



Agenda

Meeting: **Council**
Date: **22 February 2023**
Time: **7.00 pm**
Place: **Council Chamber - Civic Centre Folkestone**

To: **All Members of the Council**

YOU ARE HEREBY SUMMONED to attend a meeting of the Council on the date and at the time shown above.

Anyone who wishes to have information on any matter arising on the Agenda which is not fully covered in these papers is requested to give notice prior to the meeting to the Chairman or appropriate officer.

This meeting will be webcast live to the council's website at <https://folkestone-hythe.public-i.tv/core/portal/home>.

Please note there will be 37 seats available for members of the public, which will be reserved for those speaking or participating at the meeting. The remaining available seats will be given on a first come, first served basis.

Dr Susan Priest
Chief Executive

1. **Apologies for Absence**
2. **Declarations of Interest (Pages 5 - 6)**

Queries about the agenda? Need a different format?

Contact Jemma West – Tel: 01303 853369
Email: committee@folkestone-hythe.gov.uk or download from our
website
www.folkestone-hythe.gov.uk

Members of the Council should declare any discloseable pecuniary interest or any other significant interests in any item/s on this agenda.

3. **Minutes (Pages 7 - 28)**

To receive the minutes of the meeting of the council held on 30 November 2022 and to authorise the Chairman of the Council to sign them as a correct record.

4. **Chairman's Communications**

5. **Petitions (Pages 29 - 30)**

A petition asking for the hoarding along the entire Princes Parade site to be removed has been received and has a total of 325 signatures. As per the petitions scheme, set out in part 4 of the constitution, petitions which receive more than 250 signatures can be presented to a meeting of Full Council.

6. **Questions from the Public**

1. From Mrs Mary Lawes to Councillor Ray Field, Cabinet Member for Transport and Digital Transformation

Residents Permit Holders in Marine Crescent/Parade, The Stade/Folkestone Harbour & in some streets in zone (G) and (G1) are unable to park near their homes.

Why does this council give priority parking for visitors, 1 hour parking and contractors above resident permit holders, who cannot park near their homes because of these decision by council and the Cabinet member for Transport?

7. **Questions from Councillors**

(Questions can be found on www.folkestone-hythe.gov.uk from noon 2 days before the meeting, on Modern.gov, under the agenda for this meeting).

Up to 45 minutes is allowed for questions from councillors.

8. **Announcements of the Leader of the Council**

To receive a report from the Leader of the Council on the business of the cabinet and on matters that the leader considers should be drawn to the council's attention. The leader shall have 10 minutes to make his announcements.

The opposition group will have an opportunity to reply to the leader's remarks. The opposition group leader shall have 5 minutes to respond

after which the Leader of the Council will have a right of reply. Any right of reply will be for a maximum duration of 5 minutes.

9. **Opposition Business**

There is no opposition business.

10. **Motions on Notice**

There are no Motions on Notice.

11. **Temporary polling Place (station) Changes at Parliamentary, Local, Police and Crime Commissioner Elections and Parish Polls (Pages 31 - 34)**

It is best practice to ensure delegated power is in place for elections to allow an appropriate officer to determine suitable, alternative arrangements if a polling place (station) is unavailable, or unsuitable for the needs of the election, electorate and/or legislation changes. Temporary measures could be later made permanent at a compulsory polling district and place review and this report seeks to ensure that the necessary authority is in place to ensure polling place requirements are met.

12. **Second and Empty homes Premiums (Pages 35 - 46)**

From 1 April 2024, billing authorities will be given the ability to add a Council Tax premium to second homes and to amend existing long term empty home Council Tax premiums. This report reviews these proposals and recommends that some changes are introduced from the financial year 2024/25.

This report seeks an in-principle decision from Members to agree proposals in accordance with the Council Tax premium proposals set out within Leveling up and regeneration Bill, subject to Royal Assent being obtained. An early, in principle decision is recommended to allow timely decision to be made if and when the Royal Assent is granted.

13. **Report to Council on a decision made in accordance with the constitution's call-in and urgency rule (Pages 47 - 50)**

The constitution provides that, when an urgent decision is made by the Cabinet or Cabinet Member, for which any delay in implementation, likely to be caused by the call-in process, would seriously prejudice the Council's or public interest, then the 'Call-in Rules of Procedure', Part 6.3, rules 1-6 do not apply. Decisions, taken as a matter of urgency, must be reported to the next available meeting of the Council, together with the reasons for urgency.

14. **Review of Political Balance and Committee Membership (Pages 51 - 54)**

This report sets out a summary of the need to review the political balance and membership of committees following the resignation of Councillor P Martin to leave the Conservative Group and become an independent member. The report also sets out the requirement to appoint a Vice-Chairman of the Audit and Governance Committee.

15. **Update to the General Fund Medium Term Capital Programme (Pages 55 - 72)**

This report updates the General Fund Medium Term Capital Programme for the five-year period ending 31 March 2028. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process.

16. **Capital Strategy 2023/24 and Minimum Revenue Provision Statement 2023/24 (Pages 73 - 90)**

This report sets out the Council's proposed strategy in relation to capital expenditure, financing and treasury management in 2023/24 to be approved by full Council. The report also sets out the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2023/24 to be approved by full Council.

17. **Investment Strategy 2023/24 (Pages 91 - 108)**

This report sets out the Council's proposed strategy for its service and commercial investments in 2023/24 to be approved by full Council.

18. **Draft Housing Revenue Account Revenue and Capital Original Budget 2023/24 (Pages 109 - 126)**

This report sets out the Housing Revenue Account ('HRA') Revenue and Capital Budget for 2023/24 for approval and proposes an increase in weekly rents and an increase in service charges for 2023/24 both for approval.

19. **General Fund Budget and Council Tax 2023/24 (Pages 127 - 156)**

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.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

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FOLKESTONE AND HYTHE DISTRICT COUNCIL

Minutes for the meeting of the Council held at the Council Chamber - Civic Centre Folkestone on Wednesday, 30 November 2022

Present: Councillors Mrs Ann Berry, Danny Brook, Miss Susan Carey, John Collier, Laura Davison, Ray Field, Gary Fuller, Peter Gane, Clive Goddard, David Godfrey, Anthony Hills (Vice-Chair), Mrs Jennifer Hollingsbee, Nicola Keen, Michelle Keutenius, Jim Martin, Philip Martin (Chairman), Connor McConville, Jackie Meade, Ian Meyers, David Monk, Terence Mullard, Stuart Peall, Patricia Rolfe, Rebecca Shoob, Georgina Treloar, Douglas Wade, Lesley Whybrow and John Wing

Apologies for Absence: Councillors Tim Prater and David Wimble

40. **Declarations of interest**

There were no declarations of interest at the meeting.

41. **Minutes**

The minutes of the meeting held on 28 September 2022 were submitted, approved and signed by the Chairman.

42. **Chairman's Communications**

The Chairman advised that he had attended a dozen events, it was a busy time with the lead up to Christmas and there were many charities needing support. He stated that a list of the events he had attended would be appended to the minutes.

43. **Petitions**

A petition asking for the development at Princes Parade to be abandoned has been received and has a total of 311 signatures. As per the petitions scheme, set out in part 4 of the constitution, petitions which receive more than 250 signatures can be presented to a meeting of Full Council.

Proposed by Councillor Whybrow,
Seconded by Councillor J Martin; and

RESOLVED:

- 1. That report A/22/20 be received and noted.**
- 2. That option (b) be agreed (that the petition be referred to Cabinet, for consideration alongside the options report, and that the stopping of the project be included as an option for consideration).**

In accordance with the council procedure rule 17.5, five members present demanded a recorded vote.

FOR: Councillors Mrs Berry, Brook, Miss Carey, Collier, Davison, Field, Fuller, Gane, Goddard, Godfrey, Hills, Mrs Hollingsbee, Keen, Keutenius, J Martin, P

Martin, McConville, Meade, Meyers, Monk, Mullard, Rolfe, Shoob, Treloar, Wade, Whybrow and Wing (27).

AGAINST: None (0).

ABSTENTIONS: Councillor Peall (1).

(Voting figures: 27 for, 0 against, 1 abstention).

44. Questions from the Public

The questions asked, including supplementary questions (if any), and the answers given are set out in Schedule 1, appended to these minutes.

45. Questions from Councillors

The questions asked, including supplementary questions (if any), and the answers given are set out in Schedule 2, appended to these minutes.

46. Announcements of the Leader of the Council

The Leader of the Council made the following announcements:

“Good evening to all.

Tonight I am only going to talk about 2 things:-

The first is about our Custom Service Excellence Certification. Earlier in the year the assessor from the Centre for Assessment visited the District to carry out a comprehensive assessment and I am pleased to say that we have once again been awarded the Certificate of Customer Service Excellence, which runs until September 2025.

But, not only did we receive the main Certificate, but we were also successful in being awarded Compliance Plus in 16 categories.

This is a tremendous achievement and reflects the custom first approach for this council and our engagement with our partners. My congratulations go to all of our staff and in particular to Karen Everett and her team, who so ably presented our case.

The second thing I would like to mention is one of the things that impressed the assessor, was the ‘My Account’ system. This gives our residents 24 hour access to the council and now 67% of households across the district are signed up for a My Account which is magnificent.

Well done all”.

The Leader of the Opposition responded to the announcements and stated that it was amazing to receive such awards, and his congratulated the hard working officers of the council, who often worked under challenging circumstances. He then stated it was important not to rest on our laurels, and the council should always strive to do better. With regard to MyAccount, he stated that it was great that early bugs had been resolved, and on the doorstep people stated the service was better service, but he added that it was important not to shift the balance to doing things online, a good service was still needed for residents to phone the council, calls to be answered in a timely manner and those residents receive the same service and speedy outcomes as offered through the MyAccount service.

The Leader then advised that the council had still managed, 9 years on, to get 16 compliant pluses from the assessors mean the team were not resting on their laurels and were continuing to look forward and improve service to customers. He added that access to information was still the founding principle that would always be a fall-back position for those without digital access.

Proposed by Councillor Monk,
Seconded by Councillor Mrs Hollingsbee; and

RESOLVED:

That the Announcements of the Leader be noted.

(The recommendation was agreed by affirmation of the meeting).

47. **Opposition Business**

Councillor McConville, on behalf of the Labour Group, set out the opposition business which requested that Air BnB properties be treated as commercial properties in respect of waste disposal.

Proposed by Councillor McConville,
Seconded by Councillor Keutenius; and

RESOLVED:

That Option B (Refer the issue to the Overview and Scrutiny Committee for their observations before deciding whether to make a decision on the issue) be applied for the business set out below:

- To contact every self-catering holiday let business as shown on the register, informing them of their duty to dispose of their commercial waste by legal means and show evidence of this to the council.
- To consider the establishment of an in-house commercial waste collection operation to achieve the following:
 - Increase council revenue
 - Offer small businesses a cost effective and legal waste collection service
 - To ensure council tax is not paying for commercial waste collection.
 - To promote commercial recycling and food waste recycling.

(Voting figures: 26 for, 0 against, 2 abstentions).

48. **Motions on Notice**

- (1) Councillor Gane introduced his motion which requested that Overview and Scrutiny consider various issues related to illegal encampments.

Proposed by Councillor Gane,
Seconded by Councillor Fuller; and

RESOLVED:

That the Overview and Scrutiny be asked to consider ways in which the district council can assist town and parish councils in the area with legally moving on illegal encampments on their land (including land leased from the district council) as quickly as possible, and to at least the same level that they are able to deal with incursions on their own land.

(The recommendation was agreed by affirmation of the meeting).

- (2) Councillor Whybrow introduced her motion which proposed that the Overview and Scrutiny Committee be asked to consider capturing the lessons learned during the Princes Parade project.

Proposed by Councillor Whybrow,
Seconded by Councillor Wade; and

RESOLVED:

That Overview and Scrutiny be asked to consider capturing the lessons learned from Princes Parade, particularly given the severe financial implications for the council and taxpayers of decisions that were made, and that the three ward members for Hythe be invited to take part.

In accordance with the council procedure rule 17.5, five members present demanded a recorded vote.

FOR: Councillors Mrs Berry, Brook, Davison, Field, Fuller, Gane, Keen, Keutenius, J Martin, McConville, Meade, Meyers, Mullard, Shoob, Treloar, Wade, Whybrow and Wing (18).

AGAINST: Councillors Miss Carey, Collier, Goddard, Godfrey, Hills, Mrs Hollingsbee, P Martin and Monk. (8).

ABSTENTIONS: Councillors Peall and Rolfe (1).

(Voting figures: 18 for, 8 against, 2 abstentions).

49. Princes Parade - Closure of Footpath South of Seaview Bridge

The report recorded the recommendations made at Overview and Scrutiny Committee on 8 November 2022 to close the footpath south of Sea View Bridge, once works on Princes Parade commence in earnest. (NB: The path is not currently closed). A petition had been presented to the Council calling for the footpath to be kept open after working hours and at weekends. After hearing a factual presentation concerning the rationale leading to the closure decision the Committee felt that the closure must be implemented when works commenced.

Proposed by Councillor Keutenius,
Seconded by Councillor Mrs Hollingsbee; and

RESOLVED:

- 1. That report A/22/21 be received and noted.**
- 2. That the recommendations of the Overview and Scrutiny Panel be noted and the footpath south of Seaview Bridge be closed once works are commenced on site at Princes Parade.**
- 3. That residents are to be given timely notification when work commences on the site, leading to the closure of the footpath**

(The recommendations were agreed by affirmation of the meeting).

50. Medium Term Financial Strategy 2023/24 to 2026/27

The Medium Term Financial Strategy ('MTFS') is the Council's key financial planning document. It puts the financial perspective on the Council's Corporate Plan priorities, expressing the aims and objectives of the various plans and strategies in financial terms over the four year period ending 31st March 2027. It covers both revenue and revenue implications for capital spend for the General Fund. Also included are the Council's reserves policies. The MTFS is a key element of sound corporate governance and financial management.

Council - 30 November 2022

An addendum had been circulated prior to the meeting setting out amended recommendations.

Proposed by Councillor Monk,
Seconded by Councillor Mrs Hollingsbee; and

RESOLVED:

- 1. That report A/22/22 be received and noted.**
- 2. That the Medium Term Financial Strategy, as appended to the report, be agreed and adopted.**

(Voting figures: 21 for, 0 against, 7 abstentions).

Council – 30 November 2022

Public Questions:

1. From Mrs M Lawes to Councillor Monk, Leader of the Council

Has Folkestone & Hythe District Council's approach and policy, as laid out as per Part 4.5. Petitions, of the council's constitution, been update this year or is it about to be updated?

ANSWER:

Thank you for your question.

The petition scheme has not been updated this year, nor is there a requirement for it to be updated. However, the scheme is in line with other local authority schemes, and I believe it is fair, which is demonstrated by the fact that a petition is being presented today, and another was presented at the September meeting of Full Council.

SUPPLEMENTARY QUESTION:

Considering this councils constitution does not ask for a full address, and a postcode is considered as part of the address, I ask Councillor Monk to overturn the decision to reject my petition handed in on 31 August (relating to a destination play area at Jocks Pitch), and allow the petition through on the grounds I have stated.

ANSWER:

If you would like to send in your proposition, I will consider it. I am not an autocrat, but I do have to work within the system.

2. From Ms A Jones to Councillor Monk, Leader of the Council

Now that Princes Parade work has paused and BAM have left, I would like to ask what the council are planning to do about the exposed landfill waste next to the first bridge, as it is clearly a public health and safety issue.?

ANSWER:

Thank you Ms Jones for highlighting this particular area.

An Officer from the Council has visited the Princes Parade site on 16/11/2022 and inspected the area to which you refer and the waste material that you have identified in your question. Some of the waste material appears to be of considerable age due to the style of the packaging and prices printed on it.

Officers have carried out internal and external enquiries and can confirm that no excavation works have been carried out in this location by contractors, only flailing of the vegetation on the bank. It does appear to have only become uncovered following the flail cutting of the site.

Officers revisited the site on the 17/11/2022 and as a precautionary measure installed Heras fencing around the exposed bank to prevent direct contact with the area by members of the public.

Options for the project are currently being reviewed and will be presented to the Council's Cabinet as soon as possible. Any further works to this area will be informed by the outcome of this process.

SUPPLEMENTARY QUESTION:

Are the council monitoring the air quality, as they promised to do throughout the project?

ANSWER:

As far as I'm aware, the monitoring is still continuing, but I will confirm that after tonight.

*Following on from the meeting, the following response was provided:
BAM, who were organising and overseeing the air monitoring through a sub-contractor have been directed to stop operations and no longer have a site presence. We are currently directed not to incur any expenditure so no air-monitoring is taking place*

Whilst there are no operations on site, little or no disturbance of material is taking place, that might be airborne. Testing carried out prior to suspension of the works did not detect any reportable levels of adverse air quality.

Council – 30 November 2022

Councillor Questions:

1. From Councillor Gane to Councillor Field, Cabinet Member for Transport and Digital Transformation

The Car Park in Aldridge Road, Cheriton was closed off because of Travellers issues. However the problem now is that Cars, particularly on a Sunday, are causing a headache for local residents as cars are parking all over the place therefore what action is being taken to open the car park such as a width limit?

ANSWER:

Thank you for your question.

The car park has been closed due to the previous issues with illegal traveller encampments. There have been no reported issues over the last year since the blocks have been in place. Officers have been in dialogue with Taylor Wimpey (as the freehold ownership of the car park is still with them) and the Community Safety Unit to consider removing the blocks preventing access to the car park so access may resume. Following these conversations it has been established there is a current risk to further encampments in the district due to heightened recent activity. It has been decided to leave the blocks in place and review the situation in 3 months when hopefully Taylor Wimpey will be able to remove the blocks to allow access.

SUPPLEMENTARY QUESTION:

Could you use Tungsten locks, which are more difficult to break, and give a key to the staff so they can open it on Sundays?

ANSWER:

We will consider all options.

After the meeting, the following response was provided:

We already use high quality locks where they are required. We have considered whether the car park could be opened for football matches and then locked after the matches have finished.

In practical terms this is very difficult. Unlocking and opening the car park is feasible. The locking part is where problems occur. Not all vehicles will vacate the car park at the same time. Other people may decide to park in the car park, leaving their car there whilst they visit friends in neighbouring properties. We could often be in situations where cars get locked in the car park as the owners cannot be located. Even if we put signs up saying that the car park will be locked at a certain time we will still have situations when cars are still in the car park.

As stated in the original response we will review the situation in three months when hopefully we will be able to open the car park.

2. From Councillor J Martin to Councillor Monk, Leader of the Council

How were the 40 developers who were invited to bid for the housing land on Prince's Parade selected?

ANSWER:

Thank you Councillor Martin for your question.

The Council appointed experienced agents who undertook a full marketing campaign targeting all those developers and housebuilders who have the capability and local market experience to bring forward a development of this scale. The list was compiled from the agent's extensive database of contacts and known market participants.

SUPPLEMENTARY QUESTION:

What due diligence was carried out on the 13 companies invited to bid?

ANSWER:

I will find out and provide a written response.

After the meeting, the following response was provided:

'All of the companies who bid on the opportunity did so on the basis of the planning permission in place at the time and the requirement to submit reserved matters. Full due diligence is only undertaken when selecting the final party, or parties, during the Heads of Terms process. The following due diligence was therefore undertaken in respect of the proposed disposal:

- *Full legal name of the purchasing entity;*
- *Company incorporation checks, including country and date of incorporation;*
- *Confirmation as to the purpose of the transaction;*
- *Adverse media and news check;*
- *Due diligence on the relationships between all Parties to the transaction;*
- *Due diligence on Source of Funds (SOF) and Source of Wealth (SOW);*
- *Proof of ID on Company Directors and Senior Managing Officials, including bank statements and proof of address in the UK;*
- *Due diligence on UK tax conformity;*
- *Due diligence on Ultimate Beneficial Owners (UBO) and Company Shareholding Structure;*
- *Financial analysis on the Purchaser, including company accounts detailing Turnover, Operating Profit, Current Assets and Work in Progress;*

- *Due diligence on Sanctions and PEPs;*
- *Due diligence on purchaser's CSR;*

3. From Councillor Jim Martin to Councillor Monk, Leader

What are the plans to replace the children's play area on Prince's Parade destroyed by the pre services agreement works carried out by the Council's Contractor?

ANSWER:

Thank you Councillor Martin for your question. The play area to which you refer is still in place and has not been affected by any works by the Council's contractor under the pre-services contract agreement. The play area is still open to the public and being maintained the Council.

There was no supplementary question but a political statement was made.

4. From Councillor Whybrow to Councillor Godfrey, Cabinet Member for Housing and Special Projects

Can you please confirm that even though spending on the Princes Parade project has been paused, the badgers and reptiles that have been removed from the site will continue to be monitored by the ecologists?

ANSWER:

Thank you for your question, Councillor Whybrow. As you rightly say spending on the project has been paused to allow officers to consider the options. It is proposed that a paper will be brought to Cabinet as soon as possible once the work has been concluded. Until this time no monitoring work will take place. I will ensure that officers consider this as part of the options report.

SUPPLEMENTARY QUESTION:

Does the stop on spending mean that no air quality monitoring is taking place?

ANSWER:

I will look into this and provide a written response after the meeting.

After the meeting, the following response was provided:

BAM who were organising and overseeing the air monitoring through a sub-contractor have been directed to stop operations and no longer have a site presence. We are currently directed not to incur any expenditure so no air-monitoring is taking place.

Whilst there are no operations on site, little or no disturbance of material is taking place, that might be airborne. Testing carried out prior to suspension of the works did not detect any reportable levels of adverse air quality.

5. From Councillor Whybrow to Councillor Godfrey, Cabinet Member for Housing and Special Projects

If the Princes Parade project were to be stopped, whose responsibility would it be to remove the hoardings?

ANSWER:

Thank you for your question, Councillor Whybrow. As per my previous response officers are carrying out a review of the project and will be presenting an options paper to Cabinet as soon as possible. Ultimately if the project was stopped it would be the council's responsibility to remove the hoardings, but only when it was considered safe to do so.

SUPPLEMENTARY QUESTION:

How much would the removal of hoardings cost?

ANSWER:

I will look into this matter and provide a written response after the meeting.

After the meeting, the following response was provided:

Officers have been in contact with the company that supplied and installed the hoarding. If the hoarding is still in good condition (at the point of disposal) it is likely that the company would buy this back from the council at an agreed percentage of the original purchase price. The company who installed the hoarding would then come and remove it and charge us for this operation. The overall cost to the Council including the buy back will to be around £50K however this will depend upon the condition of the hoarding when it is taken down.

6. From Councillor Whybrow to Councillor Godfrey, Cabinet Member for Housing and Special Projects

Given that the Princes Parade project is now being re-evaluated, will you now reconsider the possibility of a leisure centre at Martello Lakes before that opportunity expires?

ANSWER:

Thank you for your question, Councillor Whybrow. Officers are carrying out a review of the Princes Parade project which will be reported to Cabinet as mentioned in my previous response. This review is focusing solely on the current project and will provide an options appraisal concentrating on financial, environmental and community implications. If members decide to stop the

Princes Parade project they may then decide to instruct officers to look at alternative sites for the provision of new leisure facilities in the district.

SUPPLEMENTARY QUESTION:

What is the expiry date of the S106 contribution from the Martello lakes development for the leisure centre?

ANSWER:

I will look into this matter and provide a written response after the meeting.

After the meeting, the following response was provided:

The Sports Leisure and Community Contribution under the s106 agreement does not expire, it is payable in any event and is indexed linked. It is payable no earlier than the 300th Dwelling and the earlier of the Occupation of the 301st Dwelling or 31 March 2023.

7. From Councillor Shoob to Councillor Field, Cabinet Member for Transport and Digital Transformation

The council is waiving car parking charges on three Saturdays in the run up to Christmas. What consideration, if any, was given to incentivising travel other than by private car?

ANSWER:

Thank you for your question.

The district council is offering free parking in council owned car parks and on-street parking bays in the three Saturdays leading up to Christmas, a scheme that is popular with both traders and residents. The district council is not responsible for bus travel schemes. KCC already provides funding to subsidise some bus routes or services. There are a number of discounted day and evening tickets, and free concessionary travel offered by the bus operator, Stagecoach. These are all promoted by Stagecoach on their website and on the buses.

SUPPLEMENTARY QUESTION:

Do we have any evidence that free parking at Christmas has a positive impact on the high street spending?

ANSWER:

I will look into this matter and provide a written response after the meeting.

After the meeting, the following response was provided:

We are currently reinvesting in the delivery of footfall data for the town centre which will enable us to directly see the impact this type of intervention has on footfall. In addition, local independents certainly see this as a positive action that supports their businesses. Most recently, one particular business had requested a copy of the leaflet used in our car parks promoting the free parking which they printed directly to share with their customers as well as for other retail businesses to share with their customers.

8. From Councillor Shoob to Councillor Godfrey, Cabinet Member for Housing and Special projects

How long do tenants in the private rented sector need to wait for a council inspection to assess mould, damp or other landlord disrepair?

ANSWER:

Thank you for your question.

All complaints about disrepair in the private rented received by the Council are taken extremely seriously by the Council's Private Sector Housing Team. Where possible the team look to work with landlords, agents and tenants to ensure that homes across the district are properly repaired and maintained. Where landlords fail to respond, the Council does not hesitate to take enforcement action against them. In terms of time frames, the Council looks to prioritise the most serious cases. In some cases, we are able to provide immediate advice to tenants so that they are able to address issues directly with their landlords. However, over the period April 2019 to 31 March 2022, 545 private sector homes with identified hazards, were improved in the district through direct intervention work by the Council.

SUPPLEMENTARY QUESTION:

Can you confirm what the longest wait is for a surveyor to visit?

ANSWER:

I know that the private sector housing team react quickly to these matters, but I will provide a written response after the meeting.

*After the meeting, the following response was provided:
All complaints regarding disrepair in the Private Rented Sector are triaged in terms of their level of hazard. All complainants are contacted on receipt of their complaint by the Council. Where necessary, we provide advice to complainants and explain that in the first instance they should advise their landlords about the issue(s) and work with them to get them resolved. In some cases, we may also request further information to enable us to fully assess a complaint in the triage stage. In terms of complaints involving serious issues of disrepair, such as electrical safety, fire safety and excess cold within a property, these will be triaged and given a higher priority and dealt with prior to those reporting less*

dangerous hazards. Officers will then visit and fully assess the property, so that all identified hazards within the property are resolved, including issues of damp and mould, which are often linked to excess cold within a property.

In less serious cases of disrepair, which are identified as aesthetic issues, rather than presenting a health risk to occupants, it may take over 6 months for officers to be able to visit a particular property. However, as set out above, we do provide initial advice and information to tenants on how to work to resolve these issues. Waiting times for less serious issues are affected by the number of complaints being made to the Council and the severity of the complaints at any particular time.

9. From Councillor Meade to Councillor Peall, Cabinet Member for Enforcement, Regulatory Services, Waste and Building Control

I am receiving more and more complaints regarding inconsiderate residents not clearing up after their dogs. Can you please tell me how many staff we have patrolling on this matter and how many fines were handed out in the last year?

ANSWER:

Thank you for your question. Please do send me examples of incidents, and we can look at targeting enforcement.

I can confirm that we have 4 Enforcement Officers and 1 Senior Enforcement Officer who patrol the district and act on dog fouling issues.

2 Fixed Penalty Notices (FPN) were issued for dog fouling in 2022.

Enforcement action can only take place if the officer has witnessed the dog foul and the owner walk away. If the officer has not witnessed this, no FPN can be issued and only educational information can be given.

Whilst the team are unable to document the number of people given educational information to, it is felt that on average 1500 dog owners are engaged with via “pop up events” and during routine and targeted patrols, to ensure as many owners know the rules.

A new dog fouling campaign to highlight awareness of clearing up after dogs is about to be launched with new signage and comms messaging, asking people to report cases to the Council so officers can use the information to do targeted patrols in the most affected areas.

SUPPLEMENTARY QUESTION:

Can you suggest some way that residents can use to let you know specific examples, and how we can catch these offenders?

ANSWER:

We are running a campaign, the schools run campaigns and it is an agreed element of owning a dog that waste must be cleared up. In respect of the licensing of dogs, this is a national issue. In respect of communications, the reporting service is fully accessible via MyAccount, the council telephone number, my email address (which no one has used thus far), and 'snail' mail. There is not much more we can do, we are limited to five officers with multiple roles and there is no budget in order to increase the number of officers.

10. From Councillor Keen to Councillor Monk, Leader of the Council

How many temporary staff are at present employed by FHDC in comparison to salaried/contracted staff?

ANSWER:

Thank you for your question. The council currently employs 465 staff amounting to 408.98 full-time equivalent staff.

In addition to this the council currently engages 11 agency workers.

Agency workers may be engaged for a number of reasons, including covering short-term or temporary vacancies, supporting specific schemes, or to provide specific skill sets. There are variations in the amount of agency workers engaged throughout the year. The council is likely to engage more agency workers in the summer to support services that have changing seasonal requirements for example.

When considering the use of agency workers the council always considers the most effective and efficient means of resourcing.

There was no supplementary question.

11. From Councillor Keen to Councillor Monk, Leader of the Council

When will staff be returning to work at the Civic Centre?

ANSWER:

Thank you Councillor Keen for your question.

Staff can work from the Civic Centre, and many have been doing so for months as we have recovered from Covid restrictions. The council has always supported flexible working and an agile approach where staff can work from any suitable facility; this could be from the Customer Access Point, from the Civic Centre, from one of our depots, or from home or other facilities where it is conducive to do so and appropriate for their particular role. For more information please see the council's People Strategy and Agile Working Framework that were considered by Personnel Committee in June 2021.

SUPPLEMENTARY QUESTION:

Would it be possible for members of the public have a way to contact officers to arrange meetings, as not everything can be dealt with over the phone?

ANSWERS:

I will provide the opening times of our building, when officers are available, to Councillor Keen.

*After the meeting, the following further information was provided:
The Customer Access Point is open between 10am and 4pm on weekdays.*

12. From Councillor Keen to Councillor Godfrey, Cabinet Member for Housing and Special Projects

Could we have a breakdown on how much the Princes Parade development has cost the district to date?

ANSWER:

Thank you Councillor Keen for your question. Yes, information will be provided to Cabinet as part of the options report being prepared.

SUPPLEMENTARY QUESTION:

Why is this information being provided to Cabinet?

ANSWER:

The options report is to be considered by Cabinet, what happens to it after that is yet to be decided, but I'm sure you'll get to know the result.

13. From Councillor Davison to Councillor Mrs Hollingsbee, Deputy Leader and Cabinet Member for Communities

How has the district council been consulted in relation to Kent police's review of neighbourhood policing?

ANSWER:

Thank you for your question.

Although the Council are aware of the review, we have not given formal response in relation to Kent Police's review of neighbourhood policing. When the Council is provided with details these can be shared (if not restricted). Furthermore the Cabinet Member for communities has submitted a question for the Police & Crime Panel on 6 December asking how the Commissioner is holding the Temporary Chief Constable accountable following his decision to

significantly reduce the number of PCSOs and to explain what impact this is likely to have on his community policing priorities.

SUPPLEMENTARY QUESTION

Have we responded to the consultation as a stakeholder?

ANSWER:

There is no consultation to respond to.

14. From Councillor Davison to Councillor Godfrey, Cabinet Member for Housing and Special Projects

Shepway Citizens Advice Bureau is seeing an increasing number of residents facing rent increases and disrepair in their homes. Others working in the field report that poor landlords are more likely to pay a fine than carry out repairs. We have seen the horrendous death of a two year old who died from prolonged exposure to mould. Against this backdrop what is the council's assessment of the disrepair issues we face in the district, what resources does the council have to inspect and deal with disrepair across all types of housing and what is its action plan for doing so?

ANSWER:

Thank you, Councillor Davison. I am sure that all members will share your concerns about the tragic death of 2 year old Awaab Ishak in Rochdale. As I set out in my previous response to Councillor Shoob, I would like to re-assure you that our Private Sector Housing Team take all issues of disrepair, including cases involving damp and mould extremely seriously. Where possible the team look to work with landlords, agents and tenants to ensure that homes across the district are properly repaired and maintained. Where landlords fail to respond, the Council does not hesitate to take enforcement action against bad landlords. Over the period 1st April 2019 to 31 March 2022, 545 private sector homes were improved in the district because of intervention work by the Council. 68 of the homes in this total, were identified as having issues of damp and mould. 7 of the properties in this total were improved following formal enforcement action by the Council. Going forward the team will continue to work with landlords and tenants to improve their homes, but where necessary, we will always use enforcement action where private landlords fail to carry out their responsibilities.

In terms of the council's own housing stock, our Neighbourhood Surveying Team regularly carry out inspections of reported damp and mould to our properties. They work to a check list to ensure nothing is missed and use damp meters to take readings of affected areas. We offer our residents a comfort thermometer to assist in the reduction of condensation. This operates on a colour coded system showing green for ideal, red for too humid and blue for too cold. The team give advice on what is best to clean and how to manage mould growth along with day-to-day advice regarding lids on pans, drying

clothes on radiators, tumble dryers etc as in many cases, condensation can be reduced by simple lifestyle changes.

The Neighbourhood Surveying Team also carry out a follow up inspection, 4 weeks minimum after their initial visit to see if the property has improved and to address any other concerns. If the problem is more severe, a specialist contractor is instructed to carry out a more detailed report and we then act on their recommendations.

SUPPLEMENTARY QUESTION:

Will you commit to publishing the response to the social housing regulator in response to the request for information on damp and mould issues in the housing that we are responsible for?

ANSWER:

I don't think there is any reports that relate to our housing condition that shouldn't be made available, but I'll check on what you are asking.

*After the meeting, the following information was provided:
A request was received from the Regulator of Social Housing (RSH) dated 22nd November 2022 requiring us to provide details on how FHDC deals with damp and mould issues.*

Our response of this information will be made via an RSH online survey with a submission date of 19th December 2022. Once submitted we will publish our reply on the website.

15. **From Councillor Davison to Councillor Prater, Cabinet Member for Revenues, Benefits, Anti-Fraud and Corruption Councillor Monk, Leader of the Council (Cllr Prater has given apologies)**

Please can you provide an update on the Household Support Fund?

ANSWER:

Thank you for your question.

The second wave of the Household Support Fund concluded on 30 September 2022. FHDC received an allocation of £459,669 to spend and I can confirm that all of that money has been used to support vulnerable residents. The £364,150 that we were required to spend on pensioner households was used to support 867 households. The remaining £94,519 was used to support 646 non-pensioner households. In terms of what the money was spent on, over £320,000 went on energy, £75,000 on food £50,000 on other essentials and £15,000 on temporary staff to make it possible to administer the scheme in the limited time available.

The third wave of the Household Support Fund is now live in the district. The scheme opened on 25 November 2022 and will close on 31 March 2023 or until funds are exhausted; for this wave our allocation is only £207,246. Applications for this limited funding can be made online:

www.folkestone-hythe.gov.uk/household-support-fund.

The Council is also currently in the process of targeting vulnerable households to offer support to residents.

SUPPLEMENTARY QUESTION:

Are there plans to publicise more widely the re-opening of this round of the fund?

ANSWER:

I can't answer that but I can confirm we do proactively contact those people who most need this assistance.

After the meeting the following additional information was provided:

The scheme is not publicised widely at the moment due to limited funding. Agencies in the district and the hubs have been advised. Once the targeted work and applications that have already been received have been completed we will review what funding remains as we do not want to set expectations for residents that we may not be able to meet.

16. From Councillor Davison to Councillor Field, Cabinet Member for Transport and Digital Transformation

Please can you provide data for response times to emails from residents to the council, including the proportion where no response has been given at all?

ANSWER:

Thank you for your question Councillor Davison.

We endeavour to respond to all emails from residents as soon as possible. Certain response times are captured as part of our performance indicator reporting but, due to the many different types of enquiries received, we do not capture data corporately for each individual category.

The response times depend on the type of enquiry and the workloads of officers and teams. We aim to provide an acknowledgement of the enquiry within five working days and response times are usually within 10 working days thereafter but responses can take up to 21 days or more when dealing with more complex enquiries.

SUPPLEMENTARY QUESTION:

I'm aware of some people not getting responses at all. What recourse of action can be taken?

ANSWER:

We cannot do anything unless we are advised of these situations.

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Agenda Item 5

This Report will be made public on 14 February 2023



Report Number **A/22/32**

To: Council
Date: 22 February 2023
Status: Non - executive decision
Responsible Officer: Susan Priest, Chief Executive

SUBJECT: PETITION - FOR THE HOARDING ALONG THE ENTIRE PRINCES PARADE SITE TO BE REMOVED

SUMMARY: A petition asking for the hoarding along the entire Princes Parade site to be removed has been received and has a total of 325 signatures. As per the petitions scheme, set out in part 4 of the constitution, petitions which receive more than 250 signatures can be presented to a meeting of Full Council.

RECOMMENDATIONS:

1. To receive and note report A/22/32.
2. To consider the options set out in paragraph 2.1 of the report.

1. INTRODUCTION

1.1 A paper petition was submitted by Chris Farrell on 7 February 2023. The petition received 325 signatures.

1.2 The subject of the Petition is:

“We, the undersigned, request that the hoarding along the entire Princes Parade site is removed”.

1.3 The petition was submitted by a resident of the district and is valid.

2. POSSIBLE RESPONSES TO THE PETITION

2.1 As per the Petitions Scheme, set out in part of 4 of the constitution, members should consider the petition and make one of the following decisions shown below:

- a) Note the petition and take no further action;
- b) Refer the petition to the Cabinet or the Overview and Scrutiny Committee, as the case may be, for their observations before deciding whether to examine the issues raised by the petition;
- c) Agree to examine the issues raised by the petition, by debate, at the meeting or a future meeting;
- d) Agree to examine the issues raised by the petition, as part of a future scrutiny programme.

3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer’s Comments (AK)

Any legal issues are covered in the main body of the report.

3.2 Finance Officer’s Comments (CS)

There are no financial implications to this report.

3.3 Diversities and Equalities Implications (GE)

There are no equality or diversity issues arising as a result of the report.

3. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

Sue Lewis, Case Officer, Committee Services
Phone: 01303 853 265
Email: sue.lewis@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report: None.

This Report will be made public on 14 February 2023



Report Number **A/22/26**

To: Council
Date: 14 February 2023
Status: Non – executive decision
Chief Officer: Susan Priest, Chief Executive
SUBJECT: TEMPORARY POLLING PLACE (STATION)
CHANGES AT PARLIAMENTARY, LOCAL, POLICE
AND CRIME COMMISSIONER ELECTIONS AND
PARISH POLLS

SUMMARY:

It is best practice to ensure delegated power is in place for elections to allow an appropriate officer to determine suitable, alternative arrangements if a polling place (station) is unavailable, or unsuitable for the needs of the election, electorate and/or legislation changes. Temporary measures could be later made permanent at a compulsory polling district and place review and this report seeks to ensure that the necessary authority is in place to ensure polling place requirements are met.

REASONS FOR RECOMMENDATIONS:

To establish suitable locations for electors, allowing them to vote at elections. In the instance of changes to legislation, implications on health and safety, buildings becoming vacant, or other events rendering the existing polling place (station) unavailable or unsuitable delegated powers are needed to allow the Returning Officer / Acting Returning Officer to arrange alternative suitable polling places (stations).

RECOMMENDATIONS:

1. To receive and note report A/22/26.
2. To appoint the Returning Officer / Acting Returning Officer with delegated authority to amend the designation of polling districts and polling places, on a temporary basis, should it become necessary to do so, in the course of conducting Parliamentary, local government, police and crime commissioner elections and parish polls.

1. BACKGROUND

- 1.1 Local authorities are responsible for dividing their constituency into polling districts for UK Parliamentary elections. Polling districts, polling places and polling stations are kept under review to maintain electorate balance and the suitability of venue choices. There is a duty on the Council of the local authority to conduct a review at least once every four years.
- 1.2 The last review of polling district, place and stations for UK Parliamentary elections concluded in 2019 (see minute 54 Council meeting 16 October 2019) and was implemented in January 2020 after the snap general election took place.
- 1.3 Whilst a review is mandatory for polling districts, places and stations used at UK Parliamentary elections, section 31 of the Representation of the People Act 1983, the Police and Crime Commissioner Elections Order 2012 and the Parish and Community Meetings (Polls) Rules 1987 do not impose such requirements on how the allocations are made for local elections, police and crime commissioner elections or parish polls. This report focuses on two aspects of the above legislation - the allocation of a polling place and polling station for local elections.
- 1.3.1 Polling place
A polling place is a building or geographical area in which a polling station is located. It is good practice to specify where a polling place is, as a building instead of an area to ensure there is a clear indication to electors within and outside of a polling district.
- 1.3.2 Polling station
A polling station is the room or area within the polling place where voting takes place. Polling stations are chosen by the Returning Officer for each election, and not by the Council.

2. PROPOSALS

- 2.1 In most cases, the allocation of polling districts, places and stations at UK Parliamentary elections is mirrored for local elections, police and crime commissioner elections and parish polls. In the past, last-minute changes have been unavoidable, e.g., in 2019 when a building was condemned 4 days before poll. In the instance of this happening the election team have informed all interested parties swiftly to ensure maximum awareness to the change. This included:
- Letters sent to all properties concerned
 - Social media posts
 - Updated website details
 - Candidates and Agent communications
 - Staff training
 - Signage put on the previous station directing electors to the new venue.

- 2.2 Details of any change are audited, capturing the options put forward by the team and reasons as to why the final decision was made.
- 2.3 Where there is advance warning of a polling station becoming unavailable, or a premises being unsuitable because of staff or elector feedback, it is best practice for the authority to delegate powers to a senior officer, usually the returning officer / acting returning officer to allow him / her to determine an alternative location swiftly. An efficient selection and decision process is beneficial in ensuring plans can be made to inform all interested parties ahead of any local election taking place.
- 2.4 It may seem that the process for considering alternative venues as polling places / stations as premature, however arrangements must be made early to update systems, printer details and literature that is sent out ahead of any election timetable.
- 2.5 For example, a registration deadline for a local election is 12 working days before polling day, however the data for the first dispatch of poll cards is needed approximately 2 months before polling day. A poll card includes polling station details of where electors should go to vote; therefore, it is pertinent to have this in place in good time, with an agreement made with the polling station vendors outlining their availability and any special measures to be put in place as per the booking arrangements.
- 2.6 Delegation of powers is a matter for full Council. It is therefore requested that the Committee recommend to the Council that the Returning Officer / Acting Returning Officer be delegated the authority to amend the designation of polling districts and polling places, on a temporary basis, should it become necessary to do so, at short notice, in the course of conducting Parliamentary, local government, police and crime commissioner elections and parish polls.

3. RISKS/CONTROLS

- 3.1 In light of the fact that there are minimal proposals as part of this report, there are no significant risks identified. There is a greater reputational and democratic risk in not adopting this proposal.

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal Officer's Comments (AK)

The legal issues have been dealt with in the Report.

4.2 Finance Officer's Comments (CS)

There are no direct financial implications arising from the recommendations of this report

4.3 Diversities and Equalities Implications (AS)

The outcome and recommendations of a review of polling districts and polling places are specifically designed to ensure that all voters are able to exercise their right to vote and, in particular, where voters chose to vote in person at polling stations, that these are accessible to all regardless of disability.

5. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Paul Butler
Democratic Services and Elections Lead Specialist
Telephone: 01303 853497
Email: paul.butler@folkestone-hythe.gov.uk

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

None

This Report will be made public on 14 February 2023



Report Number **A/22/25**

To: Council
Date: 22 February 2023
Status: Key Decision
Responsible Officer: Charlotte Spendley, Director of Corporate Services

SUBJECT: SECOND AND EMPTY HOME PREMIUMS

SUMMARY:

From 1 April 2024, billing authorities will be given the ability to add a Council Tax premium to second homes and to amend existing long term empty home Council Tax premiums. This report reviews these proposals and recommends that some changes are introduced from the financial year 2024/25.

This report seeks an in-principle decision from Members to agree proposals in accordance with the Council Tax premium proposals set out within Leveling up and regeneration Bill, subject to Royal Assent being obtained. An early, in principle decision is recommended to allow timely decision to be made if and when the Royal Assent is granted.

RECOMMENDATIONS:

1. To receive and note report A/22/25.
2. To introduce a Council Tax premium to second homes from the 2024/25 financial year onwards in principle subject to the bill being enacted and guidance being published by Central Government.
3. To adopt amendments to Council Tax empty home premiums from the 2024/25 financial year onwards in principle as demonstrated in Table 2 subject to the bill being enacted and guidance being published by Central Government.

1. BACKGROUND

- 1.1 On 20 February 2019 Council resolved 'to adopt new Council Tax empty home premiums in accordance with changes in legislation from the 2019/20 financial year onwards.'
- 1.2 These premiums were introduced as agreed at the rates and introduction dates listed in Table 1.

Table 1

Introduction date	Premiums that can be applied
1 April 2019	100% premium for properties empty 2 years +
1 April 2020	100% premium for properties empty 2 – 5 years 200% premium for properties empty 5 years +
1 April 2021	100% premium for properties empty 2 – 5 years 200% premium for properties empty 5 – 10 years 300% premium for properties empty 10 years +

- 1.3 Latest figures shows that there are currently 134 properties attracting a 100% premium, 37 properties attracting a 200% premium and 17 properties attracting a 300% premium.
- 1.4 In the Levelling-up and regeneration bill dated May 2022 Government announced an amendment to the Long-Term empty dwellings (England) legislation providing Councils discretion to apply a premium of up to 100% of the Council Tax charge on those properties that have been empty for more than two years to be amended to apply to properties that have been empty for one year plus rather than two. This provision was introduced by Central Government as a tool to assist local authorities in the drive to bring empty properties back into use.
- 1.5 This bill is still awaiting Royal Assent. All recommendations are subject to the bill being enacted and guidance being published by Central Government.
- 1.6 If the bill does not receive Royal Assent by 31 March 2023 these changes will be recommended to be introduced for 1 April 2025. This is because there is a requirement to make the decision at least 12 months before the start of the financial year to which the decision relates.
- 1.7 The Levelling-up and regeneration bill also introduced new legislation relating to dwellings occupied periodically (England). This relates to properties that are classed as 'second homes'. This provides Councils discretion to apply a premium of no more than 100% to qualifying properties.

The conditions of this criteria are:

- a) There is no resident of the dwelling, and
- b) The dwelling is substantially furnished.

1.8 The Council will also explore using any additional income generated to consider increasing the support offered to low-income households via the Council Tax Reduction Scheme. Any decision will be subject to further consultation and agreement with Kent County Council as the major preceptor.

2. EMPTY HOMES AMENDMENTS

2.1 Amendments will allow Councils to introduce the premium for empty homes a year earlier than existing agreements.

Table 2

Introduction date	Existing premiums	Premiums that can be applied
1 April 2024	100% premium for properties empty 2 years +	100% premium for properties empty 1 years +

2.2. The amendments have an impact for financial years beginning on or after 1 April 2024 and it does not matter if the start date of the property being empty is before this comes into force.

2.3 It is expected that by reducing the time a property in empty the premium will allow local authorities to strengthen the incentive for owners of empty homes to bring them back into use.

2.4 No public consultation is required to introduce this change.

2.5 Liable parties will be able to appeal via standard Council Tax appeal routes if they disagree with the applying of a premium on an account based upon facts of an individual case, for example, they state that the property is not empty. The principle of a premium will not be open to appeal.

3. SECOND HOMES AMENDMENTS

3.1 Under existing legislation properties classed as second homes have a full charge (100%) and there are no discounts or premiums in place.

3.2 By introducing a premium on these properties it is expected that properties that are not in constant use may be encouraged to be brought back into use for local residents. It would also remove potential loopholes regarding empty homes where an owner could furnish a property to remove it from the list as being classed as an empty home to avoid the premiums that this can attract.

- 3.3 There is no minimum timeframe on this premium and if the premium is agreed any property classed as a second home would attract the premium with effect from 1 April 2024.
- 3.4 Taxpayers affected by the changes will be notified prior to the 1 April 2024 so they may make changes to the property before they are impacted by the changes.
- 3.5 It is recognised that some taxpayers may consider moving properties in Non Domestic rating due to letting legislation to avoid a premium. This will be monitored by the Council and cases investigated as appropriate.
- 3.5 All recommendations are subject to the bill being enacted and guidance being published by Central Government. Final policy decisions will follow Government guidance and be approved by Folkestone & Hythe District Council's Corporate Services Director in consultation with the Cabinet Member responsible for Revenues, Benefits, Anti-Fraud and Corruption.

4. FINANCIAL IMPLICATIONS

- 4.1 Table 3 illustrates the estimated financial impact the additional properties that would be impacted if introduced in April 2023; it is too early to provide details for April 2024 at this current time and these figures are for illustration purposes. Please note these figures are based on 2022/23 Council Tax rates.

Table 3: Projection of empty homes premium changes

	Accounts	CTax Base value	100% premium charge value	Total chargeable	FHDC Benefit (13%)
2023/24 projection	266	£227,530	£227,530	£455,060	£59,158

- 4.2 Table 4 demonstrates the potential impact of introducing the second homes premium. The figures below are provided based upon the Council Tax base for 2022/23 as provided by Central Government.

Table 4: 100% Council Tax Premium yield on second homes based on latest figures

Accounts (Tax base)	Billing Authority	County Council	Fire Authority	Police	Town & Parish Councils	Total
1,049	£289,021	£1,534,033	£88,929	£244,556	£66,697	£2,223,236

4.3 Indicative rates above are based on 100% collection. The Council is aware that not all cases will yield 100% collection in year. Based upon latest figures the collection rates for each category impacted by this report are listed below. These are figures based on in year collection at the end of August 2022. Council targets for in year collection at the end of August 2022 is currently 47.00%. The end of year target for overall collection of Council Tax is 97.3%.

- Accounts with Empty Home Premiums currently in place: 45.08%
- Accounts listed as Second Homes: 59.06%

Second Home collection is higher than average collection, but this does not include an additional 100% charge which is being proposed.

5 MANDATORY PROCESS

- 5.1 A full Council resolution is required to introduce the amendments detailing exemptions and agreements of introduction dates and premium amounts.
- 5.2 Final decisions must be passed by 31 March 2023 to be able to introduce any changes from 1 April 2024.
- 5.3 As detailed in paragraph 1.6, if the bill does not receive Royal Assent by 31 March 2023 these changes will be recommended to be introduced for 1 April 2025.
- 5.4 Following any formal decision to change, publication of the change must be published in the local press within 21 days.

6. RISK MANAGEMENT

6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Additional income to FHDC is not fully realised due to the impact of the current economic climate on collection rates.	High	Medium	Collection to be closely monitored.

7. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's comments

As mentioned in the report, the Levelling Up and Regeneration Bill (which is still awaiting Royal Assent) will allow councils to introduce a new discretionary council tax premium on second homes of up to 100% and amend existing long term Council Tax premiums. The Council will only be able to implement the changes once the Bill has been enacted and been published by Central Government.

7.2 Finance Officer's comments

All necessary financial information is included within the body of this report.

7.3 Diversities and Equalities Implications

There are no equality and diversity implications directly arising from this report.

7.4 Communications

Publication of the decision must be made with 21 days of the decision as stated in the report.

7.5 Climate Change Implications

There are no climate change implications for this report.

8 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

8.1 Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Report author: Andrew Hatcher

Telephone: 01303 853348

Email: andrew.hatcher@folkestone-hythe.gov.uk

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

Appendices:

Appendix 1 – Levelling-up and Regeneration bill (Points 72-73)

<https://bills.parliament.uk/bills/3155>

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Council tax

72 Long-term empty dwellings: England

- (1) In section 11B of the Local Government Finance Act 1992 (higher amount for long-term empty dwellings: England) –
- (a) after subsection (1C) insert – 5
- “(1D) In exercising its functions under this section a billing authority must have regard to any guidance issued by the Secretary of State.”;
- (b) in subsection (8), for “2 years” substitute “1 year”.
- (2) The amendments made by subsection (1) have effect for financial years beginning on or after 1 April 2024 (and, in relation to the amendment made by subsection (1)(b), it does not matter whether the period mentioned in section 11B(8) of the Local Government Finance Act 1992 begins before this section comes into force). 10

73 Dwellings occupied periodically: England

15

- (1) The Local Government Finance Act 1992 is amended in accordance with subsections (2) and (3).
- (2) After section 11B (higher amount for long-term empty dwellings: England) insert –

“11C Higher amount for dwellings occupied periodically: England

20

- (1) For any financial year, a billing authority in England may by determination provide in relation to its area, or such part of its area as it may specify in the determination, that if on any day the conditions mentioned in subsection (2) are satisfied in respect of a dwelling –
- (a) the discount under section 11(2)(a) does not apply, and 25
- (b) the amount of council tax payable in respect of that dwelling and that day is increased by such percentage of not more than 100 as it may specify in the determination.
- (2) The conditions are –
- (a) there is no resident of the dwelling, and 30
- (b) the dwelling is substantially furnished.
- (3) A billing authority’s first determination under this section must be made at least one year before the beginning of the financial year to which it relates.
- (4) In exercising its functions under this section a billing authority must have regard to any guidance issued by the Secretary of State. 35
- (5) Where a determination under this section has effect in relation to a class of dwellings –

-
- (a) the billing authority may not make a determination under section 11A(3), (4) or (4A) in relation to that class, and
 - (b) any determination that has been made under section 11A(3), (4) or (4A) ceases to have effect in relation to that class.
- (6) A billing authority may make a determination varying or revoking a determination under this section for a financial year, but only before the beginning of the year. 5
 - (7) Where a billing authority makes a determination under this section it must publish a notice of the determination in at least one newspaper circulating in the area. 10
 - (8) The notice must be published before the end of the period of 21 days beginning with the date of the determination.
 - (9) The validity of the determination is not affected by a failure to comply with subsection (7) or (8).
- 11D Section 11C: regulations** 15
- (1) The Secretary of State may by regulations prescribe one or more classes of dwelling in relation to which a billing authority may not make a determination under section 11C.
 - (2) A class of dwellings may be prescribed under subsection (1) by reference to such factors as the Secretary of State thinks fit and may, amongst other factors, be prescribed by reference to—
 - (a) the physical characteristics of, or other matters relating to, dwellings;
 - (b) the circumstances of, or other matters relating to, any person who is liable to the amount of council tax concerned. 2520
 - (3) The Secretary of State may by regulations specify a different percentage limit for the limit which is for the time being specified in section 11C(1)(b).
 - (4) A statutory instrument containing regulations made under subsection (3) may not be made unless a draft of the instrument has been approved by resolution of the House of Commons.” 30
- (3) In consequence of the amendment made by subsection (2)—
 - (a) in section 11 (discounts), in subsection (2), after “11B” insert “, 11C”;
 - (b) in section 11A (discounts: special provision for England), in subsection (4C), at the end insert “and 11C(5)”;
 - (c) in section 13 (reduced amounts), in subsection (3), after “11B” insert “, 11C”;
 - (d) in section 66 (judicial review), in subsection (2)(b), after “11B” insert “, 11C”;35

- (e) in section 67 (functions to be discharged only by authority), in subsection (2)(a), after “11B insert “, 11C”;
 - (f) in section 113 (orders and regulations), in subsection (3), after “under section” insert “11D(3),”;
 - (g) in Schedule 2 (administration), in paragraph 4(7), after “: England),” insert “11C(1)(b) (higher amount for dwellings occupied periodically: England),”.
- (4) A determination for the purposes of section 11C of the Local Government Finance Act 1992 as inserted by subsection (2) may not relate to a financial year beginning before 1 April 2024 (but this does not affect the requirement for the determination to be made at least one year before the beginning of the financial year to which it relates).

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This report will be made public on 14 February 2023



Report Number **A/22/23**

To: Council
Date: 22 February 2023
Status: Non- Executive Decision
Head of Paid Service: Susan Priest
Responsible Officer: Amandeep Khroud, Assistant Director – Governance, Law and Regulatory Services

SUBJECT: REPORT TO COUNCIL ON A DECISION MADE IN ACCORDANCE WITH THE CONSTITUTION'S CALL-IN AND URGENCY' RULE

SUMMARY: The constitution provides that, when an urgent decision is made by the Cabinet or Cabinet Member, for which any delay in implementation, likely to be caused by the call-in process, would seriously prejudice the Council's or public interest, then the 'Call-in Rules of Procedure', Part 6.3, rules 1-6 do not apply. Decisions, taken as a matter of urgency, must be reported to the next available meeting of the Council, together with the reasons for urgency.

REASONS FOR RECOMMENDATIONS:

This report is recommended to Council, to note for information, in accordance with the constitution, Part 6.3, rule 7.

RECOMMENDATION:

1. To receive and note report A/22/23.

1 INTRODUCTION

- 1.1 The constitution (paragraph 7, part 7.3, Call-In Rules of Procedure) provides that, when an urgent decision is made, for which any delay in implementation, likely to be caused by the call-in process, would seriously prejudice the Council's or public interest, then the call-in rules of procedure, Part 6.3, rules 1 to 6, do not apply. Decisions, taken as a matter of urgency, must be reported to the next available meeting of the council, together with the reasons for urgency.
- 1.2 On 23 November 2022, Cabinet considered report C/22/60, which presented the approach by which it is proposed to deliver the education provision for Otterpool Park new garden town development. The report set out the strategic principles which will underpin the approach and the role of the Otterpool Park Education Trust. The report also set out a proposal to make an application for the first primary school at Otterpool Park to be a free school.

The Cabinet resolved:

1. **That report C/22/60 be received and noted.**
2. **That the establishment Otterpool Park Education Trust be agreed in retrospect.**
3. **That Otterpool Park LLP becoming a member and guarantor of Otterpool Park Education Trust be agreed in retrospect.**
4. **That it be agreed that Otterpool Park Limited Liability Partnership, through the Otterpool Park Education Trust, submit an application to establish the first primary school at Otterpool Park as a free school.**
5. **That Cabinet be updated once the outcome of the application for a free school is known.**

This decision was taken using General Exception urgency provisions (Part 6.4, Rule 12). It was necessary to take the decision under the constitution's 'Call in and Urgency' rule (Part 6.3, rule 7) because In line with the Otterpool Park LLP Members' Agreement, the decision required Cabinet approval. To meet the deadline of 30 November for the application to the DfE this a matter which requires to be considered by Cabinet at the meeting on 23rd November 2022.

2 LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

2.1 Legal Officer's comments (AK)

There are no legal issues arising from this report.

2.2 Finance Officer's comments (LW)

The financial implications of this report were addressed in cabinet report C/22/60 to which this relates.

2.3 Diversity and Equalities Implications (ST)

There are no diversity and equality implications arising from this report.

3 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Jemma West
Democratic Services Senior Specialist
Tel: 01303 853 369
E-mail: jemma.west@folkestone-hythe.gov.uk

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

None

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This report will be made public on 14 February 2023

Report number

A/22/24

To: Council
Date: 22 February 2023
Status: Non-executive decision
Responsible Officer: Amandeep Khroud, Assistant Director of Governance and Law

SUBJECT: REVIEW OF POLITICAL BALANCE AND COMMITTEE MEMBERSHIP

SUMMARY:

This report sets out a summary of the review of political balance and membership of committees following the resignation of Councillor P Martin from the Conservative Group to become an independent member. The report also sets out the requirement to appoint a Vice-Chairman of the Audit and Governance Committee.

RECOMMENDATIONS:

1. To receive and note report A/22/24.
2. To note the results of the review into the political proportionality of the Council and allocation of committee seats on a politically proportionate basis.
3. To appoint a Vice-Chairman of the Audit and Governance Committee, as set out in paragraph 2.5 of the report.

1. BACKGROUND

- 1.1 Councillor P Martin, the Ward Councillor for North Downs East, has resigned from the Conservative Party and become an independent member, with effect from 15 January 2023.
- 1.2 Previously as a Conservative Councillor, Councillor P Martin held seats on the Planning and Licensing, and the Audit and Governance Committees. In addition, he was also the Chairman of the Council, Vice-Chairman of Planning and Licensing Committee, and Vice Chairman of the Audit and Governance Committee.
- 1.3 The Local Government and Housing Act 1989 and regulations made under the act require the Council to carry out a review and re-allocation of seats on committees following any change in overall political balance. It is not always possible to have precise mathematical accuracy in allocations. Therefore the Act and regulations specify that the committees should be balanced “as far as reasonably practicable”.

2. CHANGES TO POLITICAL BALANCE

- 2.1 Following the recent change in political balance, the Council comprises the following groups and individual members:

Overall balance	No	Percentage
Conservative	10	33.33
Green	6	20
Folkestone and Hythe Indep	3	10
Labour	5	16.67
Liberal Democrats	3	10
Independent	1	3.33
UKIP	2	6.67
Total	30	100

The percentage equivalent has been used to calculate the allocation of seats for each committee.

35 seats		Cons	Green	FH Indep Group	Lab	Lib Dem	Indep	Ukip	TOTAL
Personnel	7	3.00	1.00	1.00	1.00	1.00	0.00	0.00	7.00
Overview	10	3.00	2.00	1.00	2.00	1.00	0.00	1.00	10.00
Audit and Governance	6	2.00	1.00	0.50	1.00	0.50	0.00	1.00	6.00
Planning and Licensing	12	4.00	2.00	1.00	2.00	1.00	1.00	1.00	12.00
Total	35	12.00	6.00	3.50	6.00	3.50	1.00	3.00	35.00

2.3 The Conservatives entitlement is therefore reduced overall from 13 seats to 12 seats of the 35 seats available across all committees. It is therefore suggested that a seat be taken from the Conservative group on the Planning and Licensing Committee, and allocated to Councillor P Martin as an independent member, as has historically been done for independent members.

2.4 The Leader has nominated Councillor Rolfe to take Councillor P Martin's seat on the Audit and Governance Committee.

2.5 A vote needs to be taken to elect a Vice-Chairman to the Audit and Governance Committee, as Councillor P Martin can no longer continue in the role as he will not be a member of the Committee. The nominations received are set out below:

Councillor Laura Davison – Labour Group
Councillor Patricia Rolfe - Conservative Group

2.6 Councillor P Martin remains a member of the Planning and Licensing Committee so can therefore retain his Vice-Chairmanship of this Committee, as well as continuing as Chairman of the Council.

3. RISKS

3.1 The Council must review the political balance of its committees following any change in political balance. The Council risks challenge if it does not do so.

3.2 The Council can depart from political balance, provided no member of the Council disagrees with the proposal.

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal officer's comments (AK)

The legal issues are set out in the body of the report.

4.2 Finance officer's comments

There are no financial implications from this report.

4.3 Diversities and equalities implications

None.

5. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Jemma West – Democratic Services Senior Specialist
Telephone: 01303 853369
Email: Jemma.west@folkestone-hythe.gov.uk

This Report will be made public on 14 February 2023



Report Number **A/22/27**

To: Council
Date: 22 February 2023
Status: Key Decision
Head of Service: Charlotte Spendley - Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME

SUMMARY: This report updates the General Fund Medium Term Capital Programme for the five-year period ending 31 March 2028. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process.

RECOMMENDATIONS:

1. To receive and note report A/22/27.
2. To approve the updated General Fund Medium Term Capital Programme as set out in appendix 1 to this report.
3. To approve the Flexible Use of Capital Receipts Strategy for 2023/24 as set out in appendix 2 to this report.

1. INTRODUCTION AND BACKGROUND

- 1.1 In line with the Council's approved Budget Strategy for 2023/24, this report updates the General Fund Medium Term Capital Programme (MTCP) for the five-year period ending 31 March 2028. The report;-
- i) reviews and updates the existing approved Medium Term Capital Programme and incorporates the capital investment proposals agreed by Cabinet during the budget process for 2023/24,
 - ii) provides details of those existing capital schemes proposed to be extended by one year into 2027/28,
 - iii) summarises the impact the proposed changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 The capital expenditure plans for the Housing Revenue Account (HRA) were initially considered by Cabinet in a separate report on 25 January 2023 as part of the current budget process for 2023/24. Cabinet were due to consider a revised HRA capital programme extended to 2026/27 at its meeting earlier today.
- 1.3 The overall capital expenditure plans for both the General Fund and HRA are required to be submitted to full Council for consideration and approval as part of the budget process. This report seeks approval of the General Fund MTCP.
- 1.4 The report includes the proposed Flexible Use of Capital Receipts Strategy for 2023/24 which is required to be approved by Full Council in accordance with the Department for Levelling Up, Housing and Communities (DLUHC) guidance. The DLUHC guidance provides for local authorities to capitalise one-off General Fund revenue expenditure on projects that will deliver on-going revenue savings and operational efficiencies from capital receipts for the sale of surplus non-HRA land and property assets. The proposed Strategy for 2023/24 is set out in appendix 2 to this report.
- 1.5 The Update to the MTCP considered by Cabinet on 25 January 2023 was published before the outcome of the Council's successful award of £19.791m of Levelling Up Funding towards the 'Folkestone- A Brighter Future' project was known. This report incorporates the total cost and funding of £21.991m for the project. Members are reminded that Council approved the council's 10% capital funding contribution required for the project on 27 July 2022 (minute 25 refers). Cabinet is due to consider a report today outlining the council's successful Levelling Up Funding bid and the next steps for the project itself.
- 1.6 Additionally, earlier this month the Council was awarded £205k in grant from DLUHC's Changing Places Fund to provide new public toilet facilities for people with limited mobility at;
- i) Lower Leas Coastal Park, Folkestone,

- ii) Coast Drive Hub, Littlestone, and
- iii) FOLCA building, Folkestone

This scheme is incorporated into the proposed MTCP.

- 1.7 The Council's General Fund and HRA capital investment plans will feature in the Capital Strategy and Investment Strategy both of which are planned to be reported to Cabinet on 22 February 2023 ahead of being submitted to full Council for approval on the same day. This is a requirement of the CIPFA Prudential Code for Capital Finance in Local Authorities.

2. UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME

- 2.1 The latest projection for the total cost and funding of the General Fund capital programme from 2022/23 to 2027/28 is £165,935,000, an increase of £25,928,000 compared to the latest approved budget of £140,007,000. Full details are shown in **appendix 1** to this report and the following table summarises the position across the service units and outlines the impact on the capital resources required to fund the programme:

General Fund Capital Programme	Latest Approved Budget	Latest Projection	Variance
	£'000	£'000	£'000
Service Units			
Operations	52,377	53,660	1,283
Governance, Law and Service Delivery	9	27	18
Place	76,722	99,784	23,062
Housing	7,155	8,555	1,400
Corporate Services	3,744	3,909	165
Total Capital Expenditure	140,007	165,935	25,928
Capital Funding			
Capital Grants	(11,303)	(31,551)	(20,248)
External Contributions	(9,835)	(10,173)	(338)
Capital Receipts	(31,557)	(33,620)	(2,063)
Revenue	(3,041)	(4,945)	(1,904)
Borrowing	(84,271)	(85,646)	(1,375)
Total Funding	(140,007)	(165,935)	(25,928)

- 2.2 The changes from the approved budget to the latest projection for the medium term programme are summarised below:

	£'000	£'000
1 Capital investments decisions approved by Cabinet on 14 December 2022 (Budget Strategy 2023/24)		
a) Lifeline Capitalisation		100

b) Hawkinge Depot Upgrade	75	
c) Funding of Folkestone Coastal Park Play Area Refurbishment (FPPG Charity)	40	
d) Replacement of HI-AB Crane	75	
e) Staff Welfare Facilities New Romney Depot	7	
f) Leas Cliff Hall Car Park - CCTV	13	
g) Replacement Tractor	85	
h) Replacement Cherry Picker Vehicle and Trailer	100	
i) Replacement Weed Barge	85	
j) Replacement Sports Mower (East Cliff Area)	9	
k) Replacement Transit Van	28	
l) Migrate IKEN Legal System to Cloud Hosted Service	18	
m) Rural England Prosperity Fund Capital Grants Scheme	571	
n) UK Shared Prosperity Fund Capital Grants Scheme	500	
o) Upgrade eFinancials Financial Ledger System to Cloud Hosted Service	70	
		1,776

2 Existing annual programmes extended by one year to 2027/28

a) Coast Protection - Coronation Parade annual monitoring	4	
b) Coast Protection - Greatstone Dunes Management & Study	15	
c) Lifeline Capitalisation	50	
d) Empty Properties Initiative (KCC) - Loans to landlords	300	
e) Disabled Facilities Grants (DFGs) & Loans	1,000	
f) Home Safe Loans	100	
g) Replacement IT	95	
		1,564

3 Other changes

a) Folkestone Town Centre - A Brighter Place (90% funded by Levelling Up Fund award)	21,991	
b) New Public Toilet facilities at three locations fully funded from the DLUHC Changing Places Fund	205	
c) Hythe to Folkestone Beach Management Works - use of white diesel for vehicles and plant met by EA grant	336	
d) District Street Lighting - additional cost to complete the scheme	48	

e) Lifeline Capitalisation - additional expenditure in 2022/23	20
f) Play Area Equipment (COMF) scheme - saving	(12)
	<hr/>
	22,588
Total net increase	<hr/> 25,928 <hr/>

- 2.3 **Princes Parade Leisure and Housing Scheme** – Cabinet took the decision on 14 December 2022 to undertake just the necessary works to implement the planning permission for the scheme (minute 52 refers) while the operational delivery of the project has been paused. It is not possible to profile when the majority of the remaining budget for the scheme is projected to be incurred and this, along with the associated capital funding, is shown in appendix 1 to the report as ‘to be determined’.
- 2.4 **Inflation** in the current economic climate is clearly a risk to the delivery of the MTCP. In general terms, cost inflation poses a much greater risk for future construction related schemes than it does for the one-off replacement of vehicles and equipment. Except for Princes Parade and Otterpool Park, there are new no major construction related capital schemes in the proposed MTCP where cost inflation is likely to be a major risk. In the case of Otterpool Park it is anticipated the inflation risk from delivering the infrastructure for the proposed scheme can be mitigated by similar increases in land values as plots are sold for development. Capital grants and loans schemes are not subject to direct inflation as spending is limited to the approved budget only. Equally, coastal defence schemes are required to be managed within the approved grant funding from the Environment Agency, who will separately consider variation orders for additional costs before expenditure can be committed.
- 2.5 The profiling of the capital programme budget is likely to be subject to some change over the medium term. Factors including planning consents, procurement processes and external grant approvals can affect the timeframes to deliver capital schemes. Notably, the timing and profiling of the Otterpool Park Garden Town may be subject to change as the Council’s plans for this develops going forward. Cabinet will be kept informed of any changes to the proposed profiling of expenditure for the capital programme through the budget monitoring process and future updates to the MTCP.
- 2.6 **Otterpool Park LLP Loan Funding** – Within the Otterpool Park Garden Town budget is provision for loan funding currently up to £75m from the Council to Otterpool Park LLP to support the infrastructure work for the project. Interest is charged at 3% above that the Council can borrow from the PWLB. The loan and its interest will be repaid from the proceeds the LLP generate from selling serviced plots of land to the housing developers over the life of the project. Given the variable and fluid nature of both the infrastructure works and the land sale receipts, the Council’s loan funding to the LLP is in the form of a revolving credit facility (RCF). The RCF allows the LLP to repay part or all of its outstanding loan to the Council when it receives income from the sale of land, avoiding the LLP holding significant cash

balances and reducing the credit risk to the Council. As the LLP continues to undertake further infrastructure work for future phases of the project it can call on the RCF for further loan funding up to the current maximum amount of £75m. The budget approval for the RCF is already in place through the existing MTCP. Otterpool Park LLP have recently submitted their updated business plan for consideration. The plan seeks additional funding to be made available through the revolving loan facility. This request is currently being considered and will be reported as soon as the officer assessment has concluded with a clear recommendation to put forward to members for decision. The range of the additional funding being sought is estimated to be between £41m - £76m, depending on whether the Council enter into a collaboration agreement with Homes England to deliver the project.

- 2.7 All proposed changes to the Council's General Fund MTCP are required to be approved by full Council as part of the budget setting process. The revenue implications of the of the MTCP are contained in either the proposed General Fund budget for 2023/24 or feature in the approved Medium Term Financial Strategy.

3. IMPACT ON CAPITAL RESOURCES

- 3.1 The proposed MTCP requires approximately £86m of prudential borrowing to support it with about £75m of this for the Otterpool Park scheme. Ordinarily the investment in Otterpool Park would put a significant pressure on the General Fund budget for additional interest costs. However, the Council is capitalising its borrowing cost for expenditure on the land assembly for the site until the land is ready for its intended use. As the land is sold the Council can then look to repay its borrowing. Additionally, the Council is receiving a net rental income stream from some of the properties it has acquired to date. The borrowing cost to the Council for the planned loan investment in Otterpool Park LLP, the delivery vehicle for the project, will be covered by the accrued interest to be charged on the loan in the first instance.
- 3.2 Prudential borrowing is planned to be used to fund the following capital schemes where the Council will receive a net revenue benefit after allowing for interest costs:

Scheme	Borrowing £'000
Princes Parade Leisure & Housing	7,257
Otterpool Park	74,508
Oportunitas Phase 2 Funding	2,470
Waste Contract Vehicles Funding	274
Temporary Accommodation	107
Coast Drive Seafront Development	883
Coastal Park Toilets & Concession	147
Total	85,646

- 3.3 The borrowing cost to the Council for the Princes Parade scheme during the construction phase will be capitalised and has been factored into the

proposed capital budget for the scheme. In the long term the annual capital financing cost for the scheme will need to be factored into its net revenue outcome.

- 3.4 The latest position regarding the Council's available capital receipts to fund capital expenditure is shown in the following table:

Capital Receipts Position Statement	£'000
Total receipts in hand at 30 November 2022	10,242
Less:	
Committed towards General Fund capital expenditure	(3,965)*
Committed towards HRA capital expenditure	(5,758)
Contingency for urgent or unforeseen capital expenditure	(500)
Balance available to support new GF capital expenditure	19

*Excludes Princes Parade

- 3.5 The Princes Parade Leisure and Housing scheme relies on the Council receiving about £26.6m in capital receipts from the sales of serviced land for housing development adjacent to the proposed leisure centre and from the disposal of the existing Hythe Pool site. The planned continued capital investment in the 'No Use Empty' joint initiative with Kent County Council and the Home Safe Loans scheme are to be met from investing repaid loans from previous tranches of these schemes.
- 3.6 Additionally, the Council's continuing prudent financial management means it is able to use its other internal resources (cash reserves and balances) to fund the MTCP that is not already met from external grants and contributions without resorting to new borrowing. The table below summarises the council's revenue resources of £4.945m committed towards funding the MTCP.

Revenue Resources to Fund the MTCP	£'000
Vehicle, Equipment and Technology Reserve	699
Economic Development Reserve	1,789
Climate Change Reserve	1,248
Carry Forward Reserve	164
General Reserve	1,045
Total	4,945

- 3.7 This level of capital investment will be a significant draw upon the Council's available reserves and balances and it is unlikely this could be repeated in

the future. For this reason it is important that a thorough and robust assessment is undertaken for the new major capital investment proposals to ensure best use of the Council's limited financial resources.

4. CONCLUSIONS

- 4.1 The MTCP has been reviewed and updated in accordance with the approved budget strategy for 2023/24.
- 4.2 The revenue consequences of the MTCP are reflected in the Council's General Fund budget and Medium Term Financial Strategy.
- 4.3 The proposed General Fund MTCP requires a substantial level of prudential borrowing to fund it. The impact to the General Fund of this will be mitigated through a combination of capitalising interest costs where permissible, charging interest to third parties on capital loans met from borrowing and generating additional net revenue streams from capital investments met from borrowing.
- 4.4 The level of new capital investment in the proposed MTCP will be a significant draw upon on the Council's available reserves and balances and is unlikely to be repeated in the future. Future major capital investment initiatives are likely to require further prudential borrowing to help fund them.
- 4.5 Cabinet is asked to recommend full Council to approve the changes to the MTCP outlined in this report to reflect the latest projected outturn shown in appendix 1 to this report.
- 4.6 The Flexible Use of Capital Receipts Strategy for 2023/24 is required to be approved by full Council to comply with the DLUHC guidance.

5. RISK MANAGEMENT ISSUES

- 5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital resources not available to meet the cost of the new projects.	High	Low	Schemes or elements of those schemes relying on future capital receipts or external grants and contributions will not commence until an agreed disposal plan or funding agreement is in place.

Cost of new projects may exceed the estimate	High	Medium	A review of existing approved capital schemes has been undertaken as part of the update to the MTCP to assess the impact of current inflationary pressures affecting construction and engineering sector. Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.
Expenditure planned to be met by grant is ineligible under the terms of the funding agreement	High	Low	Prior to commitments being made the project manager to agree in advance grant eligible expenditure with the funding body.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (TH)

There are no legal implications arising directly out of this report. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. Generally the Council must take into account its fiduciary duties to local tax payers and its continuing obligation to ensure it has the funding required to perform its statutory undertakings.

6.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services. There are no further comments to add.

6.3 Diversities and Equalities Implications (LW)

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

6.4 Climate Change Implications (OF) *[Pilot reporting period]*

There are no climate change implications arising directly from this report. It updates Cabinet on this position following decisions taken at Cabinet and Full Council. Climate change implications of the various projects referenced in the report will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making process.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Lee Walker, Capital and Treasury Senior Specialist
Tel: 01303 853593. e-mail: lee.walker@folkestone-hythe.gov.uk

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

None

Appendix:

- 1) Proposed General Fund MTCP to 2027/28
- 2) Flexible Use of Capital Receipts Strategy 2023/24

Appendix 1 - General Fund Medium Term Capital Programme to 2027/28												
Item No.	Service Area and Scheme	Latest Approved MTCP Budget £'000	Latest Projection 2022/23 £'000	Latest Projection 2023/24 £'000	Latest Projection 2024/25 £'000	Latest Projection 2025/26 £'000	Latest Projection 2026/27 £'000	Latest Projection 2027/28 £'000	To Be Determined £'000	Total Projection 2022/23 - 2027/28 £'000	Variance Budget to Projection £'000	Comments
	Andy Blaszkowicz - Operations											
1	Coast Protection - Coronation Parade, Folkestone	749	749	0	0	0	0	0	0	749	0	Planned works to strengthen cliff face along Coronation Parade (externally funded)
2	Coast Protection - Coronation Parade annual monitoring	20	4	4	4	4	4	4	0	24	4	Scheme externally funded by the Environment Agency and extended by one year to 2027/28.
3	Coast Protection - Greatstone Dunes Management & Study	75	15	15	15	15	15	15	0	90	15	Annual programme funded by Environment Agency extended by one year to 2027/28.
4	Coast Protection - Hythe to Folkestone Beach Management	1,071	497	455	455	0	0	0	0	1,407	336	Environment Agency (EA) agreed additional £336k for scheme to meet the cost of using white rather than red diesel in vehicles and plant for works. Scheme entirely funded by EA
5	Royal Military Canal footpath enhancements	100	20	20	20	20	20	0	0	100	0	10 year annual programme from 2017/18 to 2026/27
6	Lifeline Capitalisation	250	70	70	70	70	70	70	0	420	170	Annual programme to purchase new and replacement units for fee-earning service increased by £20k per annum, including 2022/23, and extended by one year to 2027/28
7	Public Toilet Enhancement Programme	291	191	100	0	0	0	0	0	291	0	Pleydell Gardens, Folkestone and High Knocke, Dymchurch completed in 2022/23
8	New Public Toilets (Changing Places Fund)	0	0	205	0	0	0	0	0	205	205	New public toilet facilities for people with limited mobility at Lower Leas Coastal Park, Coast Drive Hub, Littlestone & FOLCA building met from the DLUHC Changing Places Fund
9	Parking Services - Upgrade of Payment Options	75	75	0	0	0	0	0	0	75	0	Scheme on target
10	Biggins Wood Site Land Remediation Works	2,680	1,316	1,364	0	0	0	0	0	2,680	0	Works, partly funded by Homes England grant of £1.016m, to remediate and provide site infrastructure to be completed by summer 2023 ahead of its planned disposal for commercial and housing development
11	Ship Street Site Folkestone (GF Element)	426	426	0	0	0	0	0	0	426	0	Professional fees for design cost to support planning application (General Fund element only)
12	Princes Parade Leisure & Housing Development	42,616	1,528	250	0	0	0	0	40,838	42,616	0	Cabinet decision 14/12/2022 to do just the necessary works to implement the existing planning permission while the operational delivery of the project is paused.
13	Electric Vehicle Charging Points	40	0	40	0	0	0	0	0	40	0	Scheme now expected to commence in the Spring of 2023 and will take place once the installation of EV charging points to the Council's car parks is completed.

Item No.	Service Area and Scheme	Latest Approved MTCP Budget £'000	Latest Projection 2022/23 £'000	Latest Projection 2023/24 £'000	Latest Projection 2024/25 £'000	Latest Projection 2025/26 £'000	Latest Projection 2026/27 £'000	Latest Projection 2027/28 £'000	To Be Determined £'000	Total Projection 2022/23 - 2027/28 £'000	Variance Budget to Projection £'000	Comments
14	District Street Lights	745	793	0	0	0	0	0	0	793	48	Phase 1 of scheme to upgrade street lighting columns for KCC to adopt completed costing £392k. However, originally anticipated to upgrade 321 columns but increased to 464 during process at an additional cost of £153k. A saving of £105k will be made to Phase 2 of the scheme for retained lights leaving a net increase in cost of £48k
15	Coast Drive Seafront Development	883	94	789	0	0	0	0	0	883	0	Preliminary costs to support planning consent. The main works are now expected to take place during the spring and summer of 2023.
16	Coastal Park Play Equipment	62	62	0	0	0	0	0	0	62	0	Scheme on target to be completed in 2022/23
17	Coastal Park Toilet and Concession	147	50	97	0	0	0	0	0	147	0	Contract awarded but discussions with utility companies have delayed scheme and now due to be completed by the early summer of 2023, budget partly reprofiled to 2023/24
18	East Cliff Landfill Protection (FPPG Charity)	1,200	0	1,200	0	0	0	0	0	1,200	0	No decision has been taken yet to progress this scheme and it is likely this will be referred back to the Charity Trustees for their consideration in the near future.
19	Hawkinge Depot Upgrade	75	0	150	0	0	0	0	0	150	75	Growth item of £75k meaning the scheme budget is now £150k, reflecting an enhanced specification and higher costs to deliver the scheme, now planned for 2023/24
20	Replacement Asset Management System	60	60	0	0	0	0	0	0	60	0	May be delayed due to further discussions needed on requirements
21	Radnor Park Footpath Resurfacing (FPPG Charity)	40	40	0	0	0	0	0	0	40	0	Council funding to support scheme, on target to spend
22	The Stade, Folkestone Rental Huts	100	100	0	0	0	0	0	0	100	0	Project has been delayed due to planning constraints and may not be completed until 2023/24
23	Additional Toilet Cleaners Vans	20	33	0	0	0	0	0	0	33	13	2 vehicles ordered and additional cost to be met from saving on Park Keeper's Van budget
24	Replacement Park Keeper's Vehicle	40	27	0	0	0	0	0	0	27	(13)	Ordered. Saving used towards additional cost for Toilet Cleaners vans
25	Play Area Equipment (COMF)	176	164	0	0	0	0	0	0	164	(12)	The three schemes at Oak Drive, St Mary's Bay, Morehall Recreation Ground, Folkestone and Cheriton Recreation Ground, Folkestone have been completed. £12k saving on Cheriton Recreation Ground. Scheme externally funded
26	Units 1-5 Learoyd Road New Romney	196	0	196	0	0	0	0	0	196	0	Contract planned to be let in early 2023 with the works to commence from spring 2023 so expenditure reprofiled to 2023/24
27	Connect 38 CAT A Works	240	0	240	0	0	0	0	0	240	0	The budget is provided to allow adaptations to be made to the layout of the unused office space in the building to accommodate new tenants. Although there are currently no planned works, the position is subject to change. Budget reprofiled to 2023/24

Item No.	Service Area and Scheme	Latest Approved MTCP Budget £'000	Latest Projection 2022/23 £'000	Latest Projection 2023/24 £'000	Latest Projection 2024/25 £'000	Latest Projection 2025/26 £'000	Latest Projection 2026/27 £'000	Latest Projection 2027/28 £'000	To Be Determined £'000	Total Projection 2022/23 - 2027/28 £'000	Variance Budget to Projection £'000	Comments
28	Funding of Folkestone Coastal Park Play Area Refurbishment (FPPG Charity)	0	0	40	0	0	0	0	0	40	40	Growth - funding for full redesign and refurbishment of the existing accessible play area
29	Replacement of HI-AB Crane	0	0	75	0	0	0	0	0	75	75	Growth - to support grounds maintenance and operations services (up to 18-24 month lead-in time)
30	Staff Welfare Facilities New Romney Depot	0	0	7	0	0	0	0	0	7	7	Growth
31	Leas Cliff Hall Car Park - CCTV	0	0	13	0	0	0	0	0	13	13	Growth
32	Replacement Tractor	0	0	85	0	0	0	0	0	85	85	Growth - Grounds Maintenance
33	Replacement Cherry Picker Vehicle and Trailer	0	0	100	0	0	0	0	0	100	100	Growth - Grounds Maintenance new vehicle required to ensure compliance with health and safety legislation
34	Replacement Weed Barge	0	0	85	0	0	0	0	0	85	85	Growth - Grounds Maintenance Royal Military Canal essential to prevent the spread of invasive species on the waterway to comply with environmental regulations
35	Replacement Sports Mower (East Cliff Area)	0	0	9	0	0	0	0	0	9	9	Growth - Grounds Maintenance essential to ensure sports pitches are maintained to required standard for fee-earning service
36	Replacement Transit Van	0	0	28	0	0	0	0	0	28	28	Growth - Grounds Maintenance (Housing Estates)
	Total - Operations	52,377	6,314	5,637	564	109	109	89	40,838	53,660	1,283	
	Amandeep Khroud - Governance, Law and Service Delivery											
37	Electoral Management System	9	9	0	0	0	0	0	0	9	0	
38	Migrate IKEN Legal System to Cloud Hosted Service	0	0	18	0	0	0	0	0	18	18	Growth
	Total - Governance, Law and Service Delivery	9	9	18	0	0	0	0	0	27	18	
	Ewan Green - Place											
39	Otterpool Park Garden Town	75,033	9,359	24,407	32,160	9,107	0	0	0	75,033	0	Further land and property assembly and funding of Otterpool Park LLP to deliver the infrastructure for the scheme
40	Waste Contract - Acquisition of Vehicles and Equipment	274	29	0	245	0	0	0	0	274	0	Further planned purchases of vehicles and equipment for the Waste contract with Veolia contributing towards an annual net saving of £100k to the General Fund

Item No.	Service Area and Scheme	Latest Approved MTCP Budget £'000	Latest Projection 2022/23 £'000	Latest Projection 2023/24 £'000	Latest Projection 2024/25 £'000	Latest Projection 2025/26 £'000	Latest Projection 2026/27 £'000	Latest Projection 2027/28 £'000	To Be Determined £'000	Total Projection 2022/23 - 2027/28 £'000	Variance Budget to Projection £'000	Comments
41	Mountfield Road Industrial Estate Phase 2	478	478	0	0	0	0	0	0	478	0	Remaining site infrastructure and services work to 5 hectare site to enable the development of employment spave for up to 450 jobs. Entirely funded from SELEP grant
42	Area Officer Vans	30	30	0	0	0	0	0	0	30	0	Vehicle planned to be acquired in early 2023
43	CLLD ERDF Capital Projects	907	867	40	0	0	0	0	0	907	0	Scheme entirely funded from European Regional Development Fund (ERDF) grant.
44	Rural England Prosperity Fund Capital Grants Scheme	0	0	143	428	0	0	0	0	571	571	Growth - capital grants scheme funded entirely by Government as part of their Levelling Up agenda supporting local businesses and communities
45	UK Shared Prosperity Fund Capital Grants Scheme	0	50	100	350	0	0	0	0	500	500	Growth - capital grants scheme funded entirely by Government as part of their Levelling Up agenda supporting local businesss, people and skills
46	Folkestone - A Brighter Future Project (LUF)	0	0	10,995	10,996	0	0	0	0	21,991	21,991	Growth - Levelling Up Fund grant award of £19.791m to support improvements to the infrastructure and public realm to Folkestone Town Centre and its approaches
	Total - Place	76,722	10,813	35,685	44,179	9,107	0	0	0	99,784	23,062	
	Gill Butler - Housing											
47	Empty Properties Initiative (KCC) - Loans to landlords	1,500	300	300	300	300	300	300	0	1,800	300	Joint scheme with KCC to return empty properties to residential use. Budget met from repaid loans from previous years. Scheme extended by one year to 2027/28
48	Temporary Accommodation (invest to save)	107	107	0	0	0	0	0	0	107	0	Residual budget for acquisition and refurbishment of properties to provide temporary accommodation for homeless households. Officers are currently seeking a further suitable acquisition opportunity to complete during 2022/23.
49	Disabled Facilities Grants (DFGs) & Loans	5,000	1,000	1,000	1,000	1,000	1,000	1,000	0	6,000	1,000	Scheme met entirely from Government grant and extended by one year to 2027/28.
50	Home Safe Loans	548	148	100	100	100	100	100	0	648	100	Scheme largely funded from repaid loans from previous years but any additional expenditure can be met from Government grant towards DFGs. Scheme extended by one year to 2027/28
	Total - Housing	7,155	1,555	1,400	1,400	1,400	1,400	1,400	0	8,555	1,400	
	Charlotte Spendley - Corporate Services											
51	PC Replacement Programme	175	35	35	35	35	35	35	0	210	35	Scheme extended by one year to 2027/28

Item No.	Service Area and Scheme	Latest Approved MTCP Budget £'000	Latest Projection 2022/23 £'000	Latest Projection 2023/24 £'000	Latest Projection 2024/25 £'000	Latest Projection 2025/26 £'000	Latest Projection 2026/27 £'000	Latest Projection 2027/28 £'000	To Be Determined £'000	Total Projection 2022/23 - 2027/28 £'000	Variance Budget to Projection £'000	Comments
52	Server Replacement Programme	300	60	60	60	60	60	60	0	360	60	Scheme extended by one year to 2027/28
53	ICT improvement costs (externally hosted Revenues & Benefits system)	314	314	0	0	0	0	0	0	314	0	Migration of Revenues and Benefits including the replacement of the Civica document management system, to externally cloud hosted service.
54	Website CMS replacement	130	130	0	0	0	0	0	0	130	0	Replacement of Content Management System
55	Folkestone & Hythe Green Business Grant Scheme	250	50	200	0	0	0	0	0	250	0	Part of the Council's Climate Change response initiative
56	FHDC Transformation	105	105	0	0	0	0	0	0	105	0	
57	Oportunitas Loan and Share Capital Phase 2	2,470	1,500	970	0	0	0	0	0	2,470	0	Remaining funding to support the acquisition of 37 residential units of accommodation for rent at the site of the former Royal Victoria Hospital in Radnor Park Avenue, Folkestone. Phase 2 to be completed in the autumn 2023
58	Upgrade eFinancials Financial Ledger System to Cloud Hosted Service	0	0	70	0	0	0	0	0	70	70	Growth
	Total - Corporate Services	3,744	2,194	1,335	95	95	95	95	0	3,909	165	
	Total General Fund Medium Term Capital Programme	140,007	20,885	44,075	46,238	10,711	1,604	1,584	40,838	165,935	25,928	
	Capital Funding											
59	Government Grant	(11,303)	(4,089)	(12,257)	(12,148)	(1,019)	(1,019)	(1,019)	0	(31,551)	(20,248)	
60	Other External Contributions	(9,835)	(780)	(559)	(175)	0	0	0	(8,659)	(10,173)	(338)	
61	Capital Receipts	(31,557)	(2,388)	(2,532)	(900)	(400)	(400)	(400)	(26,600)	(33,620)	(2,063)	
62	Revenue Contributions	(3,041)	(1,486)	(2,214)	(610)	(185)	(185)	(165)	(100)	(4,945)	(1,904)	
63	Borrowing	(84,271)	(12,142)	(26,513)	(32,405)	(9,107)	0	0	(5,479)	(85,646)	(1,375)	
	Total Funding	(140,007)	(20,885)	(44,075)	(46,238)	(10,711)	(1,604)	(1,584)	(40,838)	(165,935)	(25,928)	

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Appendix 2

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY 2023-24

1. INTRODUCTION AND BACKGROUND

- 1.1 Ordinarily, local authorities are restricted using capital receipts they receive from the sale of assets to only funding capital expenditure.
- 1.2 As part of the November 2015 Spending Review, the Government introduced the flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of projects that will reduce costs, increase revenue or support a more efficient provision of services, known as the Flexible Use of Capital Receipts guidance (the guidance). Guidance on the use of this flexibility was issued in March 2016 and initially applied to the period from 2016/17 to 2019/20. In 2018 the Government extended the scheme through to 2021/22. In April 2022 the Government announced it was extending the scheme by a further three financial years through to 31 March 2025.
- 1.3 Local authorities intending to apply the guidance are required to prepare a Flexible Use of Capital Receipts Strategy to be approved by Full Council which should disclose the projects to be funded or part-funded through capital receipts flexibility. Additionally, local authorities who intend to apply the guidance are required to submit their proposed use of the capital receipts in advance to the Department for Levelling Up, Housing and Communities (DLUHC) to enable this to be monitored. Provision exists for local authorities to notify DLUHC of changes to their intended use of the guidance in year should this be required.
- 1.4 Previously the Council has used the guidance to allow it to capitalise some of its revenue expenditure on the transformation programme including the successful digital delivery of services to its residents and customers along with reconfiguring and restructuring its services.
- 1.5 Since the guidance came into force from 1 April 2016 until 31 March 2022 the Council has received qualifying capital receipts of £3.292m from non-housing asset disposals. Over the same period it has utilised or committed £2.871m of this sum towards the transformation programme leaving a projected balance of £0.421m in capital receipts to apply against qualifying expenditure from 1 April 2023.
- 1.6 During 2022/23 the council has identified the three schemes in the table below as eligible to be met from capital receipts under the guidance:

Scheme		Link to Guidance & Purpose	Budget £'000
i)	ICT Improvement Costs	Digital Delivery of Services - Migration of Revenues and Benefits to externally hosted service including replacement of	314

		the Civica document management system	
ii)	Website Content Management System	Digital Delivery of Services - Replacement of system	130
iii)	Transformation	Restructuring of Services - Redundancy and pension strain costs	105
		Total Planned Use	549

2. PROPOSED STRATEGY 2023/24

- 2.1 The proposed General Fund budget for 2023/24 and the update to the General Fund Medium Term Capital Programme do not identify any further schemes which would be eligible to be capitalised under the guidance. However, the Council's latest Medium Term Financial Strategy to 2026/27, approved by Full Council on 30 November 2022 (minute 50 refers), identifies an annual deficit for the General Fund of between £4m - £5m. Therefore, the council will continue to explore options to reduce net costs and seek improved efficiencies and it is likely expenditure directly related on these will be eligible under the guidance.
- 2.2 The Council will continue to explore options to dispose of other non-housing assets, not already committed to help fund other capital schemes, to generate capital receipts which could be used to meet further qualifying expenditure under the guidance.



This Report will be made
public on 14 February
2023

Report Number **A/22/28**

To: Council
Date: 22 February 2023
Status: Key Decision
Head of Service: Charlotte Spendley - Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: CAPITAL STRATEGY 2023/24 AND MINIMUM REVENUE PROVISION STATEMENT 2023/24

SUMMARY: This report sets out the Council’s proposed strategy in relation to capital expenditure, financing and treasury management in 2023/24 to be approved by full Council. The report also sets out the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2023/24 to be approved by full Council.

RECOMMENDATIONS:

1. To receive and note report A/22/28.
2. To approve the 2023/24 Capital Strategy, including the Prudential Indicators, set out in appendix 1 to this report is adopted
3. To approve the Minimum Revenue Provision (MRP) Statement for 2023/24 set out in appendix 2 to this report is adopted

1. INTRODUCTION AND BACKGROUND

1.1 The Capital Strategy is a requirement of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code. The Prudential Code is a framework which should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

1.2 The main purpose of the capital strategy is to provide a high level summary of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. It is intended to be written in a way to enhance stakeholders understanding of these sometimes technical areas. The capital strategy for 2023/24 is set out in **appendix 1** to this report.

The areas to be covered in this strategy are:

- Capital expenditure
- Borrowing
- Minimum revenue provision
- Investments (treasury, service and commercial)
- Guarantees and loan commitments
- Knowledge and skills

1.3 The capital strategy also includes the Prudential Indicators for capital expenditure that set controls to ensure the Council's capital investment plans are affordable, prudent and sustainable, required under the Prudential Code. The Prudential Indicators are required to be approved by full Council as part of the capital strategy.

1.4 The capital strategy also sets out the Minimum Revenue Provision (MRP) Statement for 2023/24 required to be approved by full Council and is set out in **appendix 2** to this report. The proposed Statement has been changed from that approved for 2022/23 as outlined below:

- i) MRP for unsupported capital expenditure incurred after 1 April 2008 can now be determined by charging the expenditure over the expected useful life of the relevant asset using either the equal instalments of principal method (existing approach) or principal repayments on an annuity method (new approach). The annuity approach will mean the amount of MRP required to be made for relevant assets will lower in the first instance and gradually increase over their life (similar to an annuity mortgage where principal repayments start low and gradually increase as the interest reduces). This will provide the Council with greater financial flexibility when making MRP for the capital expenditure incurred on the land and property costs.

ii) The Strategy no longer makes reference to using a locally determined alternative approach for providing a prudent MRP approach. This means the Council's proposed Strategy will be fully in accordance with the DLUHC Guidance.

- 1.5 The capital strategy should be considered alongside the investment strategy, due to be considered separately as part of this agenda. Like the capital strategy, the investment strategy is also required to be adopted by full Council.
- 1.6 The capital strategy is required to be reviewed annually as part of the authority's budget setting process. However, if the nature and structure of the authority's proposed capital expenditure and financing was to change significantly during the year it may be necessary to revise the strategy at the same time.
- 1.7 The capital strategy contains a number of links to other documents. Several of these will also be considered by full Council on 22 February 2022 as part of the budget process. It is therefore proposed to add these links to the capital strategy once it is adopted in February and to create to a dedicated web page to provide a link for it together with those for:
- Investment Strategy 2023/24
 - Medium Term Capital Programme to 2027/28
 - HRA Medium Term Capital Programme to 2026/27

2. RISK MANAGEMENT ISSUES

- 2.1 A key element of the capital strategy is to consider the risks associated with our approach to the capital programme, capital financing and treasury management activity. These issues have been addressed in the body of the appendix and no other risk management issues have been identified as relevant to this report.

3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer's Comments (TH)

There are no legal implications arising directly out of this report other than those already stated. For each financial year, the Council should prepare at least one Capital Strategy which should contain the disclosures and reporting requirements specified in the Prudential Code. The Strategy should be approved by full Council.

3.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services and there are no direct financial implications arising from it.

3.3 Diversities and Equalities Implications (LW)

There are no direct diversities or equalities issues arising from this report.

3.4 **Climate Change Implications (OF) [Pilot reporting period]**

There are no climate changes implications arising directly from this report. The report sets out the Council's proposed strategy in relation to capital expenditure, financing and treasury management, the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement. It is an overarching document and detail will be found in subsequent reports to Cabinet and Council.

4. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Lee Walker – Capital and Treasury Senior Specialist
Tel: 01303 853593 Email: lee.walker@folkestone-hythe.gov.uk

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

Arlingclose Ltd – Capital Strategy Report 2023/24 Template
Arlingclose Ltd – MRP 2023/24 Template

Appendices:

Appendix 1: Capital Strategy 2023/24

Appendix 2: Annual Minimum Revenue Provision Statement 2023/24

Appendix 1

Capital Strategy 2023/24

1. Introduction

- 1.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

2. Capital Expenditure and Financing

- 2.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.
- 2.2 In 2023/24, the Council is planning capital expenditure of almost £57m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m
General Fund services	6.422	8.138	16.109	14.078	1.604
Council housing (HRA)	11.136	14.720	12.738	7.786	7.502
Capital investments	8.317	12.747	27.966	32.160	9.107
TOTAL	25.875	35.605	56.813	54.024	18.213

- 2.3 The main General Fund capital projects with expenditure planned for 2023/24 include Folkestone – A Brighter Future (£11m) largely met from the Council's successful Levelling Up Funding Bid, Private Sector Housing Improvement initiatives (£1.4m), funding for the East Cliff Landfill Protection scheme on land owned by the Folkestone

Parks and Pleasure Grounds Charity (£1.2m) and the Folkestone and Hythe Green Business Grant scheme (£0.2m).

- 2.4 The main capital investment projects for 2023/24 include further expenditure on the Otterpool Park Garden Town Development (£24.4m), funding of Oportunitas Ltd (£1m) to support its housing and regeneration activities, the redevelopment of land at Biggins Wood, Folkestone for employment purposes (£1.4m) and the Coastal Drive Seafront Development scheme at Littlestone (£0.8m).
- 2.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. A four-year medium term capital programme for the HRA to 2026/27 has been prepared which focuses on maintaining and improving the existing stock to meet both the Decent Homes Standard Plus and the EPC C energy efficiency rating. A new 30-year HRA Business Plan is due to be considered by the Council in the spring of 2023. This will consider future capital expenditure required to maintain the existing stock, increase the supply of homes for rent and what is affordable under the existing HRA regime.
- 2.6 **Climate Change Emergency** – On 24 February 2021 Cabinet approved a Carbon Action Plan which identified themes and initiatives the Council intends to pursue to tackle climate change locally and reduce its own carbon emissions. £5m has been provided in the Climate Change Reserve to support this work. Any new capital schemes arising from the plan will need approving before including in the capital programme. To date, funding from the Climate Change Reserve has been committed towards the following General Fund capital schemes:

	Scheme	£'000
i)	Electric Vehicle Charging Points	40
ii)	District Street Lights Scheme	408
iii)	Folkestone & Hythe Green Business Grant Scheme	250
iv)	Princes Parade Leisure Centre (Solar Panels) – scheme currently paused	100
v)	Folkestone – A Brighter Place (LUF)	450
	Total	1,248

- 2.7 **Governance:** Service managers bid annually in September through a formal project appraisal process for growth proposals to include projects in the Council's capital programme. Bids are initially evaluated by the Finance Team against a series of criteria to determine their business need against the Council's existing corporate priorities and the financial impact of the proposal. The Finance Team submit a summary of the evaluated growth bids to the Corporate Leadership Team (CLT) to consider against the funding available (including external funding). CLT then makes

recommendations to Cabinet for consideration initially through the Budget Strategy in November or December. The final capital programme is then presented to Cabinet in January or February and to Council in February each year.

For full details of the Council's capital programme, see:

- General Fund Capital Programme – link to MTCP to follow
- HRA MTCP Capital Programme – link to follow

2.8 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m
External sources	5.626	4.869	12.816	12.323	1.019
Own resources	12.622	18.594	14.280	8.796	6.837
Debt	7.627	12.142	29.967	32.905	10.357
TOTAL	25.875	35.605	56.813	54.024	18.213

2.9 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of prior years' debt finance

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m
MRP	1.211	1.634	1.625	1.662	1.691
Capital receipts	0	0	1.148	0.055	0.055
TOTAL	1.211	1.634	2.773	1.717	1.746

- The Council's full minimum revenue provision statement is available here:
See Appendix X – link to follow

2.10 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The

CFR is expected to increase by £27m during 2023/24 in accordance with the latest GF and HRA capital programmes. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m
General Fund services	15.583	16.559	16.873	16.257	15.378
Council housing (HRA)	47.416	47.416	50.620	51.120	52.370
Capital investments	70.178	79.710	103.136	134.440	142.680
TOTAL CFR	133.177	143.685	170.629	201.817	210.428

2.11 In line with the existing approved HRA Business Plan, no provision is made to reduce the HRA CFR in the future. This helps to support the HRA's financial position over the life of the business plan. This position will be reviewed as part of the new HRA Business Plan due to be considered in the spring of 2023.

2.12 **Asset management:** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. This strategy was adopted in July 2017 by Cabinet, covers the five-year period to 2022 and sets out how property asset management is delivered for the Council to meet its long term objectives and goals. It outlines how the long term objectives for managing the asset portfolio are met, including statutory obligations, stakeholder needs & the overall performance of property within the context of any constraints such as funding. A new 5-year asset management strategy is planned to be submitted to Cabinet during 2023. The strategy is supported by the Asset Management Policy & Asset Management Plan also adopted by Cabinet in July 2017.

➤ The Council's asset management strategy can be read here:

2.13 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2025/26 under the Flexible Use of Capital Receipts Policy. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £10.2m capital receipts in the coming financial year as follows:

Table 5: Projected Capital Receipts

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m
Asset sales – Non Housing	0.075	0	8.240	0	0
Asset Sales - HRA	1.728	1.500	1.500	1.500	1.500
Loans Repaid	0.830	0.537	0.503	0.503	0.503
TOTAL	2.633	2.037	10.243	2.003	2.003

2.14 The Non-Housing asset sales excludes any future capital receipts from the sale of land at Princes Parade, Hythe for housing development or the disposal of Hythe Swimming Pool. The capital receipts from both sites are committed funding to the paused Princes Parade Leisure and Housing development.

2.15 Restrictions apply to the use of capital receipts generated from HRA 'Right to Buy' asset sales meaning they can only be used to support further HRA capital investment.

➤ The Council's Flexible Use of Capital Receipts Policy is available here: [\[link\]](#)

3. Treasury Management

3.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

3.2 Due to decisions taken in the past, the Council as at 31 December 2022 has £97.7m borrowing at an average interest rate of 2.68% and £24.9m treasury investments at an average rate of 3.61%.

3.3 **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.

3.4 The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

3.5 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2021/22 actual £m	2022/23 Forecast £m	2023/24 Budget £m	2024/25 budget £m	2025/26 budget £m
Debt (incl. PFI & leases)	97.700	113.538	146.382	180.070	188.681
Capital Financing Requirement	133.177	143.685	170.629	201.817	210.428

3.6 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

3.7 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £15m at each year-end. This benchmark is currently £113.5m and is forecast to rise to £188.7m over the next three years.

Table 7: Borrowing and the Liability Benchmark

	2021/22 actual £m	2022/23 forecast £m	2023/24 budget £m	2024/25 budget £m	2025/26 budget £m
Outstanding borrowing	97.757	113.538	146.382	180.070	188.681
Liability benchmark	97.757	113.538	146.382	180.070	188.681

3.8 The table shows that the Council expects its borrowing to be in line with its liability benchmark. However, this may change if, for instance, the timing of the capital expenditure changes or if it is beneficial to borrow in advance of need.

3.9 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. The authorised limit provides for borrowing for capital purposes for one year in advance so is higher than both the operational boundary and the figures shown in the Prudential Indicator for gross debt and the CFR in table 7, above.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m
Authorised limit – borrowing	206.7	207.6	216.2	215.6
Authorised limit – PFI and leases	1.0	-	-	1.0
Authorised limit – total external debt	207.7	207.6	216.2	216.6
Operational boundary – borrowing	161.6	171.7	207.6	207.0
Operational boundary – PFI and leases	1.0	-	-	1.0
Operational boundary – total external debt	162.6	171.7	207.6	208.0

- Further details on borrowing are in pages 14 to 16 of the treasury management strategy due to be considered by Cabinet on 22 February 2023 – link to follow

3.10 **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

3.11 The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 9: Treasury management investments

	2021/22 actual £m	2022/23 forecast £m	2023/24 Budget £m	2024/25 budget £m	2025/26 Budget £m
Near-term investments	(15.1)	(5.0)	(5.0)	(5.0)	(5.0)
Longer-term investments	(16.0)	(15.0)	(15.0)	(15.0)	(15.0)
TOTAL	(31.1)	(20.0)	(20.0)	(20.0)	(20.0)

- Further details on treasury investments are in pages 16 to 21 of the treasury management strategy – link to follow

- 3.12 **Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
- The treasury management prudential indicators are on pages 21 to 22 of the treasury management strategy – link to follow
- 3.13 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Corporate Services and staff, who must act in line with the treasury management strategy approved by Council. From 2023/24 quarterly reports on treasury management activity will be presented to Cabinet. The Finance and Performance Sub-Committee are responsible for scrutinising treasury management decisions.

4. Investments for Service Purposes

- 4.1 The Council can lend money to its subsidiaries, its charities where the Council is the trustee, its external service providers, local residents and its employees to support local public services and stimulate local economic growth. In the future the Council may also lend money to joint ventures it decides to enter into to help deliver its major corporate investment initiatives.
- 4.2 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the authority, upper limits on the outstanding loans to each category of borrower have been set.
- 4.3 Additionally the Council can invest in equity in its subsidiary companies it may choose to establish or other joint venture companies it decides to enter into to help deliver its corporate investment initiatives.
- 4.4 The Council will have invested £11.7m in its wholly owned Housing and Regeneration subsidiary company, Oportunitas Limited, by 2023/24 to support its housing for rent programme. This investment has been through approximately £6.8 in loan funding and £4.9m in share equity. The Council's funding is secured against the assets of the company.
- 4.5 The Council's plans to create the Otterpool Park Garden Town Development are now at an advanced stage. Otterpool Park will provide up to 10,000 much needed new homes over a 30-year period, creating significant economic benefits to the district. The Council, as principal land owner, also expects to gain a financial return from its investment in the Otterpool Park development. The Council has created the Otterpool Park Limited Liability Partnership (LLP) as a wholly owned subsidiary to deliver the project. Cabinet approved the latest business plan for the LLP on 26 January 2022. The Council has previously agreed making an investment of up to £75m in the LLP through a combination of approximately 10% equity, through a capital contribution, and 90% loan funding, although these proportions may fluctuate at different stages of

the project. The LLP's prime source of income will be through its share of income from house sales from the housing developers. However, it will be several years before the first sales are likely to be completed. The Council's funding will be secured against the assets and future cash flows of the LLP.

- 4.6 Otterpool Park LLP have recently submitted their updated business plan for consideration. The plan seeks additional funding to be made available through the revolving loan facility. This request is currently being considered and will be reported as soon as the officer assessment has concluded with a clear recommendation to put forward to members for decision. The range of the additional funding being sought is estimated to be between £41m - £76m, depending on whether the Council enter into a collaboration agreement with Homes England to deliver the project. The project is forecast to produce a net return of between £240m to £270m over its lifetime, although the benefit to the Council will be dependent upon whether Homes England invest in it.
- 4.7 The equated value of investments for service purposes in 2023/24 is approximately £35.5m generating a return of about 2.1%. The return includes accrued interest anticipated to be received from the Council's investment in the LLP.
- 4.8 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Director of Corporate Finance and must meet the criteria and limits laid down in the Investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.
- Further details on service investments are in sections 3 & 4 of the appendix to the Investment Strategy 2023/24 report being considered separately on this agenda. The Capital Strategy 2023/24 and Investment Strategy 2023/24 will be published together on the Council's website once they are adopted.

5. **Commercial Activities**

- 5.1 With central government financial support for local public services declining, the Council has invested in commercial property and land with the intention of making capital gains or generating new revenue streams to spend on local public services. Total commercial investments are currently projected to be valued at £32.4m at 31 March 2023 with the largest being the Connect 38 Offices in Ashford (£16.8m) and the residential and other miscellaneous property held for the Otterpool Park development (£10.9m).
- 5.2 The Council's major land holdings for the Otterpool Park development of the former Folkestone Racecourse and Otterpool Farm have been reclassified from Investment Assets to Property, Plant and Equipment – Surplus Assets as they are no longer viewed as being held solely for their investment return because both sites will contribute equally towards the housing development and wider community aspects of the Garden Town development

- 5.3 No net return after all costs is projected on commercial activities for 2023/24 mainly due to the impact of capital financing costs for the Otterpool Park residential property and miscellaneous land holdings.
- 5.4 **Risk Management:** With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include fluctuations in future demand of the market including competition, risk of void tenancies, fall in capital values etc. These risks are managed by the project lead as well as assessed through the corporate risk register. The Council has an established a proactive risk management framework, which incorporates key projects, and reports quarterly to the Audit & Governance Committee as well as annually to the Cabinet. The Council is also working on a council wide transformation programme to support the needs of the medium term revenue position so as to not place sole reliance on the investment plans providing the expected yields within the anticipated timeframes.
- 5.5 **Governance:** Decisions on commercial investments are made by Cabinet and / or Full Council in line with the criteria and limits outlined within the Constitution, in specific circumstances the Executive have delegated authority to progress certain projects to the Director of Place and the Director of Housing and Operations in consultation with the relevant Portfolio Holders. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.
- Further details on commercial investments, limits on their use and other risk management controls are in section 5 of the appendix to the Investment Strategy 2023/24 report being considered separately on this agenda. The Capital Strategy 2023/24 and Investment Strategy 2023/24 will be published together on the Council's website once they are adopted.

Table 10: Prudential indicator: Net income from commercial and service investments to net revenue stream

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Net income from service investments	0.309	0.536	1.557	2.976	4.008
Net income from commercial investments	1.016	1.398	1.395	1.395	1.395
Total income from service and commercial investments	1.325	1.934	2.952	4.371	5.403
Proportion of net revenue stream	8.79%	12.16%	22.24%	31.97%	38.37%

6. Liabilities

6.1 In addition to debt of projected £146m at 31 March 2024 detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £72.5m). It has also set aside £2m to cover risks of the business rates appeals.

6.2 **Governance:** Decisions on incurring new discretionary liabilities are taken by the Director of Corporate Services in liaison with service managers. The risk of liabilities crystallising and requiring payment is monitored by Accountancy and reported through the regular budget monitoring/projected outturn cycle to Cabinet if identified or through the Statement of Accounts process to the Audit & Governance Committee. New liabilities exceeding the auditors materiality threshold would be reported to full council for approval/notification as appropriate.

- Further details on liabilities and guarantees are on pages 36 to 43 of the 2021/22 statement of accounts https://www.folkestone-hythe.gov.uk/media/5757/Draft-Statement-of-Accounts-2021-22-Signed/pdf/Draft_Statement_of_Accounts_2021-22_Signed.pdf?m=638104385661970000

7. Revenue Budget Implications

7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 11: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund Financing costs (£m)	2.58	2.09	4.18	5.42	7.01
Proportion of net revenue stream	17.11%	13.13%	31.47%	39.62%	49.80%
HRA Financing costs (£)	5.80	1.51	1.91	2.05	2.09
Proportion of net revenue stream	36.65%	8.74%	10.35%	10.68%	10.90%

- The increase to the General Fund's indicator for 2023/24 and future years is a combination of the increased borrowing requirement mainly for the Otterpool Park development and higher interest rates for new and replacement borrowing.

The General Fund revenue implications of capital expenditure are included in the 2023/24 revenue budget – link to GF Budget to follow

- For the HRA the revenue implications of capital expenditure are included in the 2023/24 HRA revenue budget – link to HRA revenue budget 2023/24 to follow

7.2 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Corporate Services is satisfied that the proposed capital programme is prudent, affordable and sustainable because it has been evaluated and risk assessed, it is considered to be a balanced portfolio with minimal risks.

8. **Knowledge and Skills**

8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Corporate Services is a qualified accountant with over 20 years' experience, the Director of Housing and Operations has a degree and post graduate certificate in strategic leadership and over 20 years extensive and relevant experience in contract and project management. The Housing and Operations teams include suitably qualified and experienced professionals ranging from FRCIS through to MSc Engineering and senior project management qualifications. The Council pays for staff to study towards relevant professional qualifications including ACCA, ACT (treasury).

8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Savills and Montague Evans as property consultants, Wilks-Head & Eve LLP as valuers and as well as other bodies on an ad hoc basis. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- Further details on staff training can be found within the People Strategy which was considered by Personnel Committee in June 2019 <https://www.folkestone-hythe.gov.uk/moderngov/documents/s30459/Report%20-%20HR%20Annual%20Review%202018-19%20-%20App2%20People%20Strategy%20-%20June%202019.pdf>

Annual Minimum Revenue Provision Statement 2023/24

1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision (MRP)**, although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Council to have regard to the Department for Levelling Up, Housing and Communities' *Guidance on Minimum Revenue Provision* (the DLUHC Guidance) most recently issued in 2018.
2. The broad aim of the DLUHC Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
3. The DLUHC Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.
 - i) For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
 - ii) For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments or as the principal repayment on an annuity with an annual interest rate equal or linked to the average relevant PWLB rates for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
 - iii) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the DLUHC Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

4. No MRP will be charged in respect of assets held within the Housing Revenue Account.
5. Any deviation from the approved policy in year will, as a minimum, be addressed in the MRP Policy Statement for the next financial year.
6. Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2023/24.
7. Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31st March 2023, the budget for MRP has been set as follows:

	31.03.2023 Estimated CFR £m	2023/24 Estimated MRP £m
Capital expenditure before 01.04.2008	9.686	0.304
Unsupported capital expenditure after 31.03.2008	86.092	1.292
Loans to other bodies repaid in instalments	0.490	0.029
Voluntary overpayment (or use of prior year overpayments)	n/a	Nil
Total General Fund	96.268	1.625
Assets in the Housing Revenue Account	15.403	Nil
HRA subsidy reform payment	32.014	Nil
Total Housing Revenue Account	47.417	Nil
Total	143.685	1.625



This Report will be made public on 14 February 2023

Report Number **A/22/29**

To: Council
Date: 22 February 2023
Status: Key Decision
Head of service: Charlotte Spendley - Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: INVESTMENT STRATEGY 2023/24

SUMMARY: This report sets out the Council's proposed strategy for its service and commercial investments in 2023/24 to be approved by full Council.

RECOMMENDATIONS:

1. To receive and note report A/22/29.
2. To approve the 2023/24 Investment Strategy, including the Investment Indicators, set out in the appendix to this report is adopted.

1. INTRODUCTION AND BACKGROUND

- 1.1 In 2018 the Department for Levelling Up, Housing and Communities (DLUHC) revised their *Statutory Guidance on Local Government Investments* mainly as a response to the increased commercial investment activity in the sector. The DLUHC Guidance requires all local authorities to produce an annual Investment Strategy for their non-treasury management investments which has to be approved by full Council. The DLUHC Guidance also requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications of *The Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services* which both complement it.
- 1.2 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.3 The main purpose of the investment strategy is to identify the level of the authority's service and commercial investments and to set risk management parameters around these.
- 1.4 Treasury management investments and borrowing continue to be covered by a separate annual Treasury Management Strategy Statement which is due to be approved by full Council later today as part of the budget process in advance of each new financial year. However, the DLUHC Guidance requires some limited treasury management information to feature in the investment strategy, including the level of interest received by the General Fund. Cabinet is due to consider the Council's Treasury Management Strategy Statement for 2023/24 as part of today's agenda.
- 1.5 The investment strategy, set out in the appendix to this report, is based on the authority's existing and planned service-related and commercial investments and is consistent with the proposed General Fund Medium Term Capital Programme due to approved by full Council later today.
- 1.6 Being a relatively new requirement on the authority, it is anticipated that the investment strategy will continue to develop and evolve over time in line with the council's own capital investment aspirations and plans. The intention is to review the investment strategy annually as part of the authority's budget setting process. However, if the nature and structure of the authority's proposed service and commercial investments was to change during the year it may be necessary to revise the strategy at the same time.

2. RISK MANAGEMENT ISSUES

- 2.1 The main purpose of the investment strategy shown in the appendix to this report is to identify risks associated with the authority's service and commercial investments and to set parameters to help mitigate these. No other risk management issues have been identified as relevant to this report.

3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer's Comments (TH)

There are no legal implications arising directly out of this report other than those already stated. For each financial year, the council should prepare at least one Investment Strategy which should contain the disclosures and reporting requirements specified in the Local Government Investment Guidance as published by the DLUHC. The Strategy should be approved by full Council.

3.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services and there are no direct financial implications arising from it.

3.3 Diversities and Equalities Implications (LW)

There are no direct diversities or equalities issues arising from this report.

3.5 Climate Change Implications (AT) *[Pilot reporting period]*

There are no climate changes implications arising directly from this report. The report sets out a proposed strategy for service and commercial investments for the period 2023/24. It is an overarching document and detail will be found in subsequent reports to Cabinet and Council. Climate change implications of the various projects referenced in the appendix will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making processes.

4. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Lee Walker, Capital and Treasury Senior Specialist
Telephone: 01303 853593
Email: lee.walker@folkestone-hythe.gov.uk

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

Arlingclose Ltd – Investment Strategy Report 2023/24 Template

Appendices:

Appendix 1: Investment Strategy 2023/24

INVESTMENT STRATEGY 2023/24

1. INTRODUCTION

- 1.1 The Investment Strategy is a requirement of the Department for Levelling Up and Housing and Communities (DLUHC) *Statutory Guidance on Local Government Investments*. The DLUHC Guidance also requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications of *The Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services* which both complement it.
- 1.2 The Council invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.3 The main purpose of the strategy is to identify the level of the Council's service and commercial investments and to set risk management parameters around these. It is based on the authority's existing and planned service-related and commercial investments and is consistent with the General Fund Medium Term Capital Programme due to be approved by full Council on 22 February 2023.
- 1.4 During 2020 the Council created the Otterpool Park Limited Liability Partnership (LLP) as a wholly owned subsidiary to deliver the Otterpool Park development. Otterpool Park will provide up to 10,000 much needed new homes over a 30 year period, creating significant economic benefits to the district. The Council, as principal land owner, also expects to gain a financial return from its investment in the development.
- 1.5 Cabinet approved the latest business plan for the LLP on 26 January 2022 (minute 74 refers). This requires the Council to make an investment of up to £75m in the LLP through a combination of equity, in the form of a capital contribution, and loan funding and work is currently taking place to determine the optimum mix for this. For the purposes of this strategy, it has been assumed that funding will be 10% equity and 90% loan. However, a tolerance has been built into the proposed investment limits within the strategy that allows the equity to increase to 15% with the loan funding reducing to 85%. The loans will be advanced at a premium of 3% over the cost of borrowing to the Council. Over time the Council expects to receive returns on its equity investment in the LLP largely generated from the sales of land to housing developers and this will be governed by the terms of the Members' Agreement.

2. TREASURY MANAGEMENT INVESTMENTS

- 2.1 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the CIPFA. The balance of treasury management investments is expected to fluctuate between £15m and £30m during the 2023/24 financial year.
- 2.2 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities. These investments also contribute an income stream to support the General Fund budget position annually.
- 2.3 **Further details:** Full details of the Council's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the Treasury Management Strategy Statement (TMSS), due to be approved by Cabinet on 22 February 2023 as part of the budget process for 2023/24. The approved TMSS will be published on the Council's website.

3. SERVICE INVESTMENTS: LOANS

- 3.1 **Contribution:** The Council can lend money to its subsidiaries, its charities where the council is the trustee, its external service providers, local residents and its employees to support local public services and stimulate local economic growth. In the future the Council may also lend money to joint ventures it decides to enter into to help deliver its major corporate investment initiatives. Examples of loans the Council makes are shown in the table below:

Table 1 – Example of Loans Made for Service Investments

Organisation	Relationship	Purpose	Service Objective
Oportunitas Ltd	Housing and Regeneration subsidiary company	Primarily for the acquisition of residential property for rent	Provision of good quality homes for rent Generate additional revenue stream for the General Fund
Folkestone Parks and Pleasure Grounds Charity	Council is the trustee	Refurbishment and replacement of Beach Huts	Improve the appearance of the district and to improve the financial resilience of the

			Charity through additional income generated
Local property owners	Jointly funded empty homes initiative with Kent County Council	Interest free loans to property owners to bring empty properties across the district back in to residential use	Bringing empty residential properties back into use and the provision of additional good quality homes
Otterpool Park LLP	Otterpool Park Delivery Vehicle subsidiary company	Delivery of the Otterpool Park Garden Town development	Provision of new homes, generate economic benefits and provide a financial return to the Council

- 3.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 2 - Loans for service purposes in £ millions

Category of borrower	31.3.2023 (Forecast)			2023/24
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Approved Limit £m
Subsidiary – Oportunitas Ltd	5.711	(0.06)	5.651	6.674
Subsidiary – Otterpool Park LLP	7.543	(0.29)	7.253	68.610
FPPG Charity	0.458	-	0.458	0.407
Local residents/landlords (Housing)	2.471	-	2.471	3.172
TOTAL	16.183	(0.35)	15.833	78.863

- 3.3 The approved limits for 2023/24 not only include the estimated amounts to be lent in the year but also provide for any accrued interest, future loan commitments within the loan agreement and the repayment of principal expected to be received.
- 3.4 The proposed loan limit in 2023/24 for Oportunitas Limited, the Council's wholly owned housing and regeneration company, includes the additional loan of

£2.47m approved by full Council on 28 February 2018. This loan is expected to fully utilised during 2023/24 in line with the latest approved business plan for the company.

- 3.5 The proposed loan limit for Otterpool Park LLP assumes the Council will provide loan funding of up to 90% from the budget provided for the Otterpool Park delivery within the Medium Term Capital Programme. Expert legal advice has been commissioned to ensure the loan to the LLP provides the Council with the optimum level of security to mitigate against the risk of default.
- 3.6 Accounting standards require the authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. No loss allowance has been made for the loans made to local property owners as the majority of these have been secured against property with a low risk of default. However, the authority is required to keep the position under review and the figures for loans in the Council's statement of accounts will continue to be shown net of any loss allowance made if applicable. The authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 3.7 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans. This includes:
 - 3.7.1 Ensuring the authority has the legal power to make the loan to the entity in the first place.
 - 3.7.2 Assessing loan applications against the type of market the entity is operating and competing in:
 - i) Loans to the Council's subsidiary company, charities where it is the trustee, joint ventures or external service providers require a business case and, possibly, business model to be prepared in advance. This needs to demonstrate the entity's long term financial viability, its ability to meet the loan repayment terms and also the internal governance arrangements in place to support their operations. The entity also needs to demonstrate how it will evolve over time against both market conditions and its customer needs. The entity needs to identify any ongoing or future investment requirements to support it over the term of the loan. The authority's loan agreement may require the entity to provide regular performance information to enable an assessment to be made of their ability to continue to meet its terms and conditions. Unless otherwise agreed, loans made are secured against the property or other assets of the entity to help mitigate the risk of default.
 - ii) Loans to local property owners for housing improvements schemes are made in accordance with the criteria of the specific scheme agreed by the Council. All previous and existing housing improvement schemes offer interest free loans (soft loans) with the requirement that the principal sum is repaid to the authority at an agreed trigger point such as after an agreed period of time or when the property is eventually sold. Loans are secured as a charge against the property to help mitigate the risk of default.

- 3.7.3 External advisors can be used to support the Council in assessing investment opportunities and preparing loan agreements. This can include advising on investment options appraisal, business plan or case submissions, relevant commercial lending terms, compliance for State Aid, taxation and other statutory issues and reporting obligations for the borrower.
- 3.7.4 The Council has established procurement and contract management procedures to appoint and monitor the performance of external advisors it uses. This can involve;-
- interviewing potential consultants to gain a better understanding of their breadth of experience and knowledge in the specific area,
 - liaising with other local authorities through established groups and channels to discuss the suitability of consultants being considered where it is known they have been used before,
 - focusing advice on larger firms with the breadth and depth of expertise to minimise risk, and
 - utilising our own professional judgement to consider the advice received.
- 3.7.5 Credit ratings are not currently applicable as part of the assessment process for checking the financial status of entities or individuals who apply for a loan. This may alter if the nature and scope of loans made was to change in the future.
- 3.7.6 The Council may require other sources of information to help assess the suitability of the entity requesting a loan such as financial accounts or a bank reference.

4. SERVICE INVESTMENTS: SHARES AND OTHER EQUITY

- 4.1 The Council has invested in share equity for Oportunitas Limited and Otterpool Park LLP. In the future the Council may also acquire shares in either other subsidiaries companies it may choose to establish or joint venture companies it decides to enter into to help deliver its major corporate investment initiatives.
- 4.2 **Contribution Oportunitas Limited:** The Council's investment in the shares of Oportunitas supports its operational trading activities including its acquisition of residential property to increase the supply of good quality housing for rent to local people. No dividend return is expected in the medium term from this investment, however the council's overall investment in Oportunitas provides an additional revenue stream to the General Fund.
- 4.3 **Contribution Otterpool Park LLP:** The Council's equity investment in Otterpool Park LLP, as a capital contribution through the Members' Agreement, support its operational activities to act as the Master Developer for the proposed scheme. The LLP's main income stream will be from selling serviced parcels of land to housing developers and this will provide the opportunity to make a return to the Council. No return is expected to be received over the first five years of the scheme.

- 4.4 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows.

Table 3 - Shares and Capital contributions held for service purposes in £ millions

Category of company	31.3.2023 (Forecast)			2023/24
	Amounts invested £'m	Gains or losses £'m	Value in accounts £'m	Approved Limit £'m
Subsidiary – Oportunitas Ltd	4.909	(2.589)	2.320	4.909
Subsidiary – Otterpool Park LLP	2.750	(0.712)	2.038	16.950
TOTAL	7.659	(3.301)	4.358	21.859

- 4.5 The approved limit for 2023/24 includes;
- i) the increase in share equity of £4.43m approved by full Council on 28 February 2018 as part of its future strategy for Oportunitas, and
 - ii) the proposed equity in Otterpool Park LLP being a maximum of 15% of the agreed total equity and loan funding package profiled for the period to 31 March 2024, outlined in section one, above.
- 4.6 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares of its subsidiaries or joint ventures. This includes:
- 4.6.1 Ensuring the authority has the legal power to acquire the share capital or make the equity investment in the entity in the first place.
 - 4.6.2 Preparing a long term business case and business model for the company identifying the level, structure and time scale of the investment required to enable it to become financially viable and sustainable and provide the authority with an appropriate financial return
 - 4.6.3 Requiring the company to develop and maintain a business plan outlining how it will meet the objectives of the authority as shareholder including identifying associated risks, including market conditions, and measures to mitigate these.
 - 4.6.4 Requiring the company in the event it was to cease trading or become insolvent to dispose of its assets and transfer the net receipt to the authority or transfer the assets to the control of the authority itself, to help mitigate the risk of financial loss.
 - 4.6.5 Using external advisers if required to support the authority in preparing its business planning and modelling to support the creation and development of the company and also structure the shareholder agreement.

4.6.6 Using the authority's established procurement and contract management procedures to appoint and monitor the performance of external advisors it uses. This can involve;-

- interviewing potential consultants to gain a better understanding of their breadth of experience and knowledge in the specific area,
- liaising with other local authorities through established groups and channels to discuss the suitability of consultants being considered where it is known they have been used before,
- focusing advice on larger firms with the breadth and depth of expertise to minimise risk, and
- utilising our own professional judgement to consider the advice received.

4.6.7 Credit rating checks are not applicable as a risk assessment check to support the authority's investment in its wholly owned subsidiary company. This may alter if the nature and scope of the Council's acquisition of share capital made was to change in the future.

4.7 **Liquidity:** The Council's equity investments in Oportunitas Limited and Otterpool Park LLP are both long term commitments with no specified end date. The business cases and model supporting the council's investment in Oportunitas and Otterpool are based on original 45 year and 30 year periods respectively. The Council's future capital investment plans do not require the repayment of the equity investments. However, in the case Otterpool the long term modelling assumes the Council's total investment in the project can be met from the schemes projected net proceeds. The Council has overall control of the both companies and can decide if it wants to review the level of its equity investment. For any future share or equity investment in other subsidiary companies or joint ventures it is likely these will also be a long term commitment, however this will be determined at the time the investment is being considered for approval.

4.8 **Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the authority's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. **COMMERCIAL INVESTMENTS: PROPERTY**

5.1 **Contribution:** The Council invests in local commercial and residential land and property with the intention of making a capital gain or generating a new revenue stream that will be spent on local public services. The Council currently holds investment property for the following main reasons;

- i) Residential property and minor parcels of land to support the proposed Otterpool Park Garden Town development of up to 10,000 new homes over an approximate 30 year period. The major land holdings of

Otterpool Farm and the former Folkestone Racecourse site have both been reclassified as Property, Plant and Equipment – Surplus Assets from 2020/21 as they are no longer viewed as being held solely for their investment return. Both sites will equally contribute towards the housing development and the wider community aspects of the Otterpool Park Garden Town development. Similarly, Westenhanger Castle, which while part of the Garden Town development, is planned to be used for its community benefit rather than a direct financial return and is not classified as an Investment Asset.

- ii) Land for other commercial and residential development, including the Biggins Wood site in Folkestone.
- iii) Commercial and light industrial units for local businesses providing employment opportunities and the authority with a net rental stream.
- iv) The Connect 38 office accommodation in Ashford to provide the authority with an additional net revenue stream.

5.2 The table below summarises the value of the Council’s investment assets grouped by property type measured against the original purchase or construction cost. For some assets the original purchase or construction cost data is not available in which case the value of the asset at 1st April 2014 has been used as a proxy value with changes since then shown as a gain or loss.

Table 4 - Property held for investment purposes

Property Type	31/03/2023 (Forecast)			31/03/2024 (Projection)		
	Actual Purchase Cost	Accrued Gains (Losses)	Value in Accounts	Actual Purchase Cost	Accrued Gains (Losses)	Value in Accounts
	£m	£m	£m	£m	£m	£m
Commercial and Light Industrial (existing)	1.102*	0.798	1.900	1.298*	0.798	2.096
Other Land	2.530*	0.563	3.093	3.894*	0.563	4.457
Otterpool land and property	10.857	(0.247)	10.610	11.264	(0.247)	11.017
Connect 38 Offices	17.711	(0.880)	16.831	17.951	(0.880)	17.071
Total	32.200	0.234	32.434	34.407	0.234	34.641

* Includes assets where a proxy value has been used based on their value at 1st April 2014

5.3 All land and property classified as Investment Assets is required to be measured at its market value as at 31 March each year for inclusion in the authority’s Statement of Accounts. At the time of writing, no information was available regarding potential changes in the market value of these assets as at

31 March 2023 meaning, where appropriate, they are shown at either their value as at 31 March 2022 or purchase cost if planned to be acquired or constructed in 2022/23 or 2023/24 in table 4, above. Similarly, the accrued gains and losses only reflect those recorded at 31 March 2022.

- 5.4 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. However, it is recognised the Council is acquiring land and property for development reasons and therefore its existing use value as an investment asset may be significantly lower than its future potential value.
- 5.5 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2022/23 year end accounts preparation and audit process value these properties below their purchase cost and there is no reasonable prospect of this being reversed as a result of the Council's investment plans, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 5.6 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by preparing a business case to support the proposed investment. This includes:
- 5.6.1 Assessing the current and expected future market demand and need for relevant property by reference to local, regional or national data, including rental and occupancy levels.
- 5.6.2 Assessing the current and expected future market competition for the type of property being considered.
- 5.6.3 Identifying the relevant legal power the authority is using to undertake the purchase and whether or not it may need to purchase and operate it through a separate entity such as a company or joint venture.
- 5.6.4 Identifying how the authority can recover or dispose of its interest in the property without financial loss.
- 5.6.5 Undertaking a whole-life financial assessment for the proposed scheme to identify any on-going investment that may be required.
- 5.6.6 Using specialist external advisors such as, valuers, surveyors, property agents, solicitors and taxation and other finance specialists to help evaluate the proposed investment if required.
- 5.6.7 Using the Council's established procurement and contract management procedures to appoint and monitor the performance of external advisors it uses. This can involve;-
- interviewing potential consultants to gain a better understanding of their breadth of experience and knowledge in the specific area,

- liaising with other local authorities through established groups and channels to discuss the suitability of consultants being considered where it is known they have been used before,
 - focusing advice on larger firms with the breadth and depth of expertise to minimise risk, and
 - utilising our own professional judgement to consider the advice received.
- 5.6.8 Using credit checks if required to assess the financial strength of third parties the Council could be exposed to, for instance where the authority proposes to purchase an investment property which has existing commercial tenants. Credit ratings are not applicable as part of the assessment process for property investment.
- 5.6.9 The Council has established a proactive risk management culture within the organisation, including all key projects being required to consider risks, as well as quarterly monitoring and reporting of key corporate risks which includes, at times, key investment plans such as the delivery of Otterpool.
- 5.7 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions.
- 5.8 The Council's commercial and light industrial units' portfolio is viewed as a long term commitment providing valuable local jobs and supporting the local economy. Any decision to dispose of existing units would need to be balanced against providing alternative employment opportunities, continuing to support the local economy as well as the direct financial impact to the authority.
- 5.9 Where property is held for future development reasons the Council will identify how it intends to recover or access the cost of its capital investment as part of any proposal for the specific development.

6. PROPORTIONALITY

- 6.1 The current Medium Term Financial Strategy (MTFS) does include property and service investment income as part of its projections from schemes and initiatives already in place or agreed. The MTFS anticipates accrued interest from the capital funding being made available to Otterpool Park LLP but excludes the benefit from any potential capital gains or other new revenue streams from the proposed Otterpool Park development. However, the MTFS is over the medium term (2024/25 to 2026/27) in a deficit position of about £14.2m and the authority is continuing to explore investments to support the closure of this gap (along with an internal Transformation programme). As the Council's wider investment plans continue to develop further consideration will be given to its approach to proportionality in respect of investment income to gross service expenditure. Table 5 below shows the extent to which the service delivery objects of the Authority is dependent on achieving the expected net return from its investments over the life of the MTFS.

Table 5 - Proportionality of Investments in £millions

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Projection	2025/26 Projection
Gross service expenditure	95.8	100	102.4	104.4	106.5
Net investment income to General Fund	1.9	2.8	4.2	7.0	7.9
Proportion	2.0%	2.8%	4.1%	6.7%	7.4%

7. CAPACITY, SKILLS AND CULTURE

7.1 Elected members and statutory officers:

7.1.1 All members have previously been provided with training on treasury management and investments by the authority's Treasury Management advisors (Arlingclose Ltd). It is planned to provide further training on this subject later in 2023 and will encompass all members and not just those on the relevant committees. Training is also held on specific issues for nominated councillors (such as on Investment Appraisals) and there are ongoing briefings for individual members with specific responsibilities such as the Finance Portfolio holder, the Chair of the Audit and Governance Committee and the Group Leaders of the political parties represented on the Council. All members have a wide exposure to investment decisions and are able to interrogate officers either formally or informally.

7.2 Commercial deals:

7.2.1 The Council has a process in place whereby all proposed capital investment decisions are referred to Financial Services and Legal Services to ensure compliance with the principles of the prudential framework and of the regulatory framework for local authorities. For individual major projects, including commercial property investments, a project board or working group is established at the outset which includes officers from Financial Services and Legal Services who advise on compliance with statutory guidance and regulatory issues.

7.3 Corporate governance:

7.3.1 The Council has a clearly articulated corporate plan and associated values which have recently been refreshed as part its transformation programme. It also has a long standing practice of regular and transparent decisions in relation to investments held for both treasury management purposes and also for investment purposes. The governance structure includes scrutiny of certain decisions, including those relating to the Council's budget-setting process, through the Overview and Scrutiny Committee or its Finance and Performance Scrutiny Sub-Committee prior to these being considered by Cabinet. Any new investment decisions need to be approved by Full Council with a full explanation

of the benefits, opportunities and risks associated with any proposal. The ongoing performance of investments is regularly reported back to Members and is subject to ongoing review and monitoring.

8. INVESTMENT INDICATORS

- 8.1 The Council proposes to set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.
- 8.2 **Total risk exposure:** The first indicator shows the authority's total exposure to potential investment losses. This includes amounts the authority is contractually committed to lend but have yet to be drawn down and guarantees it has issued over third party loans.

Table 6 - Total investment exposure in £millions

Total investment exposure £m	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast
Treasury management investments	31.1	15.0	15.0
Service investments: Loans	8.5	15.8	39.2
Service investments: Shares	2.9	4.4	5.9
Commercial investments: Property	29.2	32.4	34.6
TOTAL INVESTMENTS	71.7	67.6	94.7
Commitments to lend	68.7	61.2	37.8
TOTAL EXPOSURE	140.4	128.8	132.5

- 8.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by external borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 7 - Investments funded by external borrowing in £millions

Investments funded by borrowing £m	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast
Service investments: Loans	1.29	6.06	23.67
Service investments: Shares	4.17	4.74	6.23
Commercial investments: Property	25.05	23.60*	25.16
TOTAL FUNDED BY EXTERNAL BORROWING	30.51	34.40	55.06

* Reflects MRP made in 2022/23 and a higher proportion of internal borrowing compared to 2021/22.

- 8.4 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. This indicator includes the impact of (unrealised) valuations gains and losses. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 8 - Investment rate of return (net of all costs)

Investments net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	1.8%	3.4%	4.8%
Service investments: Loans	2.8%	3.5%	3.3%
Service investments: Shares	0.1%*	(1.4%)*	(1.4%)*
Commercial investments:			
Otterpool Land and Property	(1.6%)*	(0.2%)*	(3.6%)*
Connect 38 Offices	1.5%*	3.8%*	1.9%*
Other Commercial & Light Industrial Property	4.5%*	3.6%*	6.6%*
ALL INVESTMENTS	1.3%	1.9%	2.1%

* Net returns exclude unrealised valuation losses or adjustments which do not impact on the net cost to the General Fund.

- 8.4.1 The net return on loans made for service investments includes those that are interest free and are accounted for as 'soft loans', including private sector housing improvement loans.

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This Report will be made public on 14 February 2023

Report Number **A/22/30**

To: Council
Date: 22 February 2023
Status: Key Decision
Head of Service: Charlotte Spendley, Director of Corporate Services
Cabinet Members: Councillor David Monk, Leader of the Council and Councillor David Godfrey, Housing, Transport and Special Projects

SUBJECT: DRAFT HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL ORIGINAL BUDGET 2023/24

SUMMARY: This report sets out the Housing Revenue Account ('HRA') Revenue and Capital Budget for 2023/24 for approval and proposes an increase in weekly rents and an increase in service charges for 2023/24 both for approval.

REASONS FOR RECOMMENDATION:

Cabinet is requested to agree the recommendations set out below as the Local Government Housing Act 1989 requires the Council, as a Local Housing Authority, to keep a separate Housing Revenue Account and to produce estimates to ensure that the account does not go into deficit. The authority also has a duty to set and approve rents in accordance with government guidelines that are outlined in the self-financing determination. The Constitution requires that the annual Budget and any variations to the Budget are approved by Council.

RECOMMENDATIONS:

1. To receive and note Report A/22/30.
2. To approve the Housing Revenue Account Budget for 2023/24. (Refer to paragraph 2.1 and Appendix 1)
3. To approve the Housing Revenue Account Capital Programme budget 2023/24. (Refer to paragraph 4.1 and Appendix 2)
4. To approve the increase in rents of dwellings within the HRA on average by £6.25 per week, representing a 7% increase with effect from 3 April 2023 (Refer to paragraph 3.2)
5. To approve the increase in rents of shared ownership dwellings within the HRA by 7%, with effect from 3 April 2023 (Refer to paragraph 3.2)
6. To approve the increase in service charges. (Refer to section 3.5)
7. To approve the Housing Revenue Account Medium Term Capital Programme 2023/24 – 2026/27 (Refer to paragraph 5.1 and Appendix 3)

1. INTRODUCTION

- 1.1. The Housing Revenue Account (HRA) is a ring-fenced account and is outlined and projected within the HRA Business Plan. The HRA Business Plan determines HRA budget setting, as estimates need to be closely aligned to the model to ensure that the HRA remains financially viable.
- 1.2. The Reform of Council Housing Finance came into effect from 1 April 2012, and significantly brought an end to the subsidy regime where councils such as Folkestone & Hythe made a contribution to the national pot. Instead, authorities are now part of the self-financing arrangements following a re-distribution of the national housing debt and the abolition of rent restructuring.
- 1.3. In October 2018, Government announced the removal of the HRA borrowing cap to enable local authorities to build more homes. In light of this and following a review of the financial position within the HRA, there was an opportunity for the Council to expand its New Build Programme to significantly increase the number of new homes in the district. In February 2020 Cabinet approved the updated HRA Business Plan to deliver 1,200 homes by 2034/35, subject to the availability of capital funding resources.
- 1.4. The HRA Business Plan is the cornerstone of the financial and business planning requirement for the HRA in terms of delivery of its plans for social housing and the affordability of this, coupled with the long-term plans for the overall development and maintenance of the housing stock.
- 1.5. The current HRA Business Plan is being refreshed to allow for the recent and extensive stock condition survey results and for the costs of future stock modification work to bring the stock into line with Energy Performance 'C' and 'A' requirements by 2030 and 2050 respectively. The Business Plan will also be updated for the Council's HRA new build programme which is being considered by the Council's Housing team in light of available funding resources available.

2. HOUSING REVENUE ACCOUNT REVENUE ESTIMATES

2.1 Original Budget 2023/24

The proposed HRA Revenue Budget for 2023/24, at Appendix 1, shows a forecast deficit of £2.15m. This is in line with the agreed and current HRA Business Plan which has fluctuated from year to year, depending on the profile of the stock, size of the new build programme and the resources available. The year-end HRA revenue reserve balance as at 31 March 2024 is expected to be £3.7m as shown at Table 1 below:

Table 1	£000's
Original estimate of balance at 31 March 2023	(5,867)
Movement from Original 2022/23 to Original budgets 2023/24	
Decrease in revenue contribution to Capital	(2,300)
Increase in rents and other service charges (see 2.1.2)	(1,162)
Increase in depreciation charges (see 2.1.3)	685
Increase in repairs and maintenance (see 2.1.4)	263
Increase in special management (see 2.1.4)	209
Increase in general management (see 2.1.4)	172
Increase in bad debt provision (see 2.1.5)	150
Other net movements	75
Subtotal Movement from Original 2022/23 to Original 2023/24 budget	(1,908)
Deficit 2022/23	4,061
Original estimate of balance at 31 March 2024	(3,714)

2.1.1 HRA Revenue budget

The HRA revenue budgets are reflected in the HRA business plan. The business plan (currently being refreshed) sets out the Council's income and expenditure plans for its landlord service over a 30 year period, including the capital costs of maintaining the decent homes standard and of any additional improvements agreed with tenants.

2.1.2 Rents

The dwelling rents have been increased in line with the Rent Standard 2023 of 7% for both social rent housing and affordable rent housing. This revised policy was announced by the government (within the Autumn Statement) in November 2022 and allows social landlords to increase rents by 7% for 2023/24 only with a view to revisit for the rent setting of 2024/25 depending on the economic climate. Note, however, that any affordable rent increases are capped at the Local Housing Allowance (LHA) rate, in line with the agreed HRA business plan of March 2016 at paragraph 7.6 (report C/15/87).

2.1.3 Depreciation charges

The movement in depreciation charges for fixed assets is due to an increased asset valuation of council stock of approximately 20% at 31 March 2022. This had the effect of increasing the depreciation charged. It should, however, be noted that the increased depreciation charge provides a matched increase to the Major Repairs Reserve (see 2.2 below) which is used to fund capital spending. In turn, a corresponding saving can be made to the revenue funding of capital expenditure, offsetting the increase in the depreciation charge.

2.1.4 Repairs, Maintenance & Management costs

The increase in repairs, maintenance and management costs relates predominantly to inflation (materials and labour and landlord utility costs) which have been driven by the current economic and financial climate which has been impacted by the war in Ukraine and effects of increases in inflation, energy costs and costs of borrowing. The impact of this is to increase the recharge costs for the HRA's allocation of Council resources (e.g. staff costs).

2.1.5 Bad Debt Provision

An increase in the HRA's provision for bad debt has been factored into the budget this year to account for the cost-of-living crisis which is affecting households across the spectrum and which will likely impact the rent collection and could ultimately lead to bad debts due to stretched household finances. This increase in the provision is considered a prudent measure.

2.2 HRA Reserve Balances

HRA Reserve – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan. The actual reserve balance on the HRA at the start of 2022/23 was £9.93m, this has increased due to the planned accumulation of balances to help fund future capital expenditure.

Table 2 below shows the estimated HRA balances to 31 March 2024.

<i>Table 2</i>	2022/23	2023/24
	£000's	£000's
Balance as at 1 April	9,928	5,867
Balance as at 31 March	5,867	3,714

The HRA reserve is expected to decrease by £2.1m from the close of 2022/23 and the end of the financial year 2023/24.

The changes with the introduction of HRA Self-Financing have significantly increased the flexibility for the Council to manage the resources and debts within the HRA to best meet the needs of existing and future tenants. The estimated HRA balances, set out in table 2, are above the revised recommended minimum balance, which is £2m.

Major Repair Reserve (MRR) – This reserve is derived from the transfer of the depreciation charge from the revenue account and can be used to fund major repairs for capital expenditure or debt repayment. The Council's Business Plan requires that the reserve is allocated to fund capital expenditure. The proposed HRA capital programme should leave the Major Repairs Reserve with a nil balance. This is in line with the practice adopted

by the Council in previous years, of using the Major Repairs Reserve in the year it is received.

3. RENT SETTING GUIDANCE & RENTS

3.1 Rent Policy – National context

On the 31 August 2022 a consultation was launched to invite views from social housing tenants and landlords on a proposed rent cap to understand how best to support households with the cost of living.

Under the proposals, a cap on social housing rent increases would be put in place for the forthcoming financial year, with options at 3%, 5% and 7% being considered. The move would prevent rents for council and housing association houses from rising significantly, saving tenants an average £300 per year and providing stability as inflation rises.

The government regulates how much social housing rents can increase each year. Currently this is set at up to the consumer price index (CPI) rate for September in a given year, plus 1% - meaning potential increases for 2023/2024 of 11% in line with the latest data from the Office of National Statistics.

Following the conclusion of the consultation, a 7% cap was introduced by the Government (as announced in the Autumn Statement), subject to specific exceptions for supported housing and accommodation when first let or subsequently re-let. For stockholding councils, the 7% cap on the rents for social housing is higher than the original 5% proposal by the Government. This will give the council more room for manoeuvre in balancing the need to fund the maintenance and improvement of social housing without imposing unaffordable increases on tenants.

3.2 Rent Increase – Local context

In line with last years approved report, Housing Services will be charging the 'formula rent'¹ when a property is re-let to a new tenant and service charges that fall under utilities will be charged at the 'actual' cost on new lets.

The proposed increase of 7% in line with Government guidelines, equates to an increase of £6.25 per week or £325.00 per annum. This gives an average rent of £99.40 (over 50 weeks) in 2023/24 (average rent in 2022/23 is £92.82 (over 50 weeks)).

The HRA has 15 shared ownership properties. Shared Ownership rents are not covered by the 7% cap announced last week. As set out in the terms of most lease agreements, rents are permitted to increase by a maximum of the Retail Prices Index (RPI) for a given month plus 0.5%. In November, RPI

¹ *The 'formula rent' is the amount an individual rent can be set at before taking into account the rent restructuring restrictions and maximises the rental income received without penalising any individual.*

was 14%. This means that rents could increase by as much as 14.5% in 2023-24. This particularly high increase would come at a time when shared owners will also be facing other pressures on their household finances, including rising interest rates.

The government is, therefore, pleased to note that housing associations responsible for 90% of that sector's Shared Ownership homes have voluntarily committed to limiting rent increases for their shared owners in 2023-24 to no more than 7%.

The Secretary of State is eager for this voluntary commitment to be extended as widely as possible so that all shared owners may benefit, regardless of who their landlord is. Members may wish to determine if a 7% cap on shared ownership rents brings this into line with affordable rents.

3.3 New Build rents & Affordable Rents

In line with proposals set out in the Council's current HRA Business Plan, the rents for any new homes will be set at affordable rent levels. Affordable rents are defined as being a maximum of 80% of the prevailing average market rent for the area and should be no more than the prevailing local housing allowance (LHA) rates for the area to ensure that properties remain affordable.

The local housing allowances rates for 2023/24 were made available on 31 January 2023. The rates will be frozen for 2023/24. The indicative 2023/24 affordable rents for the Folkestone & Hythe area are as follows:

Bedsits	£65.00 per week
1 bedroom houses	£100.11 per week
2 bedroom houses	£132.33 per week
3 bedroom houses	£172.60 per week
4 bedroom houses	£207.12 per week

3.4 Rent Comparisons

The table below compares Folkestone & Hythe's average weekly rent to that of other authorities in Kent.

<i>Table 3</i>	Average weekly rent over 52 weeks (2023/24) £	Difference between FHDC and other authorities £
Folkestone & Hythe	95.58	-
Dover	96.88	1.30
Canterbury	103.47	7.89
Thanet	92.50	(3.08)

- Subject to Dover, Canterbury and Thanet's approval at their own Council meetings.

3.5 Service Charges

3.5.1 General Service Charges

The general principle for service charges for tenants is that they are set to fully recover the costs of the service they fund. However, the Government also limits increases in service charges as part of rent setting guidance which for 2023/2024 is 7%, as opposed to CPI + 1%. The CPI for September 2022 was 10.1%, therefore the rate increase would have been a maximum of 11.1% (10.1% + 1%).

Local authorities can increase charges above this level where costs are increased that are beyond the authorities' control. Utility charges, such as heating and hot water in sheltered housing schemes are an example where this applies. Proposals for these charges for 2023/24 are set out in 3.5.2 below.

3.5.2 Heating charges in Sheltered Housing

Residents in 12 of the Council's sheltered housing schemes have heating and hot water provided to their flats by communal systems. Charges are made for this service based on the floor area of each flat.

Over time fuel costs have increased significantly above the rate of inflation, so that the charges raised for this service no longer cover the costs. The proposed charges for this service, set against the actual cost of providing the service, are in line with the principle agreed last year. This continued move to full cost recovery may result in some tenants facing significant increases and it is therefore proposed to set charges that provide some interim protection against the highest increases.

Following the same approach as previous years, it is recommended that the 2023/24 service charges for heating and hot water in sheltered housing schemes should be set at actual cost or 10% increase, subject to the following limits:

- Bedsit flats £28.02 per week (£1,401 per year)
- 1 bed flats £31.24 per week (£1,562 per year)
- 2 bed flats £34.30 per week (£1,715 per year)

4. HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

4.1 Original Budget 2023/24

The proposed HRA Capital Budget for 2023/24, shown in Appendix 2, is £12.7m. Table 4 below shows the key movements in the programme from the 2022/23 original budget to the original budget for 2023/24.

<i>Table 4</i>	£000's
Original estimate 2022/23	14,720
Changes in programme	
New Builds (see 4.1.1)	(2,493)
Thermal Insulations (see 4.1.2)	(48)
Ross House (see 4.1.3)	(900)
Rewiring (see 4.1.4)	(200)
SHDF Wave 2 - Capital Works (see 4.1.2)	881
SHDF Wave 2 - A & A (see 4.1.2)	155
Telecare (see 4.1.5)	619
Remodelling Independent Living Schemes (see 4.1.6)	250
Estate improvement works (see 4.1.7)	(89)
Treatment works (see 4.1.8)	90
Other net variances	(247)
Total decrease in expenditure	(1,982)
Original estimate 2023/24	12,738

4.1.1 New Build

The budget required for the new build programme will vary from year-to-year depending on the profile of the programme. This is reflected within the HRA Business Plan update which was agreed by Cabinet on 19 February 2020 and stated that 1,200 new homes would be delivered by 2034/35 (subject to available capital resources) and is currently being refreshed.

The movement in the budget for 2023/24 reflects the current plans for new builds and acquisitions for 2023/24, all subject to availability of capital financing resources in 2023/24 and future years. The budget for 2023/24 is therefore comprised of the following schemes; Shepway Close (£1.4m), Biggins Wood (£804k) and funding for HRA acquisitions to add to the overall stock (£1m).

4.1.2 Thermal Insulations

The 2019 Conservative Manifesto committed to a £3.8bn Social Housing Decarbonisation Fund (SHDF) over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050. The SHDF aims to deliver warm, energy-efficient homes, reduce carbon emissions and fuel bills, tackle fuel poverty, and support green jobs.

The budget for 'thermal insulation' is being used for the F&HDC element of match funding for the Social Housing Decarbonisation Fund Wave 1 ('SHDFW1') programme which seeks to achieve the goal of increasing thermal efficiency and reducing carbon emissions in use and to achieve a property EPC rating of 'C'. The proposed budget a carry forward to 2023/24

and is expected to be utilised in Q1 2023/24 on the SHDFW1 cohort of properties.

Following a successful application for Wave 1 funding and receipt of £1,989,090, the Council has submitted an application for Wave 2 funding and a budget has been provided for match funding in 23/24 (50% grant funding, 50% Council funding), should the application be successful. A separate heading is therefore included in the budget for the F&HDC match funding for Wave 2.4.1.3 **Ross House**

As part of the Wave 1 SHDF funding, it was planned that Ross House would receive upgrades to improve its energy efficiency in 22/23. Whilst the programme has been subject to delay in the completion of works, which are likely to extend into 2023/24, the Ross House specific budget will spent in full in 2022/23, with any further works required to achieve the required efficiency ratings provided from the carry forward of Thermal Insulations (see 4.1.2 above). This specific entry is therefore to be removed from the HRA Capital budget.

4.1.4 Rewiring

A programme of electrical recertifications (required every 5 years) and identification of works required has been conducted, with approximately 190 properties remaining. The movement in budget reflects the level of work required for 2023/24 compared to 2022/23.

4.1.5 Telecare digital upgrade

Existing telecare systems for vulnerable residents within the HRA estate are based on the national copper phone line network as provided by BT Openreach. With the forthcoming 'copper switch off' where the existing Openreach copper phone networks are being replaced with full fibre networks as part of the broader national rollout, F&HDC's existing telecare systems will no longer function from 2025 (the planned switch off date). As such, a 2-year programme of digital replacement units is planned to ensure the system continues to work with the new national network from 2025. The spend profile for the 2023/24 budget is for the first half of planned replacement costs, with the remainder to be covered in 2024/25.

4.1.6 Remodelling Independent Living Schemes

A full asset review by ARK (covering redevelopment, refurbishment & remodelling) has been carried out. A capital budget is required to mitigate issues identified in some schemes.

4.1.7 Estate Improvement Works

The capital budget for estate improvement works has been removed for 2023/24 based on current need. Planned works are likely to feature in the HRA medium term capital programme which will be brought to Cabinet along with the HRA business plan, however.

4.1.8 Treatment Works

The increase to the treatment works budget over 2022/23 is entirely a carry forward. Increased capital spend will help to alleviate current spend on responsive maintenance of the pumping stations over the longer term.

4.2 HRA Reserve Balances

HRA Reserve – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan.

The following table shows the required resources to finance the original budget for 2022/23 and original budget for 2023/24 for the HRA capital programme.

Table 6	Major Repairs Reserve	Use of RTB Capital Receipts	Use of Other HRA Capital Receipts	Capital Financing	Carry forwards	Revenue Contribution	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Original budget 2022/23	2,399	2,279	3,384	0	0	6,658	14,720
Original budget 2023/24	3,084	600	0	3,204	1,492	4,358	12,738

5. HRA MEDIUM TERM CAPITAL PROGRAMME 2023/24 – 2026/27

- 5.1 Given the significant funding pressure the HRA faces in the medium term as a result of the factors outlined in this report, a new 4-year medium-term capital programme has been constructed for the 4-year period through to 2026/27. This is attached at Appendix 3. This programme of works is based, among other things, on the results of the extensive stock condition survey completed in 2021 and the existing New Build and Acquisition originally scheduled over the next 4 financial years. There are many demands on the HRA capital reserves including tenant health and safety and property compliance, Decent Homes standards, other capital investment, retrofit of the existing stock and the new build programme. The proposed programme has been assembled based on considerable work by officers to identify the critical capital works requirements over the medium term for the existing HRA stock, taking into account the above demands.
- 5.2 It is important to note that this programme does not include a budget for the Highview project which is being separately considered by Cabinet and is prepared on the basis that Members agree with the recommendations in that report. In addition, as no decisions have yet been taken regarding the purchase of new build stock from developers at Biggins Wood once complete, this is also omitted from the medium-term capital programme.

5.3 It should be noted that the current economic and financial climate has resulted in increasing inflationary pressures on costs and increases in interest rates and the cost of borrowing. This has had a marked impact on the Council's HRA Capital Programme. This factor, in tandem with the costs arising from the recent stock condition survey and costs of achieving Energy Performance Certificate 'C' and 'A' by 2030 and 2050 respectively have led to the requirement for a more medium term (4 year) resource plan for HRA capital spending requirement and funding assessment.

6. RISK MANAGEMENT ISSUES

6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital programme does not reflect work required	Medium	Low	The budgets have been drafted following a comprehensive stock condition survey to identify works required
Spending profile and budget are unaligned	High	Low-Medium	Stringent budget monitoring during the financial year will enable early corrective action

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Comments (NM)

There are no legal implications arising directly out of this report other than as already stated therein. (Following the coming into force of Schedule 15 of the Localism Act 2011, English local authorities are required to be self-financing in relation to their housing stock, financing their housing stock from their own rents.)

7.2 Finance Comments (LW)

All financial effects are included in this report.

7.3 Diversities and Equalities Implications (GE)

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

7.4. Climate Change implications (OF)

There are no climate change implications arising from this report.

Consideration should be given to ensure that houses are built, repaired and upgraded using materials and techniques that are suitable to our changing climate.

7.5 **Communications and Engagement Implications (KA)**

There are no communication implications arising from this report

8. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

This report has been prepared by:

Jonathan Smith, Senior Accountant

Telephone 01303 853780 Email: jonathan.smith@folkestone-hythe.gov.uk

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

None

Appendices:

Appendix 1 - HRA Revenue Budgets

Appendix 2 - HRA Capital Programme

Appendix 3 – HRA Medium Term Capital Programme 2023/24 – 2026/27

HOUSING SERVICES

ANNUAL ESTIMATES 2023/24

Actual 2021/22 £	<u>HOUSING REVENUE ACCOUNT</u>	Original 2022/23 £	Estimate 2023/24 £
	<u>INCOME</u>		
15,230,322	Dwelling rents	15,817,040	16,984,378
280,228	Non-dwelling rents	342,380	285,000
1,016,680	Other charges for services and facilities	1,047,020	1,099,371
1,989,000	Capital Grants and Contributions	0	0
52,200	Contributions from general fund	52,200	52,200
18,568,430	TOTAL INCOME	17,258,640	18,420,949
	<u>EXPENDITURE</u>		
3,958,821	Repairs and maintenance	4,091,260	4,354,690
5,422,810	General management *	4,907,080	5,079,562
1,634,529	Special management *	1,692,330	1,901,625
20,085	Rents, rates & taxes	21,750	21,750
-36,549	Increase provision for bad or doubtful debts	100,000	250,000
	<u>Capital Financing Costs</u>		
10,667,835	Depreciation charges	2,398,700	3,084,000
-1,468,846	Exceptional Item Impairment	0	0
24,110	Debt management expenses	22,950	22,950
20,222,795	TOTAL EXPENDITURE	13,234,070	14,714,577
1,654,365	NET COST OF SERVICES	-4,024,570	-3,706,372
-761,712	(Gain)/Loss on Sale of HRA Fixed Assets	0	0
1,519,711	Loan charges - Interest	1,633,000	1,907,000
	<u>Investment Income</u>		
-13,394	Interest on notional cash balances	-11,310	-311,000
255,000	Pensions Interest Cost and Expected Return on Assets	0	100,000
2,653,970	NET OPERATING INCOME	-2,402,880	-2,010,372
-4,794,182	Any other item of income & expenditure	0	0
761,712	Gain/(Loss) on Sale of HRA Fixed Assets	0	0
4,286,732	Revenue Contribution to Capital Expenditure	6,658,597	4,358,150
-800,000	Pensions Interest costs	-195,000	-195,000
2,108,232	TOTAL DEFICIT/SURPLUS(-) FOR YEAR	4,060,717	2,152,778
12,036,896	Balance as at 1st April	9,927,944	5,867,227
9,927,944	Balance as at 31st March	5,867,227	3,714,449

* General Management - relates to costs for the whole of the housing stock or all tenants such as EKH Management Fee and support costs.

* Special Management - relates to only some of the tenants such as cleaning communal areas of flats and maintenance of open spaces.

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HOUSING SERVICES

ANNUAL ESTIMATES 2023/24

Actual 2021/22 £	<u>HRA CAPITAL PROGRAMME</u>	22/23 budget	Draft 2023/24 £
	<u>EXPENDITURE</u>		
	<u>Decent Homes Standard</u>		
495,893	Doors	732,350	732,350
998,850	Re-roofing	799,640	799,640
621,860	Heating Improvements	649,330	649,330
341,214	Kitchen Replacement	579,600	500,000
250,000	Bathroom Improvements	444,250	444,250
161,578	Voids Capital Works	300,000	300,000
323,961	External Enveloping	392,440	350,000
1,256,962	Fire Protection Works	800,000	800,000
110,737	Thermal Insulations	1,449,900	1,401,900
2,473,929	Enhanced Capital Programme	0	0
0	Smoke/CO Detectors	38,080	50,000
0	Door Block Entry System	409,000	406,000
0	Communal Areas	104,060	60,000
0	Ross House	900,000	0
0	SHDF Wave 2 - A & A	0	155,457
0	SHDF Wave 2 - Capital Works	0	880,923
7,034,984	Sub-Total	7,598,650	7,529,850
	<u>Non Decent Homes Standard</u>		
10,000	Treatment Works	110,000	200,000
529,816	Disabled Adaptations	450,000	450,000
389,907	Rewiring	437,200	237,200
80,000	Sheltered Scheme upgrades	80,000	60,000
65,145	Garages Improvements	150,000	100,000
10,849	Lift Replacements	60,000	60,000
0	Telecare Digital upgrade	0	619,000
0	Remodelling Independent Living Schemes	0	250,000
1,085,717	Sub-Total	1,287,200	1,976,200
	<u>New Build Programme</u>		
2,923,521	New Builds	5,696,890	3,204,000
2,923,521	Sub-Total	5,696,890	3,204,000
	<u>Environment/Estate Improvement</u>		
15,334	Environmental Works	29,500	0
50,450	New Paths	50,000	0
9,993	Play Areas	10,000	0
75,777	Sub-Total	89,500	0
11,119,999	TOTAL IMPROVEMENTS TO HRA STOCK	14,672,240	12,710,050
	<u>OTHER SCHEMES</u>		
15,938	EKH Single System	47,813	28,000
11,135,936	TOTAL EXPENDITURE	14,720,053	12,738,050
	<u>FINANCING</u>		
5,678,986	Major Repairs Reserve	2,398,700	3,084,000
1,169,408	1-4-1 Capital Receipts	2,278,756	600,000
0	HRA Other Capital Receipts	3,384,000	0
0	Capital Financing	0	3,204,000
0	(Carry forwards	0	1,491,900
4,287,543	Revenue Contribution	6,658,597	4,358,150
11,135,936	TOTAL FINANCING	14,720,053	12,738,050
0	SHORTFALL IN FINANCING	0	0

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Appendix 3

HOUSING SERVICES

HRA MEDIUM TERM CAPITAL PROGRAMME

	HRA CAPITAL PROGRAMME	Draft 2023/24 £	Draft 2024/25 £	Draft 2025/26 £	Draft 2026/27 £
	EXPENDITURE				
	Decent Homes Standard				
	Doors	732,350	825,200	704,450	718,300
	Re-roofing	799,640	231,640	255,120	371,080
	Heating Improvements	649,330	539,756	629,656	663,656
	Kitchen Replacement	500,000	479,600	461,200	507,200
	Bathroom Improvements	444,250	385,280	366,630	430,230
	Voids Capital Works	300,000	300,000	300,000	300,000
	External Enveloping	350,000	235,880	190,080	151,440
	Fire Protection Works	800,000	800,000	800,000	150,000
	Thermal Insulations	1,401,900	0	0	0
	Smoke/CO Detectors	50,000	0	0	0
	Door Block Entry System	406,000	0	0	0
	Communal Areas	60,000	81,000	142,540	183,930
	Ross House	0	0	0	0
	SHDF Wave 2 - A & A	155,457	233,186	0	0
	SHDF Wave 2 - Capital Works	880,923	1,321,385	0	0
	EPC C standard compliance			1,800,000	1,800,000
	Sub-Total	7,529,850	5,432,927	5,649,676	5,275,836
	Non Decent Homes Standard				
	Treatment Works	200,000	250,000	250,000	250,000
	Disabled Adaptations	450,000	450,000	450,000	450,000
	Rewiring	237,200	189,300	195,600	287,400
	Sheltered Scheme upgrades	60,000	60,000	60,000	60,000
	Garages Improvements	100,000	30,000	30,000	30,000
	Lift Replacements	60,000	60,000	60,000	60,000
	Telecare Digital upgrade	619,000	619,000	0	0
	Remodelling Independent Living Schemes	250,000	250,000	250,000	0
	Sub-Total	1,976,200	1,908,300	1,295,600	1,137,400
	New Build Programme				
	New Builds	3,204,000	0	0	0
	Sub-Total	3,204,000	0	0	0
	Environment/Estate Improvement				
	Environmental Works	0	391,380	504,080	401,130
	New Paths	0	15,000	15,000	15,000
	Play Areas	0	10,000	10,000	10,000
	Sub-Total	0	416,380	529,080	426,130
	TOTAL IMPROVEMENTS TO HRA STOCK	12,710,050	7,757,607	7,474,356	6,839,366
	OTHER SCHEMES				
	EKH Single System	28,000	28,000	28,000	28,000
	TOTAL EXPENDITURE	12,738,050	7,785,607	7,502,356	6,867,366
	FINANCING				
	Major Repairs Reserve	3,084,000	3,084,000	3,084,000	3,084,000
	1-4-1 Capital Receipts	600,000	600,000	600,000	600,000
	HRA Other Capital Receipts	0	0	0	0
	Capital Financing	3,204,000	500,000	1,250,000	400,000
	Carry forwards	1,491,900	0	0	0
	Revenue Contribution	4,358,150	3,601,607	2,568,356	2,783,366
	TOTAL FINANCING	12,738,050	7,785,607	7,502,356	6,867,366
	SHORTFALL IN FINANCING	0	0	0	0
	HRA RESERVES				
	Opening balance (Surplus) / Deficit	- 5,867,227	- 3,714,449	- 2,500,114	- 2,473,311
	Requirements / usage	2,152,778	1,214,335	26,803	42,965
	Closing Balance (Surplus) / Deficit	- 3,714,449	- 2,500,114	- 2,473,311	- 2,430,346

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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

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

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
Earmarked						
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
Total Earmarked Reserves	20,969	(4,836)	16,133	(2,180)	13,953	
Total General Fund Reserve	6,058	567	6,625	(1,786)	4,839	

¹ IFRS = International Financial Reporting Standards

² 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)
Council Tax Requirement- demand on the Collection Fund	14,289,513
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.

Band D Tax Rates	2023/24	2022/23	Increase /
	£	£	(Decrease)
			%
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%.

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

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:

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

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

Brian Thompson, Interim Chief Financial Services Officer

Telephone: 0773 934 2464

Email: 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		£	£
£		£	£
SUMMARY OF NET EXPENDITURE			
Service Heads			
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
18,284,480	TOTAL HEAD OF SERVICE NET EXPENDITURE	19,254,514	19,783,054
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)
15,425,970	TOTAL GENERAL FUND OPERATING NET EXPENDITURE	15,333,960	15,323,365
(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
13,948,800	TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS	17,360,960	17,255,365
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)
13,792,294	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	16,197,996	16,075,760
(13,591,730)	Council Tax-Demand on Collection Fund	(14,149,945)	(14,289,513)
200,564	(SURPLUS)/DEFICIT FOR YEAR	2,048,051	1,786,247
(200,564)	Contribution from General Reserve	(2,048,051)	(1,786,247)
-	BALANCE AT END OF YEAR	-	-

APPENDIX 2

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

EXPENDITURE (including additions to Reserves and Contingencies)	£	£
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	
 TOTAL EXPENDITURE Recommendation 3(a)		 106,141,220
		<hr/>
INCOME (including use of Reserves)		
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)	
 TOTAL INCOME Recommendation 3(b)		 (91,851,707)
		<hr/>
COUNCIL TAX REQUIREMENT Recommendation 3 (c)		 14,289,513
		<hr/>

APPENDIX 3

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

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

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
Telephone & e-mail: 07935 517986
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

Is this new or existing? Annual production of Council's General Fund Budget and Council Tax Setting.

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.

3. Who are the stakeholders and what are their interests?

The main stakeholders are local taxpayers, the electorate, Members and central government.
--

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: 8February 2022

Role: Performance and Improvement Specialist

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