	To generate clean and renewable electricity on site, and to reduce carbon emissions.

Thanet Gateway Windows / Rooflights	176	Refurbishment of windows and rooflights, increasing thermal efficiency and reducing carbon emissions.
Ramsgate Port & Harbour: Ladder Refurbishment	70	To facilitate berthing for vessels that are currently too large to be accommodated.
Mill Lane Car Park Refurbishment	1,563	Work to ensure the car park remains safe and compliant for use by drivers.

**Table 4b: New Capital Projects (placeholders only at this stage - subject to finalisation of capital bids and scoring)**

New Capital Project	Total Cost (over 4 years) £'000	Project Outline
Homelessness Accommodation (further phases)	7,200	The further provision of temporary accommodation to meet the needs of homeless people.
Household Waste and Recycling Container Improvement	1,096	To replace red bags with standard wheeled bins (for kerbside paper and card collections). Bags have a relatively short lifespan and, once emptied, can blow away in windy weather. This project will also consider the implications of Section 57 of the Environment Act in terms of the separation of waste requirements and what this will mean for our current suite of waste receptacles.
Litter and Recycling Bin Replacement	303	Improvement programme to ensure that bins are in good condition and to facilitate recycling
Decarbonisation of the Kent Innovation Centre	2,065	Replace the current gas boilers with a low carbon alternative heating solution (such as additional roof insulation, window improvements, LED lighting, heat pumps, new radiators etc etc).
Decarbonisation of Cecil St Main Office & Gateway	4,400	Replace the current gas boilers with a low carbon alternative heating solution (such as additional roof insulation, window improvements, LED lighting, heat pumps, new radiators etc etc).
Coastal Bin Housings	90	The installation of coastal bin housings to control fly-tipped waste
Ramsgate Port & Harbour: Refurbishment of Dockmaster Office	50	To improve the specification and create a drying room

7.7. The draft General Fund Capital Programme for 2024/25 is £52.626m, 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 2024-2028**

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Statutory and Mandatory Schemes	3,000	3,000	3,000	3,000



Ongoing Schemes from Previous Years	1,200	0	0	0
Annual/Regular Enhancement Programmes	4,019	5,215	3,323	9,763
Wholly/Part Externally Funded	42,417	7,515	0	0
Construction, Replacement and Enhancement	1,890	4,421	71	0
Capitalised Salaries (not yet allocated to capital projects)	100	100	100	100
<b>Total Capital Programme Expenditure</b>	<b>52,626</b>	<b>20,251</b>	<b>6,494</b>	<b>12,863</b>
<b>Capital Resources Used:</b>				
Capital Receipts and Reserves	897	1,721	421	350
Grants and Contributions	45,417	7,929	3,000	3,000
Contributions from Service Revenue Budgets	0	0	0	0
Prudential Borrowing	6,312	10,601	3,073	9,513

- 7.8. Any slippage from the 2023/24 capital programme will be in addition to the numbers in the above table. For example, the Budget Monitoring Report for the 21 September 2023 Cabinet meeting gives an estimated 2023/24 General Fund capital programme underspend of £5.960m.

## 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:

**Approval of proposed Council Tax or Fees and Charges increases** - Should Council not approve the proposed increases in council tax of fees and charges it would be necessary to revisit the budget proposals presented in this budget and either scale back the proposed budget growth or find equivalent savings.

**Non-delivery of efficiency savings** - There are relatively limited savings included in the 2024/25 budget compared to previous years. Nonetheless, the non-delivery of these proposals (e.g. digital transformation) would still place a financial strain on the 2024/25 budget.

**Income shortfalls** - There is a risk of in-year income (council tax, business rate, fees and charges) shortfalls due to the economic environment.

**Temporary Accommodation Costs** - A £1.200m of additional budget provision was allocated within the 2022/23 and 2023/24 budgets 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 2024/25 budget. Should these assumptions result in underestimates of inflation, especially that of construction costs, energy and fuel, this would result in an in-year budget pressure.

**Capital Programme Delivery** - As set out above the council has an expansive capital programme compared to historic norms for the council, as such delivery of the expanded capital programme could be put at risk due to staffing resource constraints (e.g. management and support services).

**Pay &/or Industrial Action** - A 5.75% pay offer has been formally presented to the unions and it is anticipated that it will be accepted. However, given the industrial action that has been seen across many industries in recent months and persistently high inflation there remains a risk that future pay negotiations may be challenging and that subsequent industrial action could follow.

**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.

**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 electric 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. 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. A detailed Medium Term Financial Strategy covering the 2024-28 financial years will be presented to Cabinet in January, setting out the expected financial position over this timeframe and any necessary action to address budgetary pressures or shortfalls.

## **10. Resident Views and Corporate Priorities**

- 10.1. At the end of this month (October 2023) the council will launch a public consultation on its proposed corporate priorities, as detailed elsewhere on the council agenda. As part of this exercise, the council will also undertake a consultation with residents and our stakeholders on this draft budget.

- 10.2. The outcomes of this consultation will inform the budget that is presented to Councillors for approval in the new year.

## **11. Next Steps**

- 11.1. If approved, a consultation with residents and stakeholders will be undertaken on the budget proposals set out within this report.
- 11.2. The outcome of this consultation will inform the draft budget that will be presented to be considered by the Overview & Scrutiny Panel on 16 January 2024 and if the Panel makes recommendations to Cabinet, the Cabinet meeting on 25 January 2024 will consider them.
- 11.3. Council on 8 February 2024 will approve the budget and Council on 22 February 2024 will approve the Council Tax.

Contact Officer: *Chris Blundell (Director of Corporate Services - Section 151)*

Reporting to: *Colin Carmichael (Interim Chief Executive)*

### **Annex List**

Annex 1: Draft General Fund Capital Programme 2024-28

### **Corporate Consultation**

**Finance:** *Not applicable*

**Legal:** *Sameera Khan (Interim Head of Legal & Monitoring Officer)*