

This report will be made
public 4 January 2021

Report number **C/20/66**

To: Cabinet
Date: 20 January 2021
Status: Key Decision
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: DRAFT GENERAL FUND BUDGET 2021/22

SUMMARY: This report sets out the Council's Draft General Fund budget for 2021/22.

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 2021/22 on 24 February 2021, in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note report C/20/66.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2021/22 budget and council tax recommendations for approval by Full Council in February 2021.

1. INTRODUCTION AND BACKGROUND

- 1.1 Council approved the Medium Term Financial Strategy 2021/22 to 2024/25 (MTFS) on 25 November 2020 and Cabinet agreed the Budget Strategy for 2021/22 on 9 December 2020. These reports considered the council's forecast budget position for 2021/22 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 24 February 2021.
- 1.2 The budget proposals in this report have been prepared assuming a 2.0% council tax increase in 2021/22. The final decision will not be confirmed until 24 February 2021. 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 £3.5m in 2021/22. The Corporate Leadership Team, Assistant Directors and Chief Officers have reviewed current budget allocations and savings proposals. Unavoidable budget growth of £296k was approved by Cabinet on 9 December. In addition the review of fees & charges and other identified savings resulted in savings of £1.1m being identified through the Budget Strategy process. 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 had intended to hold a Spending Review in 2020, covering the period 2021/22 to 2023/24, delayed from 2019 due to political focus on the Transition from the EU. However, with the unprecedented uncertainty of Covid-19 and to prioritise the response to the pandemic, it was announced that a one-year Spending Review would be conducted covering the financial year 2021/22; and that plans for the Spending Review would be kept under review.

Local Government Finance Settlement

- 2.2 The Provisional Local Government Finance Settlement is anticipated to follow the Spending Review announcement in mid-late December.

3. GENERAL FUND BUDGET 2021/22

- 3.1 The draft budget for 2021/22 is presented in detail at Appendix 1 compared to the original budget for 2020/21 and the outturn 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. Appendix 1 provides a more detailed breakdown of the budget across service areas.

Table 1: General Fund Summary

2019/20		2020/21 Original Budget	2021/22 Original Budget
Actual £		£	£
SUMMARY OF NET EXPENDITURE			
Service Heads			
5,178,419	Finance, Strategy & Corporate Services	5,823,150	7,320,440
623,766	Human Resources	662,840	655,850
2,743,688	Governance & Law	2,575,720	2,449,910
716,222	Leadership Support	811,110	907,520
4,469,067	Place	5,315,370	6,600,060
597,087	Economic Development	1,012,470	1,304,330
159,408	Planning	531,570	212,940
1,558,923	Operations	1,271,670	2,237,590
1,056,678	Strategic Development	1,258,840	70,490
788,579	Housing	995,710	3,859,600
1,082,557	Transition & Transformation	34,000	0
(1,866,482)	Recharges	(2,000,500)	(5,559,200)
-	Vacancy & Savings Target	65,000	(608,800)
17,107,912	TOTAL HEAD OF SERVICE NET EXPENDITURE	18,356,950	19,450,730
462,151	Internal Drainage Board Levies	474,090	483,570
512,501	Interest Payable and Similar Charges	486,000	739,000
(2,337,467)	Interest and Investment Income	(793,200)	(754,000)
(1,542,739)	New Homes Bonus Grant	(1,422,420)	(836,050)
(2,129,954)	Other non-service related Government Grants	(1,791,910)	(2,257,300)
2,313,103	Town and Parish Council Precepts	2,548,750	2,599,730
14,385,507	TOTAL GENERAL FUND OPERATING NET EXP	17,858,260	19,425,680
4,489,655	Net Transfers to/(from) Earmarked Reserves	(3,613,110)	(3,003,465)
358,436	Minimum Revenue Provision	874,000	886,000
502,225	Capital Expenditure funded from Revenue	1,678,710	1,280,000
19,735,823	TOTAL TO BE MET FROM LOCAL TAXPAYERS	16,797,860	18,588,215
(3,174,094)	Transfer to/(from) the Collection Fund	-	-
	Business Rates Income	(3,753,190)	(3,322,490)
16,561,729	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	13,044,670	15,265,725
(12,592,566)	Council Tax-Demand on Collection Fund	(13,044,670)	(12,935,625)
3,969,163	(SURPLUS)/DEFICIT FOR YEAR	-	2,330,100

Service Budget Changes 2021/22 Compared to 2020/21

3.4 Forecast Head of Service net expenditure has increased by £1,093,780 (5.6%):

	Budget £
Original 2020/21 General Fund Budget	18,356,950
Original 2021/22 General Fund Budget	19,450,730
Increase	<u>1,093,780</u>

4. RESERVES

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy in December 2020 and will be updated to reflect planned use and 2020/21 outturn predictions for inclusion in the final budget reports to Cabinet and Council on 24 February 2021

4.2 Estimates of changes to Earmarked Reserves are shown below:

Reserve	Balance 1/4/2020 £'000	2020/21 Movement £'000	Balance 1/4/2021 £'000	2021/22 Movement £'000	Balance 31/3/2022 £'000
Business Rates	5,699	(4,300)	1,399	-	1,399
Invest to Save	366	(366)	-	-	-
Carry Forwards	681	(159)	522	-	522
IFRS ¹ Reserve	31	(23)	8	(3)	5
VET ² Reserve	257	126	383	(66)	317
New Homes Bonus	2,360	(18)	2,342	(344)	1,998
Corporate Initiatives	998	(752)	246	-	246
Maintenance of Graves	12	-	12	-	12
Leisure	497	50	547	(100)	447
Otterpool Park Economic Development	1,570	(1,570)	-	-	-
Community Led Housing	4,384	(2,974)	1,410	(1,134)	276
Lydd Airport	417	(52)	365	(55)	310
Homelessness Prevention	9	-	9	-	9
High Street Regeneration	401	137	538	(416)	122
Climate Change	3,000	(1,208)	1,792	(830)	962
Total	-	4,907	4,907	(56)	4,851
Total	20,682	(6,202)	14,480	(3,004)	11,476

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 24 February 2021, 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 2021/22 on 24 February 2021; 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 2021/22 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2021/22; 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	Consultation shared with Folkestone & Hythe Business Advisory Board
Other Community Groups	Consultation to be shared with key stakeholder
Town and Parish Councils.	Direct communication to invite feedback.

- 7.3 Consultation feedback responses will be summarised and reported to Cabinet in February, along with any feedback received from the Parish Councils who will also be contacted.

8. CONCLUSION

- 8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2021/22 budget and council tax recommendations for approval by Council in February 2021.

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 the Transition period and ongoing COVID impact	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 2021/22 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. Detailed budget has been fully reviewed ahead of proposals made.
Incorrect assessment of Local Government Finance Settlement impact.	High	Low	Current position is based on known information. Position will be updated 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 2021/22 will be submitted for approval by Cabinet and Full Council in February 2021. 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 2021 will include an Equality Impact Assessment of the budget recommendations for 2021/22.

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, 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 2021/22 to 2024/25
- Budget Strategy 2021/22

Appendices:

Appendix 1 – General Fund Budget Estimates (detail)