

This report will be made public 11 January 2023



Report number **FH/22/01**

To: Folkestone & Hythe District and Parish Councils' Joint Committee
Date: 19 January 2023
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: BUDGET STRATEGY & DRAFT GENERAL FUND BUDGET 2023/24

SUMMARY: This report sets out the Council's Draft General Fund budget for 2023/24 as well as summarising the overall Budget Strategy for the same period. The report seeks to outline the proposals being consulted upon.

In accordance with the Local Government Finance Act 1992 full Council will consider and agree the budget and council tax for the coming financial year 2023/24, this meeting will be held on 22 February 2023. Both the draft budget and the Budget Strategy will build into the final position, which is also affected by the Local Government Finance Settlement.

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

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. Cabinet will consider later in January the draft detailed 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 now assume a 2.99% (District Council) 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 (NNDR1)
 - 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
Revised - GAP (Cabinet 14/12/2022)	<u>4,294,091</u>

2. CONTEXT

2.1 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 with a funding guarantee grant and a new service grant. These new resources are in the form of one-year grants and have been welcomed by Councils.

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 funding gains are projected to amount to £1.695m for 2023/24.

2.4 In addition to this position the Council has also identified two further factors which will help close the budget gap identified. These relate to the actuarial valuation (triennial review) to assess the pension fund position, which has been more favourable than anticipated by £320k. The second element 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 would yield £230k.

2.5 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

Revised - GAP (Cabinet 14/12/2022)	4,294,091
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
<u>Revised - total - GENERAL FUND GAP</u>	<u>2,048,689</u>

- 2.6 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 2023 will outline the final budget recommendations to ensure a balanced budget.

3. DRAFT GENERAL FUND BUDGET 2023/24

- 3.1 The draft budget for 2023/24 is noted below. 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.

Table 1: General Fund Summary – with all the updated Budget Pages following

**GENERAL FUND
SUMMARY**

	2022/23	2023/24
	Original Budget	Original Budget
	(Based on outturn prices)	
	£	£
SUMMARY OF NET EXPENDITURE		
Service Heads		
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)
TOTAL HEAD OF SERVICE NET EXPENDITURE	18,284,480	19,254,514
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
TOTAL GENERAL FUND OPERATING NET EXP	18,085,295	17,993,285
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
TOTAL TO BE MET FROM LOCAL TAXPAYERS	16,608,125	20,020,285
Transfer to/(from) the Collection Fund	-	50,000
Business Rates Income	(2,815,831)	(3,872,289)
Revenue Support Grant	-	-
TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	13,792,294	16,197,996
Council Tax-Demand on Collection Fund	(13,591,730)	(14,149,945)
(SURPLUS)/DEFICIT FOR YEAR	200,564	2,048,051
GENERAL RESERVE		
Balance at Beginning of Year		
(Surplus)/Deficit for Year	200,564	2,048,051
BALANCE AT END OF YEAR	200,564	2,048,051

4. RESERVES

4.1 The forecast balance on the General & Earmarked Reserves are noted below and are important for the Council in the context of financial sustainability and ability to set a balanced budget.

Reserve	Balance at 1/4/2022 £'000	Projection £'000	Balance at 31/3/2023 £'000	Notes
Earmarked				
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
Total Earmarked Reserves	20,969	(5,833)	15,136	
Total General Fund Reserve	3,112	6,058	6,058	

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 22 February 2023, along with details of the special expense charged to Folkestone and Sandgate taxpayers.

6. BUDGET CONSULTATION

6.1 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

6.2 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 meeting and to invite feedback.

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

7. CONCLUSION

7.1 Any feedback provided through the budget consultation will be reported to Cabinet through the final budget report in February, which will determine the proposed budget and council tax levels for the forthcoming financial year.

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

8.1 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.

8.2 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 any feedback on the consultation will be used to inform the preparation of the final budget proposals.

8.3 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
- Draft General Fund Budget 2023/24