

This report will be made public 3 December 2019

Report number **C/19/50**

To: Cabinet
Date: 11 December 2019
Status: Key Decision
Head of Service: Charlotte Spendley, Assistant Director – Finance, Strategy & Support Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: DRAFT GENERAL FUND BUDGET 2020/21

SUMMARY: This report sets out the Council's Draft General Fund budget for 2020/21.

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 2020/21 on 19 February 2020, in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note report C/19/50.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2020/21 budget and council tax recommendations for approval by Full Council in February 2020.

1. INTRODUCTION AND BACKGROUND

- 1.1 Council approved the Medium Term Financial Strategy 2020/21 to 2023/24 (MTFS) on 16 October 2019 and Cabinet agreed the Budget Strategy for 2020/21 on 13 November 2019. These reports considered the council's forecast budget position for 2020/21 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 19 February 2020.
- 1.2 The budget proposals in this report been prepared assuming a 2.0% council tax increase in 2020/21. The final decision will not be confirmed until 19 February 2020. In addition, the following remain to be finalised:
- the forecast for council tax and net business rates income.
 - the council tax base position.
 - 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 £357k in 2020/21. The Corporate Leadership Team, Assistant Directors and Chief Officers have reviewed current budget allocations and savings proposals. Unavoidable budget growth of £816k and Transformation ICT costs of £454k were approved by Cabinet on 13 November. In addition the review of fees & charges and other identified savings resulted in savings of £1,152k being identified through the Budget Strategy process. Furthermore use of reserves of £230k was agreed to fund one-off growth. The draft budget detailed in this report reflects the changes made as a result of these reviews.

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.

Spending Round

- 2.1 The government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, with the current political turbulence around Brexit, it was announced that a one-year Spending Round would be provided, covering the financial year 2020/21; and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

Local Government Finance Settlement

- 2.2 The provisional Local Government Finance Settlement for 2020/21 is expected in late December. Details of the technical consultation on the settlement were outlined within the Budget Strategy.

3. GENERAL FUND BUDGET 2020/21

- 3.1 The draft budget for 2020/21 is presented in detail at Appendix 1 compared to the original budget for 2019/20 and the outturn for 2018/19. 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. Appendix 1 provides a more detailed breakdown of the budget across service areas.

Table 1: General Fund Summary

2018/19		2019/20	2020/21
Actual		Original	Original
£		Budget	Budget
		£	£
	SUMMARY OF NET EXPENDITURE		
	Service Heads		
889,982	Director of Corporate Services	354,240	236,790
785,105	Leadership Support	700,370	589,150
5,143,999	Governance, Law & Service Delivery	5,983,150	6,410,390
792,360	Human Resources	597,040	656,840
6,677,653	Finance, Strategy & Support Services	7,578,480	7,810,230
641,440	Strategic Development	925,840	818,300
464,806	Economic Development	596,480	544,060
382,341	Planning	513,400	504,060
2,369,799	Environment & Corporate Assets	2,544,140	1,433,590
(1,761,705)	Recharges	(1,980,500)	(1,900,500)
-	Vacancy & Savings Target	(340,000)	(24,000)
16,385,779	TOTAL HEAD OF SERVICE NET EXPENDITURE	17,472,640	17,078,910
452,770	Internal Drainage Board Levies	461,830	471,067
379,698	Interest Payable and Similar Charges	431,000	486,000
(1,769,935)	Interest and Investment Income	(848,000)	(793,200)
(1,361,665)	New Homes Bonus Grant	(1,542,740)	(1,195,675)
(1,719,508)	Other non-service related Government Grants	(1,815,160)	(1,815,608)
2,283,454	Town and Parish Council Precepts	2,313,103	2,359,365
14,650,592	TOTAL GENERAL FUND OPERATING NET EXP	16,472,673	16,590,859
3,155,028	Net Transfers to/(from) Earmarked Reserves	2,110,247	(2,488,080)
-	Contribution from General Reserve	(3,000,000)	-
373,372	Minimum Revenue Provision	373,370	874,000
756,839	Capital Expenditure funded from Revenue	138,000	1,909,000
18,935,832	TOTAL TO BE MET FROM LOCAL TAXPAYERS	16,094,290	16,885,779
(293,286)	Transfer to/(from) the Collection Fund	-	-
(7,469,989)	Business Rates Income	(3,495,940)	(3,576,117)
11,172,556	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	12,598,350	13,309,662
(12,183,131)	Council Tax-Demand on Collection Fund	(12,598,350)	(12,953,256)
(1,010,575)	(SURPLUS)/DEFICIT FOR YEAR	-	356,406

Service Budget Changes 2020/21 Compared to 2019/20

3.4 Forecast Head of Service net expenditure has decreased by £393,730 (2.25%):

	Budget
	£
Original 2019/20 General Fund Budget	17,472,640
Original 2020/21 General Fund Budget	17,078,910
Decrease	<u>393,730</u>

4. RESERVES

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy in November 2019 and will be updated to reflect planned use and 2019/20 outturn predictions for inclusion in the final budget reports to Cabinet and Council on 19 February 2020

4.2 Estimates of changes to Earmarked Reserves are shown below:

Reserve	Balance 1/4/2019 £'000	2019/20 Movement £'000	Balance 1/4/2020 £'000	2020/21 Movement £'000	Balance 31/3/2021 £'000
Business Rates ¹	5,496	367	5,863	(765)	5,098
Carry Forward	723	(344)	379	0	379
Corporate Initiatives	404	454	858	(68)	790
IFRS ¹ Reserve	38	(7)	31	(2)	29
Invest to Save	366	0	366	0	366
Leisure	197	50	247	(100)	147
New Homes Bonus (NHB)	2,524	(164)	2,360	(18)	2,342
VET ² Reserve	637	(331)	306	28	334
Economic Development	2,901	1,120	4,021	(1,100)	2,921
Otterpool	2,129	(1,300)	829	(463)	366
Maintenance of Graves	12	0	12	0	12
Community Led Housing	437	0	437	0	437
Lydd Airport	9	0	9	0	9
Homelessness Prevention	319	0	319	0	319
High Street Regeneration	0	3,000	3,000	0	3,000
Total	16,192	2,845	19,037	(2,488)	16,549

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.
 - Council Tax Base position
 - The council's share of the Collection Fund surplus or deficit.
 - Town and parish precepts.
 - Business rates income forecast.
- 5.2 These will be covered in the final budget reports to Cabinet and Council on 19 February 2020, 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 2020/21 on 19 February 2020; 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 2020/21 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2020/21; 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 Folkestone & Hythe 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 position was made to members of the Folkestone & Hythe Business Advisory Board in October.
- 7.6 The outcome of the consultation will be considered by Cabinet when making the final budget recommendations to Council in February 2020.

8. CONCLUSION

- 8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2020/21 budget and council tax recommendations for approval by Council in February 2020.

9. RISK MANAGEMENT ISSUES

- 9.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including impact of Brexit	Medium	Medium	Setting of a prudential budget and continuing strong financial control in the Council's decision making.
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 2019/20 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.
Incorrect assessment of Local Government	High	Low	Current position is based on known information. Position will be updated

Perceived risk	Seriousness	Likelihood	Preventative action
Finance Settlement impact.			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 2020/21 will be submitted for approval by Cabinet and Full Council in February 2020. 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 2020 will include an Equality Impact Assessment of the budget recommendations for 2020/21.

11. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Charlotte Spendley, Assistant Director – Finance, Strategy & Support Services

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

- Medium Term Financial Strategy 2020/21 to 2023/24
- Budget Strategy 2020/21

Appendices:

Appendix 1 – General Fund Budget Estimates (detail)