

This report will be made public 6 December 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report number **C/17/69**

To: Cabinet
Date: 14 December 2017
Status: Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Member: Councillor Malcolm Dearden – Portfolio Holder for Finance

SUBJECT: DRAFT GENERAL FUND BUDGET 2018/19

SUMMARY: This report sets out the Council's Draft General Fund budget for 2018/19.

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 2018/19 on 28 February 2018, in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note report C/17/69.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2018/19 budget and council tax recommendations for approval by Full Council in February 2018.

1. INTRODUCTION AND BACKGROUND

- 1.1 Council approved the Medium Term Financial Strategy 2018/19 to 2021/22 (MTFS) on 15 November 2017 and Cabinet agreed the Budget Strategy for 2018/19 on 15 November 2017. These reports considered the council's forecast budget position for 2018/19 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 28 February 2018.
- 1.2 The budget proposals in this report been prepared assuming a 2.0% council tax increase in 2018/19. The final decision will not be confirmed until 28 February 2018. In addition, the following remain to be finalised:
- the forecast for council tax and net business rates income
 - 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 £574k in 2018/19. The Corporate Management Team and Heads of Service have reviewed current budget allocations and savings proposals amounting to £593k were approved by Cabinet on 15 November. In addition the review of fees & charges resulted in additional income of £112k being identified, and unavoidable growth of £313k was also identified through the Budget Strategy process. The draft budget detailed in this report reflects the changes made as a result of these reviews.
- 1.4 The major reasons for changes to the budget are shown in section 3 below and in more detail at Appendix 1.

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.

Chancellor's Autumn Statement 2017

- 2.2 The Chancellor announced his Autumn budget proposals on 22 November, which contained relatively few significant changes for Local Government, however a summary of the changes and the impact resulting will be built into the final budget due to be presented to Cabinet in February.

Local Government Finance Settlement

- 2.3 The provisional Local Government Finance Settlement for 2018/19 is expected to be published mid/late December.

3. GENERAL FUND BUDGET 2018/19

- 3.1 The draft budget for 2018/19 is presented in detail at Appendix 1 compared to the original budget for 2017/18 and the outturn for 2016/17. It includes 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, including the outturn for 2016/17. Appendix 1 provides a more detailed breakdown of the budget across service areas.

Table 1: General Fund Summary

2016/17 Outturn		2017/18 Original Budget (based on outturn prices) £	2018/19 Original Budget £
£			
	SUMMARY OF NET EXPENDITURE		
	Service Heads		
220,536	Corporate Director – Strategic Development	94,500	253,830
1,073,782	Leadership Support	857,890	909,620
259,617	Communications	240,530	243,770
4,935,378	Head of Democratic Services & Law	4,789,840	4,882,470
2,495,481	Head of HR	2,493,460	2,459,240
2,380,413	Head of Finance	2,695,940	3,253,860
2,846,092	Head of Communities	2,214,850	2,181,620
828,294	Head of Strategic Development Projects	359,600	1,321,470
542,857	Head of Economic Development	470,740	336,540
814,381	Head of Planning	828,350	765,740
2,504,401	Head of Commercial & Technical Services	2,551,020	2,413,550
-	- Recharges	-1,980,500	-1,980,500
-	- Vacancy Target (not included above)	-224,000	-6,000
18,901,232	TOTAL HEAD OF SERVICE NET EXPENDITURE	15,392,220	17,035,210
435,774	Internal Drainage Board Levies	444,270	453,160
241,507	Interest Payable and Similar Charges	526,000	452,210
-948,430	Interest and Investment Income	-451,000	-578,430
-1,949,615	New Homes Bonus Grant	-1,571,780	-1,024,770
-2,320,264	Other non-service related Government Grants	-899,350	-788,350
14,360,204	TOTAL GENERAL FUND NET OPERATING EXPENDITURE	13,440,360	15,549,030
1,437,398	Net Transfers to/(from) Earmarked Reserves	-239,840	-1,241,000
405,134	Minimum Revenue Provision	388,930	373,370
2,190,295	Financing of Fixed Assets	2,190,000	197,000
18,393,031	TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS	15,779,450	14,878,400
1,828,834	Town and Parish Council Precepts	2,052,910	2,093,970
-681,958	Transfer to/(from) the Collection Fund	-203,380	-100,000
-4,613,836	Business Rates Income	-3,747,190	-3,994,950
-1,736,222	Revenue Support Grant	-848,140	-305,130
13,189,849	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND AND GENERAL RESERVE	13,033,650	12,572,290
-10,838,835	Council Tax - Demand on Collection Fund	-11,444,950	-11,719,390
2,351,014	(SURPLUS) / DEFICIT FOR YEAR	1,588,700	852,900

Service Budget Changes 2018/19 Compared to 2017/18

3.4 Forecast Head of Service net expenditure has increased by £1,642,990 (10.7%):

	Budget £
Original 2017/18 General Fund Budget	15,392,220
Original 2018/19 General Fund Budget	<u>17,035,210</u>
Increase	<u>1,642,990</u>

3.5 A summary of the most significant changes is provided below and service budget variances over £10,000 are explained at Appendix 1:

	£
Budget Strategy Approvals – November 2017	
Budget savings	- 593,000
Budget growth	312,700
Increase in income being generated	-112,100
Temporary accommodation budget pressure	500,000
Technical adjustment to MTFS projection	24,000
	131,600
MTFS Service Budget Reductions and Growth:	
Head of Democratic Services & Law	
Elections – budget growth	30,000
Head of Economic Development	
Apprenticeships	-38,000
Other MTFS Budget Reductions and Growth:	
General contract inflation	120,000
Staff pay award	181,000
Staff salaries - incremental increases	132,000
Pension Scheme revaluation 2016	37,000
	462,000

In addition costs of £1.019 million over the base budget have been built into the net costs of services in respect of the anticipated costs of Otterpool Park. These costs are proposed to be met fully by the Earmarked reserve for this purpose.

The net cost of services also proposes a one off item for World War 1 commemoration, which is anticipated to be met from Earmarked Reserves.

4. RESERVES

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy in November 2017 and will be updated to reflect planned use and 2017/18 outturn predictions for inclusion in the final budget reports to Cabinet and Council on 28 February 2018.

4.2 Estimates of changes to Earmarked Reserves are shown below:

Reserve	Balance 1/4/2017 £'000	2017/18 Movement £'000	Balance 1/4/2018 £'000	2018/19 Movement £'000	Balance 31/3/2019 £'000
Business Rates ¹	2,682	0	2,682	0	2,682
Carry Forward	1,117	(890)	227	(50)	177
Corporate Initiatives	754	(439)	315	0	315
IFRS ¹ Reserve	67	(18)	49	(11)	38
Invest to Save	366	0	366	0	366
Leisure	146	50	196	0	196
New Homes Bonus (NHB)	2,431	283	2,714	(189)	2,525
VET ² Reserve	876	(236)	640	28	668
Otterpool Economic Development	1,989	(970)	1,019	(1,019)	0
Maintenance of Graves	2,027	(150)	1,877	0	1,877
Total	12,467	(2,370)	10,097	(1,241)	8,856

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.
- The council's share of the Collection Fund surplus or deficit.
- Town and parish precepts.
- Business rates income forecast
- Notification of 100% Business Rates pilot submission.

5.2 These will be covered in the final budget reports to Cabinet and Council on 28 February 2018, 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 2018/19 on 28 February 2018; 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 2018/19 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2018/9; 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	<ul style="list-style-type: none">• Attendance at Shepway Business Advisory Board
Other Community Groups	Direct engagement with: <ul style="list-style-type: none">• Community Safety Partnership• Shepway Homelessness Forum• Shepway Older Person's Forum• Shepway Employment and Training Forum• Voluntary and Community Sector Forum• Youth Advisory Group
Town and Parish Councils.	Direct communication to invite feedback.

- 7.3 Consultation feedback responses will be summarised and reported to Cabinet in the New Year, along with any feedback received from the Parish Councils who will also be contacted.
- 7.4 In addition, in order to meet statutory responsibilities for consulting on the budget with the business community a presentation on the Council's financial strategy will be presented in the New Year to members of the Shepway Business Advisory Board.
- 7.6 The outcome of this consultation will be considered by Cabinet when making the final budget recommendations to Council in February 2018.

8. CONCLUSION

- 8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2018/19 budget and council tax recommendations for approval by Council in February 2018.

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.
Business Rates Localisation Scheme	High	Medium	Significant degree of uncertainty means close monitoring and modeling of the impact will be required. Budget to be reviewed in light of final NNDR1 claim in January.
Reduction in Government grant	High	High	Monitor closely Government announcements and identify early action to address any shortfall. Proactive work including revenue streams that the Council is pursuing in anticipation of further reduction in Government grant.
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 2018/19 and future years.
MTFS becomes out of date.	High	Low	The MTFS is 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.

Perceived risk	Seriousness	Likelihood	Preventative action
Incorrect assessment of Local Government Finance Settlement impact.	High	Low	Figures provided by Central Government have been used. The December Autumn Statement will inform latest forecast.

10. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

10.1 Legal Officer's Comments (DK)

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 2018/19 will be submitted for approval by Cabinet and Full Council in February 2018. 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 2018 will include an Equality Impact Assessment of the budget recommendations for 2018/19.

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 2018/19 to 2021/22
- Budget Strategy 2018/19

Appendices:

Appendix 1 – General Fund Budget Estimates (detail)