

This Report will be made public on 15 February 2022

Report Number **C/21/85**

To: Cabinet
Date: 23 February 2022
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 2022/23

SUMMARY: This report sets out the final General Fund budget and council tax requirement for 2022/23, 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 2022/23 in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note Report C/21/85.
2. To recommend to Council to approve the final 2022/23 General Fund budget, as set out at paragraph 4.
3. To recommend to Council to approve a council tax requirement for 2022/23 of £13,591,730.

1. BACKGROUND

1.1 This report sets out the final general fund budget and council tax requirement for 2022/23, 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:

- 24 November 2021 - Medium Term Financial Strategy for the period 2022/23 to 2025/26
- 15 December 2021 - Budget Strategy 2022/23 and Fees & Charges 2022/23
- 26 January 2022 - Draft General Fund Original Revenue Budget 2021/22
- 10 February 2022 - 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 2022 included:

- The Local Government Finance Settlement for 2022/23
- 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 2022/23 will be considered at a meeting of Full Council (also taking place on 23 February 2022) when it will set the 2022/23 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 2022/23

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 1.96%. 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 2022/23 without referendum is 1.99%, therefore the proposed increase is within this threshold.

3. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23

3.1 The provisional 2022/23 settlement was announced on 16 December 2021. The main changes are outlined below.

Local Government Funding Reform

- 3.2 Despite anticipation that the settlement would provide some clarity about future funding reform, the settlement itself was for a single year only further details on funding reform and associated consultations are expected to follow during 2022. The following statement was made:

“Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.”

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.

	2021/22 £M	2022/23 £M
Core Spending Power	15.456	16.029
Comprising:		
Settlement Funding Assessment	3.733	3.733
Assumed Council Tax	10.534	10.819
Other Grants	1.189	1.477
Change in Core Spending Power		
Annual Change		3.7%

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.

	2021/22 £M	2022/23 £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%

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.

	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

Kent Business Rates Pool

- 3.6 The settlement confirmed the continuation of the Kent and Medway business rates pool for 2022/23 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 uncertainty regarding the funding, so this announcement has had a small positive impact on the budget for 2022/23. The 2022/23 allocation follows the 2020/21 and 2021/22 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 2021/22 due to the legacy payment from the 2018/19 allocation falling out and the in-year allocation being lower.

- 3.8 Folkestone & Hythe Lower Tier Services Grant

The provisional settlement includes the proposed continuation of the un-ringfenced Lower Tier Services Grant for 2022/23 for local authorities with responsibility for lower tier services such as homelessness, planning, recycling and refuse services. This funding was first introduced for 2021/22 in response to the current exceptional circumstances and is a one-off grant. The Council's allocation is £167k (up from the 2021/22 allocation of £159k) and this was included in the draft budget.

- 3.9 Council Tax

In 2020/21 and 2021/22, 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 2022/23 for district councils. The government also announced that it will continue to defer the setting of referendum principles for town and parish councils.

- 3.10 Final Local Government Finance Settlement 2022/23

The final local government finance settlement was announced on 7 February 2022 with no significant changes from the provisional settlement position.

4. GENERAL FUND REVENUE BUDGET 2022/23

- 4.1 Cabinet considered and approved the Draft General Fund Original Revenue Budget for 2022/23 on 26 January 2022. This took into account the £1.048m savings proposals which included a review of fees & charges and £444k growth as detailed in the Budget Strategy report that was approved in December 2021, along with the forecast 2022/23 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.

2021/22 Original Budget £		2022/23 Draft Original Budget January 2022 £	2022/23 Updated Original Budget February 2022 £
SUMMARY OF NET EXPENDITURE			
Service Heads			
6,148,800	Finance, Strategy & Corporate Services	7,657,250	7,695,250
655,850	Human Resources	626,780	626,780
2,449,910	Governance & Law	2,589,890	2,589,890
907,520	Leadership Support	1,004,220	1,004,220
6,600,060	Place	6,254,240	6,254,240
1,304,330	Economic Development	762,030	762,030
212,940	Planning	137,020	137,020
2,487,590	Operations	1,358,450	1,486,040
70,490	Strategic Development	39,670	39,670
3,345,600	Housing	3,342,840	3,342,840
(5,559,000)	Recharges to non-general fund	(5,613,000)	(5,727,500)
(608,800)	Vacancy Target & NI additional employer contributions	(224,000)	74,000
18,015,290	TOTAL HEAD OF SERVICE NET EXPENDITURE	17,935,390	18,284,480
483,570	Internal Drainage Board Levies	493,241	493,241
739,000	Interest Payable and Similar Charges	801,000	801,000
(754,000)	Interest and Investment Income	(1,320,000)	(1,320,000)
(836,050)	New Homes Bonus Grant	(744,272)	(744,700)
(1,971,230)	Other non-service related Government Grants	(1,763,462)	(2,088,051)
15,676,580	TOTAL GENERAL FUND NET OPERATING EXPENDITURE	15,401,897	15,425,970
(2,760,260)	Net Transfers to/(from) Earmarked Reserves	(3,526,170)	(5,507,170)
886,000	Minimum Revenue Provision	1,667,000	1,667,000
1,280,000	Capital Expenditure funded from Revenue	2,363,000	2,363,000
15,082,320	TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS	15,905,727	13,948,800
2,594,250	Town and Parish Council Precepts	2,646,132	2,659,325
67,290	Transfer to/(from) Collection Fund	0	0
(3,905,100)	Business Rates Income	(3,943,223)	(2,815,831)
13,838,760	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND AND GENERAL RESERVE	14,608,636	13,792,294
(13,128,210)	Council Tax - Demand on Collection Fund	(13,494,053)	(13,591,730)
710,550	(SURPLUS) / DEFICIT FOR YEAR	1,114,583	200,564
(710,550)	Contribution from General Reserve	(1,114,583)	(200,564)
0	BALANCE AT END OF YEAR	0	0

Final Budget Changes

4.3 Reasons for changes since the draft budget was reported in January 2022 include:

- (i) Head of Service Budgets – addition of budgets for the District Wide Carbon Plan (£70k); inclusion of CMS replacement (£130k); additional utilities costs (£32k); inclusion of changes to employers NI contributions (£198k); funding previously agreed for the LED lighting

project (£70k) and confirmation of the FPPG Charity special expense (£26k). These have been partially offset by adjustments to pensions and recharges, and will also in part be offset by updates to the use of earmarked reserves.

- (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 2022/23
 - confirmation of the special expenses for the Folkestone Parks and Pleasure Grounds Charity and
 - a 1.96% increase in the district council's council tax in 2022/23 to keep in line with current inflation rates.
- 4.4 The budgeted capital expenditure funded from revenue of £2.363m includes £1.389m for the Biggins Wood land remediation works, £0.408m towards the District Street Lights scheme and £0.25m for the Folkestone and Hythe Green Business Grant scheme.

5. FOLKESTONE & HYTHE BAND D EQUIVALENT COUNCIL TAX 2022/23

- 5.1 The Local Government Finance Act 1992 (as amended) requires the Council to determine its council tax requirement for 2022/23.
- 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 2022/23 Report that is being considered at the 23 February 2022 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 £13,591,730.
- 5.4 This is divided by the tax base (39,172.25 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 17 January 2022 via delegated authority through the constitution and is recommended to Full Council as part of the General Fund Budget and Council Tax 2022/23 Report that is being considered on 23 February 2022, following this Cabinet meeting.

£13,591,730 ÷ 39,172.25 = £346.97

- 5.5 The average District council tax for Band D properties, including an amount for town and parish councils, will be £346.97. This is an increase of £5.84 (1.71%) over 2021/22. 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.

	2022/23 £	2021/22 £	Increase / (Decrease) %
Band D Council Tax - including town and parish precepts	346.97	341.13	1.71%
Band D equivalent of town and parish precepts	(67.88)	(67.41)	0.69%
Band D Council Tax - excluding town and parish precepts	279.09	273.72	1.96%

The average council tax to finance Folkestone & Hythe's net spending plans in 2022/23, including special expenses, is proposed to be increased by £5.37 (1.96%) to £279.09. 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 £264.24; an increase of £5.04 (1.94%) from the 2021/22 rate.

6. SPECIAL EXPENSES – FOLKESTONE PARKS AND PLEASURE GROUNDS CHARITY

- 6.1 The average 2022/23 council tax for Folkestone & Hythe District Council of £279.09 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 2022/23 (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	264.24	5.04	+1.94%	All Folkestone & Hythe District council tax payers
Special Expenses - Folkestone Parks and Pleasure Ground Charity	35.42	0.59	+1.69%	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 2022/23 report to Full Council on 23 February 2022.

8. GENERAL FUND RESERVES

- 8.1 The forecast reserves position for 2021/22 and 2022/23 is shown below:

Reserve	1/4/2021 Balance £000	2021/22 Movement £000	31/3/2022 Balance £000	2022/23 Movement £000	31/3/2023 Balance £000
Earmarked Reserves:					
Business Rates	2,722	(821)	1,901	(803)	1,098
Leisure	547	(100)	447	50	497
Carry Forward	691	(219)	472	0	472
VET ² Reserve	283	34	317	(226)	91
Maintenance of Graves	12	0	12	0	12
New Homes Bonus (NHB)	2,342	(344)	1,998	(1,589)	409
Corporate Initiatives	598	(529)	69	0	69
IFRS ¹ Reserve	8	(3)	5	0	5
Economic Development	1,991	(237)	1,754	(1,488)	266
Community Led Housing	365	(55)	310	(55)	255
Lydd Airport	9	0	9	0	9
Homelessness Prevention	488	98	586	0	586
High Street Regeneration	2,070	(1,016)	1,054	(542)	512
Climate Change	4,946	(416)	4,530	(854)	3,676
COVID Recovery	6,501	(6,201)	300	0	300
Total Earmarked Reserves	23,573	(9,809)	13,764	(5,507)	8,257
General Reserve	3,822	(710)	3,112	(201)	2,911
Total General Fund Reserves	27,395	(10,519)	16,876	(5,708)	11,168

¹ IFRS = International Financial Reporting Standards

²VET = vehicles, equipment and technology

- 8.2 The General Reserve is forecast to be £2.9m by 31 March 2023 and total General Fund Reserves (General Reserve plus Earmarked Reserves) are forecast to be £11.2m at 31 March 2023. The forecast use of earmarked reserves in 2022/23 is £5.5m. The main uses of reserves are £1.39m to fund capital expenditure on the Biggins Wood development project, the use of the VET reserve to fund IT enhancements, the use of the Climate Change reserve to fund the LED lights project, additional resources and the Business Grants scheme. Additionally funding is proposed to be released from the Business Rates reserve, General reserve and New Homes Bonus reserve to mitigate fluctuations in Business Rates income and provide adequate funding to services for the year 2022/23.
- 8.3 These forecasts are based on the current projected outturn position for 2021/22 and on the assumption that in-year budget variances are contained within the overall approved 2022/23 budget. Any emerging issues in 2021/22 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 2022/23 budget proposals were to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2022/23; and
 - (iii) Seek feedback on general spending and income generation priorities
- 9.2 Information was placed on the website, promoted via posters, through partners, social media and feedback through email encouraged. Additionally some specific groups such as the Business Advisory Board and Joint Parish Council Committee were directly engaged with.
- Budget Consultation Responses
- 9.3 Public budget consultation ran online from mid-December to the end of January. At the time of drafting this report nineteen pieces of direct feedback were received through these means, significantly up on the four pieces of feedback received last year. We will continue to seek to explore options to obtain a more representative sample of residents' views in future years.
- 9.4 In addition an email was sent to the members of the Business Advisory Board encouraging their participation through the online consultation form. No direct feedback can be identified as being 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 20 January 2022.
- 9.6 There was no consensus among the feedback received, with some commenting that the council tax increase was too high and others suggesting it was acceptable in the current climate and some challenging the investment in strategic projects. 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 2022/23 budget reports that have been approved by Cabinet have been subject to review by the Overview & Scrutiny or Finance & Performance Sub-Committee at the following meetings:
- 9 November 2021 – Overview of the Budget process for 2022/23 and summary of Medium Term Financial Strategy
 - 7 December 2021 – Budget Strategy 2022/23
 - 18 January 2022 - Draft General Fund Original Revenue Budget 2022/23 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 2022/23 report to Council on 23 February 2022.

12. CONCLUSION

- 12.1 Cabinet is asked to recommend to Full Council the approval of the final General Fund budget for 2022/23 and to determine the District Council’s council tax requirement as £13,591,730.

13. RISK MANAGEMENT ISSUES

- 13.1 The risks in respect of the General Fund Budget 2022/23 have already been set out in detail in Report C/21/67 to Cabinet on 26 January 2022 but are repeated below (and updated where applicable).

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including ongoing impact of COVID	Medium	Low-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

Perceived risk	Seriousness	Likelihood	Preventative action
			monitoring and reporting during 2022/23 and future years.
MTFS becomes out of date.	High	Low	The MTFS is fully 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.

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 (CS)

The Financial implications are detailed in the report.

14.3 Diversities and Equalities Implications (CS)

The Equality Impact Assessment will be presented in the 23 February 2022 Budget and Council Tax 2022/23 report to Council.

14.4 Climate Change implications (OF)

There are no climate change implications arising directly out of this report.

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
- 24 November 2021 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2021/22 to 2024/25
- 15 December 2021 - Reports to Cabinet - Budget Strategy 2021/22 and Fees & Charges 2021/22
- 26 January 2022 - Report to Cabinet - Draft General Fund Original Revenue Budget 2021/22
- 10 February 2022 - Update to the General Fund Medium Term Capital Programme