

Finance and Performance Scrutiny Sub-Committee

Held at:	Council Chamber - Civic Centre, Folkestone
Date	Tuesday, 10 January 2023
Present	Councillors Peter Gane, Connor McConville (Chairman), Patricia Rolfe and Rebecca Shoob
Apologies for Absence	None
Officers Present:	James Clapson (Case Officer (Committee)), Jonathan Smith (Senior Accountant), Charlotte Spendley (Director of Corporate Services), Brian Thompson (Interim Chief Financial Services Officer) and Lee Walker (Capital and Treasury Senior Specialist)

1. **Declarations of interest**

Councillor Rolfe and Councillor McConville both declared a DPI as they are directors of Oportunitas Ltd. A dispensation has been applied.

Councillor Shoob declared a DPI as she is a director of Otterpool Park LLP.

All members remained in the meeting, taking part in discussions and voting on all items.

2. **General Fund Capital Budget Monitoring 2022/23**

Mr Walker introduced report C/22/74 that provided an updated projection of the current financial position for the General Fund capital programme profiled for 2022/23. It was based on expenditure to 30 November 2022, and identified variances compared to the latest approved budget.

During consideration of the item, the following points were noted:

- Inflation costs was not expected to have a material impact on delivery of the programme for this year as many of the costs have been fixed. Rises in inflation could have more of an impact on schemes in future years.

- Detail regarding the Council's interest repayment costs were included in the treasury management report
- Mr Walker felt that the summary of risks, shown in the table at paragraph 5.1 of the report, were a reasonable reflection of the risks faced by the council.

The Sub-Committee members noted the report.
(Voting figures: 4 for, 0 against, 0 abstentions).

3. **Quarter 3 22/23 General Fund Revenue Budget Monitoring**

Mr Thompson introduced report C/22/76. The monitoring report provided a projection of the end of year financial position of the General Fund revenue budget at quarter three (Q3), based on expenditure and income to 30 November 2022. The report showed an improved position for Q3, with an underspend now forecast until financial year end. The reporting format had been re-aligned to improve the presentation of the budget monitoring information for Q3.

During consideration of the item, the following points were noted:

- Officers were praised for the improved presentation of the report, the report was much easier to understand.
- The budget underspend had largely come through the receipt of additional income, efforts had been made to protect front line services and their associated budgets.

The Sub-Committee members noted the report.
(Voting figures: 4 for, 0 against, 0 abstentions).

4. **Quarter 3 22/23 Housing Revenue Account Budget Monitoring**

Mr Smith introduced report C/22/79. The monitoring report provided a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme, based on net expenditure to 30 November 2022. It was noted that there was typographical error in the first sentence of paragraph 2.2 of the report, the projected decrease in net expenditure should be £2.977m.

During consideration of the item, the following points were noted:

- The delays in the delivery improvement works detailed in section 3 of the report were unfortunate and needed to be addressed. Mr Smith advised that the costs associated with the work would get carried forward into future years and offered to feed back the comments to the housing relevant teams.

The Sub-Committee members noted the report.
(Voting figures: 4 for, 0 against, 0 abstentions).

5. **General Fund Revenue Detailed Draft Budget 2023/24**

Mr Thompson introduced report C/22/77. The report set out the Council's Draft General Fund budget for 2023/24. It was noted that the Government announced the provisional Local Government Settlement on 14 December 2022, this indicated that the Council would receive around £1.695m of additional funding. The additional funding and an increase in council tax base, had reduced the budget gap to £2.048m for 2023/24.

During consideration of the item, the following points were noted:

- There was a five point plan to address the budget gap; this would include mid-year savings targets, and it was likely that some of the Councils reserves would also need to be used.
- When the council tax base is calculated, an adjustment is made to account for the number of people expected to move on to the council tax reduction scheme.
- The strategic development budget had been realigned into other services.
- The economic development budget had decreased, this was primarily due to the completion of the high streets fund. The fund would not be available in future years.
- The operations budget had increased due to changes of reporting lines within the service. This did not lead to an overall increase or decrease to the Council's budget.
- Mr Thompson offered to raise the following questions with colleagues and provide a response to the Sub-Committee outside of the meeting (responses have been attached as an annex to the minutes):
 - What was budget line FE70 – Democratic Representation Recharges?
 - Why did budget line BG53 – Unauthorised Encampments have no budget allocation?
 - Did budget line ER02 – Tall Ships, need a budget; the event had not taken place last year?
 - What did the income on budget line CE55 – Community Events relate to?
 - Why did the administration costs for Economic Development seem high compared to the overall budget for that service?
 - How was the increase to the council tax base calculated?
- Employee costs for Otterpool Park LLP no longer had a budget allocation, this was because all employees were now direct employees of Otterpool Park LLP.
- Community Safety employees had been bought into the Environmental Health service heading, so there was no longer any budget allocated to Employees under heading GL21.
- Estimates for income from parking were based upon the managers experience, and factored in a service demand element. The weather could have an impact on the levels of income generated by car parks, therefore robust budget monitoring will be required throughout the year.

The Sub-Committee members noted the report.
(Voting figures: 4 for, 0 against, 0 abstentions).

6. Housing Revenue Account Draft Budget 2023/24

Mr Smith introduced report C/22/78. The report set out the Housing Revenue Account Revenue and Capital Budget for 2023/24. It also proposed an increase in weekly rents and an increase in service charges for 2023/24.

During consideration of the item, the following points were noted:

- The proposed increase in rents and service charges would not be supported by all Members.
- People with a shared ownership agreement could face an increase in mortgage payments in addition to the proposed increase in rents.
- Considering the costs of living crisis, it was important that the Council provided tenants with debt support information. This could help reduce the number of people who fell into bad debt.
- The recent increase in energy costs at sheltered housing accommodation highlighted the importance of making energy performance improvements in these properties
- Although the Sub-Committee would note the report, this did not imply that all the Sub-Committee members endorsed the report's recommendations.

The Sub-Committee members noted the report.
(Voting figures: 4 for, 0 against, 0 abstentions).

7. Update to the General Fund Medium Term Capital Programme to 2027/28

Mr Walker introduced report C/22/75. The report updated the General Fund Medium Term Capital Programme (GFMTCP) for the five-year period ending 31 March 2028. The GFMTCP was required to be submitted to full Council for consideration and approval as part of the budget process. It was noted that there had been two updates to the report following its publication in the agenda, these updates can be seen in the Cabinet 25.1.23 agenda, namely;

1. There had been an increase to the budget for Street Lighting, from £745,000, to £793,000.
2. There was an additional section in report that provided information about Otterpool Park LLP loan funding arrangement.

During consideration of the item, the following points were noted:

- The report attempted to address the uncertainty around inflation and interest rate changes.
- The Treasury Management Strategy had assessed the likely impact of increased borrowing costs on the Council going forward.
- The extra budget for the street light project would be funded from capital receipts.
- The Council often went into partnership with other organisations to deliver temporary accommodation schemes. If the budget was found to be insufficient, then a report would come forward requesting additional funds.

The Sub-Committee members noted the report.

(Voting figures: 4 for, 0 against, 0 abstentions).

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Responses provided outside of the meeting to questions raised during consideration of the General Fund Detailed Draft Budget 2023/24 item.

1. FE70 Democratic Representation-Recharges – please can this be explained?

Definition of Corporate and Democratic Core - All local authorities incur Corporate and Democratic Core costs. These are made up of two elements: firstly, the costs of Democratic Representation and Management (costs relating to all aspects of members' activities) and secondly, the costs of Corporate Management (costs of the infrastructure which allows services to be provided and information required for public accountability). These central charges are reallocated to services hence the credit amount on the budget line.

Democratic Representation and Management costs are made up of:

- all members' allowances and expenses;
- the costs associated with officer time spent on appropriate advice to members and related support activities;
- subscriptions to local authority associations and provincial councils.

Corporate Management costs are made up of:

- costs of the head of paid service;
- the maintenance of statutory registers;
- the provision of information required by members of the public;
- the completion of corporate returns and reports;
- time spent on corporate level resources;
- the costs of treasury management, external audit and external inspections;
- the costs relating to officers responsible for activities identified above.

2. BG53 Unauthorised Encampments – Why is there no budget?

This budget was removed as an approved saving from the 22/23 budget setting process as the budget was not being used, however should traveller encampments start returning to our district, there may be a need to request financial support (by way of virement or contingency) from the Corporate Leadership Team to ensure court costs and bailiffs can be used to remove them from our land.

3. ER02 Tall Ships Project – what is this budget - is this budget needed?

The Tall Ships project costs approx. £50k over a 2 year period. There will be a Tall Ships project in the summer of 2023 which has been funded from a £25k 21/22 budget carry forward and £25k 22/23 base budget. The Tall ships project for the summer of 2024 has not been discussed or agreed yet, however if agreed the £25k budget for 24/25 will be required.

4. CE55 Communities – Events – what does the £400 income relate to?

This relates to the anticipated additional income generated from the new Fees and charges agreed by Cabinet relating to small commercial events/exercise classes.

5. Request for more information as to why Economic Development administration costs are higher compared to the service costs.

The Economic Development Team focuses on priorities identified within the Corporate Plan. Key current areas of activity include the following and this will involve significant officer time (from administration budgets) :

- Folkestone Town Centre regeneration, Levelling Up Fund bid and the redevelopment of Folca
- Design and delivery of the UK Shared Prosperity Fund – this is shown on a separate budget line and funded by grant income
- Growth and employment projects (e.g. Mountfield Road, New Romney)
- Supporting business to access growth advice and grants

6. Explanation of the calculation of additional Council Tax (£230k) from an increase in the Tax base with a Council Tax at 2.99%.

2.99% CTAX = £287.43 Band D Average	£	Notes
416.5 Properties at 287.43	119,715	Additions to original MTFS base
1% additional CTAX yield	110,375	1% Incremental Yield (from 1.99 to 2.99%) on the original MTFS tax base
Total additional yield	230,090	