

This report will be made public 23 December 2022

Report number **C/22/77**

**To:** Cabinet  
**Date:** 25 January 2023  
**Status:** Key Decision  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Member:** Councilor David Monk – Leader and Portfolio Holder for Finance

**SUBJECT:** DRAFT GENERAL FUND BUDGET 2023/24

**SUMMARY:** This report sets out the Council's Draft General Fund budget for 2023/24.

**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 2023/24 on 22 February 2023, in accordance with the Local Government Finance Act 1992.

**RECOMMENDATIONS:**

1. To receive and note report C/22/77.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2023/24 budget and council tax recommendations for approval by Full Council in February 2023

## 1. INTRODUCTION AND BACKGROUND

- 1.1 Council approved the Medium Term Financial Strategy 2023/24 to 2026/27 (MTFS) on 30 November 2022 and Cabinet agreed the Budget Strategy for 2023/24 on 14 December 2022. These reports considered the council's forecast budget position for 2023/24 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 22 February 2023.
- 1.2 The budget proposals in this report have been prepared with the assumptions of a 2.99% council tax increase in 2023/24 in line with the latest referendum regulations provided in the Government's Provisional Local Government Settlement that was received by the Council on 19 December 2022. The final decision will not be confirmed until Full Council on 23 February 2022. The Council has a statutory requirement to set a balanced budget and Council Tax annually under the Local Government Finance Act 1992 and Council Tax (Administration and Enforcement) Regulations 1992.
- 1.3 In addition, to the final level of Council Tax to be set, the following elements of the Budget must also be completed :
- the forecast for Council Tax and net business rates income (NDR1)
  - the final council tax base position approved by S151 Officer
  - the final Local Government Finance Settlement from Government.

These items will be confirmed in the final budget report to Full Council on 22 February 2023.

- 1.3 The MTFS identified a General Fund budget shortfall of £4.286m for 2023/24. The Corporate Leadership Team, Assistant Directors and Chief Officers have reviewed current budget allocations and savings proposals. Unavoidable budget growth of £792k was approved by Cabinet on 14 December alongside revenue savings of £599k. In addition the review of fees & charge identified savings resulted in savings of £186k, being identified through the Budget Strategy process. The draft budget detailed in this report reflects the changes made as a result of these reviews.

The Table below summarises the Budget position for 2023/24

<u>MTFS Gap - existing gap</u>	<u>4,286,000</u>
Add Growth proposed	792,456
Less Savings proposed	-598,655
Less Fees and Charges proposed	-185,710
<b>Revised - GAP (Cabinet 14/12/2022)</b>	<u><b>4,294,091</b></u>

## **2. BUDGET 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 a very challenging financial and economic climate as a result of the war in Ukraine and the impact of many other financial and economic pressures which have led to a period of high inflation and borrowing costs, coupled with high energy costs and a cost of living crisis, with many residents of the district now facing hardship. The United Kingdom itself faces a period of possible recession and public sector funding pressures over the near, medium and longer term.

### **Provisional Local Government Finance Settlement and technical adjustments to the Budget**

- 2.2 The Provisional Local Government Finance Settlement was announced by the Department for Levelling Up, Housing & Communities (DLUHC) on 19 December 2022. The provisional settlement is once again a holding position, designed for stability and certainty within available resources as it is based on proposed allocations for 2023/24 with a set of policy principles for 2024/25. The broad approach is based on a uniform roll-over of the core elements of the 2022/24 settlement funding assessment (SFA) however, new additional resources have been made available for one further year of New Homes Bonus ; a new 3% Funding guarantee grant and a new service grant – plus a CPI multiplier cap compensation for Business Rates. These new resources are in the form of one-year grants and have been welcomed by Councils. Apart from the multiplier cap compensation, all Councils were unaware of these new grants until a policy paper was issued by DLUHC days, before the Provisional Local Government settlement was received.
- 2.3 In summary it has been proven to be a very good provisional settlement for Folkestone and Hythe District Council. In particular, the Council benefits from the receipt of additional new grants (one year only) for New Homes Bonus ; a new 3% Funding level guarantee and a new Service Grant allocation. The business rate multiplier compensation grant was expected once it was confirmed that the Government would compensate councils at CPI level rather than RPI.
- 2.4 The Table below summarises the funding gains for the Council as a result of the settlement – it should be noted that these results are subject to final settlement confirmation by the Government which is expected to be received before Full Council meets on 22 February 2023 to approve the final budget and set the statutory level of Council Tax for 2023/24.

Provisional Local Government Settlement (subject to Final settlement)

SFA increase (excluding rolled in grants) over 2022/23	-139,740
New Homes Bonus / Extra 1 year confirmed - NEW	-365,568
3% Funding level guarantee payment - NEW	-670,098
Service Grant Allocation - NEW	-144,991
Increase in BR Multiplier indexing compensation (provisional)	<u>-375,000</u>

**Additional Funding received from Government** -1,695,397

- 2.5 Since Cabinet met on 14 December 2022, there have been two other technical budget developments that have resulted in further savings for the Council. Kent County Council as administering authority for Kent Pension Fund is required to execute an actuarial valuation every three years (triennial review) to assess the pension fund position. The actuarial review sets revised contribution rates to ensure the pension fund remains on-track and is adequately funded.
- 2.6 Folkestone & Hythe District Council are a member of this fund and contribute to the fund (employers pension costs) for staff who are in the Local Government Pension Scheme. The Council has approved annual budgets to a make these contributions.
- 2.7 In summary, the latest valuation is likely to require a reduced level of contribution to the fund due to the improvements in the overall fund level since the last valuation in 2019. There are many reasons for this improved position, including the recovery from COVID-19 that affected the financial markets and pension valuations markedly in 2020.
- 2.8 The reduced level of contribution for the Council will save £320k in 2023/24 (subject to receiving the final confirmation letter from the actuary in March 2023.)
- 2.9 The second technical change is the confirmation in the settlement that District Council's can increase Council Tax to 2.99% without the need for a referendum. The MTFs had originally factored in a 1.99% increase and therefore a further 1% Council Tax yield is possible if Full Council agrees to this increase at its meeting on 22 February 2022. In addition to this, the Council has now prepared its detailed Council Tax base for 2023/24 (also subject to Full Council approval) and this has resulted in an additional 416 properties being added to the base. The net impact of these adjustments is an additional Council Tax yield of £230k – subject to Full Council agreement. It should also be noted that no referendum limits still apply for town and parish councils, as was the case last year for 2022/23.
- 2.9 The revised and reduced budget gap for the Council after allowing for the Provisional Local Government settlement and the technical adjustments is shown in the table below:

## MTFS Gap - existing gap - Cabinet 14 December 2022

<b>Revised - GAP (Cabinet 14/12/2022)</b>	<b>4,294,091</b>
Increase in Tax base with Council Tax at 2.99% (Band D Avg)	-230,005
Provisional Local Government Settlement	-1,695,397
Kent Pension Fund Actuarial Valuation - revised contributions	-320,000
<b><u>Revised - total - GENERAL FUND GAP</u></b>	<b><u>2,048,689</u></b>

- 2.10 As detailed in paragraph 8.0 of the recent Budget Strategy report that was agreed by Cabinet on 14 December 2022, the Council's Corporate Leadership Team continues to review and determine a range of approaches to address the budget gap in the short and medium term. The final Budget report for Full Council on 22 February 2022 will outline the final budget recommendations to ensure a balanced budget recommended to Full Council for Council Tax setting purposes on 22 February 2023.
- 2.11 It should also be noted that the Council is still awaiting the final settlement of the pay award for staff, however provision already exists with the MTFS for the payments of this award.

### **3. DETAILED DRAFT GENERAL FUND BUDGET 2023/24**

- 3.1 The draft budget for 2023/24 (including the factors outlined above) is presented in detail at Appendix 1 compared to the original budget for 2022/23. 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 internal 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 – with all the updated Budget Pages following

**GENERAL FUND  
SUMMARY**

	2022/23 Original Budget	2023/24 Original Budget
	(Based on outturn prices)	
	£	£
<b>SUMMARY OF NET EXPENDITURE</b>		
<b>Service Heads</b>		
Finance, Strategy & Corporate Services	7,695,250	8,301,370
Human Resources	626,780	683,190
Governance & Law	2,589,890	2,951,100
Leadership Support	1,004,220	740,960
Place	6,254,240	6,662,940
Economic Development	762,030	479,870
Planning	137,020	165,400
Operations	1,486,040	2,364,630
Strategic Development	39,670	-
Housing	3,342,840	3,048,610
Recharges	(5,727,500)	(5,919,556)
Vacancy Target & Savings Target not included in service heads	74,000	(224,000)
<b>TOTAL HEAD OF SERVICE NET EXPENDITURE</b>	<b>18,284,480</b>	<b>19,254,514</b>
Internal Drainage Board Levies	493,241	556,565
Interest Payable and Similar Charges	801,000	2,502,000
Interest and Investment Income	(1,320,000)	(2,521,000)
	-	-
New Homes Bonus Grant	(744,700)	(365,568)
Other non-service related Government Grants	(2,088,051)	(4,092,551)
Town and Parish Council Precepts	2,659,325	2,659,325
<b>TOTAL GENERAL FUND OPERATING NET EXP</b>	<b>18,085,295</b>	<b>17,993,285</b>
Net Transfers to/(from) Earmarked Reserves	(5,507,170)	(1,387,000)
Minimum Revenue Provision	1,667,000	1,625,000
Capital Expenditure funded from Revenue	2,363,000	1,789,000
<b>TOTAL TO BE MET FROM LOCAL TAXPAYERS</b>	<b>16,608,125</b>	<b>20,020,285</b>
Transfer to/(from) the Collection Fund	-	50,000
Business Rates Income	(2,815,831)	(3,872,289)
Revenue Support Grant	-	-
<b>TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND &amp; GENERAL RESERVE</b>	<b>13,792,294</b>	<b>16,197,996</b>
Council Tax-Demand on Collection Fund	(13,591,730)	(14,149,945)
<b>(SURPLUS)/DEFICIT FOR YEAR</b>	<b>200,564</b>	<b>2,048,051</b>
<b>GENERAL RESERVE</b>		
Balance at Beginning of Year		
(Surplus)/Deficit for Year	200,564	2,048,051
<b>BALANCE AT END OF YEAR</b>	<b>200,564</b>	<b>2,048,051</b>

### Service Budget Changes 2022/23 to 2023/24

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

	<b>Budget</b>
	<b>£</b>
Original 2022/23 General Fund Budget	18,284,480
Original 2023/24 General Fund Budget	<u>19,254,514</u>
<b>Change</b>	<b><u>1,240,034</u></b>

## 4. RESERVES

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy on 14 December 2022 and is being reported to Cabinet on 25 January 2023 as part of General Fund Budget Monitoring. It will be updated to reflect planned use and 2022/23 outturn predictions (budget carry forwards or reserve additions) for inclusion in the final budget reports to Cabinet and Council on 22 February 2022

4.2 Estimates of changes to Earmarked Reserves are shown below as outlined in the latest Quarter 3 Budget Monitoring report to Cabinet on 25 January 2023:

Reserve	Balance at 1/4/2022 £'000	Projection £'000	Balance at 31/3/2023 £'000	Notes
<b>Earmarked</b>				
Business Rates	2,662	(1,119)	1,543	To support the Business Rate Retention scheme
Leisure Reserve	447	50	497	Leisure improvements - £250k ringfenced - maintenance
Carry Forwards	1,356	176	1,532	Previous year Budget carried forward
VET Reserve	287	(214)	73	Vehicle, equipment & technology replacement
Maintenance of Graves	12	0	12	Amounts in perpetuity for grave costs
New Homes Bonus (NHB)	1,997	(1,589)	408	Residual amount of remaining NHB
Corporate Initiatives	960	26	986	To support corporate plan and initiatives
IFRS Reserve	5	0	5	Accounting code changes support
Economic Development	1,985	(915)	1,070	Regeneration of District ringfenced Match-funding
Community Led Housing	310	(55)	255	Community Housing and affordable - ringfenced
Lydd Airport	9	0	9	Support costs ay Lydd Airport
Homelessness Prevention	958	(21)	937	Flexibly fund homelessness - funding to 2023/24
High Street Regeneration	1,575	(418)	1,157	Regeneration in High Street areas
Climate Change	4,880	(880)	4,000	Achieve Carbon net zero by 2030
Covid Recovery	3,526	(874)	2,652	Collection fund deficit 21/22 and 22/23 - funding
<b>Total Earmarked Reserves</b>	<b>20,969</b>	<b>(5,833)</b>	<b>15,136</b>	
<b>Total General Fund Reserve</b>	<b>3,112</b>	<b>6,058</b>	<b>6,058</b>	

## 5. BUDGET PREPARATION – NEXT STEPS

- 5.1 The following items remain subject to confirmation:
- Final Local Government Finance Settlement – due January 2023.
  - Council Tax Base position – complete
  - Town and parish precepts – by end January 2023
  - Business rates income forecast–NNDR1 submitted to Government
- 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 2023/24 on 22 February 2023; 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 2023/24 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
  - (ii) Seek feedback on specific budget proposals for 2023/24; and
  - (iii) Seek feedback on general spending and income generation priorities

- 7.2 The target audience and communication channels will include:

<b>Group</b>	<b>Channel</b>
Residents	<ul style="list-style-type: none"><li>• Council website and social media</li><li>• Dedicated e-mail address</li><li>• Option to submit information by post</li></ul>
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 meeting and 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 2023/24 budget and council tax recommendations for approval by Council in February 2023.

## 9. RISK MANAGEMENT ISSUES

- 9.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate	Medium	Medium	Setting of a prudential budget and continuing strong financial control in the Council's decision making. Current inflationary impacts have been modelled into base budget.
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 2023/24 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 2023/24 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 2023 will include an Equality Impact Assessment of the budget recommendations for 2023/24.

## **11. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

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

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The following background documents have been relied upon in the preparation of this report:

- Medium Term Financial Strategy 2023/24 to 2026/27
- Budget Strategy 2023/24

### **Appendices:**

Appendix 1 – General Fund Budget Estimates (detail)