

This Report will be made public on 16 February 2021

Report Number **C/20/73**

To: Cabinet
Date: 24 February 2021
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 2021/22

SUMMARY: This report sets out the final General Fund budget and council tax requirement for 2021/22, 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 2021/22 in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note Report C/20/73.
2. To recommend to Council to approve the final 2021/22 General Fund budget, as set out at paragraph 4.
3. To recommend to Council to approve a council tax requirement for 2021/22 of £13,128,209.

1. BACKGROUND

- 1.1 This report sets out the final general fund budget and council tax requirement for 2021/22, 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:
- 11 November 2020 - Medium Term Financial Strategy for the period 2021/22 to 2024/25
 - 9 December 2020 - Budget Strategy 2021/22 and Fees & Charges 2021/22
 - 20 January 2021 - Draft General Fund Original Revenue Budget 2021/22
 - 20 January 2021 - 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 January 2021 included:
- The Local Government Finance Settlement for 2021/22
 - 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 2021/22 will be considered at a meeting of Full Council (also taking place on 24 February 2021) when it will set the 2021/22 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 the Finance & Performance Sub-Committee.

2. COUNCIL TAX 2021/22

- 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 1.99%. 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 2021/22 without referendum is 1.99%, therefore the proposed increase is within this threshold.

3. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2021/22

- 3.1 The provisional 2021/22 settlement was announced on 17 December 2020. This followed on from Spending Review 2020 which was announced in November 2020 as a one year spending round covering the financial year 2021/22. The main changes are outlined below.

Local Government Funding Reform

- 3.2 Due to the recent pandemic and unprecedented uncertainty of Covid-19 and political focus on the transition from the EU, the Fair Funding Review, New Homes Bonus Reform and Business Rates Rest have been deferred for a further year until 2022/23. The government is expected to issue a further consultation in Spring 2021 seeking views on the methodologies and detailed funding formulas, with the results being introduced from April 2022.

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.

	2020/21 £M	2021/22 £M
Core Spending Power	15.800	15.804
Comprising:		
Settlement Funding Assessment	3.733	3.733
Assumed Council Tax	10.496	10.882
Other Grants	1.572	1.189
Change in Core Spending Power		
Annual Change		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.

	2020/21 £M	2021/22 £M
Settlement Funding Assessment	3.733	3.733
Comprising:		
Revenue Support Grant	0.000	0.000
Baseline Funding Level	3.733	3.733
Change in Settlement Funding Assessment		
Annual Change		0%

Nationally, the cumulative SFA decrease for district councils between 2015/16 and 2021/22 is 30.3%.

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 Review 2020 announcement confirmed that the multiplier would be frozen for 2021/22.

It also confirmed that the business rates baseline reset will be deferred until 2022/23.

	2020/21	2021/22
Baseline Funding Level (£M)	3.733	3.733
Baseline Business Rates (£M)	9.937	9.937
Tariff/Top Up (£M)	-6.204	-6.204
Levy Rate (pence in the pound)	50	50
Levy Surplus Returned (£M)	0	0

Kent Business Rates Pool

- 3.6 The settlement confirmed the continuation of the Kent and Medway business rates pool for 2021/22 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 due to the reduction in council tax base as a result of the ongoing pandemic and the increase in claimants of Local Council Tax Support, so this announcement has had a small positive impact on the budget for 2021/22. The 2021/22 allocation follows the 2020/21 approach and is an 'in year' only payment and will not have future years' legacy payments. This assumption had already been made in the MTFs. The New Homes Bonus amount included within the budget has reduced from 2020/21 due to the legacy payment from the 2017/18 allocation falling out and the in-year allocation being lower due to the reduced tax base growth above the threshold.

Folkestone & Hythe Lower Tier Services Grant

- 3.8 The provisional settlement proposed a new un-ringfenced Lower Tier Services Grant for 2021/22 for local authorities with responsibility for lower tier services such as homelessness, planning, recycling and refuse services. This funding is in response to the current exceptional circumstances and is a one-off grant. The Council's allocation is £159k and this was included in the draft budget.

Council Tax

- 3.9 In 2020/21, local authorities were able to apply an increase of less than 2% or up to £5, whichever was higher for the authority. The settlement announced that there would be no change to the referendum limits for 2021/22 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 2021/22

- 3.10 The final local government finance settlement was announced on 4 February 2021 with no significant changes from the provisional settlement position.

4. GENERAL FUND REVENUE BUDGET 2021/22

- 4.1 Cabinet considered and approved the Draft General Fund Original Revenue Budget for 2021/22 on 20 January 2021. This took into account the £1.1m savings proposals which included a review of fees & charges and £296k

growth as detailed in the Budget Strategy report that was approved in December 2020, along with the forecast 2021/22 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.

2020/21		2021/22 Draft	2021/22 Updated
Original Budget £		Original Budget January 2021 £	Original Budget February 2020 £
SUMMARY OF NET EXPENDITURE			
Service Heads			
5,823,150	Finance, Strategy & Corporate Services	7,320,440	6,995,850
662,840	Human Resources	665,850	665,850
2,575,720	Governance & Law	2,449,910	2,449,910
811,110	Leadership Support	217,470	60,470
5,315,370	Place	6,600,060	6,600,060
1,012,470	Economic Development	1,304,330	1,304,330
531,570	Planning	212,940	212,940
1,271,670	Operations	2,237,590	2,487,590
1,258,840	Strategic Development	70,490	70,490
995,710	Housing	3,345,600	3,345,600
34,000	Transition & Transformation	0	0
(2,000,500)	Recharges to non-general fund Vacancy Target & Savings Target not included in service heads	(5,559,200)	(5,559,200)
65000		(608,800)	(608,800)
18,356,950	TOTAL HEAD OF SERVICE NET EXPENDITURE	18,246,680	18,015,090
474,089	Internal Drainage Board Levies	483,570	483,570
486,000	Interest Payable and Similar Charges	739,000	739,000
(793,200)	Interest and Investment Income	(754,000)	(754,000)
(1,422,422)	New Homes Bonus Grant	(836,050)	(836,050)
(1,791,912)	Other non-service related Government Grants	(2,269,880)	(1,971,230)
15,309,505	TOTAL GENERAL FUND NET OPERATING EXPENDITURE	15,609,320	15,676,380
(3,613,107)	Net Transfers to/(from) Earmarked Reserves	(2,489,465)	(2,760,265)
874,000	Minimum Revenue Provision	886,000	886,000
1,678,710	Capital Expenditure funded from Revenue	1,280,000	1,280,000
14,249,108	TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS	15,285,855	15,082,115
2,548,751	Town and Parish Council Precepts	2,599,730	2,594,247
0	Transfer to/(from) Collection Fund	0	67,290
(3,753,186)	Business Rates Income	(3,322,490)	(3,905,100)
13,044,673	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND AND GENERAL RESERVE	14,563,095	13,838,552
(13,044,673)	Council Tax - Demand on Collection Fund	(12,935,625)	(13,128,109)
0	(SURPLUS) / DEFICIT FOR YEAR	1,627,470	710,343
0	Contribution from General Reserve	0	(710,343)
0	BALANCE AT END OF YEAR	0	0

Final Budget Changes

4.3 Reasons for changes since the draft budget was reported in January 2021

include:

- (i) Head of Service Budgets – addition of budgets for continued expenditure on Community Hubs and feasibility work on the proposed Civic Centre relocation (the latter to be funded from reserves) and recognition of the recently announced Local Council Tax Support Grant
 - (ii) Other non-service related Government Grants - updated for the latest business rates forecasts
 - (iii) Net transfers to/from earmarked reserves have been amended following a review of planned earmarked reserve use
 - (iv) Updates for town and parish precepts which had not been confirmed when the December report was prepared
 - (v) Transfer to/(from) Collection Fund updated for the Council's share of the estimated council tax deficit
 - (vi) Updated Business Rates income based on the latest forecasts
 - (vii) Council Tax Demand on the Collection Fund – updated for:
 - forecast income based on the council tax base for 2021/22
 - confirmation of the special expenses for the Folkestone Parks and Pleasure Grounds Charity and
 - a 1.99% increase in the district council's council tax in 2021/22 to keep in line with current inflation rates.
- 4.4 The budgeted capital expenditure funded from revenue mainly relates to £1.1m for the Biggins Wood development project and £0.1m for the IT replacement programme (both funded from earmarked reserves).

5. FOLKESTONE & HYPHE BAND D EQUIVALENT COUNCIL TAX 2021/22

- 5.1 The Local Government Finance Act 1992 (as amended) requires the Council to determine its council tax requirement for 2021/22.
- 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 2021/22 Report that is being considered at the 24 February 2021 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 £13,128,209.
- 5.4 This is divided by the tax base (38,484.69 Band D equivalent properties) to calculate the average district council tax, including town and parish precepts. The council tax base was approved by the Director of Corporate Services on 16 December 2020 via delegated authority through the constitution and is recommended to Full Council as part of the General Fund Budget and Council Tax 2021/22 Report that is being considered on 24 February 2021, following this Cabinet meeting.

£13,128,209 ÷ 38,484.69 = £341.13

- 5.5 The average District council tax for Band D properties, including an amount for town and parish councils, will be £341.13. This is an increase of £7.58 (2.27%) over 2020/21. 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.

	2021/22 £	2020/21 £	Increase / (Decrease) %
Band D Council Tax - including town and parish precepts	341.13	333.55	2.27%
Band D equivalent of town and parish precepts	(67.41)	(65.17)	3.44%
Band D Council Tax - excluding town and parish precepts	273.72	268.38	1.99%

The average council tax to finance Folkestone & Hythe's net spending plans in 2021/22, including special expenses, is proposed to be increased by £5.34 (1.99%) to £273.72. 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 £259.20; an increase of £5.04 (1.98%) from the 2020/21 rate.

6. SPECIAL EXPENSES – FOLKESTONE PARKS AND PLEASURE GROUNDS CHARITY

- 6.1 The average 2021/22 council tax for Folkestone & Hythe District Council of £273.72 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 2021/22 (Band D) £	Increase (Band D) £	Increase + /Decrease ()	Council Tax payers that receive this information
	259.20	5.04	+1.98%	

Folkestone & Hythe
District Council element of
Council Tax - excluding
Special Expenses

All Folkestone &
Hythe District council
tax payers

Special Expenses -
Folkestone Parks and
Pleasure Ground Charity

34.83 0.90 +2.65%

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 2021/22 report to Full Council on 24 February 2021.

8. GENERAL FUND RESERVES

8.1 The forecast reserves position for 2020/21 and 2021/22 is shown below:

Reserve	1/4/2020 Balance £000	2020/21 Movement £000	31/3/2021 Balance £000	2021/22 Movement £000	31/3/2022 Balance £000
Earmarked Reserves:					
Business Rates	5,699	(4,300)	1,399	225	1,624
Invest to Save	366	(366)	0	0	0
Carry Forward	681	(159)	522	0	522
IFRS ¹ Reserve	31	(23)	8	(2)	6
VET ² Reserve	257	126	383	(66)	317
New Homes Bonus (NHB)	2,360	(18)	2,342	(344)	1,998
Corporate Initiatives	998	(752)	246	(246)	0
Maintenance of Graves	12	0	12	0	12
Leisure	497	50	547	(100)	447
Otterpool	1,570	(1,570)	0	0	0
Economic Development	4,384	(2,974)	1,410	(1,134)	276
Community Led Housing	417	(52)	365	(55)	310
Lydd Airport	9	0	9	0	9
Homelessness Prevention	401	137	538	98	636
High Street Regeneration	3,000	(1,208)	1,792	(830)	962
Climate Change	0	4,907	4,907	(306)	4,601
Total Earmarked Reserves	20,682	(6,202)	14,480	(2,760)	11,720
General Reserve	3,309	506	3,815	(710)	3,105
Total General Fund Reserves	23,991	(5,696)	18,295	(3,470)	14,825

¹ IFRS = International Financial Reporting Standards

²VET = vehicles, equipment and technology

- 8.2 The General Reserve is forecast to be £3.0m by 31 March 2022 and total General Fund Reserves (General Reserve plus Earmarked Reserves) are forecast to be £14.7m at 31 March 2022. The forecast use of earmarked reserves in 2021/22 is £2.8m. The main uses of reserves are £1.1m to fund capital expenditure on the Biggins Wood development project, £0.8m to fund High Street Regeneration projects and £0.8m to fund revenue expenditure.
- 8.3 These forecasts are based on the current projected outturn position for 2020/21 and on the assumption that in-year budget variances are contained within the overall approved 2021/22 budget. Any emerging issues in 2020/21 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 2021/22 budget proposals were 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
- 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 mid-December to the end of January. Four 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 significant 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 January and they were also invited to participate through the online consultation form. One piece of direct feedback was received through this process.
- 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 14 January 2021.
- 9.6 There was no consensus among the five pieces of feedback received, with some commenting that the council tax increase was too high and others suggesting a higher increase in council tax, some challenging the investment in strategic projects and some suggesting increased support for local businesses. Given the varying views and the small number of responses no changes to the budget have been proposed as a result of the consultation.

10. BUDGET SCRUTINY

10.1 The 2021/22 budget reports that have been approved by Cabinet have been subject to review by the Finance & Performance Sub-Committee at the following meetings:

- 3 November 2020 - Medium Term Financial Strategy for the period 2021/22 to 2024/25
- 12 January 2021 - Draft General Fund Original Revenue Budget 2020/21 and 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 2021/22 report to Council on 24 February 2021.

12. CONCLUSION

12.1 Cabinet is asked to recommend to Full Council the approval of the final General Fund budget for 2021/22 and to determine the District Council's council tax requirement as £13,128,209.

13. RISK MANAGEMENT ISSUES

13.1 The risks in respect of the General Fund Budget 2021/22 have already been set out in detail in Report C/20/66 to Cabinet on 20 January 2021 but are repeated below (and updated where applicable).

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including impact of the Transition from the EU period and ongoing COVID impact	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.

Perceived risk	Seriousness	Likelihood	Preventative action
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 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.

14. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

14.1 Legal Officer's Comments (NM)

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 24 February 2021 Budget and Council Tax 2021/22 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
- 11 November 2020 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2021/22 to 2024/25
- 9 December 2020 - Reports to Cabinet - Budget Strategy 2021/22 and Fees & Charges 2021/22
- 20 January 2021 - Reports to Cabinet - Draft General Fund Original Revenue Budget 2021/22 and Update to the General Fund Medium Term Capital Programme