

This report will be made public on 8 January 2020



Report No: FH/19/01

To: Folkestone & Hythe District & Parish Councils' Joint Committee
Date: 16 January 2020
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader of the Council

SUBJECT: BUDGET STRATEGY & DRAFT GENERAL FUND BUDGET 2020/21

SUMMARY: This report sets out the Council's Draft General Fund budget for 2020/21 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 2019/20, this meeting will be held on 19 February 2020. 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 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

1. BACKGROUND AND BUDGET STRATEGY

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 (including £149k of additional income following the review of fees & charges) 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 considered by Cabinet in November.

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. 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.

Table 1: General Fund Summary

	2019/20 Original Budget £	2020/21 Original Budget £
SUMMARY OF NET EXPENDITURE		
Service Heads		
Director of Corporate Services	354,240	236,790
Leadership Support	700,370	589,150
Governance, Law & Service Delivery	5,983,150	6,410,390
Human Resources	597,040	656,840
Finance, Strategy & Support Services	7,578,480	7,810,230
Strategic Development	925,840	818,300
Economic Development	596,480	544,060
Planning	513,400	504,060
Environment & Corporate Assets	2,544,140	1,433,590
Recharges	(1,980,500)	(1,900,500)
Vacancy & Savings Target	(340,000)	(24,000)
TOTAL HEAD OF SERVICE NET EXPENDITURE	17,472,640	17,078,910
Internal Drainage Board Levies	461,830	471,067
Interest Payable and Similar Charges	431,000	486,000
Interest and Investment Income	(848,000)	(793,200)
New Homes Bonus Grant	(1,542,740)	(1,195,675)
Other non-service related Government Grants	(1,815,160)	(1,815,608)
Town and Parish Council Precepts	2,313,103	2,359,365
TOTAL GENERAL FUND OPERATING NET EXP	16,472,673	16,590,859
Net Transfers to/(from) Earmarked Reserves	2,110,247	(2,488,080)
Contribution from General Reserve	(3,000,000)	-
Minimum Revenue Provision	373,370	874,000
Capital Expenditure funded from Revenue	138,000	1,909,000
TOTAL TO BE MET FROM LOCAL TAXPAYERS	16,094,290	16,885,779
Transfer to/(from) the Collection Fund	-	-
Business Rates Income	(3,495,940)	(3,576,117)
TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	12,598,350	13,309,662
Council Tax-Demand on Collection Fund	(12,598,350)	(12,953,256)
(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	393,730

The Budget includes approved growth and savings, which represents the changing requirements of the Council as well as additional income and efficiency gains. These items have been outlined in full within Appendix 1.

4. RESERVES

4.1 The forecast balance on the General Reserve was reported to Cabinet through 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. 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 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.

8.3 Diversities and Equalities Implications (CS)

The budget report to Council in February will include an Equality Impact Assessment of the budget recommendations for 2020/21.

9. 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, Director of Corporate 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
- Draft General Fund Budget 2020/21

Appendices:

Appendix 1 – 2020/21 General Fund Revenue Growth & Savings Proposals