

This report will be made public 10 January 2022

Report number **C/21/67**

To: Cabinet
Date: 26 January 2022
Status: Key Decision
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: DRAFT GENERAL FUND BUDGET 2022/23

SUMMARY: This report sets out the Council's Draft General Fund budget for 2022/23.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because they form part of the budget-setting process which will culminate in Full Council approving the budget and council tax for 2022/23 on 23 February 2022, in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note report C/21/67.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2022/23 budget and council tax recommendations for approval by Full Council in February 2022.

1. INTRODUCTION AND BACKGROUND

- 1.1 Council approved the Medium Term Financial Strategy 2022/23 to 2025/26 (MTFS) on 24 November 2021 and Cabinet agreed the Budget Strategy for 2022/23 on 15 December 2021. These reports considered the council's forecast budget position for 2022/23 from a strategic perspective. This report now sets out the detail for the draft General Fund budget, prior to Full Council approving the final budget proposals and the level of council tax at its meeting on 23 February 2022.
- 1.2 The budget proposals in this report been prepared assuming a 2.0% council tax increase in 2022/23. The final decision will not be confirmed until 23 February 2022. In addition, the following remain to be finalised:
- the forecast for council tax and net business rates income.
 - the council tax base position.
 - this council's share of Collection Fund balances.
 - the Local Government Finance Settlement.
- These items will be confirmed in the final budget report.
- 1.3 The MTFS identified that the Council faced a budget shortfall of £1.6m in 2022/23. The Corporate Leadership Team, Assistant Directors and Chief Officers have reviewed current budget allocations and savings proposals. Unavoidable budget growth of £444k was approved by Cabinet on 15 December. In addition the review of fees & charges and other identified savings resulted in savings of £1.047m being identified through the Budget Strategy process. The draft budget detailed in this report reflects the changes made as a result of these reviews.

2. CONTEXT

- 2.1 The context and financial climate have previously been set out in the MTFS and Budget Strategy reports. The Council continues to face challenging times and tight financial restraint is expected to continue to be applied across the public sector well over the medium to longer term.

Local Government Finance Settlement

- 2.2 The Provisional Local Government Finance Settlement was announced on 16 December. This was a one year settlement proposal for 2022/23 with further details on proposed funding reform to follow during early 2022.
- 2.3 The settlement confirmed the referendum limits for Council Tax at 2% (or £5 for district and fire authorities where this exceeds the 2%). No referendum limits will apply for town and parish councils. The settlement also confirmed that New Homes Bonus will be 'rolled over' for a further year, confirming allocations and the final legacy payment honoured. The lower tier services grant was also 'rolled over' with £111m being made available nationally.

3. GENERAL FUND BUDGET 2022/23

- 3.1 The draft budget for 2022/23 is presented in detail at Appendix 1 compared to the original budget for 2021/22. It includes the draft position for the Council's contribution to the Folkestone Parks and Pleasure Grounds Charity, the cost of which determines the special expense falling on Folkestone and Sandgate taxpayers.
- 3.2 The budget estimates are presented on a 'controllable' basis only; all inter service area recharges, capital charges and certain other technical accounting adjustments are excluded. Focus can therefore be on real changes in expenditure and income within a service area.
- 3.3 Table 1 below sets out a summary of the budget. Appendix 1 provides a more detailed breakdown of the budget across service areas.

Table 1: General Fund Summary

	2021/22 Original	2022/23 Original
	Budget	Budget
	(Based on outturn prices)	
	£	£
SUMMARY OF NET EXPENDITURE		
Service Heads		
Finance, Strategy & Corporate Services	6,148,800	7,657,250
Human Resources	655,850	626,780
Governance & Law	2,449,910	2,589,890
Leadership Support	907,520	1,004,220
Place	6,600,060	6,254,240
Economic Development	1,304,330	762,030
Planning	212,940	137,020
Operations	2,487,590	1,358,450
Strategic Development	70,490	39,670
Housing	3,345,600	3,342,840
Transition & Transformation	-	-
Recharges	(5,559,000)	(5,613,000)
Vacancy& savings target	(608,800)	(224,000)
TOTAL HEAD OF SERVICE NET EXPENDITURE	18,015,290	17,935,390
Internal Drainage Board Levies	483,570	493,241
Interest Payable and Similar Charges	739,000	801,000
Interest and Investment Income	(754,000)	(1,320,000)
Council Tax Freeze Grant	-	-
New Homes Bonus Grant	(836,050)	(744,272)
Other non-service related Government Grants	(1,971,230)	(1,763,462)
Town and Parish Council Precepts	2,594,250	2,646,132
TOTAL GENERAL FUND OPERATING NET EXP	18,270,830	18,048,029
Net Transfers to/(from) Earmarked Reserves	(2,760,260)	(3,526,170)
Minimum Revenue Provision	886,000	1,667,000
Capital Expenditure funded from Revenue	1,280,000	2,363,000
TOTAL TO BE MET FROM LOCAL TAXPAYERS	17,676,570	18,551,859
Transfer to/(from) the Collection Fund	67,290	-
Business Rates Income	(3,905,100)	(3,943,223)
TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	13,838,760	14,608,636
Council Tax-Demand on Collection Fund	(13,128,210)	(13,494,053)
(SURPLUS)/DEFICIT FOR YEAR	710,550	1,114,583

Service Budget Changes 2022/23 Compared to 2021/22

3.4 Forecast Head of Service net expenditure has decreased by £79,900 (0.44%):

	Budget
	£
Original 2021/22 General Fund Budget	18,015,290
Original 2022/23 General Fund Budget	<u>17,935,390</u>
Decrease	<u>79,900</u>

4. RESERVES

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy in December 2021 and will be updated to reflect planned use and 2021/22 outturn predictions for inclusion in the final budget reports to Cabinet and Council on 23 February 2022

4.2 Estimates of changes to Earmarked Reserves are shown below:

Description of Reserve	Balance 1/4/21 £000	Forecast Balance 31/3/22 £000
General Reserve	3,822	4,333
Earmarked Reserves:		
Business rates	2,723	1,901
Carry forwards	691	472
IFRS	8	5
Vehicles, equipment and technology	283	317
New Homes Bonus initiatives	2,341	1,998
Corporate initiatives	598	69
Maintenance of Graves	12	12
Leisure	547	447
Otterpool Park	-	-
Economic Development	1,991	1,754
Community Led Housing	365	310
Lydd Airport	9	9
Homelessness Prevention	488	586
High Street Regeneration	2,070	1,054
Climate Change	4,946	4,530
Covid Recovery	6,501	300
Total Earmarked Reserves	<u>23,573</u>	<u>13,764</u>
Total General Fund Reserves	27,395	18,097

Notes:

¹ IFRS = International Financial Reporting Standards

² VET = Vehicles, equipment and technology

5. BUDGET PREPARATION – NEXT STEPS

- 5.1 The following items remain subject to confirmation:
- Final Local Government Finance Settlement.
 - Council Tax Base position
 - The council's share of the Collection Fund surplus or deficit.
 - Town and parish precepts.
 - Business rates income forecast.
- 5.2 These will be covered in the final budget reports to Cabinet and Council on 23 February 2022, along with details of the special expense charged to Folkestone and Sandgate taxpayers.

6. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 6.1 The Local Government Act 2003 requires the Council's Chief Finance Officer to formally give an opinion on the robustness of the budget and adequacy of reserves.
- 6.2 The Chief Finance Officer's statement will be presented to Council when it considers the budget for 2022/23 on 23 February 2022; it will set out the assumptions used to arrive at the final budget recommendations.

7. BUDGET CONSULTATION

- 7.1 The objectives for consultation on the 2022/23 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2022/23; and
 - (iii) Seek feedback on general spending and income generation priorities

- 7.2 The target audience and communication channels will include:

Group	Channel
Residents	<ul style="list-style-type: none">• Council website and social media• Dedicated e-mail address• Option to submit information by post
Business Community	Consultation shared with Folkestone & Hythe Business Advisory Board
Other Community Groups	Consultation to be shared with key stakeholder
Town and Parish Councils.	Direct communication to invite feedback.

- 7.3 Consultation feedback responses will be summarised and reported to Cabinet in February.

8. CONCLUSION

- 8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2022/23 budget and council tax recommendations for approval by Council in February 2022.

9. RISK MANAGEMENT ISSUES

- 9.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including ongoing impact of COVID	Medium	Low-medium	Setting of a prudential budget and continuing strong financial control in the Council's decision making.
Budget strategy not achieved.	High	Low-medium	Close control of the budget making process and a prompt and decisive response to addressing budget issues. Stringent budget monitoring and reporting during 2022/23 and future years.
MTFS becomes out of date.	High	Low	The MTFS is fully reviewed annually through the budget process.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed. Detailed budget has been fully reviewed ahead of proposals made.
Incorrect assessment of Local Government Finance Settlement impact.	High	Low	Current position is based on known information. Position will be updated before February report is presented.

10. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

10.1 Legal Officer's Comments (AK)

Subject to Cabinet ensuring best value and having regard to its general fiduciary duties and those relating to equality, transparency and efficiency, there are no legal implications arising directly out of this report.

10.2 Finance Officer's Comments (CS)

The Budget for 2022/23 will be submitted for approval by Cabinet and Full Council in February. This report is the latest stage in the detailed budget process and will be used to inform the preparation of the final budget proposals.

10.3 Diversities and Equalities Implications (CS)

The budget report to Council in February 2022 will include an Equality Impact Assessment of the budget recommendations for 2022/23.

11. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Charlotte Spendley, Director of Corporate Services
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The following background documents have been relied upon in the preparation of this report:

- Medium Term Financial Strategy 2022/23 to 2025/26
- Budget Strategy 2022/23

Appendices:

Appendix 1 – General Fund Budget Estimates (detail)