

This Report will be made public on 11 February 2020



Report Number **C/19/66**

To: Cabinet
Date: 19 February 2020
Status: Key Decision
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader

SUBJECT: GENERAL FUND BUDGET AND COUNCIL TAX 2020/21

SUMMARY: This report sets out the final General Fund budget and council tax requirement for 2020/21, including that part of the local tax covering district and parish services.

REASONS FOR RECOMMENDATIONS:

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

- a) The District Council's General Fund budget and council tax requirement must be approved to enable Full Council to set the budget and the council taxes for 2020/21 in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note Report C/19/66.
2. To recommend to Council to approve the final 2020/21 General Fund budget, as set out at paragraph 4.
3. To recommend to Council to approve a council tax requirement for 2020/21 of £13,044,673.

1. BACKGROUND

1.1 This report sets out the final general fund budget and council tax requirement for 2020/21, including that part of the local tax covering district and parish services. The council tax requirement determines the transfer from the Collection Fund in accordance with the Local Government Finance Act 1988.

1.2 It follows on from previous reports approved by Cabinet:

- 16 October 2019 - Medium Term Financial Strategy for the period 2020/21 to 2023/24
- 13 November 2019 - Budget Strategy 2020/21 and Fees & Charges 2020/21
- 11 December 2019 - Draft General Fund Original Revenue Budget 2020/21
- 22 January 2020 - Update to the General Fund Medium Term Capital Programme

1.3 Areas of the budget that remained to be confirmed when the Draft Budget was approved by Cabinet in December 2019 included:

- The Local Government Finance Settlement for 2020/21
- 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.

1.4 Cabinet's budget recommendation for 2020/21 will be considered at a meeting of Full Council (also taking place on 19 February 2020) when it will set the 2020/21 council tax after taking into account:

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

1.5 The budget proposals have been subject to public consultation and review by Overview and Scrutiny Committee.

2. COUNCIL TAX 2020/21

2.1 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 1.91%. 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 2020/21 without referendum is 1.99%, therefore the proposed increase of 1.91% is below this threshold.

3. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2020/21

3.1 The provisional 2020/21 settlement was announced on 20 December 2019. This followed on from Spending Round 2019 which was announced in September 2019 as a one year spending round covering the financial year 2020/21. The main changes are outlined below.

Local Government Funding Reform

- 3.2 Due to the recent political turbulence, the “Fair Funding Review” has been deferred until 2021/22. The government is expected to issue a further consultation in Spring 2020 seeking views on the methodologies and detailed funding formulas, with the results being introduced from April 2021.

Folkestone & Hythe Core Spending Power

- 3.3 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.

	2019/20	2020/21
	£M	£M
Core Spending Power	15.620	16.051
Comprising:		
Settlement Funding Assessment	3.673	3.732
Assumed Council Tax	10.285	10.747
Other Grants	1.662	1.572
Change in Core Spending Power		
Annual Change		2.8%
Other (not part of Core Spending Power)		
Levy Surplus Returned	0.056	0

Folkestone & Hythe Settlement Funding Assessment

- 3.4 Settlement Funding Assessment (SFA) is the revenue received by local authorities in the form of (i) Revenue Support Grant from Government and (ii) the share of business rates retained locally.

	2019/20	2020/21
	£M	£M
Settlement Funding Assessment	3.673	3.732
Comprising:		
Revenue Support Grant	0.000	0.000
Baseline Funding Level	3.673	3.732
Change in Settlement Funding Assessment		
Annual Change		1.6%

Nationally, the cumulative SFA decrease for district councils between 2015/16 and 2020/21 is 30.4%.

Folkestone & Hythe Retained Business Rates

- 3.5 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.

The Spending Round 2019 announcement confirmed that the business rates baseline reset will be deferred until 2021/22.

	2019/20	2020/21
Baseline Funding Level (£M)	3.673	3.732
Baseline Business Rates (£M)	9.778	9.937
Tariff/Top Up (£M)	-6.105	-6.204
Levy Rate (pence in the pound)	50	50
Levy Surplus Returned (£M)	0.056	0

Kent Business Rates Pool

- 3.6 The settlement confirmed the continuation of the Kent and Medway business rates pool for 2020/21 which will operate under the 50% retention scheme.

Folkestone & Hythe New Homes Bonus

- 3.7 The provisional settlement announcement included no changes to the New Homes Bonus scheme methodology or distribution. A prudent approach had been taken regarding this funding in the draft budget, so this announcement has had a positive impact on the budget for 2020/21. The 2020/21 allocation is 'in year' only and will not have future years' legacy payments as in previous years. This assumption had already been made in the MTFS.

Council Tax

- 3.8 In 2019/20, local authorities were able to apply an increase of less than 3% or up to £5, whichever was higher for the authority. The settlement announced that the referendum limits for 2020/21 would be up to 2% or £5, whichever is higher, for district councils. The government also announced that it will continue to defer the setting of referendum principles for town and parish councils.

Final Local Government Finance Settlement 2020/21

- 3.9 The final local government finance settlement is expected to be released in early February. It is not anticipated that there will be any significant changes from the provisional settlement position.

4. GENERAL FUND REVENUE BUDGET 2020/21

- 4.1 Cabinet considered and approved the Draft General Fund Original Revenue Budget for 2020/21 on 11 December 2019. This took into account the £1,152k savings proposals which included a review of fees & charges, £816k growth, £454k Transformation ICT costs and use of Reserves for one-off growth items of £230k as detailed in the Budget Strategy report that was approved in November 2019, along with the forecast 2020/21 budget changes from the Medium Term Financial Strategy.
- 4.2 Following the provisional settlement and final budget updates the revised Original Budget is set out below.

2019/20		2020/21 Draft	2020/21 Updated
Original Budget £		Original Budget December 2019 £	Original Budget February 2020 £
SUMMARY OF NET EXPENDITURE			
Service Heads			
354,240	Director of Corporate Services	236,790	270,790
700,370	Leadership Support	589,150	689,150
5,983,150	Governance, Law & Service Delivery	6,410,390	6,462,720
597,040	Human Resources	656,840	662,840
7,578,480	Finance, Strategy & Support Services	7,810,230	7,869,250
925,840	Strategic Development	818,300	1,258,840
596,480	Economic Development	544,060	1,012,470
513,400	Planning	504,060	504,060
2,544,140	Environment & Corporate Assets	1,433,590	1,562,330
(1,980,500)	Recharges	(1,900,500)	(2,000,500)
(340,000)	Net Unallocated Employee Costs	(24,000)	65,000
17,472,640	TOTAL HEAD OF SERVICE NET EXPENDITURE	17,078,910	18,356,950
461,830	Internal Drainage Board Levies	471,067	474,089
431,000	Interest Payable and Similar Charges	486,000	486,000
(848,000)	Interest and Investment Income	(793,200)	(793,200)
(1,542,740)	New Homes Bonus Grant	(1,195,675)	(1,422,422)
(1,815,160)	Other non-service related Government Grants	(1,815,608)	(1,791,912)
14,159,570	TOTAL GENERAL FUND NET OPERATING EXPENDITURE	14,231,494	15,309,505
2,110,247	Net Transfers to/(from) Earmarked Reserves	(2,488,080)	(3,613,107)
(3,000,000)	Contribution from General Reserve		
373,370	Minimum Revenue Provision	874,000	874,000
138,000	Capital Expenditure funded from Revenue	1,909,000	1,678,710
13,781,187	TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS	14,526,414	14,249,108
2,313,103	Town and Parish Council Precepts	2,359,365	2,548,751
(3,495,940)	Business Rates Income	(3,576,117)	(3,753,186)
12,598,350	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND AND GENERAL RESERVE	13,309,662	13,044,673
(12,598,350)	Council Tax - Demand on Collection Fund	(12,953,256)	(13,044,673)
0	(SURPLUS) / DEFICIT FOR YEAR	356,406	0

Final Budget Changes

4.3 Reasons for changes since the draft budget was reported in December 2019 include:

- (i) Head of Service Budgets - final updates to Otterpool budgets and anticipated spend on High Street Regeneration following approval of funding bids (both to be funded from reserves) and emerging issues
- (ii) New Homes Bonus income - updated for the provisional settlement notification
- (iii) Other non-service related Government Grants - updated for the latest business rates forecasts

- (iv) Net transfers to/from earmarked reserves have been amended following a review of planned earmarked reserve use
- (v) Capital Expenditure funded from Revenue – updated based on the latest Medium Term Capital Programme
- (vi) Updates for town and parish precepts which had not been confirmed when the December report was prepared
- (vii) Updated Business Rates income based on the latest forecasts
- (viii) Council Tax Demand on the Collection Fund – updated for:
 - forecast income based on the council tax base for 2020/21
 - confirmation of the special expenses for the Folkestone Parks and Pleasure Grounds Charity and
 - a 1.91% increase in the district council's council tax in 2020/21 to keep in line with current inflation rates.

5. FOLKESTONE & HYTHE BAND D EQUIVALENT COUNCIL TAX 2020/21

- 5.1 The Local Government Finance Act 1992 (as amended) requires the Council to determine its council tax requirement for 2020/21.
- 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 2020/21 Report that is being considered at the 19 February 2020 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 £13,044,673.
- 5.4 This is divided by the tax base (39,109.15 Band D equivalent properties) to calculate the average district council tax, including town and parish precepts. The council tax base was approved by Corporate Director – Customers, Support and Specialist Services on 10 December 2019 via delegated authority through the constitution and is recommended to Full Council as part of the General Fund Budget and Council Tax 2020/21 Report that is being considered on 19 February 2020, following this Cabinet meeting.

$$£13,044,673 \div 39,109.15 = £333.55$$
- 5.5 The average District council tax for Band D properties, including an amount for town and parish councils, will be £333.55. This is an increase of £10.99 (3.41%) over 2019/20. 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.

	2020/21 £	2019/20 £	Increase / (Decrease) %
Band D Council Tax - including town and parish precepts	333.55	322.56	3.41%
Band D equivalent of town and parish precepts	(65.17)	(59.22)	10.05%
Band D Council Tax - excluding town and parish precepts	268.38	263.34	1.91%

The average council tax to finance Folkestone & Hythe's net spending plans in 2020/21, including special expenses, is proposed to be increased by £5.04 (1.91%) to £268.38. The Council is therefore not at risk of having to hold a referendum because the increase falls well below the Government threshold.

Excluding the special expenses, Folkestone & Hythe's council tax rate is £254.16; an increase of £4.95 (1.99%) from the 2019/20 rate.

6. SPECIAL EXPENSES – FOLKESTONE PARKS AND PLEASURE GROUNDS CHARITY

- 6.1 The average 2020/21 council tax for Folkestone & Hythe District Council of £268.38 includes an amount that the Council has identified is in respect of special expenses i.e. the Folkestone Parks and Pleasure Grounds 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 2020/21 (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	254.16	4.95	+1.99%	All Folkestone & Hythe District council tax payers
Special Expenses - Folkestone Parks and Pleasure Ground Charity	33.93	0.36	+1.07%	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 & Medway 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 2020/21 report to Full Council on 19 February 2020.

8. GENERAL FUND RESERVES

8.1 The forecast reserves position for 2019/20 and 2020/21 is shown below:

Reserve	1/4/2019 Balance £000	2019/20 Movement £000	31/3/2020 Balance £000	2020/21 Movement £000	31/3/2021 Balance £000
Earmarked Reserves:					
Business Rates	5,496	329	5,825	(4,426)	1,399
Carry Forward	723	(401)	322	0	322
Corporate Initiatives	404	454	858	(136)	722
IFRS ¹ Reserve	38	(7)	31	(23)	8
Invest to Save	366	0	366	(366)	0
Leisure	197	50	247	(100)	147
New Homes Bonus (NHB)	2,524	(164)	2,360	(18)	2,342
VET ² Reserve	637	(370)	267	(50)	217
Economic Development	2,901	1,326	4,227	(2,239)	1,988
Otterpool	2,129	(1,394)	735	(735)	0
Maintenance of Graves	12	0	12	0	12
Community Led Housing	437	(20)	417	(52)	365
Lydd Airport	9	0	9	0	9
Homelessness Prevention	319	0	319	0	319
High Street Regeneration	0	3,000	3,000	(468)	2,532
Climate Change	0	0	0	5,000	5,000
Total Earmarked Reserves	16,192	2,803	18,995	(3,613)	15,382
General Reserve	6,513	490	7,003	0	7,003
Total General Fund Reserves	22,705	3,293	25,998	(3,613)	22,385

¹ IFRS = International Financial Reporting Standards

²VET = vehicles, equipment and technology

8.2 The General Reserve is forecast to be £7.0m by 31 March 2021 and total General Fund Reserves (General Reserve plus Earmarked Reserves) are forecast to be £22.4m at 31 March 2021.

8.3 These forecasts are based on the current projected outturn position for 2019/20 and on the assumption that in-year budget variances are contained within the overall approved 2020/21 budget. Any emerging issues in 2019/20 which have a revenue impact will affect the forecast position of the General Reserve.

9. BUDGET CONSULTATION

9.1 The objectives for consultation on the 2020/21 budget proposals were to:

- Engage with key stakeholder groups and local residents;
- Seek feedback on specific budget proposals for 2020/21; and

(iii) Seek feedback on general spending and income generation priorities

9.2 Information was placed on the website, promoted via social media and feedback through email encouraged. Additionally some specific groups such as the Business Advisory Board and Joint Parish Council Committee received presentations.

Budget Consultation Responses

9.3 Public budget consultation ran online from late December to the end of January. Three pieces of direct feedback were received through these means. We will seek to explore options to obtain a more representative sample of residents' views in future years, however significantly more promotion was undertaken this year with minimal response.

9.4 In addition, in order to meet statutory responsibilities for consulting with the business community, a presentation on the Council's financial strategy to members of the Business Advisory Board was undertaken in the autumn and they were also invited to participate through the online consultation form.

9.5 Parish councils were also briefed and invited to participate in the consultation at the meeting of Folkestone & Hythe District and Parish Councils Joint Committee on 16 January 2020.

10. BUDGET SCRUTINY

10.1 The 2020/21 budget reports that have been approved by Cabinet have been subject to review by the Overview and Scrutiny Committee at the following meetings:

- 15 October 2019 - Medium Term Financial Strategy for the period 2020/21 to 2023/24
- 12 November 2019 - Budget Strategy 2020/21 and Fees & Charges 2020/21
- 10 December 2019 - Draft General Fund Original Revenue Budget 2020/21
- 21 January 2020 - Update to the General Fund Medium Term Capital Programme

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 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.

11.2 The Chief Finance Officer's statement will be presented in the General Fund Budget and Council Tax 2020/21 report to Council on 19 February 2020.

12. CONCLUSION

- 12.1 Cabinet is asked to recommend to Full Council the approval of the final General Fund budget for 2020/21 and to determine the District Council's council tax requirement as £13,044,673.

13. RISK MANAGEMENT ISSUES

- 13.1 The risks in respect of the General Fund Budget 2020/21 have already been set out in detail in Report C/19/50 to Cabinet on 11 December 2019 but are repeated below (and updated where applicable).

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 modelling of the impact will be required. Budget has been reviewed in light of final NNDR1 estimate in January.
Reduction in Government grant	Medium	High	Monitor closely Government announcements and identify early action to address any shortfall. Risk has been mitigated due to the shift away from reliance on government grants.
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 2020/21 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	High	Low	Current position is based on known information.

Perceived risk	Seriousness	Likelihood	Preventative action
Local Government Finance Settlement impact.			

14. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

14.1 Legal Officer's Comments (NE)

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.

14.2 Finance Officer's Comments (CI)

The Financial implications are detailed in the report.

14.3 Diversities and Equalities Implications (CI)

The Equality Impact Assessment will be presented in the 19 February 2020 Budget and Council Tax 2020/21 report to Council.

15. 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
 Telephone: 07935 517986
 Email charlotte.spendley@folkestone-hythe.gov.uk

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

- Budget working papers
- 16 October 2019 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2020/21 to 2023/24
- 13 November 2019 - Reports to Cabinet - Budget Strategy 2020/21 and Fees & Charges 2020/21
- 11 December 2019 - Report to Cabinet - Draft General Fund Original Revenue Budget 2020/21
- 22 January 2020 - Report to Cabinet - Update to the General Fund Medium Term Capital Programme