

This report will be made public on 14 February 2023



Report number **A/22/31**

**To:** Council  
**Date:** 22 February 2023  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Member:** Councillor David Monk, Leader

**SUBJECT: GENERAL FUND BUDGET AND COUNCIL TAX 2023/24**

**SUMMARY:** This report concludes the budget setting process for 2023/24. It sets out recommendations for setting the council tax after taking into account the district's council tax requirement (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity), the precepts of Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Fire & Rescue Service.

**REASONS FOR RECOMMENDATIONS:**

Council is asked to agree the recommendations set out below to approve the Budget and set the Council Tax for the year commencing 1 April 2023

**RECOMMENDATIONS:**

1. To receive and note Report A/22/31.
2. To approve the District Council's budget for 2023/24 as presented in Appendix 1 to this report and the council tax requirement for 2023/24, to be met from the Collection Fund, of £14,289,513.
3. To approve that the following amounts be now calculated by the Council for the year 2022/23 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 (the Act):
  - a) £106,141,220 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act (as in Appendix 2).
  - b) £91,851,707 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act (as in Appendix 2).
  - c) £14,289,513 – being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year (as in Appendix 2).
  - d) £357.44 – being the amount at 3(c) above divided by the tax base of 39,977.09 calculated by the Council, in accordance with Section

31B(1) of the Act, as the basic amount of its council tax for the year.

- e) £3,412,945 – being the aggregate of all special items (including parish precepts) referred to in Section 34(1) of the Act.
- f) £272.07 - being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by the tax base of 39,977.09 calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates, ie Old Romney and Snargate.

g) Part of the Council's area

Folkestone	373.97	Being the amounts given by adding to the amount at 3(f) above the special items relating to dwellings in those parts of the Council area mentioned here divided in each case by the appropriate tax base calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.
Sandgate	353.34	
Hythe	332.35	
Lydd	345.50	
New Romney	399.47	
Acrise	274.26	
Elham	355.68	
Elmsted	283.76	
Hawkinge	381.80	
Lyminge	363.56	
Lympne	326.29	
Monks Horton	281.78	
Newington	322.91	
Paddlesworth	282.84	
Postling	305.45	
Saltwood	306.61	
Sellindge	345.30	
Stanford	323.62	
Stelling Minnis	298.42	
Stowting	292.69	
Swingfield	333.90	
Brenzett	293.02	
Brookland	344.91	
Burmarsh	313.59	
Dymchurch	335.88	
Ivychurch	325.19	
Newchurch	315.36	
Old Romney	272.07	
St Mary in the Marsh	310.31	
Snargate	272.07	

**(h) Part of the Council's area**

**Valuation Bands**

<b>2023/24</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Parish</b>								
<b>Folkestone</b>	<b>249.31</b>	<b>290.87</b>	<b>332.42</b>	<b>373.97</b>	<b>457.07</b>	<b>540.18</b>	<b>623.28</b>	<b>747.94</b>
<b>Sandgate</b>	<b>235.56</b>	<b>274.82</b>	<b>314.08</b>	<b>353.34</b>	<b>431.86</b>	<b>510.38</b>	<b>588.90</b>	<b>706.68</b>
<b>Hythe</b>	<b>221.57</b>	<b>258.49</b>	<b>295.42</b>	<b>332.35</b>	<b>406.21</b>	<b>480.06</b>	<b>553.92</b>	<b>664.70</b>
<b>Lydd</b>	<b>230.33</b>	<b>268.72</b>	<b>307.11</b>	<b>345.50</b>	<b>422.28</b>	<b>499.06</b>	<b>575.83</b>	<b>691.00</b>
<b>New Romney</b>	<b>266.31</b>	<b>310.70</b>	<b>355.08</b>	<b>399.47</b>	<b>488.24</b>	<b>577.01</b>	<b>665.78</b>	<b>798.94</b>
<b>Acrise</b>	<b>182.84</b>	<b>213.31</b>	<b>243.79</b>	<b>274.26</b>	<b>335.21</b>	<b>396.15</b>	<b>457.10</b>	<b>548.52</b>
<b>Elham</b>	<b>237.12</b>	<b>276.64</b>	<b>316.16</b>	<b>355.68</b>	<b>434.72</b>	<b>513.76</b>	<b>592.80</b>	<b>711.36</b>
<b>Elmsted</b>	<b>189.17</b>	<b>220.70</b>	<b>252.23</b>	<b>283.76</b>	<b>346.82</b>	<b>409.88</b>	<b>472.93</b>	<b>567.52</b>
<b>Hawkinge</b>	<b>254.53</b>	<b>296.96</b>	<b>339.38</b>	<b>381.80</b>	<b>466.64</b>	<b>551.49</b>	<b>636.33</b>	<b>763.60</b>
<b>Lyminge</b>	<b>242.37</b>	<b>282.77</b>	<b>323.16</b>	<b>363.56</b>	<b>444.35</b>	<b>525.14</b>	<b>605.93</b>	<b>727.12</b>
<b>Lympe</b>	<b>217.53</b>	<b>253.78</b>	<b>290.04</b>	<b>326.29</b>	<b>398.80</b>	<b>471.31</b>	<b>543.82</b>	<b>652.58</b>
<b>Monks Horton</b>	<b>187.85</b>	<b>219.16</b>	<b>250.47</b>	<b>281.78</b>	<b>344.40</b>	<b>407.02</b>	<b>469.63</b>	<b>563.56</b>
<b>Newington</b>	<b>215.27</b>	<b>251.15</b>	<b>287.03</b>	<b>322.91</b>	<b>394.67</b>	<b>466.43</b>	<b>538.18</b>	<b>645.82</b>
<b>Paddlesworth</b>	<b>188.56</b>	<b>219.99</b>	<b>251.41</b>	<b>282.84</b>	<b>345.69</b>	<b>408.55</b>	<b>471.40</b>	<b>565.68</b>
<b>Postling</b>	<b>203.63</b>	<b>237.57</b>	<b>271.51</b>	<b>305.45</b>	<b>373.33</b>	<b>441.21</b>	<b>509.08</b>	<b>610.90</b>
<b>Saltwood</b>	<b>204.41</b>	<b>238.47</b>	<b>272.54</b>	<b>306.61</b>	<b>374.75</b>	<b>442.88</b>	<b>511.02</b>	<b>613.22</b>
<b>Sellindge</b>	<b>230.20</b>	<b>268.57</b>	<b>306.93</b>	<b>345.30</b>	<b>422.03</b>	<b>498.77</b>	<b>575.50</b>	<b>690.60</b>
<b>Stanford</b>	<b>215.75</b>	<b>251.70</b>	<b>287.66</b>	<b>323.62</b>	<b>395.54</b>	<b>467.45</b>	<b>539.37</b>	<b>647.24</b>
<b>Stelling Minnis</b>	<b>198.95</b>	<b>232.10</b>	<b>265.26</b>	<b>298.42</b>	<b>364.74</b>	<b>431.05</b>	<b>497.37</b>	<b>596.84</b>
<b>Stowting</b>	<b>195.13</b>	<b>227.65</b>	<b>260.17</b>	<b>292.69</b>	<b>357.73</b>	<b>422.77</b>	<b>487.82</b>	<b>585.38</b>
<b>Swingfield</b>	<b>222.60</b>	<b>259.70</b>	<b>296.80</b>	<b>333.90</b>	<b>408.10</b>	<b>482.30</b>	<b>556.50</b>	<b>667.80</b>
<b>Brenzett</b>	<b>195.35</b>	<b>227.90</b>	<b>260.46</b>	<b>293.02</b>	<b>358.14</b>	<b>423.25</b>	<b>488.37</b>	<b>586.04</b>
<b>Brookland</b>	<b>229.94</b>	<b>268.26</b>	<b>306.59</b>	<b>344.91</b>	<b>421.56</b>	<b>498.20</b>	<b>574.85</b>	<b>689.82</b>
<b>Burmarsh</b>	<b>209.06</b>	<b>243.90</b>	<b>278.75</b>	<b>313.59</b>	<b>383.28</b>	<b>452.96</b>	<b>522.65</b>	<b>627.18</b>
<b>Dymchurch</b>	<b>223.92</b>	<b>261.24</b>	<b>298.56</b>	<b>335.88</b>	<b>410.52</b>	<b>485.16</b>	<b>559.80</b>	<b>671.76</b>
<b>Ivychurch</b>	<b>216.79</b>	<b>252.93</b>	<b>289.06</b>	<b>325.19</b>	<b>397.45</b>	<b>469.72</b>	<b>541.98</b>	<b>650.38</b>
<b>Newchurch</b>	<b>210.24</b>	<b>245.28</b>	<b>280.32</b>	<b>315.36</b>	<b>385.44</b>	<b>455.52</b>	<b>525.60</b>	<b>630.72</b>
<b>Old Romney</b>	<b>181.38</b>	<b>211.61</b>	<b>241.84</b>	<b>272.07</b>	<b>332.53</b>	<b>392.99</b>	<b>453.45</b>	<b>544.14</b>
<b>St Mary in the Marsh</b>	<b>206.87</b>	<b>241.35</b>	<b>275.83</b>	<b>310.31</b>	<b>379.27</b>	<b>448.23</b>	<b>517.18</b>	<b>620.62</b>
<b>Snargate</b>	<b>181.38</b>	<b>211.61</b>	<b>241.84</b>	<b>272.07</b>	<b>332.53</b>	<b>392.99</b>	<b>453.45</b>	<b>544.14</b>

Being the amounts given by multiplying the amounts at 3(f) and 3(g) above by the number which, in the proportion set out in section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. To note that for the year 2023/24 Kent County Council, Kent Police and Crime Commissioner and the Kent & Medway Fire & Rescue Service have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Kent County Council	1,022.82	1,193.29	1,363.76	1,534.23	1,875.17	2,216.11	2,557.05	3,068.46
Kent Police Crime Commissioner	162.10	189.12	216.13	243.15	297.18	351.22	405.25	486.30
Kent Fire and Rescue	58.20	67.90	77.60	87.30	106.70	126.10	145.50	174.60

The major preceptor amount for Kent Fire & Rescue remains subject to confirmation at the time of preparing this report.

5. That, having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2023/24 for each of the categories of dwelling shown below:

(i) Part of the Council's area

2023/24	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Parish								
Folkestone	1,492.43	1,741.18	1,989.91	2,238.65	2,736.12	3,233.61	3,731.08	4,477.30
Sandgate	1,478.68	1,725.13	1,971.57	2,218.02	2,710.91	3,203.81	3,696.70	4,436.04
Hythe	1,464.69	1,708.80	1,952.91	2,197.03	2,685.26	3,173.49	3,661.72	4,394.06
Lydd	1,473.45	1,719.03	1,964.60	2,210.18	2,701.33	3,192.49	3,683.63	4,420.36
New Romney	1,509.43	1,761.01	2,012.57	2,264.15	2,767.29	3,270.44	3,773.58	4,528.30
Acrise	1,425.96	1,663.62	1,901.28	2,138.94	2,614.26	3,089.58	3,564.90	4,277.88
Elham	1,480.24	1,726.95	1,973.65	2,220.36	2,713.77	3,207.19	3,700.60	4,440.72
Elmsted	1,432.29	1,671.01	1,909.72	2,148.44	2,625.87	3,103.31	3,580.73	4,296.88
Hawkinge	1,497.65	1,747.27	1,996.87	2,246.48	2,745.69	3,244.92	3,744.13	4,492.96
Lyminge	1,485.49	1,733.08	1,980.65	2,228.24	2,723.40	3,218.57	3,713.73	4,456.48
Lympne	1,460.65	1,704.09	1,947.53	2,190.97	2,677.85	3,164.74	3,651.62	4,381.94
Monks Horton	1,430.97	1,669.47	1,907.96	2,146.46	2,623.45	3,100.45	3,577.43	4,292.92
Newington	1,458.39	1,701.46	1,944.52	2,187.59	2,673.72	3,159.86	3,645.98	4,375.18
Paddlesworth	1,431.68	1,670.30	1,908.90	2,147.52	2,624.74	3,101.98	3,579.20	4,295.04
Postling	1,446.75	1,687.88	1,929.00	2,170.13	2,652.38	3,134.64	3,616.88	4,340.26
Saltwood	1,447.53	1,688.78	1,930.03	2,171.29	2,653.80	3,136.31	3,618.82	4,342.58
Sellindge	1,473.32	1,718.88	1,964.42	2,209.98	2,701.08	3,192.20	3,683.30	4,419.96
Stanford	1,458.87	1,702.01	1,945.15	2,188.30	2,674.59	3,160.88	3,647.17	4,376.60
Stelling Minnis	1,442.07	1,682.41	1,922.75	2,163.10	2,643.79	3,124.48	3,605.17	4,326.20
Stowting	1,438.25	1,677.96	1,917.66	2,157.37	2,636.78	3,116.20	3,595.62	4,314.74
Swingfield	1,465.72	1,710.01	1,954.29	2,198.58	2,687.15	3,175.73	3,664.30	4,397.16
Brenzett	1,438.47	1,678.21	1,917.95	2,157.70	2,637.19	3,116.68	3,596.17	4,315.40
Brookland	1,473.06	1,718.57	1,964.08	2,209.59	2,700.61	3,191.63	3,682.65	4,419.18
Burmarsh	1,452.18	1,694.21	1,936.24	2,178.27	2,662.33	3,146.39	3,630.45	4,356.54
Dymchurch	1,467.04	1,711.55	1,956.05	2,200.56	2,689.57	3,178.59	3,667.60	4,401.12
Ivychurch	1,459.91	1,703.24	1,946.55	2,189.87	2,676.50	3,163.15	3,649.78	4,379.74
Newchurch	1,453.36	1,695.59	1,937.81	2,180.04	2,664.49	3,148.95	3,633.40	4,360.08
Old Romney	1,424.50	1,661.92	1,899.33	2,136.75	2,611.58	3,086.42	3,561.25	4,273.50
St Mary in the Marsh	1,449.99	1,691.66	1,933.32	2,174.99	2,658.32	3,141.66	3,624.98	4,349.98
Snargate	1,424.50	1,661.92	1,899.33	2,136.75	2,611.58	3,086.42	3,561.25	4,273.50

- 6. To determine that the District Council's basic amount of council tax for 2023/24 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.**

## **1. INTRODUCTION**

- 1.1 This report concludes the budget setting process for 2023/24.
- 1.2 Cabinet considered the Council's final General Fund budget for 2023/24 and the council tax requirement at its earlier meeting on 22 February 2023. Cabinet has approved the General Fund Revenue Budget, a summary of which is included at Appendix 1. The draft budget was subject to review by the Finance & Performance Sub-Committee on 10 January 2023. It was also published for public consultation at the end of December and throughout January.
- 1.3 This report makes recommendations to enable the council to set the council tax for each part of its area, after taking into account its council tax requirement for 2023/24 (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity) and the precepts of Kent County Council, the Kent Police & Crime Commissioner and Kent & Medway Fire & Rescue Service. Changes in respect of the major precept assumptions may result in a revised report having to be tabled.
- 1.4 The proposed General Fund budget for 2023/24 results in an increase to the average council tax at Band D of £8.28 (2.97%) to £287.37. This is the amount that Central Government monitors when considering whether any increase in council tax is excessive. The council tax bill separates out the special expenses element for Folkestone and Sandgate payers from this amount.

## **2. GENERAL FUND REVENUE BUDGET 2023/24**

- 2.1 The General Fund budget has been prepared on the basis of the Council's approved Medium Term Financial Strategy (MTFS) and Budget Strategy. It also takes into account announcements, where relevant in particular the Final Local Government Finance Settlement for 2023/24.
- 2.2 Initially, the MTFS projected a shortfall of £4.294m. Following further work, the detailed budget reported to Cabinet on 14 December 2022 anticipated a revised funding gap of £2.049m. On finalising the budget for 2023/24, the final calculations for Business Rates, NI employer contributions, pensions adjustments and settlement grants has led to the gap decreasing to £1.786m. This is now proposed to be met from the General fund balance after further work had already identified savings, growth and changes to fees & charges along with the use of reserves. This budget is now being presented to Members for approval.

### General Fund Revenue Budget 2023/24

- 2.3 The 2023/24 budget (excluding town and parish precepts and before any withdrawal from the General Reserve) is £17,255,365. The budget details are set out at Appendix 1.

### Town and Parish Precepts

- 2.4 Town and parish precepts form part of the council tax requirement. Total local council precepts in 2023/24 are £2,801,296 – an increase of £141,971 (5.3%) in cash terms compared to £2,659,325 in the current year. An increase in precepts increases the council tax requirement and affects the average tax calculation; however it is not taken into account by the Government when monitoring ‘excessive’ increases. Town and parish councils are not currently subject to referendums.

#### Council Tax Requirement

- 2.5 The statutory calculation for the council tax requirement is shown at Appendix 2. This sets out gross expenditure and gross income, including the Housing Revenue Account and overall changes to reserves. The outcome results in recommendations 3(a), (b) and (c).

### 3. GENERAL FUND REVENUE RESERVES

- 3.1 The Council’s reserves position is shown below:

Reserve	Balance at 1/4/2022 £'000	Projection £'000	Balance at 31/3/2023 £'000	Projection £'000	Balance at 31/3/2024 £'000	Notes
<b>Earmarked</b>						
Business Rates	2,662	(1,119)	1,543	0	1,543	To support the Business Rate Retention scheme
Leisure Reserve	447	50	497	0	497	Leisure improvements - £250k ringfenced - maintenance
Carry Forwards	1,356	(391)	965	0	965	Previous years unused Budget carried forward
VET Reserve	287	(214)	73	200	273	Vehicle, equipment & technology replacement
Maintenance of Graves	12	0	12	0	12	Amounts in perpetuity for grave costs
New Homes Bonus (NHB)	1,997	(1,589)	408	(200)	208	Residual amount of remaining NHB
Corporate Initiatives	960	26	986	0	986	To support corporate plan and initiatives
IFRS Reserve	5	0	5	0	5	Accounting code changes support
Economic Development	1,985	449	2,434	(1,364)	1,070	Regeneration of District - capital and match funding required
Community Led Housing	310	(55)	255	0	255	Community Housing and affordable - ringfenced
Lydd Airport	9	0	9	0	9	Support costs ay Lydd Airport
Homelessness Prevention	958	(21)	937	0	937	Flexibly fund homelessness
High Street Regeneration	1,575	(418)	1,157	(450)	707	Regeneration in High Street areas - LU2 Match Funding £450k
Climate Change	4,880	(680)	4,200	(310)	3,890	Achieve Carbon net zero by 2030-capital and revenue funding
Covid Recovery	3,526	(874)	2,652	(56)	2,596	Collection fund deficit 22/23 & £2.3m and £350k deficit 21/22
<b>Total Earmarked Reserves</b>	<b>20,969</b>	<b>(4,836)</b>	<b>16,133</b>	<b>(2,180)</b>	<b>13,953</b>	
<b>Total General Fund Reserve</b>	<b>6,058</b>	<b>567</b>	<b>6,625</b>	<b>(1,786)</b>	<b>4,839</b>	

<sup>1</sup> IFRS = International Financial Reporting Standards

<sup>2</sup> VET = vehicles, equipment and technology

- 3.2 The General Fund Reserve is forecast to be £4.839m by 31 March 2024 and total General Fund Reserves (General Reserve plus Earmarked Reserves) are forecast to be £18.792m at 31 March 2024.

- 3.3 These forecasts are based on the current projected outturn position for 2022/23 and on the assumption that in-year budget variances are contained within the overall approved 2023/24 budget. Any emerging issues in 2023/24 which have a revenue impact will affect the forecast position of the General Reserve.



#### 4. CALCULATING COUNCIL TAX IN RESPECT OF DISTRICT AND PARISH REQUIREMENTS

- 4.1 The Council must calculate a 'basic amount' of tax for all Band D properties in each part of the district, taking into account not only the net expenditure of the District Council but also the precepts of the town and parish councils and the net expenditure of the Folkestone Parks and Pleasure Grounds Charity, which are charged to their local areas.
- 4.2 This net expenditure is known as the council tax requirement and is determined after taking in to account retained non-domestic rates, revenue support grant and the Council's share of the Collection Fund surplus. The calculation is set out at section 4.4 below.
- 4.3 The result of the calculation is divided by the Tax Base to give the tax rate. The Tax Base for 2023/24 of 39,977.09 Band D equivalent properties was approved by the Director of Corporate Services on 2 February 2023 via delegated authority through the constitution and is recommended to Full Council as part of this report.
- 4.4 The basic amount of tax (average District tax) is as follows:

Expenditure - see Appendix 2	£ 106,141,220
Income - see Appendix 2	(91,851,707)
<b>Council Tax Requirement- demand on the Collection Fund</b>	<b>14,289,513</b>
Divided by Tax Base	$\div$ 39,977.09
Basic amount of Council Tax - average District council tax	<u>£357.44</u>

The calculations for the basic amounts for each part of the District are set out at Appendices 3 and 4.

- 4.5 The average District council tax for Band D properties, including town and parish precepts, will be £357.44. This is an increase of £10.47 (3.02%) over 2022/23.
- 4.6 For the purposes of measuring Folkestone & Hythe's council tax increase against the Government's referendum criteria, the amount in respect of town and parish precepts is excluded – as detailed in the table below.

<b>Band D Tax Rates</b>	<b>2023/24</b>	<b>2022/23</b>	Increase /
	<b>£</b>	<b>£</b>	<b>(Decrease)</b>
			<b>%</b>
Council Tax (including town and parish precepts)	357.44	346.97	3.02%
Less: equivalent of Town and Parish Precepts	-70.07	-67.88	-3.23%
Council Tax (excluding Town and Parish Precepts)	<u>287.37</u>	<u>279.09</u>	<u>2.97%</u>

4.7 The average Council Tax to finance Folkestone & Hythe's net expenditure plans in 2023/24 including Special Expenses, is proposed to increase by £8.28 (2.97%) to £287.37.

4.8 The Council Tax applicable to dwellings in valuation bands other than Band D has been calculated in accordance with the proportions set out in the Act. The result of these calculations is set out in recommendation 3(h).

## **5. SETTING THE TOTAL AMOUNTS OF COUNCIL TAX FOR EACH PART OF THE DISTRICT**

5.1 The final step in setting the council tax is for the Council to aggregate the District council tax with the precepts of Kent County Council, Kent Police and Crime Commissioner and Kent & Medway Fire & Rescue Service. Apart from the Fire & Rescue precept (budget meeting on 21 February 2023), both the County and Police precept have been confirmed at the time of preparing this report.

5.2 Kent County Council, the Kent Police & Crime Commissioner and Kent & Medway Fire & Rescue Service plan to issue precepts of £61,334,066; £9,720,430; and £3,490,000 respectively. The County Council's precept includes £8,091,763 for the Adult Social Care precept which will be itemised separately on council tax bills.

5.3 The average total tax at Band D is summarised in the table below, confirming an overall increase of £103.41 representing an increase of 4.88%.

<b>AUTHORITY</b>	<b>2023/24</b>	<b>2022/23</b>	<b>Increase</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Folkestone & Hythe DC (including Special Expenses)	<b>287.37</b>	<b>279.09</b>	8.28	2.97%
Town and Parish Councils	<b>70.07</b>	<b>67.88</b>	2.19	3.23%
<b>Total District Council</b>	<b>357.44</b>	<b>346.97</b>	<b>10.47</b>	<b>3.02%</b>
Kent County Council	<b>1,534.23</b>	<b>1,461.24</b>	72.99	5.00%
Kent Police Commissioner	<b>243.15</b>	<b>228.15</b>	15.00	6.57%
Kent Fire and Rescue Service	<b>87.30</b>	<b>82.35</b>	4.95	6.01%
<b>Overall Total</b>	<b>2,222.12</b>	<b>2,118.71</b>	<b>103.41</b>	<b>4.88%</b>

5.4 Appendix 4 sets out the result of adding the precept figure to the District council tax for each part of the District and Recommendation 5 seeks approval to the council tax for each area analysed over the tax bands.

5.5 The relative elements of the average council tax charge for 2023/24 are as follows:

	<b>2023/24</b>	<b>%</b>
<b>Council Tax 2022/23 – Band D</b>	<b>£</b>	<b>of total bill</b>
Folkestone & Hythe DC (including Special Expenses)	287.37	12.93%
Town and Parish Councils	70.07	3.15%
<b>Total District Council</b>	<b>357.44</b>	
Kent County Council	1,534.23	69.04%
Kent Police Commissioner	243.15	10.94%
Kent Fire and Rescue Service	87.30	3.94%
<b>Total</b>	<b>2,222.12</b>	

## **6. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

6.1 The Local Government Act 2003 requires the Council's Chief Finance Officer to give an opinion on the robustness of the budget and adequacy of the reserves. This statement is set out in full at Appendix 5.

## **7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **7.1 Legal Officer's Comments (AK)**

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.

### **7.2 Finance Officer's Comments (CS)**

This report and appendices cover all financial matters necessary to enable Council to make the determinations in accordance with the Local Government Finance Act 1992 as amended by the Localism Act 2011.

### 7.3 Diversities and Equalities Implications (CS)

The Equality Impact Assessment is attached at Appendix 6.

## 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*

*Telephone: 07935 517986*

*Email: [charlotte.spendley@folkestone-hythe.gov.uk](mailto:charlotte.spendley@folkestone-hythe.gov.uk)*

*Brian Thompson, Interim Chief Financial Services Officer*

*Telephone: 0773 934 2464*

*Email: [brian.thompson@folkestone-hythe.gov.uk](mailto:brian.thompson@folkestone-hythe.gov.uk)*

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

- Budget working papers
- 30 November 2022 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2023/24 to 2026/27
- 14 December 2022 - Reports to Cabinet - Budget Strategy 2023/24 and Fees & Charges 2023/24
- 25 January 2023 - Report to Cabinet - Draft General Fund Original Revenue Budget 2023/24
- 22 February 2023 - Update to the General Fund Medium Term Capital Programme

### **Appendices:**

Appendix 1 - General Fund Budget 2023/24

Appendix 2 - Calculation of District Council's Council Tax Requirement in accordance with Section 31A of the Local Government Finance Act 1992.

Appendix 3 - Calculation of Basic Amounts of Council Tax in accordance with Sections 31B and 34 of the Local Government Finance Act 1992.

Appendix 4 - Council Tax Calculations at Band D for each Area in the District.

Appendix 5 - Robustness of the Estimates and Adequacy of Reserves.

Appendix 6 - Equality Impact Assessment

## APPENDIX 1

GENERAL FUND			
2022/23		2023/24 Draft Original Budget Jan-23	2023/24 Draft Original Budget Feb-23
Original Budget		£	£
£		£	£
<b>SUMMARY OF NET EXPENDITURE</b>			
<b>Service Heads</b>			
7,695,250	Finance, Strategy & Corporate Services	8,301,370	8,445,560
626,780	Human Resources	683,190	683,190
2,589,890	Governance & Law	2,951,100	2,976,100
1,004,220	Leadership Support	740,960	740,960
6,254,240	Place	6,662,940	6,712,940
762,030	Economic Development	479,870	413,180
137,020	Planning	165,400	165,400
1,486,040	Operations	2,364,630	2,483,630
39,670	Strategic Development	-	-
3,342,840	Housing	3,048,610	3,048,610
(5,727,500)	Recharges	(5,919,556)	(5,919,556)
74,000	Vacancy Target & Savings Target not included in service heads	(224,000)	33,040
<b>18,284,480</b>	<b>TOTAL HEAD OF SERVICE NET EXPENDITURE</b>	<b>19,254,514</b>	<b>19,783,054</b>
493,241	Internal Drainage Board Levies	556,565	541,430
801,000	Interest Payable and Similar Charges	2,502,000	2,502,000
(1,320,000)	Interest and Investment Income	(2,521,000)	(2,521,000)
(744,700)	New Homes Bonus Grant	(365,568)	(365,568)
(2,088,051)	Other non-service related Government Grants	(4,092,551)	(4,616,551)
<b>15,425,970</b>	<b>TOTAL GENERAL FUND OPERATING NET EXPENDITURE</b>	<b>15,333,960</b>	<b>15,323,365</b>
(5,507,170)	Net Transfers to/(from) Earmarked Reserves	(1,387,000)	(2,180,000)
1,667,000	Minimum Revenue Provision	1,625,000	1,625,000
2,363,000	Capital Expenditure funded from Revenue	1,789,000	2,487,000
<b>13,948,800</b>	<b>TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS</b>	<b>17,360,960</b>	<b>17,255,365</b>
2,659,325	Town and Parish Council Precepts	2,659,325	2,801,300
-	Transfer to/(from) the Collection Fund	50,000	(59,451)
(2,815,831)	Business Rates Income	(3,872,289)	(3,921,454)
<b>13,792,294</b>	<b>TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND &amp; GENERAL RESERVE</b>	<b>16,197,996</b>	<b>16,075,760</b>
(13,591,730)	Council Tax-Demand on Collection Fund	(14,149,945)	(14,289,513)
<b>200,564</b>	<b>(SURPLUS)/DEFICIT FOR YEAR</b>	<b>2,048,051</b>	<b>1,786,247</b>
<b>(200,564)</b>	Contribution from General Reserve	<b>(2,048,051)</b>	<b>(1,786,247)</b>
-	<b>BALANCE AT END OF YEAR</b>	-	-

**APPENDIX 2****CALCULATION OF DISTRICT COUNCIL'S COUNCIL TAX  
REQUIREMENT IN ACCORDANCE WITH SECTION 31A  
OF THE LOCAL GOVERNMENT FINANCE ACT 1992**

<b>EXPENDITURE (including additions to Reserves and Contingencies)</b>	<b>£</b>	<b>£</b>
1. Gross Revenue Expenditure (excl. Special Items)	102,528,270	
2. Special Items		
a) Special Expenses	611,650	
b) Parish Precepts	2,801,300	
3. Addition to Reserves		
a) Vehicles, Equipment and Technology	200,000	
<b>TOTAL EXPENDITURE Recommendation 3(a)</b>		<b>106,141,220</b>
<b>INCOME (including use of Reserves)</b>		
1. Gross Revenue Income	(85,532,680)	
2. Use of Reserves		
a) New Homes Bonus Reserve	(200,000)	
b) Economic Development Reserve	(1,364,000)	
c) High Street Regeneration Reserve	(450,000)	
d) Climate Change Reserve	(310,000)	
e) Covid Recovery Reserve	(56,000)	
f) Housing Revenue Account	(2,152,777)	
g) General Reserve	(1,786,250)	
<b>TOTAL INCOME Recommendation 3(b)</b>		<b>(91,851,707)</b>
<b>COUNCIL TAX REQUIREMENT Recommendation 3 (c)</b>		<b>14,289,513</b>

**APPENDIX 3**

**CALCULATION OF BASIC AMOUNTS OF COUNCIL TAX  
IN ACCORDANCE WITH SECTIONS 31B AND 34  
OF THE LOCAL GOVERNMENT FINANCE ACT 1992**

<b>1. BASIC AMOUNT OF TAX</b>			
a) Council Tax Requirement <b>Recommendation 3(c)</b>			£14,289,513
b) Divided by Tax Base			39,977.09
c) Basic amount of Tax <b>Recommendation 3(d)</b>			£357.44
<b>2. BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH NO SPECIAL ITEMS RELATE</b>			
a) Basic amount of tax <b>Recommendation 3(d)</b>			£357.44
b) Special Expenses	£611,649		
c) Parish Precepts	£2,801,296		
d) Special Items <b>Recommendation 3(e)</b>	£3,412,945		
e) Divided by Tax Base	39,977.09		(£85.37)
f) Basic Amount of Tax for Areas with no Special Items <b>Recommendation 3(f)</b> See Appendix 4 for individual parishes			£272.07
<b>3. BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH SPECIAL ITEMS RELATE</b>			
a) Basic Amount of Tax for Areas with no Special Items <b>Recommendation 3(f)</b>			£272.07
b) Special Items for each individual area of the District	£X		
c) Divided by Tax Base for each individual area of the District		Y =	£Z
d) Basic Amount of Tax for Areas with Special Items <b>Recommendation 3(g)</b> See Appendix 4 for individual parishes			£272.07 + £Z

## APPENDIX 4

### COUNCIL TAX CALCULATIONS AT BAND D FOR EACH AREA IN THE DISTRICT

Area	Precepts	+Folkestone Parks Charity	=Special Items	Divided by Taxbase	=Council Tax for special items	=Council Tax for General items	=District Council Tax *	+KCC, Police & Fire precepts	= Total Council Tax
	£	£	£		£	£	£	£	£
Folkestone	952,970	531,293	1,484,263	14,566.56	101.90	272.07	373.97	1,864.68	2,238.65
Sandgate	98,700	80,356	179,056	2,203.12	81.27	272.07	353.34	1,864.68	2,218.02
Hythe	377,246		377,246	6,258.43	60.28	272.07	332.35	1,864.68	2,197.03
Lydd	159,000		159,000	2,165.45	73.43	272.07	345.50	1,864.68	2,210.18
New Romney	374,894		374,894	2,942.75	127.40	272.07	399.47	1,864.68	2,264.15
Acrise	200		200	91.12	2.19	272.07	274.26	1,864.68	2,138.94
Elham	60,208		60,208	720.09	83.61	272.07	355.68	1,864.68	2,220.36
Elmsted	2,250		2,250	192.52	11.69	272.07	283.76	1,864.68	2,148.44
Hawkinge	330,645		330,645	3,013.34	109.73	272.07	381.80	1,864.68	2,246.48
Lyminge	107,495		107,495	1,174.97	91.49	272.07	363.56	1,864.68	2,228.24
Lympne	35,000		35,000	645.55	54.22	272.07	326.29	1,864.68	2,190.97
Monks Horton	597		597	61.45	9.71	272.07	281.78	1,864.68	2,146.46
Newington	7,400		7,400	145.56	50.84	272.07	322.91	1,864.68	2,187.59
Paddlesworth	200		200	18.58	10.77	272.07	282.84	1,864.68	2,147.52
Postling	3,782		3,782	113.32	33.38	272.07	305.45	1,864.68	2,170.13
Saltwood	13,635		13,635	394.79	34.54	272.07	306.61	1,864.68	2,171.29
Sellindge	70,000		70,000	955.89	73.23	272.07	345.30	1,864.68	2,209.98
Stanford	10,000		10,000	193.99	51.55	272.07	323.62	1,864.68	2,188.30
Stelling Minnis	7,959		7,959	302.04	26.35	272.07	298.42	1,864.68	2,163.10
Stowting	2,500		2,500	121.22	20.62	272.07	292.69	1,864.68	2,157.37
Swingfield	29,646		29,646	479.47	61.83	272.07	333.90	1,864.68	2,198.58
Brenzett	3,150		3,150	150.39	20.95	272.07	293.02	1,864.68	2,157.70
Brookland	12,870		12,870	176.70	72.84	272.07	344.91	1,864.68	2,209.59
Burmarsh	4,795		4,795	115.48	41.52	272.07	313.59	1,864.68	2,178.27
Dymchurch	83,000		83,000	1,300.75	63.81	272.07	335.88	1,864.68	2,200.56
Ivychurch	4,918		4,918	92.59	53.12	272.07	325.19	1,864.68	2,189.87
Newchurch	5,236		5,236	120.95	43.29	272.07	315.36	1,864.68	2,180.04
Old Romney	-		-	80.72	-	272.07	272.07	1,864.68	2,136.75
St Mary in the Marsh	43,000		43,000	1,124.44	38.24	272.07	310.31	1,864.68	2,174.99
Snargate	-		-	54.86	-	272.07	272.07	1,864.68	2,136.75
	2,801,296	611,649	3,412,945	39,977.09					

\*Recommendation 3(f) and 3 (g)



### ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

#### Introduction

The council has a legal duty to produce a balanced budget and must take all reasonable factors into account when doing so. Under the Local Government Act 2003 section 25(1) (b), the Chief Finance Officer (CFO) must advise the council about the **robustness of the budget** and **the adequacy of the council's reserves** when it considers its budget and council tax. The Act requires Members to have regard to this report in making their decisions.

As the council's CFO, I confirm that in my opinion the draft budget is robust and the proposed level of reserves is adequate in respect of the proposed budget for 2023/24. The reasons for this opinion are set out below.

Members should note that if they wish to depart from or amend the draft Budget, the comments within this Appendix may require revision.

#### Background

The financial pressures faced by Local Authorities are widely known and the sector has undergone significant funding changes in recent years with a shift away from central government grant funding.

The Local Government Finance Settlement figures for 2023/24 were issued on 19 December 2022, with the final settlement being announced on 6 February 2023. Despite anticipation again this year that announcements may be made regarding local government funding reform, no confirmation was given through the settlement (either regarding Fair Funding or Business rates retention). The government focused instead on 'stability and certainty' for the coming financial year and policy principles being set for 2024/25. The Fair Funding review is now not anticipated to be implemented until 2026/27, so Local Government will need to continue to operate in this short term funding environment for the majority of the term of our current Medium Term Financial Strategy (MTFS). Our Business Rates pooling arrangement with Kent & Medway authorities has been confirmed to continue for 2023/24 which will operate under the 50% retention scheme for a further year. The settlement also confirmed a Council Tax increase of 3% (or £5) for the Council be permissible under the referendum limits, this is an increased limit from recent years whereby 2% was permissible. Whilst it is encouraging that this limit has been increased in the context of current inflationary pressures, this uplift was far exceeded by other cost pressures to maintain baseline services.

More broadly though the settlement itself was welcomed by the sector and represented a good settlement position for Folkestone and Hythe. The settlement included the continuation of New Homes Bonus (without legacy payments); a new 3% Funding level guarantee; new Service Grant allocation and the welcome news that the business rate multiplier compensation grant would compensate councils at

CPI. These factors combined improved the funding position for 2023/24 by £1.695m. These gains are not guaranteed for 2024/25 or beyond at this time.

The Council has in recent year's demonstrated strong financial performance, and in many instances it has been able to add to the reserves in place. Reserves however are finite and were utilised to balance the budget in 2022/23 and are proposed to be utilised for 2023/24 also. It is important that the council addresses its funding gap and moves away from a reliance on reserves.

Local Government faced an exceptionally uncertain financial period in 2020/21 with the impact of the pandemic and its significant effects on leisure, arts and culture, retail, fees and charges and more commercial activities undertaken by authorities. It was felt that some stability returned for 2021/22, albeit that the lack of clarity in terms of long-term funding streams for Councils remained. 2022/23 saw the return of most income streams to pre-pandemic levels, however the war in Ukraine, cost of living crisis, energy price increases, and most significantly inflation and borrowing rates multiplying have lead to an extremely challenging financial period.

As a result of those challenges following the quarter 2 budget monitoring exercise and conclusion of the MTFS work, instructions were issued to all budget managers to brief them on the council's financial position and ask them to curtail all non-essential spending. This exercise has seen a positive impact with the quarter 3 budget monitoring position reporting a £0.5million improvement in the forecast for year end.

Budget managers have once again identified (during the growth and savings exercise) internal savings, through efficiencies and protected front line services. For 2023/24 the savings identified were exceeded by the essential growth needed, meaning the internal financial landscape for setting the 2023/24 budget was challenging. The Councils past strong financial performance and robust position means it has reserves to rely upon at this time, but they are a finite resource and cannot be the basis of a long term plan to balance the budget. The Council will need to take further decisions over the next financial year to ensure a sustainable financial position is achievable over the medium term. A draft plan outlining the approach to address the MTFS gap was outlined within the MTFS & Budget Strategy and incorporated:

**In-year savings:**

- 2022/23 savings to be identified to ease pressures in future financial years.

**Re-focusing of Priorities:**

- The Council needs to prioritise and rephrase the work it is undertaking to recognise the financial & capacity challenges it faces.
- A holistic review of services will be performed to identify opportunities to improve the efficiency and effectiveness of service delivery and improve ways of working.

**Strategic Investments:**

- The Council is looking to take advantage of its position with a number of developments to produce financial returns whilst at the

same time supporting the delivery of housing, regeneration and sustainable growth across the district.

**Reserves:**

- Using reserves in a sustainable and prudent manner to support the Council's strategies and priorities. These are informed by the reserves strategies approved annually by the Council.

**Maximise Opportunities:**

- Review of available underutilised assets to deploy funds for investment in capital schemes and through flexible capital receipts policy for efficiency improvements.
- Using opportunities as they arise including government initiatives or incentives. In particular, the Council will seek to participate in the Business Rates Pooling scheme to maximise the financial benefit from this area.

Due to the significant economic volatility in the UK during 2022/23 the Council has had to reevaluate a number of key projects due to rising construction and borrowing costs. These decisions have been necessary to ensure the Council remains on a sound financial footing. For the first time, due to a combination of the findings of the stock condition survey and the economic pressures faced the Housing Revenue Account is facing some significant challenges over its medium term. Members will receive an update to the HRA Business Plan in 2023 and will need to prioritise the calls upon available funding.

The Council must remain prudent in its financial approach in particular until there is certainty about the long term funding of the sector and the Medium Term Financial Strategy gap is addressed.

**Robustness of the Estimates**

In assessing the robustness of the estimates this statement looks at the key factors and risk areas associated with the proposed 2023/24 budget and how they have been and can be managed.

The MTFS

In considering the budget calculations for 2023/24 regard should be had to the medium term financial position of the council and the future of local government funding. It was anticipated that clarity would have been available regarding the future of Business Rates retention and wider funding by this time but that is not the case. Indications are that the Fair Funding Review will be modelled on 2025/26 and implemented in 2026/27, but proposed dates for consultation and implementation have been set and missed several times in recent years, and therefore no certainty can be given as to when the long-term future of Local Government funding will be addressed. Once firm information is available it will be evaluated and incorporated into an updated MTFS, however this is not anticipated to be in the immediate future. The Council therefore needs to make steps itself to address its funding gap over the term of the current MTFS.

The current MTFS was considered by Cabinet and Full Council in November 2022 (A/22/22), and identified a gap for 2023/24 of £4.286m and over its term (2023/24

– 2026/27) of £18.5 million. In the context of the gross budget, funding sources and reserves availability this is a significant gap to address.

The council has various strategies in place to address the medium term funding gap. The multi-pronged approach to achieving a balanced position is set out in the MTFS and Budget Strategy. Specific initiatives include:

- In-year savings from 2022/23
- Re-focusing of Priorities
- Strategic Investments
- Review of Reserves & prudent deployment
- Maximising Opportunities

Furthermore, in respect of addressing the budget gap in the coming financial year the following areas form the focus of work for management.

**Review of Corporate Action Plan**

- Identification of items that could be paused, slipped or stopped

**Review of ‘Lessons Learnt’ from Transformation**

**Review of Strategic Projects**

- Prioritise and explore rephasing to recognise the financial & capacity challenges faced

**Review of Earmarked Reserves**

**Identification of potential asset disposals**

- Assess underutilised assets for potential sale (future funds to be deployed into capital schemes or through flexible capital receipts scheme)

**Re-evaluation of service demands and structures**

**Identification of alternative opportunities**

Development of Budgets

Following consideration of the MTFS in November 2022 and the 2023/24 Budget Strategy together with the proposed Fees and Charges 2023/24 were approved by Cabinet in December 2022.

In January 2023 the 2023/24 General Fund Draft Budget was examined in detail by the Finance & Performance Sub-Committee. The Medium Term Capital Programme and the HRA Revenue and Capital budgets were also presented for scrutiny in January 2023.

This statement accompanies the General Fund Budget and council tax requirement to be considered for approval by Full Council following a final update report to Cabinet on the same day.

This report is the culmination of the budget process; detailed work has taken place behind the scenes with finance officers, budget holders, Chief Officers, Assistant Directors and CLT to ensure the budget estimates are robust. In addition to this there have been updates to Informal Cabinet and relevant Portfolio Holders.

The budget-setting process commenced with detailed budget guidelines covering the General Fund, HRA and Capital Programme that were issued in September. This aided a consistent approach to preparing the budget estimates. During September and October the Finance staff worked with budget holders to review all controllable costs, agree the salary budgets and build the base budget. Staff establishment salary budgets were prepared based on the approved structure for each cost centre on a post by post basis. Assistant Directors and Chief Officers were asked to work with their budget holders and Finance Officer to assess the need for growth in their areas and identify efficiency proposals. These proposals alongside the proposed fees and charges schedules (developed in accordance with the policy framework) were scrutinised by the Corporate Leadership Team (CLT) before the incorporation of them in the December round of Cabinet papers.

The budget estimates included assumptions around a number of key factors. The process for determining the 2023/24 budget has again required the majority of budgets to be cash limited with very limited growth being considered. The only budgets that have been adjusted for inflation are salaries and existing inflationary commitments in relation to contracts. A provision for pay awards has been made, as has allowance for the increase in pension contributions following the triennial revaluation. During the growth & savings exercise all managers were asked to identify potential savings within their service areas and around £599k was removed from the base budget as a result of this exercise.

Estimates have also taken account of the financial implications of the council's Capital Programme and the level of financing required to meet the expenditure demanded. The capital programme is fully funded as presented to Members. This is based on the use of reserves and the investment of future income streams.

The proposed Capital Programme includes significant investment in the Otterpool Park Garden Town development. This project is developing at pace, with planning anticipated to be considered in the coming months. Significant work was undertaken in 2022 in developing a collaboration agreement with Homes England which would have brought with it significant additional funding. The third version of the Business Plan was originally drafted and agreed by the Board of the LLP based on this investment, however Homes England have not been able to progress with an agreement at this time. This has resulted in the Business Plan for 2023/24 being redrafted. It is anticipated that the revised Business Plan will include a significant additional ask of funding from the Council. Any additional investment in the project would need to be funded from borrowing by the Council. This request will need to be evaluated and the risk of additional investment assessed. The CiPFA Financial Resilience Index does identify the Council's level of external debt as being at the higher level of risk in terms of financial stress compared to nearest neighbours, so it will be important to assess the request in the context of the council's wider aspirations and requirements. This project does offer a unique opportunity to the council, but it is not without risk. Appropriate advice has been taken (legal, financial,

tax, market etc) at each key stage and the council will need to continue to do so in order to ensure robust informed decisions are taken at the appropriate times as the project progresses. The Council will also need to regularly review its own resources to manage a project of this scale.

The Budget Strategy process identified growth of £853k and savings, including a review of the current charging levels for income, of around £785k.

The Budget includes an assumption of Council Tax increases (including the special expense) of 2.97%. This is within the referendum limit and is an important element in determining a balanced budget both for the coming financial year but also one sustainable for the future. The Government base Council's funding on the assumption that Council Tax has been set at the referendum limits and therefore there is a long-term implication to the available resources of an authority not to do so.

The Council also draws income from the Business Rates scheme. Business rates funding is dependent on the council's ability to retain and grow its business rates base. As a result, estimates have had to be made for the level of income taking into account various assumptions about the number of businesses, appeals against rateable values and levels of collection. Business Rates remains a particularly challenging to estimate during this uncertain economic period however I am satisfied with the estimates made and feel they reflect a fair and balanced approach based on the information available at this time.

#### Mitigating Risks

To assist with mitigating the risks associated with budget preparation there is a CLT contingency within the budget to allow for unforeseen events and to assist with ensuring corporate priorities are delivered. In addition an earmarked reserve for the delivery of Corporate Priorities remains available for use at the direction of the Chief Executive and Leader.

Stringent budget monitoring will continue to be undertaken, with particular emphasis being placed on monitoring income targets, salary costs, high-risk expenditure items and volatile funding sources. Prompt responses to in-year projected deficits will be demanded by Cabinet Members and Senior Officers. The financial monitoring system covers both revenue and capital expenditure and work is being undertaken to bring forward and continually improve the budget preparation process.

The Council has a depth of experienced budget managers across its service areas and a strong finance team. We will continue to provide updates to budget managers and will support finance staff with relevant training and professional development to maintain this position. The experience and knowledge of our budget managers has been demonstrated through the savings identified over the last three years (£2.4m).

Additionally, to strengthen the council's overall approach to risk management this year we have established a Risk Management Group, which all Chief Officers &

Assistant Directors attend. This group of officers have also received further training in this area.

Furthermore Contract Standing Order training has been delivered to all budget managers in the Council in January 2023, with Fraud awareness training being delivered in February and Contract Management training to follow in March.

In conclusion I am satisfied that officers have undertaken a robust and thorough approach to the setting of the budget for 2023/24. I am satisfied with the estimates in place that determine the setting of the budget and council tax for the coming financial year. The council will continue to assess the position in year, ensure it remains within the budget set and react promptly to address any changes identified. In addition, we will continue to give consideration to closing future budget gaps, acting proactively over the year and assessing funding updates when they become available.

### **Adequacy of Reserves**

The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). The level of working balances and reserves held by a council is not prescribed. The minimum prudent level of reserves that the council should maintain is a matter of judgment.

The current approach of the council reflects the guidance issued within LAAP Bulletin 99. This sets out that reserves should be held for three main purposes:

- a **working balance** to help cushion the impact of uneven cash flows and avoid the need for temporary borrowing;
- a **contingency** to cushion the impact of unexpected events or emergencies;
- **earmarked reserves** to meet known or predicted requirements.

The Council held £20.97m in Earmarked Reserves and £6.058m in the General Reserve on 1 April 2022, and through this budget setting process anticipates to hold £13.95m in Earmarked Reserves and £4.84m in the General Reserve by 31 March 2023. Whilst there are movements anticipated both contributing to and withdrawing from, the council is managing its reserves position prudently, and will need to continue to do so over the coming year. Caution does need to be noted however, reserves can only be applied once and whilst the Council has a prudent record of building reserves over a number of financial years, it has drawn on them in the last three years. The Council must address over the coming years its longer term funding issues to remain in a robust position. The Council also has ambitious plans to deliver upon, so must take steps to ensure it remains in a strong financial position, and able to deliver on its ambitious agenda.

This position is also reflected in the CiPFA Financial Resilience Index which identified the council as towards the higher end of the risk profile when compared to 'nearest neighbours' in considering indicators of financial stress in respect of our reserves positions. It should be noted the reserves sustainability measure (which considers current levels of reserves and average changes in levels of reserves) remains at average risk.

There are serious consequences of not keeping a minimum prudent level of reserves as the council would be unable to manage unexpected events and need to make decisions which could have a detrimental impact on the communities it serves.

The council reviews annually the adequacy of the reserve levels taking into account the council's exposure to risk, the systems of internal control, the robustness of the estimates, adequacy of financial management arrangements, our track record on budget monitoring, the strength of financial reporting, capacity to manage in year budget pressures and cash flow requirements to determine appropriate levels for the reserves. The monitoring and control systems in place are robust and identify at an early stage any significant variations within the council's activities. The council also needs to consider unexpected draws on reserves due to the challenging economic climate and decisions that need to be taken to maintain the financial viability of the organisation. Members considered a paper in December 2022 on the Princes Parade project, which determined that the Council would pause the construction of the new leisure centre on this site. The Council will need to continue to evaluate market conditions for this project as there will be a significant draw required from reserves should the project not progress and the current capital expenditure need to be written off to revenue.

The Medium Term Financial Strategy outlines the proposed required minimum level of reserves (General Fund £1.5m; HRA £2.0m) and also how we would assess the adequacy of our reserves levels.

Having considered the current level of reserves held, the anticipated levels of reserves through to end of 2023/24, the proposed budget and the financial controls & reporting in place I am satisfied that the required minimum level of reserves remain appropriate and the level of reserves held are appropriate, robust and sustainable at this time.

Charlotte Spendley FCCA (Chief Finance Officer)  
14 February 2023



## EQUALITY IMPACT ASSESSMENT

Directorate: Corporate Services  
Service: Finance

Accountable Officer: Charlotte Spendley  
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[charlotte.spendley@folkestone-hythe.gov.uk](mailto:charlotte.spendley@folkestone-hythe.gov.uk)

Date of assessment: 7 February 2023

Names & job titles of people carrying out the assessment:  
Charlotte Spendley, Director of Corporate Services  
Gavin Edwards, Performance and Improvement Specialist

Name of service/function/policy etc: General Fund Revenue Budget 2023/24
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Is this new or existing? Annual production of Council's General Fund Budget and Council Tax Setting.
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### Stage 1: Screening Stage

#### 1. Briefly describe its aims & objectives

The council's Corporate Plan informs preparation of the Medium Term Financial Strategy (MTFS) and Budget Strategy which underpin preparation of the General Fund Revenue Budget each year.
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The Budget is the detailed financial plan of how the council will operate its day to day activities to achieve corporate objectives.
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#### 2. Are there external considerations? (legislation/government directive etc.)

The council is required to comply with the Local Government Finance Act 1992 (as amended) and associated legislation when setting the budget and council tax. The position is also informed by the Local Government Settlement, which this year was provisionally announced on 19 December 2022 with the final settlement announcement being made on 6 February 2023.
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#### 3. Who are the stakeholders and what are their interests?

The main stakeholders are local taxpayers, the electorate, Members and central government.
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The General Fund budget report sets out planned expenditure and income for day to day service delivery activities. It informs taxpayers and the electorate about how council tax, government grants, business rates and other sources of income are utilised. It enables them to see in financial terms how Corporate Plan objectives will be delivered and how the council will deliver services and statutory functions during the year.

Members approve the budget and council tax. Their responsibility is to ensure that there are adequate resources to deliver policies and services and that approved budgets are used for the specified purpose. Stakeholders are consulted during budget setting and may challenge the council if they identify any matters of concern in how these responsibilities are fulfilled.

Actual expenditure and income compared to the approved budget is monitored on a monthly basis throughout the year and is reported to Members every quarter. The approved budget is also reported to Central Government via an annual return.

#### **4. What outcomes do we want to achieve and for whom?**

The aim is to achieve a balanced budget that reflects the Medium Term Financial Strategy and Budget Strategy to satisfy the stakeholders as identified in 3. Also to ensure that the Council's statutory responsibilities are fulfilled.

#### **5. Has any consultation/research been carried out?**

Yes.

Internally - consultation took place with the Corporate Leadership Team (CLT), Cabinet Members, Assistant Directors, Chief Officers and budget managers through their involvement in setting strategies. This informs the MTFS, the Budget Strategy, the annual budget and the fees & charges strategy. Chief Officers/budget managers are also asked to seek to align their budget and service plans annually. Budget Managers, Chief Officers and Assistant Directors contribute towards the agreed growth and savings identified within both the budget strategy & detailed budget proposed. The budgets are set in consultation with budget managers and signed off by service heads. Ultimately the budget is reviewed by CLT, Finance & Performance Sub-Committee and Cabinet before being approved by Full Council.

Externally - during December & January the Council undertook public budget consultation which was available online and promoted both on the webpage and through social media channels and through poster promotion. As well as dedicated information being available online, officers also presented the Joint Parish Council Committee and sought views from the Business Advisory Board.

**6. Are there any concerns at this stage which indicate the possibility of inequalities/negative impacts?** (Consider and identify any evidence you have - equality data relating to usage and satisfaction levels, complaints, comments, research, outcomes of review, feedback and issues raised at previous consultations, known inequalities) If so please provide details.

All these considerations will have been taken into account when EIAs have been completed by Service Heads for strategies that affect their services. Any negative impacts will have been reviewed at that stage.

There are no direct concerns at this time. No specific issues have been identified in relation to the proposed growth and savings incorporated within this budget position.

In addition, all reports to CLT, Cabinet and Council require implications to be considered – this includes financial implications.

**7. Could a particular protected characteristic be affected differently in either a negative or positive way? (Positive – it could benefit, Negative – it could disadvantage, Neutral – neither positive nor negative impact or Not sure?)**

	Type of impact, reason & any evidence
Disability	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Race (including Gypsy & Traveller)	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Age	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Gender	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Transgender	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Sexual Orientation	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Religion/Belief	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Pregnancy & Maternity	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.

Marriage/ Civil Partnership Status	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
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**8. Could other socio-economic groups be affected** e.g. carers, ex-offenders, low incomes?

No direct concerns have been identified through this process, service heads will evaluate impacts ahead of the budget proposals being made.

**9. Are there any human rights implications?**

None have been identified at this time.

**10. Is there an opportunity to promote equality and/or good community relations?**

Yes – This will have been considered through the Corporate Plan and individual strategies and service plans before they are included in the budget. Public consultation ran for over a month to gain community input into the process.

**11. If you have indicated a negative impact for any group is that impact legal?** (not discriminatory under anti-discrimination legislation)

Not applicable

**12. Is any part of this policy/service to be carried out wholly or partly by contractors?**

No

**Please note that normally you should proceed to a Stage 2: Full Equality Impact Assessment Report if you have identified actual, or the potential to cause, adverse impact or discrimination against different groups in the community. (Refer to Quick Guidance Notes at front of template document)**

**13. Is a Stage 2: Full Equality Impact Assessment Report required?**

No

**14. Date by which Stage 2 is to be completed and actions**

N/A

**Please complete**

We are satisfied that an initial screening has been carried out and a full impact assessment **is not required\***.

Completed by: Charlotte Spendley Date: 7 February 2023

Role: Director of Corporate Services (Chief Finance Officer)

Countersigned by: Gavin Edwards Date: 8 February 2022

Role: Performance and Improvement Specialist