

# 2024/25 Budget Strategy & MTFS

*Finance and Performance  
Scrutiny Sub-Committee*

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# Key themes for the presentation

- Overview of the budget
- Update on national and local funding position for Government
- Budget Strategy
- Outline process for Budget setting – GF Revenue
- Latest Medium Term Financial Strategy ('MTFS')
- Budget timetable for 2024/25
- Budget consultation for 2024/25
- Q&A – discussion

# General Fund Revenue Budget requirement

There are 4 key funding streams for this fund:

- Council Tax – decided by Council but limited by central government
  - Referendum limit was : 2.99% or £5 (whichever greater)
- Business Rates (after Government and County share)
- Government Grant (e.g. S31 Grant but no Revenue Support Grant and no New Homes Bonus likely from 2024/25 onwards)
- Other income (e.g. fees and charges, investment income)

# Local Government picture – 2023 Autumn Statement

- On 22 November 2023, the Chancellor presented his 2023 Autumn Statement to the House of Commons, alongside the publication of the Office for Budget Responsibility's new set of Economic and Fiscal Outlook forecasts.
- The Autumn Statement responds to the Office for Budget Responsibility (OBR) forecasts and sets out the medium term path for public finances.
- The measures announced go some way to addressing challenges on housing and improving the planning process.
- However, the announcements made did not specifically address financial sustainability for the sector
- The Government also stated a clear intention to increase productivity in public sector activities by 0.5% each year to bring it in line with the private sector.
- The Autumn Statement may leave some in the sector with the same concerns of how to balance budgets without impacting service delivery.

# Local Government picture – 2023 Autumn Statement

The measures announced in the Autumn Statement that will impact local government include:

- Changes to speed up major planning applications allowing local authorities to recover the cost for administering them if timescales are met.
- £32m to bust planning backlog announced.
- £450m allocated to local authority housing fund to deliver 2,400 new homes.
- Increasing the Local Housing Allowance rate to the 30th percentile of local market rents. This is expected to give 1.6 million households an average of £800 of support next year.
- Business rates frozen for small business for a year as well as 75% discount for retail, hospitality, and leisure companies.
- The Chancellor to freeze small businesses multiplier for next year.
- 55 local projects awarded a share of nearly £1 billion from Round 3 of the Levelling Up Fund
- Pledges to help with cost-of-living crisis by increasing universal credit by 6.7%, matching September's inflation figure and an average of £470 a year for 5.5m households.

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# Budget Strategy

- Aligned to direction & objectives of MTFS
- Outlines path to balanced budget for coming financial year
  - Budget Growth
  - Savings & Efficiencies
  - Emerging Issues e.g. legislation
- Provides a revised deficit position following officer work
- Annual Fees and Charges Review
- Will be considered on 13 December by the Cabinet

# Medium Term Financial Strategy (“MTFS”)

- The key 4 year financial planning document for the Council
- Includes Corporate Plan priorities, key aims & service objectives
- Projects cumulative funding position on a rolling year basis
- Forecasts external economic and funding factors
- Modelled and stress tested – worst, median and best-case scenarios
- Key part of the budget process and Council Tax setting
- Identifies risks and plans to address the gaps in funding
- The MTFS is refreshed and agreed by Council every November

# MTFS - Items Not Included

- Additional Star Chamber savings - Members to decide.
- Planning & Building Control changes.
- Local plan changes (will there be new burden funding?).
- Parking enforcement contract –
  - outsourcing to continue or being brought in house?
- Additional grounds maintenance costs following LUF (Bouverie Square).
- Fees and charges additional income.

**PBB, growth and savings and staff structure changes are included already.**



# Medium Term Financial Forecast

Financial Forecast	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Net Revenue Expenditure Forecast	18,462	19,330	19,970	20,928
Deficit / (Surplus)	<b>638</b>	<b>634</b>	<b>1,120</b>	<b>2,217</b>
Cumulative Deficit	-	<b>1,271</b>	<b>2,392</b>	<b>4,609</b>

# MTFS Assumptions / indices used

MTFS Assumptions used	BASE £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
General inflation – prices*		5.5%	3.5%	4.0%	4.0%
Pay bill growth (excl. on costs)	13,555	3.0%	3.0%	3.0%	3.0%
CPI (where applicable)		5.5%	3.0%	2.0%	2.0%
Interest rate used - medium term investments		5.0%	4.9%	3.8%	3.8%
Interest rate used for borrowing assumptions		6.0%	5.5%	5%	5%
Increase in Council Tax		1.99% on Band D	1.99% on Band D	1.99% on Band D	1.99% on Band D
Business Rate					
Band D equivalent Council Tax (incl. special expense)	287.37	295.96	304.81	313.93	323.31

\*N.B.

- Major contracts have been inflated based on embedded contractual terms and
- Following the Autumn Statement OBR CPI/RPI projection, the general inflation rate is being reviewed.

# Non-service specific - Corporate budget

<b>Cost Pressures:</b>	<b><u>£000</u></b>
Inflationary pressures, i.e., waste, pay award, etc.	1,586
Internal drainage board levies	44
New Homes Bonus grant (removal)	366
Removal of funding from Collection Fund Reserve	59
Minimum revenue provision adjust.	700
<b>Corporate Budget Movements:</b>	
Interest payable and similar charges	(121)
Interest and investment income	(522)
Other non-service related grants (i.e. s31 grant)	(284)
Revenue Contribution to Capital Outlay	(1,432)
Net business rates income	(121)
Council Tax Requirement	<u>(461)</u>
<b>Total</b>	<b><u>(186)</u></b>



# MTFS - 23/24 to 24/25 Base Movement

<b>Service Changes – Unavoidable cost pressures and realignment of income</b>	<b><u>£000</u></b>
Finance, Strategy & Corporate Services	199
Human Resources	99
Place	116
Operations	188
Waste Contract/income	<u>76</u>
<b>Total</b>	<b>679</b>

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# MTFS - 23/24 to 24/25 Base Movement

<b>Service Changes - Priority Based Budgeting Savings</b>	<b><u>£000</u></b>
Leadership Support	(2)
Governance and Law	(81)
Human Resources	(33)
Finance, strategy and Corporate Services	(418)
Economic Development	(101)
Planning	(36)
Operations	(563)
Housing	(58)
Place	(195)
Waste Contract/income	(136)
Transformation prog. Savings	<u>(2,032)</u>
<b>Total</b>	<b>(3,656)</b>

# 2024-25 Forecast MTFS Budget Deficit

## MEDIUM TERM FINANCIAL STRATEGY - 2024/25 TO 2027/28

## Appendix 2

	Base 23/24	Most Likely Forecast 2024/25	Most Likely Forecast 2025/26	Most Likely Forecast 2026/27	Most Likely Forecast 2027/28
<b>Heads of Service</b>					
Leadership Support	740,960	739,010	739,010	739,010	739,010
Governance and Law	2,976,100	2,991,780	3,041,583	3,072,958	3,245,275
Human Resources	683,190	748,890	748,890	748,890	748,890
Finance, strategy and Corporate Services	8,445,560	8,226,684	8,226,684	8,226,684	8,226,684
Strategic Development	0	0	0	0	0
Economic Development	413,180	361,770	461,770	311,770	311,770
Planning	165,400	129,350	129,350	129,350	129,350
Operations	2,483,630	2,269,070	2,229,070	2,229,070	2,229,070
Housing	3,048,610	2,990,340	2,990,340	2,990,340	2,990,340
Place	6,712,940	7,017,116	7,198,775	7,323,515	7,450,750
Total Directorate costs					
Changes not attributed to services		50,064	51,566	52,597	53,649
Recharges to non GF accounts	-5,919,556	-5,919,556	-5,919,556	-5,919,556	-5,919,556
Unallocated net employee costs	33,040	-1,142,616	-567,565	64,941	722,748
<b>Total for Service</b>	<b>19,783,054</b>	<b>18,461,902</b>	<b>19,329,917</b>	<b>19,969,570</b>	<b>20,927,979</b>
Internal drainage board levies	541,430	585,611	609,035	633,397	658,732
Interest payable and similar charges	2,502,000	2,381,000	3,281,000	4,181,000	5,243,000
Interest and investment income	-2,521,000	-3,043,000	-3,734,000	-4,784,000	-5,864,000
New Homes Bonus grant	-365,568	0	0	0	0
Other non-service related grants	-4,616,551	-4,900,456	-4,877,863	-4,825,948	-4,784,036
Town and Parish Council Precepts	2,801,300	2,801,300	2,801,300	2,801,300	2,801,300
Minimum revenue provision adjust.	1,625,000	2,325,000	2,594,000	3,016,000	3,639,000
Financing of fixed assets	2,487,000	1,055,000	205,000	205,000	205,000
<b>Net Revenue Expenditure Before Use Of Reserves</b>	<b>22,236,665</b>	<b>19,666,357</b>	<b>20,208,389</b>	<b>21,196,319</b>	<b>22,826,976</b>
Net transfers to/from reserves	-2,180,000	-166,000	-166,000	-166,000	-166,000
<b>Total To Be Met From Taxpayers &amp; Formula Grant</b>	<b>20,056,665</b>	<b>19,500,357</b>	<b>20,042,389</b>	<b>21,030,319</b>	<b>22,660,976</b>
Transfer to/(from) Collection Fund	-59,451	0	0	0	0
Net business rates income	-3,921,454	-4,112,153	-4,114,612	-4,114,612	-4,126,956
Council Tax Requirement	-14,289,513	-14,750,515	-15,293,983	-15,795,311	-16,316,765
<b>(Surplus)/deficit to General Reserve</b>	<b>1,786,247</b>	<b>637,688</b>	<b>633,795</b>	<b>1,120,396</b>	<b>2,217,255</b>
			1,271,483	2,391,879	4,609,135

# 2024/25 Savings and Budget Gap Summary

Description	£
<b>MTFS Budget Gap -</b>	<b>4,501</b>
Non-service specific (General/Corporate budget)	(186)
Unavoidable cost pressures and realignment of income	679
Priority Based Budgeting & Transformation Savings	(3,656)
Post 2023/24 Budget - net adjustments	(700)
<b>Current 2024/25 Budget Gap =</b>	<b>638</b>

# Potential savings raised at the Star Chamber for members' consideration

<b><u>Waste Contract</u></b>	<b>£</b>
Lower Zone Z Standard To 2A – Street Cleansing	<b>(200,000)</b>
Reduce Litter Bins	<b>(30,000)</b>
Increase Bulky Waste Collection Fee	<b>(5,000)</b>
Above Inflationary Increase in Garden Waste Charge	<b>(30,000)</b>
<b><u>Operations</u></b>	
Explore the transition of public toilets to Town Council & Parishes in 2024/25	<b>(157,000)</b>
Verge cutting – consider transfer service to KCC	<b>(98,612)</b>
<b>Other – Civic Ceremonials – vehicle maintenance, etc.</b>	<b>(10,080)</b>

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# Key Challenges - MTFS

- Political and economic uncertainty
  - Inflation
  - Pay awards
  - Interest rate
  - Fiscal policies – further reductions in funding
  - Financial Settlement – timing and amounts
  - Cost of Living – Increasing Demands
- Additional PBB Saving and Efficiencies

# 2024/25 - 2028/29 Capital Programme

Service Area	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Future Commit.
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operations	8,018	808	109	109	89	0	-
Governance, Law and Service Delivery	27	0	0	0	0	0	-
Otterpool Park Garden Town	10,287	7,500	13,000	13,000	13,000	9,750	
Place	2,875	17,498	8,668	5,500	500	12,500	12,500
Housing	1,630	1,400	1,400	1,400	1,400	0	-
Corporate Services	1,449	365	365	115	115	55	-
<b>Total Capital Programme</b>	<b>24,286</b>	<b>27,571</b>	<b>23,542</b>	<b>20,124</b>	<b>15,104</b>	<b>22,305</b>	<b>12,500</b>
<b>Capital Funding</b>							
Government Grant	(5,946)	(18,195)	(3,256)	(1,519)	(1,519)	(1,000)	-
Other External Contributions	(406)	(297)	-	-	-	-	-
Capital Receipts	(2,823)	(1,129)	(1,231)	(400)	(400)	-	-
Revenue Contributions	(2,223)	(205)	(1,055)	(205)	(185)	(55)	-
Borrowing	(12,888)	(7,745)	(18,000)	(18,000)	(13,000)	(21,250)	(12,500)
<b>Total Funding</b>	<b>(24,286)</b>	<b>(27,571)</b>	<b>(23,542)</b>	<b>(20,124)</b>	<b>(15,104)</b>	<b>(22,305)</b>	<b>(12,500)</b>

# 2024/25 - Capital Programme Growth Bids

Service Area and Scheme	2024/25	2025/26	2026/27	2027/28	2028/29	Future Commit.
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Operations</b>						
Handheld computers for civil enforcement	18	-	-	-	-	-
3 Ride on Mowers	90	-	-	-	-	-
Trimax Pegasus	26	-	-	-	-	-
Stump Grinder	30	-	-	-	-	-
Tractor mounted Hedge Flail	40	-	-	-	-	-
Excavator	40	-	-	-	-	-
<b>Place</b>						
FOLCA 2 *	-	5,000	5,000	-	-	-
Leisure centre development *	-	-	500	500	12,500	12,500
<b>Corporate Services</b>						
Financial Management System	250	250	-	-	-	-
PC Replacement Programme	55	55	55	55	55	-
<b>Total 2024/25 Growth Bids</b>	<b>549</b>	<b>5,305</b>	<b>5,555</b>	<b>555</b>	<b>12,555</b>	<b>12,500</b>

***FOLCA 2** = growth bid 24/25 funded by borrowing - potential £4.5m capital receipt from disposal of civic centre*

***Leisure centre** = development growth bid 24/25 funded by borrowing and £2m grant - potential £8m capital receipt from disposal of land.*

# Future strategies to reduce budget gap

- **Re-focusing of Priorities and Budgets**
  - The Council needs to prioritise and rephrase the work (and Budget) it is undertaking to recognise the financial challenges it faces.
  - A holistic review of services will be performed to identify opportunities to improve the efficiency and effectiveness of service delivery and improve ways of working.
  - A Star Chamber Budget review process to challenge and reset budgets where possible
- **Strategic Investments:**
  - The Council is looking to take advantage of its position with a number of developments to produce financial returns whilst at the same time supporting the delivery of housing and regenerating parts of the district.
- **Reserves:**
  - Using reserves in a sustainable and prudent manner to support the Council's strategies and priorities. These are informed by the reserves strategies approved annually by the Council.
- **Maximise Opportunities:**
  - Using opportunities as they arise including government initiatives or incentives. In particular, the Council will seek to participate in the Business Rates Pooling scheme to maximise the financial benefit from this area.

# General Fund reserves update - Reserves available at Q2 – 2023/24

Reserves	Balance at	2022/23	Balance at	2023/24 Movements		Projected	
	01-Apr-22	Changes	31-Mar-23	In	Out	Balance at	
	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Earmarked Reserves</b>							
Business Rates	(2,662)	1,005	(1,657)	-	-	(1,657)	To support the Business Rate Reduction scheme
Leisure Reserve	(447)	(50)	(497)	(50)	-	(547)	£250k ringfenced – Showers Pavilion maintenance
Carry Forwards	(1,356)	(942)	(2,298)	-	-	(2,298)	Used to carry uncompleted expenditure in the current financial year forward to support expenditure in the forthcoming financial year.
Vehicles, Equipment and Technology	(287)	10	(277)	(147)	95	(329)	Vehicle, equipment & technology replacement
Maintenance of Graves	(12)	-	(12)	-	-	(12)	
New Homes Bonus	(1,997)	1,588	(409)	-	-	(409)	Residual amount of remaining NHB
Corporate Initiatives	(960)	273	(687)	-	88	(599)	
IFRS Reserve	(5)	-	(5)	-	-	(5)	
Economic Development	(1,985)	62	(1,923)	-	536	(1,387)	Regeneration of District - £534k ringfenced Match-funding
Community Led Housing	(310)	57	(253)	-	55	(198)	Community Housing and affordable – ringfenced
Lydd Airport	(9)	-	(9)	-	-	(9)	
Homelessness Prevention	(958)	33	(925)	-	-	(925)	Ringfenced - homelessness - funding stops 2023/24
High Street Regeneration	(1,575)	42	(1,233)	-	-	(1,233)	Regeneration in High Street areas
Climate Change	(4,887)	214	(4,656)	-	701	(3,955)	Achieve Carbon net zero by 2030
Transformation Fund	-	-	-	-1500	-	(1,500)	set aside to enable investment in initiatives that will deliver future savings
COVID	(3,526)	3,496	(30)	-	-	(30)	To fund the collection fund deficit
<b>Total Earmarked Reserves</b>	<b>(20,969)</b>	<b>6,098</b>	<b>(14,871)</b>	<b>(1,697)</b>	<b>2,075</b>	<b>(14,493)</b>	
<b>Total General Fund Res.</b>	<b>(6,008)</b>	<b>(1,030)</b>	<b>(7,038)</b>	<b>-</b>	<b>-</b>	<b>(7,038)</b>	Reserve set aside to allow the Council to deal with unexpected events or costs at short notice

# What is the “right” level of reserves?

- No statutory minimum, Council sets own policy. Currently:
  - General Fund £1.5m
  - HRA £2.0m
- Important for future pressures or unexpected events
- Use of reserves is a one-off funding opportunity – not multi-year
- Maintains working capital requirements
- Long term planning and sustainability, earmarked reserves used for plans

# Summary of implications / Cabinet considerations

- How to fund multi-year MTFS Deficit?
- Find further savings?
- Council Tax / Business Rates / Grants income unlikely.
- Growth / Savings / Income – what is affordable?
- Introduce transformation programme to reduce costs?
- Assets / Capital Receipts maximisation?

## CLT's current plan to address the gap:

1. In year savings / Carry Forwards
2. Stop, pause, contract to core services (with associated transformation programme)
3. Continue with Otterpool Park Investment in financially efficient manner
4. Asset disposal – surplus to operational requirements

# Budget timetable

- 2022/23 Final Outturn result and reserves update – to Cabinet 12 July
- Deep dive analysis and review of variances/budget detail – July/Aug
- Preparation of Star Chamber challenge packs – Aug
- Re-pricing of new MTFS – September – for Cabinet Council November
- Star Chamber meetings and budget policy setting – Oct
- Budget savings/ growth / fees and charges - Cabinet Nov/Dec
- Consolidation of GF/HRA/Capital Budgets – December
- Provisional Local Government settlement – December
- Final Local Government settlement – Jan/Feb 2024
- Final GF/HRA/ Capital Budgets to Cabinet/Council Feb 2024

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# Setting the detailed Budget - January

- Detailed GF Revenue & HRA Budget considered by Scrutiny Committees in January
  - (Chief Officers to attend meeting for deeper dive scrutiny)
- Local Government Finance Settlement
  - Provisional Local Government settlement December 2023
  - Final Local Government settlement due in February 2024
  - Referendum limits, grant funding, reliefs for NNDR will not be known until the draft settlement is received.

# Council Tax setting - February

- Local Government Finance Act 1992
  - Requirement for Council Tax
  - Council Tax base (taxable capacity of the district)
  - Final resolutions agreed
- Legal duty to set balanced budget
- LG Act 2003 (Section 25)S151 Officer must advise the council about the robustness of budget estimates & adequacy of reserves
- Council tax billing March/April 2024

# Consultation

- Questionnaire online for public contributions, promoted on social media channels
- Business Advisory Group
- Joint Parish Council Committee
- Responses
  - 19/20 Budget - no feedback
  - 20/21 Budget – 3 individual pieces of feedback
  - 21/22 Budget – 4 individual pieces of feedback plus one from business community
- Ideas?

Questions?

