

This Report will be made public on 20 February 2024

Report Number **C/23/90**

To: Cabinet
Date: 28 February 2024
Status: Key Decision
Head of Service: Lydia Morrison – Interim Director Governance and Finance Services
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance

SUBJECT: FOLKESTONE AND HYTHE DISTRICT COUNCIL BUDGET 2024/25

SUMMARY: This report presents the Folkestone and Hythe District Council Budget 2024/25.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because:

- a) The District Council's Revenue Budget and Council Tax rate for 2024/25 needs to be set in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note Report C/23/90.
2. To recommend to Council that Council approves the proposed Revenue Budget 2024/25 and sets a Council Tax rate of £280.08 at Band D, representing an increase of £8.01 on the current charge.
3. To approve the Council Tax Resolution at Appendix 1.
4. To note, with thanks, the voluntary reduction in Special Responsibility Allowance (SRA) from the Leader (£13,740) and Deputy Leader (£1,145) to enable the Ward Grants budget to remain at £90,000 in the 2024/25 budget.

1. BACKGROUND

1.1 It is a legal requirement for the Council to set a “Balanced Budget” each year in accordance with the Local Government Finance Act 1988. Every year the Council faces changes to its funding, increases in service demands and this year in particular pressures arising from an all time high rate of inflation, all of which have placed significant pressures on the Council’s budget in the past few years.

1.2 Following a thorough and robust process of challenge and a move away from incremental budgeting to Priority Based Budgeting (PBB), the Council is presented with the following proposals for its revenue budget and Council Tax resolution:

- Supporting reports which form part of the budgeting process and framework have been presented and approved by Cabinet as detailed below:
- C/23/63 Budget Strategy 2024/25
This report sets out the guidelines for preparing the 2024/25 Budget. It supports the Corporate Plan and aligns with the direction and objectives of the Medium Term Financial Strategy (MTFS).
- C/23/71 Fees & Charges 2024/25
This report sets out the fees and charges for 2024/25 which will contribute towards meeting the council’s 2024/25 budget objectives and Medium Term Financial Strategy.
- C/23/64 Medium Term Financial Strategy 2024/25 to 2027/28
This report sets out the Medium Term Financial Strategy and forecasts a base budget deficit of £2.783M by the end of the 2027/28 financial year. This is based on best estimates at the time of writing.
- C/23/83 Draft General Fund Budget 2024/25 and Medium Term Financial Strategy for the period 2024/25 and 2027/28.
This report sets out the position as at January 2024 following the draft Financial Settlement, and prior to the final settlement being received.

1.3 At the Cabinet meeting in January 2024 a draft Revenue Budget was approved with estimates pending the receipt of a number of key components, these being:

1.4

- The Final Local Government Finance Settlement for 2024/25;
- The council’s share of the Collection Fund surplus or deficit;
- Town and parish precepts; and
- The council tax base and business rates income forecast.

1.5 Cabinet's proposals for the Revenue Budget 2024/25 and the Council Tax resolution will be presented for approval at Council on the 28th February 2024. The Council Tax resolution is required to set the level of Council Tax charge for the new financial year and incorporates precepts from the following organisations:

- Precepts from Kent County Council, Kent Police & Crime Commissioner and Kent Fire & Rescue Service;
- The special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity; and Individual town and parish council precepts.

1.6 The budget proposals have been subject to public consultation and review by the Finance & Performance Sub-Committee.

National Developments and Economic Environment

1.7 As well as the Council facing the pressures of reduction in direct funding and cost pressures, there are a number of wider economic pressures that impact on the Council's budget, even if not directly.

1.8 The ongoing war in Ukraine and conflict in the Middle East have had many impacts including the available funding the Treasury has to support Local Government, high levels of inflation, labour shortages and rising interest rates, all of which present the Council with a volatile and uncertain economic environment. The ongoing cost-of-living crisis will continue to impact the residents of Folkestone & Hythe and the Council is committed to doing what it can to support those in greatest need. Service demand continues to rise due to demographic changes which affect all age groups and inflationary pressures are causing providers to raise their prices, which impacts the Council as a whole.

1.9 Inflation peaked in October 2022 at 11.1% on the CPI measure and is currently at 4.0%. The Bank of England (BoE) expects inflation to continue to fall, but not to return to its target level of 2% until the end of 2025. RPI, which is often used as the basis for indexation in contracts, peaked at 16.4% in October 2022 and currently stands at 5.2%. It is worth noting that at the time of setting the 2023/24 budget the Bank of England was forecasting that inflation would fall to its target rate of 2% by January 2024.

1.10 Interest Rates having remained at 1% or less since February 2009, have been rising steadily as the BOE attempts to quell inflation which remains significantly above the BOE's official target of 2%. In December 2023, the BOE decided to keep the base rate unchanged at 5.25%. The latest Monetary Policy report says rates are expected to remain around 5.25% until Q3 2024 and then decline gradually to 4.25% by the end of 2026. Some forecasters predict a swifter cut in base rate to around 3% by late 2025. There is no expectation that interest rates will return to anywhere near 1% in the foreseeable future.

- 1.11 For the Council, this translates into higher costs of borrowing which in turn will have an adverse impact on the capital programme. For residents, high interest rates will adversely affect the holders of existing mortgages and first time buyers alike. The positive arising from an increasing Bank of England base rate is the improvement in the performance of our treasury investments.
- 1.12 Since late 2021, the UK has experienced a rise in the cost of living for individuals and businesses. For many residents, this means having to make difficult decisions on how they spend their income, which can have a negative impact on their standard of living. This has also translated into an increased number in residents presenting as homeless which in turn places increasing pressures on the Council's budget.

2. COUNCIL TAX 2024/25

- 2.1 The Council Tax resolution is required to set the level of Council Tax change for the new financial year. The budget has been prepared on the basis that the District Council's element of council tax (including the special expenses for Folkestone Parks and Pleasure Grounds) is increased by 2.99%. This is the increase that is monitored by the Government when determining whether any increase in council tax is excessive and would require a referendum. The maximum increase permitted for the financial year 2024/25 without referendum is 2.99%, therefore the proposed increase is within this threshold.

The following is extracted from the Council Tax Resolution (Appendix 1) to highlight the key decisions for the Council to approve:

That it be noted that Chief Finance Officer has calculated the Council Tax Base 2024/25 for the whole of the Council area as 14,970,171.64.

To approve that the following amounts be now calculated by the Council for the year 2024/25 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 (the Act):

- a) £96,295,358 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act (as in Appendix 2).
- b) £81,325,188 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act (as in Appendix 2).
- c) £14,970,171.64 – being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year (as in Appendix 2).
- d) £ 369.94 – being the amount at 3(c) above divided by the tax base of 40,466.09 calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.

- e) £3,636,430 – being the aggregate of all special items (including parish precepts) referred to in Section 34(1) of the Act.
- f) £280.08 - being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by the tax base of 40,466.09 calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates, i.e. Old Romney and Snargate.

2.2 Further detail can be found at Appendix 7.

3. THE FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25

3.1 The provisional local government 2024/25 settlement was announced on 18 December 2023 and details of the settlement were reported to Cabinet on 31 January 2024 as contained in the draft General Fund Budget report 2024/25 report reference C/23/83.

3.2 **Movement from 3% to 4% Funding Guarantee.** In 2023-24, the government applied a 3% Funding Guarantee – and had announced the same guarantee in the 2024-25 provisional settlement. This ensured that every authority receives a 3% increase in funding within Core Spending Power before any increase in Band D. It includes increases in Settlement Funding Assessment (SFA), cap compensation, specific grants, and New Homes Bonus (NHB), plus any additional revenue from taxbase growth. The Secretary of State announced on Wednesday 24 January 2024 that the threshold will be increased from 3% to 4% in the final settlement.

3.3 The final local government settlement was received by the Council on 5 February 2024 which increased the provision sum expected to be received by the Council to reflect the uplift in Funding Guarantee to 4%.

3.4 The table below summarises the funding gains for the council as a result of the final settlement and these have been factored into the 2024/25 General Fund Budget for council tax setting purposes.

Final LG Settlement – compared to provisional			
	Provisional	Final	Change
Description	£	£	£
Settlement Funding Assessment (SFA)	150,946	150,946	-
Other Grant (RSG)	14,064	14,064	-
New Homes Bonus	135,703	135,703	-
3% Funding level guarantee payment	505,607	677,431	171,824
Service Grant Allocation	(127,207)	(124,900)	2,307
Multiplier Cap Compensation	141,791	141,791	-
Total	820,904	995,035	174,131

Local Government Funding Reforms

- 3.5 It was anticipated that the settlement would provide some clarity about future funding reforms, however there were no announcements in the review about local government funding reforms (Fair Funding Review or Business Rates Retention scheme changes), and it is anticipated that these have now been pushed back to at least 2025/26 if not later. Latest updates suggest that the Fair Funding Review is being modelled for 2025/26 with a view to implementation in 2026/27 and therefore, the longer term funding picture continues to remain unknown and is uncertain. Again, this will make future financial planning a challenge given the existing context of economic and financial challenges that the Council faces in terms of the residual impact of the ongoing war in Ukraine, conflict in the Middle East and the subsequent impact on interest rates, high inflation costs and the rise in energy and borrowing costs. The council will continue to monitor this position and update Cabinet throughout the 2024/25 year in terms of any new developments.

Folkestone & Hythe – key settlement information

- 3.6 Core Spending Power is a headline figure used by Government to represent the key revenue resources available to local authorities; it includes an estimate of actual and potential council tax.

	2023/24	2024/25
	£M	£M
Core Spending Power	17.413	18.456
Comprising:		
Settlement Funding Assessment	3.872	4.023
Assumed Council Tax	11.488	11.902
Other Grants	2.053	2.531
Change in Core Spending Power		
Annual Change		5.9%

Folkestone & Hythe Retained Business Rates – settlement information.

- 3.7 The Baseline Funding Level is the share of the Settlement Funding Assessment that Government intends to be funded via locally retained business rates. It is Government's projection of the authority's share of business rates assuming there has been no change in the tax base since the start of the scheme. It increases each year in line with the small business rates multiplier for which the council receives compensation at CPI levels.

	2023/24	2024/25
	£m	£m
a. Baseline Funding Level (£M)	3.872	4.023
b. Baseline Business Baseline (£M)	10.812	11.041
c. Tariff/Top Up (£M)	(6.939)	(7.018)
Levy Rate (pence in the pound)	50	50

- a. The Baseline Funding Level is the share of the Council's Settlement Funding Assessment that DLUHC intends to be funded via locally retained business rates or s31 grants which replace business rates foregone.
- b. Business Rates Baseline is DLUHC's assumed projection of the Council's business rates share, assuming no change in tax base since the start of the scheme. This figure is inferred, based on BFL and Tariff / Top Up.
- c. Tariff / Top Up is calculated such that, if the Council's actual business rates were equal to its Baseline Business Rates, then its final revenue would equal its Baseline Funding level.

Business Rates multiplier under indexation compensation

- 3.8 It was announced, as part of the Autumn Statement in November 2022, that the small business rates multiplier for 2024/25 will remain frozen and councils will be compensated for loss of income by way of an under indexation adjustment at CPI inflation levels. This adjustment has been received within the final settlement and the amount received is outlined in paragraph 3.7 above.

Kent Business Rates Pool

- 3.9 The settlement confirmed the continuation of the Kent and Medway business rates pool for 2024/25 which will operate under the existing retention scheme.

Folkestone & Hythe New Homes Bonus (NHB)

- 3.10 The final settlement included a one-year payment for New Homes Bonus. The reduced 2024/25 allocation follows the 2023/24 approach and is an 'in year' only payment and will not have future years' legacy payments. In terms of the future of New Homes Bonus, government decisions are still awaited on the 2021 consultation exercise, which was a very open exercise with limited indication of the favoured policy proposals and no strong view on the efficacy of the NHB incentive effect; decisions on this are expected by the time of next year's 2025/26 provisional settlement.

3.11 Council Tax

In 2023/24 District and Shire Councils were able to apply an increase of less than 2.99% or up to £5 whichever was the greater, these remain the same for the 2024/25 financial year.

3.12 Local productivity plans

Alongside the final settlement, the Government confirmed that it will require all councils to publish local productivity plans agreed by Council Leaders and members by 28 July 2024, identifying ways to unlock productivity improvements and setting out the key implementation milestones. The expectation is that they cover the following main areas:

- transformation of services to make better use of resources;
- opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
- ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and staff Equality, Diversity, and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and
- barriers preventing activity that Government can help to reduce or remove.

3.13 Councils will have to provide progress updates against these plans. At the time of writing, there is no specific guidance on the plans and the Government says it will work with the local government sector on the approach to producing these plans, but the plans should be short and draw on work councils have already done. Government intends to monitor these plans, and funding settlements in future will be informed by performance against them.

4. REVENUE BUDGET 2024/25

- 4.1 Balancing the Budget - The Council is legally required to set a balanced budget for the following financial year, and it must remain balanced. Projections show that this is possible for 2024-25 but not in the future years without ongoing mitigation i.e., savings. The most significant challenge for the Council in future years is the interest on borrowing and future mitigation must be focussed on reducing the cost of debt (i.e., a capital solution) to minimise the impact on the service delivery budget.
- 4.2 Cabinet considered and approved the Draft Revenue Budget for 2024/25 on 31 January 2024. This took into account the growth and savings proposals and fees & charges income as detailed in the Budget Strategy report that was approved by Cabinet on 13 December 2023, along with the forecast 2024/25 budget changes from the Medium Term Financial Strategy.
- 4.3 Following the final settlement and final budget updates the Revenue Budget for 2024/25 is set out below:

**GENERAL FUND
SUMMARY**

2023/24		2024/25 Draft Original Budget Jan-24	2024/25 Draft Original Budget Feb-24
Original Budget		Budget	Budget
£		£	£
SUMMARY OF NET EXPENDITURE			
Service Heads			
8,445,560	Finance, Strategy & Corporate Services	7,751,330	7,834,430
683,190	Human Resources	733,260	733,260
2,976,100	Governance & Law	3,248,940	3,230,640
740,960	Leadership Support	590,900	524,860
6,712,940	Place	6,957,130	7,022,130
413,180	Economic Development	435,800	435,800
165,400	Planning	206,080	208,480
2,483,630	Operations	2,301,180	2,283,680
3,048,610	Housing	2,971,090	3,081,790
(5,919,556)	Recharges	(6,440,395)	(6,475,515)
33,040	Vacancy Target & Savings Target not included in service heads	(424,000)	116,000
19,783,054	TOTAL HEAD OF SERVICE NET EXPENDITURE	18,331,315	18,995,555
541,430	Internal Drainage Board Levies	585,610	585,610
2,502,000	Interest Payable and Similar Charges	2,381,000	2,381,000
(2,521,000)	Interest and Investment Income	(3,043,000)	(3,043,000)
(365,568)	New Homes Bonus Grant	(135,700)	(135,700)
(4,616,551)	Other non-service related Government Grants	(5,584,550)	(5,758,680)
2,801,300	Town and Parish Council Precepts	2,801,300	2,993,850
18,124,665	TOTAL GENERAL FUND OPERATING NET EXP	15,335,975	16,018,635
(2,180,000)	Net Transfers to/(from) Earmarked Reserves	57,720	(405,290)
1,625,000	Minimum Revenue Provision	2,325,000	2,325,000
2,487,000	Capital Expenditure funded from Revenue	1,055,000	1,055,000
20,056,665	TOTAL TO BE MET FROM LOCAL TAXPAYERS	18,773,695	18,993,345
(59,451)	Transfer to/(from) the Collection Fund	-	-
(3,921,454)	Business Rates Income	(4,023,175)	(4,023,175)
16,075,760	TOTAL TO BE MET FROM DEMAND ON THE		
(14,289,513)	COLLECTION FUND & GENERAL RESERVE	14,750,520	14,970,170
	Council Tax-Demand on Collection Fund	(14,750,520)	(14,970,170)
1,786,247		-	-
	(SURPLUS)/DEFICIT FOR YEAR		
1,786,247	Contribution from General Reserve	-	-
1,786,247	BALANCE AT END OF YEAR	-	-

Budget Movements

4.4 The table below details various updates with reasons for changes since the draft budget was presented to the Cabinet on 31 January 2024:

<u>Descriptions</u>	<u>£</u>
Additional Pay Award provision	340,000
Adjustment to the saving target, partly related to vacant posts within Customer Services.	200,000
Council Homelessness Appeal/Review Officer	54,850
The reinstatement of the FSCT budget to £150k in 2024/25.	50,000
Annual members allowances increments	36,800
The reinstatement of £15k Ward Grants budget.	15,000
Voluntary reduction in Special Responsibility Allowance (SRA) from the Leader (£13,740) and Deputy Leader (£1,145) to enable the reinstatement of £15k Ward Grants budget.	-14,900
Reducing the rural swathe cut to the required KCC frequency.	-17,500
Council Tax Demand on the Collection Fund amendment	-219,656
Additional Govt Final Settlement re 4% Funding Guarantee	-174,131
Use of specific earmarked reserves in funding various specific grant funded fixed/temporary roles	-463,013

4.5 More detail is provided below on the changes to the draft budget which was reported in January 2024:

- (i) Pay Award - The pay award for Folkestone & Hythe District Council is negotiated locally and has not yet been agreed for 2024-25. The MTFS assumptions were based on an increase in the budget of 3% for 2024-25, with 3% in the following years. In addition to the 3% within the MTFS for 2024/25, an additional pay award provision of £340k has been provided for within the 2024/25 budget to cover the outcome of the ongoing pay award negotiation. Whilst this is the budget for the overall increase, it would be applied differentially across the pay scales.

It is recommended that the additional £174,131 from the Government Final Settlement announced on 5 February 2024 is utilised and transferred into the pay award provision to fund anticipated 2024/25 pay award pressures.

- (ii) Annual Member Allowances increment of £36,800 has been provided for within the 2024/25 budget. This is in line with the Council Constitution that *the allowances shall be automatically adjusted, annually, by reference to the Consumer Price Index (CPI). The adjustment will be calculated on the September CPI index, for implementation the following April.*

- (iii) The adjustment to the saving target relates to the Managed Vacancy Factor (MVF) built into the previous year's budget. As part of the budget process non-essential vacancies have been removed and the transformation programme has restructured the organisation and therefore the establishment is smaller going into the 2024/25 financial year. There remains a MVF of £224k built into the budget.
- (iv) Council Tax Demand on the Collection Fund – updated for:
 - forecast income based on the council tax base for 2024/25;
 - confirmation of the town and Parish Council Precepts;
 - confirmation of the special expenses for the Folkestone Parks and Pleasure Grounds Charity; and
 - a proposed 2.99% increase in the district council's council tax in-line with referendum limits in the final settlement.

5. FOLKESTONE & HYTHE BAND D EQUIVALENT COUNCIL TAX 2024/25

- 5.1 The Local Government Finance Act 1992 (as amended) requires the Council to determine its council tax requirement for 2024/25.
- 5.2 The legal determinations in respect of the budget and council tax setting are set out in the General Fund Budget and Council Tax 2024/25 Report that is being considered at the 28 February 2028 meeting of Full Council, following this Cabinet meeting.
- 5.3 The amount to be raised by this authority from council tax payers comprises the council tax - demand on collection fund of £14,970,171.64.
- 5.4 This is divided by the tax base (40,466.09 Band D equivalent properties) to calculate the average district council tax, including town and parish precepts. The council tax base was approved by the Interim Director of Corporate Services and Governance and S151 Officer on 5 February 2024 via delegated authority through the constitution and is recommended to Full Council as part of the General Fund Budget and Council Tax 2023 Report that is being considered on 28 February 2024, following this Cabinet meeting.

$$£ 14,970,171.64 \div 40,466.09 = £369.94$$
- 5.5 The average District council tax for Band D properties, including an amount for town and parish councils, will be £369.94. This is an increase of £12.50 (3.50%) over 2023/24. This sum will vary by parish and only represents an average, there is no referendum limit placed on town or parish councils by central government.

- 5.6 The impact of town and parish precepts is excluded when comparing the increase against what the Government regards as an excessive increase.

Band D Tax Rates			
	2024/25	2023/24	Increase/ Decrease
	£	£	%
Average Council Tax (including Town and Parish Precepts)	369.94	357.44	3.50
Average Council Tax (excluding Town and Parish Precepts)	295.96	287.37	2.99

The average council tax to finance Folkestone & Hythe's net spending plans in 2024/25, including special expenses, is proposed to be increased by £8.59 (2.99%) to £295.96. The Council needs to ensure that it remains within this limit, including any Special Expenses. The Council is therefore not at risk of having to hold a referendum because the increase falls below the Government threshold.

Excluding the special expenses, Folkestone & Hythe's council tax rate is £280.08; an increase of £8.01 (2.94%) from the 2023/24 rate.

The Council Tax resolution can be found at Appendix 1 and full detail of the Calculation of Basic Amounts of Council Tax are attached at Appendix 3.

6. SPECIAL EXPENSES – FOLKESTONE PARKS AND PLEASURE GROUNDS CHARITY

- 6.1 The average 2024/25 council tax for Folkestone & Hythe District Council of £295.96 includes an amount that the Council has identified is in respect of special expenses i.e. the Folkestone Parks and Pleasure Grounds (FPPG) Charity.
- 6.2 When council tax bills are issued, the council tax (and % change in tax) for special expenses is disclosed separately from the council tax (and % change in tax) for Folkestone & Hythe District Council excluding special expenses.

- 6.3 Subject to Full Council’s consideration and final approval of the budget and council tax, the following amounts will be disclosed separately on the council tax bill for a Band D property:

Based on a Band D average	Council Tax 2024/25 (Band D) £	Increase (Band D) £	Increase + /Decrease ()	Council Tax payers that receive this information
Folkestone & Hythe District Council element of Council Tax - excluding Special Expenses	280.08	8.01	+2.94%	All Folkestone & Hythe District council tax payers
Special Expenses - Folkestone Parks and Pleasure Ground Charity	37.54	1.07	+2.94%	Folkestone and Sandgate council tax payers only

7. MAJOR PRECEPTS

- 7.1 Local taxpayers will also receive information in their council tax bill regarding the amount payable in respect of:

- their town or parish council;
- Kent County Council;
- Kent Police & Crime Commissioner; and
- Kent Fire and Rescue Service.

- 7.2 The Adult Social Care precept levied by Kent County Council will be itemised separately on council tax bills.

- 7.3 Precept details are set out in the General Fund Budget and Council Tax 2024/25 report to Full Council on 28 February 2024.

8. GENERAL FUND RESERVES

- 8.1 The Council holds a number of financial reserves, both revenue and capital. Some of these are earmarked reserves, whilst others are ring-fenced with strict conditions attached for their use. There is also a general fund balance which is not earmarked and is where any general underspend would be transferred to, or any general overspend would be funded from.

Whilst reserves should not be seen as a ‘safety net’ they are an integral part of the Council’s financial planning.

The forecast reserves position for 2023/24 and 2024/25 is shown below.

Earmarked Reserve	Balance at 1/4/2023	2023/24 Projection	Estimated Balance at 31/3/2024	2024/25 Projection	Estimated Balance at 31/3/2025	Purpose
	£000s	£000s	£000s	£000s	£000s	
Business Rates	(1,657)	26	(1,631)		(1,631)	To support requirements of the Rates Retention Scheme.
Leisure	(497)	-	(497)		(497)	To meet future leisure improvements.
Carry Forward	(2,298)	88	(2,210)		(2,210)	For items of expenditure not incurred or ringfenced grant or income not applied in the previous financial year
Vehicles, Equipment and Technology Reserve	(277)	(200)	(477)	200	(277)	To meet vehicle, equipment and technology replacement needs or improvements.
Maintenance of Graves	(12)	-	(12)		(12)	Amounts held in perpetuity to meet the cost of maintaining certain grave sites.
New Homes Bonus (NHB)	(409)	200	(209)		(209)	To fund the anticipated additional cost of services over the next five years.
Corporate Initiatives	(687)	500	(187)	(241)	(428)	To support Corporate Plan objectives and goals.
IFRS Reserve	(5)	-	(5)		(5)	The impact of International Financial Reporting Standards
Economic Development	(1,923)	1,364	(559)		(559)	Towards the regeneration of the district and to support the generation of new income.
Community Led Housing	(253)		(253)	60	(193)	To support community-led housing developments and to deliver more affordable housing units of mixed tenure.
Lydd Airport	(9)	-	(9)		(9)	To fund the anticipated ongoing costs of monitoring the conditions at Lydd Airport.
Homelessness Prevention	(925)	90	(835)	240	(595)	To flexibly fund ways to reduce the homelessness expenditure by taking preventative action.
High Street Regeneration	(1,233)	528	(705)		(705)	To support the delivery of regeneration projects within the district's high street areas.
Climate Change	(4,656)	1,155	(3,501)	146	(3,355)	To fund initiatives to help the Council achieve net-zero carbon emissions by 2030.
Transformation Fund	0	(1,086)	(1,086)		(1,086)	Set aside to enable investment in initiatives that will deliver future savings
Covid Reserve	(30)	30	0		0	To support requirements of the Rates Retention Scheme.
Total Earmarked Reserves	(14,871)	2,695	(12,176)	405	(11,771)	
Total General Fund Reserve	(7,038)	1,328	(5,710)	0	(5,710)	

8.2 The General Reserve is forecast to be £5.710m by 31 March 2025. Total General Fund Reserves (General Reserve plus Ring-fenced / Earmarked Reserves) are forecast to be £17.481m at 31 March 2025. The net forecast use of ringfenced / earmarked reserves in 2024/25 is £405k.

8.3 The main uses of reserves are to fund specific capital expenditure, to match fund external grant, or to deploy ringfenced grant held in reserves against specific activities. For example, using the Vehicle, Equipment, and Technology reserve to fund a PC Replacement Programme/Server Replacement Programme; and the Climate Change and Homelessness reserves to fund specific grant funded fixed/temporary roles, including the Homelessness Appeal Officer.

8.3 These forecasts are based on the current projected position for 2023/24 and on the assumption that in-year budget variances are contained within the overall approved 2023/24 budget. Any emerging issues in 2023/24 which have a revenue impact will affect the forecast position of the General Reserves and variances will be reported to Cabinet as part of the quarterly budget monitoring process for capital and revenue.

9. BUDGET CONSULTATION

- 9.1 The objectives for consultation on the 2024/25 budget proposals were to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2024/25; and
 - (iii) Seek feedback on general spending and income generation priorities.
- 9.2 Information was placed on the website, promoted via posters, through partners, social media and feedback through email encouraged. Additionally, some specific groups such as the Business Advisory Board and Joint Parish Council Committee were directly engaged with.

Budget Consultation Responses

- 9.3 Public budget consultation ran online from mid-December 2023 to the end of first week in February 2024. At the time of drafting this report four pieces of direct feedback were received through these means, significantly lower than the nine pieces of feedback received last year. We will continue to seek to explore options to obtain a more representative sample of residents' views in future years.
- 9.4 There was no consensus among the feedback received and a summary of the consultation responses and its key messages are provided within the attached Appendix 9.

10. BUDGET SCRUTINY

- 10.1 The 2024/25 budget reports that have been approved by Cabinet have been subject to review by the Overview & Scrutiny or Finance & Performance Sub-Committee at the following meetings:
- 31 October 2023 – Overview of the Budget process for 2024/25 and summary of Medium Term Financial Strategy
 - 5 December 2023 – Budget Strategy 2024/25
 - 23 January 2024 - Draft General Fund Original Revenue Budget 2024/25

Minutes of these discussions have been made available to Cabinet when considering the reports.

11. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 11.1 The Council's Chief Finance Officer (s151 of the Local Government Act 1972) formally gives an opinion on the robustness of the budget and adequacy of reserves. This is a statutory duty under section 25 of the 2003 Local Government Act.
- 11.2 This report has to be considered and approved by Council as part of the budget approval and Council Tax Process.

- 11.3 In relation to the 2024/25 budget, I have examined the budget proposals and I believe that, whilst the economic conditions are challenging and ongoing, the budget presented is more than achievable. It has been constructed in a collaborative and consultative manner. I am also satisfied that there remain sufficient management processes within the Council to deliver this budget and deal with any issues that may arise unexpectedly during the forthcoming financial year.
- 11.4 In relation to the adequacy of reserves, the overall position for the authority remains healthy.
- 11.5 As Section 151 and Chief Finance Officer I am content that the budget being presented is adequate, and the level of reserves held throughout the MTFs period are adequate to meet the Council's financial obligations having due regard to foreseeable risk.
- 11.6 Further detail can be found within Appendix 8.

12. CONCLUSION

- 12.1 The proposed 2024/25 budget has been drawn up in consideration to all statutory and constitutional requirements.

The 2024/25 budget is the culmination of many months work between the Council's Corporate Leadership Team, officers, and elected members. The revenue budget has been balanced and includes some new elements of investment and growth, whilst protecting the Council's front line services and financial sustainability.

Cabinet is asked to recommend to Full Council the approval of the final Revenue Fund budget for 2024/25 and to determine the District Council's council tax requirement as £14,970,171.64.

13. RISK MANAGEMENT ISSUES

- 13.1 The risks in respect of the General Fund Budget 2024/25 have already been set out in detail in Report to Cabinet on 31 January 2024 but are repeated below (and updated where applicable).

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including ongoing impact of global uncertainty	Medium	Low-medium	Setting of a prudential budget and continuing strong financial control in the Council's decision making and appropriate allowance made for known inflationary factors.

Perceived risk	Seriousness	Likelihood	Preventative action
MTFS becomes out of date.	High	Low	The MTFS is fully reviewed annually through the budget process. Key movements will continue to be captured in year to inform future versions of the MTFS and reported through monitoring papers where relevant.
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.

14. LEGAL/FINANCIAL AND POLICY MATTERS

14.1 Legal Officer's Comments (AK)

The Council must consistently comply with the Local Government Finance Act 1992 (as amended) and associated legislation. All the legal issues have been covered in the body of this report.

Members have a fiduciary duty to weigh the needs of the service users against the interest of local taxpayers. In planning the budget Members are under the fiduciary duty to act prudently, responsibly, in a business like manner and in their view of what constitutes the best interests of the general body of local tax payers.

In deciding upon expenditure, the council must fairly hold a balance between recipients of the benefits of services provided by the council and local tax players.

The Council has a duty under the Local Government Finance Act 1992 to set a balanced budget. Failure to set a lawful Council Tax could have serious financial results for the council.

Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Finance Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.

Section 25 of the Local Government Act 2003 imposes a specific duty on the S151 Officer to formally report to the council at the time of the budget is considered and the council tax is set on the robustness of the budget estimates and the adequacy of reserves. This statement by the S151 Officer is included alongside the budget and council tax setting report to both Cabinet and Full Council in February.

14.2 Finance Officer's Comments (LM)

The Financial implications are detailed in the report.

S151 Comments

Members should be reminded of the financial challenges facing all local authorities across the country. The Council finds itself in a fortunate position that it is in a position to approve a balance budget with minimal use of specific reserves unlike many other authorities and continues to have a reasonable level of reserves.

However, the Council does have some ongoing pressures and future challenges to manage.

Members should ensure themselves they are comfortable that the proposed budget meets the statutory legal requirements whilst delivering value for money for the residents of the District.

14.3 Diversities and Equalities Implications (CS)

The Equality Impact Assessment will be presented in the 28 February 2024 Budget and Council Tax 2024/25 report to Council.

14.4 Climate Change implications (OF)

There are no climate change implications arising directly out of this report.

15. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Ola Owolabi, Chief Financial Services Officer

Telephone: 07731 347103

Email: ola.owolabi@folkestone-hythe.gov.uk

15.1 The following background documents have been relied upon in the preparation of this report and are included as appendices for completeness:

- Budget working papers.
- 31 January 2024 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2024/25 to 2027/28.
- 13 December 2023 - Reports to Cabinet - Budget Strategy 2024/25 and Fees & Charges 2024/25.

- 31 January 2024 - Report to Cabinet - Draft General Fund Original Revenue Budget 2024/25.
- 28 February 2028 - Update to the General Fund Medium Term Capital Programme.

16. APPENDICES

- Appendix 1 – Medium Term Financial Strategy
- Appendix 2 – Capital Strategy
- Appendix 3 – Capital Programme
- Appendix 4 – Council Reserves
- Appendix 5 – Treasury Management Strategy
- Appendix 6 – Investment Strategy
- Appendix 7 – Council Tax Resolution
- Appendix 8 Statement of Robustness
- Appendix 9 – Budget Consultation Responses 2024/25
- Appendix 10 – Budget Strategy 2024/25 and Fees and Charges 2024/25