

This Report will be made public on 3 December 2024



Report Number **C/24/54**

**To:** Cabinet  
**Date:** 11 December 2024  
**Status:** Key Decision  
**Corporate Director:** Lydia Morrison – Interim Director Finance and Governance  
**Cabinet Member:** Councillor Tim Prater, Deputy Leader, and Cabinet Member for Finance and Governance

**SUBJECT: BUDGET STRATEGY 2025/26**

**SUMMARY:**

This report provides the Budget Strategy, and sets out the guidelines for preparing the 2025/26 Budget. It supports the Corporate Plan and aligns with the direction and objectives of the Medium-Term Financial Strategy (MTFS). The revised MTFS to 2028/29 will be presented alongside the Council's General Fund budget report in February 2025.

In terms of financial planning, the Budget Strategy takes account of current and future financial and economic conditions including the Chancellor's Autumn Budget of 30 October 2024.

The Budget Strategy also sets out the underlying assumptions and initial budget-setting proposals and provides a timetable for delivering a balanced budget for approval and final Council Tax setting by Full Council in February 2025.

**REASONS FOR RECOMMENDATIONS:**

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

- (i) The Budget Strategy provides the framework for compiling the detailed 2025/26 budgets;
- (ii) The Budget Strategy will support the delivery of the MTFS; and
- (iii) The Budget Strategy enables the publication of initial proposals, timescales and provides details of the arrangements for consultation as required by the constitution.

**RECOMMENDATIONS:**

1. To receive and note report C/24/54.

2. To agree the Budget Strategy for 2025/26 set out in this report.
3. To approve the General Fund growth & savings proposals for 2025/26 (Appendix 2).
4. To agree the draft proposed timetable for preparing 2025/26 budgets (Appendix 1) but note it is subject to amendment.
5. To agree the proposed arrangements for consultation.

## 1. INTRODUCTION

- 1.1 The Cabinet are required to publish initial budget proposals and a timetable, as well as provide details on the arrangements for consultation ahead of the budget framework itself being considered and finalised. The Council has a statutory requirement to set a balanced budget and Council Tax annually under the Local Government Finance Act 1992 and Council Tax (Administration and Enforcement) Regulations 1992.
- 1.2 This report covers those requirements, setting out the initial proposals and a timetable that will be used to inform the setting of the budget for 2025/26. The Budget Strategy is consistent with the direction and objectives of the MTFS which will come forward to Cabinet in February 2025. This report also outlines the current economic and financial difficulties facing the Council which have to be considered in setting its Budget for 2025/26.
- 1.3 The MTFS and Budget Strategy are aligned with the Council's strategic financial objectives, which are as follows:

- To maintain a balanced Budget such that expenditure matches income from Council Tax, fees and charges, and government and other grants and to maintain that position.
- To maximise the Council's income by setting fees and charges, where it has the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs.
- To ensure a long-term sustainable view is taken of any investments and the appropriate risk analysis is provided in considering those.
- To set a rate for Council Tax which maximises income necessary for the Council to deliver its strategic objectives but ensures that government referendum limits are not exceeded. The percentage increase will be reviewed annually.
- To ensure resources are aligned with the Council's strategic vision and corporate priorities.
- To safeguard public money and ensure financial resilience.
- To maintain an adequate and prudent level of reserves.
- To estimate the expenditure requirements over the life of the Strategy to ensure value for money is achieved and resources are utilised where outcomes are measurable and have real impact.

- To continue to improve value for money – managing people and money more efficiently and effectively to continue to improve value for money, standardise, streamline, and share best practice, getting better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services.
- To bring together the key issues affecting the Revenue Budget, the Housing Revenue Account, Treasury Management, and the Capital Programme.
- To review emerging issues and other influences affecting the Council's financial strategy, the forecast impact of these changes on both the demand for services and likely funding due to:
  - Global, national, and local economic factors
  - Demographic changes
  - Technological advances
  - Climate change
  - New legislation
  - Policy initiatives by both the Government and the Council.

## **2. CONTEXT FOR THE BUDGET STRATEGY 2025/26**

2.1 The Council's financial position continues to face significant challenges with ongoing pressures from inflation, energy costs, and the broader economic environment. While there has been some stabilisation in certain areas during 2024, key pressures include:

- Continued high inflation impacts on service delivery costs
- Interest rates affecting borrowing costs
- Increased pressure on council services due to cost-of-living impacts
- Uncertainty around government funding reforms
- Ongoing economic volatility and global market uncertainties
- Environmental and sustainability commitments requiring investment
- Digital transformation needs and cyber security requirements

The Local Government sector continues to face uncertainty regarding future funding arrangements, with the Fair Funding Review and Business Rates, and an emerging policy approach to devolution and local government reform. This creates additional challenges for medium-term financial planning. A local government financial policy statement will be issued by central government during November (unreleased at the time of drafting) which will set out further details on 2025-26 and the multi-year settlement from 2026-27.

Many of the factors outlined above had not previously been expected by Councils prior to uncertainty arising from global and national events in 2022 and so Medium-Term Financial plans had to be re-cast to allow for these changes; many of these factors are still variable due to the uncertainty of the economic and financial environment. District Councils find themselves in a

position where they have to remain flexible and adaptable to constant changes with limited new financial resources likely on the horizon.

2.2 Key economic indicators affecting the 2025/26 budget include:

- CPI inflation projected at 2.6% for 2025/26
- Interest rates expected to remain elevated
- Energy costs stabilising but remaining high (a 'new normal')
- Wage inflation pressures continuing
- Housing market volatility affecting planning income.

2.3 The local government sector continues to face unprecedented challenges. The Ministry of Housing, Communities and Local Government (MHCLG) has indicated potential reforms to local government funding, including:

- Fair Funding Review implementation expected 2026/27
- Business Rates retention scheme review
- New Homes Bonus scheme replacement
- Capital funding framework changes
- Service-specific grants reform

2.4 Many leading economic analysts project continued volatility through 2025/26. The Office for Budget Responsibility (OBR) forecasts:

- GDP growth of 2% for 2025/26
- CPI inflation averaging 2.6% through 2025/26
- Interest rates remaining at elevated levels
- Public sector borrowing remaining high.

2.5 More generally, local authorities face particular pressures in 2025/26 which will be felt across the sector, including:

- Aging population increasing service demands
- Housing pressures and homelessness prevention needs
- Climate change adaptation and mitigation costs
- Infrastructure maintenance backlog
- Technology investment requirements
- Workforce recruitment and retention challenges.

2.6 Turning to the potential funding and expenditure streams, the financial forecasts used in this Budget Strategy will be updated following detailed analysis flowing out of, amongst other things, the Chancellor's Autumn budget 2024, as well as the following:

- The Local Government Finance Settlement (December 2024)
- Any New Funding Reform proposals
- Updated economic forecasts
- Service demand trend analysis
- Contract inflation reviews

2.7 For Folkestone & Hythe District Council, there are specific local pressures that will feature directly or indirectly in our budget, including:

- Higher than average property costs in the region
- Coastal protection requirements
- Tourism infrastructure maintenance
- Rural service delivery costs
- Regeneration project commitments
- Environmental protection obligations

2.8 The position remains fluid and the Council's Section 151 Officer and Finance Team will maintain regular updates to Members as circumstances evolve. These will take the form of monthly economic indicator reviews, quarterly performance updates, regular government announcement analysis, ongoing sector engagement, continuous risk assessment

2.9 The forthcoming financial year presents a complex challenge requiring:

- Robust financial management
- Innovative service delivery approaches
- Strong partnership working
- Effective use of technology
- Careful balancing of priorities
- Enhanced focus on prevention
- Strategic use of reserves
- Prudent investment decisions

2.10 This context requires the Council to:

- Maintain financial resilience
- Focus on core service delivery
- Pursue efficiency opportunities
- Maximise income generation
- Strengthen partnership working
- Invest in prevention
- Support vulnerable residents
- Enable economic growth
- Protect essential services
- Drive digital transformation

2.11 The budget strategy therefore aims to balance these competing demands while maintaining financial sustainability and service delivery. This will require difficult decisions regarding resource allocation and service prioritisation through 2025/26 and beyond.

### **3. CURRENT FINANCIAL POSITION - UPDATE**

3.1 This section provides a summary update of how the Council is spending against budget in the current financial year (2024/25) and highlights the final outturn position for the last full financial year of 2023/24. Any General Fund

revenue underspends that can be generated in financial year 2024/25 could be transferred to reserves to assist with the budget pressures forecast for the 2025/26 financial year.

#### 2023/24 General Fund Budget Outturn (last full financial year)

The provisional revenue outturn position (subject to audit) for the 2023/24 financial year is a net underspend of £1.724m against a net revenue expenditure budget of £26.889m (6.4%) (including the use of £1.786m of GF General Reserves). The improved position was due to combined management action to reduce expenditure, additional government grants, an underspend within the Interest Payable budget and the provisional underspend will result in a net usage/transfer of £62k (£1.786m - £1.724m) from the general fund balances.

- 3.2 Over recent years, Folkestone & Hythe has established a good track record of maintaining a healthy reserves position. This enables the Council to have greater stability and resilience for dealing with current and future financial challenges and uncertainties.
- 3.3 A full breakdown of revenue reserves currently available to the Council in financial year 2024/25 is shown in Section 7 of this report for information.
- 3.4 The Quarter 2 (Q2) General Fund Revenue Budget monitoring for 2024/25 shows a projected deficit of £61k against the latest approved budget.
- 3.5 The Q2 HRA Monitoring for 2024/25 shows a £343k deficit variance to the latest approved budget, resulting in a £1.308m draw on the HRA reserves.
- 3.6 The General Fund Capital Programme 2024/25 shows a £9.6m underspend against the latest approved budget.
- 3.7 The position remains under close scrutiny by the Section 151 Officer and Finance Team, with regular updates provided to Members as circumstances evolve through the remainder of the financial year. Q2 Monitoring reports have been brought to this meeting with further details.

#### **4. GOVERNMENT SPENDING PLANS – UPDATES**

##### 4.1 Government Spending Reviews – SR21 & Spending Review 2025

The last published Government Spending Review 2021 (known as SR21) was announced on 27 October 2021. It was a three-year spending review for the financial years 2022/23 through to 2024/25.

- 4.2 The review set out the Government's spending priorities, resource and capital budgets and devolved administrations' block grants for the three years from 2022/23 to 2024/25. Key measures announced in the Spending Review for local government originally included:

- Council tax thresholds will remain at similar levels to recent years. Confirmation of the thresholds for 2025/26 will be in the provisional settlement but it is expected that these will continue the rates set for 2024/25 of 2.99% 'core' and 2% for ASC.
  - Local government in England will receive an additional £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).
  - There were also smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security, and £34.5m to "strengthen local delivery and transparency".
- 4.3 Whilst the three-year review was welcomed, it should be noted that the Local Government grant increase of £4.8bn was £1.6bn per year. This meant that after adding £1.6bn to the base budget in year one, the following years of 2023/24 and 2024/25 were effectively flat cash with no further growth funding for inflation pressures or pay award. The SR21 Spending review provides the backdrop to this year's budget strategy.
- 4.4 Following the general election in July 2024, the new Chancellor launched a multi-year Spending Review which is to conclude in Spring 2025. The Chief Secretary to the Treasury has written to departments with details of the Spending Review. The government will use the Spending Review to change the way public services are delivered by embedding a mission-led approach, driving forward public service reform and making the best use of technology to better deliver services. The Spending Review will set spending plans for a minimum of three years of the five-year forecast period. Departmental expenditure limits for 2025-26 were set alongside the Budget in October 2024. The full implementation of multi-year settlements and funding reforms will be taking place from December 2025.
- 4.5 Councils have been waiting for funding reforms since 2016 to urgently reset the Government's formula (which is now around 10-years-old) and deliver a new set of formulae to assess the relative spending needs of each Council and provide a fairer level of settlement funding assessment (SFA).
- 4.6 It was anticipated that the previously announced Fair Funding Review (first promised in 2016) would address these needs, especially as most Councils have not received any direct Revenue Support Grant (RSG) and are thus entirely reliant on their own core funding sources, namely Council Tax funding and Business Rate income, plus any one-off grants such as New Homes Bonus or Lower Tier Services Grants which are relatively small amounts.
- 4.7 In terms of changes to the current Business Rates Retention scheme, there is (again) no news on when this review will take place. Many Councils would welcome an increase in the level of business rates they can retain – as this would be a fairer reflection of the Business Rates generated (grown) in their own area or District.
- 4.8 Under current Business Rate rules, this Council collects approximately £30m of Business Rates per year. It then gives 50% back to Central

Government, 9% to Kent County Council and 1% to Kent Fire Authority. This finally leaves 40% for this Council (approximately £11m). However, the Council then has to pay a further tariff to Government of approximately £7m (under current rules) leaving a retained amount of Business Rate income for the Council of around £4m. This tariff charge is announced annually as part of the Provisional Local Government Settlement which is received in late December (it is again due in December this year) with other key financial settlement data. Some Councils pay a tariff, and some Councils receive a top-up, depending on the Government's determination of need across the UK.

- 4.9 In summary, the factors outlined above put an added layer of difficulty on this Council's finances at a time when world-wide economic pressures are putting even more pressure on costs, specifically borrowing costs and the costs exacerbated by current and historic inflation levels.

## **5. The Autumn Budget 2024 – impact on the Council's financial position**

- 5.1 On 30 October 2024, the Autumn Budget was delivered by the Chancellor of the Exchequer, the Rt Hon Rachel Reeves MP. The Office for Budget Responsibility's ('OBR') Economic and Fiscal Outlook forecasts were also delivered alongside the Budget.
- 5.2 The Autumn Budget delivered public finance measures related to tax and spending, to help set out the new Government's priorities in these terms.
- 5.3 A separate commentary will be provided to all Council Members outlining the full impact of the Autumn Budget 2024 on the budget setting for 2025/26; this will largely be embodied within the as-yet unannounced local government financial settlement. The impact on the Council will form part of the presentation of the proposed budget in February 2025.

## **6.0 2024/25 FINANCIAL FORECAST – LATEST POSITION**

### **Medium Term Financial Strategy (MTFS)**

- 6.1 The MTFS is the Council's key financial planning document. It links the council's strategic priorities with the financial resources required to deliver them. The MTFS covers a four-year period (as required by best practice - from the Chartered Institute of Public Finance), providing the context and framework within which the Budget Strategy is prepared, and considers the implications of the Council's approved priorities. It also takes in to account the uncertainty surrounding the financial climate that the Council is working within. The MTFS is updated each year, most recently it was updated and approved by Council as an appendix to the General Fund 2024/25 budget report approved on 28 February 2024 (report A/23/24).
- 6.2 The MTFS is in the process of being updated to include all the financial and economic pressures outlined in this report so far including, latest CPI increases, additional borrowing costs, energy costs, service pressures and changes to funding as best known, as well as the impact of the Provisional Local Government Settlement in December 2024.



- 6.3 Due to all of the financial and economic pressures outlined above (some of which pre-existed this budget setting period), the current published MTFS from February 2024 forecast a cumulative funding gap of £2.78m over the lifetime of the MTFS to 2027/28. The table below shows the cumulative deficit over the period of the MTFS.

**Medium Term Financial Strategy Forecast (2024/25 to 2027/28)**

<b>Financial Forecast</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Deficit / (Surplus)	-	85	717	1,982
Cumulative Deficit	-	85	802	2,783

- 6.4 The MTFS originally forecast a deficit of £85k for the forthcoming financial year 2025/26. This position will have moved based on changes in the macroeconomic environment, not least linked to the change in Government in July 2024 and any growth and savings proposals as part of this year’s budget setting process. The following section of this Budget Strategy report explains the assumptions proposed for the new MTFS and also provides an update on the latest reserves position for the Council. Proposals for addressing funding gaps are then detailed in Section 8.

**7.0 CURRENT BUDGET ASSUMPTIONS**

**Proposed MTFS Inflation and Funding Assumptions 2025/26**

- 7.1 The budget and forthcoming MTFS will use the latest OBR forecasts for its general inflationary assumptions. Some Council contracts have embedded inflation and will require the full percentage rate to be added and others which operate on a ‘basket of indices’ will require more. Larger specific contracts e.g. waste, will be built in individually based on actual contractual terms. In terms of pay inflation, this is the subject of on-going pay negotiations at the Council under local pay agreements. Assuming negotiations are concluded in early January 2025, the actual cost of the increase will be built into the budget and MTFS along with forecasts for future periods.
- 7.2 A Council Tax increase of 2.99% will be assumed for the current and future years pending, the outcome of the Provisional (and Final) Local Government Finance Settlement to confirm the maximum increase for 2025/26 without requiring a referendum. A council tax base increase of circa 1% is anticipated.

- 7.3 Continuation of any New Homes Bonus payments remains uncertain as it was expected that 2024/25 would be the final year, and the Council awaits the Provisional Local Government Settlement in December 2024 to confirm the position.
- 7.4 An increase of 4% has been assumed in relation to the Internal Drainage Board levy.
- 7.5 Following the Autumn Budget 2024, interest rates and local government borrowing rates are forecast to be higher for longer and existing interest levels (approximately 5%) are therefore likely to be higher in the MTFs than previously forecast over its life to reflect this latest development.
- 7.6 Fees and charges income assumptions are based on current budgets and existing policies, adjusted for proposed changes as detailed in the draft proposed Fees & Charges 2025/26 report also being considered at this meeting.

**Reserves update – latest information**

- 7.12 Total General Fund reserves at 1 April 2024 amounted to £16.55m, of which £5.62m was held within the General Reserve (column ‘2024’ of the table below). The table below shows projected reserves at 31 March 2025 before any application towards new budget growth or spending initiatives. The projection is forecast to be £14.67m as at 31/3/2025 (column ‘2025’ of the table below).
- 7.13 It should be noted that reserves do offer an option to finance a MTFs deficit, however, use of reserves is only a one-off (one year option) as it only reduces the shortfall for the year it is applied. The only way to introduce a permanent reduction in the financial gap (over the life of the MTFs) is to reduce the baseline budget itself, i.e., reduce expenditure or introduce a source income source that provides a permanent, year on year level of funding.

**Reserves projection as at November 2024**

Overall Reserves Projection - Analysis		
	2024	2025
	£000s	£000s
Uncommitted GF Balances	5,618	5,618
Discretionary and Uncommitted earmarked reserves	5,822	4,371
Earmarked for Capital Financing	2,576	1,692
Committed and/or Ringfenced reserves	2,192	2,697
Business Rates (Collection Fund timing differences)	338	288
<b>Total estimated balance as at 31 March</b>	<b>16,547</b>	<b>14,666</b>

## **8.0 2025/26 BUDGET PROPOSALS TO REDUCE THE GAP**

8.1 For the 2025/26 budget, the Council continues to utilise Priority Based Budgeting (PBB). Having carried out a self-assessment of the Council's current budget setting processes, this approach ensures that scarce budget resources are allocated to the highest priority areas and delivers the outcomes the Council wants to achieve for local people under the current administration.

8.2 The PBB model ensures that:

- Budgets align with Council priorities
- Resources focus on essential services
- Savings come from lower priority areas
- Service quality is maintained where possible
- Innovation is encouraged in service delivery

8.3 The Budget Manager, Chief Officers, Directors and Elected Members through various budget meetings including the Star Chamber have the opportunity to provide input and be involved in setting the priorities, strategy and direction at the outset of the budget setting process.

8.4 The Council will continue to use a range of approaches to address the deficit in the short and medium term, including:

a) Revenue Generation:

- Reviewing the level of council tax
- Annual review of fees and charges
- Pursuing alternative income streams
- Exploring appropriate commercial opportunities
- Growing the local economy

b) Service Transformation:

- Continuing the use of digital technologies
- Reviewing all services to generate efficiencies
- Containing new budget pressures within allocated resources
- Maximising partnership opportunities
- Streamlining processes and procedures

c) Asset Management:

- Review of available underutilised assets
- Strategic property investments
- Asset optimisation program
- Maintenance prioritisation

d) Financial Management:

- Using reserves in a sustainable manner
- Prudent borrowing strategies
- Investment optimisation
- Grant funding maximisation

## **Fees and Charges 2025/26**

- 8.5 A review of fees and charges has been undertaken and the outcome has been included in a separate Fees & Charges report to this meeting.

## **Forecast Budget Deficit 2025/26 – updated for growth/savings/income**

- 8.6 As outlined above, options for addressing the forecast deficit for 2025/26 and beyond are now being considered in preparation for the detailed budget report to Cabinet and Council in January and February 2025 and will take into consideration:

- Any new factors affecting local government funding arising from the Government funding settlement announcement in late December
- Collection Fund surplus/deficit assumptions, with reference to the latest in-year collection performance
- The outcome of ongoing work to review the revenue budget savings and growth proposals (see proposals for approval at Appendix 2).
- Exploration of alternative funding options, and
- The action that is being taken to address the residual budget gap as detailed above.

## **9 HOUSING REVENUE ACCOUNT (HRA)**

- 9.1 This Budget Strategy does not explore the Housing Revenue Account further as the Council presents a separate HRA business plan for the period 2024 to 2054. This HRA business plan was approved by Full Council in February 2024. Further, the HRA remains a ring-fenced account within the General Fund and is still primarily a landlord account containing the income and expenditure arising from the Council's landlord functions.
- 9.2 The detailed 2025/26 HRA revenue and capital budgets that will be submitted to Cabinet and Council in February 2025 will be based on the latest review of the revenue and capital position taking into account known factors from the stock condition surveys and subsequent assessments from the Housing management teams.

## **10 CAPITAL PROGRAMME**

- 10.1 As part of the Budget Strategy, Cabinet is asked to consider the proposals for new capital schemes to be included in the council's General Fund Capital Programme for 2025/26. Any new capital scheme to be included in the programme will need to contribute to the objectives set out in section 1.3 of this report.

- 10.2 Capital Receipts – the existing MTFs states that a minimum of £500k in capital receipts must be retained as a contingency to meet urgent or unforeseen capital expenditure. The council's general policy is that only capital receipts received should be earmarked to fund capital projects. The only departure from this is ring-fencing the use of future repaid decent homes loans and home safe loans receipts to be reinvested in further private sector housing improvement loans.
- 10.3 Over the term of the MTFs the council expects to receive further capital receipts which it could choose to use to fund its future General Fund capital expenditure plans or retain for investment purposes. This excludes 'Right to Buy' disposals of council dwellings where the retained element of capital receipts are required to be reinvested directly in local social housing initiatives. This also currently excludes any potential future capital receipts that may be generated through the council's current 'invest to save' initiatives.
- 10.4 The Government's Flexible Use of Capital Receipts Guidance allows local authorities to use capital receipts from the disposal of surplus non-HRA property assets to be used towards certain one-off revenue costs that will lead to on-going revenue savings or operating efficiencies. Local authorities are required to approve an annual Flexible Use of Capital Receipts Strategy as part of the budget process. The Council's strategy for 2025/26 will be included as part of the 2025/26 General Fund Budget report to Cabinet and Full Council in February 2025.
- 10.5 Other Capital Funding Sources - in addition to the available capital receipts, the council can choose to use its revenue resources (earmarked revenue reserves and balances) or consider prudential borrowing to fund its General Fund capital expenditure plans. Prudential borrowing will incur a revenue cost to the General Fund in terms of interest and a minimum revenue provision charge (MRP). Therefore, prudential borrowing is best suited to capital 'invest to save' projects, such as Otterpool Park, Oportunitas Ltd and Coast Drive Seafront Development at New Romney that will provide a net long term financial return to the council allowing for these costs. The current approved MTCP requires about £84m of prudential borrowing to support it, some of which will be offset in time by external funding.
- 10.6 Any capital scheme included in the approved capital programme requiring external grant funding to support it will only be allowed to commence once a formal funding agreement has been established between the council and the relevant funding body.
- 10.7 The proposed growth for the Capital programme includes provision for the Council's Levelling Up Fund of £19.8m from the Government to support the Council's plans for the regeneration of Folkestone town centre. The fund builds upon the Council's Place Plan for the centre of Folkestone and for three key strands of work which aim to improve the appearance and use of the town centre including key links to it.

## **11 THE BUDGET TIMETABLE**

- 11.1 By early March each year the Council is required by statute to approve its budget (revenue, capital and HRA) and council tax levels for the forthcoming year. The Full Council meets in February to do this. Advance notice is given in the publication of key decisions to be made.
- 11.2 Detailed guidance on the annual budget preparation process was circulated to Officers in August 2024. This guidance covered roles and responsibilities; the links between finance and service planning; budgeting process; expected standards and approach; and the timetable for preparing the 2025/26 Budget.
- 11.3 The 2025/26 Budget timetable is attached at Appendix 1.

## **12 BUDGET CONSULTATION**

- 12.1 There is a duty under section 65 of the Local Government Finance Act 1992 to consult ratepayers (or bodies appearing to represent ratepayers) about proposed expenditure, including capital expenditure, prior to calculating the council tax requirement under S31a (England) of the Act.
- 12.2 The objectives for consultation on the 2025/26 budget proposals are to:
- Engage with key stakeholder groups and local residents;
  - Seek feedback on specific budget proposals for 2025/26; and
  - Seek feedback on general spending and income generation priorities.
- 12.3 This will be achieved through making budget information available to the public, inviting feedback, sharing information with representatives from the business community and attending the Joint Parish Council Committee meeting in January.
- 12.4 Following the December meeting of the Cabinet it is proposed that in addition to the publication of a survey to seek stakeholder views which will be available on the website, promoted through social media channels, that we will also seek to promote the survey through noticeboards in libraries and community hubs to engage those who do not have access to social media. The Council will also re-publicise the short videos developed in recent years which seek to further explain Council Tax and the services provided that it supports. Furthermore, we will be ensuring all Councillors have the relevant information to directly engage with their constituents and provide a route for feedback to be provided.

## **13 RISK MANAGEMENT ISSUES**

- 13.1 A summary of the perceived risks follows:

<b>Perceived risk</b>	<b>Seriousness</b>	<b>Likelihood</b>	<b>Preventative action</b>
MTFS becomes out of date.	High	Low	The MTFS is reviewed annually through the budget process and a

Perceived risk	Seriousness	Likelihood	Preventative action
			refresh for 2024 will be brought along with the GF Budget paper in February 2025.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed.
Budget strategy not achieved.	High	Low	The budget making process is controlled closely with regular reconciliations and updates made.
Incorrect assessment of Local Government Finance Settlement impact.	High	Low	The Local Government Finance Settlement will inform latest forecasts. The finance team have attended and received briefings on the Autumn Budget from external bodies within the sector.
Failure to take action to address forecast medium term financial pressures as well as focusing on the 2024/25 budget position.	High	Medium	Ensure that MTFS forecasts are monitored and timely interventions identified and implemented to address future deficits.

## 14 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 14.1 Legal Officer's Comments (NM)

There are no legal implications arising directly out of this report, subject to the Council ensuring its general fiduciary duties are met, including those of consulting with rate payers and ensuring best value. The Council is required to follow a professional code of practice published by CIPFA and regulations set out by the government, including the Local Government Finance Act 1992.

### 14.2 Finance Officer's Comments (JS)

The Budget for 2025/26 will be submitted to council in February 2025. This Budget Strategy is the first stage in the detailed budget process and will be used to inform the preparation of budget estimates.

#### **14.3 Diversities and Equalities Implications (GE)**

The budget report to Full Council in February 2025 will include an Equality Impact Assessment of the budget recommendations for 2025/26.

#### **14.4 Climate Change Implications (JS)**

As this report only sets out the guidelines for preparing the 2025/26 budget, there is no climate change implications arising from 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.

Jonathan Smith, Head of Financial Reporting  
Email: [jonathan.smith@folkestone-hythe.gov.uk](mailto:jonathan.smith@folkestone-hythe.gov.uk)

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

Fees & Charges Report 2025/26 (also included this Agenda pack)

#### **Appendices:**

Appendix 1 – Budget Timetable

Appendix 2 – GF Growth and Savings Proposals (Revenue and Capital)