

This Report will
be made public on
6 January 2021



|Report No: **FH/20/01**

To: Folkestone & Hythe District & Parish Councils'
Joint Committee
Date: 14 January 2021
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader of the Council

SUBJECT: BUDGET STRATEGY 2021/22

SUMMARY: This report summarises the overall Budget Strategy for 2021/22. 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 2021/22, this meeting will be held on 24 February 2021. 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 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

1. BACKGROUND AND BUDGET STRATEGY

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. The detailed draft General Fund budget will be presented to Cabinet on 20 January 2021, prior to Full Council approving the final budget proposals and the level of council tax at its meeting on 24 February 2020.

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 (including £65k of additional income following the review of fees & charges) being identified through the Budget Strategy process. The growth and savings approved as part of the Budget Strategy are outlined in full within Appendix 1.

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 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. The one-year Spending Review was announced on 25 November.

Local Government Finance Settlement

- 2.2 The provisional Local Government Finance Settlement for 2021/22 is expected in late December. Any financial impacts arising from the announcement will be built into the draft detailed budget papers being presented to Cabinet in January 2021.

3. RESERVES

- 3.1 The forecast balance on the General Reserve was reported to Cabinet through 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
- 3.2 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	(158)	523	-	523
IFRS ¹ Reserve	31	(23)	8	(1)	7
VET ² Reserve	257	50	307	(66)	241
New Homes Bonus (NHB)		(18)		(344)	1,998
Corporate Initiatives	2,360		2,342		
Maintenance of Graves	998	(694)	304	(58)	246
Leisure	12	-	12	-	12
Otterpool	497	49	546	(100)	446
Economic Development	1,570	(1,570)	-	-	-
Community Led Housing	4,384	(2,858)	1,526	(950)	576
Lydd Airport Homelessness Prevention	417	(52)	365	-	365
High Street Regeneration	9	-	9	-	9
Climate Change	401	-	401	-	401
Total	3,000	(934)	2,066	-	2,066
	-	4,960	4,960	-	4,960
	20,682	(5,914)	14,768	(1,519)	13,249

Notes:

¹ IFRS = International Financial Reporting Standards

² VET = Vehicles, equipment and technology

4. BUDGET PREPARATION – NEXT STEPS

4.1 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.

4.2 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.

5. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

5.1 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.

- 5.2 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.

6. CONCLUSION

- 6.1 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.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 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.

7.2 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.

7.3 Diversities and Equalities Implications (CS)

The budget report to Council in February will include an Equality Impact Assessment of the budget recommendations for 2021/22.

8. 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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E-mail: charlotte.spendley@folkestone-hythe.gov.uk

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
- Draft General Fund Budget 2021/22

Appendices:

Appendix 1 – 2021/22 General Fund Revenue Growth & Savings Proposals