



Agenda

Meeting: **Cabinet**
Date: **31 January 2024**
Time: **5.00 pm**
Place: **Council Chamber - Civic Centre Folkestone**

To: **All members of the Cabinet**

All Councillors for information

The cabinet will consider the matters listed below on the date and at the time and place shown above.

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.

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

Members of the Council should declare any interests which fall under the following categories:

- a) disclosable pecuniary interests (DPI);
- b) other significant interests (OSI);
- c) voluntary announcements of other interests.

3. **Minutes (Pages 7 - 20)**

To consider and approve, as a correct record, the minutes of the meeting

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Email: committee@folkestone-hythe.gov.uk or download from our
website
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held on 13 December 2023.

4. **Housing Compliance (Gas and Fire Safety) Policies (Pages 21 - 112)**

This report presents two policies in relation to health and safety compliance for the Council's housing landlord service. These are, specifically:

1. Housing Compliance (Gas Safety) Policy
2. Housing Compliance (Fire Safety) Policy

5. **Service charges 'de-pooling' for council housing - Housing Revenue Account (HRA) (Pages 113 - 126)**

This report outlines the recommendation to 'de-pool' the service charges for council tenants, as well as properties sold under the RTB and other property sales, and implement an accurate, fair, and transparent charging regime across all service charge elements. Making the charges equitable and transparent in the charging structure is in line with good practice according to the government's policy - Statement on Rents for Social Housing 2018, Social Housing Regulation Act 2023, and RICS service charge management code (3rd edition).

6. **Disposal - Hay House, Hythe - Housing Revenue Account (HRA) Grade 2 Listed Asset (Pages 127 - 140)**

This report informs cabinet of the current position regarding HRA Asset - grade 2 listed property, Hay House, Sir John Moore Avenue, Hythe, Kent, CT21 5DF - including a recommended option to dispose of the property.

7. **Draft Housing Revenue Account Revenue and capital original budget 24/25 (Pages 141 - 192)**

This report sets out the Housing Revenue Account ('HRA') Revenue and Capital Budget for 2024/25 for approval and proposes an increase in weekly rents and an increase in service charges for 2024/25 both for approval.

8. **Draft General Fund budget 2024/25 (Pages 193 - 274)**

This report sets out the Council's Draft General Fund budget for 2024/25 and the updated MTFS.

9. **Investment Strategy 2024/25 (Pages 275 - 294)**

This report sets out the Council's proposed strategy for its service and commercial investments in 2024/25 to be approved by full Council.

10. **Treasury Management Strategy (Pages 295 - 324)**

This Treasury Management Strategy Statement sets out the Council's

proposed strategy for its treasury management activities for 2024/25, including Treasury Management Prudential Indicators.

11. **Capital Strategy 2024/25 and Minimum Revenue Provision Statement 2024/25 (Pages 325 - 346)**

This report sets out the Council's proposed strategy in relation to capital expenditure, financing, and treasury management in 2024/25 to be approved by full Council. The report also sets out the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2024/25 to be approved by full Council.

12. **Update to the General Fund Medium Term Capital Programme (MTCP) (Pages 347 - 358)**

This report updates the General Fund Medium Term Capital Programme for the five-year period ending 31 March 2029. 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.

13. **Q3 Housing Revenue Account Budget Monitoring (Pages 359 - 368)**

This monitoring report provides a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme based on net expenditure to 1 December 2023.

14. **Q3 General Fund Revenue Budget Monitoring (Pages 369 - 380)**

This report sets out the financial monitoring information for the Council as at 1 December 2023, i.e., Q3 of 2023/24. The report provides Members with an overview of budget performance, including an overview of reserves and balances, to enable the Committee to take ownership of the budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets. At the end of Quarter 3, there is a favourable **end of the financial year projected position of £458k** on the Council's revised net revenue expenditure budget, of £22.2m. This position is based on budget activities as at 1 December 2023, projected trends in income and expenditure and changes to Council funding.

15. **Q3 General Fund Capital Programme Budget Monitoring (Pages 381 - 390)**

This monitoring report provides an initial projection of the current financial position for the General Fund capital programme profiled for 2023/24, based on expenditure to 1 December 2023, and identifies variances compared to the latest approved budget.

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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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Minutes

Cabinet

Held at:	Council Chamber - Civic Centre Folkestone
Date	Wednesday, 13 December 2023
Present	Councillors Mike Blakemore, Polly Blakemore, Gary Fuller, Jim Martin (Chairman), Tim Prater (Vice-Chair), Stephen Scoffham, Rebecca Shoob and Jeremy Speakman
Apologies for Absence	Councillors Rich Holgate
Officers Present:	Andy Blaszkowicz (Director of Housing and Operations), Gavin Edwards (Performance and Improvement Specialist), Ewan Green (Director of Strategy and Resources), James Hammond (Strategy & Policy Senior Specialist), Andrew Hatcher (Revenues and Benefits Lead Specialist), Jyotsna Leney (Health, Wellbeing and Partnership Senior Specialist), Ola Owolabi (Chief Financial Services Officer), Susan Priest (Chief Executive), Gary Ridgewell (Interim Managing director - Otterpool Park LLP), Andrew Rush (Chief Officer Place & Regulatory Services), Jonathan Smith (Chief Accountant), Adrian Tofts (Strategy, Policy & Performance Lead Specialist) and Jemma West (Democratic Services Senior Specialist)
Others Present:	Tom Hydes (Stantec) Dan Nicholls (SNRG)

NOTE: All decisions are subject to call-in arrangements. The deadline for call-in is 22 December 2023 at 5pm. Decisions not called in may be implemented on Wednesday 27 December 2023.

54. **Declarations of Interest**

Councillor Shoob made an Other Significant Interest in respect of Minute no 56 (Solar farm Opportunity – Lymgne) due to her role as a Director on the Board of Otterpool Park LLP, and indicated that she would move to the public gallery during the debate vote on the item.

55. **Minutes**

The minutes of the meeting held on 15 November 2023 were submitted, approved, and signed by the Leader.

56. **Solar farm Opportunity - Lympne**

In response to the recommendations 2 & 3 of the Cabinet report C/23/17 of 12th July 2023 Otterpool Park LLP undertook to explore the opportunity of a solar farm at Lympne and to complete the soft market testing and the options available to the Council. The report set out the results of the market testing and makes recommendations on the next steps.

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

RESOLVED:

1. **That the report be received and noted.**
2. **That delegated authority be provided to the Director of Housing and Operations**
 - a) **To undertake detailed negotiations with the preferred solar farm developer to a position where the Options Agreement is ready to be signed with the provider;**
 - b) **To develop the detailed business case and financial and governance models with risk/reward profiles for the proposal from the preferred provider.**
3. **To note that a further report detailing the negotiated options agreement and the business case will be reported to Cabinet for approval.**
4. **That Cabinet approve a budget of up to £50K from the approved Otterpool budget to fund the legal and financial reviews and modelling associated with the project.**

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

During the consideration of this item, Councillor Shoob moved to the public gallery and did not take part in the debate or vote.

REASONS FOR DECISION:

Cabinet was asked to agree the recommendations so that the opportunity to establish a solar park at Lympne can be explored further.

57. **Refresh of the Council's Children, Young People and Vulnerable Adults Safeguarding Policy 2023 and general update**

The Council is part of the statutory safeguarding role within the wider public sector, with responsibilities to children, young people and vulnerable adults. The

children, young people and vulnerable adults safeguarding policy of the Council has been updated and is attached at Appendix 1. Cabinet are advised of the changes made to the 2021 policy as the refresh takes place every two years. Cabinet are also advised of the wide range of activity that has taken place over the last few years year with updates on safeguarding practice. Due to the nature of the content of the safeguarding policy Cabinet are presented with a public version (available on the website). An internal version containing personal information is available on the intranet for staff and members.

Proposed by Councillor M Blakemore,
Seconded by Councillor P Blakemore; and

RESOLVED:

- 1. That report C/23/56 and accompanying safeguarding policy be received and noted.**
- 2. To note that the Council's website will be updated to include additional content relating to safeguarding including further advice to external contractors.**
 - **To note additional work carried out eg statutory safeguarding audits, reviews and the creation of a care leaver support note.**
 - **To note the comments made by OSC on 14th November 2023 (s1.5).**
- 3. That it be recommended to Full Council that the public version of the policy be adopted.**

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

The safeguarding policy is a statutory requirement and is required to be adopted by the Council.

58. Quarter 2 Performance report 2023/24

The report provided an update on the Council's performance for the second quarter of the year covering 1st July-30th September 2023. The report enables the Council to assess progress against the approved key performance indicators arising from the Council's Corporate Action Plan.

Key performance indicators are being monitored during 2023-24 and are reported to Members quarterly.

Proposed by Councillor Prater,
Seconded by Councillor Fuller;

RESOLVED:

- 1. That report C/23/60 be received and noted.**
- 2. That the performance information for Quarter 2 2023-24 in Appendix 1 be noted.**

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

- a) The Council is committed to monitoring performance across all of its corporate service ambitions to ensure progress and improvement is maintained.
- b) The Council needs to ensure that performance is measured, monitored and the results are used to identify where things are working well and where there are failings and appropriate action needs to be taken.

59. **Oportunitas progress report 2023/24 To 31 October 2023**

The report provided an update from the Board of Oportunitas Ltd (“the company”) on activities undertaken so far during the 2022/24 financial year, including a projected outturn for the profit and loss account for the period to 31 March 2024 compared to the original forecast, based on activity to 31 October 2023. The report also outlines the company’s audited Statement of Accounts for the financial year ending 31 March 2023. This report is in-line with the requirement contained in the Shareholder’s Agreement between the company and the Council.

The Chair of Oportunitas was present at the meeting of Cabinet to present the report and to address any questions.

Proposed by Councillor Prater,
Seconded by Councillor Shoob; and

RESOLVED:

- 1. That report C/23/69 be received and noted.
- 2. That the Full Statement of Accounts and Directors’ Report for the financial year ending 31 March 2023 be noted.
- 3. That the latest projected outturn for the Profit and Loss Account of Oportunitas Limited for the financial year ending 31 March 2024 be noted.

(Voting figures: 8 for, 0 against, 0 abstentions).

REASON FOR DECISION:

Cabinet was asked to agree the recommendations because Oportunitas Ltd (“the company”) is required to provide regular updates to Cabinet as set out in the Shareholder’s Agreement between the company and the Council.

60. **Options Report on whether to continue to maintain Kent County Council (KCC) owned grass in the District, which is subsidised by Folkestone & Hythe District Council (FHDC)**

The report outlined the current arrangement with Kent County Council (KCC) to maintain rural and urban verges and the financial implications of this for Folkestone & Hythe District Council (FHDC). Various options are outlined in the report for consideration to reduce budgets in line with the Star Chamber exercise.

Proposed by Councillor Speakman,
Seconded by Councillor Prater; and

RESOLVED:

- 1. That report C/23/61 be received and noted.**
- 2. That options detailed in section 5 of the report be noted;**

Option 1: Continue to maintain all KCC Highways grass in the District to the current specification (up to 10 cuts per year for urban grass verges and two cuts per year for rural verges) and enter into a new contract with KCC Highways.

Option 2: Continue to maintain all urban grass verges (inner 30mph areas) but hand back the rural verge mowing to KCC Highways.

Option 2a: Continue providing both the urban and rural maintenance service to KCC but reduce the rural swathe cut to the required KCC frequency of 1 rather than the 2 cuts that FHDC currently provide.

Option 3: Cease cutting all KCC Highways grass in the District and hand the service back to KCC.

Option 4: Hand back all of the KCC highways work in the District, but retain some key high profile elements to maintain the appearance of the district in line with our corporate objectives.

Option 5: Deferment of a decision with further consideration to be given to handing back the KCC contract in 12 months for the 25/26 financial year.

- 3. That Option 2a be approved- Continue providing both the urban and rural maintenance service to KCC but reduce the rural swathe cut to the required KCC frequency of 1 rather than the 2 cuts that FHDC currently provide. (To note that this is recommended for a period of 12 months whilst option 5 is further explored.)**
- 4. That Option 5 be approved - Deferment of a decision with further consideration to be given to handing back the KCC contract in 12 months for the 25/26 financial year.**
- 5. To delegate authority to the Director of Housing and Operations to work with KCC colleagues to transfer the service back to KCC ready for the 25/26 financial year.**
- 6. That Cabinet be minded to explore option 4 and consider retaining some high profile areas to enhance the appearance of the district further work will need to be carried out by officers and a further report will be presented to Cabinet in due course.**

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

To reduce the grounds maintenance budget, to help the council meet its overall financial deficit as per the star chamber exercise.

61. Waste and Street Cleansing contract budget proposals

The report outlined proposed budget savings, incomes, and growth options for the financial year 23/24 for the Waste & Street Cleansing Contract. The report proposed the council seeks to negotiate a contract saving of £200K, looks to rationalise the overall number of street litter bins, increases to the bulky waste and garden waste fees and a budget growth item to restructure the Waste Team.

The Cabinet Member advised on an error in the summary of the report, in that the date stated as 2023/24 should read 2024/25.

A Cabinet Member proposed an amendment asking for the following changes to the recommendations:

- Recommendation 4 – removal of the words “(to approximately 775 bins)”, and insertion of the words “location and” between the words “the” and “overall”.
- Recommendation 5 – removal of the recommendation, and renumbering of subsequent recommendations.

The amendment was accepted by the proposer and therefore became the substantive motion.

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

RESOLVED:

1. That report C/23/68 be received and noted.
2. That the recommendation in 2.6 that the Director of Strategy & Resources is given delegated authority to enter formal negotiations with Veolia with the purpose of reducing the annual cost of the Waste Collection & Street Cleansing contract by £200K. The expectation is the savings will be from the street cleansing service and will result in changes in the contract service standards and performance criteria.
3. Agree the recommendation in 2.7 that an update is provided to Cabinet to confirm the contract savings achieved, noting that any contract variation would need final approval by the Monitoring Officer and S151 Officer as per the council’s Contract Standing Orders.
4. Agree the recommendation in 3.7 that the council undertakes a project to rationalise the location and overall number of street litter bins.

5. **Agree the recommendation in 4.5 that the bulky waste collection fee is increased to £53 for 24/25 for the collection of up to three eligible items. The additional item fee to remain at £9 per item for collections of more than three items.**
6. **Agree the recommendation in 5.3 that the garden waste annual subscription fee is increased to £60.**
7. **Agree the recommendation in 6.3 to include a budget growth item of £43K for financial year 24/25 to restructure the Waste Team with the growth funded from contract savings achieved.**

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

The proposals in the report are to support the council budget setting process for financial year 24/25 and its overall savings targets.

62. **Update to the Medium Term Financial Strategy 2024/25 to 2027/28**

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 2028. 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.

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

RESOLVED:

1. **That report C/23/64 be received and noted.**
2. **To recommend to Full Council that the Medium Term Financial Strategy, as appended to the report, is adopted.**
3. **To recommend to Full Council that the Reserves Policy outlined in appendix 3, be adopted.**

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

- (a) The MTFS is the Council's key financial planning document.
- (b) The strategy defines the financial resources needed to deliver the Council's corporate objectives and priorities and covers the financial implications of other key strategies.
- (c) The Council needs to be able to carry out an early assessment of the financial implications of its approved policies and strategies and also external financial pressures facing the authority to ensure that it has robust budgeting and remains financially viable.

63. Budget Strategy 2024/25

The Budget Strategy sets out the guidelines for preparing the 2024/25 Budget. It supports the Corporate Plan and aligns with the direction and objectives of the Medium Term Financial Strategy (MTFS). In terms of financial planning, the Budget Strategy takes account of current and future financial and economic conditions and the Government's Autumn Statement delivered on for 22 November 2023. The Budget Strategy also sets out the underlying assumptions and initial budget-setting proposals and provides a timetable for delivering a balanced budget for approval and final Council Tax setting by Full Council on 28 February 2024.

Proposed by Councillor Prater,
Seconded by Councillor Speakman; and

RESOLVED:

- 1. That report C/23/63 be received and noted.**
- 2. That the Budget Strategy for 2024/25 set out in the report be agreed.**
- 3. That the General Fund revenue growth & savings proposals for 2024/25 be approved (Appendix 2).**
- 4. That the General Fund capital growth proposals for 2024/25 be approved (Appendix 3).**
- 5. That the proposed timetable for preparing 2024/25 budgets be agreed (Appendix 4).**
- 6. That the proposed arrangements for consultation be agreed.**

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

- (i) The Budget Strategy provides the framework for compiling the detailed 2024/25 budgets;
- (ii) The Budget Strategy will support the delivery of the MTFS; and
- (iii) The Budget Strategy enables the publication of initial proposals, timescales and provides details of the arrangements for consultation as required by the constitution

64. Fees and Charges 2024/25

This report focuses on the proposed fees and charges for 2024/25 which will contribute towards meeting the council's 2024/25 budget objectives and Medium-Term Financial Strategy.

The Council's Fees and Charges Policy was revised and agreed by Cabinet on 15 November 2017 (report C/17/54) and was last re-approved in December 2022 (see appendix 1, report C/22/70).

The Cabinet Member advised that due to an error in appendix two in respect of the green waste annual charge, a revised version had been circulated prior to the meeting.

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

RESOLVED:

1. That report C/23/71 be received and noted.
2. That the Fees and Charges Policy for 2024/25 at Appendix 1 be noted.
3. To approve:
 - (i) The 2024/25 fees and charges which are set at the discretion of the Council for the General Fund and Housing Revenue Account, as outlined in Appendix 2;
 - (ii) The parking charges in Appendix 3;
 - (iii) The statutory charges subject to discretionary fees in Appendix 4.

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

Cabinet is asked to agree the recommendations because the fees and charges are essential to support the delivery of the MTFs and Budget Strategy.

65. **Treasury management 23/24 - quarter 2 report**

The report provided an update on the Council's treasury management activities that have taken place during 2023/24 against the agreed strategy for the year. The report also provided an update on the treasury management indicators approved by Cabinet earlier this year.

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

RESOLVED:

1. That report C/23/72 be received and noted.

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

Cabinet is asked to agree the recommendations because:

- a) Both the CIPFA Code of Practice on Treasury Management and the Council's Financial Procedure Rules require Members to receive a report on the Council's treasury management activities during the year.

66. **Second home and empty home Council Tax Premiums**

The report was to re-affirm a decision passed on 22 February 2023 by Full Council under report number A/22/25. This is due to a delay in Royal Assent being received and therefore a delay of 12 months from the previous decision.

From 1 April 2025, billing authorities will be given the ability to add a Council Tax premium to second homes. Billing authorities will also be given the ability to amend existing long term empty home Council Tax premiums from 1 April 2024. This report reviews these proposals and recommends that some changes are introduced from the financial year 2024/25.

Proposed by Councillor Prater,
Seconded by Councillor Fuller; and

RESOLVED:

1. **That report C/23/62 be received and noted.**
2. **To recommend to Full Council to introduce a Council Tax premium to second homes from the 2025/26 financial year onwards.**
3. **To recommend to Full Council to adopt the amendments to Council Tax empty home premiums from the 2024/25 financial year onwards as demonstrated in Table 2.**

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

Cabinet was asked to agree the recommendations to ensure income to the Council is maximised whilst giving consideration to the district's Council Tax charge payers, ensuring they are treated in a reasonable and consistent manner.

67. **Housing Revenue Account (HRA) Business Plan 2023 - 2053**

The report sought Cabinet approval for the HRA Business Plan (BP) 30-year model which sets the parameters of the work and spend that is undertaken by the Council's housing team, underpinning every decision taken in the HRA. The BP model aligns with the direction and objectives of the Medium-Term Financial Strategy (MTFS), alongside the commitments of the HRA capital programme and acquisitions and new build ambitions for HRA led housing. Once approved by Members, a summary version of the HRA BP will be published in 2024.

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

RESOLVED:

1. **That report C/23/57 be received and noted.**
2. **That the 30-year HRA Business Plan and financial projections attached at appendix 1 be approved.**

3. That the HRA BP financial plan will be referred to Cabinet as part of the 24/25 budget setting process in February 24. The revised business plan will form the basis of future HRA budgets and supersedes any previous BPs or medium-term capital programmes.
4. That the revision of the HRA medium-term capital programme and other budget revisions made within this HRA BP allows for provision of annual resources of £5m (based on current prices), to facilitate the delivery of approximately 20 additional council homes each year, during the first 18 years of this Plan.
5. That the HRA priorities and assumptions set out within the HRA BP be agreed.
6. To note that the Business Plan includes assumptions that are subject to future Cabinet decisions on:
 - a future de-pooling of service charges to fairly and transparently recoup income that is due to the HRA; and
 - a disposals policy and financial model for assessing the economic viability of managing and maintaining elements of stock.

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

Cabinet is asked to agree the recommendations in order to ensure that the Council continues to provide a financially balanced housing management service that meets legislation and delivers excellent customer service to our tenants and leaseholders across the district.

68. Housing Repairs and Maintenance Options Appraisal recommendation for procurement

The Housing Repairs and Maintenance (R&M) current contract with Mears Ltd is due to expire 06/04/2025. The contract is a critical customer facing one as it currently includes all Responsive Repairs and the Planned Maintenance service, (incl. replacement kitchen and bathrooms - capital programme), also Void repairs and some Compliance related services. This contract is Housing's largest and the council's second highest in terms of spend. Following presentation at Overview and Scrutiny Committee (OSC) on 26 September 2023, a full Options Appraisal Report is attached at Appendix 1 to the report.

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

RESOLVED:

1. That report C/23/65 be received and noted.

2. To note the Options Appraisal at appendix 1 of the report that evaluates the risks, benefits, and likely costs of options to deliver the responsive repairs and maintenance service.
3. To commence a re-procurement exercise based on:
 - (a) A single Integrated contract for Repairs, Voids and some aspects of Planned Works; and
 - (b) Separate individual contracts for aspects of Compliance and the mechanical and electrical (M&E) workstreams.
4. To note that a further report with detail of the recommended contract award will be provided to Cabinet.

(Voting figures: 7 for, 0 against, 1 abstentions).

REASONS FOR DECISION:

Cabinet is asked to agree the recommendations in order to ensure that the council housing assets service is able to procure a new Repairs & Maintenance contract that continues to provide a good level of service delivery, meets legislation and provides value for money to our council tenants and leaseholders.

69. **Consultation from Kent County Council on the draft Kent Cycling and Walking Infrastructure Plan (KCWIP)**

Kent County Council (KCC) is consulting on a draft Kent Cycling and Walking Infrastructure Plan (KCWIP). The plan aims to develop a network of walking and cycling routes across Kent, integrate cycling and walking into transport policies, set out priorities for future investment and provide evidence to support local projects. The plan is out for consultation until 10 January 2024. The report summarises the KCWIP proposals and puts forward draft comments as the basis for the district council's response to the consultation.

Proposed by Councillor P Blakemore,
Seconded by Councillor J Martin; and

RESOLVED:

1. That report C/23/67 be received and noted.
2. That the Strategy and Policy Senior Specialist be given delegated authority to make any necessary amendments to the responses in Appendix 1, in consultation with the Leader and the Cabinet Member for Transport, Regulatory Services and Building Control, before submission to Kent County Council.

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

In order to influence the final version of the Kent Cycling and Walking Infrastructure Plan produced by Kent County Council following the consultation.

70. Romney Marsh Coastal Destination Centre including Beach Chalet Project

In June 2021 Cabinet (Cabinet report C/21/13) approved a proposal to create a visitor destination centre on Coast Drive carpark in Greatstone that falls within the council's ownership. The project is an opportunity to create a coastal destination centre, facilitate inward investment, improve the local economy and to bring forward a sustainable place making intervention. The proposal offered 108 beach huts a visitor hub with café/education centre, enhanced car parking, toilet facilities including a Changing Places Toilet and public realm improvements. The project also delivers a revenue surplus to the council from year one and continuing throughout the 20-year lifetime of the scheme. The report advised Cabinet of the work to date and the challenges that have been encountered leading to changes to the original proposed scheme because of site and planning constraints identified during the design development process. The report also provided an update on the current design proposal and programme including the proposed procurement of contractors and sought additional budget approval to enable the delivery of the scheme.

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

RESOLVED:

1. **That report C/23/70 be received and noted.**
2. **To approve the redesigned scheme to deliver the project on council land only, which meets ecological requirements and minimises the ecological impact on the internationally designated sites.**
3. **To approve the required budget of £1,593,000 to deliver the scheme and note that this will be built into the Medium-Term Capital Plan for approval by Full Council in February 2024.**
4. **That delegated authority be provided to the Director of Housing & Operations to accept the NDA/Magnox grant of £300K.**
5. **To note the wider funding package to deliver the scheme including CIL (£300K) and UKSPF funding (£100K).**
6. **To note commencement of the tender process for a contractor to deliver the scheme.**
7. **That delegated authority be provided to the Director for Housing and Operations to carry out any tasks required to deliver the scheme within the agreed budget.**

(Voting figures: 8 for, 0 against, 0 abstentions).

REASONS FOR DECISION:

Investment into this project will create a coastal destination centre that will boost tourism and economic activity on the Marsh whilst providing an ongoing

revenue stream for the council. The budget for the proposed scheme requires approval to deliver the project, enable the revenue stream to the council and to secure transformational change within the area, delivering the much needed social, economic, and regeneration benefit.

This Report will be made public on 23 January 2024



Report Number **C/23/86**

To: Cabinet
Date: 31 January 2024
Status: Non-Key Decision
Director: Andy Blaszkwicz, Corporate Director of Housing and Operations
Gill Butler, Chief Officer Housing
Cabinet Member: Councillor Shoob, Cabinet Member for Housing and Homelessness

SUBJECT: HOUSING COMPLIANCE (GAS AND FIRE SAFETY) POLICIES

SUMMARY: This report presents two policies in relation to health and safety compliance for the Council's housing landlord service. These are, specifically:

1. Housing Compliance (Gas Safety) Policy
2. Housing Compliance (Fire Safety) Policy

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because: -

- a. There have been changes in legislation and best practice since the policies were introduced in 2021. Cabinet needs to be made aware of these changes and the policies updated.
- b. The policies will expire in April 2024 and therefore require updating/renewing to ensure the Council is fully compliant with health and safety legislation.

RECOMMENDATIONS:

1. To receive and note report C/23/86.
2. To approve the proposed changes to the Council's Housing Compliance (Gas and Fire Safety) Policies outlined in the report and in the appended track-changed documents.

1. BACKGROUND

- 1.1 Six policies covering the FLEGAL (Fire, Legionella, Electric, Gas, Asbestos and Lifts) areas of health and safety compliance were approved by Cabinet in May 2021. These policies are due to expire in April 2024.
- 1.2 An audit on tenant health and safety was conducted by the East Kent Audit Partnership (concluded in August 2023) which awarded the Council with 'Reasonable Assurance' that it has a robust system of internal controls in place for the management of tenant health and safety. Part of this assurance is based on evidence that the Council has clear and up-to-date policies on the 'big six' aforementioned 'FLEGAL' areas of tenant health and safety compliance.
- 1.3 All six policies have undergone an internal review to ensure that they reflect current legislation and best practice. In addition, all six policies have been amended to reflect changes in regulatory powers to the effect that, from 01 April 2024, the Regulator of Social Housing will be able to proactively intervene or carry out inspections where landlords are underperforming.
- 1.4 Gas and Fire safety are deemed to be the highest risk, so we are proposing to present these policies to Cabinet first (in this report), followed by Asbestos and Electric in February, then Legionella and Lifts in March. Both Gas and Fire policies have been updated with significant changes noted below (and highlighted as track changes at appendices 1 and 3).

2. HOUSING COMPLIANCE (GAS SAFETY) POLICY

- 2.1 Broadly, the aim of this policy is to meet the requirements of the Gas Safety (Installation and Use) Regulations 1998 (as amended). In addition to this, the policy provides assurance to the Council that measures are in place to comply with these regulations and to identify, manage and/or mitigate risks associated with gas appliances in its tenanted properties.
- 2.2 The policy was updated in November 2022, to include a 'Controlled Access Procedure' as an appendix to the policy and referenced at section 6.18 of the policy (see appendix 1). This sets out the steps Council officers and contractors must follow to request, arrange and/or gain entry to a property where access has been refused by the tenant. Changes were approved under delegated authority from the Director of Housing and Operations and the Council's portfolio holder for Housing and Special Projects.

3. PROPOSED CHANGES TO THE POLICY

- 3.1 The substantive changes being proposed to Cabinet are:
 - 3.1.1 A commitment to install a Carbon Monoxide detector in every dwelling that has a fixed combustible appliance (e.g. gas boiler) as required under the Smoke and Carbon Monoxide Alarm (Amendment) Regulations 2022, referenced at sections 3.3 and 7.3.3. of the policy (see appendix 1).

- 3.1.2 An amendment to reflect the Council's current practice of conducting gas safety checks on a (MOT-style) rolling 10-month cycle from the anniversary date (Appendix 1: section 5.3); and an amendment to the Controlled Access Procedure (CAP) to remove the paragraph regarding court warrants (which is no longer relevant); to clarify who will attend a 'controlled' entry; and when this will be carried out (Appendix 1: CAP Section 2.2 and Section 6, respectively).
- 3.2 Other minor changes, including re-phrasing or re-wording, and updates to job roles and responsibilities, have been made throughout the policy.

4. HOUSING COMPLIANCE (FIRE SAFETY) POLICY

- 4.1 Broadly, the aim of this policy is to meet the requirements of the Regulatory Reform (Fire Safety) Order 2005 (FSO) and provide assurance to the Council that measures are in place to identify, manage and/or mitigate risks associated with fire within F&HDC-owned housing.
- 4.2 Substantive changes have been made to the Housing Compliance (Fire Safety) policy to ensure it reflects the current working practices of the housing compliance team and to comply with new legislation, as set out below.

5. PROPOSED CHANGES TO THE POLICY

5.1 New Legislation

Additional duties have been placed on social landlords following the Grenfell Review and the introduction of four new pieces of legislation:

- 5.1.2 [The Fire Safety Act 2021](#), which came into force in May 2022. The Act clarifies the parts of a premises that apply to the Regulatory Reform (Fire Safety) Order 2005 (FSO), the principal legislation that underpins the Fire Safety policy. In practice this requires the Council to take into account the entire premises (including external walls, windows, balconies, flat entrance doors and the building structure) as part of its Fire Risk Assessment (FRA) programme – known as a Type 3 FRA survey.
- 5.1.3 [The Fire Safety \(England\) Regulations 2022](#), which came into force in January 2023. These regulations require the Council to identify any blocks that are over 11 metres in height, plus any that are over 18 metres in height. Taller blocks place additional responsibilities upon the Council regarding fire safety.

(The Council has 15 blocks over 11 metres, and no blocks over 18 metres. In practice, this means that for those 15 blocks over 11 metres, we need to survey the entrance doors at least every 12 months, and all communal fire doors at least every 3 months.)

- 5.1.4 [The Smoke and Carbon Monoxide Alarms \(Amendment\) Regulations 2022](#), which came into force in October 2022. These regulations upgraded the detector responsibilities placed upon the social housing sector. As stated in 2.2 above (for gas safety) these regulations stipulate that we must install a CO detector in every dwelling that has a fixed combustible appliance.
- 5.1.5 [The Building Safety Act 2022](#), which came into force in October 2023. This establishes a new and enhanced regulatory requirement for the structural fire safety of buildings. This Act provides clearer guidance to landlords on how residential buildings should be maintained and made safe.
- 5.2 Additional amendments to the policy have been made to reflect changes in working practice of the housing compliance team in relation to: record-keeping, Person-Centred Fire Risk Assessments (PCFRA), prioritisation and timescales for Fire Risk Assessment actions, and the information provided to residents about fire safety.
- 5.3 Other minor changes, including re-phrasing and/or re-wording, and updates to job roles and responsibilities, have been made throughout the policy. Additional fire safety guidance has been included as an appendix to the policy.

6. CONSULTATION

- 6.1 A working group of officers reviewed the policies between October-November 2023, including specialists in Gas and Fire safety. Details of the proposed changes were presented to the Strategic Tenants Advisory Panel (STAP) for information.

7. CONCLUSION

- 7.1 The appended policies have been updated according to current legislative requirements and best practice. It is therefore recommended that these changes and policies be approved by Cabinet before they expire in April 2024.

8. RISK MANAGEMENT ISSUES

8.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
If the policies expire or are not adopted by Cabinet, the Council cannot provide assurance that it recognises its duty, or that it has the necessary controls in place to manage Gas and Fire safety in tenants' homes effectively	High	Low	The policies are being presented to Cabinet for approval before they expire. The changes outlined in both policies are already in place/will be in place by 01 April 2024; the legislative changes as listed in both policies are required to be followed, by law.
Failure by the Council to discharge its responsibilities for Gas and Fire safety could lead to a range of sanctions including prosecution by the Health and Safety Executive under the Health and Safety at Work Act 1974, and/or prosecution under the Corporate Manslaughter and Corporate Homicide Act 2007	High	Low	An audit of tenant health and safety completed by the East Kent Audit partnership in 2023, provided 'reasonable assurance' that the Council has a robust system of internal controls in place. These policies form part of that assurance. In addition, KPIs for Gas and Fire safety are monitored by the housing team weekly/monthly and reported to Cabinet quarterly.
Failure by the Council to demonstrate compliance with the regulatory framework and consumer standards may lead to an intervention and/or inspection by the Regulator of Social Housing (RSH)	High	Low	A mock assessment by the RSH against its new consumer standards (as part of a pilot exercise Jan-Mar 2023) concluded that the Council's data and controls did not suggest any potential breaches of consumer standards. The housing team are preparing to submit data against the standards for the 2023/24 year.

9. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 9.1 **Legal (NM)** – These policies have been updated in light of changes in legislation, which are identified in this report.
- 9.2 **Finance (LW)** - There are no direct financial implications within this report, however, consideration will need to be given with regard to any future impact on the HRA Capital Programme.
- 9.3 **Equality and Diversity (GE)** – An Equality Impact Assessment has been completed on both policies consideration given in relation to how we treat vulnerable tenants when attempting to gain access for safety checks.
- 9.4 **Climate Change Implications (AT)** - There are no climate change implications arising from this report.

10. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Jonathan Hicks, Policy and Performance Senior Specialist
Telephone: 01303 853721
Email: jonathan.hicks@folkestone-hythe.gov.uk

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

Appendices:

1. Housing Compliance (Gas Safety) policy (track changes)
2. Housing Compliance (Gas Safety) policy (clean version)
3. Housing Compliance (Fire Safety) policy (track changes)
4. Housing Compliance (Fire Safety) policy (clean version)



HOUSING COMPLIANCE (GAS SAFETY) POLICY

Date of policy	April 2021 <u>2024</u>
Date for review	April 2024 <u>March 2026</u>
Policy owner	Director of Housing and Operations, Folkestone & Hythe District Council
Approved by	Pending
Risk register rating	High
Associated documents	FHDC Gas Safety procedure, FHDC Controlled Access procedure

Revision history (internal F&HDC officer use only)			
Version	Date	Revision description	Policy/revision author
V1.0	March 2020	Document created	Lee Woods (Pennington Choices)
V2.0	March 2021	Re-branding; update of key roles and responsibilities in line with FHDC reporting structure	John Holman, Assistant Director (Housing); Jonathan Hicks, Policy & Performance Specialist
V2.1	April 2022	Addition to section 7.3 re: dangers associated with wood, coal and open fireplaces	Roy Catling, Assets & Development Lead Specialist. Approval by Director and Portfolio

			holder for Housing and Special Projects
V2.2	Nov 2022	Amendment to 6.18 and Controlled Access procedure as appendix	Jonathan Hicks, Performance Specialist
V2.3 (draft)	Nov 2023	Updated in light of new legislation and current working practices.	Keith Deane, Compliance Senior Specialist; Jonathan Hicks, Performance Specialist
V2.4 (draft)	January 2024	3.4 updated to reflect new powers by the Regulator	Jonathan Hicks, Performance Specialist

NEW POLICY / POLICY REVIEW

New policy	
Early review – change in legislation	
Early review – significant changes in practice	
Review due – significant changes	YES
Review due – cosmetic changes or unchanged	
Other reason	

Reason for new policy / summary of changes

To ensure the accountability for managing this policy reflects the current structure and designated roles within the Housing Service To ensure the accountability for managing this policy reflects the current working practices of the housing and compliance team, and to comply with new legislation

CONSULTATION

List of people/roles who have been consulted	Date
Keith Deane, Senior Compliance Specialist	Oct/Nov 2023
Stephanie Jupe, Compliance Specialist	Oct/Nov 2023
Mick Hale, Assets & Development Lead Specialist	Oct/Nov 2023

EQUALITY IMPACT ASSESSMENT	Completed	Date
	Yes	Nov 2022

DISSEMINATION

Role	Awareness	Essential
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Compliance team		YES
All housing staff	YES	

TRAINING		
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Role	Trainer	Date completed
Compliance Specialists	Compliance Senior Specialist	TBC

MONITORING AND COMPLIANCE		
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Method	Responsibility	Frequency
Internal audit review	EK Audit partnership	Annually or as required

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[Appendix 1: Controlled Access Procedure](#)

[Appendix 2: Controlled Access procedure flowchart](#)

1. Purpose of the Policy

- 1.1 Folkestone & Hythe District Council (hereafter referred to as ‘the Council’) is responsible for the maintenance and repairs to its homes and other buildings, many of which will contain gas installations and appliances.
- 1.2 The Gas Safety (Installation and Use) Regulations 1998 (as amended) specifically deal with the installation, maintenance and use of gas appliances, fittings and flues in domestic properties and certain commercial premises. The regulations also place a legal duty on landlords to ensure that gas appliances, fittings and flues provided for tenants’ use are safe.
- 1.3 The Council is also responsible for maintaining other types of heating systems used by tenants. These include gas, oil fired, solid fuel and liquid petroleum gas (LPG).

2. Policy Objectives and Scope

- 2.1 The Council must establish a policy which meets the requirements of the Gas Safety (Installation and Use) Regulations 1998 (as amended). In addition to this, the policy must provide assurance to the Council that measures are in place to ensure compliance with these regulations and to identify, manage and/or mitigate risks associated with gas fittings, appliances and flues.
- 2.2 The Council must ensure compliance with gas safety legislation is formally reported to the Council’s Cabinet, including the details of any non-compliance.
- 2.3 The policy is relevant to all of the Council’s employees, tenants, contractors and other persons or other stakeholders who may work on, occupy, visit, or use its premises, or who may be affected by its activities or services.
- 2.4 It should be used to ensure Council officers and contractors understand the obligations placed upon the Council to maintain a safe environment for tenants within their homes, and within all communal areas of buildings and any ‘other’ properties (owned and/or managed).

3. Legal/Regulatory Framework

- 3.1 **Regulatory Standards** - the application of this policy will ensure compliance with the regulatory framework and consumer standards (Home Standard) for social housing in England, which was introduced by the Regulator of Social Housing (RSH).
- 3.2 **Legislation** - the principal legislation applicable to this policy is ‘The Gas Safety (Installation and Use) Regulations 1998’ (as amended). The Council has a legal obligation under Part F, Regulation 36 of the legislation (Duties of Landlords) and is the ‘Landlord’ for the purposes of the legislation. The Council is the ‘Landlord’ by virtue of the fact that it owns and manages homes and buildings

housing tenants/leaseholders through the tenancy, lease and license agreement obligations it has with the tenants/leaseholders.

3.3 **Code of Practice** – the principal approved codes of practice applicable to this policy are as follows:

- ACoP L56 - 'Safety in the installation and use of gas systems and appliances' (5th edition 2018)
- INDG285 - 'A guide to landlords' duties: Gas Safety (Installation and Use) Regulations 1998' as amended Approved Code of Practice and Guidance (3rd Edition 2018)
- [The Smoke and Carbon Monoxide Alarm \(Amendment\) Regulations 2022](#)

3.4 **Sanctions**

3.4.2 The Council acknowledges and accepts its responsibilities in accordance with the regulatory standards, legislation and codes of practice and that failure to discharge these responsibilities properly could lead to a range of sanctions including prosecution by the Health and Safety Executive under the Health and Safety at Work Act 1974, and/or prosecution under the Corporate Manslaughter and Corporate Homicide Act 2007 ~~and via a serious detriment judgement from the Regulator of Social Housing.~~

3.4.2 In addition, the Regulator of Social Housing has powers to proactively intervene where landlords are performing badly on consumer issues (including non-compliance with building safety measures) and may conduct routine inspections to investigate systematic issues.

3.5 **Tenants and Leaseholders** – The Council will use the legal remedies available within the terms of the tenancy agreement, lease or license should any tenant refuse access to carry out essential gas safety checks, maintenance and safety related repair works. This will be following a controlled access procedure (see 6.18 and Appendix 1).

3.6 **Additional legislation**

This policy also operates in the context of the following legislation:

- Health and Safety at Work Act 1974
- The Management of Health and Safety at Work Regulations 1999
- The Workplace (Health, Safety and Welfare) Regulations 1992
- Gas Safety (Management) Regulations 1996 (as amended)
- The Building Regulations in England and Wales
- Dangerous Substances and Explosive Atmospheres Regulations 2002
- Pressure Equipment Regulations 1999
- Pressure Systems Safety Regulations 2000
- Pipelines Safety Regulations 1996
- Heat Network Regulations 2014

- Health and Safety (Safety Signs and Signals) Regulations 1996
- Provision and Use of Work Equipment Regulations 1998
- Construction (Design and Management) Regulations 2015
- Landlord and Tenant Act 1985
- Data Protection Act 2018
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013
- Homes (Fitness for Human Habitation) Act 2018

4. Responsibility

- 4.1 The Council's Cabinet will have overall responsibility for ensuring this policy is fully implemented to ensure compliance with the regulatory standards, legislation and approved codes of practice. As such, they will formally approve this policy and review it every two years (or sooner if there is a change in regulation, legislation or codes of practice).
- 4.2 Gas safety performance will be reported to Cabinet as part of the Council's performance reporting framework. This is so that it has assurance that the policy is operating effectively in practice.
- 4.3 The Council's Director of Housing and Operations will have strategic responsibility for the implementation of this policy and for ensuring compliance is achieved and maintained.
- 4.4 The Council's ~~Director of Housing and Operations~~ Assets & Development Lead Manager will be responsible for overseeing the delivery of the agreed gas safety programme. The ~~Director~~ Assets & Development Lead Manager will also prioritise and implement any works arising from the gas safety inspections.
- 4.5 The Housing Operations team will provide key support in gaining access into properties where access is proving difficult.
- 4.6 The Council's ~~Director~~ Chief Officer for Housing ~~and Operations~~ will be responsible for ensuring the policy is reviewed every two years and will notify The Council's Corporate Leadership Team and relevant operational team(s) responsible for the delivery of the compliance programme, of the upcoming review.
- #### 4.7 Competent Persons
- 4.7.1 The Council will ensure that the manager with lead responsibility for operational delivery is appropriately qualified and experienced, holding one of the following:
- Level 4 VRQ in Gas Safety Management (if they are not Gas Safe Registered), or equivalent, and full membership of the Association of Gas Safety Managers (AGSM);
 - A minimum of a level 4 qualification in a related subject such as Level 4 VRQ Diploma in Asset and Building Management Compliance.

- 4.7.2 ~~Where the appropriate qualification has not yet been obtained, the Council will seek assistance from a relevant third-party consultant, until the Council employee(s) has obtained the qualification(s). The most appropriate qualification will be obtained within 12 months of the approval of this policy, or within 12 months of the start of employment for any new operational leads, where the employee does not already hold it.~~
- 4.7.3 The Council will ensure that all operatives (internal or employed by external contractors) maintain Gas Safe accreditation for all areas of gas/liquid petroleum gas (LPG) works that they undertake.
- 4.7.4 The Council will ensure that only suitably competent Gas Safe accredited contractors are procured and appointed to undertake works to gas/LPG fittings, appliances and flues.
- 4.7.5 The Council will ensure that, where applicable, only suitably competent Oil Firing Technical Association (OFTEC) and/or HETAS accredited contractors are procured and appointed to undertake works to oil fired and solid fuel fittings, appliances and flues. HETAS is a not-for-profit organisation offering a competent person scheme for installers of biomass and solid fuel heating, registration for retailers and chimney sweeps and approval of appliances and fuels.
- 4.7.6 **Other heating types** – The Council will ensure that, where applicable, only individuals/organisations with a Microgeneration Certification Scheme accreditation (MCS) are procured and appointed to undertake works on ground/air source heat pumps, solar thermal and biomass heating systems.
- 4.7.7 The operational team with responsibility for delivery will check the relevant qualifications of in-house operatives or employees working for external contractors to ensure that all persons are appropriately qualified and accredited for the work that they are carrying out. These checks will be undertaken on an annual basis and evidenced appropriately.

The Policy

5. Obligations

- 5.1 The Gas Safety (Installation and Use) Regulations 1998 (as amended) impose duties on landlords to protect tenants' safety in their homes with respect to gas safety. The main duties as a landlord are set out in Regulation 36 requiring landlords to:
- Ensure gas fittings and flues are maintained in a safe condition. Gas appliances should be serviced in accordance with the manufacturer's instructions. If these are not available, it is recommended that they are serviced annually unless advised otherwise by a Gas Safe registered engineer;

- Ensure the annual safety check is carried out on each gas appliance and flue within 12 months of the previous safety check;
- Have all installation, maintenance and safety checks carried out by a Gas Safe registered engineer;
- Keep a record of each safety check for at least two years;
- Issue a copy of the latest safety check record to existing tenants within 28 days of the check being completed, or to any new tenant when they move in;
- Display a copy of the latest safety check record in a common area of a building where the gas appliance serves a communal heating system to multiple homes.

5.2 Gas servicing regulations as set out in the Homes (Fitness for Human Habitation) Act 2018, allow landlords to undertake their annual gas safety checks in the two months prior to their due date, whilst retaining the existing expiry date.

5.3 The Council will therefore aim to service all gas supplied properties on a 10-month rolling cycle from their anniversary date. However, we reserve the right when re-tendering (or at a time of mutual consent with the incumbent gas contractor) to alter the servicing cycle if necessary.

5.42 In addition, landlords must ensure that no gas fitting of a type that would contravene Regulation 30 (e.g. certain gas fires and instantaneous water heaters) is fitted in any room occupied or to be occupied as sleeping accommodation after the Regulations came into force. This includes any room converted into such accommodation after that time.

5.53 These obligations apply to both gas heating and liquid petroleum gas heating systems.

5.64 **Other heating types** – with regards to all other heating types as set out in 1.3 of this policy, ~~although~~ there is no legal requirement for carrying out safety checks. ~~However,~~ ~~the~~ Council will aim to complete an annual safety check for all properties with these heating types, in exactly the same way as ~~they do it does~~ for properties with gas ~~and LPG~~ heating. The competent person will require alternative qualifications which are set out in section 4 of this policy. Note that, as there is no legal requirement to undertake these checks, the controlled access procedure (as set out in Appendix 1) will not apply.

6. Statement of Intent

- 6.1 The Council acknowledges and accepts its responsibilities under the Gas Safety (Installation and Use) Regulations 1998 (as amended).
- 6.2 The Council will hold accurate inspection dates and inspection records against each property it owns or manages electronically.
- 6.3 The Council will request the internal gas/heating engineers visit all properties on an annual basis to carry out gas and/or heating safety checks, irrespective of whether the property has a gas supply or not (other than those properties not on the gas mains network).
- 6.4 The Council will ensure that each property requiring a gas/heating safety check and/or service will have a landlords' gas safety record (LGSR) or equivalent that has a completion date not more than 12 months following the completion date of the previous LGSR (or equivalent) relating to the property or installation date of new installations.
- 6.5 The Council will ensure that copies of all LGSRs/certification are provided to tenants within 28 days of completion or displayed in a common area where necessary within 28 days of its completion.
- 6.6 The Council will cap-off gas supplies to all properties when the property becomes void, and a new tenant is not moving in immediately following the previous tenant leaving. Where possible this will be completed by the end of the next working day.
- 6.7 The Council will cap-off gas supplies to all new build properties at handover if the new tenancy is not commencing immediately at the point of handover.
- 6.8 The Council will ensure that gas safety checks are carried out on the commencement of any new tenancy (void or new build properties), mutual exchange and/or transfer and that the tenant receives a copy of the LGSR prior to, or immediately after moving in.
- 6.9 The Council will carry out a gas safety check following any new gas appliance installation. The safety check will include a gas soundness test of the system pipework, a visual inspection of the meter installation and a visual inspection including the safe working operation on all other gas appliances and associated flues within a property, issuing a gas safety certificate to confirm the necessary checks have been completed.
- 6.10 The Council will carry out a visual check of tenant-owned appliances. This includes a 5 point visual safety check for gas cookers and gas fires where the manufacturers' instructions are available (location, flueing, ventilation, signs of

distress and stable and secure). Where appliances are found to be faulty these will be disconnected, and a warning notice issued.

- 6.11 The Council will test or replace smoke alarms as part of the annual gas safety check visit (or at void stage).
- 6.12 The Council will carry out an annual gas safety check to all properties where the gas supply is inactive (capped) at the request of the tenant. This is to ensure that gas supplies have not been reconnected by the tenant, and to ensure continued compliance with the requirements of the Gas Safety (Installation and Use) Regulations 1998 (as amended).
- 6.13 In any instance where a property has a capped supply, the Council will communicate at least annually with the tenants to ensure the property remains capped and inform the tenant of what is required in order to reinstate gas at the property.
- 6.14 The Council will carry out annual assessments of properties where tenants have chosen for personal reasons not to use the gas supply in the property. This is to check on the tenant's wellbeing and also to assess that the lack of gas heating is not adversely affecting the condition of the property.
- 6.15 The Council will ensure that only suitably competent Gas Safe accredited engineers undertake gas or LPG works for the organisation. Section 4 of this policy sets out the competency required to carry out safety checks for other heating types.
- 6.16 The Council will remove any open flue gas appliances found in any rooms that are being used as bedrooms.
- 6.17 The Council will have robust processes and controls in place to ensure that consideration is made when letting properties to the suitability of the accommodation for the prospective tenant with regards to gas/heating safety.
- 6.18 The Council will have a robust controlled access procedure in place should any tenant refuse access to carry out essential gas/heating safety related inspection and remediation works. The Council will make every effort to obtain access within the 12-month period. However, if access has still not been granted, we will take enforcement action to gain entry to the property if necessary. This may mean undertaking a '~~forced~~ controlled entry'.
- 6.19 Where a controlled entry is required, a locksmith appointed by the Council will gain entry to the tenant's home and change the lock. Work will be completed with or without the tenant's presence and the tenant will be recharged for the work.

See the Council's Controlled Access Procedure at Appendix 1

- 6.20 The Council will ~~attempt to have a robust process in place to gain access to properties where tenant vulnerability issues are known or identified whilst ensuring the organisation can~~ gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant. However, where there are particular concerns around a tenant's vulnerability, every effort will be explored to gain access with the tenant's consent, before any action to undertake a 'controlled entry' is considered, and that this as a last resort.
- 6.21 The Council will ensure that where applicable all solid fuel, chimney stacks, oil fired appliances and flues are inspected and maintained at least annually and that this work is completed by a suitably competent engineer.
- 6.22 The Council will ensure that all contractors' employee and public liability insurances are up to date on an annual basis.
- 6.23 The Council will ensure contracts/service level agreements are in place with the contractors responsible for delivering the compliance service.
- 6.24 The Council will ensure there are effective contract management arrangements in place, in the form of client-led meetings taking place regularly, with standard agendas and minutes produced, key performance indicators analysed and programmes and performance scrutinised.
- 6.25 The Council will ensure that all replacements, modifications and installations of gas appliances and heating systems within its properties will comply with all elements of Part J Combustion Appliances and Fuel Storage Systems, of the Building Regulations.
- 6.26 The Council will implement a robust process to deal with all changes to stock, including new property acquisitions, disposals and stock transfers, in order to ensure that properties are not omitted from the compliance programme, and to ensure the programme remains up-to-date.
- 6.27 The Council will ensure that there is a robust process in place for the management of immediately dangerous situations identified from the gas/heating safety check.

7. Compliance Risk Assessment/Inspection Programmes

- 7.1 **Risk assessment** – The Council will establish and maintain a risk assessment for gas safety management and operations. This risk assessment will set out the organisation's key gas safety risks together with appropriate mitigations.
- 7.2 **CDM** - to comply with the requirements of the Construction (Design and Management) Regulations 2015 (CDM) a Construction Phase Plan will be

completed for all repairs work to void and tenanted properties (at the start of the contract and reviewed annually thereafter), component replacement works and refurbishment projects where applicable.

7.3 **Domestic properties** – The Council will carry out a programme of annual gas/heating safety checks and services to all domestic properties, covering all heating types. This check will include all gas/heating fittings, appliances and flues in the property and will be completed 12 months from the date of the previous LGSR/certification.

7.3.1 **The Council does not permit installations of new wood burners, coal appliances (including smokeless) and open fireplaces.**

Dangers associated with these installations include:

7.3.2 **Potential Fire Risk** - Even burning wood in a safely engineered, regularly inspected and swept chimney still poses a danger. There are also wider risks if an errant spark from the burning wood escapes the confines of the fireplace and alights on carpeting, furniture or other flammable materials. While modern appliances are often equipped with glass doors or mesh screens designed to prevent sparks escaping, accidents may still occur.

7.3.3 **Carbon Monoxide Poisoning** - The Smoke and Carbon Monoxide Alarm (Amendment) Regulations 2022 came into force in October 2022. Although the regulations do not stipulate where the alarms should be placed, a carbon monoxide alarm should be installed in every room which is used as living accommodation containing a fixed combustion appliance (excluding gas cookers). FHDC will follow the individual manufacturer's instructions when installing the alarms. Almost all cases of carbon monoxide poisoning with solid fuel are the result of a blocked or leaking chimney. Chimneys must be inspected regularly to identify defects that may allow gases to escape into the atmosphere or flow back into the property. Gas could also escape into an adjoining property, through a common chimney, with possible deadly results.

7.3.4 **Environmental Effects** - Smokeless fuels or DEFRA approved wood/coal burners produce less pollution than non-approved appliances; however these still create air pollution which contradicts the Council's commitment to improving air quality. Where the contractor or FHDC staff visit a property and find an open fire or wood/coal burner which has not been granted written permission from FHDC and Building Control approval, the tenant will be required to remove it.

7.4 This safety check is driven from the anniversary date of the most recent LGSR/certification which may have been carried out at the start of a new tenancy or following installation of new gas appliances.

- 7.5 The Council will adopt the changes introduced in April 2018 to Part F, Regulation 36 (3) of the Gas (Installation and Use) Regulations 1998 that provides landlords with some flexibility around the anniversary date of LGSRs.
- 7.6 The new change allows the landlord to carry out a new gas safety check within 10 months and 1 day of the previous safety check and retain the original 12-month anniversary date of the previous LGSR, providing it does not exceed this 12-month anniversary date.
- 7.7 **Communal Blocks and 'Other' properties** – The Council will carry out a programme of annual gas safety checks and services to all communal blocks and HRA properties (~~commercial, shops, offices, depots, etc.~~) where it has the legal obligation to do so.
- 7.8 These checks will include all gas fittings, appliances and flues in the property and will be completed no longer than 12 months from the date of the previous LGSR/certification, or as detailed within manufacturer's instructions.
- 7.9 These safety checks and maintenance services will be carried out by a suitably competent engineer in accordance with the manufacturer's instructions. These installations may include catering equipment, boilers serving communal heating systems, combined heat and power systems, pressure vessels and water heating boilers.
- 7.10 The Council will carry out, where applicable, a programme of annual safety checks and services to all oil fired and solid fuel systems. This check will include all fittings, appliances and flues in the property and will be completed no longer than 12 months from the date of the previous safety check and service or as detailed within manufacturer's instructions or industry best practice.
- 7.11 These safety checks and maintenance services will be carried out by a suitably competent engineer in accordance with the manufacturer's instructions.
- 7.12 **Commercial Stock Assigned to the HRA** – The Council will ensure ~~they have it has~~ records of all valid LGSRs for any properties it owns, where the lease of that property is managed by someone else (e.g. charity or other managing agent) where properties it owns or manages are managed by people or organisations other than The Council (i.e. are managed by managing agents).
- 7.13 These properties will be included on the Council's gas safety programme, so a new LGSR can be requested from the managing agent prior to the existing one expiring. If the managing agent fails to carry out the gas safety test, The Council will step in and carry out the test and re-charge the managing agent for the cost of this work.

8. Compliance Follow-up Work

- 8.1 The Council will ensure there is a robust process in place for the management of any follow-up works required following the completion of a gas/heating safety check.
- 8.2 The Council will test smoke alarms and CO detection in all domestic properties as part of the annual gas/heating safety check and replace these where necessary.
- 8.3 A safety check will be carried out on completion of any repair and/or refurbishment works to occupied or void properties where works may have affected any gas fittings, appliances or flues.

Key controls and reporting

9. Record Keeping

- 9.1 The Council will establish and maintain a core asset register of all properties that have an active or inactive gas supply. This register will also hold data against each property asset of gas or other heating inspection and servicing requirements, where applicable, for all domestic properties, communal blocks and 'other' property assets.
- 9.2 The Council will hold accurate inspection dates and inspection records against each property it owns or manages ~~electronically on the CORGI or other approved system.~~
- 9.3 The Council will ensure the Gas Safe registered engineer records the details of all appliances and other equipment which is served by the gas/heating supply in every domestic property, communal block or 'other' property.
- 9.4 The Council will establish and maintain accurate records of all completed safety records and associated remedial works and keep these for a period of not less than two years.
- 9.5 The Council will hold and maintain accurate records on the qualifications of all engineers undertaking gas/heating works for the organisation.
- 9.6 The Council will ensure robust processes and controls are in place to provide and maintain appropriate levels of security for all gas/heating safety related data.

10. Performance Reporting

10.1 Robust performance indicator measures will be established and maintained to ensure the Council is able to report on performance in relation to gas/heating safety.

10.2 Performance measures will be produced and provided ~~to~~ Corporate Leadership Team (CLT) and Cabinet as part of the reporting cycle, as required. Performance on gas safety will also be monitored and scrutinised through contractor meetings.

10.32.4 As a minimum these measures will include reporting on: ~~Data – the total number of:~~

- ~~• Properties split by domestic properties, communal blocks and ‘other’ properties;~~
- ~~• Properties on the gas/heating servicing programme;~~
- Properties with a valid ‘in date’ LGSR/certification. This is the level of compliance expressed as a number and/or as a percentage;
- Properties where the LGSR/certification has expired and is ‘out of date’. This is the level of non-compliance expressed as a number and/or as a percentage.

10.42.2 ~~Narrative – an explanation of the:~~

- ~~• Current position;~~
- ~~• Corrective action required;~~
- ~~• Anticipated impact of corrective action;~~

~~Progress with completion of follow-up works.~~ In addition, performance reporting may include (where necessary) written narrative on the current position, mitigating circumstances and/or progress on corrective action.

11. Quality Assurance

11.1 The Council will ensure there is a programme of independent third-party quality assurance audits of gas/heating safety checks, gas appliance services and gas appliance repair works. This will be a 5 per cent sample of the total gas safety works carried out.

11.2 Desktop audits, using the nine-point check, will be completed on 100 per cent of all certifications. These will be checked by the compliance team.

12.3 The Council will carry out an independent audit of gas/heating safety at least once every two years. This audit will specifically test for compliance with the regulation, legislation and approved codes of practice and identify any non-compliance issues for correction.

12. Non-Compliance/ Escalation Process

- 12.1 The definition of non-compliance in relation to this policy refers to any incident which results in a potential breach of legislation or regulatory standard, or which causes, or has the potential to cause, a significant risk to health or safety.
- 12.2 Any non-compliance issue identified at an operational level will be reported through the performance reporting mechanisms to the Council's Director of Housing and Operations.
- 12.3 The Council's Director of Housing and Operations will agree an appropriate course of corrective action with the relevant operational teams in order to address the non-compliance issue and report details of the same as part of the monthly performance reporting process.
- 12.4 The Director of Housing and Operations will ensure the ~~Cabinet Member for Housing, Transport and Special Projects~~Corporate Leadership Team (CLT) and/or the appropriate Cabinet Member(s) is made aware of any non-compliance issue so they can consider the implications and take action as appropriate.
- 12.5 In cases of a serious non-compliance issue ~~t~~The Council's CLT ~~and Monitoring Officer~~ will consider whether it is necessary to disclose the issue to the Regulator of Social Housing in the spirit of co-regulation, or any other relevant organisation such as the HSE, as part of the Regulatory Framework.

13. Training

- 13.1 The Council will ensure that all operatives working for, or on behalf of, the organisation have the relevant training required for their role. This will be managed via periodic assessments of training needs and resulting programmes of internal and/or external training.

14 Equality and Diversity

- 14.1 An Equality Impact Assessment has been carried out to determine whether the policy would have an impact on any member of staff, tenants or contractor workforce, which unfairly discriminates or disadvantages them in the context of the Equality Act 2010. Adherence to the policy provides the same level of protection for all building users and no impacts have been identified that would adversely affect one group more than any other.
- 14.2 Where a tenant has or may have a protected characteristic under the Equality Act 2010, in particular, where the tenant may be disabled, have mental health issues, language or learning difficulties, the Council will make reasonable adjustments to its controlled access procedure (see Appendix 1).

Appendix 1



GAS & HEATING CONTROLLED ACCESS PROCEDURE

Related policy	Compliance (Gas Safety) Policy 2021 <u>2024</u>
Date for review	Nov 2023 <u>March 2026</u>
Procedure author	Roy Catling, Assets and Development Lead Specialist; Jonathan Hicks, Performance Specialist
Procedure owner	Keith Deane, Compliance Senior Specialist
Approved by	Andy Blaszkowicz, Director of Housing and Operations; Cllr Godfrey, portfolio holder for Housing and Special Projects

Revision history			
Version	Date	Revision description	Procedure author
0.1	16 Nov 2022	Draft created from existing documents and Legal advice	Jonathan Hicks, Performance Specialist
<u>0.2</u>	<u>24 Nov 2023</u>	<u>Updated in line with current practice</u>	<u>Jonathan Hicks, Performance Specialist</u>

NEW PROCEDURE / PROCEDURE REVIEW

New procedure	No
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Reason for new procedure / summary of changes

To provide clarity on the process for gaining access to properties when this is not given by the tenant.

CONSULTATION

List of people/roles who have been consulted	Date

DISSEMINATION

Role	Awareness	Essential
Housing Operations	Yes	Yes

1. Purpose of the Procedure

- 1.1 The Council's Housing Compliance (Gas Safety) Policy states that we will use the legal remedies available within the terms of the tenancy agreement, lease or license should any tenant refuse access to carry out essential gas safety checks, maintenance and safety-related repair works. This will be following a 'controlled access' procedure.
- 1.2 The purpose of this procedure is to set out the process Council officers will follow, in relation to gas safety. In addition, it explains the steps we will follow to gain access to a property in an emergency and when we may need to complete other safety checks, such as for fire, water, electricity and asbestos.

2. Legal / Regulatory Framework

- 2.1 **Landlord and Tenant Act 1985.** This includes a statutory responsibility for repairs to be carried out on gas installations in rented properties. Section 11b: "To keep in repair and proper working order the installations in the dwelling-house for the supply of water, gas and electricity and for sanitation (including basins, sinks, baths and sanitary conveniences, but not other fixtures, fittings and appliances for making use of the supply of water, gas or electricity)".

~~2.2 **Housing Act 2004.** Section 240 provides a mechanism for [housing providers] to obtain a court warrant to enter premises (by force if necessary), where access has not been forthcoming to carry out a gas safety inspection.~~

- 2.23 **Housing Act 1988.** Section 16 of the Housing Act 1988 states the tenant shall afford to the landlord access to the premises for executing any repairs which the landlord is entitled to execute.

3. Tenancy Agreement

- 3.1 The FHDC Tenancy Agreement (section 8.6) states that: "By law all homes with gas appliances must have a safety check every year. We will try to arrange for an annual gas safety inspection at a time that suits you. If we cannot carry out the inspection because you do not respond to our request to let us into your home, we will serve a seven-day notice telling you when we will call again. If you do not let us in, we will force entry to carry out the safety check." And:
- 3.2 "We will take reasonable care in forcing entry and we will secure your home as we leave. When the Council needs to carry out the annual gas safety check or in an emergency, when either the property or the person's safety is at risk, we may require immediate access to the property. If the property is unoccupied the Council may force entry into the property to deal with the emergency. The property will be properly secured and repaired as necessary (unless entry was necessary as a result of your carelessness or neglect)."

4. **Non-access/~~forced~~controlled entry**

- 4.1 The Council will make every effort to obtain access within the 12-month period. However, if access has still not been granted, we will take enforcement action to gain entry to the property if necessary. This may mean undertaking a 'forced entry' as indicated in the Tenancy Agreement (see 3.1 above). In all cases where we have not been granted access to the property, the following procedure will be applied:

5. **The Procedure**

Access for Gas Safety Checks (See also flow chart below)

- 5.1 The Service Provider will provide flexible appointment times to tenants to carry out a Gas Safety Check & Service including evening and Saturday appointments. The following timescales are ideal and given as a guide.
- 5.2 **64 days before LGSR expiry date.** An initial letter will be sent to the tenant(s) 10 days prior to the appointment by the gas service provider and they will provide them with a free phone contact number to rearrange the appointment if not convenient.
- 5.3 **54 days before LGSR expiry date.** If access cannot be obtained at the time of the first appointment, the gas engineer will leave a call card advising the tenant of a second appointment for the gas servicing allowing 7 days' notice. The call card will also advise the tenant to contact the gas service provider within 7 days to rearrange the appointment if the time is inconvenient. The gas service provider will supply photographic evidence of the call card at the property address, clearly showing the entrance door and call card before being posted through the letterbox.
- 5.4 **47 days before LGSR expiry date.** If access cannot be obtained on the second appointment, the gas engineer will leave a second call card advising the tenant to contact the gas service provider within 7 days to arrange a new appointment. The engineer will provide photographic evidence of the call card at the property address clearly showing the entrance door and 'out-card' before being posted through the letterbox.
- 5.5 **40 days before LGSR expiry date.** If access cannot be obtained on the third appointment, a final letter will be left giving the tenant 7 days to contact the gas service provider.
- 5.6 **33 days before LGSR expiry date.** If no contact has been received from the tenant within 7 days, the gas service provider will refer the case to the Council's Compliance Specialist for gas safety. The Compliance Specialist will send a 'Pre-Authorised Access' letter, giving the tenant 7 days' notice of pending action.

- 5.7 **26 days before LGSR expiry date.** If no contact has been made by the tenant or access to the property granted, the Compliance Specialist will seek authorisation from the Assets and Development Lead Specialist to authorise a forced entry to the property. (See section 6 below). At this point, a member of the Council's housing team will attempt to contact the tenant by telephone, email, ~~social media~~, or by visiting the property within the next 7 days to arrange access.
- 5.8 **11 days before LGSR expiry date.** If access has not been granted by the tenant an appointment will be made for the gas safety check and a letter sent confirming the intention to gain access to the property.
- 5.9 **10 days before LGSR expiry date.** Authorised Access appointment arranged with gas service provider. If access is not granted by the tenant, the Council and gas service provider will proceed with a 'forced entry' to the property to ensure the LGSR is completed. (See below).

6. ~~Forced~~ Controlled entry

6.1 If access has still not been granted by the tenant after all previous steps have been followed (5.1 to 5.9 above,) or in the case of an emergency, the Council will carry out a ~~forced~~ controlled entry. This will be carried out the day after the LGSR expires. Locks will be changed, and new keys passed to the Neighbourhood Officer or Independent Living Officer. Notification will be left at the address advising the tenant the nature and the reasons for the forced entry and where to collect the keys.

6.2 Where a controlled entry is required, a locksmith appointed by the Council will gain entry to the tenant's home and change the lock. Work will be completed with or without the tenant's presence and the tenant will be recharged for the work. (At 2023 prices this is currently set at £95.27, this may be adjusted for inflation).

6.2 The ~~forced entry will require the presence of a~~ locksmith will be accompanied by, in addition to two Neighbourhood/Independent Living Officers or Neighbourhood Surveyors a representative from the Council's gas contractor and a Neighbourhood/Housing Officer to:

- a) take photographic evidence of the doors and locks (before and after drilling, and then after the new lock is fitted and premises re-secured) and remain at the front door whilst the gas installations are being checked, to ensure no one else enters; and
- b) accompany the gas servicing engineer whilst they inspect to ensure no possessions are touched or altered

8. Vulnerable tenants

8.1 Where a tenant has or may have a protected characteristic under the Equality Act 2010, in particular, where the tenant may be disabled, have mental health

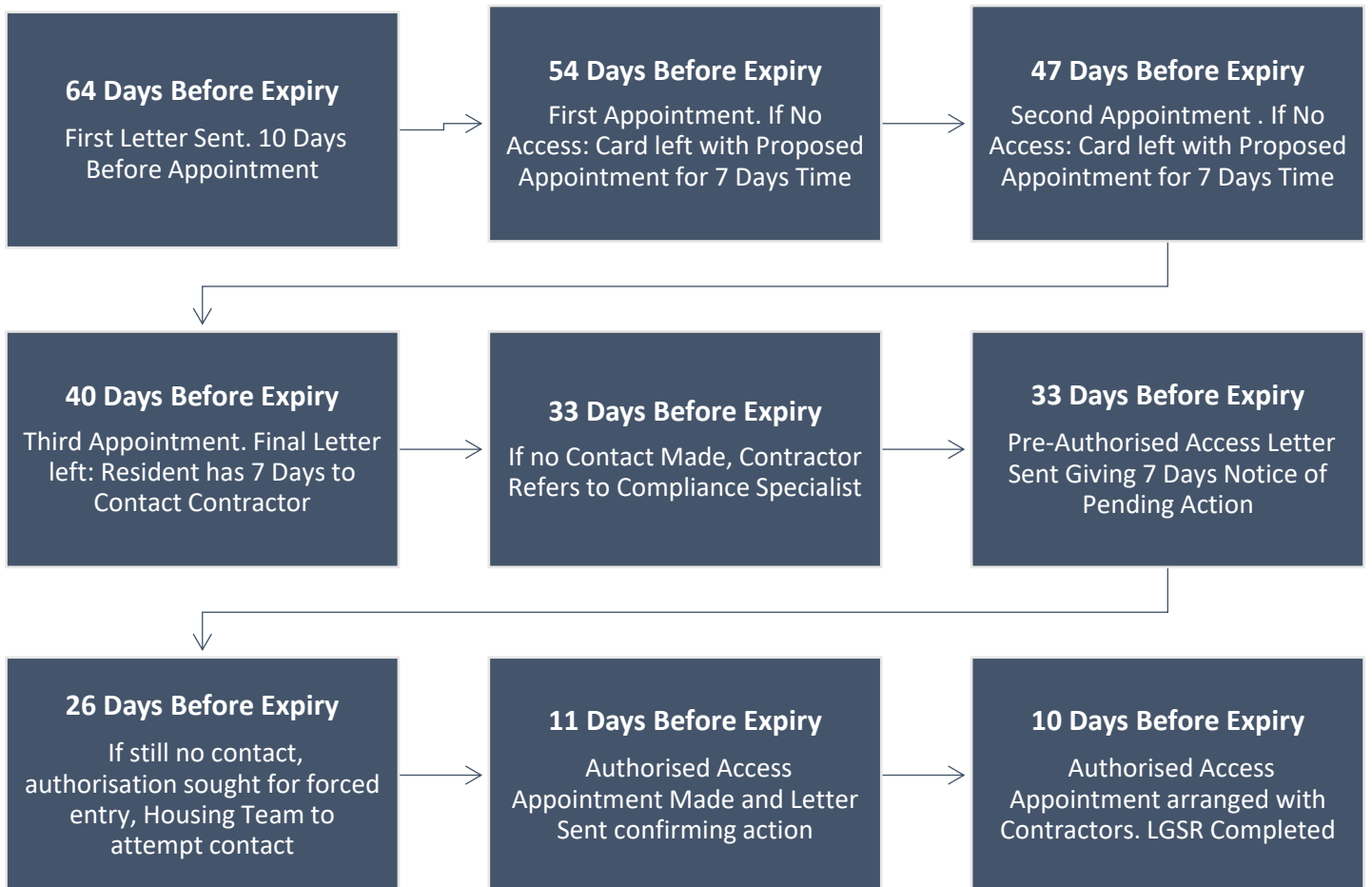
issues, language or learning difficulties, the Council will make reasonable adjustments to its controlled access procedure. These adjustments may include (but are not limited to):

- 8.1 a) Making additional enquiries, involving third parties or agencies, translation services, or conducting further visits
- 8.1 b) Ensuring the tenant fully understands the process and the reasons why the gas safety check and/or the forced entry is necessary, particularly with tenants who suffer from mental health disabilities or other vulnerabilities
- 8.2 Where there are particular concerns around a tenant's vulnerability, the Council may decide that it is inappropriate to use the forced entry procedure, and that injunctions will be sought instead.
- 8.3 In all cases, vulnerable tenants will be dealt with compassionately, with every avenue explored to gain access with the tenant's consent, before any action to controlled entry is considered, and that this as a last resort. To ensure due process is followed a record of all communication will be kept, to evidence compliance with this policy and procedure.

Where there are particular concerns around a tenant's vulnerability, every effort will be explored to gain access with the tenant's consent, before any action to undertake a 'controlled entry' is considered, and that this as a last resort.

Appendix 2:

Landlord Gas Safety ~~Non~~-Controlled Access Procedure (flow chart)



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HOUSING COMPLIANCE (GAS SAFETY) POLICY

Date of policy	April 2024
Date for review	March 2026
Policy owner	Director of Housing and Operations, Folkestone & Hythe District Council
Approved by	Pending
Risk register rating	High
Associated documents	FHDC Gas Safety procedure, FHDC Controlled Access procedure

Revision history (internal F&HDC officer use only)			
Version	Date	Revision description	Policy/revision author
V1.0	March 2020	Document created	Lee Woods (Pennington Choices)
V2.0	March 2021	Re-branding; update of key roles and responsibilities in line with FHDC reporting structure	John Holman, Assistant Director (Housing); Jonathan Hicks, Policy & Performance Specialist
V2.1	April 2022	Addition to section 7.3 re: dangers associated with wood, coal and open fireplaces	Roy Catling, Assets & Development Lead Specialist. Approval by Director and Portfolio

			holder for Housing and Special Projects
V2.2	Nov 2022	Amendment to 6.18 and Controlled Access procedure as appendix	Jonathan Hicks, Performance Specialist
V2.3 (draft)	Nov 2023	Updated in light of new legislation and current working practices.	Keith Deane, Compliance Senior Specialist; Jonathan Hicks, Performance Specialist
V2.4 (draft)	January 2024	3.4 updated to reflect new powers by the Regulator	Jonathan Hicks, Performance Specialist

NEW POLICY / POLICY REVIEW

New policy	
Early review – change in legislation	
Early review – significant changes in practice	
Review due – significant changes	YES
Review due – cosmetic changes or unchanged	
Other reason	

Reason for new policy / summary of changes

To ensure the accountability for managing this policy reflects the current working practices of the housing and compliance team, and to comply with new legislation

CONSULTATION

List of people/roles who have been consulted	Date
Keith Deane, Senior Compliance Specialist	Oct/Nov 2023
Stephanie Jupe, Compliance Specialist	Oct/Nov 2023
Mick Hale, Assets & Development Lead Specialist	Oct/Nov 2023

EQUALITY IMPACT ASSESSMENT

Completed	Date
Yes	Nov 2022

DISSEMINATION

Role	Awareness	Essential
Compliance team		YES
All housing staff	YES	

TRAINING		
Role	Trainer	Date completed
Compliance Specialists	Compliance Senior Specialist	TBC

MONITORING AND COMPLIANCE		
Method	Responsibility	Frequency
Internal audit review	EK Audit partnership	Annually or as required

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[Appendix 1: Controlled Access Procedure](#)

[Appendix 2: Controlled Access procedure flowchart](#)

1. Purpose of the Policy

- 1.1 Folkestone & Hythe District Council (hereafter referred to as ‘the Council’) is responsible for the maintenance and repairs to its homes and other buildings, many of which will contain gas installations and appliances.
- 1.2 The Gas Safety (Installation and Use) Regulations 1998 (as amended) specifically deal with the installation, maintenance and use of gas appliances, fittings and flues in domestic properties and certain commercial premises. The regulations also place a legal duty on landlords to ensure that gas appliances, fittings and flues provided for tenants’ use are safe.
- 1.3 The Council is also responsible for maintaining other types of heating systems used by tenants. These include gas, oil fired, solid fuel and liquid petroleum gas (LPG).

2. Policy Objectives and Scope

- 2.1 The Council must establish a policy which meets the requirements of the Gas Safety (Installation and Use) Regulations 1998 (as amended). In addition to this, the policy must provide assurance to the Council that measures are in place to ensure compliance with these regulations and to identify, manage and/or mitigate risks associated with gas fittings, appliances and flues.
- 2.2 The Council must ensure compliance with gas safety legislation is formally reported to the Council’s Cabinet, including the details of any non-compliance.
- 2.3 The policy is relevant to all of The Council’s employees, tenants, contractors and other persons or other stakeholders who may work on, occupy, visit, or use its premises, or who may be affected by its activities or services.
- 2.4 It should be used to ensure Council officers and contractors understand the obligations placed upon the Council to maintain a safe environment for tenants within their homes, and within all communal areas of buildings and any ‘other’ properties (owned and/or managed).

3. Legal/Regulatory Framework

- 3.1 **Regulatory Standards** - the application of this policy will ensure compliance with the regulatory framework and consumer standards (Home Standard) for social housing in England, which was introduced by the Regulator of Social Housing (RSH).
- 3.2 **Legislation** - the principal legislation applicable to this policy is ‘The Gas Safety (Installation and Use) Regulations 1998’ (as amended). The Council has a legal obligation under Part F, Regulation 36 of the legislation (Duties of Landlords) and is the ‘Landlord’ for the purposes of the legislation. The Council is the ‘Landlord’ by virtue of the fact that it owns and manages homes and buildings

housing tenants/leaseholders through the tenancy, lease and license agreement obligations it has with the tenants/leaseholders.

3.3 **Code of Practice** – the principal approved codes of practice applicable to this policy are as follows:

- ACoP L56 - 'Safety in the installation and use of gas systems and appliances' (5th edition 2018)
- INDG285 - 'A guide to landlords' duties: Gas Safety (Installation and Use) Regulations 1998' as amended Approved Code of Practice and Guidance (3rd Edition 2018)
- The Smoke and Carbon Monoxide Alarm (Amendment) Regulations 2022

3.4 **Sanctions**

3.4.2 The Council acknowledges and accepts its responsibilities in accordance with the regulatory standards, legislation and codes of practice and that failure to discharge these responsibilities properly could lead to a range of sanctions including prosecution by the Health and Safety Executive under the Health and Safety at Work Act 1974, and/or prosecution under the Corporate Manslaughter and Corporate Homicide Act 2007

3.4.2 In addition, the Regulator of Social Housing has powers to proactively intervene where landlords are performing badly on consumer issues (including non-compliance with building safety measures) and may conduct routine inspections to investigate systematic issues.

3.5 **Tenants and Leaseholders** – The Council will use the legal remedies available within the terms of the tenancy agreement, lease or license should any tenant refuse access to carry out essential gas safety checks, maintenance and safety related repair works. This will be following a controlled access procedure (see 6.18 and Appendix 1).

3.6 **Additional legislation**

This policy also operates in the context of the following legislation:

- Health and Safety at Work Act 1974
- The Management of Health and Safety at Work Regulations 1999
- The Workplace (Health, Safety and Welfare) Regulations 1992
- Gas Safety (Management) Regulations 1996 (as amended)
- The Building Regulations in England and Wales
- Dangerous Substances and Explosive Atmospheres Regulations 2002
- Pressure Equipment Regulations 1999
- Pressure Systems Safety Regulations 2000
- Pipelines Safety Regulations 1996
- Heat Network Regulations 2014
- Health and Safety (Safety Signs and Signals) Regulations 1996

- Provision and Use of Work Equipment Regulations 1998
- Construction (Design and Management) Regulations 2015
- Landlord and Tenant Act 1985
- Data Protection Act 2018
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013
- Homes (Fitness for Human Habitation) Act 2018

4. Responsibility

- 4.1 The Council's Cabinet will have overall responsibility for ensuring this policy is fully implemented to ensure compliance with the regulatory standards, legislation and approved codes of practice. As such, they will formally approve this policy and review it every two years (or sooner if there is a change in regulation, legislation or codes of practice).
- 4.2 Gas safety performance will be reported to Cabinet as part of the Council's performance reporting framework. This is so that it has assurance that the policy is operating effectively in practice.
- 4.3 The Council's Director of Housing and Operations will have strategic responsibility for the implementation of this policy and for ensuring compliance is achieved and maintained.
- 4.4 The Council's Assets & Development Lead Manager will be responsible for overseeing the delivery of the agreed gas safety programme. The Assets & Development Lead Manager will also prioritise and implement any works arising from the gas safety inspections.
- 4.5 The Housing Operations team will provide key support in gaining access into properties where access is proving difficult.
- 4.6 The Council's Chief Officer for Housing will be responsible for ensuring the policy is reviewed every two years and will notify The Council's Corporate Leadership Team and relevant operational team(s) responsible for the delivery of the compliance programme, of the upcoming review.
- 4.7 Competent Persons**
- 4.7.1 The Council will ensure that the manager with lead responsibility for operational delivery is appropriately qualified and experienced, holding one of the following:
- Level 4 VRQ in Gas Safety Management (if they are not Gas Safe Registered), or equivalent, and full membership of the Association of Gas Safety Managers (AGSM);
 - A minimum of a level 4 qualification in a related subject such as Level 4 VRQ Diploma in Asset and Building Management Compliance.
- 4.7.2 Where the appropriate qualification has not yet been obtained, the Council will seek assistance from a relevant third-party consultant, until the Council employee(s) has obtained the qualification(s).

- 4.7.3 The Council will ensure that all operatives (internal or employed by external contractors) maintain Gas Safe accreditation for all areas of gas/liquid petroleum gas (LPG) works that they undertake.
- 4.7.4 The Council will ensure that only suitably competent Gas Safe accredited contractors are procured and appointed to undertake works to gas/LPG fittings, appliances and flues.
- 4.7.5 The Council will ensure that, where applicable, only suitably competent Oil Firing Technical Association (OFTEC) and/or HETAS accredited contractors are procured and appointed to undertake works to oil fired and solid fuel fittings, appliances and flues. HETAS is a not-for-profit organisation offering a competent person scheme for installers of biomass and solid fuel heating, registration for retailers and chimney sweeps and approval of appliances and fuels.
- 4.7.6 **Other heating types** – The Council will ensure that, where applicable, only individuals/organisations with a Microgeneration Certification Scheme accreditation (MCS) are procured and appointed to undertake works on ground/air source heat pumps, solar thermal and biomass heating systems.
- 4.7.7 The operational team with responsibility for delivery will check the relevant qualifications of in-house operatives or employees working for external contractors to ensure that all persons are appropriately qualified and accredited for the work that they are carrying out. These checks will be undertaken on an annual basis and evidenced appropriately.

The Policy

5. Obligations

- 5.1 The Gas Safety (Installation and Use) Regulations 1998 (as amended) impose duties on landlords to protect tenants' safety in their homes with respect to gas safety. The main duties as a landlord are set out in Regulation 36 requiring landlords to:
- Ensure gas fittings and flues are maintained in a safe condition. Gas appliances should be serviced in accordance with the manufacturer's instructions. If these are not available, it is recommended that they are serviced annually unless advised otherwise by a Gas Safe registered engineer;
 - Ensure the annual safety check is carried out on each gas appliance and flue within 12 months of the previous safety check;
 - Have all installation, maintenance and safety checks carried out by a Gas Safe registered engineer;
 - Keep a record of each safety check for at least two years;

- Issue a copy of the latest safety check record to existing tenants within 28 days of the check being completed, or to any new tenant when they move in;
 - Display a copy of the latest safety check record in a common area of a building where the gas appliance serves a communal heating system to multiple homes.
- 5.2 Gas servicing regulations as set out in the Homes (Fitness for Human Habitation) Act 2018, allow landlords to undertake their annual gas safety checks in the two months prior to their due date, whilst retaining the existing expiry date.
- 5.3 The Council will therefore aim to service all gas supplied properties on a 10-month rolling cycle from their anniversary date. However, we reserve the right when re-tendering (or at a time of mutual consent with the incumbent gas contractor) to alter the servicing cycle if necessary.
- 5.4 In addition, landlords must ensure that no gas fitting of a type that would contravene Regulation 30 (e.g. certain gas fires and instantaneous water heaters) is fitted in any room occupied or to be occupied as sleeping accommodation after the Regulations came into force. This includes any room converted into such accommodation after that time.
- 5.5 These obligations apply to both gas heating and liquid petroleum gas heating systems.
- 5.6 **Other heating types** – with regards to all other heating types as set out in 1.3 of this policy, there is no legal requirement for carrying out safety checks. However the Council will aim to complete an annual safety check for all properties with these heating types, in exactly the same way as it does for properties with gas heating. The competent person will require alternative qualifications which are set out in section 4 of this policy. Note that, as there is no legal requirement to undertake these checks, the controlled access procedure (as set out in Appendix 1) will not apply.

6. Statement of Intent

- 6.1 The Council acknowledges and accepts its responsibilities under the Gas Safety (Installation and Use) Regulations 1998 (as amended).
- 6.2 The Council will hold accurate inspection dates and inspection records against each property it owns or manages electronically.
- 6.3 The Council will request the internal gas/heating engineers visit all properties on an annual basis to carry out gas and/or heating safety checks, irrespective of whether the property has a gas supply or not (other than those properties not on the gas mains network).
- 6.4 The Council will ensure that each property requiring a gas/heating safety check and/or service will have a landlords' gas safety record (LGSR) or equivalent that has a completion date not more than 12 months following the completion date of the previous LGSR (or equivalent) relating to the property or installation date of new installations.
- 6.5 The Council will ensure that copies of all LGSRs/certification are provided to tenants within 28 days of completion or displayed in a common area where necessary within 28 days of its completion.
- 6.6 The Council will cap-off gas supplies to all properties when the property becomes void, and a new tenant is not moving in immediately following the previous tenant leaving. Where possible this will be completed by the end of the next working day.
- 6.7 The Council will cap-off gas supplies to all new build properties at handover if the new tenancy is not commencing immediately at the point of handover.
- 6.8 The Council will ensure that gas safety checks are carried out on the commencement of any new tenancy (void or new build properties), mutual exchange and/or transfer and that the tenant receives a copy of the LGSR prior to, or immediately after moving in.
- 6.9 The Council will carry out a gas safety check following any new gas appliance installation. The safety check will include a gas soundness test of the system pipework, a visual inspection of the meter installation and a visual inspection including the safe working operation on all other gas appliances and associated flues within a property, issuing a gas safety certificate to confirm the necessary checks have been completed.
- 6.10 The Council will carry out a visual check of tenant-owned appliances. This includes a 5 point visual safety check for gas cookers and gas fires where the manufacturers' instructions are available (location, flueing, ventilation, signs of

distress and stable and secure). Where appliances are found to be faulty these will be disconnected, and a warning notice issued.

- 6.11 The Council will test or replace smoke alarms as part of the annual gas safety check visit (or at void stage).
- 6.12 The Council will carry out an annual gas safety check to all properties where the gas supply is inactive (capped) at the request of the tenant. This is to ensure that gas supplies have not been reconnected by the tenant, and to ensure continued compliance with the requirements of the Gas Safety (Installation and Use) Regulations 1998 (as amended).
- 6.13 In any instance where a property has a capped supply, the Council will communicate at least annually with the tenants to ensure the property remains capped and inform the tenant of what is required in order to reinstate gas at the property.
- 6.14 The Council will carry out annual assessments of properties where tenants have chosen for personal reasons not to use the gas supply in the property. This is to check on the tenant's wellbeing and also to assess that the lack of gas heating is not adversely affecting the condition of the property.
- 6.15 The Council will ensure that only suitably competent Gas Safe accredited engineers undertake gas or LPG works for the organisation. Section 4 of this policy sets out the competency required to carry out safety checks for other heating types.
- 6.16 The Council will remove any open flue gas appliances found in any rooms that are being used as bedrooms.
- 6.17 The Council will have robust processes and controls in place to ensure that consideration is made when letting properties to the suitability of the accommodation for the prospective tenant with regards to gas/heating safety.
- 6.18 The Council will have a robust controlled access procedure in place should any tenant refuse access to carry out essential gas/heating safety related inspection and remediation works. The Council will make every effort to obtain access within the 12-month period. However, if access has still not been granted, we will take enforcement action to gain entry to the property if necessary. This may mean undertaking a 'controlled entry'.
- 6.19 Where a controlled entry is required, a locksmith appointed by the Council will gain entry to the tenant's home and change the lock. Work will be completed with or without the tenant's presence and the tenant will be recharged for the work.

See the Council's Controlled Access Procedure at Appendix 1

- 6.20 The Council will attempt to gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant. However, where there are particular concerns around a tenant's vulnerability, every effort will be explored to gain access with the tenant's consent, before any action to undertake a 'controlled entry' is considered, and that this as a last resort.
- 6.21 The Council will ensure that where applicable all solid fuel, chimney stacks, oil fired appliances and flues are inspected and maintained at least annually and that this work is completed by a suitably competent engineer.
- 6.22 The Council will ensure that all contractors' employee and public liability insurances are up to date on an annual basis.
- 6.23 The Council will ensure contracts/service level agreements are in place with the contractors responsible for delivering the compliance service.
- 6.24 The Council will ensure there are effective contract management arrangements in place, in the form of client-led meetings taking place regularly, with standard agendas and minutes produced, key performance indicators analysed and programmes and performance scrutinised.
- 6.25 The Council will ensure that all replacements, modifications and installations of gas appliances and heating systems within its properties will comply with all elements of Part J Combustion Appliances and Fuel Storage Systems, of the Building Regulations.
- 6.26 The Council will implement a robust process to deal with all changes to stock, including new property acquisitions, disposals and stock transfers, in order to ensure that properties are not omitted from the compliance programme, and to ensure the programme remains up-to-date.
- 6.27 The Council will ensure that there is a robust process in place for the management of immediately dangerous situations identified from the gas/heating safety check.

7. Compliance Risk Assessment/Inspection Programmes

- 7.1 **Risk assessment** – The Council will establish and maintain a risk assessment for gas safety management and operations. This risk assessment will set out the organisation's key gas safety risks together with appropriate mitigations.
- 7.2 **CDM** - to comply with the requirements of the Construction (Design and Management) Regulations 2015 (CDM) a Construction Phase Plan will be completed for all repairs work to void and tenanted properties (at the start of the contract and reviewed annually thereafter), component replacement works and refurbishment projects where applicable.

- 7.3 **Domestic properties** – The Council will carry out a programme of annual gas/heating safety checks and services to all domestic properties, covering all heating types. This check will include all gas/heating fittings, appliances and flues in the property and will be completed 12 months from the date of the previous LGSR/certification.
- 7.3.1 **The Council does not permit installations of new wood burners, coal appliances (including smokeless) and open fireplaces.**
- Dangers associated with these installations include:
- 7.3.2 **Potential Fire Risk** - Even burning wood in a safely engineered, regularly inspected and swept chimney still poses a danger. There are also wider risks if an errant spark from the burning wood escapes the confines of the fireplace and alights on carpeting, furniture or other flammable materials. While modern appliances are often equipped with glass doors or mesh screens designed to prevent sparks escaping, accidents may still occur.
- 7.3.3 **Carbon Monoxide Poisoning** - The Smoke and Carbon Monoxide Alarm (Amendment) Regulations 2022 came into force in October 2022. Although the regulations do not stipulate where the alarms should be placed, a carbon monoxide alarm should be installed in every room which is used as living accommodation containing a fixed combustion appliance (excluding gas cookers). FHDC will follow the individual manufacturer's instructions when installing the alarms.
- 7.3.4 **Environmental Effects** - Smokeless fuels or DEFRA approved wood/coal burners produce less pollution than non-approved appliances; however these still create air pollution which contradicts the Council's commitment to improving air quality. Where the contractor or FHDC staff visit a property and find an open fire or wood/coal burner which has not been granted written permission from FHDC and Building Control approval, the tenant will be required to remove it.
- 7.4 This safety check is driven from the anniversary date of the most recent LGSR/certification which may have been carried out at the start of a new tenancy or following installation of new gas appliances.
- 7.5 The Council will adopt the changes introduced in April 2018 to Part F, Regulation 36 (3) of the Gas (Installation and Use) Regulations 1998 that provides landlords with some flexibility around the anniversary date of LGSRs.
- 7.6 The new change allows the landlord to carry out a new gas safety check within 10 months and 1 day of the previous safety check and retain the original 12-month anniversary date of the previous LGSR, providing it does not exceed this 12-month anniversary date.

- 7.7 **Communal Blocks**– The Council will carry out a programme of annual gas safety checks and services to all communal blocks and HRA properties where it has the legal obligation to do so.
- 7.8 These checks will include all gas fittings, appliances and flues in the property and will be completed no longer than 12 months from the date of the previous LGSR/certification, or as detailed within manufacturer’s instructions.
- 7.9 These safety checks and maintenance services will be carried out by a suitably competent engineer in accordance with the manufacturer’s instructions. These installations may include catering equipment, boilers serving communal heating systems, combined heat and power systems, pressure vessels and water heating boilers.
- 7.10 The Council will carry out, where applicable, a programme of annual safety checks and services to all oil fired and solid fuel systems. This check will include all fittings, appliances and flues in the property and will be completed no longer than 12 months from the date of the previous safety check and service or as detailed within manufacturer’s instructions or industry best practice.
- 7.11 These safety checks and maintenance services will be carried out by a suitably competent engineer in accordance with the manufacturer’s instructions.
- 7.12 **Commercial Stock Assigned to the HRA** – The Council will ensure it has records of all valid LGSRs for any properties it owns, where the lease of that property is managed by someone else (e.g. charity or other managing agent)
- 7.13 These properties will be included on the Council’s gas safety programme, so a new LGSR can be requested from the managing agent prior to the existing one expiring. If the managing agent fails to carry out the gas safety test, The Council will step in and carry out the test and re-charge the managing agent for the cost of this work.

8. Compliance Follow-up Work

- 8.1 The Council will ensure there is a robust process in place for the management of any follow-up works required following the completion of a gas/heating safety check.
- 8.2 The Council will test smoke alarms and CO detection in all domestic properties as part of the annual gas/heating safety check and replace these where necessary.
- 8.3 A safety check will be carried out on completion of any repair and/or refurbishment works to occupied or void properties where works may have affected any gas fittings, appliances or flues.

Key controls and reporting

9. Record Keeping

- 9.1 The Council will establish and maintain a core asset register of all properties that have an active or inactive gas supply. This register will also hold data against each property asset of gas or other heating inspection and servicing requirements, where applicable, for all domestic properties, communal blocks and 'other' property assets.
- 9.2 The Council will hold accurate inspection dates and inspection records against each property it owns or manages.
- 9.3 The Council will ensure the Gas Safe registered engineer records the details of all appliances and other equipment which is served by the gas/heating supply in every domestic property, communal block or 'other' property.
- 9.4 The Council will establish and maintain accurate records of all completed safety records and associated remedial works and keep these for a period of not less than two years.
- 9.5 The Council will hold and maintain accurate records on the qualifications of all engineers undertaking gas/heating works for the organisation.
- 9.6 The Council will ensure robust processes and controls are in place to provide and maintain appropriate levels of security for all gas/heating safety related data.

10. Performance Reporting

- 10.1 Robust performance indicator measures will be established and maintained to ensure the Council is able to report on performance in relation to gas/heating safety.
- 10.2 Performance measures will be produced and provided to Corporate Leadership Team (CLT) and Cabinet as part of the reporting cycle, as required. Performance on gas safety will also be monitored and scrutinised through contractor meetings.
- 10.3 As a minimum these measures will include reporting on:
 - Properties with a valid 'in date' LGSR/certification. This is the level of compliance expressed as a number and/or as a percentage
 - Properties where the LGSR/certification has expired and is 'out of date'. This is the level of non-compliance expressed as a number and/or as a percentage

- 10.4 In addition, performance reporting may include (where necessary) written narrative on the current position, mitigating circumstances and/or progress on corrective action.

11. Quality Assurance

- 11.1 The Council will ensure there is a programme of independent third-party quality assurance audits of gas/heating safety checks, gas appliance services and gas appliance repair works. This will be a 5 per cent sample of the total gas safety works carried out.
- 11.2 Desktop audits, using the nine-point check, will be completed on 100 per cent of all certifications. These will be checked by the compliance team.
- 12.3 The Council will carry out an independent audit of gas/heating safety at least once every two years. This audit will specifically test for compliance with the regulation, legislation and approved codes of practice and identify any non-compliance issues for correction.

12. Non-Compliance/ Escalation Process

- 12.1 The definition of non-compliance in relation to this policy refers to any incident which results in a potential breach of legislation or regulatory standard, or which causes, or has the potential to cause, a significant risk to health or safety.
- 12.2 Any non-compliance issue identified at an operational level will be reported through the performance reporting mechanisms to the Council's Director of Housing and Operations.
- 12.3 The Council's Director of Housing and Operations will agree an appropriate course of corrective action with the relevant operational teams in order to address the non-compliance issue and report details of the same as part of the monthly performance reporting process.
- 12.4 The Director of Housing and Operations will ensure the Corporate Leadership Team (CLT) and/or the appropriate Cabinet Member(s) is made aware of any non-compliance issue so they can consider the implications and take action as appropriate.
- 12.5 In cases of a serious non-compliance issue the Council's CLT will consider whether it is necessary to disclose the issue to the Regulator of Social Housing in the spirit of co-regulation, or any other relevant organisation such as the HSE, as part of the Regulatory Framework.

13. Training

- 13.1 The Council will ensure that all operatives working for, or on behalf of, the organisation have the relevant training required for their role. This will be managed via periodic assessments of training needs and resulting programmes of internal and/or external training.

14 Equality and Diversity

- 14.1 An Equality Impact Assessment has been carried out to determine whether the policy would have an impact on any member of staff, tenants or contractor workforce, which unfairly discriminates or disadvantages them in the context of the Equality Act 2010. Adherence to the policy provides the same level of protection for all building users and no impacts have been identified that would adversely affect one group more than any other.
- 14.2 Where a tenant has or may have a protected characteristic under the Equality Act 2010, in particular, where the tenant may be disabled, have mental health issues, language or learning difficulties, the Council will make reasonable adjustments to its controlled access procedure (see Appendix 1).

Appendix 1



GAS & HEATING CONTROLLED ACCESS PROCEDURE

Related policy	Compliance (Gas Safety) Policy 2024
Date for review	March 2026
Procedure author	Roy Catling, Assets and Development Lead Specialist; Jonathan Hicks, Performance Specialist
Procedure owner	Keith Deane, Compliance Senior Specialist
Approved by	Andy Blaszkowicz, Director of Housing and Operations; Cllr Godfrey, portfolio holder for Housing and Special Projects

Revision history			
Version	Date	Revision description	Procedure author
0.1	16 Nov 2022	Draft created from existing documents and Legal advice	Jonathan Hicks, Performance Specialist
0.2	24 Nov 2023	Updated in line with current practice	Jonathan Hicks, Performance Specialist

NEW PROCEDURE / PROCEDURE REVIEW

New procedure	No
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Reason for new procedure / summary of changes

To provide clarity on the process for gaining access to properties when this is not given by the tenant.

CONSULTATION

List of people/roles who have been consulted	Date

DISSEMINATION

Role	Awareness	Essential
Housing Operations	Yes	Yes

1. Purpose of the Procedure

- 1.1 The Council's Housing Compliance (Gas Safety) Policy states that we will use the legal remedies available within the terms of the tenancy agreement, lease or license should any tenant refuse access to carry out essential gas safety checks, maintenance and safety-related repair works. This will be following a 'controlled access' procedure.
- 1.2 The purpose of this procedure is to set out the process Council officers will follow, in relation to gas safety. In addition, it explains the steps we will follow to gain access to a property in an emergency and when we may need to complete other safety checks, such as for fire, water, electricity and asbestos.

2. Legal / Regulatory Framework

- 2.1 **Landlord and Tenant Act 1985.** This includes a statutory responsibility for repairs to be carried out on gas installations in rented properties. Section 11b: "To keep in repair and proper working order the installations in the dwelling-house for the supply of water, gas and electricity and for sanitation (including basins, sinks, baths and sanitary conveniences, but not other fixtures, fittings and appliances for making use of the supply of water, gas or electricity)".
- 2.2 **Housing Act 1988.** Section 16 of the Housing Act 1988 states the tenant shall afford to the landlord access to the premises for executing any repairs which the landlord is entitled to execute.

3. Tenancy Agreement

- 3.1 The FHDC Tenancy Agreement (section 8.6) states that: "By law all homes with gas appliances must have a safety check every year. We will try to arrange for an annual gas safety inspection at a time that suits you. If we cannot carry out the inspection because you do not respond to our request to let us into your home, we will serve a seven-day notice telling you when we will call again. If you do not let us in, we will force entry to carry out the safety check." And:
- 3.2 "We will take reasonable care in forcing entry and we will secure your home as we leave. When the Council needs to carry out the annual gas safety check or in an emergency, when either the property or the person's safety is at risk, we may require immediate access to the property. If the property is unoccupied the Council may force entry into the property to deal with the emergency. The property will be properly secured and repaired as necessary (unless entry was necessary as a result of your carelessness or neglect)."

4. **Non-access/controlled entry**

- 4.1 The Council will make every effort to obtain access within the 12-month period. However, if access has still not been granted, we will take enforcement action to gain entry to the property if necessary. This may mean undertaking a 'forced entry' as indicated in the Tenancy Agreement (see 3.1 above). In all cases where we have not been granted access to the property, the following procedure will be applied:

5. **The Procedure**

Access for Gas Safety Checks (See also flow chart below)

- 5.1 The Service Provider will provide flexible appointment times to tenants to carry out a Gas Safety Check & Service including evening and Saturday appointments. The following timescales are ideal and given as a guide.
- 5.2 **64 days before LGSR expiry date.** An initial letter will be sent to the tenant(s) 10 days prior to the appointment by the gas service provider and they will provide them with a free phone contact number to rearrange the appointment if not convenient.
- 5.3 **54 days before LGSR expiry date.** If access cannot be obtained at the time of the first appointment, the gas engineer will leave a call card advising the tenant of a second appointment for the gas servicing allowing 7 days' notice. The call card will also advise the tenant to contact the gas service provider within 7 days to rearrange the appointment if the time is inconvenient. The gas service provider will supply photographic evidence of the call card at the property address, clearly showing the entrance door and call card before being posted through the letterbox.
- 5.4 **47 days before LGSR expiry date.** If access cannot be obtained on the second appointment, the gas engineer will leave a second call card advising the tenant to contact the gas service provider within 7 days to arrange a new appointment. The engineer will provide photographic evidence of the call card at the property address clearly showing the entrance door and 'out-card' before being posted through the letterbox.
- 5.5 **40 days before LGSR expiry date.** If access cannot be obtained on the third appointment, a final letter will be left giving the tenant 7 days to contact the gas service provider.
- 5.6 **33 days before LGSR expiry date.** If no contact has been received from the tenant within 7 days, the gas service provider will refer the case to the Council's Compliance Specialist for gas safety. The Compliance Specialist will send a 'Pre-Authorised Access' letter, giving the tenant 7 days' notice of pending action.
- 5.7 **26 days before LGSR expiry date.** If no contact has been made by the tenant or access to the property granted, the Compliance Specialist will seek

authorisation from the Assets and Development Lead Specialist to authorise a forced entry to the property. (See section 6 below). At this point, a member of the Council's housing team will attempt to contact the tenant by telephone, email, or by visiting the property within the next 7 days to arrange access.

- 5.8 **11 days before LGSR expiry date.** If access has not been granted by the tenant an appointment will be made for the gas safety check and a letter sent confirming the intention to gain access to the property.
- 5.9 **10 days before LGSR expiry date.** Authorised Access appointment arranged with gas service provider. If access is not granted by the tenant, the Council and gas service provider will proceed with a 'forced entry' to the property to ensure the LGSR is completed. (See below).

6. Controlled entry

- 6.1 If access has still not been granted by the tenant after all previous steps have been followed (5.1 to 5.9 above,) or in the case of an emergency, the Council will carry out a controlled entry. This will be carried out the day after the LGSR expires. Locks will be changed, and new keys passed to the Neighbourhood Officer or Independent Living Officer. Notification will be left at the address advising the tenant the nature and the reasons for the forced entry and where to collect the keys.
- 6.2 Where a controlled entry is required, a locksmith appointed by the Council will gain entry to the tenant's home and change the lock. Work will be completed with or without the tenant's presence and the tenant will be recharged for the work. (At 2023 prices this is currently set at £95.27, this may be adjusted for inflation).
- 6.2 The locksmith will be accompanied by a representative from the Council's gas contractor and a Neighbourhood/Housing Officer to:
- a) take photographic evidence of the doors and locks (before and after drilling, and then after the new lock is fitted and premises re-secured) and remain at the front door whilst the gas installations are being checked, to ensure no one else enters; and
 - b) accompany the gas servicing engineer whilst they inspect to ensure no possessions are touched or altered

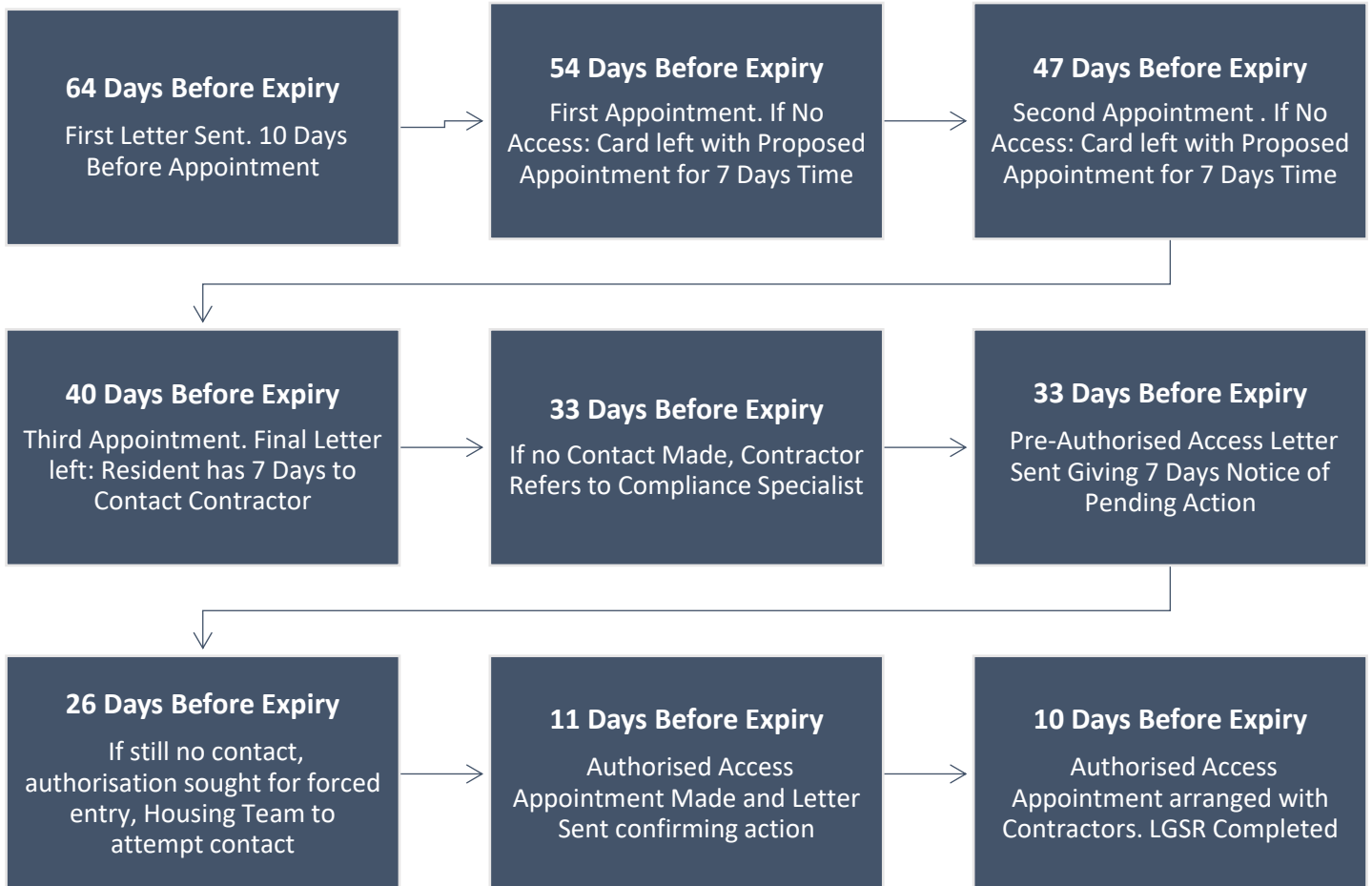
8. Vulnerable tenants

- 8.1 Where a tenant has or may have a protected characteristic under the Equality Act 2010, in particular, where the tenant may be disabled, have mental health issues, language or learning difficulties, the Council will make reasonable adjustments to its controlled access procedure. These adjustments may include (but are not limited to):

- 8.1 a) Making additional enquiries, involving third parties or agencies, translation services, or conducting further visits
- 8.1 b) Ensuring the tenant fully understands the process and the reasons why the gas safety check and/or the forced entry is necessary, particularly with tenants who suffer from mental health disabilities or other vulnerabilities
- 8.2 Where there are particular concerns around a tenant's vulnerability, the Council may decide that it is inappropriate to use the forced entry procedure, and that injunctions will be sought instead.
- 8.3 In all cases, vulnerable tenants will be dealt with compassionately, with every avenue explored to gain access with the tenant's consent, before any action to controlled entry is considered, and that this as a last resort. To ensure due process is followed a record of all communication will be kept to evidence compliance with this policy and procedure.
- 8.4 Where there are particular concerns around a tenant's vulnerability, every effort will be explored to gain access with the tenant's consent, before any action to undertake a 'controlled entry' is considered, and that this as a last resort.

Appendix 2:

Landlord Gas Safety Controlled Access Procedure (flow chart)



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HOUSING COMPLIANCE (FIRE SAFETY) POLICY

Date of policy	April 2021 2024
Date for review	April 2024 March 2026
Policy owner	Director of Housing and Operations, Folkestone & Hythe District Council
Approved by	Pending
Risk register rating	High
Associated documents	FHDC Fire Safety procedure

Revision history			
Version	Date	Revision description	Revision author
V1.0	March 2020	Document created	Lee Woods (Pennington Choices)
V2.0	March 2021	Re-branding; update of key roles and responsibilities in line with FHDC reporting structure	John Holman, Assistant Director (Housing); Jonathan Hicks, Performance Specialist
V2.1	September 2021	6.17 Change of wording to reflect circumstances for a safety visit from KFRS (i.e. not in all cases)	Jonathan Hicks, Performance Specialist. Approval received from Director and Portfolio holder 02/09/21

V2.2 (draft)	November 2023	Changes made to reflect Fire Safety Act 2021 and current working practises.	Claire Wickens, Compliance Specialist; Jonathan Hicks, Performance Specialist
V2.3 (draft)	January 2024	3.4 updated to reflect new powers by the Regulator	Jonathan Hicks, Performance Specialist

NEW POLICY / POLICY REVIEW	
New policy	
Early review – change in legislation	
Early review – significant changes in practice	
Review due – significant changes	YES
Review due – cosmetic changes or unchanged	
Other reason	
Reason for new policy / summary of changes	
To ensure the accountability for managing this policy reflects the current working practises of the housing and compliance team, and to comply with new legislation.	

CONSULTATION	
List of people/roles who have been consulted	Date
Keith Deane, Compliance Senior Specialist	Oct/Nov 2023
Claire Wickens, Compliance Specialist	Oct/Nov 2023
Mick Hale, Assets and Development Lead Specialist	Oct/Nov 2023

EQUALITY IMPACT ASSESSMENT	Completed	Date
	Yes	28 April 2021

DISSEMINATION		
Role	Awareness	Essential
Compliance team		YES
All housing staff	YES	

TRAINING		
Role	Trainer	Date completed
Compliance Specialists	Compliance Senior Specialist	

MONITORING AND COMPLIANCE		
Method	Responsibility	Frequency
Internal audit review	EK Audit partnership	Annually or as required

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Appendix 1 Fire Safety guidance

1. Purpose of the Policy

- 1.1 Residents of properties left unprotected against fire have a much higher than average chance of being injured or killed in their home. There were ~~268-275~~ fatalities recorded between May 20~~21~~18 and June 20~~22~~19 and the Fire and Rescue Services in England attended ~~154,772~~~~82,491~~ fires in that same period, 751 in purpose-built blocks (Home Office, Fire & Rescue incident statistics, England, year ending June 20~~22~~19).
- 1.2 In addition to this there have been high profile fires in social housing high-rise blocks (most notably Lakanal House in 2009 and Grenfell Tower in 2017) which resulted in many tenants losing their lives.
- 1.3 Most fires are preventable. Those responsible for buildings to which the public have access can avoid them by taking responsibility for and adopting the right behaviours and procedures. In October 2006, the Regulatory Reform (Fire Safety) Order 2005 (FSO) came into force. This FSO places a duty on persons responsible for buildings to carry out fire risk assessments.
- 1.4 The purpose of this policy, therefore, is to ensure Folkestone and Hythe District Council (hereafter referred to as 'the Council') is aware of its duty to carry out fire risk assessments and implement adequate fire prevention measures to protect tenants in their homes, and to ensure it complies with the latest fire safety legislation-

2. Policy Objectives and Scope

- 2.1 The Council must establish a policy which meets the requirements of the Regulatory Reform (Fire Safety) Order 2005 (FSO), which came into force in October 2006. Furthermore, this policy must also meet the stringent fire requirements set out in:
 - The Fire Safety Act 2021
 - The Fire Safety (England) Regulations 2022
 - The Building Safety Act 2022
 - The Smoke and Carbon Monoxide Alarm (Amendment Regulations 2022)A full list of legislation is listed in section 3 (below).~~In addition to this, the policy must provide assurance to The Council that measures are in place to identify, manage and/or mitigate risks associated with fire.~~
- 2.2 In addition to this, the policy must provide assurance to the Council that measures are in place to identify, manage and/or mitigate risks associated with fire. The Council must also ensure that compliance with fire safety legislation is formally reported to the Council's ~~Cabinet~~Corporate Leadership Team, including the details of any non-compliance.

2.3 The policy is relevant to all Council employees, tenants, contractors and other persons or other stakeholders who may work on, occupy, visit, ~~or use its premises, any property within its managed social housing stock, or who may be affected by its activities or services.~~

2.4 It should be used by all to ensure they understand the obligations placed upon the Council to maintain a safe environment for tenants and employees within the homes of each tenant, and within all communal areas of tenanted buildings and 'other' properties owned and managed by the Council. (~~offices, commercial shops, depots, etc.~~).

3. Legal/Regulatory Framework

3.1 **Regulatory Standards** — the application of this policy will ensure compliance with the regulatory framework and consumer standards (Home Standard) for social housing in England, which was introduced by the Regulator of Social Housing (RSH) in April 2012.

3.2 **Legislation** — the principal legislation applicable to this policy is the Regulatory Reform (Fire Safety) Order 2005 (FSO), which came into force in October 2006. These regulations place a duty on the Council to take general fire precaution measures to ensure, as far as is reasonably practicable, the safety of the people on their premises and in the immediate vicinity.

3.3 Additional duties have been placed on the Council following The Grenfell Review and the introduction of four new pieces of legislation:

3.3.1 The Fire Safety Act 2021, which came into force in May 2022. The Act clarifies the parts of a premises that apply to the FSO (see 3.2).

3.3.2 The Fire Safety (England) Regulations 2022, which came into force in January 2023. These regulations require the Council to identify any blocks that are over 11 metres, or over 18 metres, in height. These place additional responsibilities regarding the level of information provided to residents on fire safety.

3.3.3 The Smoke and Carbon Monoxide Alarms (Amendment) Regulations 2022, which came into force in October 2022. These regulations upgraded the detector responsibilities place upon the social housing sector.

3.3.4 The Building Safety Act 2022, which came into force in October 2023. This establishes a new and enhanced regulatory requirement for the structural fire safety of buildings.

3.4 The Council is the 'responsible person' for the purposes of the legislation by virtue of the fact that it owns and manages homes and buildings, housing tenants/leaseholders through the tenancy agreement and lease obligations.

- ~~LACORS – Housing – Fire Safety: Guidance on fire safety provisions for certain types of existing housing~~

- ~~Local Government Association: Fire safety in purpose-built blocks of flats~~
- ~~HHSRS Operating Guidance – Housing Act 2004: Guidance about inspections and assessment of hazards given under Section 9~~
- ~~HHSRS Operating Guidance – Housing Act 2004: Addendum for the profile for the hazard of fire and in relation to cladding systems on high-rise residential buildings~~
- ~~Ministry of Housing, Communities & Local Government (MHCLG): Building safety advice for building owners, including fire doors (January 2020)~~
- ~~Ministry of Housing, Communities & Local Government (MHCLG): Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings (January 2020)~~
- ~~National Fire Chief Council's Guidance (NFCC) – Fire Safety in Specialist Housing – May 2017, covers sheltered schemes, supported schemes and extra-care schemes~~
- ~~Practical Fire Safety Guidance for Existing Premises with Sleeping Accommodation 2018 – guidance for those with responsibility for ensuring fire safety in certain premises within sleeping accommodation in Scotland~~
- ~~Building a Safer Future – Independent Review of Building Regulations and Fire Safety: Final Report (May 2018)~~

~~Interim Guidance – the relevant documents of interim fire safety guidance applicable to this policy are as follows:~~

~~Building a Safer Future – Proposals for reform of the building safety regulatory system: A consultation (June 2019)~~

~~The Regulatory Reform (Fire Safety) Order 2005: Call for Evidence (July 2019)~~

~~Grenfell Tower Inquiry: phase 1 report. Volume 1 – 4 (October 2019)~~

3.5 Sanctions

3.5.1 The Council acknowledges and accepts its responsibilities in accordance with the regulatory standards, legislation and approved codes of practice, and that failure to discharge these responsibilities properly could lead to a range of sanctions including prosecution by the Health and Safety Executive under the Health and Safety at Work Act 1974; prosecution under the Corporate Manslaughter and Corporate Homicide Act 2007; and/or prosecution by the Fire and Rescue Service under the FSO, ~~and via a serious detriment judgement from the Regulator of Social Housing.~~

3.5.2 In addition, the Regulator of Social Housing has powers to proactively intervene where landlords are performing badly on consumer issues (including non-

compliance with building safety measures) and may conduct routine inspections to investigate systematic issues.

3.67 **Tenants** – The Council will use the legal remedies available within the terms of the tenancy agreement should any tenant refuse access to carry out essential fire safety related inspection and remediation works.

3.78 **HRA Commercial Stock** – The Council will use the legal remedies available within the terms of the lease agreement should any leaseholder or shared owner refuse permission and/or access to carry out essential fire safety related inspection and remediation works (as tested in the case Croydon Council v. Leaseholder, 1st August 2014).

3.89 **Additional Legislation**

This policy also operates in the context of the following additional legislation:

- Housing Act 2004
- Health and Safety at Work Act 1974
- The Management of Health and Safety at Work Regulations 1999
- Management of Houses in Multiple Occupation (England) Regulations 2006
- Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006
- Gas Safety (Installation and Use) Regulations 1998
- The Furniture and Furnishings (Fire Safety) Regulations 1988
- The Health and Safety (Safety Signs and Signals) Regulations 1996
- The Building Regulations 2022~~00~~: Approved Document B Fire Safety
- Electrical Equipment (Safety) Regulations 2016
- Construction (Design and Management) Regulations 2015
- Data Protection Act 2018
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013
- Homes (Fitness for Human Habitation) Act 2018

4. **Responsibility**

4.1 The Council's Cabinet will have overall governance responsibility for ensuring the Housing Compliance (Fire Safety) Policy is fully implemented to ensure full compliance with the regulatory standards, legislation and approved codes of practice. The Council's Cabinet will formally approve this policy and review it every two years (or sooner if there is a change in regulation, legislation or codes of practice).

~~4.2 The Council's Cabinet will receive regular updates on the implementation of the Fire Risk Assessment Policy and fire safety performance along with notification of non-compliance.~~

- 4.23 The Council's Director of Housing and Operations has strategic responsibility for the management of fire safety and for ensuring compliance is achieved and maintained. ~~The Director will also oversee the implementation of the Fire Risk Assessment Policy.~~
- 4.34 The Council's ~~Director of Housing and Operations~~Assets and Development Lead Manager will be responsible for overseeing the delivery of the agreed fire risk assessment and re-assessment programmes, and the prioritisation and implementation of any works arising from the fire risk assessments. The ~~Director~~Assets and Development Lead Manager is also responsible for overseeing the delivery of service, maintenance and repair programmes to all fire detection, alarms and fire-fighting equipment within property assets owned or managed by the Council.
- 4.45 The Housing and Corporate Leadership Teams will receive reports in respect of fire safety management performance and ensure compliance is being achieved. They will also be notified of any non-compliance issue identified.
- ~~4.6 The housing teams will provide key support in gaining access into properties where access is proving difficult and use standards methods to do so. They will also facilitate the legal process to gain access as necessary.~~
- 4.57 The Council's ~~Director of Housing and Operations~~Chief Officer for Housing will be responsible for ensuring the policy is reviewed every two years, and will notify the Corporate Leadership Team and relevant operational team(s) responsible for the delivery of the compliance programme, of the upcoming review.

4.6 Competent Persons

- 4.6.1 The Council will ensure that the manager with lead responsibility for operational delivery is appropriately qualified and experienced, holding one of the following:
- NEBOSH National Certificate in Fire Safety and Risk Management;
 - Level 4 VRQ Diploma in Asset and Building Management Compliance.
- 4.6.2 ~~The most appropriate qualification will be obtained within 12 months of the approval of this policy, or within 12 months of the start of employment for any new operational leads, where the employee does not already hold it. Where the appropriate qualification has not yet been obtained, the Council will seek assistance from a relevant fire risk assessment consultant, until the Council employee(s) has obtained the qualification(s).~~
- 4.6.3 The Council will ensure that only suitably competent fire risk assessors, certified by BAFE and on a UKAS accredited certification scheme that meets the competency criteria established by the Fire Risk Assessment Competency Council, are procured and appointed to undertake fire risk assessments.
- 4.6.4 The Council will ensure that only suitably competent contractors and engineers, certified by a UKAS accredited certification scheme, are procured and

appointed to undertake works to fire safety equipment, systems and installations.

- 4.6.5 The operational team with responsibility for delivery will check the relevant accreditations for the work that all contractors and engineers are carrying out. These checks will be undertaken as part of the procurement process and/or on an annual basis and evidenced appropriately.

The Policy

5. Obligations

- 5.1 The responsible person must carry out a fire risk assessment (FRA) for the purpose of identifying the general fire precautions and other measures needed to comply with the Regulatory Reform (Fire Safety) Order 2005 (FSO) and other relevant legislation (see section 3 above).
- 5.2 In practice the responsible person will need to take into account the entire premises – including, to some extent, the units of residential accommodation external walls, windows, balconies, flat entrance doors, and the building structure – as part of the Fire Risk Assessment (known as a Type 3 FRA survey).
- 5.3 The responsible person must implement all necessary general fire precautions and any other measures identified by a fire risk assessment.
- 5.4 The responsible person must put in place a suitable system of maintenance and appoint competent persons to implement any procedures that have been adopted.
- 5.5 The responsible person must periodically review fire risk assessments in a timescale appropriate to the premises and/or occupation fire risk level. This timescale is determined by the fire risk assessor carrying out the fire risk assessment.

6. Statement of Intent

- 6.1 The Council acknowledges and accepts its responsibilities under the Regulatory Reform (Fire Safety) Order 2005 (FSO).
- 6.2 A ~~stay safe evacuation strategy~~ stay put policy will be adopted across each of the Council's ~~communal tenanted blocks~~ property types unless otherwise stated within the recommendations of the competent fire risk assessor. The Council will also continue to engage with the Kent Fire and Rescue Service to regularly review this ~~evacuation strategy~~ policy.
- 6.3 The Council will hold accurate records against each property it owns or manages setting out the requirements for having a fire risk assessment in place.
- 6.4 FRA inspection and re-inspection dates, FRA surveys and FRA actions will be held electronically within ~~Pyramid~~ the Council's data management system.
- 6.5 The Council will hold accurate records against each property it owns or manages setting out the requirements for servicing, maintenance and repair of fire prevention, detection and fire-fighting equipment. The Council will set out and record a Fire Safety Strategy including specific arrangements for each communal block and the dwellings within it.
- 6.6 These records will include fire alarm systems, emergency lighting, smoke/heat and carbon monoxide detectors, hose reels, dry and wet risers, auto window/door openers, fire extinguishers, fire blankets, sprinkler systems and any other equipment relating to fire safety.
- 6.7 The Council will establish and manage programmes to deliver servicing and maintenance in accordance with all relevant British Standards and manufacturer's recommendations for all fire detection, prevention and fire-fighting systems and equipment within buildings owned or managed by the organisation.
- 6.8 The Council will ensure that each property requiring an FRA has a fire risk assessment in place that is PAS79 compliant (Publicly Available Specification) from the British Standards Institute (BSI) that has been carried out by a competent fire risk assessor.
- 6.9 The Council will ensure that all FRAs are reviewed no later than the review date set within the FRA, and that this review is carried out by a competent fire risk assessor. The Council will identify and record the identity of the assessor and employing company undertaking the FRA.
- 6.10 The Council will ensure that the FRA to a building is reviewed following a fire, change in building use, change in working practices that may affect fire safety, following refurbishment works to the building or if required following an

independent fire safety audit, and that this review is carried out by a competent fire risk assessor.

- 6.11 The Council will ensure that robust processes are in place to implement all mandatory fire precaution measures identified by FRAs.
- 6.12 The Council will ensure that robust processes are in place to record and action any 'near-miss' reports with regard to fire safety. A 'near-miss' is an unplanned event which does not result in an injury but had the potential to do so.
- 6.13 The Council will test all smoke alarms/CO alarms as part of the annual gas safety check visit (or at void stage) and replace them where necessary. Furthermore, smoke, CO and heat detectors will be replaced as part of the EICR programme
- 6.14 The Council will ensure that all disabled residents and/or employees within buildings requiring a fire risk assessment (i.e. sheltered housing schemes), will have ~~a Personal Emergency Evacuation Plan (PEEP) and that this PEEP will be reviewed annually by a competent person.~~Person-Centred Fire Risk Assessment (PCFRA) and a Personal Emergency Evacuation Plan (PEEP) which will be reviewed annually by a competent person. This will be kept in the Fire Safety Log held securely on site and made available to the fire service in the event of an evacuation.
- 6.15 Where the Council has been notified that a resident within a building requiring a fire risk assessment is storing oxygen in their home for medical use the ~~organisation-Council~~ will ensure that they have a Person-Centred Fire Risk Assessment (PCFRA) and a Personal Emergency Evacuation Plan (PEEP) which will be reviewed annually by a competent person.~~Personal Emergency Evacuation Plan (PEEP) in place and that this PEEP will be reviewed annually by a competent person.~~
- 6.16 The Council will have robust processes and controls in place to ensure that consideration is made when letting properties to the suitability of the accommodation for the prospective tenant with regards to fire safety.
- 6.17 The Council may refer new tenancies and other tenants to the Kent Fire and Rescue Service for a free home safety check (also known as 'Safe and well visits') where the tenant is particularly vulnerable, or where we feel there is sufficient risk.
- 6.18 The Council will ensure that only suitably competent fire risk assessors and fire safety engineers appropriately certified under BAFE and UKAS accredited certification schemes undertake fire safety assessments or works for the organisation.

- 6.19 The Council will have a robust process in place to gain access to properties should any tenant or leaseholder refuse access to carry out essential fire safety related inspection and remediation works. This will be through a documented 'Controlled Access Procedure'.
- 6.20 ~~The Council will attempt to gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant. However, where there are particular concerns around a tenant's vulnerability, every effort will be explored to gain access with the tenant's consent, before any action to undertake a 'controlled entry' is considered, and that this as a last resort. The Council will have a robust process in place to gain access to properties where tenant vulnerability issues are known or identified, whilst ensuring the organisation can gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant.~~
- 6.21 The Council is committed to working with relevant Fire Services to create safer places to live and work. Joint working will include sharing information, the fire service reviewing risk assessments and providing training to Council staff.
- 6.22 The Council will establish and maintain a plan of all continuous improvement activity undertaken with regards to fire safety.
- 6.23 The Council considers good communication essential in the safe delivery of fire safety and will therefore ensure that information about fire safety ~~and fire prevention measures is available to residents and building users via information within welcome packs at the start of a tenancy and through routine communication with tenants in regards to fire safety.~~ fire prevention measures, procedures, and the importance of fire-doors, is available to residents in the welcome pack at the start of each tenancy, and re-issued to existing residents where necessary. Fire Safety instructions will be displayed clearly, in a conspicuous part of the communal space of the building (e.g. hallway/entrance/notice board).
- 6.24 The Council will ensure that a full version of the fire risk assessment will be made available to tenants upon request.
- 6.25 The Council will ensure that all contractors' employee and public liability insurances are up to date on an annual basis.
- 6.26 The Council will ensure contracts/service level agreements are in place with the contractors responsible for delivering the compliance service.
- 6.27 The Council will ensure there are effective contract management arrangements in place, in the form of client-led meetings taking place regularly, with standard agendas and minutes produced, key performance indicators analysed and programmes and performance scrutinised.

- 6.28 The Council will implement a robust process to deal with all changes to stock, including new property acquisitions, disposals and stock transfers, in order to ensure that properties are not omitted from the compliance programme, and to ensure the programme remains up-to-date.
- 6.29 The Council will ensure that there is a robust process in place for the management of immediately dangerous situations identified during the fire safety programme.
- 6.30 The Council will adopt a sterile approach to fire safety in the communal areas of its properties and will have a managed approach to the removal of tenants' goods from these communal areas.
- 6.31 The Council will not permit the storage of scooters within the communal areas of its properties.
- 6.32 The Council will have a robust process in place to manage properties with known hoarding issues, as well as new hoarding issues which arise.

7. Compliance Risk Assessment/Inspection Programmes

- 7.1 **Risk assessment** – The Council will establish and maintain a risk assessment for fire safety management and operations. This risk assessment will set out the organisation's key fire safety risks together with appropriate mitigations.
- 7.2 **CDM** – to comply with the requirements of the Construction, Design and Management Regulations 2015 (CDM) a Construction Phase Plan will be completed for all repair work to void and tenanted properties (at the start of the contract and annually thereafter), component replacement and refurbishment works where applicable.
- 7.3 **Fire risk assessments (non-domestic and other)** – The Council will complete a programme of fire risk assessments to all non-domestic (communal blocks) and ~~'other' properties (offices, commercial shops, depots etc.)~~ in its management and ownership. All future fire risk assessments will be Type 3 surveys as a minimum.
- 7.4 Thereafter, the Council will carry out a programme of fire risk assessment reviews, ensuring that all fire risk assessments are reviewed no later than the review date set by the fire risk assessment and that this review is carried out by a competent fire risk assessor (the review period will be two yearly for all stock, unless otherwise specified by the fire risk assessor).
- 7.5 **Commercial Stock Assigned to the HRA** – The Council will ensure it has records of a valid FRA where properties it owns or manages are managed by

people or organisations other than the Council (i.e. are managed by managing agents).

- 7.6 These properties will be included on the Council's Fire Safety programme, so a new FRA can be requested from the managing agent prior to the existing one expiring. If the managing agent fails to carry out the FRA, the Council will step in and carry out the FRA and re-charge the managing agent for the cost of this work.
- 7.7 ~~The Council will adopt a pro-active approach to fire door auditing, and will regularly review the approach to ensure that it remains in line with all changes in legislation.~~ The Council will adopt a pro-active approach to fire door auditing on blocks under 11 metres in height. On blocks over 11 metres in height, entrance doors will be surveyed at least every 12 months, and all communal fire doors at least every 3 months. The Council will regularly review this approach to ensure that it remains in line with current legislation.
- 7.8 The Council will ensure that each property requiring a fire risk assessment has a fire risk assessment in place that is PAS79 compliant (Publicly Available Specification) from the British Standards Institute (BSI) and that it has been carried out by a competent fire risk assessor.
- 7.9 The Council will carry out a programme of servicing and maintenance, in accordance with all relevant British Standards and manufacturers' recommendations, to all fire detection, prevention and firefighting systems and equipment within buildings owned or managed by the organisation.
- 7.10 The Council will carry out a programme of regular property inspections to all properties with a fire risk assessment in place to audit that all required management actions are taking place. These inspections will be undertaken at regular intervals by caretakers and housing advisors and inspections records will be kept.
- 7.11 **New Build Properties** – The Council will ensure that a pre-occupation fire risk assessment is carried out on all new build properties where required, and that a post-occupation FRA is also commissioned within three months of the first tenant moving in.

8. Compliance Follow-up Work

- 8.1 The Council will ensure that robust processes are in place to implement all mandatory fire precaution measures identified by fire risk assessments (FRA). This will be done on the following timescales:

~~• Intolerable actions – will be implemented within 1 week;~~

- ~~Substantial actions~~ — will be implemented within 1 month;
- ~~Moderate actions~~ — will be implemented within 3 months;
- ~~Tolerable actions~~ — will be implemented within 6 months; and
- Trivial actions — will be implemented within 9 months. Priority 1 - High: 4-6 weeks from FRA
- Priority 2 – Medium: 3-6 months from FRA
- Priority 3 – Low: timescale set by Fire Risk Assessor

NB: In instances where these timescales cannot be achieved, after appropriate and recorded risk assessment with the FRA assessor, new timescales may be agreed.

- 8.2 The Council will ensure that robust processes are in place to implement all fire precaution measures identified by the regular property inspections carried out by caretakers and housing officers.
- 8.3 The Council will ensure there is a robust process in place for the management of any follow-up works required following the completion of servicing and maintenance checks to fire detection, prevention and fire-fighting systems and equipment.

Key controls and reporting

9. Record Keeping

- 9.1 The Council will establish and maintain a core asset register of the communal blocks and 'other' properties that require a fire safety risk assessment. This register should also identify all fire safety equipment, systems and installations within each building.
- 9.2 The register must show the date of the previous and current fire risk assessment (where applicable), along with the due date of the next fire risk assessment. The register will also be used to record and track the progress of all fire safety actions required, as identified from the fire risk assessments.
- 9.3 FRA inspection and re-inspection dates, FRA surveys and FRA actions will be electronically stored within Pyramid.the Council's data management system.
- 9.4 The Council will establish and maintain a register against each property asset of any smoke/heat/carbon monoxide detection equipment contained within domestic dwellings.
- 9.5 The Council will establish and maintain accurate records of all completed fire risk assessments, fire risk assessment reviews and associated completed

remedial works from these reports and keep these as per the Council's Data Retention Policy.

- 9.6 The Council will establish and maintain accurate records of all completed servicing and maintenance checks on fire safety equipment, systems and installations and details of associated completed remedial works and keep these as per the organisation's Data Retention Policy.
- 9.7 The Council will maintain an appropriate Fire Safety Logbook and keep this securely on site, where practical, for all high-risk schemes requiring a fire risk assessment. High risk schemes include all sheltered schemes and any building with a personalised evacuation strategy.
- 9.8 The Council will establish and maintain records of all fire safety related training undertaken by staff.
- 9.9 The Council will ensure robust processes and controls are in place to provide and maintain appropriate levels of security for all fire safety related data.

10. Performance Reporting

- 10.1 Performance indicator measures will be established and maintained to ensure the Council is able to report on performance in relation to fire safety.
- 10.2 Performance measures will be produced and provided to Corporate Leadership Team ~~as required~~, and to the Council's Cabinet, as required, as part of the performance reporting cycle. As a minimum, these measures will include reporting on:

10.2.1 ~~Data – the total number of:~~

~~Properties on the FRA programme;~~

- Properties with a valid 'in date' FRA. This is the level of compliance expressed as a number and or as a percentage;
- Properties where the FRA has expired and is 'out of date'. This is the level of non-compliance expressed as a number and or as a percentage;
- ~~The number of follow up works/actions arising from any FRAs, and the numbers 'completed', 'in time' and 'overdue'.~~

10.2.2 ~~Narrative – an explanation of the:~~ In addition, performance reporting may include (where necessary):

- The number of follow up works/actions arising from any FRAs, and the numbers 'completed', 'in time' and 'overdue'.
- Written narrative on the current position, corrective action applied, and/or progress on follow-up works.

- ~~Current position;~~
- ~~Corrective action required;~~
- ~~Anticipated impact of corrective action;~~
- ~~Progress with completion of follow-up works.~~

~~10.3 In addition:~~

- ~~Compliance with the fire safety equipment, systems and installations servicing and maintenance programme;~~
- ~~Recording and reporting on property fires to identify trends and target awareness campaigns.~~

11. Quality Assurance

- 11.1 The Council will carry out an independent audit of fire safety at least once every two years. This audit will specifically test for compliance with the regulation, legislation and approved codes of practice and identify any non-compliance issues for correction.
- 11.2 The Council will carry out independent third-party quality assurance audits of fire risk assessments, fire equipment servicing and follow-up actions. This will be a 10 per cent sample of the total fire safety works carried out.
- 11.3 The Council will implement a programme of regular property inspections to all properties with a fire risk assessment in place to audit that all required management actions are taking place.
- 11.4 These inspections will be carried out by caretakers and housing advisors and be undertaken at regular intervals, with inspection records evidenced and kept against each property. In addition to this the Council will ensure regular testing of all fire alarms and emergency lighting systems.

12. Non-Compliance/ Escalation Process

- 12.1 The definition of non-compliance in relation to this policy refers to any incident which results in a potential breach of legislation or regulatory standard, or which causes or has the potential to cause a significant risk to health or safety.
- 12.2 Any non-compliance issue identified at an operational level will be formally reported to the Council's Director of Housing and Operations.
- 12.3 The Council's Director of Housing and Operations will agree an appropriate course of corrective action with the relevant operational team(s) in order to address the non-compliance issue.

12.4 The Council's Corporate Leadership Team (CLT) will ensure the appropriate Cabinet Member ~~(s) for Housing, Transport and Special Projects~~ is made aware of any non-compliance issue so they can consider the implications and take action as appropriate.

12.5 In cases of a serious non-compliance issue the Council's CLT ~~and Monitoring Officer~~ will consider whether it is necessary to disclose the issue to the Regulator of Social Housing in the spirit of co-regulation, or any other relevant organisation such as the HSE, as part of the Regulatory Framework.

13. Training

13.1 The Council will ensure that all operatives working for, or on behalf of, the organisation have the relevant training required for their role. This will be managed via periodic assessments of training needs and resulting programmes of internal and/or external training.

14 Equality and Diversity

14.1 An Equality Impact Assessment has been carried out to determine whether the policy would have an impact on any member of staff, tenants or contractor workforce, which unfairly discriminates or disadvantages them in the context of the Equality Act 2010. Adherence to the policy provides the same level of protection for all building users and no impacts have been identified that would adversely affect one group more than any other.

14.2 Where a tenant has or may have a protected characteristic under the Equality Act 2010, in particular, where the tenant may be disabled, have mental health issues, language or learning difficulties, the Council will make reasonable adjustments to its procedures when gaining access to properties.

Appendix 1: Fire Safety guidance

- **LACORS – Housing – Fire Safety**: Guidance on fire safety provisions for certain types of existing housing
- **Local Government Association**: Fire safety in purpose-built blocks of flats
- **HHSRS Operating Guidance – Housing Act 2004**: Guidance about inspections and assessment of hazards given under Section 9
- **HHSRS Operating Guidance – Housing Act 2004**: Addendum for the profile for the hazard of fire and in relation to cladding systems on high-rise residential buildings
- **Ministry of Housing, Communities & Local Government (MHCLG)**: Building safety advice for building owners, including fire doors (January 2020)
- **Ministry of Housing, Communities & Local Government (MHCLG)**: Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings (January 2020)
- **National Fire Chief Council’s Guidance (NFCC) – Fire Safety in Specialist Housing** – May 2017, covers sheltered schemes, supported schemes and extra-care schemes
- **Practical Fire Safety Guidance for Existing Premises with Sleeping Accommodation 2018** – guidance for those with responsibility for ensuring fire safety in certain premises within sleeping accommodation in Scotland
- **Building a Safer Future** – Independent Review of Building Regulations and Fire Safety: Final Report (May 2018)

Latest Fire Safety links:

- [Check your fire safety responsibilities under Section 156 of the Building Safety Act 2022](#)
- [Check your fire safety responsibilities under the Fire Safety \(England\) Regulations 2022](#)
- [Fire Safety \(England\) Regulations 2022: fire doors](#)
- [Fire safety risk assessment: 5-step checklist](#)
- [Making your small block of flats safe from fire](#)



HOUSING COMPLIANCE (FIRE SAFETY) POLICY

Date of policy	April 2024
Date for review	March 2026
Policy owner	Director of Housing and Operations, Folkestone & Hythe District Council
Approved by	Pending
Risk register rating	High
Associated documents	FHDC Fire Safety procedure

Revision history (internal F&HDC officer use only)			
Version	Date	Revision description	Revision author
V1.0	March 2020	Document created	Lee Woods (Pennington Choices)
V2.0	March 2021	Re-branding; update of key roles and responsibilities in line with FHDC reporting structure	John Holman, Assistant Director (Housing); Jonathan Hicks, Performance Specialist
V2.1	September 2021	6.17 Change of wording to reflect circumstances for a safety visit from KFRS (i.e. not in all cases)	Jonathan Hicks, Performance Specialist. Approval received from Director and Portfolio holder 02/09/21

V2.2 (draft)	November 2023	Changes made to reflect Fire Safety Act 2021 and current working practises.	Claire Wickens, Compliance Specialist; Jonathan Hicks, Performance Specialist
V2.3 (draft)	January 2024	3.4 updated to reflect new powers by the Regulator	Jonathan Hicks, Performance Specialist

NEW POLICY / POLICY REVIEW

New policy

Early review – change in legislation

Early review – significant changes in practice

Review due – significant changes

YES

Review due – cosmetic changes or unchanged

Other reason

Reason for new policy / summary of changes

To ensure the accountability for managing this policy reflects the current working practises of the housing and compliance team, and to comply with new legislation.

CONSULTATION

List of people/roles who have been consulted

Date

Keith Deane, Compliance Senior Specialist

Oct/Nov 2023

Claire Wickens, Compliance Specialist

Oct/Nov 2023

Mick Hale, Assets and Development Lead Specialist

Oct/Nov 2023

EQUALITY IMPACT ASSESSMENT

Completed

Date

Yes

28 April 2021

DISSEMINATION

Role

Awareness

Essential

Compliance team

YES

All housing staff

YES

TRAINING

Role

Trainer

Date completed

Compliance Specialists

Compliance Senior Specialist

MONITORING AND COMPLIANCE

Method

Responsibility

Frequency

Internal audit review

EK Audit partnership

Annually/as required

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1. Purpose of the Policy

- 1.1 Residents of properties left unprotected against fire have a much higher than average chance of being injured or killed in their home. There were 275 fatalities recorded between May 2021 and June 2022 and the Fire and Rescue Services in England attended 154,772 fires in that same period; 751 in purpose-built blocks (Home Office, Fire & Rescue incident statistics, England, year ending June 2022).
- 1.2 In addition to this there have been high profile fires in social housing high-rise blocks (most notably Lakanal House in 2009 and Grenfell Tower in 2017) which resulted in many tenants losing their lives.
- 1.3 Most fires are preventable. Those responsible for buildings to which the public have access can avoid them by taking responsibility for and adopting the right behaviours and procedures. In October 2006, the Regulatory Reform (Fire Safety) Order 2005 (FSO) came into force. This FSO places a duty on persons responsible for buildings to carry out fire risk assessments.
- 1.4 The purpose of this policy, therefore, is to ensure Folkestone and Hythe District Council (hereafter referred to as 'the Council') is aware of its duty to carry out fire risk assessments and implement adequate fire prevention measures to protect tenants in their homes, and to ensure it complies with the latest fire safety legislation.

2. Policy Objectives and Scope

- 2.1 The Council must establish a policy which meets the requirements of the Regulatory Reform (Fire Safety) Order 2005 (FSO), which came into force in October 2006. Furthermore, this policy must also meet the stringent fire requirements set out in:
 - The Fire Safety Act 2021
 - The Fire Safety (England) Regulations 2022
 - The Building Safety Act 2022
 - The Smoke and Carbon Monoxide Alarm (Amendment Regulations 2022)A full list of legislation is listed in section 3 (below).
- 2.2 In addition to this, the policy must provide assurance to the Council that measures are in place to identify, manage and/or mitigate risks associated with fire. The Council must also ensure that compliance with fire safety legislation is formally reported to the Council's Corporate Leadership Team, including the details of any non-compliance.
- 2.3 The policy is relevant to all Council employees, tenants, contractors and other persons or other stakeholders who may work on, occupy, visit any property within its managed social housing stock.

- 2.4 It should be used by all to ensure they understand the obligations placed upon the Council to maintain a safe environment for tenants and employees within the homes of each tenant, and within all communal areas of tenanted buildings owned and managed by the Council.

3. Legal/Regulatory Framework

- 3.1 **Regulatory Standards** – the application of this policy will ensure compliance with the regulatory framework and consumer standards (Home Standard) for social housing in England, which was introduced by the Regulator of Social Housing (RSH) in April 2012.
- 3.2 **Legislation** – the principal legislation applicable to this policy is the Regulatory Reform (Fire Safety) Order 2005 (FSO), which came into force in October 2006. These regulations place a duty on the Council to take general fire precaution measures to ensure, as far as is reasonably practicable, the safety of the people on their premises and in the immediate vicinity.
- 3.3 Additional duties have been placed on the Council following The Grenfell Review and the introduction of four new pieces of legislation:
- 3.3.1 The Fire Safety Act 2021, which came into force in May 2022. The Act clarifies the parts of a premises that apply to the FSO (see 3.2).
- 3.3.2 The Fire Safety (England) Regulations 2022, which came into force in January 2023. These regulations require the Council to identify any blocks that are over 11 metres, or over 18 metres, in height. These place additional responsibilities regarding the level of information provided to residents on fire safety.
- 3.3.3 The Smoke and Carbon Monoxide Alarms (Amendment) Regulations 2022, which came into force in October 2022. These regulations upgraded the detector responsibilities place upon the social housing sector.
- 3.3.4 The Building Safety Act 2022, which came into force in October 2023. This establishes a new and enhanced regulatory requirement for the structural fire safety of buildings.
- 3.4 The Council is the ‘responsible person’ for the purposes of the legislation by virtue of the fact that it owns and manages homes and buildings, housing tenants/leaseholders through the tenancy agreement and lease obligations.

3.5 **Sanctions**

3.5.1 The Council acknowledges and accepts its responsibilities in accordance with the regulatory standards, legislation and approved codes of practice, and that failure to discharge these responsibilities properly could lead to a range of sanctions including prosecution by the Health and Safety Executive under the Health and Safety at Work Act 1974; prosecution under the Corporate Manslaughter and Corporate Homicide Act 2007; and/or prosecution by the Fire and Rescue Service under the FSO.

3.5.2 In addition, the Regulator of Social Housing has powers to proactively intervene where landlords are performing badly on consumer issues (including non-compliance with building safety measures) and may conduct routine inspections to investigate systematic issues.

3.6 **Tenants** – The Council will use the legal remedies available within the terms of the tenancy agreement should any tenant refuse access to carry out essential fire safety related inspection and remediation works.

3.7 **HRA Commercial Stock** – The Council will use the legal remedies available within the terms of the lease agreement should any leaseholder or shared owner refuse permission and/or access to carry out essential fire safety related inspection and remediation works (as tested in the case *Croydon Council v. Leaseholder*, 1st August 2014).

3.8 **Additional Legislation**

This policy also operates in the context of the following additional legislation:

- Housing Act 2004
- Health and Safety at Work Act 1974
- The Management of Health and Safety at Work Regulations 1999
- Management of Houses in Multiple Occupation (England) Regulations 2006
- Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006
- Gas Safety (Installation and Use) Regulations 1998
- The Furniture and Furnishings (Fire Safety) Regulations 1988
- The Health and Safety (Safety Signs and Signals) Regulations 1996
- The Building Regulations 2022: Approved Document B Fire Safety
- Electrical Equipment (Safety) Regulations 2016
- Construction (Design and Management) Regulations 2015
- Data Protection Act 2018
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013
- Homes (Fitness for Human Habitation) Act 2018

4. Responsibility

- 4.1 The Council's Cabinet will have overall governance responsibility for ensuring the Housing Compliance (Fire Safety) Policy is fully implemented to ensure full compliance with the regulatory standards, legislation and approved codes of practice. The Council's Cabinet will formally approve this policy and review it every two years (or sooner if there is a change in regulation, legislation or codes of practice).
- 4.2 The Council's Director of Housing and Operations has strategic responsibility for the management of fire safety and for ensuring compliance is achieved and maintained.
- 4.3 The Council's Assets and Development Lead Manager will be responsible for overseeing the delivery of the agreed fire risk assessment and re-assessment programmes, and the prioritisation and implementation of any works arising from the fire risk assessments. The Assets and Development Lead Manager is also responsible for overseeing the delivery of service, maintenance and repair programmes to all fire detection, alarms and fire-fighting equipment within property assets owned or managed by the Council.
- 4.4 The Housing and Corporate Leadership Teams will receive reports in respect of fire safety management performance and ensure compliance is being achieved. They will also be notified of any non-compliance issue identified.
- 4.5 The Council's Chief Officer for Housing will be responsible for ensuring the policy is reviewed every two years and will notify the Corporate Leadership Team and relevant operational team(s) responsible for the delivery of the compliance programme, of the upcoming review.
- 4.6 **Competent Persons**
- 4.6.1 The Council will ensure that the manager with lead responsibility for operational delivery is appropriately qualified and experienced, holding one of the following:
- NEBOSH National Certificate in Fire Safety and Risk Management;
 - Level 4 VRQ Diploma in Asset and Building Management Compliance.
- 4.6.2 Where the appropriate qualification has not yet been obtained, the Council will seek assistance from a relevant fire risk assessment consultant, until the Council employee(s) has obtained the qualification(s).
- 4.6.3 The Council will ensure that only suitably competent fire risk assessors, certified by BAFE and on a UKAS accredited certification scheme that meets the competency criteria established by the Fire Risk Assessment Competency Council, are procured and appointed to undertake fire risk assessments.
- 4.6.4 The Council will ensure that only suitably competent contractors and engineers, certified by a UKAS accredited certification scheme, are procured and appointed to undertake works to fire safety equipment, systems and installations.

- 4.6.5 The operational team with responsibility for delivery will check the relevant accreditations for the work that all contractors and engineers are carrying out. These checks will be undertaken as part of the procurement process and/or on an annual basis and evidenced appropriately.

The Policy

5. Obligations

- 5.1 The responsible person must carry out a fire risk assessment (FRA) for the purpose of identifying the general fire precautions and other measures needed to comply with the Regulatory Reform (Fire Safety) Order 2005 (FSO) and other relevant legislation (see section 3 above).
- 5.2 In practice the responsible person will need to take into account the entire premises – including, external walls, windows, balconies, flat entrance doors, and the building structure – as part of the Fire Risk Assessment (known as a Type 3 FRA survey).
- 5.3 The responsible person must implement all necessary general fire precautions and any other measures identified by a fire risk assessment.
- 5.4 The responsible person must put in place a suitable system of maintenance and appoint competent persons to implement any procedures that have been adopted.
- 5.5 The responsible person must periodically review fire risk assessments in a timescale appropriate to the premises and/or occupation fire risk level. This timescale is determined by the fire risk assessor carrying out the fire risk assessment.

6. Statement of Intent

- 6.1 The Council acknowledges and accepts its responsibilities under the Regulatory Reform (Fire Safety) Order 2005 (FSO).
- 6.2 A stay put policy will be adopted across each of the Council's communal tenanted blocks unless otherwise stated within the recommendations of the competent fire risk assessor. The Council will also continue to engage with the Kent Fire and Rescue Service to regularly review this policy.
- 6.3 The Council will hold accurate records against each property it owns or manages setting out the requirements for having a fire risk assessment in place.
- 6.4 FRA inspection and re-inspection dates, FRA surveys and FRA actions will be held electronically within the Council's data management system.

- 6.5 The Council will hold accurate records against each property it owns or manages setting out the requirements for servicing, maintenance and repair of fire prevention, detection and fire-fighting equipment. The Council will set out and record a Fire Safety Strategy including specific arrangements for each communal block and the dwellings within it.
- 6.6 These records will include fire alarm systems, emergency lighting, smoke/heat and carbon monoxide detectors, hose reels, dry and wet risers, auto window/door openers, fire extinguishers, fire blankets, sprinkler systems and any other equipment relating to fire safety.
- 6.7 The Council will establish and manage programmes to deliver servicing and maintenance in accordance with all relevant British Standards and manufacturer's recommendations for all fire detection, prevention and fire-fighting systems and equipment within buildings owned or managed by the organisation.
- 6.8 The Council will ensure that each property requiring an FRA has a fire risk assessment in place that is PAS79 compliant (Publicly Available Specification) from the British Standards Institute (BSI) that has been carried out by a competent fire risk assessor.
- 6.9 The Council will ensure that all FRAs are reviewed no later than the review date set within the FRA, and that this review is carried out by a competent fire risk assessor. The Council will identify and record the identity of the assessor and employing company undertaking the FRA.
- 6.10 The Council will ensure that the FRA to a building is reviewed following a fire, change in building use, change in working practices that may affect fire safety, following refurbishment works to the building or if required following an independent fire safety audit, and that this review is carried out by a competent fire risk assessor.
- 6.11 The Council will ensure that robust processes are in place to implement all mandatory fire precaution measures identified by FRAs.
- 6.12 The Council will ensure that robust processes are in place to record and action any 'near-miss' reports with regard to fire safety. A 'near-miss' is an unplanned event which does not result in an injury but had the potential to do so.
- 6.13 The Council will test all smoke alarms/CO alarms as part of the annual gas safety check visit (or at void stage) and replace them where necessary. Furthermore, smoke, CO and heat detectors will be replaced as part of the EICR programme
- 6.14 The Council will ensure that all disabled residents and/or employees within buildings requiring a fire risk assessment (i.e. sheltered housing schemes), will

have Person-Centred Fire Risk Assessment (PCFRA) and a Personal Emergency Evacuation Plan (PEEP) which will be reviewed annually by a competent person. This will be kept in the Fire Safety Log held securely on site and made available to the fire service in the event of an evacuation.

- 6.15 Where the Council has been notified that a resident within a building requiring a fire risk assessment is storing oxygen in their home for medical use the Council will ensure that they have a Person-Centred Fire Risk Assessment (PCFRA) and a Personal Emergency Evacuation Plan (PEEP) which will be reviewed annually by a competent person.
- 6.16 The Council will have robust processes and controls in place to ensure that consideration is made when letting properties to the suitability of the accommodation for the prospective tenant with regards to fire safety.
- 6.17 The Council may refer new tenancies and other tenants to the Kent Fire and Rescue Service for a free home safety check (also known as 'Safe and well visits') where the tenant is particularly vulnerable, or where we feel there is sufficient risk.
- 6.18 The Council will ensure that only suitably competent fire risk assessors and fire safety engineers appropriately certified under BAFE and UKAS accredited certification schemes undertake fire safety assessments or works for the organisation.
- 6.19 The Council will have a robust process in place to gain access should any tenant or leaseholder refuse access to carry out essential fire safety related inspection and remediation works. This will be through a documented 'Controlled Access Procedure'.
- 6.20 The Council will attempt to gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant. However, where there are particular concerns around a tenant's vulnerability, every effort will be explored to gain access with the tenant's consent, before any action to undertake a 'controlled entry' is considered, and that this as a last resort.
- 6.21 The Council is committed to working with relevant Fire Services to create safer places to live and work. Joint working will include sharing information, the fire service reviewing risk assessments and providing training to Council staff.
- 6.22 The Council will establish and maintain a plan of all continuous improvement activity undertaken with regards to fire safety.
- 6.23 The Council considers good communication essential in the safe delivery of fire safety and will therefore ensure that information about fire safety, fire prevention measures, procedures, and the importance of fire-doors, is available to residents in the welcome pack at the start of each tenancy and re-issued to

existing residents where necessary. Fire Safety instructions will be displayed clearly, in a conspicuous part of the communal space of the building (e.g. hallway/entrance/notice board).

- 6.24 The Council will ensure that a full version of the fire risk assessment will be made available to tenants upon request.
- 6.25 The Council will ensure that all contractors' employee and public liability insurances are up to date on an annual basis.
- 6.26 The Council will ensure contracts/service level agreements are in place with the contractors responsible for delivering the compliance service.
- 6.27 The Council will ensure there are effective contract management arrangements in place, in the form of client-led meetings taking place regularly, with standard agendas and minutes produced, key performance indicators analysed and programmes and performance scrutinised.
- 6.28 The Council will implement a robust process to deal with all changes to stock, including new property acquisitions, disposals and stock transfers, in order to ensure that properties are not omitted from the compliance programme, and to ensure the programme remains up-to-date.
- 6.29 The Council will ensure that there is a robust process in place for the management of immediately dangerous situations identified during the fire safety programme.
- 6.30 The Council will adopt a sterile approach to fire safety in the communal areas of its properties and will have a managed approach to the removal of tenants' goods from these communal areas.
- 6.31 The Council will not permit the storage of scooters within the communal areas of its properties.
- 6.32 The Council will have a robust process in place to manage properties with known hoarding issues, as well as new hoarding issues which arise.

7. Compliance Risk Assessment/Inspection Programmes

- 7.1 **Risk assessment** – The Council will establish and maintain a risk assessment for fire safety management and operations. This risk assessment will set out the organisation’s key fire safety risks together with appropriate mitigations.
- 7.2 **CDM** – to comply with the requirements of the Construction, Design and Management Regulations 2015 (CDM) a Construction Phase Plan will be completed for all repair work to void and tenanted properties (at the start of the contract and annually thereafter), component replacement and refurbishment works where applicable.
- 7.3 **Fire risk assessments (non-domestic and other)** – The Council will complete a programme of fire risk assessments to all non-domestic (communal blocks) in its management and ownership. All future fire risk assessments will be Type 3 surveys as a minimum.
- 7.4 Thereafter, the Council will carry out a programme of fire risk assessment reviews, ensuring that all fire risk assessments are reviewed no later than the review date set by the fire risk assessment and that this review is carried out by a competent fire risk assessor (the review period will be two yearly for all stock, unless otherwise specified by the fire risk assessor).
- 7.5 **Commercial Stock Assigned to the HRA** – The Council will ensure it has records of a valid FRA where properties it owns or manages are managed by people or organisations other than the Council (i.e. are managed by managing agents).
- 7.6 These properties will be included on the Council’s Fire Safety programme, so a new FRA can be requested from the managing agent prior to the existing one expiring. If the managing agent fails to carry out the FRA, the Council will step in and carry out the FRA and re-charge the managing agent for the cost of this work.
- 7.7 The Council will adopt a pro-active approach to fire door auditing on blocks under 11 metres in height. On blocks over 11 metres in height, entrance doors will be surveyed at least every 12 months, and all communal fire doors at least every 3 months. The Council will regularly review this approach to ensure that it remains in line with current legislation.
- 7.8 The Council will ensure that each property requiring a fire risk assessment has a fire risk assessment in place that is PAS79 compliant (Publicly Available Specification) from the British Standards Institute (BSI) and that it has been carried out by a competent fire risk assessor.

- 7.9 The Council will carry out a programme of servicing and maintenance, in accordance with all relevant British Standards and manufacturers' recommendations, to all fire detection, prevention and firefighting systems and equipment within buildings owned or managed by the organisation.
- 7.10 The Council will carry out a programme of regular property inspections to all properties with a fire risk assessment in place to audit that all required management actions are taking place. These inspections will be undertaken at regular intervals by caretakers and housing advisors and inspections records will be kept.
- 7.11 **New Build Properties** – The Council will ensure that a pre-occupation fire risk assessment is carried out on all new build properties where required, and that a post-occupation FRA is also commissioned within three months of the first tenant moving in.

8. Compliance Follow-up Work

- 8.1 The Council will ensure that robust processes are in place to implement all mandatory fire precaution measures identified by fire risk assessments (FRA). This will be done on the following timescales:
- Priority 1 - High: 4-6 weeks from FRA
 - Priority 2 - Medium: 3-6 months from FRA
 - Priority 3 - Low: timescale set by Fire Risk Assessor
- NB: In instances where these timescales cannot be achieved, after appropriate and recorded risk assessment with the FRA assessor, new timescales may be agreed.*
- 8.2 The Council will ensure that robust processes are in place to implement all fire precaution measures identified by the regular property inspections carried out by caretakers and housing officers.
- 8.3 The Council will ensure there is a robust process in place for the management of any follow-up works required following the completion of servicing and maintenance checks to fire detection, prevention and fire-fighting systems and equipment.

Key controls and reporting

9. Record Keeping

- 9.1 The Council will establish and maintain a core asset register of the communal blocks and 'other' properties that require a fire safety risk assessment. This register should also identify all fire safety equipment, systems and installations within each building.
- 9.2 The register must show the date of the previous and current fire risk assessment (where applicable), along with the due date of the next fire risk assessment. The register will also be used to record and track the progress of all fire safety actions required, as identified from the fire risk assessments.
- 9.3 FRA inspection and re-inspection dates, FRA surveys and FRA actions will be electronically stored within the Council's data management system.
- 9.4 The Council will establish and maintain a register against each property asset of any smoke/heat/carbon monoxide detection equipment contained within domestic dwellings.
- 9.5 The Council will establish and maintain accurate records of all completed fire risk assessments, fire risk assessment reviews and associated completed remedial works from these reports and keep these as per the Council's Data Retention Policy.
- 9.6 The Council will establish and maintain accurate records of all completed servicing and maintenance checks on fire safety equipment, systems and installations and details of associated completed remedial works and keep these as per the organisation's Data Retention Policy.
- 9.7 The Council will maintain an appropriate Fire Safety Logbook and keep this securely on site, where practical, for all high-risk schemes requiring a fire risk assessment. High risk schemes include all sheltered schemes and any building with a personalised evacuation strategy.
- 9.8 The Council will establish and maintain records of all fire safety related training undertaken by staff.
- 9.9 The Council will ensure robust processes and controls are in place to provide and maintain appropriate levels of security for all fire safety related data.

10. Performance Reporting

10.1 Performance indicator measures will be established and maintained to ensure the Council is able to report on performance in relation to fire safety.

10.2 Performance measures will be produced and provided to Corporate Leadership Team, and to the Council's Cabinet, as required, as part of the performance reporting cycle.

10.2.1 As a minimum, these measures will include reporting on:

- Properties with a valid 'in date' FRA. This is the level of compliance expressed as a number and/or as a percentage;
- Properties where the FRA has expired and is 'out of date'. This is the level of non-compliance expressed as a number and/or as a percentage;

10.2.2 In addition, performance reporting may include (where necessary):

- The number of follow up works/actions arising from any FRAs, and the numbers 'completed', 'in time' and 'overdue';
- Written narrative on the current position, corrective action applied, and/or progress on follow-up works.

11. Quality Assurance

11.1 The Council will carry out an independent audit of fire safety at least once every two years. This audit will specifically test for compliance with the regulation, legislation and approved codes of practice and identify any non-compliance issues for correction.

11.2 The Council will carry out independent third-party quality assurance audits of fire risk assessments, fire equipment servicing and follow-up actions. This will be a 10 per cent sample of the total fire safety works carried out.

11.3 The Council will implement a programme of regular property inspections to all properties with a fire risk assessment in place to audit that all required management actions are taking place.

11.4 These inspections will be carried out by caretakers and housing advisors and be undertaken at regular intervals, with inspection records evidenced and kept against each property. In addition to this the Council will ensure regular testing of all fire alarms and emergency lighting systems.

12. Non-Compliance/ Escalation Process

- 12.1 The definition of non-compliance in relation to this policy refers to any incident which results in a potential breach of legislation or regulatory standard, or which causes or has the potential to cause a significant risk to health or safety.
- 12.2 Any non-compliance issue identified at an operational level will be formally reported to the Council's Director of Housing and Operations.
- 12.3 The Council's Director of Housing and Operations will agree an appropriate course of corrective action with the relevant operational team(s) in order to address the non-compliance issue.
- 12.4 The Council's Corporate Leadership Team (CLT) will ensure the appropriate Cabinet Member(s) is made aware of any non-compliance issue so they can consider the implications and take action as appropriate.
- 12.5 In cases of a serious non-compliance issue the Council's CLT will consider whether it is necessary to disclose the issue to the Regulator of Social Housing in the spirit of co-regulation, or any other relevant organisation such as the HSE, as part of the Regulatory Framework.

13. Training

- 13.1 The Council will ensure that all operatives working for, or on behalf of, the organisation have the relevant training required for their role. This will be managed via periodic assessments of training needs and resulting programmes of internal and/or external training.

14 Equality and Diversity

- 14.1 An Equality Impact Assessment has been carried out to determine whether the policy would have an impact on any member of staff, tenants or contractor workforce, which unfairly discriminates or disadvantages them in the context of the Equality Act 2010. Adherence to the policy provides the same level of protection for all building users and no impacts have been identified that would adversely affect one group more than any other.
- 14.2 Where a tenant has or may have a protected characteristic under the Equality Act 2010, in particular, where the tenant may be disabled, have mental health issues, language or learning difficulties, the Council will make reasonable adjustments to its procedures when gaining access to properties.

Appendix 1: Fire Safety guidance

- **LACORS – Housing – Fire Safety:** Guidance on fire safety provisions for certain types of existing housing
- **Local Government Association:** Fire safety in purpose-built blocks of flats
- **HHSRS Operating Guidance – Housing Act 2004:** Guidance about inspections and assessment of hazards given under Section 9
- **HHSRS Operating Guidance – Housing Act 2004:** Addendum for the profile for the hazard of fire and in relation to cladding systems on high-rise residential buildings
- **Ministry of Housing, Communities & Local Government (MHCLG):** Building safety advice for building owners, including fire doors (January 2020)
- **Ministry of Housing, Communities & Local Government (MHCLG):** Advice for Building Owners of Multi-storey, Multi-occupied Residential Buildings (January 2020)
- **National Fire Chief Council’s Guidance (NFCC) – Fire Safety in Specialist Housing – May 2017,** covers sheltered schemes, supported schemes and extra-care schemes
- **Practical Fire Safety Guidance for Existing Premises with Sleeping Accommodation 2018 –** guidance for those with responsibility for ensuring fire safety in certain premises within sleeping accommodation in Scotland
- **Building a Safer Future –** Independent Review of Building Regulations and Fire Safety: Final Report (May 2018)

Latest Fire Safety links:

- [Check your fire safety responsibilities under Section 156 of the Building Safety Act 2022](#)
- [Check your fire safety responsibilities under the Fire Safety \(England\) Regulations 2022](#)
- [Fire Safety \(England\) Regulations 2022: fire doors](#)
- [Fire safety risk assessment: 5-step checklist](#)
- [Making your small block of flats safe from fire](#)

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This Report will be made public on 23 January 2024

Report Number **C/23/75**

To: Cabinet
Date: 31 January 2024
Status: Key Decision
Responsible Officer: Gill Butler, Chief Officer – Housing
Andy Blaszkowicz, Director Housing & Operations
Cabinet Member: Councillor Rebecca Shoob, Cabinet Member for Housing and Homelessness

SUBJECT: SERVICE CHARGES ‘DE-POOLING’ PROJECT FOR COUNCIL HOUSING – HOUSING REVENUE ACCOUNT (HRA)

SUMMARY:

This report outlines the recommendation to ‘de-pool’ the service charges for council tenants, as well as properties sold under the RTB¹ and other property sales, and implement an accurate, fair, and transparent charging regime across all service charge elements. Making the charges equitable and transparent in the charging structure is in line with good practice according to the government’s policy - Statement on Rents for Social Housing 2018, Social Housing Regulation Act 2023, and RICS² service charge management code (3rd edition).

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below in order to ensure that the council housing service is able to continue to deliver against its priorities by ensuring recovery of service charges due to the HRA. The two main issues that this report aims to address are:

- Lack of transparency in the current service charges.
- The disparity between what the services cost the HRA and income currently generated through service charges.

RECOMMENDATIONS:

1. To receive and note report C/23/75.
2. To agree initiation of the service charge de-pooling project, of which the first stage is to ensure we can accurately breakdown and apportion all service chargeable items per block and unit.
3. To note that the current standard tenancy agreement does not have adequate provision for service charges. The project will therefore include updating the agreement by variation to ensure that a new agreement is in place before the de-pooling project is concluded.

¹ Right to Buy.

² Royal Institution of Chartered Surveyors

- 4. To note that this project will take approximately 2 years to undertake and fully implement and will require significant consultation. It is proposed that the new charging regime would commence in the 2026/27 year. A draft project timetable can be found at Appendix 1.**
- 5. To note that officers will ensure reporting back to Members at key points during the project to the appropriate committee to ensure effective oversight.**
- 6. To note that consultation will be a key theme throughout the project. Early engagement will be made with all the tenants and private owners that will be affected by the project. Ward Members will be included in consultation plans, as will the Strategic Tenants' Advisory Panel (STAP), to ensure that residents are supported throughout this process.**

1. BACKGROUND

- 1.1. A service charge is a charge collected to pay for services that's undertaken to the communal parts of a building and/or estate. Service charges are not the same as rent and are bound by different legislation. Rent is expected by the government to cover a charge for the occupation of a home including its general management and, in many cases, its repair, whilst service charges such as: communal facilities, car parking, grounds maintenance, communal area heating, cleaning, communal area fire detection, etc. are additional and regarded as a service charge cost.
- 1.2. Council tenants currently pay a fixed / 'pooled' service charge. Leaseholders and shared owners pay a variable service charge. Fixed service charges are set at the start of the financial year, the charge needs to be an accurate projection of the cost of the services over the coming year. A profit isn't allowed under the legislation, a deficit would mean that social rents are subsidising the services which also wouldn't be correct. Variable service charges are different. An estimated cost is set at the start of the service charge year with a final account based on the actual cost for the period being produced within 6 months after the end of the period. The legislation for fixed service charges and variable service charges is different, however, the principle of billing and collecting the correct level of charges is the same.
- 1.3. Tenants who are in benefit of services that are undertaken to the building and/or estate, currently pay a weekly service charge in addition to their rent. Current charges range between £0.06 to £10.84 per week (see 3.1). However, charging this way is commonly referred to as 'pooled' charges. Pooled service charges are when the cost of a group of services are added together, then quite often increased (or decreased) annually by a percentage, (sometimes in line with rent). Calculating charges this way creates a disparity between the cost of the service and what tenants are required to pay.
- 1.4. Due to the nature of pooled service charges, the amounts charged are not specific to the services provided to an individual property. This was a common practice among local authorities; however, it is not ideal nor good practice, as charges should be directly linked to the services that the tenant is in benefit of, and most local authorities have now moved away from this process. The lack of clear apportionment results in residents not paying the correct level of service charges, others may be paying for more than the cost of the service they receive i.e., a ground floor flat may not use the lift whereas a 3rd floor flat will. Any shortfall in the cost is currently being subsidised by the rental income. A study into pooled service charges conducted by the Chartered Institute of Housing in 2013, estimated that there were sixty local authorities in England that had not undertaken a de-pooling exercise. This figure has significantly decreased in recent years as most have now undertaken a de-pooling exercise and is now estimated to be only 5% of stock owning councils.

The Chartered Institute of Housing identified part of the benefit of de-pooling charges: *"By de-pooling, a landlord can ensure that its tenants receive services at a fair price. In addition, there is the potential to increase*

the quality of the service provided. This could lead to improvements in resident satisfaction and provide an additional opportunity to engage with tenants about other issues, when consulting on service standards.”

“When staff understand the services that are being charged for and the agreed standards for them, they can more easily ensure those services are provided and that customers are kept satisfied.”

- 1.5 Since the introduction of the government’s reforms to social rents in 2002, many local authorities have de-pooled their service charges. The paragraphs below highlight some learning points from other local authorities that have already carried out a de-pooling exercise:
 - 1.5.1. Consultation with residents is regarded as the key to a successful project. The way in which consultation is undertaken can be tailored to fit the characteristics of the audience. Online consultation through a portal, (F&HDC have Housing Online), which allows housing services to communicate with the residents directly, seems the most popular form of consultation. However, a more hands-on approach with consultation may be required with the residents of sheltered schemes and more vulnerable residents, who may not as easily understand the changes.
 - 1.5.2. Ensuring that the current systems have been set up to be able to deliver efficient, reliable, and accurate data administration through the correct software is also a key factor in the ability to deliver a successful project. Implementing the F&HDC NEC housing system service charge module will allow the housing team to utilise the system that’s already in place to achieve that goal.
 - 1.5.3. Management of the services that are delivered to ensure residents are getting value for money. This also includes ensuring detailed transparency of the charges and how they are communicated with the residents in most LAs experience has been an important part of the project both during and after it has been completed.
- 1.6. The current F&HDC charges levied are not clear to the tenants. The housing service receive a number of enquiries, complaints, and FOI³ requests each year from tenants who want to know exactly what they are paying for. Due to the charges still being pooled, the documentation that is sent to tenants about their charges is lacking in any form of detail and it’s understandable that tenants would want to know what they are paying for.

The Social Housing Regulation Act 2023, sets out that providers need to be more transparent in relation to the charges and the costs incurred in managing, repairing, and maintaining the buildings and estates where tenants live.
- 1.7. Preliminary work on service charges has also highlighted that not only residents of flats are benefited by services, but there are a number of houses that also benefit from services that are provided, e.g., grounds

³ Freedom of Information

maintenance. The tenants in those properties are not currently charged a service charge.

- 1.8. Along with the tenanted houses (noted in 1.7. above) the council have sold a large number of houses over the years (between 1980-81 and 2021-22, 2313 properties have been sold with approximately 2100 being freehold houses). Some of those houses were sold with a service charge clause in the lease, which allows the council to charge those residents a service charge for the maintenance of the estate where the property is situated. Currently none of those residents are being levied a service charge.
- 1.9. Leasehold service charges are currently already de-pooled and are required to be de-pooled via the legislation that governs them. However, there are several services where the data is not up to the standards that it should be, such as grounds maintenance, where we are often not able to determine which areas have received a service on particular dates and what level of service was provided on that date. This is because the grounds maintenance team use manual methods of recording works which doesn't give the level of detail needed to accurately apportion works by block and unit. The de-pooling project will help to increase the standard of the data allowing for a better understanding of the full costs that the HRA incur with the management of the buildings and estates and enable us to pass these costs on accurately to the tenants as well as leaseholders.
- 1.10. The HRA is also responsible for the management and maintenance of a number of pumping stations and water treatment/sewage plants within the district, mainly on the Romney Marsh. These stations/ plants were not adopted by the local water supplier, and following further investigation cannot be as they do not discharge into a mains sewer. The properties serviced include 92 private and 62 Council owned properties. The lack of clear service charge management for these buildings and facilities is evident. The HRA budget is currently subsidising this service to predominantly private properties who are outside the scope of the council housing stock. For the 2023/24 charging year this equated to £6,055.08. There is no provision within the charges to establish a reserve fund to allow for future remedial works to the sewage facilities.

2. REGULATORY REQUIREMENTS

2.1. Central government advice

The Ministry of Housing, Communities and Local Government (MHCLG, now the Department of Levelling up, Housing and Communities) state that local authorities should consider apportioning service charge costs to individual homes. It is recommended that charges be de-pooled because this makes the charging structure equitable and fair for all.

MHCLG did not make de-pooling compulsory but approximately 95% of local authorities and Registered Providers nationally have now de-pooled their charges.

2.2. Service charges legislation

The Landlord and Tenant Act 1985 (as amended) sets out the basic rules for service charges. It defines what is considered a service charge and sets out requirements for making sure costs are reasonable and for landlords to consult leaseholders before entering into any agreement for work or services which would lead to a service charge.

Section 18 (1) of the Act defines a service charge as ‘an amount payable by a tenant of a dwelling as part of or in addition to the rent:

- a) which is payable, directly, or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord’s costs of management; and
- b) the whole or part of which varies or may vary according to the relevant costs.
- c) The costs of the services, repairs, maintenance, improvements, insurance, and management must be reasonable’.

2.3. Social Housing Regulation Act 2023

Part of the Social Housing Regulation Act 2023 mentions that providers of social housing must be more transparent. The exact nature of what providers must make transparent and how the transparency needs to be communicated with tenants isn’t currently clear, nor has the regulator yet explained how the new consumer regime will be measured and monitored.

However, it’s expected that providing financial information regarding the costs incurred in managing, repairs and maintaining the buildings and estates, will be required to be provided to tenants. As mentioned previously, how this information should be provided to the tenants isn’t yet clear, however, the de-pooling of service charges will ensure that the information regarding the individual cost the tenant is required to contribute towards the service delivered to them is transparent and accountable.

3. FINANCIAL SUMMARY

3.1. The current amount of pooled service charges which are levied against the councils’ tenants annually is approx. £419,500.00 (current 2023/24 charges). This is excluding the Intensive Housing Management (IHM) fee levied to those in Independent Living, (sheltered schemes for older people), that have an on-site staff presence to assist them with their health, safety and wellbeing. This figure also excludes sewage charges, and charges for the Lifeline/ Telecare service, (separately applied to Independent Living and some ‘age designated’ general needs properties).

3.2. A preliminary calculation of the what the annual service charges for the councils’ tenants after the de-pooling project is complete indicate the cost to be up to £685,000.00. Please note, this a conservative estimate of potential income without the accurate cost of grounds maintenance to the majority of the estates and based on poor utility data. With accurate data, the potential income would be greater. In the HRA business plan we have estimated that the potential additional income due to the HRA as from 2026/27 would be £400,000.

- 3.3. The cost projections made under 3.2. above are also without the additional income through the service charges for the tenants who live in houses with services provided, nor those residents who bought a house under the RTB and are still in benefit of services provided by the HRA.
- 3.4. The preliminary calculation of what the income would be after the de-pooling project is complete is based on known costs for the 2022/23 financial year. Variances to the actual costs each year would directly relate to the charges the tenants would be required to pay. For example, if the cleaning at a block increased by 5% per annum, the charge the tenants would pay would be equal to the 5% increase. Likewise, if the caretaking increased by 2%, then the tenants would pay an increase of 2% for that service. This would allow for greater accuracy and transparency for all services and charges.
- 3.5. Until the de-pooling project is completed, officers are not able to predict how much each tenant will be asked to pay, but there are likely to be those that see an increase and those that potentially see a decrease. Members at that time may want to consider a phased approach to implementation and, or other options such as capped charges. However, as stated previously until the apportionment work is completed this level of detail cannot be provided.

3.6. **Clarity of service and service charges**

There have been difficulties at F&HDC over the years in accurately collating service charge information. The primary reason for this issue is that the data that makes up service charges isn't broadly used other than for a limited number of buildings/estates where leasehold properties are situated. The two biggest areas of concern currently are grounds maintenance and utilities.

- 3.6.1. The HRA is recharged a lump each year for grounds maintenance to areas of HRA land. However, it is not currently possible to break down that cost on an estate basis. This is currently a high priority issue for leasehold service charges as the cost leaseholders are asked to contribute toward the cost of grounds maintenance is not based on the true cost of that service. The housing service is currently working closely with the grounds maintenance team to rectify this issue with a time management exercise currently being undertaken and also developing a service level agreement to be agreed. Both these items will ensue that the housing service will understand what the cost of the grounds maintenance service is on an estate level and have a set standard for the grounds maintenance that is provided to the residents.
- 3.6.2. Utilities appear to have been an historic issue, with incorrect charging/missing data, and a lack of utility meter information across the stock. This has led to a number of issues including high usage, incorrect billing (continual estimated billing), and unmonitored usage. This issue will be tackled using a two-pronged approach, updating of meters to smart meters and the use of robust software to track usage.

This approach will ensure that the data is correct in terms of billing and also effectively manage the utilities in a more proactive way.

- 3.6.3. FHDC also supply utilities to certain flats (particularly within the Independent Living schemes). Currently there is no individual metering which leads to incorrect assumptions of usage and cost. The housing Compliance Team are currently looking at several different metering options to address this issue.
- 3.6.4. Over the last few years there has been a number of high-profile cases: Jones v London Borough of Southwark [2016] EWHC 457 (Ch) & Royal Borough of Kingston-upon-Thames v Moss [2019] EWHC 3261 (Ch), which brought the spotlight on social housing providers who provide water services to individual tenants. Both local authorities were found guilty of breaking the legislation that governs the recharging for water and sewage. Both councils had to repay back millions in overcharging to residents (London Borough of Southwark repaid £28.6 million). Due to the uses around individual metering, it's unclear under the current system how the tenants' charges relate to the actual costs of the service. Therefore, this will be a priority part of the project.
- 3.7 There is also an issue of scaling up apportionment, monitoring, and administering service charges. Currently de-pooled service charges are only calculated for leaseholders (some 200 properties), and this work is maintained largely on manual systems. The payments are then managed via the council's finance system EFinancials. However, this does not allow the housing team to be proactive in collecting and chasing bad debt. If we were able to manage service charges using the NEC Housing management system, this would make the service charge management more efficient and effective. It would also allow the Housing Income Officers to be engaged with recovering service charge debt as well as rent arrears and former tenant arrears. Part of the de-pooling project will therefore include the development of the service charge module in the NEC housing management software.
- 3.8 The current tenancy agreement does not have adequate provision for service charges being de-pooled. The Neighbourhood Management team are currently updating the agreement to ensure that a new agreement is in place before the de-pooling project is concluded. The new agreement will have adequate provision for service charges. This will be a separate project that will run concurrently with the de-pooling project over 2 years.

4. IMPACT AND RESOURCES

- 4.1 The impact increased charges will have on the tenants is unknown at this stage. Although Housing Benefit and subsequently Universal Credit can be utilised to pay a proportion of the charges, (some claimants will be entitled to 100% of the cost of the charges). The council do not have a thorough enough record to be able to accurately understand the impact of the increases fully yet. This is due to the migration from Housing Benefit (HB) to direct payment of Universal Credit to the claimants. Therefore, this will be a key part of the project to identify the impact for different groups of

tenants and consultation will be key to introducing any increases, supporting vulnerable residents, and advising them on ways to pay their service charge.

- 4.2 The NEC housing management system currently benefits from a service charge module which the council already holds the license for. However, the module has never been set up so is not currently utilised. A timeframe to set up and implement the service charge module is thought to be between 6-9 months. This has been factored into the draft project timetable.
- 4.3 De-pooling the service charges will have an impact on several key service areas including housing finance, IT systems, and income recovery, as well as the housing management and delivery teams. These teams are and will be part of the project:
 - 4.3.1. The housing finance team are responsible for collating the raw data from invoices etc. The basic duties for collating the information are currently undertaken because they're needed as part of the leasehold service charge calculations. However, the amount of data needed to be collated would increase. The finance case officer has estimated that they would need approx. 3 months to collate the data. This is primarily due to the finance case officer having other tasks to fulfil alongside housing.
 - 4.3.2. The IT team currently upload the tenants' service charges onto the system. The current charges consist of 4 elements to upload. The de-pooled charges consist of 13 elements. The IT case officer has estimated that the uploading of data would not be too much of an additional task. However, the initial set up of the system to account for the service elements would take approx. 3-6 months utilising the current system. Utilising the service charge module will streamline the process, however the initial set up of the service charge module may take between 6-9 months.
 - 4.3.3. The income recovery team collect the tenants rent and service charges and chase up any arrears. It is expected that an additional estimated £380,000.00 per annum to be collected would have an impact on the team. The team now have a predictive software tool, NEC Account Analytics, which has proved useful in identifying and supporting tenants to pay their rent and this could be used for service charge recovery also should the NEC service charge module be used for monitoring service charge income.
- 4.4. **Point to note – Management Fee:** the management, (including collating data, IT provision, and income collection), of the service charges is self-funded. Any costs that are incurred in connection to the management of the service charges can be recharged by way of a service charge management fee. Currently no service charge management fee is included within the pooled service charges. A flat fee of £220.00 per annum is included within the leasehold, shared ownership, and HRA commercial property service charges. It is proposed that a similar fee, based on the cost of managing

the tenants' service charges, would also be applied to tenants in line with best practice and legislation.

- 4.5. Due to the size of the project, it is recommended that it be undertaken in two separate phases. Phase 1 will contain the bulk of the de-pooling centering on the service charges for the blocks and estates. Phase 2 will include the service charges for the houses which have been sold under the RTB, tenants who live in houses on estates, and the pumping station/ sewage works properties.
- 4.6. Alongside both phases finance and IT considerations will be a key part of the project. The project will also have a robust consultation and communications plan to ensure tenants (and leaseholders) understand what and why the council is changing the way service charges are calculated and charged.
- 4.7. There has been a substantial amount of work already undertaken with the project. However, there's still a lot more to do. The basic parts of the project are in place and will be further developed in 2024/25 (and 25/26) with a view to being able to start implementing the new charging regime in the 2026/27 year.

5. OPTIONS AND RISKS

5.1. The following options have been considered:

- 5.1.1. **No change in current calculation method.** No change in the current calculation method would be the easiest option in terms of the amount of work and resources required to complete this project. However, this option would mean failure to adhere to Government guidance and best practice, it would also lead to possible challenges in the future regarding transparency of charges, which may result in a change needed at a later date, including possible backdated costs being awarded. It would also mean no increase in income due to the HRA which will help fund priorities, as well as new build and acquisitions.
- 5.1.2. **De-pooled service charges with a phased rollout** starting 2026/27 over a further 2 or 3 years - This would allow residents additional time to plan the probable increase in charges. However, this option will be more time consuming and increase the administration involved with processing the charges. Depending upon if the resident is claiming housing benefit, the charges may be paid as part of any entitlement they have, so will not be an issue (Housing Benefit Regulations 2006 & *Universal Credit Regulations* 2013). Also, even though we will be communicating the changes with the residents, there will likely be some form of confusion over a phased rollout. This is always an issue when phasing increases to any charges.
- 5.1.3. **De-pool service charges in one go** commencing 2026/27. This is the recommended option and ensures we have clear and transparent charges without the increased administration and confusion of a phased rollout. It would mean that we are adhering to the government's recommendations and best practice for tenants' service charges, and with the regulations for leasehold service charges. This

option is recommended in both the HRA Business Plan (agreed by Cabinet on 13.12.2023) and in this report.

5.2 This is a summary of the perceived risks:

Perceived risk	Seriousness	Likelihood	Preventative action
Timescale and resources to complete project not sufficient.	High	Medium	Draft project plan across 2 years. Project team in place.
Not able to effect de-pooling of service charges and collect income due to HRA.	High	Low	Consultation and communication plan. Feedback to Members at key points during the project to gain appropriate committee agreement.

6. CONSULTATION

- 6.1. As part of the project, engagement will be made with all the tenants, leaseholders, and shared owners that will be affected by the de-pooling project.
- 6.2. Ward Members will be included in consultation plans as will the Strategic Tenants Advisory Panel (STAP), to ensure that residents are supported through this process.
- 6.3. A 7-8 month period has been allowed for consultation with residents to include a handbook/ leaflet, contact/ coffee mornings (particularly with IL scheme tenants), with all feedback received being responded to.
- 6.4. Further consultation for stage 2 of the project with private owners of ex-RTB houses, tenants of houses on estates, and the owners of properties effected by the pumping station/ sewerage plants will be required. The 2nd phase of the project will commence immediately after the 1st stage has completed.

7. IMPLICATIONS

- 7.1 **Legal Officer's Comments (NM)** - The legal implications are covered within the body of the report.
- 7.2 **Finance Officer's Comments (LW)** - All financial implications are outlined within the body of the report. Financial impact will be assessed as the project progresses.
- 7.4 **Diversities and Equalities Implications (RP)** - There are no equality and diversity implications directly arising from this report. The de-pooling of service charges is designed to implement an accurate, fair and transparent charging regime across all service charge elements. An extensive consultation will be undertaken with tenants, as well ward members, and the Strategic Tenants Advisory Panel will ensure that any concerns raised regarding proposed the changes will be taken into consideration. EIA will be completed.
- 7.5 **Climate change Implications (OF)** - There are no climate 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.

Gill Butler
Chief Officer, Housing
Email: gill.butler@folkestone-hythe.gov.uk

Richard Parker– Leasehold Management Senior Specialist
Email: Richard.parker@folkestone-hythe.gov.uk

Appendix 1

De-pooling service charge project draft timeframe:

Task	Timeframe
Initial overview of charging structure and known costs undertaken previously.	
Service charge matrix completed	Completed
Review matrix data	June 24 – Sept. 24
Report to CLT	Nov. 23
Tenancy agreement review to allow service charge contributions.	
Tenancy Agreement update (provisional timeframe)	Oct. 23 - March 25
Grounds Maintenance project	
Review time management plan	Oct. 23 – Feb./March 24
Agree site times and costs	March 24 – Sept. 24
Utilities	
Review site meters	Sept. 23 – Nov. 23
Contact supplier re upgrade meters (possible budget for initial meters)	Nov. 23 – Dec. 23
Discuss cost and formulate a project timeframe	Jan. 24 – Feb./March 24
Communal meter replacement project	TBC possible Apr. 24 – March 26
NEC service charge module	
Implementation of service charge module.	TBC possible Apr. 24 – March 25
Resident engagement - Explain what is de-pooling, why, how, etc.	
STAP presentation	Apr. – May 24 (ongoing)
Tenant leaflet/information booklet	May 25 – Jul. 25
Contact/coffee meetings	Aug. 25 – Sept. 25
Feedback evaluation	Oct. 25 – Nov. 25
Engagement mop up	Dec. 25 – Jan. 26
Use actual cost data for 2024/25, to form charges 2025/26	
Data finalised and prepared	Jun. 25 – Aug. 25
Data apportioned to block and estate on system	Aug. 25 – Sept. 25
Charge capping (if appropriate)	Sept. 25
Increment calculation	Sept. 25
Data upload (pending final decision on charging in 26/27 budget setting process.	Feb. 26

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This Report will be made public on 23 January 2025



Report Number **C/23/76**

To: Cabinet
Date: 31 January 2024
Status: Key decision
Responsible Officer: Gill Butler, Chief Officer Housing
Andy Blaszkwicz, Director Housing & Operations

Cabinet Member: Councillor Shoob, Cabinet Member for Housing and Homelessness

SUBJECT: Disposal - Hay House, Hythe – Housing Revenue Account (HRA) Grade 2 Listed Asset

SUMMARY: This report informs cabinet of the current position regarding HRA Asset - grade 2 listed property, Hay House, Sir John Moore Avenue, Hythe, Kent, CT21 5DF - including a recommended option to dispose of the property.

REASONS FOR RECOMMENDATIONS:

Due to the age and condition of the building, and following an extensive viability study, a decision needs to be made regarding the disposal or refurbishment of the building to bring it up to modern and energy efficient standards.

RECOMMENDATIONS:

1. To receive and note report C/23/76.
2. To approve the recommendation that the council disposes of Hay House, with the funds generated used to supplement the HRA capital budget to provide new, affordable energy efficient homes.
3. To provide delegated authority to the Director of Housing & Operations to market the property and accept the best offer for the Housing Revenue Account.

1. Background

- 1.1. **The history of Hay House** – (Paddock House - the Commandant's House). Built in 1804 and subsequently bought in 1809 as the residence for the Commandant of the Royal Staff Corps and Director of the Royal Military Canal, Lt. Col. John Brown. The house was adjacent to Hythe barracks; built circa 1808-1810 to provide a new depot for the Royal Staff Corps, which was previously stationed at Chatham. Lt. Col. (later Major-General) John Brown (1756 - 1816) was a military engineer and talented watercolour artist. It was he who had, in 1804, conceived the idea of the Royal Military Canal as the principal element of the coastal defense of Kent and Sussex against the threat of French invasion. Under Brown's direction the Royal Staff Corps were responsible for the construction of the canal, which was completed in 1809. As Commandant of the Staff Corps, and Director of the newly completed canal, Brown took up residence in the house in 1809, and lived there until his death in 1816. The Royal Staff Corps was disbanded in 1837. The barracks remained in army use until 1969, shortly after which the barracks were demolished.
- 1.2. Shepway District Council took ownership of the land around the old barracks, (Sir John Moore Avenue), in 1976. At which time the property was renamed to Hay House and divided into 6 flats for social housing use. The rest of the site at Sir John Moore Avenue was developed and now consists of a variety of social housing, private housing, and a large supermarket.
- 1.3. Hay House obtained its grade 2 listed status on the 23rd of October 1974 under listing entry number 1068931. The reason for listing is as follows: *“Historic interest: The house is the only surviving part of the Napoleonic period Hythe Barracks complex, which was home to the Royal Staff Corps, who oversaw the construction of the Royal Military Canal; the principal element of the coastal defense of Kent and Sussex against the threat of French invasion. Architectural interest: the house is a handsome example of early 19th Century domestic architecture.”*
- 1.4. Due to the ongoing expense and difficulty in maintaining such a listed property over the years it has fallen into a state of disrepair. The earliest report on current file is from 2017, which highlights a number of areas of concern including rotting windows and cracks in the brickwork and masonry. However, earlier photographs of the property suggest there have been issues at the property before this date.

2. Property Condition (photos attached at appendix 1)

- 2.1. The 6 flats within Hay House (4 x 2-Bed and 2 x 1-Bed) are all currently tenanted, although recently when one of the ground floor 1-Beds became vacant we let this on a 6-month temporary accommodation short let to enable us to make decisions about the future of the building. There is a basement area which has not been developed and seems to have been used as a dumping ground, which is periodically cleared by the council. The flats, to a large extent are the same as when they were converted in the mid 1970's, with many of the internal features retained from that period.

Although they have been maintained and any health & safety repairs completed, little or no investment has been made in upgrading the properties and as a result heritage features such as the wooden sash windows and other period features, are showing their age.

- 2.2. Although the property is in a certain state of disrepair, the EPC ratings for each of the properties is of a reasonable standard. However, they are currently not on the council housing service's decarbonisation programme to bring all up to EPC C by 2030 and work towards NZC ready by 2050. Any such work needed in this respect has not been factored into the indicative costings.

Address	Energy rating	Valid until
Flat 1 Hay House	D	25 March 2024
Flat 2, Hay House	C	27 November 2031
Flat 3, Hay House	C	27 November 2031
Flat 4, Hay House	D	27 November 2031
Flat 5, Hay House	D	27 November 2031
Flat 6, Hay House	D	22 April 2032


- 2.3. A property condition report was undertaken by Design Quarter UK (Ltd). The report dated 21st January 2020, describes the condition of the building in detail by element. The indicative cost of remedial works then, (excluding fees and other expenses), was £771,345. Allowing for inflation and the possibility of other works required, the total indicative cost of remedial works is estimated to currently be over £1,200,000.00.
- 2.4. Due to the urgent nature of some of the works that have been identified an estimated £20-30,000.00 will be needed to be spent as a temporary measure to ensure the property is weathertight over the coming months and until a longer-term solution to the issues has been identified.


3. Development potential


- 3.1. There is a small area within the footprint of the site where the carpark and part of the garden area is for the property. This area was highlighted as having development potential.
- 3.2. The F&HDC development team have considered the development potential for this site, however due to its listed status and the topography of the site, it would not be a viable prospect for the council to redevelop at this time.
- 3.3. Any costs associated with the redevelopment of this area would be in addition to the estimated £1.2 million refurbishment works required to the main building.
- 3.4. Further enquires would need to be made with the relevant departments including the appropriate consents from Historic England.
- 3.5. If development consents were to be approved, the properties' value would increase and become more attractive to developers.

4. Options considered.

- 4.1. Due to the cost of the remedial works and subsequent continual cost of maintaining a grade 2 listed building, it is not economically viable to continue using the building for social housing. The strain on the HRA finances for such a small number of properties is disproportionate against property need.
- 4.2. A financial appraisal undertaken by the council's development team indicates the site not to be financially viable for refurbishment and continued use as social housing.

Capital Costs		
	Land Acquisition	£ -
	Works	£ 771,344
	On-Costs (Excl Interest / D&A)	£ 355,634
	Development Allowances	£ 23,140
	Capitalised Interest	£ 2,369
	Total Scheme Costs	£ 1,152,487

Capital Funding		
	Grant	£ -
	Other Public Subsidy	£ -
	Other Funding	£ -
	Sales Receipts	£ -
	Ground Rent	£ -
	Private Finance Required	£ 1,152,487
	Total Capital Funding	£ 1,152,487

Scheme Metrics		
	Land Cost (pu)	£ -
	Build Cost (£/sqm)	£ 2,019
	On-costs (%of TSC)	33.07%
	GDV (£/sqft - Resi)	£ 227
	GDV (pu - Resi)	£ 155,833

Performance		
NPV (£)	-£ 433,787	FAIL
IRR (%)	1.88%	FAIL
Payback Yr (Undiscounted)	34	FAIL
Cost to Value (%)	123.26%	FAIL
Loan Repayment Yr (Flexible Terms) (Yr)	83	FAIL
Yr 1 Net Yield (%)	2%	
Present Value of Cashflow	£ 718,701	

The metrics shown in the above table all fail the viability assessment for social rents.

- 4.3. An assessment was also undertaken to indicate how desirable the property would be for a developer to be able to undertake works and let the flats at the current market rate.

PERFORMANCE METRICS		
NPV (£)	£ 80,946	PASS
IRR (%)	5.89%	PASS
Payback Yr (Undiscounted)	19	PASS
Cost to Value (%)	123.26%	FAIL
Loan Repayment Yr (Flexible Terms) (Yr)	30	PASS
Yr 1 Net Yield (%)	4%	
Present Value of Cashflow	£ 1,233,433	

The metrics shown in the above table show a more positive viability for true market rented lets.

- 4.4. Feedback from the options appraisal confirmed that as a social/ affordable rent asset, the metrics are all negative without addressing the cost of refurbishment as detailed within the report by Design Quarter. From practical experience the refurbishment costs are likely to be higher than previously estimated, which may make the property less attractive to a market rent developer, but definitely renders the property non-viable for a social / affordable rent developer.
- 4.5. In terms of the decarbonisation, if Hay House remains as independent flats, it is likely to require:
- External wall insulation and double glazing and these are the 2 most expensive insulation measures - G2 planning;
 - Draught-proofing and air tightness testing and;
 - Some form of heat pump or energy efficient electric heating.

Government contributions toward the cost of measures could potentially be sourced from any future wave of the Social Housing Decarbonisation Fund which the council would have to match fund at a 50:50 ratio. However, such works to grade 2 listed properties would need to have Listed Building Consent.

- 4.6. Accordingly, with the options appraisal, there are three main options to consider:
- **Disposal of the property on the open market is the recommended option:**
 - A RICS Valuation Report by Motis Estates (attached at appendix 2) gives a valuation of the building and site as at 31st March 2023, based on current condition, an approx. market value of £841,500.00.
 - A similar property in the local area with development potential sold for £825,000.00 earlier this year. (Please note, there has been a small reduction in the cost of properties since the valuation was undertaken).

- **Re-purposing** - The council take the property from the HRA and use it for another purpose. The property would still require works, but the scale of the works would be less due to the change of usage. If Hay House were to change use to something community related (i.e., non-residential), there may be support funds available depending on use, however any small support funds are not likely to cover the full refurbishment / decarbonisation cost for the building.
 - **Disposal of the property directly to a local charity/trust** – perhaps to use as a local attraction/ visitor centre related to its history.
- 4.7. Considering the council’s current financial situation and also the current economic climate covering charities and other local trusts and charitable organisations, neither option relating to the wider council taking ownership or disposing of the property to a charity trust may be viable to pursue. The council’s planning policy & economic development team has stated that given the building’s location, state of repair, and state of the council’s finances, it would be unlikely the council general fund would want to acquire this building for another use at this time.
- 4.8. Any disposal of the property for a cash sum would give the HRA additional financial resources for development or other areas of growth or refurbishment. This would allow the council to develop additional sustainable council housing. However, Historic England’s preferred approach stated on their website would be to retain the cultural aspect of the property through either a change of usage or disposal to an organisation to who will maintain its historic nature. This would need to be stated in any legal documents pertaining to sale.

5. Cost of decanting tenants and decanting timeframe

- 5.1. Decanting the residents will be a vital part of the project. Their needs, expectations, and other requirements will need to be considered including in any plans for the building.
- 5.2. Three of the tenants have lived at Hay House for over 10 years, of which 1 has been there over 20 years. As at May 2023, none of the tenants are registered for rehousing and have not expressed any wish to move. This is likely to make finding suitable alternative housing for them all more difficult, and slower. There are 317 1&2 Bed council homes (excluding Independent Living) in Hythe area, so if the residents want to stay in the same area, the opportunities to move will be limited.
- 5.3. Below is an indicative cost table of decanting the residents:

Flat	size	Tenancy start date	Length of tenancy	Age of tenant	Home Loss ¹	Removals ²	expenses ³	Additional void costs ⁴	total
1	2	14/3/22	1	56	£8,100	£750	£500	£1200	£10,550
2	2	22/9/97	25	53	£8,100	£750	£500	£1200	£10,550
3	1	Being used as TA at present							
4	2	1/7/15	7	49	£8,100	£750	£500	£1200	£10,550
5	2	27/2/12	11	37	£8,100	£750	£500	£1200	£10,550
6	1	3/3/08	15	36	£8,100	£750	£500	£1200	£10,550

NB: it is assumed at this stage that every household will require a property of the same size. The total cost of decanting the residents is estimated to be £52,750.00. This would be taken out of any sale proceeds. Of the 6 flats at Hay House, one is already vacant being used as temporary accommodation, therefore decant costs would not apply to this household.

- 5.4. Subject to final approval to dispose of the property, the Neighbourhood Management team have had initial discussions with all the affected tenants. These discussions have suggested that whilst none of the permanent tenants are especially keen to move, they do understand the situation the council are in, and they understand that they may need to move. It will be important to continue to discuss any concerns or questions they may have and explain the decant process as time progresses.
- 5.5. We are now aware of the household compositions and rehousing requirements of all the households affected, however this may change over time. Subject to this, we would expect the decant process to take around 6 – 9 months to complete. It is difficult to be precise about this because it is subject to suitable alternative properties becoming available. However, we have started to identify some potential alternative homes in Hythe for some of the residents and we will be able to begin having more formal discussions with the residents about moving as soon as Cabinet have made their decision.
- 5.6. As 'permanent decants' (i.e., the tenants will not have the right to return to their home at Hay House), the tenants will be entitled to full reimbursement of all costs associated with moving, plus a statutory Home Loss payment (subject to eligibility). This payment is currently £8,100 but is reviewed annually.
- 5.7. Tenants will be given high priority within the housing register and will be able to bid for any advertised properties, but it is likely that suitable properties will be identified for Hay House tenants before they are advertised generally, and they will be given first offers. The housing team will be on hand throughout to assist with each tenant's rehoming needs.

¹ Amount to be revised upward in October 2024

² Based on current costs plus estimate for inflation increase

³ Refitting or replacing carpets, curtains etc., disconnections/reconnections, sundry expenses

⁴ Mainly for redecoration, to incentivise tenant to move

6. CONSULTATION

- 6.1 Early informal consultation with the residents at Hay House started week commencing 13th November 2023. This early consultation will help the residents better plan and prepare for all eventualities and determine their specific housing needs.
- 6.2 Local councillors have also been informed of the consultation with all affected residents.
- 6.3 The consultation will ensure that a positive outcome is attained for the residents and that any upheaval will be kept at a minimum.

7. RISK MANAGEMENT ISSUES

- 7.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Increased cost of refurbishment works to grade 2 listed building	High	High	Disposal of property removes any increased cost risks.
Difficulty locating suitable homes for residents	High	Low	Lessons learned through Ross House and 118 Cheriton Road, have led to an improved decant process and early consultation.
Difficulty in selling the asset considering the current housing market.	Med	Low	The property market has been very slow during 2023/24. However, it is expected to stabilise and improve over the course of 2024/25

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 8.1 **Legal Officer's Comments (NM)** - There are no legal implications arising directly from this report. However, if the Council decides to dispose of the property, then it must comply with s123 of the Local Government Act 1972 to ensure that it does not sell the land for less than the best consideration reasonably obtainable (unless it obtains the consent of the Secretary of State).
- 8.2 **Resources (GC)** – There are no direct HR implications arising from this report.

- 8.3 **Finance Officer's Comments (LW)** - The high-level financial implications are outlined in the main body of the report.
- 8.4 **Diversities and Equalities Implications (RP)** - There are no equality and diversity implications directly arising from this report. A consultation was launched on 13th November 2023 to help the current residents of Hay House better plan and prepare for all eventualities and determine their specific housing needs. EIA will be completed.
- 8.5 **Climate Change Implications (OF)** - No implications arising directly from this report. If the council decides to dispose of the property, the climate change implications will depend on any new use that the building and site is put to. If the building is refurbished or redeveloped, any proposals will need to meet existing building regulations and local plan policies regarding sustainability and energy efficiency, or any new local plan policies or design code requirements that may be in force at the time applications for listed building consent and/or planning permission are determined.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Gill Butler, Chief Officer Housing
Gill.butler@folkestone-hythe.gov.uk

Mick Hale, Assets Lead Specialist
Mick.hale@folkestone-hythe.gov.uk

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

Appendices:
Appendix 1:

- 1: Photos of property condition and site location.**

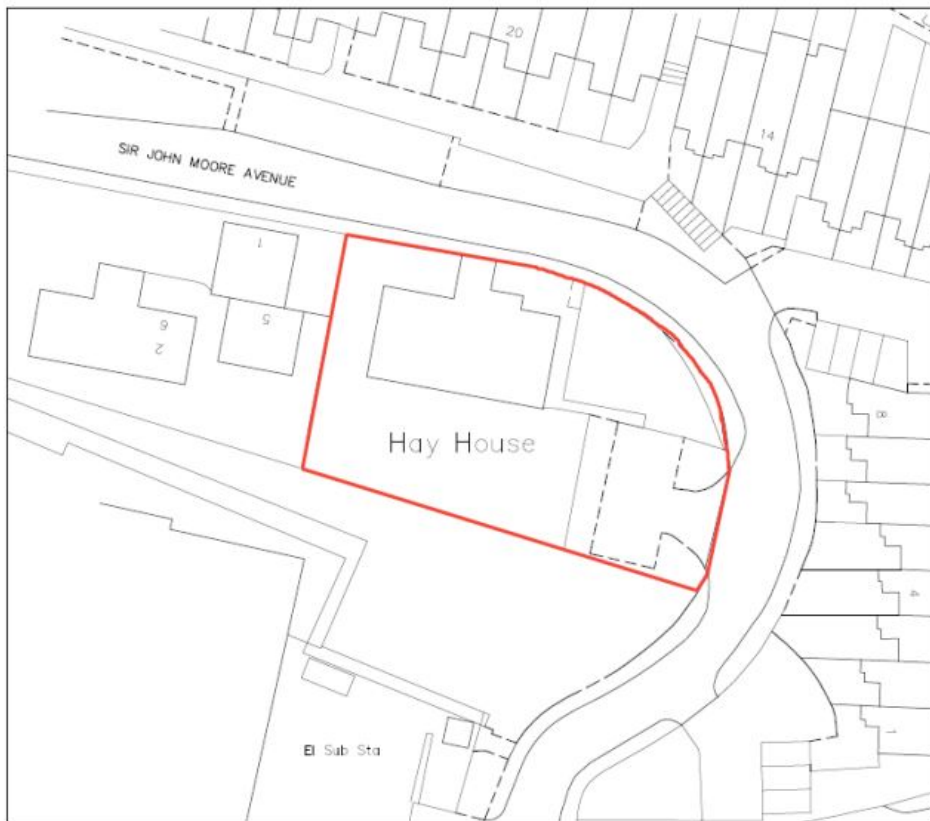








2: Property location



This Report will be made public on 23 January 2024.

Report Number **C/23/85**

To: Cabinet
Date: 31 January 2024
Status: Key Decision
Head of Service: Lydia Morrison, Interim Director Governance and Finance
Cabinet Members: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance.
Councillor Rebecca Shoob, Cabinet Member for Housing and Homelessness

SUBJECT: DRAFT HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL ORIGINAL BUDGET 2024/25

SUMMARY: This report sets out the Housing Revenue Account ('HRA') Revenue and Capital Budget for 2024/25 for approval and proposes an increase in weekly rents and an increase in service charges for 2024/25 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 C/23/85.
2. To approve the Housing Revenue Account Budget for 2024/25. (Refer to paragraph 2.1 and Appendix 1).
3. To approve the Housing Revenue Account Capital Programme budget 2024/25. (Refer to paragraph 4.1 and Appendix 2).
4. To approve the increase in rents of dwellings within the HRA on average by £7.37 per week, representing a 7.7% increase with effect from 1 April 2024 (Refer to paragraph 3.2 and 2.1.2).
5. To approve the increase in rents of shared ownership dwellings within the HRA by 9.4% (RPI 8.9% + 0.5%), with effect from 1 April 2024 (Refer to paragraph 3.2).
6. To approve the increase in service charges. (Refer to section 3.5)
7. To recommend that Council approve the Housing Revenue Account 30-year Business Plan 2024/25 – 2052/53 (Refer to sec. 5 and Appendix 3).
8. To approve the HRA Medium Term Capital Programme (refer to sec. 4.3).

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 business plan model to ensure that the HRA remains financially viable in the long term.
- 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 increase the number of new homes in the district.
- 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.

2. HOUSING REVENUE ACCOUNT REVENUE ESTIMATES

2.1 Original Budget 2024/25

The proposed HRA Revenue Budget for 2024/25, at Appendix 1, shows a forecast deficit of £930k. This is in line with the agreed and current HRA Business Plan which fluctuates 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 2025 is expected to be £3.9m as shown at Table 1 below:

Table 1	£000's
Original estimate of balance at 31 March 2023	(4,848)
Movement from Original 2023/24 to Original budgets 2024/25	
Increase in rents and other service charges (see 2.1.2)	(1,954)
Decrease in revenue contribution to Capital (see 2.1.3)	(756)
Decrease in loan charges – interest (see 2.1.4)	(146)
Increase in repairs and maintenance (see 2.1.5)	886
Net increase in pension interest costs (see 2.1.6)	295
Increase in general management (see 2.1.5)	267
Increase in depreciation charges (see 2.1.7)	114
Other net movements	71
Subtotal Movement from Original 2023/24 to Original 2024/25	(1,223)
Deficit 2023/24	2,153

2.1.1 HRA Revenue budget

The HRA revenue budgets are reflected in the HRA business plan. The business plan 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 repairs, maintenance and improvements agreed with tenants.

2.1.2 Rents

The dwelling rents have been increased in line with the Rent Standard 2024 of CPI + 1%. This revised policy was announced by the government in January 2024 and allows social landlords to increase rents by CPI as at September 2023 6.7% + 1% which is 7.7% for 2024/25. 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); no changes are proposed to this policy. The LHA rates have not previously increased in the past 3 years and government have indicated that there will be an increase in 2024/25, the indicative rates are shown at 3.3 below, the confirmed rates are generally not published until 31st January 2024.

2.1.3 Revenue contribution to Capital expenditure

The reduction in revenue contribution to capital expenditure is due to changes to the financing of the capital programme. This will entail using Other HRA Capital Receipts of £1.05m and a loan of £5m for the New Build project as per the proposed HRA Business Plan.

2.1.4 Loan charges – interest

The increase in loan charges is due to an increase in the anticipated borrowing required to fund new builds and acquisitions as per the HRA Business Plan.

2.1.5 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 i.e. 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). There has also been an increase in the volume of work, in part to disrepair claims and additional work around mould and damp.

2.1.6 Pension interest costs

Pension costs are a non-controllable item and the increase in pension interest costs are based on the latest estimates from the most recent triennial pension revaluation.

2.1.7 Depreciation charges

The movement in depreciation charges for fixed assets is due a small increase in asset value of council stock as at 31 March 2023. This had the effect of increasing the depreciation charge. 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.

2.2 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 2023/24 was £7.0m, 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>	2023/24	2024/25
	£000's	£000's
Balance as at 1 April	7,001	4,848
Balance as at 31 March	4,848	3,918

The HRA reserve is expected to decrease by £930k from the close of 2023/24 and the end of the financial year 2024/25.

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 4 January 2023 the government released the Limit on annual rent increases 2024/2025 from April 2024.

The government regulates how much social housing rents can increase social housing rents each year. It is set at up to the consumer price index (CPI) rate for September in a given year, plus 1% - meaning potential increases for 2024/2025 of 7.7% in line with the latest data from the Office of National Statistics.

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 7.7% in line with Government guidelines, equates to an increase of £7.37 per week or £390.61 per annum. This gives an average rent of £107.10 (over 51 weeks) in 2024/25 (average rent in 2023/24 is £99.40 (over 50 weeks)).

The HRA has 14 shared ownership properties. Shared Ownership rents are set out in the terms of most lease agreements, rents are permitted to increase by a maximum of the Retail Prices Index (RPI) plus 0.5%. In September, RPI was 8.9% this means that rents could increase by 9.4% in 2024-25.

A Shared ownership rents reform was published on the 12 October 2023, these reforms will apply to the leases of new shared owners who purchase homes delivered through the Affordable Homes Programme and through the planning system via Section 106 developer contributions. It will also apply to the leases of new shared owners who purchase a leasehold interest in their homes through the Right to Shared Ownership and Rent to Buy schemes.

Shared ownership rents can currently be increased by RPI plus 0.5%, under the reform new shared owners can be increased by no more than the CPI plus 1%. This reform brings shared ownership rents into line with the limit that normally applies to annual rent increases in other forms of social housing.

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.*

There are currently 5 properties in Arras Close which we are in the process of purchasing so the new regulations will apply to these properties in 2024/25.

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 2024/25 are due to be increased indicative rates were published on the 9 January 2024. The figures below are indicative for 2024/25 with the confirmed rates being released on the 31 January 2024:

	Dover-Shepway Area
Bedsits	£99.30 per week
1 bedroom houses	£117.37 per week
2 bedroom houses	£159.95 per week
3 bedroom houses	£199.07 per week
4 bedroom houses	£276.16 per week
	Ashford Area
Bedsits	£90.50 per week
1 bedroom houses	£172.60 per week
2 bedroom houses	£195.62 per week
3 bedroom houses	£252.64 per week
4 bedroom houses	£331.40 per week

As the indicative LHA rates exceeds the 7.70% increase proposed for Social Housing rents affordable housing rents should be increased in line with the Rent Standard 2024 of CPI + 1%.

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 53 weeks (2024/25) £	Difference between FHDC and other authorities £
Folkestone & Hythe	103.06	-
Dover	104.35	1.29
Canterbury	111.44	8.38

Thanet	99.62	(3.44)
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- 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 2024/2025 is CPI + 1%. The CPI for September 2023 is 6.7%, therefore the rate increase will be a maximum of 7.7% (6.7% + 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 2024/25 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 2024/25 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 £30.82 per week (£1,603 per year)
- 1 bed flats £34.36 per week (£1,787 per year)
- 2 bed flats £37.73 per week (£1,962 per year)

4. HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

4.1 Original Budget 2024/25

The proposed HRA Capital Budget for 2024/25, shown in Appendix 2, is £13.4m. Table 4 below shows the key movements in the programme from the 2023/24 original budget to the original budget for 2024/25.

<i>Table 4</i>	£000's
Original estimate 2023/24	12,738
Changes in programme	
Thermal Insulations (see 4.1.1)	(997)
Door Block Entry Systems (see 4.1.2)	(306)
Fire Protection Works (see 4.1.2)	(300)
Bathroom Improvements (see 4.1.2)	(94)
New Builds (see 4.1.3)	1,926
SHDF Wave 2 - Capital Works (see 4.1.1)	464
Other net variances	23
Total increase in expenditure	716
Original estimate 2024/25	13,454

4.1.1 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 2 ('SHDFW2') 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'.

Following a successful application for Wave 2 funding and a receipt of £2,591m across 2 years 2024/25 and 2025/26, a budget has been provided for match funding in 24/25 (50% grant funding, 50% Council funding).

4.1.2 Door Block Entry System, Fire Protection Works, and Bathroom Improvements

The investment which has been made in the Capital programme over the past few years has improved the condition of the Council's stock which has resulted in the reduction of the following budgets from 2023/24 to 2024/25:

Door Block Entry System	£306k
Fire Protection Works	£300k
Bathroom Improvements	£ 94k

4.1.3 New Build

Although we have allocated £5m a year (index linked) for acquisitions and affordable new build to 2042/43, 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 30-year HRA Business Plan agreed by Cabinet on 13 December 2023 and supersedes the update which was agreed by Cabinet on 19 February 2020.

Officers are currently working on the new build pipeline and will bring a report back to Cabinet / Committee in due course.

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 2023/24 and original budget for 2024/25 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 2023/24	3,084	600	0	3,204	1,492	4,358	12,738
Original budget 2024/25	3,198	600	1,054	5,000	0	3,602	13,454

4.3 Attached at Appendix 4 is the proposed HRA Medium Term Capital Programme. This is based on the first 5 years of the HRA Business Plan, set out in detail at section 5 of this report.

5. BUSINESS PLAN

5.1 The Housing Revenue Account (HRA) 30-year Business Plan Report agreed by Members at Cabinet meeting 13 December 2023, (attached at Appendix 3) sets the parameters of the work and spend that is undertaken by the Council's housing service, underpinning every decision taken in the HRA.

The HRA Business Plan focuses on meeting statutory and legislative requirements, agreed priorities around decarbonisation, asset management and providing an excellent customer service to our tenants and leaseholders across the district.

It also sets out the Council’s ambition around acquisitions to the HRA and a £126m capital investment over an eighteen-year period to deliver 360 new affordable homes, followed by investing a further £14m in their capital maintenance.

This Business Plan model aligns with the direction and objectives of the Medium-Term Financial Strategy (MTFS) by continuing to deliver a financially balanced housing management service, alongside the commitments of the HRA capital programme, allowing for some capital investment in new HRA led housing.

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:

Ola Owolabi, Chief Financial Services Officer
Telephone 01303 853728 Email: Ola.Owolabi@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 30-year Business Plan Report

Appendix 4 – HRA Medium Term Capital Programme

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HOUSING SERVICES

ANNUAL ESTIMATES 2024/25

Actual 2022/23 £	<u>HOUSING REVENUE ACCOUNT</u>	Original 2023/24 £	Estimate 2024/25 £
	<u>INCOME</u>		
15,844,458	Dwelling rents	16,984,380	18,819,424
285,035	Non-dwelling rents	285,000	361,500
1,023,444	Other charges for services and facilities	1,099,370	1,141,800
52,200	Contributions from general fund	52,200	52,200
374,026	Capital Grants & Contributions	0	0
17,579,163	TOTAL INCOME	18,420,950	20,374,924
	<u>EXPENDITURE</u>		
3,932,578	Repairs and maintenance	4,354,690	5,241,480
4,609,707	General management *	5,079,562	5,346,100
1,800,534	Special management *	1,901,625	1,917,605
33,609	Rents, rates & taxes	21,750	21,750
74,701	Increase provision for bad or doubtful debts	250,000	268,000
	<u>Capital Financing Costs</u>		
9,120,676	Depreciation charges	3,084,000	3,198,000
1,719,091	Exceptional Item Impairment	0	0
25,600	Debt management expenses	22,950	26,000
21,316,497	TOTAL EXPENDITURE	14,714,577	16,018,935
3,737,334	NET COST OF SERVICES	-3,706,372	-4,355,989
-452,382	(Gain)/Loss on Sale of HRA fixed Assets	0	0
1,525,628	Loan charges - Interest	1,907,000	1,761,000
	<u>Investment Income</u>		
-11,169	Interest on notional cash balances	-311,000	-277,000
149,885	Pensions Interest Cost and Expected Return on Assets	100,000	684,000
4,949,296	NET OPERATING INCOME	-2,010,372	-2,187,989
-7,351,409	Any other item of income & expenditure	0	0
452,382	Gain/(Loss) on Sale of HRA fixed Assets	0	0
4,960,700	Revenue Contribution to Capital Expenditure	4,358,150	3,602,000
50,917	Pensions Interest costs	-195,000	-484,000
3,061,886	TOTAL DEFICIT/SURPLUS(-) FOR YEAR	2,152,778	930,011
10,062,944	Balance as at 1st April	7,001,059	4,848,281
7,001,059	Balance as at 31st March	4,848,281	3,918,270

* 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 2024/25

Actual 2022/23 £	<u>HRA CAPITAL PROGRAMME</u>	Original 2023/24 £	Estimate 2024/25 £
	EXPENDITURE		
	<u>Decent Homes Standard</u>		
484,852	Doors	732,350	730,000
29,076	Re-roofing	799,640	800,000
631,229	Heating Improvements	649,330	650,000
545,750	Kitchen Replacement	500,000	500,000
442,335	Bathroom Improvements	444,250	350,000
300,000	Voids Capital Works	300,000	300,000
392,435	External Enveloping	350,000	400,000
501,193	Fire Protection Works	800,000	500,000
177,331	Thermal Insulations	1,401,900	405,000
37,324	Smoke/CO Detectors	50,000	40,000
262,992	Door Block Entry System	406,000	100,000
103,521	Communal Areas	60,000	50,000
495,627	Ross House	0	37,000
295,381	SHDF Wave 1	0	0
343,364	SHDF Wave 1 - Capital Works	0	0
0	SHDF Wave 2 - A & A costs	155,460	210,000
0	SHDF Wave 2 - Capital works	880,920	1,344,600
0	Telecare - Digital upgrade	619,000	619,000
0	Remodelling IL Schemes	250,000	250,000
5,042,410	Sub-Total	8,398,850	7,285,600
	<u>Non Decent Homes Standard</u>		
340	Treatment Works	200,000	150,000
476,898	Disabled Adaptations	450,000	450,000
102,445	Rewiring	237,200	200,000
80,349	Sheltered Scheme upgrades	60,000	60,000
147,899	Garages Improvements	100,000	30,000
0	Lift Replacements	60,000	60,000
807,932	Sub-Total	1,107,200	950,000
	<u>New Build Programme</u>		
3,804,255	New Builds	3,204,000	5,130,000
3,804,255	Sub-Total	3,204,000	5,130,000
	<u>Environment/Estate Improvement</u>		
20,558	Environmental Works	0	0
23,056	New Paths	0	60,000
0	Play Areas	0	0
43,614	Sub-Total	0	60,000
9,698,211	TOTAL IMPROVEMENTS TO HRA STOCK	12,710,050	13,425,600
	<u>OTHER SCHEMES</u>		
48,185	EKH Single System	28,000	28,000
0	Cash Incentive Scheme	0	0
9,746,396	TOTAL EXPENDITURE	12,738,050	13,453,600
	<u>FINANCING</u>		
1,062,000	1-4-1 Capital Receipts	600,000	600,000
0	Other HRA Capital Receipts	0	1,053,600
3,084,000	Major Repairs Reserve	3,084,000	3,198,000
639,000	Decarbonisation Grant	0	0
0	Capital Financing	3,204,000	5,000,000
0	Carry forwards	1,491,900	0
4,961,396	Revenue Contribution	4,358,150	3,602,000
9,746,396	TOTAL FINANCING	12,738,050	13,453,600
0	SHORTFALL IN FINANCING	0	0

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Housing Revenue Account (HRA) 30-year Business Plan Summary Report (October 2023)

1. INTRODUCTION

- 1.1 The HRA Business Plan report focuses on the priorities over the medium term (four - ten years) to 2033/34, then looks at the assumptions at year 10, 20 and how this affects the overall 30-year business model. The Business Plan (BP) details how the Folkestone & Hythe District Council (F&HDC) manages and improves its housing stock, ensuring the needs of current and future tenants are met, including the digitalisation and carbon reduction agenda. This will be achieved by future proofing current stock as well as by looking to provide as many new affordable homes as is financially viable in coming years.
- 1.2 The HRA is a ring-fenced account, this means that the HRA, and its tenants do not contribute directly to the General Fund, which is funded by taxpayers. Conversely, being a self-financing model, means that the HRA is fully reliant on its own income streams for any works that it undertakes and has no reliance on the General Fund.
- 1.3 The HRA Business Model has been built with the assistance of a consultant from AWICS, who has experience of all aspects of the finance, management and policy of public services having worked closely with several local authorities and housing associations on financial management and accounting matters, including preparing business plans. This allows for independent scrutiny to ensure the plan looks sensible to an objective reviewer and is sustainable over the 30-year period.

2. EXECUTIVE SUMMARY

- 2.1 Local authorities across England are facing significant financial pressures on their HRAs as they seek to build and acquire new homes, maintain and improve existing homes and improve services for tenants, against a background of increasing costs and constraints on income.
- 2.2 The cost-of-living crisis has increased management, maintenance and construction costs. Interest rates have increased significantly, increasing capital financing costs and affecting the viability of schemes to build and acquire new homes. Government has capped rent increases. Homes must be maintained to the decent homes standard and must be improved to meet the decarbonisation agenda. Services to tenants must be improved to meet the requirements of the Social Housing Regulation Act.
- 2.3 However, taking all of this into consideration, the F&HDC HRA is relatively robust. It has a net operating income of over £2million a year and will end 2023/24 with balances of over £4million. The stock is in a relatively good condition and debt is relatively low. This enables the Council to prepare a 30-year HRA Business Plan that maintains financial viability while making a significant investment in existing stock and new stock to help to tackle the housing crisis in the Folkestone & Hythe district.

- 2.4 This is a balanced plan that is robust, affordable and sustainable over thirty years - managing borrowing within what is affordable and maintaining revenue reserves above £2million through the life of the plan. The plan delivers on the key priorities for our stock and tenants and has been prepared jointly by housing and finance officers with expert advice. It is based on good practice in housing business planning.
- 2.5 The business plan is based on the following key assumptions:
- Inflation falling to below 2% in 2024/25 in accordance with Office for Budgetary Responsibility forecasts before returning to the Bank of England target of 2% from 2028/29.
 - Rent increases to be capped at 7% in 2024, but to increase by 1% more than the increase in the consumer prices index (CPI) in subsequent years in accordance with current government policy (Rent Standard).
 - Management and Repairs & Maintenance costs are assumed to increase by 1% more than the increase in the CPI each year with a slightly higher increase in construction costs, in accordance with recent experience.
 - The rate of interest paid on new loans will reduce from the current high level of 6% to 4.5% in accordance with economic forecasts.
 - There will continue to be ten right to buy sales each year until 2035/36 when the assumption is that number will reduce.
 - £5million a year is provided for new build and acquisitions at current prices for the next 18 years. This is expected to deliver up to twenty new homes a year based on an average cost of £250,000 at current prices.
- 2.6 F&HDC's proposed new build and acquisitions programme will be delivered subject to affordability and will be flexed year on year. All opportunities for funding and delivery will be explored including the Homes England Affordable Homes programme funding, Brownfield Land Release Fund (BLRF1) and section 106 (S106) agreements. The Council will develop a supply pipeline over the next five to ten years.

Adrian Waite MA CPFA CIHM FinstLM

3. BACKGROUND

- 3.1 The previous F&HDC published HRA BP was 2016, although this was reviewed in 2020 when the social housing landlord service came back in-house to F&HDC from East Kent Housing Arm's Length Management Organisation (ALMO).
- 3.2 Due to a previous lack of investment in the Council's social housing stock, the focus for the new housing landlord service was on; improving our assets; value for money; Health & Safety and compliance with regulation; improving performance; tenant engagement and satisfaction levels.
- 3.3 The HRA BP supports the 2021 Corporate Plan and council's service ambitions; *Positive Community Leadership, A Thriving Environment, A*

2

Vibrant Economy, and Quality Homes & Infrastructure – To deliver a safe, accountable housing service.

- 3.4 The HRA BP is built on the HRA's priorities as agreed by Members at Overview and Scrutiny Committee in January 2023.

The strategic priorities for the Housing Service are: -

- 1. Compliance - Tenant Health & Safety and wellbeing, (including meeting Regulator of Social Housing new legislation – Social Housing Act July 2023)**
- 2. Housing management delivery, repairs and ongoing maintenance**
- 3. Decent Homes - investment and capital Improvements to our stock**
- 4. Decarbonisation – Retrofitting existing homes**
- 5. Acquisitions and contributing to affordable homes New Build.**

To deliver against these priorities we will: -

- *Ensure our homes are compliant with health & safety, meet the current decent homes standard (and future decent homes legislation), and the social housing consumer standards.*
 - *Provide an efficient and effective housing management service and invest in service improvements.*
 - *Improve the quality of the Council's landlord services by implementing service plans which demonstrate continuous improvement.*
 - *Provide excellent customer service and effective opportunities for residents to be involved in having a voice and inputting into the service delivery.*
 - *Improve the energy efficiency of the housing stock, and the ways of working, that reduce carbon emissions and levels of fuel poverty.*
 - *Maximise the recovery of rental, service charge and other income and demonstrate value for money.*
 - *Manage the HRA budget effectively, maintaining reserves above £2M and borrowing what is affordable for the capital programme and to enable acquisitions and new affordable homes to be delivered.*
 - *Deliver services fairly and without discrimination to meet the needs of all members of the local community, fully complying with the Council's equalities and diversity policies.*
- 3.5 The Housing Asset Management Strategy (HAMS) was published in early 2022 in response to the need to set out how the Housing Service would look to invest in the Council managed stock following the stock coming back into council management in October 2020.
- 3.6 There were a number of objectives set out in the HAMS that include a commitment to *'improving our council portfolio, contributing to building new affordable homes where possible, and retrofitting existing council homes, which will ensure stock remains fit for purpose over the coming years.'*

- 3.7 The HAMS was developed following an extensive, independent stock condition survey carried out June-November 2021. Of the 3,397 council owned and managed homes, the survey achieved 96% of information for external areas and common parts, along with 83% for the internal areas in dwellings. 130 properties were missing an external survey, 584 properties were missing an internal survey, 28 new/buy-back properties have no survey. In addition, the properties not surveyed were not cloned and therefore do not appear in programmes or Decent Homes at this time.
- 3.8 However, the stock condition survey provided a good starting point understanding our future needs for the stock. Some data was found to be inaccurate or inconsistent and required checking. There is now an action plan in place to address these issues and to obtain 100% information for future reporting, programming and continual improvement on the data held. F&HDC surveyors are now validating this data and the BP has assumed these figures. The overall report told us that: *'The stock requires continued expenditure over a 30-year planning term to maintain all properties up to a good, tenable standard.'*
- 3.9 The report also provided a 30-year re-investment profile showing: -
- A whole stock cost analysis, by category of expenditure (survey data plus desktop costs)
 - Indicative Housing Health and Safety Rating System (HHSRS) data; and
 - A Decent Homes analysis.
- In addition, energy data was supplied to advise F&HDC on existing energy ratings, identify the levels of investment required to increase ratings to EPC 'C' by 2030, and achieve Net Zero Carbon (NZC) in use by 2050.
- 3.10 Using this data, along with validated up-to-date stock information from our capital programme, this report provides an informed revision to the Council's 2016 HRA Business Plan.
- 3.11 The housing team has a good level of confidence in the knowledge around our stock and the investment needed, not just in terms of meeting decent homes standards, compliance with housing legislation and delivery of an excellent housing management service to our residents, but also what needs to be considered when improving and future proofing our stock in relation to decarbonisation. The Housing Service has published a Carbon Reduction Approach (2022-2030) and commenced an extensive retrofit programme in 2022.
- 3.12 **COMPLIANCE WITH HOUSING LEGISLATION – including the Regulator of Social Housing**

Social Housing is one of the most regulated of council managed services. The HRA records expenditure and income arising from the provision of housing by local housing authorities, (under the powers and duties conferred on them in Part II of the Housing Act 1985 and certain provisions of earlier legislation). Relevant legislation includes: -

- **Decent Homes standard 2000** - updated in **2006** to take account of the **Housing Act 2004**, included the implementation of the Housing Health and Safety Rating System (HHSRS)
 - **Welfare Reform Act 2012** - to make provision for *Universal Credit and Personal Independence Payment (PIP)*. **Welfare Reform and Work Act 2016** - and amendment regulations that required registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen rent in 2015 to 2016.
 - Regulator of Social Housing Rent Standard direction 2019 revised in 2022 – (as Sept.2022 CPI was 10.1% the government was concerned about the affordability of this as a rent increase to social housing tenants and decided to impose a 7% ceiling on social housing rent increases from April 2023). This capped increase at 7% is likely to be carried over into 24/25.
 - **Health & Safety** - June 2017 – Grenfell Tower – inquiry findings align the building safety regime with social housing regulation:
 - Fire Safety Act 2021
 - Building Safety Act 2022
 - Regulators for Building Safety *and* Construction Products
 - Social Housing White Paper (*The Charter for Social Housing Residents*) published in November 2020) – led to further powers for the Regulator of Social Housing and the Housing Ombudsman (Social Housing Complaints), with reforms to consumer regulation.
- 3.13 The government's new **Social Housing (Regulation) Act** (July 2023) brings forward the following 'ground-breaking changes' in legislation:
- strengthening the Regulator of Social Housing to carry out regular inspections of social housing providers and the power to issue unlimited fines to 'rogue' social landlords.
 - additional Housing Ombudsman powers to publish best practice guidance to landlords following investigations into tenant complaints.
 - powers to set strict time limits for social landlords to address hazards such as damp and mould.
 - new qualification requirements for social housing managers - February 2023 the Secretary of State for Levelling Up, Housing and Communities announced that as part of the new legislation and regulation of social housing registered providers, that all social housing senior managers must gain professional qualifications under new rules to "*protect residents and raise standards in the sector*".
 - introducing stronger economic powers to follow inappropriate money transactions outside of the sector.
 - New enforcement powers will be made available to tackle failing social housing landlords who are not 'pulling their weight' in taking swift action to address damp, cold and unsafe homes.

3.14 **The Regulator of Social Housing (RSH)** measures all Registered Providers against four consumer standards, however these standards have been revised and new ones come into force from April 2024:

- (Home Standard) - **The Safety and Quality Standard** - focused on ensuring tenants' health and safety in their homes, requiring landlords to have an accurate record of the condition of each of their properties, and ensuring repairs can be reported easily and tenants are kept informed of progress.
- **Tenancy Standard** - focused on ensuring homes are let fairly and transparently, that tenants are supported to sustain their tenancies, that suitable tenancy types are offered, and that support is provided to tenants looking to mutually exchange.
- **The Neighbourhood and Community Standard** - focused on ensuring the upkeep of communal spaces, and partnership working to promote tenant wellbeing, to deter and tackle ASB and to deal with domestic abuse.
- (Tenant Involvement and Empowerment Standard) - **The Transparency, Influence and Accountability Standard** - focused on ensuring tenants are treated fairly and with respect, that their views are taken into account in decision-making, that they are provided with performance information about the housing service, and that complaints are dealt with fairly and promptly.

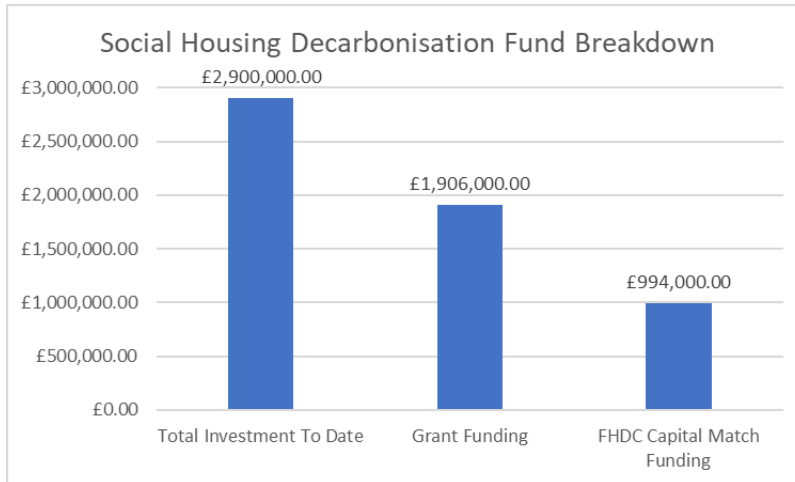
3.15 The RSH works closely with the Housing Ombudsman who deal with escalated complaints from social housing tenants. Although leaseholders can also complain to the Housing Ombudsman, if the matter relates to service charge disputes, lease variations, extensions, and the determination of premiums for freehold purchase, leaseholders can apply to the Leasehold Advisory Service who can provide a Leasehold First-Tier Tribunal.

3.16 Further related legislation: -

- Housing Act 1980 / Housing Act 1985 / 1988 & 1996/ Localism Act 2011
- The Housing and Planning Act 1986
- Landlord and Tenant Act 1985
- Commonhold and Leasehold Reform Act/ Leasehold Reform (Ground Rent) 2002
- The Service Charges (England) Regulations 2003 & 2007
- The Housing (Shared Ownership Leases) (Exclusion from Leasehold Reform Act 1967) (England) Regulations 2009
- The Homelessness Reduction Act 2017 - implemented on 3 April 2018, places new duties on housing authorities to intervene earlier to prevent homelessness and to take reasonable steps to relieve homelessness for all eligible applicants, not just those that have priority need under the Act.

4. CARBON REDUCTION AND RETROFITTING STOCK

- 4.1 F&HDC has been working towards achieving our climate change pledge. This means that as a council we are committed to doing everything we can to try to reduce our carbon emissions by 2030 and the Net Zero Carbon *Toolkit* has already been developed to help us, our partners, stakeholders and residents on the journey to tackle the consequences of climate change.
- 4.2 For the Housing Service there are still uncertainties about the long-term cost and effectiveness of some energy efficiency measures, therefore it is challenging for the HRA BP to accurately forecast decarbonisation costs across a 30-year period. However, we now have a clearer understanding of the costs associated with retrofitting our stock to achieve greater energy efficiency over the coming years.
- 4.3 The [Housing Asset Management Strategy](#) states a clear objective to: – *Improve the energy efficiency of the housing stock and the ways of working that reduce carbon emissions and levels of fuel poverty by:*
- a. *achieving a minimum EPC rating of 'C' by 2030*
 - b. *aiming to achieve 'net zero carbon in use (NZC)' for all of its housing stock by 2050.*
- 4.4 The [Housing Carbon Reduction Approach](#) (2023-2030) sets out how the Housing service will meet our target of getting all our stock up to EPC 'C' in the next seven years and how we will plan for further measures to meet 2050 targets. This Approach has considered the following key factors when agreeing our approach to carbon reduction measures: -
- ***Current knowledge of (and capital investment in) the Council housing stock***
 - ***Retrofit and major (planned) works programmes***
 - ***Future expectations for social housing***
 - ***The increasing population of older tenants, along with the expectations and changing needs of current and future tenants.***
 - ***Government social housing decarbonisation funding opportunities***
- 4.5 The F&HDC social housing stock is responsible for a large proportion of all the Council's carbon emissions, with our Independent Living stock, (sheltered housing for older residents), being the highest energy users and carbon emitters across the Council portfolio.
- 4.6 Currently the funding available to retrofit social housing has come from the Social Housing Decarbonisation fund (SHDF), but at present this doesn't cover Independent Living schemes, which have communal lounges, laundry rooms etc. and in many cases, communal heating systems.
- 4.7 SHDF so far has allowed F&HDC to retrofit 125 homes (2022/23) - bringing 109 up to EPC 'C' and Ross House (16 flats) up to EPC 'A' (or Net Zero Carbon 'ready'). The total investment to date has been - £2.9M. Below is a graph showing the SHDF Wave 1 cost breakdown.



- 4.8 The Council has been awarded SHDF Wave 2.1 which is a two-year retrofit programme (2023/24 & 2024/25) to bring another 300 homes up to EPC 'C', but the total cost of this is £5.2M which includes 50% match funding from the HRA. However, we still have approximately 900 homes to retrofit to EPC C by 2030, which is estimated to cost in the region of up to £14M. We have allowed £1M per year in the HRA budget plan up to 2030, so delivery will therefore be subject to securing further government decarbonisation funding opportunities to achieve this.
- 4.9 One of the biggest challenges for our retrofit programme is the Independent Living (IL) stock. We have not made allowance within the plan for significant improvement works, however we are assuming that decarbonisation works will contribute to improvements in terms of energy efficiency. As discussed previously, these schemes have been subject to a lack of investment in previous years and remain very high energy users. For example, combined gas and electricity bills for Win Pine House in Hythe amounted to £50,788.84 for 2022/23. However, most individual IL homes already have EPC C certification. Therefore, the focus for decarbonisation is more about efficient heating systems, i.e., upgrades and replacements for communal gas boilers with heat pumps to reduce the cost and carbon emissions.
- 4.10 In the HAMS we recognise the need to strategically plan our approach regarding accommodation for older people. This document stated: -

“An ageing tenant population will bring increased health issues and vulnerabilities. Lifetime homes and adaptations will support tenants living longer but not necessarily in good health. This will mean the housing service and the property portfolio will need to cater for frailer tenants who may not be able to meet their responsibilities to look after their homes; many may need significant support due to dementia rather than physical disability.”

“The design of new properties and the adaptation of existing homes, to meet the ageing population will be a key feature of future programmes. Properties that enable tenants to remain in their homes longer will need to embrace not just structural adaptation but also telecare products that enable remote monitoring and care.”

- 4.11 The cost to effectively retrofit IL Schemes with energy efficiency heating measures to replace existing gas fired communal boilers is estimated to be in the region of around £25,000 per flat based on current quotations for ground source heat pumps. There are the technical surveys, modelling and planning costs to consider which would be an average of £500 per home (based on £15,000/building), which will be required to confirm the energy requirements and specification heat pumps. Although this will give ‘free heat’ it will increase the electricity use unless we use solar photovoltaic (PV) panels and battery storage. The lifespan is c70 years (with major maintenance after 20 years for pumps & solar PV).

This figure does not include any insulation measures needed or any further carbon reduction measures to help reduce utility bills still further. Another option would be the opportunity for value engineering to use air source heat pumps at say £10,000 per home, but for this to be effective the thermal fabric (insulation) of the building must be excellent, the technology noise abated, and internal demands minimized as many of our IL scheme homes are bedsits or very small 1 bed flats. The electricity demand would be higher (without PV and batteries) and lifespan would be c20 years before replacement would be due.

Therefore, without knowing whether further SHDF waves can be used for IL, or if other types of government funding will be available, assumptions have been made that we will be in a position to address this challenge in the future HRA BP reviews.

- 4.12 In the meantime, we are actively seeking other sources of funding, such as Public Sector Decarbonisation Scheme (PSDS) which provides grants for public sector buildings to fund heat decarbonisation and energy efficiency measures and the Council will continue to look for solutions to decarbonisation of this type of stock alongside our general needs assets. If we are able to secure any funding for this purpose, we would look to retrofit two or three of the worst performing IL schemes as a pilot exercise.

5.0 HOUSING NEED / NEW BUILD AND AQUISITIONS

Affordable Housing Need in the district

- 5.1 There are currently approximately 1513 households registered on the Council’s housing list for council rented accommodation and other affordable housing for rent provided by other providers.
- 5.2 There is a strong demand for all types of housing in the district, including general needs housing and accommodation for particular client groups, including older people. Details of the overall current needs are set out in the table shown in Appendix 2.

5.3 In addition the housing needs information provided by the Council's Housing List, the Strategic Housing Market Assessment completed in 2016 identified a need for 139 additional affordable homes in the district each year. The assessment used a range of secondary population and affordability data to calculate the level of need for affordable homes. The assessment considers the extent of households already in need, the number of newly forming households in need each year and the number of affordable homes available.

Supported Housing¹

5.4 In order to address the needs of people with support needs within the local community, the Council will work to maximise the number adapted homes delivered as part of the new build and acquisition programme.

5.5 Given the age profile and the housing need in the district for older people, it is vital that the needs of this client group are properly met over the coming years. As well as delivering more new affordable homes for older people in the district, the suitability of the existing housing offer for this client group will be fully reviewed during the course of this plan. The Council do not currently provide extra care accommodation and it is clear that more affordable extra care units are needed in the district. Therefore, we will work with relevant providers to ensure this need is met.

5.6 The Housing Strategy team will also work closely with the Accommodation Team based within Kent County Council to identify opportunities to deliver other forms of supported affordable housing provision within the new community, including self-contained wheelchair accessible units.

5.7 In line with the Council's affordable housing policies, 70% of the affordable homes will be delivered for affordable rent and 30% for intermediate (shared ownership) provision.

5.8 Based on the current needs of the district, the overall proposed mix of unit types is as follows:

- 25% x 1 bed units
- 30% x 2 bed units
- 30% x 3 bed units
- 15% x 4 bed units

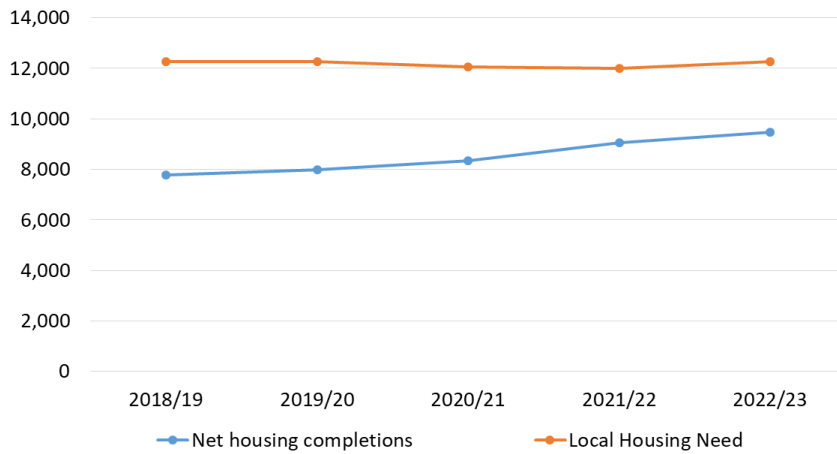
The overall mix of unit types is likely to be subject to change during the period of this plan, as the identified needs of the district change. Our Housing needs information also shows a strong demand for homes available for purchase on a shared ownership basis. There are currently 270 households in the district who have expressed an interest in shared ownership purchase, particularly 2 and 3-bedroom properties.

Delivering more Council / affordable homes

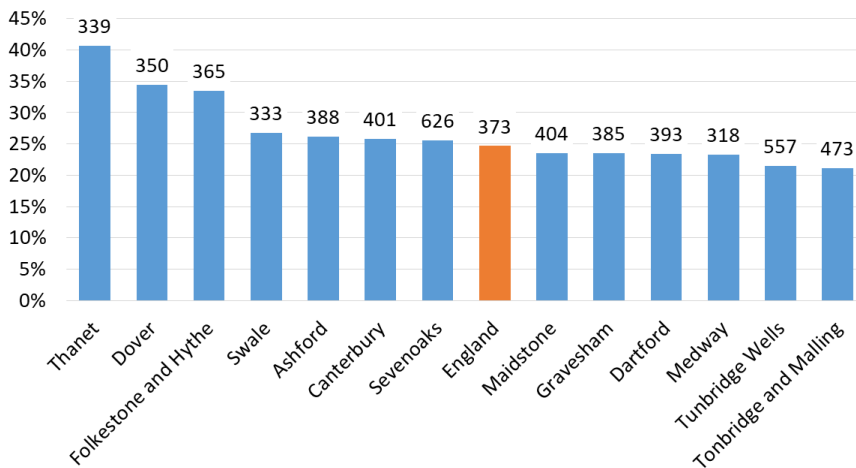
5.9 New affordable homes provided in the district by the Council will be delivered through the following potential funding streams:

¹ The government defines supported housing as accommodation provided alongside support, supervision or care to help people live as independently as possible in the community.

- Resources held within the HRA, including Capital resources, one for one receipts and receipts from any wider HRA asset sales.
 - Affordable housing developer contributions held by the Council.
 - The Council will also, where possible, look to secure grant funding through other sources such as Homes England or other grant funding made available directly by central government for the delivery of affordable homes.
- 5.10 The plan includes annual resources of £5M at current prices for the ongoing delivery of additional Council homes. This will allow the Council to deliver up to 20 additional homes each year in the first 18 years of the plan. In order make the best use of the available resources, the Council will seek to acquire affordable homes which are required to be made available through S106 Planning Agreements. In doing so, the Council will acquire units on smaller sites, which are not viable options for our local Housing Association partners, who in most cases focus their activities on development sites of 20 units or more. By focusing on these smaller sites, the Council will not be working in competition with our partners. Where possible we will also look at delivery on council owned sites.
- 5.11 In line with the Housing Needs in the district, and the requirements of the Council's Local Plan, up to 5 of the homes delivered each year will be made available for shared ownership purchase, with the properties being sold at initial minimum shares of as low as 30%, with rental charge of 2.75% being charges on the unpurchased equity shares. The capital receipts received from shared equity sales can be used to deliver more homes going forward.
- 5.12 The Council needs to be in a position to deliver truly affordable homes for local people. as private home purchase in our district has become unaffordable for many residents. New build house supply whether it is for private sale, rent or affordable may not be an option for some families. Kent Local Authorities are in a good position to try to influence the housing market in our area and the Kent Housing & Development Group have been working closely with the Department for Levelling Up, Housing and Communities (DLUHC) to ensure that more homes are available in Kent for local residents.
- 5.13 Over the past 5 years Kent housing delivery has been on a steady annual upward trend, despite the closedown of activity during the pandemic, however this still doesn't meet local housing need as shown in the graph below.



5.14 There has been an increase in average house prices over the past 5 years. Coastal areas have seen the largest increases. Annual sales of houses, before 2021 were on a downward trend from the previous higher average in 2017. Although 2021 saw a large uplift in sales as a result of stamp duty holidays, prices have fallen again since then. The graph below shows the percentage increase in average house prices in the 5 years up to December 2022.



Numbers above columns show 2022 average house prices in thousands.

- 5.15 There is less Social Housing in Kent compared to the national average as a proportion of all tenures. On 31 March 2022 there were 34,500 local authority homes and 65,500 registered provider homes.
- 5.16 Due to this gap between availability of affordable homes and need, Temporary Accommodation costs have been steadily increasing and this puts direct pressure on the general fund. The number of households supported in temporary accommodation (per 1,000 households) has been rising. The rates in Kent are below the national average, but above the average if London is excluded.

6. CAPITAL PROGRAMME IMPROVEMENTS

- 6.1 F&HDC are committed to continuing to invest in how the housing assets portfolio should be maintained and improved, alongside investing in our stock, we also invest in our people to ensure that the whole housing management service delivers our vision for excellence, embracing digital technology, making us easy to do business with and offering our tenants a consistent high level of service that is continuously improved. Decarbonisation and the green agenda remain an important factor in our capital programme and changes in legislation, especially in landlord compliance and significantly enhanced landlord health and safety responsibilities is a priority for the service.
- 6.2 The HRA is well placed to maintain its existing housing stock in reasonable repair over the 30-year life of the HRA BP. Although some assumptions have been made using the data from the Rapley's stock condition data carried out in 2021, much of this has now been updated with most up to date survey information and validation of the projections and costs to maintain and upgrade the housing stock. We are still working towards achieving a planned/ responsive maintenance programme ratio of at least 70:30 which will improve tenant satisfaction and reduce the burden on responsive repair work.
- 6.3 The business plan is able to fully take into account the delivery of the major works programme and decarbonisation work, with current funding, to March 2025. The combined future demands of a new Decent Homes Standard programme of works, potentially enhanced fire safety works, meeting the Net Zero carbon agenda by 2050 and tackling retrofitting our Independent Living schemes, alongside a new build programme, will be guided by future government funding initiatives, legislation and guidance.
- 6.4 The Major Works Programme (MWP) details the work needed over a five-year timeframe detailing what work will be carried out, when and where. The MWP is the operational driver for the service and will inform tenants, leaseholders, and Right to Buy applicants what is planned for their homes and neighbourhoods.

- 6.5 A key element of this programme will be the seven-year external redecoration programme. With the installation of UPVC windows and composite doors, the need for external decoration has significantly reduced. However, the importance of this cyclical programme should not be underestimated, providing the opportunity to clean and lubricate windows; clear out gutters; carry out repairs to fencing and similar external works on a cyclical basis, reducing the demand for responsive repairs.

The table below summarises the capital programme spend included in the business plan the sub-total includes all planned and works programmes, the total includes the new build and acquisitions:

- 6.6 Programmes of works will be smoothed out, ensuring work is carried out on a priority basis that maximises tenant safety; the life cycle of the assets; cash flow and operational delivery. This will mean accelerating or delaying work within a plus/minus five-year timescale enabling work to be combined, reduce inconvenience to tenants and maximising efficiency e.g. not painting doors and windows in a street that is due for replacement in five years' time but also taking the opportunity to renew gutters at the same time as the roof in order to maximise the use of scaffolding.
- 6.7 This approach will need to be managed with tenants' expectations as the appearance of their home could deteriorate in the short term, although remaining safe and secure. As a general rule, in order to maximise the life of the asset, the preference will be to push work back in the programme, rather than bring it forward. Where viable, and where possible, only one improvement will be carried out at a home within a five year period e.g. a kitchen or a bathroom. This will reduce the disruption to tenants and, given the financial constraints on the HRA, deliver improvements to homes throughout the district at the earliest opportunity.

Below is a table illustrating 10-year known spending on capital programme (detailed to 27/28, then estimated). A full summary of 30 years can be found at appendix B:

Capital Investment Required 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,493	4,862	4,420	4,170	4,324	4,044	4,186	4,332	4,484	4,641
SHDF & EPC	1,036	1,555	1,000	1,000	1,037	1,078	1,116	1,155	1,196	1,238
Non-Decent Homes Standard	1,490	1,369	692	442	334	410	359	372	385	399
Disabled Adaptations	450	450	450	450	467	485	502	520	538	557
Environmental Improvements	0	60	60	60	62	65	67	69	72	74
Housing IT System	28	28	28	28	0	0	0	0	0	0
Sub-Total	9,498	8,324	6,650	6,150	6,224	6,083	6,231	6,449	6,675	6,908
Acquisitions & New Build	3,204	5,130	5,233	5,374	5,573	5,796	5,998	6,208	6,426	6,651
Major Repairs to new homes	0	0	0	0	20	26	33	40	71	83
Total Capital	12,702	13,454	11,883	11,524	11,817	11,904	12,262	12,697	13,172	13,642

7. GOVERNANCE, PERFORMANCE AND CONTINUOUS IMPROVEMENT

- 7.1 The Housing Service has a robust performance management framework in place, with a range of measures and monitoring systems that demonstrate our commitment to continuous improvement.
- 7.2 Operational Performance Indicators (PIs) are monitored monthly by Housing managers and teams, with an expansive suite of operational PIs and Key Performance Indicators (KPIs) scrutinised by the Housing Leadership Team and reported to the Corporate Leadership Team every quarter.
- 7.3 Housing KPIs are scrutinised by tenants through the Strategic Tenants Advisory Panel (STAP), with the same information published on the F&HDC website.
- 7.4 In addition, 19 Housing KPIs feature in the F&HDC Corporate Performance Report, supporting the Corporate Plan Service Ambition 4 (Quality Homes and Infrastructure). This report is scrutinised by the F&HDC Cabinet and the Finance and Performance sub-committee.

- 7.5 Key achievements in the 3 years since taking the service back in-house are:
- improved performance on tenant health and safety compliance (meeting regulatory standards in the 'big 6' FLEGAL² areas).
 - sustained low levels of arrears (below 3% of annual rent and consistently lower than the sector average).
 - greater investment in our stock, through capital programme expenditure (more than doubling our budget from £3.7M in 2020/21, to £8M in 2021/22 and £9M in 2022/23)
- 7.6 The aspirations of residents, so far as they are known from existing work with tenants' and residents' groups, surveys, complaints and feedback also need to be considered in developing the HRA Business Plan.
- 7.7 As part of the tenant consultation carried out in October to December 2019 in preparation for the management of the housing service returning to the Council, tenants were asked what they felt were the most important things for the Council to focus on in delivering the housing service. The responses were:
- Dealing with repairs and maintenance (79% of respondents)
 - Providing value for money for rent and service charges (40%)
 - Dealing with customer enquiries and complaints (36%)
 - Building new council homes (24%)
 - Involving and listening to residents (24%)
 - Dealing with anti-social behaviour (22%)
 - Estate services, such as grass cutting, cleaning communal areas etc (21%)
- 7.8 The 2023 tenant satisfaction survey was carried out between May and August 2023. Officers are currently analysing the responses, and these will be reported to Members later in the year. However, the headline results show improved satisfaction with most areas of the service against the new Tenant Satisfaction Measures:

	2022	2023
Overall satisfaction with the housing service	68%	71%
Satisfaction with how we deal with repairs and maintenance	61%	66%
Satisfaction that we provide a home that is well maintained	65%	70%
Satisfaction that we provide a home that is safe	65%	78%
Satisfaction with complaints handling	50%	34%
Satisfaction that we listen to and act on tenants' views	49%	55%
Satisfaction that we treat tenants fairly and with respect	68%	72%

² FLEGAL (Fire, Legionella, Electric, Gas, Asbestos & Lifts)

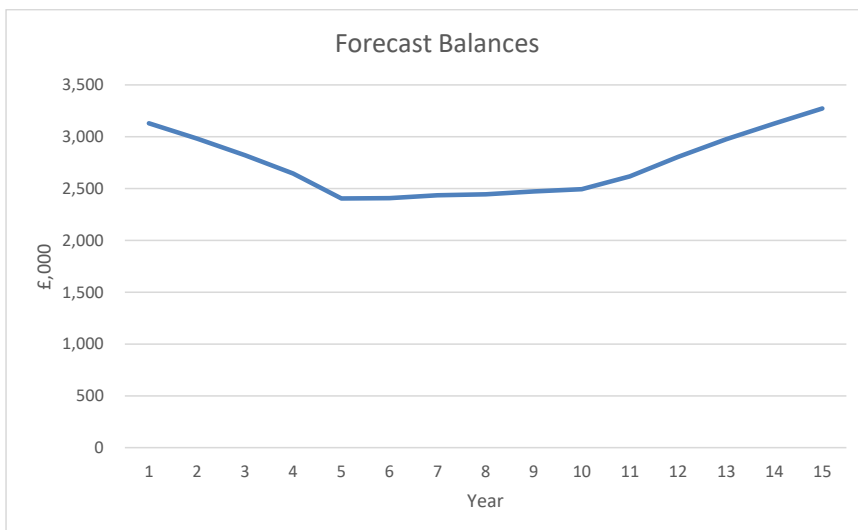
Satisfaction that we keep communal areas clean and well maintained	70%	70%
Satisfaction that we make a positive contribution to neighbourhoods	48%	59%
Satisfaction with anti-social behaviour handling	51%	54%

7.9 The importance of the repairs and maintenance service was further highlighted in the results of the 2022 tenant satisfaction survey. 68% of tenants were satisfied with the overall housing service, but this rises to 90% satisfaction among tenants who were also satisfied with the repairs service.

7.10 Residents feeling that their views are taken into account also correlates strongly with overall satisfaction, which rises from 68% to 88% among those who were also satisfied that the Council listens to and acts on their views.

8. INCOME AND EXPENDITURE

8.1 The full business plan model includes detail on rent, service costs and spending plans over 30 years and projects movements in both balances and borrowing throughout the period. This business plan is based upon the main income, cost projections and spending plans that have been included in the model. The model has enabled a number of different scenarios to be examined to see how they would perform against a set of key principles. The detailed revenue and balance projections from the model are shown at appendix 1A, and the cumulative movement in HRA balances is illustrated in graph below:



INCOME AND EXPENDITURE – to 2027

Income: The HRA Medium-Term Forecast

- 8.2 This section of the business plan sets out the medium-term financial strategy for revenue income and expenditure plans and pressures for the next 4-year period to 2027. It also sets the framework for the detailed projections set out in the financial model for the whole 30-year period. A previous version of the medium-term plan was agreed by Cabinet and Council in February 2023; however this has been holistically reviewed and updated as part of this business plan.
- 8.3 The table below summarises the Council's income sources for its HRA over the next 10 years. The near-term projections (years 2-4) have been robustly considered given the increased level of certainty available in the medium-term. Other income includes non-dwelling rents (i.e. garages), interest income on cash balances and the contribution from the general fund which relates to the maintenance of amenities by grounds maintenance; the majority of these relate to HRA but where there has been Right to Buy (RTB) sales these are now classed as non-HRA and therefore the general fund makes a contribution to the HRA.

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378	-19,997	-20,694	-21,416	-22,162	-22,934
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569	-1,608	-1,648	-1,689	-1,731	-1,775
Other Income	-448	-255	-423	-422	-418	-461	-462	-464	-467	-470
Total Income	-18,532	-19,667	-20,219	-20,915	-21,364	-22,067	-22,804	-23,569	-24,361	-25,179
Repairs & Maintenance	4,355	5,241	4,416	4,528	4,450	4,590	4,734	4,882	5,035	4,983
Management	6,981	7,093	7,164	7,285	7,482	7,707	7,938	8,176	8,421	8,674
Depreciation	3,084	3,187	3,285	3,408	3,569	3,749	3,937	4,135	4,342	4,559
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,318	3,682	3,996	4,303	4,604	4,964
Revenue Contributions	4,358	3,602	2,569	2,784	692	2,198	1,982	1,829	1,689	1,560
Other Expenditure	295	316	324	336	345	358	371	384	398	413
Total Expenditure	20,980	20,971	20,323	21,279	19,857	22,284	22,957	23,709	24,490	25,152
Surplus / Deficit	2,448	1,305	104	363	-1,507	217	153	140	129	-27

Commented [JS1]: Table needs updating

Income: Rental Income

- 8.4 The main source of income for the HRA is the rent paid by the Council's housing tenants. The "target rent" for all individual social rented homes is calculated on a prescribed formula set by the government. The government's aim is to ensure that similar properties in the same area will have a similar rent regardless of the landlord (council and housing association properties). The rent calculation is based on the following factors: -
- Capital values (30%)
 - Regional income factor and size of dwelling based on the number of bedrooms (70%)
 - The Council's new build and acquisition is based on additional homes being delivered at affordable rents linked to the Local Housing Allowance (LHA), to ensure that the homes remain affordable to our tenants.
- 8.5 Following a 4-year period of rent reductions, from 2020/21, councils were permitted to increase their rents again based on the Rent Standard formula of CPI + 1%, in 2022/23 this equated to 4.1%. However, in 2023/24 [and highly likely in 2024/25] social rent increases have been capped at 7% as the September 2022 CPI figure was 10.1% [with September 2023 at 6.7%].
- **Social Rented Housing** is rented housing owned and managed by local authorities and registered providers (housing associations) of social housing, which are let at target rents which have been determined by the national rent regime. At present, social rents in our district are on average set at around 50% of market rents values.
 - **'Affordable' Rented Housing** is provided by registered providers of social housing on the same basis as social rented housing, but rent levels are outside of the national rent regime. Instead, the accommodation is required to be made available to eligible households at rental levels of up to 80% of the local housing market rent.
 - **F&HDC rent** - of the 3414 tenancies that F&HDC currently have, only 120 households pay 'affordable' rents based on the Local Housing Allowance (LHA) and the remainder pay social rents. According to the current Business Plan – only new homes are set at 'affordable' rents at Local Housing Allowance rates and it is proposed that this will be continued.
 - The average social rent from April 2023 was £101.05, and we estimate that the average social rent 24/25 will be £108.12 p.w.
 - So, the vast majority of existing tenants pay a social housing rent and a flat rate service charge. The rent stays with the property and so if the tenancy changes currently the new tenant will be charged the same social rent.
 - Government Policy sets out that affordable rent levels can be set at up to 80% of market rent value, however in reality in order to remain truly affordable in our area, affordable rent equates to 55-60% of market rent level.

8.6 Below is a table that sets out current F&HDC rents by property size:

	Social Rent 23/24	Affordable Rent - LHA 23/24	Market Rent	Full Affordable rent – 80%
1 bed	£89.26	£101.82	£181.00	£144.80
2 bed	£100.30	£136.81	£217.00	£173.60
3 bed	£111.55	£179.62	£266.00	£212.90

Estimated Average Rents over the next 5 years

- 8.7 The Local Housing Allowance (LHA) rates for the district are set by Central Government and have not been increased since 2020/21. At this time there is no clear indication from the Government as to when they will review and increase the LHA. This is particularly difficult for homes in Folkestone as currently the Dover area rate is lower than the Ashford and Canterbury rates.
- 8.5 This presents significant difficulties for the Council as the development costs for new build homes has increased significantly over the last few years. It also calls into question what is truly ‘affordable’ to residents on full benefits. The main impact of the LHA and its impact on housing affordability are experienced by tenants in the private rented sector. The Council will continue to lobby so that central Government is fully aware of the negative impact of the LHA in this district.
- 8.6 The HRA BP model bases our overall achievable rental income on an average social rent of:

23/24	24/25	25/26	26/27	27/28
£95.44	£102.12	£103.75	£104.79	£106.57

- 8.10 A comprehensive assessment of the potential risks to the Council's HRA is set out in Section 10 of this document. Adequate bad debt provision is a key part of the mitigation of risk within the business plan. Bad debt provision in 23/24 is set at 1.36% of total income, in line with historic and target collection rates and write offs, to cover any increases in service costs that arise in relation to rent collection and transactions costs. It is reasonably assumed that this percentage will persist for the duration of the business plan.
- 8.11 The HRA accounts for the expected rental income due in the year, it also makes provision for bad debts (i.e., rent due, but not collected in the year due to non-payment). There is also an adjustment to reflect properties

which are empty for a period between tenancies when no rent is due (void turnaround).

- 8.12 Future Right-to-Buy (RTB) sales have an impact on rental income to the business plan. The business plan model has been based upon an assumed 10 RTB sales per year, with an average receipt of £100,000 per sale. However, depending on the political climate this may change over the life of the BP. The Council is signed up to the Government's one for one scheme, enabling all RTB receipts generated locally to be reinvested to replace homes sold with new homes / acquisitions.
- 8.13 The Council also receives a small amount of rental income from the garages and retail premises and other land holdings which it lets out to its customers. The model has assumed an income of £285K for non-residential property.

Income: Service charges

- 8.14 The Council receives other income for services provided that are not already covered by its rental charges in the form of service charges. A service charge is a charge collected to pay for a service that's undertaken to the communal parts of a building and/ or estate. Service charges are not the same as rent and are bound by different legislation. Rent is expected by the government to cover a charge for the occupation of a home including its management and, in many cases, its repair, whilst service charges such as; communal facilities, car parking, grounds maintenance, communal area heating, cleaning, communal area fire detection etc. are additional and regarded as a service charge cost.
- 8.15 F&HDC tenants pay a fixed service charge. Leaseholders and shared owners pay a variable service charge. Fixed service charges are set at the start of the financial year, the charge needs to be an accurate projection of the cost of the services over the coming year. A profit isn't allowed under the legislation, whilst a deficit would mean that social rents are subsidising the services which also wouldn't be correct.
- 8.16 Leasehold and shared ownership charges are variable, so we will not be able to give an accurate breakdown of costs until year end. The BP model assumes a total 23/24 service charge income at £1.10M.
- 8.17 Tenants who benefit from the services that are undertaken to the building and/ or estate, currently pay a weekly service charge in addition to their rent. However, most of these charges are 'pooled'. Pooled service charges are when the cost of a group of services are added together, then increased (or decreased) annually by a percentage (sometimes in line with rent). Calculating charges this way creates a disparity between the actual cost of the service and the amount tenants are required to pay.
- 8.18 It is not good practice and does not provide clarity and transparency to tenants for F&HDC to continue with pooled service charges. Therefore, the Council is proposing to undertake a 'de-pooling' exercise which would enable the Council to charge tenants accurately for the services they receive. Assumptions have been made in the Business Plan that reflect this revised way of calculating service charges from 2026/27. The projected

pooled income from tenant service charges in 23/24 is circa £419,500.00. De-pooling service charges is expected to generate an additional £400,000 - £450,000 per annum in income, based on the 2023/24 spend on housing services. Previously the HRA has been subsidising the service charges. A separate report detailing this project will be taken to Cabinet for approval.

- 8.19 Universal credit or housing benefit can cover service charges for communal services such as: repairs and cleaning in communal areas, grounds maintenance, lifts etc. However, charges to individual properties for service items such as individual property heating and water, are not covered by universal credit or housing benefit.
- 8.20 Leasehold and shared ownership variable service charges are currently already 'de-pooled' and are required to be so via the legislation that governs those types of charges. An estimated cost is set at the start of the service charge year with a final account based on the actual cost for the period being produced within 6 months after the end of the period.

9 EXPENDITURE: Management Costs

- 9.1 The main costs for the Council in terms of the management of its housing stock include:
- The Housing Management Team costs; predominantly operational including tenancy, housing repairs and maintenance costs and capital investment in stock (decent homes and other improvements).
 - Percentage recharges to the HRA for those staff and services that work, or are paid for within the General Fund, where part or all of their function is allocated to the HRA.
 - The insurance costs associated with the housing stock.
 - The cost of the grounds maintenance services provided by the Council on the HRA housing estate.
- 9.2 The HRA also includes the revenue costs for the day-to-day responsive repairs carried out on the Council's housing stock. These costs include dealing with repairs, work to bring void properties up to the necessary re-let standard and the costs of the cyclical programme. The cost of these R&M works is defined as revenue expenditure. An effective and efficient responsive repairs service has a significant impact on overall tenant satisfaction and is a priority of this plan. The current outsourced contract is due to expire in April 2025 and the housing team are undertaking an options appraisal to determine how to deliver this important customer facing service over the next 10 years. The figures in the BP are based on current cost subject to inflation and equate to approx. £42M for the next 10 years.
- 9.3 In addition to this revenue expenditure, the Council also has a programme of capital expenditure to maintain and upgrade the condition of its housing stock on a planned works programme basis. This capital expenditure also includes the costs of carbon reduction measures in line with the Housing Carbon Reduction Approach 2023-2028.

9.4 HRA new build and acquisition programmes are also funded from capital expenditure. Details of the Council's capital spending plans for the HRA are set out in capital programme as included in appendix 1B.

Expenditure: Capital Charges

9.5 The Council has historically funded some of its capital expenditure through borrowing, any revenue account surplus and general reserves. The total borrowing within the HRA as at April 2023 was £47.4m. Financial rules require that any interest payable in respect of this borrowing must be paid from the HRA revenue account. The Council is required to ensure that its HRA borrowings are maintained separately from its wider borrowings.

Expenditure: The HRA Forecast

9.6 Based on the HRA Business Plan and preceding spending pressures and resource assumptions, appendix 1 sets out the latest spending plan for the HRA. This includes depreciation and revenue contributions to capital, The business plan does not 'build up' reserves. Instead, it maintains balances above £2M, as required by the Reserves Policy appended to the Council's Medium Term Financial Strategy (MTFS) and, as highlighted at 8.5 above, uses any gross surplus to fund the capital programme/ new build through revenue contributions.

10. ASSUMPTIONS:

10.1 Supporting the corporate agenda.

It is important that all departments support the corporate agenda and the HRA is no different. There are a number of areas in which this is being carried out:

- a. **Homelessness and Housing need** – this is a General Fund function, but there are close links to the HRA, as without adequate move-on accommodation it can be difficult to place households in need, which further increases the cost to the General Fund, especially if Temporary Accommodation is needed. By increasing the HRA provision via acquisitions and focusing on the types of accommodation available, the HRA is helping to support the corporate agenda.
- b. **Decarbonisation** – as detailed in Section 3, this is a priority of both the Council and Government to reduce carbon emissions. The retrofit programme is, as highlighted previously, an expensive programme, however, it is necessary. The Council's approach to this is by applying a fabric first, worst first and lest regrets approach, which has seen Ross House achieve an EPC (Energy Performance Certificate) overall 'A' and SAP (Standard Assessment Procedure) ratings of between 88 (high B) 93 (Mid-A) across all 16 flats.
- c. **Digitalisation** – The housing services department intends to create a stronger focus on how the use of improved technology can deliver an improved customer service and given the increasing workload demands, provide efficiencies in systems to benefit officers.
 - The Council has already invested a significant amount to date introducing and developing the NEC (previously Northgate) housing

system. In April 2023 we went live with Housing Online, a new tenant access portal that once logged in, allows tenants to carry out self-serve functions on their account, such as printing off a rent statement or raising a repair. We will continue to invest in systems and software that creates efficiencies and improves performance.

- As part of the evolving delivery in the Council's Independent Living schemes, it is necessary to continue to prepare for the digital switchover of the Lifeline /Telecare service with the switch off of analogue phone systems expected by December 2025. We are currently procuring a new Telecare system in 2023/24 to be rolled out across the next two years.
- We want to ensure our residents have the opportunity to take advantage of fast fibre broadband. We have been working with two large broadband providers on the rollout of fast fibre connectivity within our district. Both companies are currently working with other Kent councils and have been forwarded to us through the Kent County Council (KCC) broadband team. We have trialled this in two blocks in Folkestone, Phoenix Court & Rowan Court, and will be looking to increase the connectivity for more tenants across the district over the next 4 years.

d. **Benchmarking and Continuous Improvement – Benchmarking and Continuous Improvement** – The housing team are focused on performance against KPIs and continuous improvement and participate in comprehensive cost-performance benchmarking through HouseMark, the leading data and insight company for the UK housing sector.

- We compare performance across a broad range of indicators, including costs and satisfaction, with other Local Authorities and ALMOs across the UK, as well as the housing sector as a whole.
- Annual cost-performance benchmarking exercises have shown that, in general, our operational performance is above that of our peers, but our overall costs are higher too. Our higher-than-average costs reflect both the investment in our stock and in specialist teams and officers.
- Monthly 'pulse' exercises allow us to keep informed about sector trends and help us set meaningful targets. In addition, we actively pursue opportunities to benchmark locally and nationally, providing insight into ways in which the HRA and the housing team can work smarter and more efficiently.

Our biggest challenge will be delivering on our ambitious improvement programme and providing a consistent, high-quality service that matches our investment and provides value-for-money.

10.2 Other Assumptions:

- a. **Compliance** - In addition to these corporate priorities it remains crucial that the HRA meets the minimum requirements for compliance with building safety and the Regulator of Social Housing requirements for decent homes.
- b. **Stock Condition data** – Following the stock condition survey carried out in 2021 (By Rapleys), although much of the data gathered at this time has

been utilised to inform the HRA Business Plan model, we are committed to keeping this data and stock information up to date.

This allows the Asset and Planned Works Team to better understand the condition of the stock over time and focus resources accordingly. It also allows us to make assumptions about the retrofit programme and the right timing to amalgamate programmes. Our surveyors are therefore inspecting all properties where we have determined a need to validate the stock condition survey data so that we can use this to make sound business decisions about our stock.

- c. **Repairs & Maintenance** – The repairs and maintenance programme and delivery of this service to tenants remains one of the single biggest factors in improved tenant satisfaction. Whilst the housing team prepare to re-tender this important customer facing contract, for the purposes of the HRA Business Plan model, assumptions have been made at this time of the same delivery basis as in previous years.
- d. **Independent Living schemes for older people** – Two reports on this service have been completed, in 2021 Campbell Tickell looked at the overall service delivery and in 2022 Ark reviewed the assets. The service underwent a restructure in September 2022, that set out our revised Health & Wellbeing offer for older tenants. However, many of the recommendations from the assets review are still to be implemented, and although we have budgeted for £200,000 investment in improvements per year in the Medium-term financial plan, this only covers the cost of basic upgrades such as mobility scooter storage facilities and décor upgrades. In order to fulfil the aspirations of the Council to ensure that all 14 traditional schemes are fit for purpose in the future and effect a significant reduction in carbon emissions, we would need to invest heavily in a remodelling and/or redevelopment programme. The assumption has therefore been made in the Business Plan that we will review the recommendations again in 4 years to determine whether any redevelopment plans can be more accurately forecast to 2030 and beyond.
- e. **Management Costs** – With the increased responsibilities and demands arising from the government reforms in social housing standards and tenant engagement, our revenue or housing management costs are not likely to reduce in the immediate future of the Business Plan assumptions. Tenant satisfaction and performance monitoring will become an even more key area for social housing over the next few years and this will mean the following:
 - More tenant satisfaction perception and transactional surveying to determine the areas where tenants feel we need to improve. Although we have received £11,000 of new burdens funding this year for this purpose, a small budget has been set aside over the coming years to this end.
 - The Regulator of Social Housing have introduced professional qualifications and there is an expectation that all Senior Housing Executives and Senior Housing Managers employed by the HRA will be trained to a standard qualification with the Chartered Institute of

Housing, we will therefore need to allow for ongoing training of staff to meet this requirement.

- Customer complaints, including Anti-social Behaviour (ASB), and Disrepair Claims – There is an expectation that the Housing Ombudsman will have greater powers over complaint handling for social housing landlords, which will mean ensuring we the HRA has sufficient resources to respond to complaints and disrepair claims.

- f. **Rental Income** – It has been assumed that rents will be capped at 7% in 24/25, however in 25/26 we assume that there will be a return to CPI + 1% as before.

As previously noted in this report it has been assumed that a paper will go to Cabinet recommending a service charge ‘de-pooling’ exercise which would enable the HRA to recoup approximately an additional £400k in service charges from 2026/27.

- g. **Bad debts** – Non-collection rates have historically been around 1.36%, and the Business Plan continues this assumption.
- To mitigate against this new NEC predictive software, Account Analytics has been purchased by the HRA and is now being developed. This will help Income Officers ensure that they identify tenants struggling to pay their rent and offer advice and support to ensure they sustain their tenancy.
 - Additional external factors that may continue to contribute to a slight reduction in collection rates, leading to an increase in bad debts, are the delays to the allocation of court hearings, as well as the change to direct payment of Universal Credit to the tenant rather than the landlord. Also, any changes to the amount or eligibility for our tenants to claim welfare benefits, the statistics of which haven’t yet been analysed, but officers are continuing to monitor the situation. Whilst the ‘cost of living’ crisis may also in the short term impact the provision for bad debts, the assumption is that over the 30 year plan this will be broadly in line with historical data.
- h. **Voids** – Void turnaround has been higher than hoped since 2022, with challenges for contractors, as well as obtaining sufficient materials, in a timely manner, and accessing properties etc. However, the number of voids has remained low, therefore a void rate of 2% has been included in the Business Plan which is a reasonable level to maintain.
- i. **Right To Buy Sales** – Right to Buys are set, in the model at 10 per annum. Right to Buy sales vary from year to year depending upon a number of factors including RTB discount levels, mortgage products and mortgage product availability (interest rates), and the market value of property in the area. A change to any of these key areas will increase or decrease the number of RTB’s including the monies collected as part of the sales. Over the previous 2 years (2021/22 – 2022/23) FHDC have averaged 9-10 sales with a value of £1,050-1,100,000 per annum. The budgeted figure is at £600k a year of retained receipts to support new build / acquisitions.

The authority is part of a government scheme to re-invest Right to Buy receipts in affordable housing, known as 'One for One Replacement', as a result the Council retains Right to Buy receipts for this purpose. The rules around spending this money were updated April 2021, the rules now state that these receipts need to be used within five years (previously 3 years) for the provision of additional affordable housing units and can account for up to 40% (previously 30%) of the build/purchase cost, per unit. If these receipts are unused within 5 years, they are returned to the Secretary of State with an interest charge of 4% above base at the time of the funds being held (compound interest chargeable). Government have proposed a new cap on spend for acquired properties (on the open market, from a private seller), limiting acquisitions, after the first 20 acquisitions in a year, to a percentage of the Local Authorities total delivery in a year, this cap will be phased over a number of years, as follows: 50% in 2022/23, 40% in 2023/24, and 30% in 2024/25.

- j. **Disposals** – When developing the Housing Asset Management Strategy, we considered putting a process in place to sell poor performing properties on the open market where a value for money decision cannot be achieved as part of a rigorous appraisal process to improve the NPV (net present value) or for properties that no longer meet a need or are not suitable for retrofitting at a reasonable cost. An example of this is the Old Post Office, Burmarsh, which has been unoccupied for some time and following an appraisal, would not have been viable to refurbish. The HRA has secured a buyer at £83,937.50 after the cost of marketing the property, from a neighbour and this income will come into the HRA in this year to be used towards further acquisitions next year.
- k. **Inflation** – The model assumes CPI inflation: 6.7% in 23/24, 0.6% 24/25, 0.0% in 25/26, 0.7% in 26/27, 1.7% 27/28, and every year after 2% - this is based on historic evidence, as well as advice from experts (including the Office for Budget Responsibility - OBR), who have experience and knowledge in areas such as interest rates, inflation as well as anecdotal evidence of what other authorities are planning in the current economic climate. These current assumptions are in line with the Medium-Term Financial Plan as at the time of drafting.
- l. **Interest rates** – (on new debt) - The model assumes: 6% in 23/24, 5.75% 24/25, 5.5% 25/26, 5.25% 26/27, 5% 27/28, and then after 2 years reduces to 4.5%. The vast majority of the HRA's current borrowing was taken out at fixed rates and therefore is protected from interest rate risk. Future borrowing requirements will be assessed at the time of need, in conjunction with the Council's Treasury Management Advisors.

The model assumes the authority will borrow to support the capital programme, including new build, whilst holding a reserve balance of at least £2M for the life of the plan.

- 10.3 The Business Plan will be reviewed annually, therefore officers will continue to investigate any potential projects and bring these forward in future iterations of the model. Each project will be costed to ensure it is financially viable and represents a good investment opportunity for the HRA.

11. RISKS TO THE HRA BUSINESS PLAN

- 11.1 The Business Plan, as demonstrated above, is built on a number of assumptions. However, if any of these assumptions are wrong it could lead to problems with the long-term viability of the plan, which is why the model is revised annually.

Some of the risks to the Business Plan are as follows:

- a. **Government Policy** – It is inevitable that in the 30 years the Business Plan covers there will be changes in Government policy, for example there may be statutory changes to rent, as happened previously, such as increases/reductions in the formula; or, additional building safety measures / decent homes standards, or further carbon reduction plans. Any policy changes that result in a cost implication will be modelled and mitigating actions will be taken, this may require a reduction in capital maintenance budgets, delaying the acquisitions plan, or extending the decarbonisation period.

Officers will continue to monitor the situation and take advice from the Council's treasury advisors, the Business Plan will be updated in line with their advice, and Members consulted on any mitigating actions that are required.
- b. **Inflation** – As a result of the last few years; post pandemic, Brexit and the Ukraine War supply issues and costs to continue to deliver the service have increased. There is a risk that inflation could be higher than has been modelled. Officers will be monitoring costs and will inform members if budgets will be exceeded or need to be re-profiled.

Inflation also impacts the rent income, the model assumes a return to CPI+1% after 2025/26, however if CPI is lower than has been modelled then this will lead to a lower rent income over the life of the plan. In a high inflationary environment (e.g. as at the time of drafting), there is also the risk that rental income inflation will be capped by Government as in 2023/24, whereas cost inflation will not, leading to a squeeze on margins/surplus generated.
- c. **Interest rates** – The repayment of the HRA current debt profile has been delayed, due to the need to deliver the capital programme and decarbonisation. As such it will be necessary to re-finance the debt during the life of the plan. If interest rates for new borrowing are higher than have been assumed this will lead to higher repayment costs.
- d. **Arrears** – Arrears have been maintained in recent years, and there is a strong focus on rent collection, and the reduction of outstanding rent accounts. However, arrears remain a risk to the Business Plan, and in light of the recent changes in Universal Credit this a key area of focus. Any deterioration in arrears levels will be monitored and resources will be re-allocated to mitigate this. See also 'Bad Debt'.
- e. **Universal Credit** – Delays in processing UC are ongoing but the Council accounts for this when considering collection rates. In April 2023 the Government outlined plans to resume helping claimants move to Universal Credit by end of 2024. All benefit claimants will be moved over to direct

payment of Universal Credit by the end of 2024. Legacy schemes have commenced and whilst the Housing Income team are working closely with the Department for Work and Pensions to try to minimize the impact of this change.

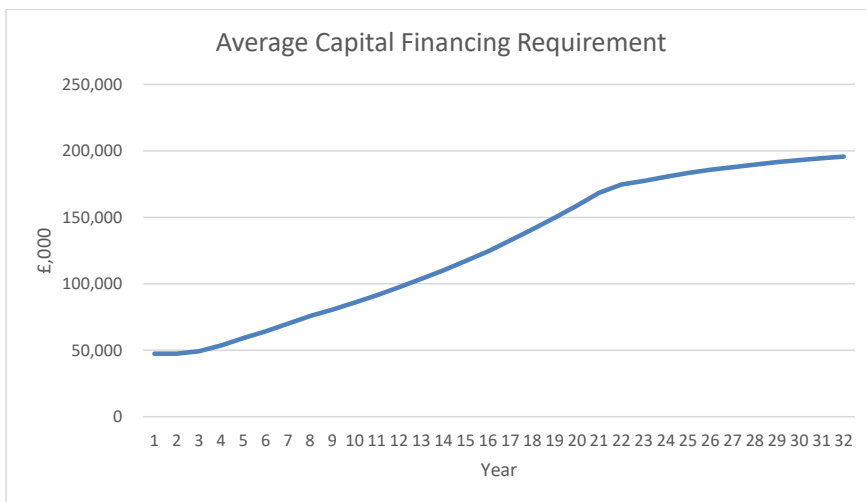
- f. **Service charges** – As stated in Section 8, how F&HDC currently collects monies for the cost of services undertaken to buildings and/ or estates leads to a disparity between the income and the cost of providing the service. The estimated cost difference for the 2022/23 year was in the region of £400-450,000. This shortfall means that rental income is used to subsidise the services delivered. Pegging the service charges during the course of this business plan to a rental increase (or decrease) will further widen the disparity between income and the cost of the services. To mitigate this disparity it is recommended that the de-pooling project is undertaken, and the cost of the services is accurately and fairly billed to the service users within the Medium-Term Financial Plan.
- g. **Voids** – The average void turnaround for 2022/23 was 35 days (including major works) and 25 days (excluding major works). If this were to increase this would of course have an impact on the budget. Officers are working alongside our contractors to maintain this level of performance to turnaround properties quickly, while maximising void time to carry out necessary repairs and return properties to a good standard. Year-on-year performance and comparisons with the sector suggest these targets are both achievable and high-performing.
- h. **Right to Buy Sales** - If Right to Buy sales were to increase substantially it would mean that there is additional funding, in the way of One for One money, however, this loss of properties would mean a reduction in stock levels that would not be able to be quickly replaced. Conversely, if Right to Buys were to substantially reduce, while helping to maintain the stock position it would have a detrimental effect on funding new projects and rental income would decrease.

12. BUSINESS PLAN MODELLING OUTCOMES / SUMMARY

- 12.1 Based on the assumptions in the business plan model F&HDC has presented a realistic, balanced and sustainable HRA position over the next 30 years. It is able to deliver on its priorities, as well as the day-to-day management of its assets. However, this model assumes that in order to maintain an affordable plan whilst also investing in the acquisitions and /or new build projects, interest / borrowing rates would need to be at the level assumed in the plan. Grant funding for decarbonisation needs to continue to be available and bids secured, and capital investment in our stock will decrease as the stock condition improves.
- 12.2 The BP model is based on the assumption that the Council sustainably manages its debt. In many cases, debt repayment will continue beyond the life of the model. This prolonging of debt is something officers will need to monitor going-forward to ensure the sustainability of the plan. The structure of debt in the HRA can take various forms – both capital repayment and interest only arrangements. In the near term, borrowing is on an interest only basis with the principal refinanced at the end of the borrowing term.

As inflation increases rental incomes and loans are taken at fixed rates, officers have the ability, and will continue, to manage the sustainability of the capital financing requirement (CFR).

- 12.3 If there were to be some unplanned expenditure there is some headroom to ensure this can be completed through a review of the programme and planned works. Officers will continue to exercise cost control, while optimising income, such as reducing arrears, and managing voids.
- 12.4 It should be noted that whilst debt repayment in previous plans was clear the introduction of the decarbonisation programme has delayed any plans for repayment.
- 12.5 The graph below illustrates the capital financing plan and need to maintain borrowing at a manageable level.



13. FINAL SUMMARY

- 13.1 Given the multiplicity of projects the Council is delivering at a local level and the agendas it is trying to address at a global level, the fact that the HRA Business Plan is presented to Members in such a healthy position is a significant achievement. It shows that many services are working well together to deliver on providing quality homes and infrastructure for all residents.

Appendix 1 - Financial Projections taken HRA BP Model October 2023

A. HOUSING REVENUE ACCOUNT PROJECTIONS – Income & Expenditure full summary

Commented [JS2]: Table needs updating

Year	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38
£,000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
INCOME:															
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378	-19,997	-20,694	-21,416	-22,162	-22,934	-23,733	-24,558	-25,446	-26,366	-27,317
Non-Dwelling Rents	-285	-287	-287	-289	-294	-299	-305	-312	-318	-324	-331	-337	-344	-351	-358
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569	-1,608	-1,648	-1,689	-1,731	-1,775	-1,819	-1,865	-1,911	-1,959	-2,008
Contributions from General Fund	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52
Total Income	-18,421	-19,750	-20,135	-20,834	-21,292	-21,957	-22,700	-23,469	-24,264	-25,085	-25,934	-26,812	-27,754	-28,728	-29,735
EXPENDITURE:															
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450	4,590	4,734	4,882	5,035	4,983	5,140	5,303	5,478	5,659	5,845
General Management (existing stock)	5,079	5,160	5,212	5,300	5,444	5,607	5,775	5,948	6,127	6,311	6,500	6,695	6,896	7,103	7,316
Special Management (existing stock)	1,902	1,932	1,952	1,985	2,039	2,100	2,163	2,228	2,294	2,363	2,434	2,507	2,582	2,660	2,740
Rents, Rates & Taxes	22	22	22	22	23	23	24	24	25	25	26	26	27	27	28
Bad Debt Provision	250	268	273	283	289	298	308	318	329	340	352	364	377	390	404
Capital Financing															
Depreciation	3,084	3,187	3,285	3,408	3,569	3,749	3,937	4,135	4,342	4,559	4,786	5,024	5,274	5,535	5,810
Debt Management	23	26	29	31	34	37	39	42	44	47	50	53	57	60	64
Total Expenditure	14,715	14,981	15,189	15,558	15,847	16,403	16,979	17,577	18,196	18,628	19,288	19,972	20,690	21,434	22,206
Net Cost of Services	-3,706	-4,769	-4,946	-5,276	-5,445	-5,554	-5,720	-5,892	-6,067	-6,457	-6,646	-6,840	-7,064	-7,294	-7,529
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,318	3,682	3,996	4,303	4,604	4,964	5,248	5,526	5,841	6,182	6,543
Interest on notional cash balances	-311	-117	-84	-81	-72	-110	-105	-101	-97	-94	-95	-92	-90	-88	-85
Net Operating Income	-2,110	-2,497	-2,465	-2,420	-2,199	-1,982	-1,829	-1,689	-1,560	-1,587	-1,493	-1,406	-1,313	-1,199	-1,071
Revenue Contributions	4,358	3,602	2,568	2,783	691	2,199	1,982	1,829	1,689	1,560	1,587	1,493	1,406	1,313	1,199
Pension Increase Costs	200	200	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Surplus / Deficit	2,448	1,305	104	363	-1,507	217	153	140	129	-27	95	86	93	114	128
Opening Balance	-7,111	-4,663	-3,358	-3,255	-2,891	-4,399	-4,182	-4,029	-3,889	-3,760	-3,787	-3,693	-3,606	-3,513	-3,399
Closing Balance	-4,663	-3,358	-3,255	-2,891	-4,399	-4,182	-4,029	-3,889	-3,760	-3,787	-3,693	-3,606	-3,513	-3,399	-3,271

Year	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51	2051.52	2052.53
£,000	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
INCOME:															
Rental Income	-28,302	-29,321	-30,377	-31,469	-32,370	-33,298	-34,252	-35,234	-36,243	-37,282	-38,350	-39,448	-40,578	-41,741	-42,936
Non-Dwelling Rents	-365	-372	-380	-387	-395	-403	-411	-419	-428	-436	-445	-454	-463	-472	-482
Service Charges	-2,058	-2,110	-2,162	-2,216	-2,272	-2,329	-2,387	-2,446	-2,508	-2,570	-2,635	-2,700	-2,768	-2,837	-2,908
Contributions from General Fund	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52
Total Income	-30,777	-31,855	-32,971	-34,124	-35,089	-36,082	-37,102	-38,152	-39,231	-40,340	-41,481	-42,655	-43,861	-45,102	-46,378
EXPENDITURE:															
Repairs & Maintenance	6,038	6,238	6,443	6,656	6,875	7,071	7,273	7,481	7,694	7,914	8,140	8,372	8,611	8,857	9,110
General Management (existing stock)	7,535	7,761	7,994	8,234	8,481	8,735	8,997	9,267	9,545	9,832	10,127	10,430	10,743	11,066	11,398
Special Management (existing stock)	2,822	2,906	2,994	3,083	3,176	3,271	3,369	3,470	3,575	3,682	3,792	3,906	4,023	4,144	4,268
Rents, Rates & Taxes	28	29	29	30	31	31	32	32	33	34	34	35	36	36	37
Bad Debt Provision	418	433	448	463	477	490	504	518	533	548	563	579	596	613	630
Capital Financing															
Depreciation	6,097	6,398	6,713	7,043	7,389	7,684	7,992	8,311	8,644	8,989	9,349	9,723	10,112	10,516	10,937
Debt Management	68	73	77	82	85	86	87	89	90	91	92	93	94	94	95
Total Expenditure	23,006	23,837	24,698	25,591	26,512	27,369	28,255	29,169	30,114	31,090	32,098	33,139	34,215	35,326	36,475
Net Cost of Services	-7,771	-8,019	-8,273	-8,533	-8,577	-8,712	-8,847	-8,982	-9,117	-9,251	-9,384	-9,516	-9,647	-9,776	-9,903
Loan Charges - Interest	6,922	7,316	7,728	8,159	8,439	8,565	8,671	8,800	8,905	9,020	9,030	8,975	8,941	8,924	8,909
Interest on notional cash balances	-82	-78	-75	-70	-66	-60	-60	-61	-61	-62	-62	-65	-70	-74	-78
Net Operating Income	-931	-781	-619	-445	-204	-207	-236	-243	-272	-293	-417	-606	-776	-926	-1,073
Revenue Contributions	1,071	931	781	619	445	204	207	236	243	272	293	417	606	776	926
Pension Increase Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Surplus / Deficit	140	150	161	175	240	-3	-29	-7	-29	-20	-124	-190	-170	-150	-146
Opening Balance	-3,271	-3,131	-2,981	-2,819	-2,645	-2,404	-2,407	-2,436	-2,443	-2,472	-2,493	-2,617	-2,806	-2,976	-3,126
Closing Balance	-3,131	-2,981	-2,819	-2,645	-2,404	-2,407	-2,436	-2,443	-2,472	-2,493	-2,617	-2,806	-2,976	-3,126	-3,273

B. Capital programme summary

Capital Investment Required 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,493	4,420	4,420	4,170	4,324	4,044	4,186	4,332	4,484	4,641
SHDF & EPC	1,036	1,555	1,000	1,000	1,037	1,078	1,116	1,155	1,196	1,238
Non-Decent Homes Standard	1,490	1,311	692	442	334	410	359	372	385	399
Disabled Adaptations	450	450	450	450	467	485	502	520	538	557
Environmental Improvements	0	60	60	60	62	65	67	69	72	74
Housing IT System	28	28	28	28	0	0	0	0	0	0
Sub-Total	9,498	7,824	6,650	6,150	6,224	6,083	6,231	6,449	6,675	6,908
Acquisitions & New Build	3,204	5,130	5,233	5,374	5,573	5,796	5,998	6,208	6,426	6,651
Major Repairs to new homes	0	0	0	0	20	26	33	40	71	83
Total Capital	12,702	12,954	11,883	11,524	11,817	11,904	12,262	12,697	13,172	13,642

Commented [JS3]: Table needs updating

	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43
Capital Investment Required 2033/34 to 2042/43	11	12	13	14	15	16	17	18	19	20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	4,803	4,947	5,096	5,249	5,406	5,568	5,735	5,908	6,085	6,267
SHDF & EPC	1,281	1,319	1,359	1,400	1,442	1,485	1,529	1,575	1,623	1,671
Non-Decent Homes Standard	487	425	438	451	464	564	492	507	522	538
Disabled Adaptations	576	594	612	630	649	594	612	630	649	669
Environmental Improvements	77	79	82	84	86	89	92	95	97	100
Housing IT System	0	0	0	0	0	0	0	0	0	0
Sub-Total	7,224	7,364	7,585	7,813	8,047	8,301	8,461	8,715	8,976	9,246
Acquisitions & New Build	6,883	7,090	7,303	7,522	7,747	7,980	8,219	8,466	8,720	0
Major Repairs to new homes	96	109	124	692	769	849	934	1,024	1,118	1,216
Total Capital	14,204	14,564	15,012	16,026	16,563	17,130	17,615	18,204	18,814	10,462

	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51	2051.52	2052.53
Capital Investment Required 2043/44 to 2052/53	21	22	23	24	25	26	27	28	29	30
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,455	6,649	6,848	7,054	7,266	7,483	7,708	7,939	8,177	8,423
SHDF & EPC	1,721	1,773	1,826	1,881	1,937	1,996	2,055	2,117	2,181	2,246
Non-Decent Homes Standard	654	571	588	606	624	758	662	682	702	723
Disabled Adaptations	689	709	731	752	775	798	822	847	872	898
Environmental Improvements	103	106	110	113	116	120	123	127	131	135
Housing IT System	0	0	0	0	0	0	0	0	0	0
Sub-Total	9,623	9,809	10,103	10,406	10,718	11,155	11,371	11,712	12,063	12,425
Acquisitions & New Build	0	0	0	0	0	0	0	0	0	0
Major Repairs to new homes	1,253	1,290	1,329	456	470	484	499	514	529	545
Total Capital	10,875	11,099	11,432	10,862	11,188	11,639	11,869	12,226	12,592	12,970

C. Strategic Summary

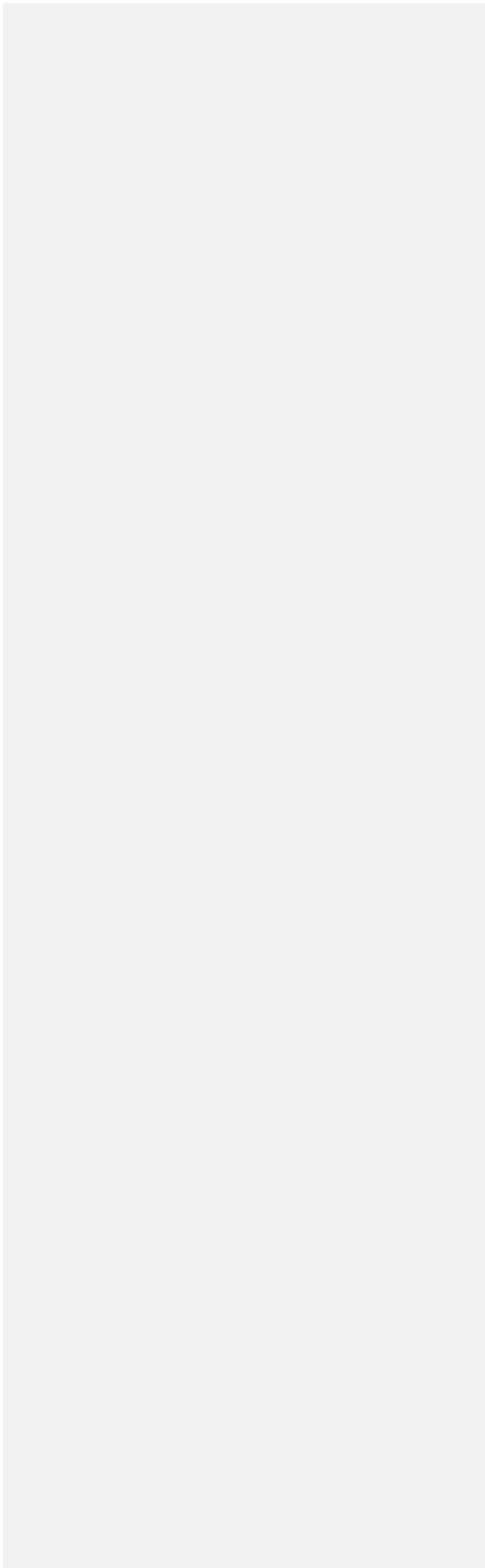
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	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-18,532	-19,667	-20,219	-20,915	-21,364	-22,067	-22,804	-23,569	-24,360	-25,178
Revenue Expenditure	20,980	20,971	20,323	21,279	19,857	22,292	22,975	23,727	24,507	25,170
Revenue Surplus / Deficit	2,448	1,305	104	363	-1,507	226	171	158	147	-8
Capital Expenditure	12,702	12,954	11,883	11,524	11,817	11,904	12,262	12,697	13,172	13,642
Capital Financing	-12,738	-12,954	-11,883	-11,524	-11,817	-11,904	-12,262	-12,697	-13,172	-13,642
	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43
	11	12	13	14	15	16	17	18	19	20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-26,027	-26,902	-27,841	-28,812	-29,816	-30,854	-31,928	-33,039	-34,188	-35,152
Revenue Expenditure	26,141	27,009	27,955	28,948	29,967	31,019	32,105	33,216	34,236	35,254
Revenue Surplus / Deficit	114	107	115	137	151	164	176	177	48	102
Capital Expenditure	14,204	14,564	15,012	16,026	16,563	17,130	17,615	18,204	18,814	10,462
Capital Financing	-14,204	-14,564	-15,012	-16,026	-16,563	-17,130	-17,615	-18,204	-18,814	-10,462
	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52	2052.53
	21	22	23	24	25	26	27	28	29	30
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-36,142	-37,163	-38,214	-39,293	-40,404	-41,547	-42,724	-43,936	-45,181	-46,462
Revenue Expenditure	36,120	37,114	38,186	39,243	40,362	41,399	42,509	43,740	45,004	46,307
Revenue Surplus / Deficit	-22	-49	-27	-50	-43	-147	-214	-195	-177	-154
Capital Expenditure	10,875	11,099	11,432	10,862	11,188	11,639	11,869	12,226	12,592	12,970
Capital Financing	-10,875	-11,099	-11,432	-10,862	-11,188	-11,639	-11,869	-12,226	-12,592	-12,970

Appendix 2

Table showing housing needs in the district, based on the Folkestone and Hythe Housing Waiting List August 2023

Household Type	Band	1 bed need single under 50 years	1 bed need Single 50 years & over	1 bed need Couples under 50 years	1 bed need Couples over 50 years	1 Bed Need Total	2 bed Need	3 Bed Need	4 Bed Need	5+ Bed Need	Overall Total	Band
General Needs	A	1	2	2	0	5	0	1	1	0	7	A
	B	15	33	2	11	61	14	55	22	3	155	B
	C	68	63	7	24	162	129	120	32	10	453	C
	D	1	4	0	1	6	9	1	1	0	17	D
	E	154	192	27	52	425	226	74	15	3	743	E
	Sub-Total		239	294	38	88	659	378	251	71	16	1375
Mobility Issues (Require level access)	A	0	4	0	1	5	0	1	1	0	7	A
	B	1	15	0	8	24	7	2	3	1	37	B
	C	2	14	1	4	21	6	3	3	1	34	C
	D	0	2	0	0	2	0	0	0	0	2	D
	E	2	8	0	0	10	5	0	0	0	15	E
	Sub-Total		5	43	1	13	62	18	6	7	2	95
Wheelchair Users (Require fully adapted)	A	1	0	0	1	2	1	1	0	0	4	A
	B	1	6	0	5	12	0	1	1	0	14	B
	C	1	7	0	0	8	2	1	1	0	12	C
	D	0	0	0	0	0	0	0	0	0	0	D
	E	0	6	0	0	6	5	2	0	0	13	E
	Sub-Total		3	19	0	6	28	8	5	2	0	43
ALL NEEDS	TOTAL	247	356	39	107	749	404	262	80	18	1513	



This report will be made
public 23 January 2024

Report number **C/23/83**

To: Cabinet
Date: 31 January 2024
Status: Key Decision
Head of Service: Lydia Morrison – Interim Director of Corporate Services and Governance
Cabinet Member: Councillor Tim Prater, Portfolio Holder for Finance

SUBJECT: DRAFT GENERAL FUND BUDGET 2024/25

SUMMARY: This report sets out the Council's Draft General Fund budget for 2024/25 and the updated MTFS.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because they form part of the budget-setting process which will culminate in Full Council approving the budget and council tax for 2024/25 on 28 February 2024, in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note report C/23/83.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2024/25 budget and council tax recommendations for approval by Full Council in February 2024
3. To approve the updated Medium Term Financial Strategy (MTFS) covering between 2024/25 and 2027/28.

1. INTRODUCTION AND BACKGROUND

1.1 Council approved the Medium Term Financial Strategy 2024/25 to 2027/28 (MTFS) on 24 January 2024 and Cabinet agreed the Budget Strategy for 2024/25 on 13 December 2023. These reports considered the council's forecast budget position for 2024/25 from a strategic perspective. This report now sets out the detail for the draft General Fund budget, prior to Full Council approving the final budget proposals and the level of council tax at its meeting on 28 February 2024.

1.2 The budget proposals in this report have been prepared with the assumptions of a 2.99% council tax increase in 2024/25 in line with the latest referendum regulations provided in the Government's Provisional Local Government Settlement that was received by the Council on 18 December 2024. The final decision will not be confirmed until Full Council on 28 February 2024. The Council has a statutory requirement to set a balanced budget and Council Tax annually under the Local Government Finance Act 1992 and Council Tax (Administration and Enforcement) Regulations 1992.

1.3 In addition, to the final level of Council Tax to be set, the following elements of the Budget must also be completed:

- the forecast for Council Tax and net business rates income (NNDR1)
- the final council tax base position as approved by S151 Officer
- the final Local Government Finance Settlement from Government.

These items will be confirmed in the final budget report to Full Council on 28 February 2024.

1.4 The MTFS initially identified a General Fund budget shortfall of £4.501m for the council regarding 2024/25, before making a change to the budget setting approach for 2024/25 to resolve the deficit identified. The Council replaced the incremental budget setting approval with the Priority Based Budgeting (PBB) regarding the 2024/25 budget, having carried out a self-assessment of the Council current budget setting processes. The new approach to budget setting ensures that the Council has a service priority based approach that allocates scarce budget resources to the areas of service that are of highest priorities and delivers the outcomes the Council want to achieve for local people under the new administration.

1.5 The model seeks to ensure that budgets are set and that service areas are resourced to deliver on their priority areas, with any budget savings being made in areas that are considered lower priority.

1.6 The Corporate Leadership Team, Assistant Director and Chief Officers have reviewed current budget allocations and savings proposals. Based on the work undertaken to date and the factors outlined above, the forecast deficit is set out below. The draft budget detailed in this report reflects the changes made as a result of these reviews.

The table below summarises the initial Budget position for 2024/25

	£'000
Forecast deficit – November 2022 MTFS	4,501
Add: Budget growth proposals	679
Add: Inflationary pressures, i.e., waste, pay award, etc.	1,631
Less: Priority Based Budget Savings and efficiencies	(3,657)
Less: 2024/25 Budget - net adjustments	(1,816)
Less: Post 2023/24 Base Budget - net adjustments	(700)
Revised Forecast Budget Gap / Deficit 2024/25	638

2. BUDGET CONTEXT

- 2.1 The budget context and financial climate have previously been set out in the MTFS and Budget Strategy reports. There remain considerable uncertainties in the economy. High inflation and interest rates continue to place significant pressures on Council finances and restrict the ability to forecast and plan, with confidence, for the future.
- 2.2 Although UK inflation and wage growth remain elevated, the forecasts are that Bank Rate has peaked at 5.25%. The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September, November and then again in December. The latest update from the Office for National Statistics (ONS) puts the Consumer Prices Index (CPI) measure of inflation at 3.9% in the year to November 2023, significantly less than the 4.6% recorded a month earlier and now at a two-year low. While this figure is much smaller than the 11.1% recorded in the year to October 2022 – a 41-year high – the figure still sits above the government’s long-term target.
- 2.3 The reason inflation continues to remain higher than target is down to a long-lasting legacy of damaging economic conditions. These include a knock-on from elevated energy and food prices – triggered in large part by the ongoing war in Ukraine and Middle East – combined with high interest rates, a tight labour market featuring accelerating wage rises, plus ongoing global supply chain bottlenecks and public sector funding pressures over the near, medium and longer term.

Provisional Local Government Finance Settlement and adjustments to the Budget

- 2.4 The Provisional Local Government Finance Settlement was announced by the Department for Levelling Up, Housing & Communities (DLUHC) on 18 December 2023. The broad approach is based on a uniform roll-over of the core elements of the 2023/24 settlement funding assessment (SFA) however, new additional resources have been made available for one further year consisting of a reduced New Homes Bonus; a 3% Funding guarantee grant and a reduced service grant – plus a CPI multiplier cap compensation for Business Rates. These new resources are in the form of one-year grants and have been welcomed by all councils.

- 2.5 The 2024-25 settlement is effectively the second year of a two-year settlement. Almost everything in the settlement has already been announced, either in the Autumn Statement (22 November 2023), the Policy Statement (5 December 2023), or the response to the technical business rates consultation (14 December 2023).
- 2.6 The settlement continues the series of real terms increases in Core Spending Power that started in 2020-21. Funding increases might not feel very generous to authorities who are wrestling with very significant spending pressures – but they have been higher than the headline rate of inflation and will be again in 2024-25. However, CSP increases are likely to be lower from 2025-26 onwards, and reliant on council tax rises rather than grant increases.
- 2.7 In summary, it has been proven to be a good provisional settlement for Folkestone and Hythe District Council. In particular, the Council benefits from the receipt of additional new grants (one year only) for a reduced New Homes Bonus; a 3% Funding level guarantee and a reduced Service Grant allocation.
- 2.8 The table below summarises the funding gains for the Council as a result of the settlement – it should be noted that these results are subject to final settlement confirmation by the Government which is expected to be received before Full Council meets on 28 February 2024 to approve the final budget and set the statutory level of Council Tax for 2024/25.

<u>Provisional Local Government Settlement (subject to Final settlement)</u>	
Description	£000
SFA (excluding rolled in grants) = Business Rate Baseline	(150,946)
Other Grant (RSG)	(14,064)
New Homes Bonus / Extra 1 year confirmed	(135,703)
3% Funding level guarantee payment	(505,607)
Service Grant Allocation – reduction	127,207
Compensation for under-indexing the business rates multiplier	(141,791)
Net additional funding received from the Government	(820,904)

- 2.9 The Council can increase Council Tax to 2.99% without the need for a referendum. The MTFs had originally factored in a 1.99% increase and the Council has now prepared its detailed Council Tax base for 2024/25 (also subject to approval) and this has resulted in an additional 571 properties being added to the base. The net impact of these adjustments is an additional Council Tax band D equivalent potential yield of £488k, subject to Full Council agreement. It should also be noted that no referendum limits apply for town and parish councils, as was the case last year for 2023/24.

- 2.9 The revised and reduced budget gap for the Council after allowing for the Provisional Local Government settlement and the technical adjustments is shown in the table below:

MTFS Gap - Cabinet 13 December 2023

Description	£000
2024/25 Budget Gap (Cabinet 13 Dec. 2023)	638,000
Provisional Local Government Settlement	(820,904)
Recharges to non-GF accounts revision	(176,795)
Business Rate Income movement	88,978
Additional Growth-Waste Service	47,000
Corporate Initiative & Projects Provision	223,721
(Surplus)/deficit to General Reserve	0

- 2.10 As detailed in the recent Budget Strategy report that was agreed by Cabinet on 13 December 2023, the council's Corporate Leadership Team continues to review and determine a range of approaches to address the future budget gap in the short and medium term. The final Budget report for Full Council will outline the final budget recommendations to ensure a balanced budget is recommended to the Full Council for Council Tax setting purposes on 28 February 2024.
- 2.11 It should also be noted that the Council is still awaiting the final settlement of the pay award for staff, however provision already exists with the MTFS for the payment of this award.

3. DETAILED DRAFT GENERAL FUND BUDGET 2024/25

- 3.1 The draft budget for 2024/25 (including the factors outlined above) is presented in detail at Appendix 1 compared to the original budget for 2023/24. It includes the draft position for the Council's contribution to the Folkestone Parks and Pleasure Grounds Charity, the cost of which determines the special expense falling on Folkestone and Sandgate taxpayers.
- 3.2 The budget estimates are presented on a 'controllable' basis only; all internal service area recharges, capital charges and certain other technical accounting adjustments are excluded. Focus can therefore be on real changes in expenditure and income within a service area.
- 3.3 Table 1 below sets out a summary of the budget. Appendix 1 provides a more detailed breakdown of the budget across service areas.

Table 1: General Fund Summary – with all the updated Budget Pages following

GENERAL FUND SUMMARY	2023/24 Original Budget	2024/25 Original Budget
SUMMARY OF NET EXPENDITURE	£	£
Service Heads		
Finance, Strategy & Corporate Services	8,445,560	7,751,330
Human Resources	683,190	733,260
Governance & Law	2,976,100	3,248,940
Leadership Support	740,960	590,900
Place	6,712,940	6,957,130
Economic Development	413,180	435,800
Planning	165,400	206,080
Operations	2,483,630	2,301,180
Housing	3,048,610	2,971,090
Recharges	(5,919,556)	(6,440,405)
Vacancy Target & Savings Target not included in service heads	33,040	(424,000)
TOTAL HEAD OF SERVICE NET EXPENDITURE	19,783,054	18,331,305
Internal Drainage Board Levies	541,430	585,610
Interest Payable and Similar Charges	2,502,000	2,381,000
Interest and Investment Income	(2,521,000)	(3,043,000)
New Homes Bonus Grant	(365,568)	(135,700)
Other non-service related Government Grants	(4,616,551)	(5,584,550)
Town and Parish Council Precepts	2,801,300	2,801,300
TOTAL GENERAL FUND OPERATING NET EXP	18,124,665	15,335,965
Net Transfers to/(from) Earmarked Reserves	(2,180,000)	57,720
Minimum Revenue Provision	1,625,000	2,325,000
Capital Expenditure funded from Revenue	2,487,000	1,055,000
TOTAL TO BE MET FROM LOCAL TAXPAYERS	20,056,665	18,773,685
Transfer to/(from) the Collection Fund	(59,451)	-
Business Rates Income	(3,921,454)	(4,023,175)
TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	16,075,760	14,750,510
Council Tax-Demand on Collection Fund	(14,289,513)	(14,750,510)
(SURPLUS)/DEFICIT FOR YEAR	1,786,247	-
GENERAL RESERVE – PLANNED USAGE		
Balance at Beginning of Year	-	-
(Surplus)/Deficit for Year	1,786,247	-
BALANCE AT END OF YEAR	1,786,247	-

Service Budget Changes 2023/24 to 2024/25

3.4

	Budget £
Original 2023/24 General Fund Budget	19,783,054
Original 2024/25 General Fund Budget	18,331,305
Change (Reduction)	1,451,749

4.0 MEDIUM TERM FINANCIAL STRATEGY (MTFS) – LATEST POSITION

Medium Term Financial Strategy (MTFS)

- 4.1 The MTFS is the Council's key financial planning document. It links the council's strategic priorities with the financial resources required to deliver them. The MTFS covers a four-year period (as required by best practice - from the Chartered Institute of Public Finance), providing the context and framework within which the Budget Strategy is prepared, and considers the implications of the Council's approved priorities. It also takes in to account the uncertainty surrounding the financial climate that the Council is working within. The MTFS is updated each year, most recently it was updated and approved by the Cabinet 13 December 2023.
- 4.2 Following the Provisional Local Government Finance Settlement announced by the Department for Levelling Up, Housing & Communities (DLUHC) on 18 December 2023, the MTFS has been updated to include all the recently announced government financial settlement, economic pressures, latest CPI increases, additional borrowing costs, energy costs, service pressures and changes to funding as best known. A Council Tax rise of 2.99% has been assumed so far following the limit outlined in the publication of the local government finance policy statement in December 2023, applicable to 2024/25 budget.
- 4.3 Due to the projected financial resources (including the government provisional settlement) and economic pressures outlined above, the current MTFS forecast shows a cumulative funding gap of £2.78m over the lifetime of this MTFS. The table below shows the cumulative deficit over the period of the MTFS.

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

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

- 4.4 The MTFS forecasts a balanced budget for the forthcoming financial year 2024/25, following new approach to budget setting, transformation programme, recently announced positive Government Provisional Settlement, etc.

5. RESERVES

5.1 The forecast balance on the General Reserve was reported in the Budget Strategy on 13 December 2023 and the updated balances will be reported to Cabinet on 31 January 2024 as part of General Fund Budget Monitoring. It has been updated to reflect planned use and 2023/24 outturn predictions (budget carry forwards or reserve additions) for inclusion in the final budget reports to Cabinet and Council on 28 February 2024.

5.2 Estimates of changes to Earmarked Reserves are shown in the table below.

Earmarked Reserve	Balance at 1/4/2023	2023/24 Movement		Estimated Balance at 31/3/2024	Purpose
		In	Out		
	£000s	£000s	£000s	£000s	
Business Rates	(1,657)	-	26	(1,631)	To support the Rates Retention Scheme.
Leisure	(497)	-	-	(497)	To meet future leisure improvements.
Carry Forward	(2,298)	-	88	(2,210)	For items of expenditure not incurred or grant & income not applied in the previous financial year
Vehicles, Equipment and Technology Reserve	(277)	(200)	-	(477)	To meet vehicle, equipment and technology replacement needs or improvements.
Maintenance of Graves	(12)	-	-	(12)	Amounts held in perpetuity for grave sites.
New Homes Bonus (NHB)	(409)	-	200	(209)	To fund the anticipated additional cost of services
Corporate Initiatives	(687)	-	500	(187)	To support Corporate Plan objectives and goals.
IFRS Reserve	(5)	-	-	(5)	Accounting code changes support
Economic Development	(1,923)	-	1,364	(559)	Towards the regeneration of the district match funding
Community Led Housing	(253)	-	-	(253)	Ringfenced to support community-led housing
Lydd Airport	(9)	-	-	(9)	Support monitoring the conditions at Lydd Airport.
Homelessness Prevention	(925)	-	90	(835)	Flexibly fund ways to reduce the homelessness
High Street Regeneration	(1,233)	-	528	(705)	Regeneration projects within the district's high street areas.
Climate Change	(4,656)	-	1,155	(3,501)	To fund initiatives to help the Council achieve net-zero carbon emissions by 2030.
Transformation Fund	0	(1,500)	414	(1,086)	Set aside to enable investment in initiatives that will deliver future savings.
VAT Backdated Claim	0	(405)	405	0	Backdated claims refunded by the HMRC
Covid Reserve	(30)	(26)	56	0	To support collection fund deficit
Total Earmarked Reserves	(14,871)	(2,131)	4,826	(12,176)	
Total General Fund Reserve	(7,038)	(458)	1,786	(5,710)	

5. BUDGET PREPARATION – NEXT STEPS

- 5.1 The following items remain subject to confirmation:
- Final Local Government Finance Settlement – due January 2024.
 - Council Tax Base position – is now complete.
 - Town and parish precepts received – by end January 2024
 - Business rates income forecast – NNDR1 submitted to Government by 31 January 2024.
- 5.2 These will be covered in the final budget reports to Cabinet and Council on 28 February 2024, along with details of the special expense charged.

6. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 6.1 The Local Government Act 2003 requires the Council’s Chief Finance Officer to formally give an opinion on the robustness of the budget and adequacy of reserves.
- 6.2 The Chief Finance Officer’s statement will be presented to Council when it considers the budget for 2024/25 on 28 February 2024; it will set out the assumptions used to arrive at the final budget recommendations.

7. BUDGET CONSULTATION

- 7.1 The objectives for consultation on the 2024/25 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2024/25; and
 - (iii) Seek feedback on general spending and income generation priorities.
- 7.2 The target audience and communication channels will include:

Group	Channel
Residents	<ul style="list-style-type: none">• Council website and social media• Dedicated e-mail address• Option to submit information by post

- 7.3 Consultation feedback responses will be summarised and reported to the Cabinet on 28 February 2024.

8. CONCLUSION

- 8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2024/25 budget and council tax recommendations for approval by Council in February 2024.

9. RISK MANAGEMENT ISSUES

9.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate	Medium	Medium	Setting of a prudential budget and continuing strong financial control in the Council's decision making. Current inflationary impacts have been modelled into base budget.
Budget strategy not achieved.	High	Low-medium	Close control of the budget making process and a prompt and decisive response to addressing budget issues. Stringent budget monitoring and reporting during 2024/25 and future years.
MTFS becomes out of date.	High	Low	The MTFS is fully reviewed annually through the budget process.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed. Detailed budget has been fully reviewed ahead of proposals made.
Incorrect assessment of Local Government Finance Settlement impact.	High	Low	Current position is based on known information. Position will be updated before February report is presented.

10. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

10.1 Legal Officer's Comments (AK)

Subject to Cabinet ensuring best value and having regard to its general fiduciary duties and those relating to equality, transparency and efficiency, there are no legal implications arising directly out of this report.

10.2 Finance Officer's Comments (OO)

The Budget for 2024/25 will be submitted for approval by Cabinet and Full Council in February. This report is the latest stage in the detailed budget process and will be used to inform the preparation of the final budget proposals.

10.3 Diversities and Equalities Implications (CS)

The budget report to Council in February 2024 will include an Equality Impact Assessment of the budget recommendations for 2024/25.

11. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Ola Owolabi, Chief Financial Services Officer
Office: 01303 853728,
Email: ola.owolabi@folkestone-hythe.gov.uk

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

- Medium Term Financial Strategy 2024/25 to 2027/28
- Budget Strategy 2024/25

Appendices:

Appendix 1 – General Fund Budget Estimates (detail)

Appendix 2 – Amended/Latest Medium Term Financial Strategy.

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Lydia Morrison
Finance, Strategy & Corporate Services Detail

		<u>Service</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
56,129	EC12	112,140	99,200	-12,940
-51,549	EC13	0	0	0
0	EC14	100,160	100,180	20
235,001	EC15	212,430	145,310	-67,120
750,968	FD15	447,280	458,270	10,990
-39,947	FD22	0	0	0
13,272	FD23	0	0	0
191,583	FD19	0	0	0
-79,295	FD70	-50,000	-50,000	0
1,269,335	FF15	1,200,000	1,200,000	0
-1,206,601	FF16	119,340	119,340	0
13,536	FH18	82,000	78,880	-3,120
-159,975	FL05	-172,030	-172,030	0
-284,605	FL20	-412,680	-412,680	0
-277,161	FL21	-15,000	-15,000	0
-681,927	FL22	-597,700	-597,700	0
-522,867	FN01	-214,250	-214,250	0
162,017	FN02	287,100	287,100	0
-612,085	Service Total	1,098,790	1,026,620	-72,170

		<u>Administration</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
864,104	GA04	782,630	890,610	107,980
729	GA05	0	0	0
800,269	GA07	811,680	597,960	-213,720
98,416	GA08	90,150	70,150	-20,000
1,914,382	GA09	1,992,120	1,534,200	-457,920
646,305	GA20	732,930	660,610	-72,320
567,751	GA22	495,060	495,430	370
72,761	GA54	78,920	54,630	-24,290
135	GL60	0	0	0
623,220	GM12	695,280	692,620	-2,660
1,328,169	GM19	1,548,950	1,609,800	60,850
130,664	GP00	118,700	118,700	0
7,046,905	Administration Total	7,346,420	6,724,710	-621,710

Lydia Morrison
Finance, Strategy & Corporate Services Detail

		<u>Service</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	EC12			
	Planning Policy			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
56,129	1 Supplies & Services	112,140	99,200	-12,940
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
56,129	Gross Expenditure	112,140	99,200	-12,940
0	Other Income	0	0	0
56,129	Net Expenditure	112,140	99,200	-12,940

Key Variances from Original Budget 2023/24 to Original Budget 2024/25
1 Approved Budget Strategy Savings (non staffing) -12,945

EC13	Community Infrastructure Levy			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
3,000	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>3,000</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
<u>-54,549</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>-51,549</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

EC14	Otterpool (Local Planning Authority)			
0	Employees	100,000	100,000	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	160	180	20
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>0</u>	Gross Expenditure	<u>100,160</u>	<u>100,180</u>	<u>20</u>
<u>0</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	Net Expenditure	<u>100,160</u>	<u>100,180</u>	<u>20</u>

EC15	Climate Change Fees			
175,628	Employees	71,880	74,700	2,820
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
59,373	1 Supplies & Services	140,550	70,610	-69,940
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>235,001</u>	Gross Expenditure	<u>212,430</u>	<u>145,310</u>	<u>-67,120</u>
<u>0</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>235,001</u>	Net Expenditure	<u>212,430</u>	<u>145,310</u>	<u>-67,120</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing) -70,000

FD15	Corporate Management			
5,971	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
164,240	1 Supplies & Services	419,810	430,800	10,990
15,056	Third Party Payments	27,500	27,500	0
0	Transfer Payments	0	0	0
566,000	Contributions to Provisions	0	0	0
<u>751,267</u>	Gross Expenditure	<u>447,310</u>	<u>458,300</u>	<u>10,990</u>
<u>-299</u>	Other Income	<u>-30</u>	<u>-30</u>	<u>0</u>
<u>750,968</u>	Net Expenditure	<u>447,280</u>	<u>458,270</u>	<u>10,990</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Adjustment to Centrally Determined Costs 11,000

FD19	Covid-19			
65,402	Employees	0	0	0
675	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
41,941	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
3,559	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>111,577</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
<u>80,006</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>191,583</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

FD22	Homes for Ukraine			
46,071	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
483	Transport-Related Expenditure	0	0	0
12,793	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>59,347</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
<u>-99,294</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>-39,947</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

FD23	Energy Rebate			
74,588	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>74,588</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
-61,316	Other Income	0	0	0
<u>13,272</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
FD70	Corporate Management--Recharges			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>0</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
-79,295	Other Income	-50,000	-50,000	0
<u>-79,295</u>	Net Expenditure	<u>-50,000</u>	<u>-50,000</u>	<u>0</u>
FF15	Pensions Back Funding			
1,269,335	Employees	1,200,000	1,200,000	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>1,269,335</u>	Gross Expenditure	<u>1,200,000</u>	<u>1,200,000</u>	<u>0</u>
0	Other Income	0	0	0
<u>1,269,335</u>	Net Expenditure	<u>1,200,000</u>	<u>1,200,000</u>	<u>0</u>
FF16	Non-Distributed Costs			
-1,296,362	Employees	119,340	119,340	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
89,761	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>-1,206,601</u>	Gross Expenditure	<u>119,340</u>	<u>119,340</u>	<u>0</u>
0	Other Income	0	0	0
<u>-1,206,601</u>	Net Expenditure	<u>119,340</u>	<u>119,340</u>	<u>0</u>
FH18	General Grants			
21,286	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
82,000	Supplies & Services	82,000	78,880	-3,120
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>103,286</u>	Gross Expenditure	<u>82,000</u>	<u>78,880</u>	<u>-3,120</u>
-89,750	Other Income	0	0	0
<u>13,536</u>	Net Expenditure	<u>82,000</u>	<u>78,880</u>	<u>-3,120</u>
FL05	Business Rates Collection			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
1,509	Supplies & Services	2,900	2,900	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>1,509</u>	Gross Expenditure	<u>2,900</u>	<u>2,900</u>	<u>0</u>
-161,484	Other Income	-174,930	-174,930	0
<u>-159,975</u>	Net Expenditure	<u>-172,030</u>	<u>-172,030</u>	<u>0</u>
FL20	Council Tax Collection			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	2,320	2,320	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>0</u>	Gross Expenditure	<u>2,320</u>	<u>2,320</u>	<u>0</u>
-284,605	Other Income	-415,000	-415,000	0
<u>-284,605</u>	Net Expenditure	<u>-412,680</u>	<u>-412,680</u>	<u>0</u>

FL21 Council Tax Benefits				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
56,700	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
81,164	Transfer Payments	-15,000	-15,000	0
0	Contributions to Provisions	0	0	0
<u>137,864</u>	Gross Expenditure	<u>-15,000</u>	<u>-15,000</u>	<u>0</u>
-415,025	Other Income	0	0	0
<u>-277,161</u>	Net Expenditure	<u>-15,000</u>	<u>-15,000</u>	<u>0</u>

FL22 Council Tax Reduction Scheme				
17,751	Employees	100	100	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
640,597	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>658,348</u>	Gross Expenditure	<u>100</u>	<u>100</u>	<u>0</u>
-1,340,274	Other Income	-597,800	-597,800	0
<u>-681,927</u>	Net Expenditure	<u>-597,700</u>	<u>-597,700</u>	<u>0</u>

FN01 Housing Benefits				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
12,000	Supplies & Services	11,000	11,000	0
0	Third Party Payments	0	0	0
17,128,307	Transfer Payments	14,793,690	14,793,690	0
0	Contributions to Provisions	0	0	0
<u>17,140,307</u>	Gross Expenditure	<u>14,804,690</u>	<u>14,804,690</u>	<u>0</u>
-17,663,174	Other Income	-15,018,940	-15,018,940	0
<u>-522,867</u>	Net Expenditure	<u>-214,250</u>	<u>-214,250</u>	<u>0</u>

FN02 Rent Rebates				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
7,588,024	Transfer Payments	6,901,220	6,901,220	0
0	Contributions to Provisions	0	0	0
<u>7,588,024</u>	Gross Expenditure	<u>6,901,220</u>	<u>6,901,220</u>	<u>0</u>
-7,426,007	Other Income	-6,614,120	-6,614,120	0
<u>162,017</u>	Net Expenditure	<u>287,100</u>	<u>287,100</u>	<u>0</u>

Administration

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
GA04 Finance				
893,846	1 Employees	769,710	884,340	114,630
0	Premises-Related Expenditure	0	0	0
156	Transport-Related Expenditure	1,750	1,750	0
43,925	Supplies & Services	46,570	39,920	-6,650
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>937,927</u>	Gross Expenditure	<u>818,030</u>	<u>926,010</u>	<u>107,980</u>
-73,823	Other Income	-35,400	-35,400	0
<u>864,104</u>	Net Expenditure	<u>782,630</u>	<u>890,610</u>	<u>107,980</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	30,000
1 Permanent virement (from GA09)	134,000
1 Approved Budget Strategy Savings (staffing)	-43,370
1 Realignment of budgets	15,000
1 Realignment of budgets	-25,520

GA07 ICT Admin				
795,815	1 Employees	802,730	589,860	-212,870
0	Premises-Related Expenditure	0	0	0
2,308	Transport-Related Expenditure	2,500	1,000	-1,500
7,146	Supplies & Services	6,450	7,100	650
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>805,269</u>	Gross Expenditure	<u>811,680</u>	<u>597,960</u>	<u>-213,720</u>
-5,000	Other Income	0	0	0
<u>800,269</u>	Net Expenditure	<u>811,680</u>	<u>597,960</u>	<u>-213,720</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	24,000
1 Approved Budget Strategy Savings (staffing)	-220,000
1 Realignment of budgets	-11,150

GA08 Treasury Management				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
98,416	1 Supplies & Services	90,150	70,150	-20,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>98,416</u>	Gross Expenditure	<u>90,150</u>	<u>70,150</u>	<u>-20,000</u>
0	Other Income	0	0	0
<u>98,416</u>	Net Expenditure	<u>90,150</u>	<u>70,150</u>	<u>-20,000</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-20,000
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GA09 Case Management (Corporate Services)				
1,889,797	1 Employees	1,950,080	1,508,640	-441,440
0	Premises-Related Expenditure	0	0	0
4,008	Transport-Related Expenditure	8,530	4,100	-4,430
26,384	2 Supplies & Services	37,010	24,960	-12,050
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>1,920,189</u>	Gross Expenditure	<u>1,995,620</u>	<u>1,537,700</u>	<u>-457,920</u>
-5,807	Other Income	-3,500	-3,500	0
<u>1,914,382</u>	Net Expenditure	<u>1,992,120</u>	<u>1,534,200</u>	<u>-457,920</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Permanent virement (GA04)	-124,500
1 Approved Budget Strategy Savings (staffing)	-299,590
1 Employee Costs including Increments and Pension	101,590
1 Realignment of budgets	-38,300
1 Realignment of budgets	-80,990
2 Approved Budget Strategy Savings (non staffing)	-19,710
2 Adjustment to Centrally Determined Costs	3,410

GA20 Revenues & Benefits				
702,922	1 Employees	592,360	555,980	-36,380
0	Premises-Related Expenditure	0	0	0
4,606	Transport-Related Expenditure	5,000	3,800	-1,200
150,310	2 Supplies & Services	136,130	101,390	-34,740
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>857,839</u>	Gross Expenditure	<u>733,490</u>	<u>661,170</u>	<u>-72,320</u>
-211,534	Other Income	-560	-560	0
<u>646,305</u>	Net Expenditure	<u>732,930</u>	<u>660,610</u>	<u>-72,320</u>

Key Variances from Original Budget 2020/21 to Original Budget 2022/23

1 Approved Budget Strategy Savings (staffing)	-72,550
1 Employee Costs including Increments and Pension	36,170
2 Approved Budget Strategy Savings (non staffing)	-23,840
2 Adj to postage recharge	-12,100

GA22 Business Support - Systems				
532,436	Employees	456,440	459,030	2,590
0	Premises-Related Expenditure	0	0	0
270	Transport-Related Expenditure	200	200	0
35,045	Supplies & Services	38,420	36,200	-2,220
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>567,751</u>	Gross Expenditure	<u>495,060</u>	<u>495,430</u>	<u>370</u>
0	Other Income	0	0	0
<u>567,751</u>	Net Expenditure	<u>495,060</u>	<u>495,430</u>	<u>370</u>

GA54 Printing Services				
25,454	Employees	0	0	0
895	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	300	0	-300
85,067	1 Supplies & Services	78,620	54,630	-23,990
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
111,416	Gross Expenditure	78,920	54,630	-24,290
-38,655	Other Income	0	0	0
72,761	Net Expenditure	78,920	54,630	-24,290

Key Variances from Original Budget 2020/21 to Original Budget 2022/23

1 Approved Budget Strategy Savings (non staffing)	-24,290
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GM12 Strategy, Policy & Performance				
667,142	Employees	691,630	688,550	-3,080
0	Premises-Related Expenditure	0	0	0
335	Transport-Related Expenditure	320	720	400
7,653	Supplies & Services	8,330	8,350	20
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
675,130	Gross Expenditure	700,280	697,620	-2,660
-51,910	Other Income	-5,000	-5,000	0
623,220	Net Expenditure	695,280	692,620	-2,660

GM19 ICT Operations				
0	Employees	0	0	0
10	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
1,454,359	1 Supplies & Services	1,548,950	1,609,800	60,850
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
1,454,369	Gross Expenditure	1,548,950	1,609,800	60,850
-126,200	Other Income	0	0	0
1,328,169	Net Expenditure	1,548,950	1,609,800	60,850

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Growth	199,450
1 Approved Budget Strategy Savings (non staffing)	-162,500
1 Contract Inflation	22,730

GP00 Internal Audit				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
130,664	Third Party Payments	118,700	118,700	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
130,664	Gross Expenditure	118,700	118,700	0
0	Other Income	0	0	0
130,664	Net Expenditure	118,700	118,700	0

**Andrina Smith
Human Resources Summary**

		<u>Service</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
27,858	FD16 Corporate Training	12,800	12,800	0
27,858	Service Total	12,800	12,800	0

		<u>Administration</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
577,427	GL45 Organisational Development/HR	540,480	576,800	36,320
30	GM02 Pay Review Project	0	0	0
74,579	GM07 Payroll	51,140	56,140	5,000
-99,738	GM08 Human Resources (Corporate Training)	-61,850	23,150	85,000
130,709	GM09 Human Resources (Central Costs)	78,120	62,870	-15,250
950	GM10 Central Training Budget	62,500	1,500	-61,000
683,958	Administration Total	670,390	720,460	50,070

**Andrina Smith
Human Resources Detail**

		<u>Service</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	FD16 Corporate Training			
14,817	Employees	12,800	12,800	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
2,041	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
11,000	Contributions to Provisions	0	0	0
27,858	Gross Expenditure	12,800	12,800	0
0	Other Income	0	0	0
27,858	Net Expenditure	12,800	12,800	0

		<u>Administration</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	GL45 Organisational Development/HR			
511,321	1 Employees	473,380	510,360	36,980
0	Premises-Related Expenditure	0	0	0
391	Transport-Related Expenditure	400	350	-50
66,985	Supplies & Services	66,700	66,090	-610
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
578,697	Gross Expenditure	540,480	576,800	36,320
-1,270	Other Income	0	0	0
577,427	Net Expenditure	540,480	576,800	36,320

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Salary Adjustment	36,980
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	GM02 Pay Review Project			
30	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
30	Gross Expenditure	0	0	0
0	Other Income	0	0	0
30	Net Expenditure	0	0	0

GM07 Payroll				
0	Employees	0	0	0
74,579	1 Premises-Related Expenditure	51,140	56,140	5,000
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>74,579</u>	Gross Expenditure	<u>51,140</u>	<u>56,140</u>	<u>5,000</u>
0	Other Income	0	0	0
<u>74,579</u>	Net Expenditure	<u>51,140</u>	<u>56,140</u>	<u>5,000</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Growth	5,000
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GM08 Human Resources (Corporate Training)				
19,029	Employees	38,150	35,150	-3,000
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
153	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>19,182</u>	Gross Expenditure	<u>38,150</u>	<u>35,150</u>	<u>-3,000</u>
-118,920	1 Other Income	-100,000	-12,000	88,000
<u>-99,738</u>	Net Expenditure	<u>-61,850</u>	<u>23,150</u>	<u>85,000</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Growth	88,000
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GM09 Human Resources (Central Costs)				
139,228	1 Employees	61,220	51,970	-9,250
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
12,063	2 Supplies & Services	16,900	10,900	-6,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>151,291</u>	Gross Expenditure	<u>78,120</u>	<u>62,870</u>	<u>-15,250</u>
-20,582	Other Income	0	0	0
<u>130,709</u>	Net Expenditure	<u>78,120</u>	<u>62,870</u>	<u>-15,250</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-15,250
1 Approved Budget Strategy Growth	6,000
2 Approved Budget Strategy Savings (non staffing)	-6,000

GM10 Central Training Budget				
950	1 Employees	62,500	1,500	-61,000
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>950</u>	Gross Expenditure	<u>62,500</u>	<u>1,500</u>	<u>-61,000</u>
0	Other Income	0	0	0
<u>950</u>	Net Expenditure	<u>62,500</u>	<u>1,500</u>	<u>-61,000</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-8,000
1 Realignment of budgets	-53,000

**Amandeep Khroud
Governance & Law Summary**

		<u>Service</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Original to Original Variance
£		£	£	£
-27,884	DA12 Street Naming & Numbering	-19,000	-25,000	-6,000
816,225	EA01 Leas Cliff Hall	899,770	1,008,510	108,740
372,693	FE05 Members Allowances & Expenses	358,140	343,220	-14,920
88,687	FE15 Dem Rep & Man-Misc Expenditure	23,710	22,000	-1,710
21,718	FE20 Civic Ceremonials	12,210	5,290	-6,920
0	FE61 Democratic Representation-Support Services	0	0	0
-109,212	FE70 Democratic Representation-Recharges	-120,000	-120,000	0
54,727	FH03 Registration of Electors	85,340	70,030	-15,310
-11,674	FH04 Conducting Elections	180,000	180,000	0
1,205,280	Service Total	1,420,170	1,484,050	63,880

		<u>Administration</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Original to Original Variance
£		£	£	£
102,211	GA03 Client Side Unit	101,350	105,650	4,300
131,719	GA10 Procurement	121,920	168,740	46,820
0	GA11 Centralised Equipment	2,000	0	-2,000
2,053	GA24 Corporate Consumables - Floors 1 & 2	3,500	2,500	-1,000
333,003	GL00 Legal Services	321,100	324,690	3,590
149,423	GL41 Asst Director for Governance and Law	140,820	145,980	5,160
293,036	GL51 Democratic Services & Elections	249,570	350,940	101,370
10,687	GM14 Waste Contract	0	0	0
0	GM15 Contract Parking Enforcement	0	0	0
203,331	GM34 Waste Contract Management	244,740	281,670	36,930
401,241	GM37 Communications	322,650	327,440	4,790
0	GM45 Caravan Co-Ordinator	0	0	0
1,626,704	Administration Total	1,507,650	1,707,610	199,960

		<u>Holding</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Original to Original Variance
£		£	£	£
3,882	FX04 Parliamentary Elections	0	0	0
55,338	GX02 Civic Centre - Cleaning Contract	48,280	57,280	9,000
59,219	Holding Total	48,280	57,280	9,000

**Amandeep Khroud
Governance & Law Services Detail**

		<u>Service</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Variances
	DA12 Street Naming & Numbering			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
0	Gross Expenditure	0	0	0
-27,884	Other Income	-19,000	-25,000	-6,000
-27,884	Net Expenditure	-19,000	-25,000	-6,000

Key Variances from Original Budget 2023/24 to Original Budget 2024/25
1 Approved Budget Strategy Savings (non staffing) -6,000

EA01	Leas Cliff Hall			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
816,225	1 Third Party Payments	899,770	1,008,510	108,740
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>816,225</u>	Gross Expenditure	<u>899,770</u>	<u>1,008,510</u>	<u>108,740</u>
0	Other Income	0	0	0
<u>816,225</u>	Net Expenditure	<u>899,770</u>	<u>1,008,510</u>	<u>108,740</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Contract Inflation				108,740
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FE05	Members Allowances & Expenses			
3,349	Employees	8,000	5,000	-3,000
0	Premises-Related Expenditure	0	0	0
2,291	Transport-Related Expenditure	4,500	4,500	0
367,053	1 Supplies & Services	345,640	333,720	-11,920
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>372,693</u>	Gross Expenditure	<u>358,140</u>	<u>343,220</u>	<u>-14,920</u>
0	Other Income	0	0	0
<u>372,693</u>	Net Expenditure	<u>358,140</u>	<u>343,220</u>	<u>-14,920</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (Non Staffing)				-11,920
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FE15	Dem Rep & Man-Misc Expenditure			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
24,687	Supplies & Services	23,710	22,000	-1,710
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
64,000	Contributions to Provisions	0	0	0
<u>88,687</u>	Gross Expenditure	<u>23,710</u>	<u>22,000</u>	<u>-1,710</u>
0	Other Income	0	0	0
<u>88,687</u>	Net Expenditure	<u>23,710</u>	<u>22,000</u>	<u>-1,710</u>

FE20	Civic Ceremonials			
7,585	Employees	3,000	1,000	-2,000
0	Premises-Related Expenditure	0	0	0
7,611	Transport-Related Expenditure	3,490	50	-3,440
7,422	Supplies & Services	5,720	4,240	-1,480
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>22,618</u>	Gross Expenditure	<u>12,210</u>	<u>5,290</u>	<u>-6,920</u>
-900	Other Income	0	0	0
<u>21,718</u>	Net Expenditure	<u>12,210</u>	<u>5,290</u>	<u>-6,920</u>

FE70	Democratic Representation-Recharges			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
0	Gross Expenditure	0	0	0
-109,212	Other Income	-120,000	-120,000	0
<u>-109,212</u>	Net Expenditure	<u>-120,000</u>	<u>-120,000</u>	<u>0</u>

FH03 Registration of Electors				
46,472	1 Employees	53,000	44,000	-9,000
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
9,999	2 Supplies & Services	33,840	27,530	-6,310
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>56,471</u>	Gross Expenditure	<u>86,840</u>	<u>71,530</u>	<u>-15,310</u>
-1,744	Other Income	-1,500	-1,500	0
<u>54,727</u>	Net Expenditure	<u>85,340</u>	<u>70,030</u>	<u>-15,310</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-9,000
2 Approved Budget Strategy Savings (non staffing)	-6,310

FH04 Conducting Elections				
214	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
-7,552	Supplies & Services	180,000	180,000	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>-7,338</u>	Gross Expenditure	<u>180,000</u>	<u>180,000</u>	<u>0</u>
-4,336	Other Income	0	0	0
<u>-11,674</u>	Net Expenditure	<u>180,000</u>	<u>180,000</u>	<u>0</u>

Administration

2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Variances
£		£	£	£
GA03 Client Side Unit				
101,254	1 Employees	97,340	104,660	7,320
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	610	0	-610
957	Supplies & Services	3,400	990	-2,410
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>102,211</u>	Gross Expenditure	<u>101,350</u>	<u>105,650</u>	<u>4,300</u>
0	Other Income	0	0	0
<u>102,211</u>	Net Expenditure	<u>101,350</u>	<u>105,650</u>	<u>4,300</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	7,320
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2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Variances
£		£	£	£
GA10 Procurement				
128,553	1 Employees	119,320	166,070	46,750
0	Premises-Related Expenditure	0	0	0
89	Transport-Related Expenditure	100	100	0
3,977	Supplies & Services	3,400	3,470	70
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>132,619</u>	Gross Expenditure	<u>122,820</u>	<u>169,640</u>	<u>46,820</u>
-900	Other Income	-900	-900	0
<u>131,719</u>	Net Expenditure	<u>121,920</u>	<u>168,740</u>	<u>46,820</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Salary Adjustment	37,440
1 Employee Costs including Increments and Pension	6,000

2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Variances
£		£	£	£
GA11 Centralised Equipment				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	2,000	0	-2,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>0</u>	Gross Expenditure	<u>2,000</u>	<u>0</u>	<u>-2,000</u>
0	Other Income	0	0	0
<u>0</u>	Net Expenditure	<u>2,000</u>	<u>0</u>	<u>-2,000</u>

GA24	Corporate Consumables - Floors 1 & 2			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
2,053	Supplies & Services	3,500	2,500	-1,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>2,053</u>	Gross Expenditure	<u>3,500</u>	<u>2,500</u>	<u>-1,000</u>
0	Other Income	0	0	0
<u>2,053</u>	Net Expenditure	<u>3,500</u>	<u>2,500</u>	<u>-1,000</u>

GL00	Legal Services			
347,371	1 Employees	318,750	337,250	18,500
0	Premises-Related Expenditure	0	0	0
474	Transport-Related Expenditure	600	550	-50
56,838	Supplies & Services	64,350	64,490	140
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>404,683</u>	Gross Expenditure	<u>383,700</u>	<u>402,290</u>	<u>18,590</u>
-71,680	2 Other Income	-62,600	-77,600	-15,000
<u>333,003</u>	Net Expenditure	<u>321,100</u>	<u>324,690</u>	<u>3,590</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	18,500
2 Approved Budget Strategy Savings (non staffing)	-15,000

GL41	Asst Director for Governance and Law			
147,756	1 Employees	138,880	144,400	5,520
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	500	0	-500
1,667	Supplies & Services	1,440	1,580	140
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>149,423</u>	Gross Expenditure	<u>140,820</u>	<u>145,980</u>	<u>5,160</u>
0	Other Income	0	0	0
<u>149,423</u>	Net Expenditure	<u>140,820</u>	<u>145,980</u>	<u>5,160</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	5,520
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GL51	Democratic Services & Elections			
286,305	1 Employees	243,320	345,340	102,020
0	Premises-Related Expenditure	0	0	0
58	Transport-Related Expenditure	850	400	-450
6,673	Supplies & Services	5,400	5,200	-200
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>293,036</u>	Gross Expenditure	<u>249,570</u>	<u>350,940</u>	<u>101,370</u>
0	Other Income	0	0	0
<u>293,036</u>	Net Expenditure	<u>249,570</u>	<u>350,940</u>	<u>101,370</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Permanent virement (GA09)	84,710
1 Employee Costs including Increments and Pension	17,310

GM14	Waste Contract			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
10,687	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>10,687</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>10,687</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

	GM15 Contract Parking Enforcement			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
0	Gross Expenditure	0	0	0
0	Other Income	0	0	0
0	Net Expenditure	0	0	0

	GM34 Waste Contract Management			
189,010	1 Employees	170,500	223,550	53,050
0	Premises-Related Expenditure	0	0	0
2,166	Transport-Related Expenditure	2,900	2,600	-300
4,309	Supplies & Services	6,340	5,520	-820
7,847	2 Third Party Payments	65,000	50,000	-15,000
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
203,331	Gross Expenditure	244,740	281,670	36,930
0	Other Income	0	0	0
203,331	Net Expenditure	244,740	281,670	36,930

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	10,050
1 Approved Budget Strategy Growth	43,000
2 Approved Budget Strategy Savings (non staffing)	-15,000

	GM37 Communications			
326,023	1 Employees	297,350	317,570	20,220
0	Premises-Related Expenditure	0	0	0
142	Transport-Related Expenditure	200	200	0
79,944	2 Supplies & Services	31,100	9,670	-21,430
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
406,108	Gross Expenditure	328,650	327,440	-1,210
-4,867	3 Other Income	-6,000	0	6,000
401,241	Net Expenditure	322,650	327,440	4,790

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	20,000
2 Approved Budget Strategy Savings (non staffing)	-21,700
3 Approved Budget Strategy Growth	6,000

Holding

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	FX04 Parliamentary Elections			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
3,882	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
3,882	Gross Expenditure	0	0	0
0	Other Income	0	0	0
3,882	Net Expenditure	0	0	0

	GX02 Civic Centre - Cleaning Contract			
0	Employees	0	0	0
46,976	1 Premises-Related Expenditure	40,880	49,880	9,000
0	Transport-Related Expenditure	0	0	0
8,362	Supplies & Services	7,400	7,400	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
55,338	Gross Expenditure	48,280	57,280	9,000
0	Other Income	0	0	0
55,338	Net Expenditure	48,280	57,280	9,000

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Contract Inflation	9,000
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**Trudi Simpson
Leadership Support Summary**

		<u>Administration</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
355,966	GA06 Director of Corporate Services	141,170	-13,480	-154,650
-2,133	GL05 Director of Development	0	0	0
29,514	GM00 Director of Transition & Transformation	3,250	0	-3,250
206,904	GM01 Chief Executive	187,920	188,260	340
150,907	GM05 Director of Place	140,960	141,180	220
124,966	GM38 Leadership and PA Support	116,610	123,830	7,220
158,529	GM39 Director of Housing & Operations	150,850	151,110	260
1,024,654	Administration Total	740,760	590,900	-149,860

		<u>Administration</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	GA06 Director of Corporate Services			
392,650	1 Employees	154,780	0	-154,780
0	Premises-Related Expenditure	0	0	0
59	Transport-Related Expenditure	200	200	0
2,051	Supplies & Services	1,290	1,420	130
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
394,759	Gross Expenditure	156,270	1,620	-154,650
-38,793	Other Income	-15,100	-15,100	0
355,966	Net Expenditure	141,170	-13,480	-154,650

Key Variances from Original Budget 2023/24 to Original Budget 2024/25
 1 Approved Budget Strategy Savings (staffing) -154,780

	GL05 Director of Development			
-4,258	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
2,126	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
-2,133	Gross Expenditure	0	0	0
0	Other Income	0	0	0
-2,133	Net Expenditure	0	0	0

	GM00 Director of Transition & Transformation			
27,745	Employees	500	0	-500
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	100	0	-100
1,770	Supplies & Services	2,650	0	-2,650
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
29,514	Gross Expenditure	3,250	0	-3,250
0	Other Income	0	0	0
29,514	Net Expenditure	3,250	0	-3,250

	GM01 Chief Executive			
215,073	Employees	198,620	198,760	140
0	Premises-Related Expenditure	0	0	0
609	Transport-Related Expenditure	100	100	0
4,881	Supplies & Services	2,860	3,060	200
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
220,564	Gross Expenditure	201,580	201,920	340
-13,660	Other Income	-13,660	-13,660	0
206,904	Net Expenditure	187,920	188,260	340

GM05 Director of Place				
162,910	Employees	154,310	154,420	110
0	Premises-Related Expenditure	0	0	0
86	Transport-Related Expenditure	0	0	0
2,311	Supplies & Services	1,050	1,160	110
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>165,307</u>	Gross Expenditure	<u>155,360</u>	<u>155,580</u>	<u>220</u>
<u>-14,400</u>	Other Income	<u>-14,400</u>	<u>-14,400</u>	<u>0</u>
<u>150,907</u>	Net Expenditure	<u>140,960</u>	<u>141,180</u>	<u>220</u>

GM38 Leadership and PA Support				
120,007	1 Employees	112,530	119,980	7,450
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
4,960	Supplies & Services	4,080	3,850	-230
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>124,966</u>	Gross Expenditure	<u>116,610</u>	<u>123,830</u>	<u>7,220</u>
<u>0</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>124,966</u>	Net Expenditure	<u>116,610</u>	<u>123,830</u>	<u>7,220</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension 7,450

GM39 Director of Housing & Operations				
161,679	Employees	154,310	154,420	110
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
1,851	Supplies & Services	1,540	1,690	150
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>163,529</u>	Gross Expenditure	<u>155,850</u>	<u>156,110</u>	<u>260</u>
<u>-5,000</u>	Other Income	<u>-5,000</u>	<u>-5,000</u>	<u>0</u>
<u>158,529</u>	Net Expenditure	<u>150,850</u>	<u>151,110</u>	<u>260</u>

**Ewan Green
Place Summary**

		<u>Service</u>			
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £	
-131,650	BE57	Miscellaneous Licensing	-136,000	-138,500	-2,500
-2,218	BE58	Caravan Sites	-4,460	-1,960	2,500
24,511	BF53	Crime and Disorder	23,040	22,640	-400
210,045	BG50	Food Safety, Health and Safety etc	194,350	205,020	10,670
29,792	BG51	Pollution Reduction	50,570	57,920	7,350
4,610	BG52	Pest Control	7,000	5,000	-2,000
1,219,348	CE10	Household Waste Collection	1,322,170	1,603,780	281,610
360,305	CE11	Recycling and Waste	601,950	800,520	198,570
-154,872	CE20	Cemeteries	-167,590	-166,800	790
-233	CE21	Closed Churchyards	0	0	0
4,030	CE25	Burials	2,000	2,000	0
7,957	CE31	Hythe Swimming Pool	12,250	45,520	33,270
5,394	CE51	Dog Control	6,980	6,480	-500
-766	CE54	Litter & Fouling Enforcement	3,500	3,500	0
-152,712	CE58	Hackney Carriage Licensing	-104,000	-120,770	-16,770
1,447,717	CE60	Cleansing	1,473,640	1,714,310	240,670
-523,693	ED00	Otterpool - Developer	10,000	13,550	3,550
88,897	ED40	Members Ward Allowance	90,000	75,000	-15,000
58,893	ED41	Community Grants	45,460	45,460	0
18,050	EE20	Sports Development Initiatives	19,850	19,850	0
150,000	EE25	Folkestone Sports Centre	150,000	100,000	-50,000
43,508	ER02	Tall Ships Project	25,000	0	-25,000
-114,535	FH57	Local Land Charges	-173,020	-128,340	44,680
2,592,378		Service Total	3,452,690	4,164,180	711,490

		<u>Administration</u>			
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £	
1,394,994	GA23	Case Management (Place)	1,341,810	1,288,180	-53,630
115	GA56	New Romney One Stop	0	0	0
69,393	GA60	Civic Wardens	67,080	67,000	-80
860,278	GA62	Customer Services	822,420	599,300	-223,120
3,193	GL21	Community Safety	1,320	1,450	130
526,681	GM36	Environmental Protection	555,470	524,140	-31,330
219,339	GM44	Licensing	199,220	211,520	12,300
201,000	GM50	Area Officers	222,930	101,360	-121,570
3,274,992		Administration Total	3,210,250	2,792,950	-417,300

**Ewan Green
Place Detail**

		<u>Service</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	BE57	Miscellaneous Licensing		
14,713		Employees	0	0
5,115		Premises-Related Expenditure	6,800	6,800
187		Transport-Related Expenditure	0	0
16,768		Supplies & Services	6,600	6,600
3,000		Third Party Payments	2,000	2,000
0		Transfer Payments	0	0
0		Contributions to Provisions	0	0
39,781		Gross Expenditure	15,400	15,400
-171,431		Other Income	-151,400	-153,900
-131,650		Net Expenditure	-136,000	-138,500
	BE58	Caravan Sites		
0		Employees	0	0
0		Premises-Related Expenditure	0	0
0		Transport-Related Expenditure	0	0
0		Supplies & Services	0	0
0		Third Party Payments	0	0
0		Transfer Payments	0	0
0		Contributions to Provisions	0	0
0		Gross Expenditure	0	0
-2,218		Other Income	-4,460	-1,960
-2,218		Net Expenditure	-4,460	-1,960

BF53 Crime and Disorder				
500	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
39	Transport-Related Expenditure	1,600	1,600	0
49,722	Supplies & Services	53,330	52,930	-400
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
50,261	Gross Expenditure	54,930	54,530	-400
-25,750	Other Income	-31,890	-31,890	0
24,511	Net Expenditure	23,040	22,640	-400

BG50 Food Safety, Health and Safety etc				
208,519	1 Employees	192,820	202,050	9,230
0	Premises-Related Expenditure	0	0	0
2,636	Transport-Related Expenditure	2,800	2,800	0
2,420	Supplies & Services	2,830	2,670	-160
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
213,574	Gross Expenditure	198,450	207,520	9,070
-3,530	Other Income	-4,100	-2,500	1,600
210,045	Net Expenditure	194,350	205,020	10,670

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	6,730
1 Adjustment to Centrally Determined Costs	2,500

BG51 Pollution Reduction				
6,500	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
44,420	1 Supplies & Services	72,590	79,940	7,350
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
50,920	Gross Expenditure	72,590	79,940	7,350
-21,128	Other Income	-22,020	-22,020	0
29,792	Net Expenditure	50,570	57,920	7,350

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Growth	7,350
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BG52 Pest Control				
0	Employees	0	0	0
4,610	Premises-Related Expenditure	7,000	5,000	-2,000
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
4,610	Gross Expenditure	7,000	5,000	-2,000
0	Other Income	0	0	0
4,610	Net Expenditure	7,000	5,000	-2,000

CE10 Household Waste Collection				
0	Employees	0	0	0
-36,389	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
139,500	Supplies & Services	133,690	131,760	-1,930
1,444,080	1 Third Party Payments	1,513,560	1,750,600	237,040
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
1,547,191	Gross Expenditure	1,647,250	1,882,360	235,110
-327,843	2 Other Income	-325,080	-278,580	46,500
1,219,348	Net Expenditure	1,322,170	1,603,780	281,610

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Change in Outsourced Contract Recharges	237,040
2 Approved Budget Strategy Growth	65,000
2 Approved Budget Strategy Savings (non staffing)	-18,500

CE11	Recycling and Waste			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
23,859	Supplies & Services	24,700	21,240	-3,460
1,821,736	1 Third Party Payments	1,909,360	2,208,390	299,030
0	Transfer Payments	0	0	0
216,000	Contributions to Provisions	0	0	0
<u>2,061,595</u>	Gross Expenditure	<u>1,934,060</u>	<u>2,229,630</u>	<u>295,570</u>
-1,701,290	2 Other Income	-1,332,110	-1,429,110	-97,000
<u>360,305</u>	Net Expenditure	<u>601,950</u>	<u>800,520</u>	<u>198,570</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Change in Outsourced Contract Recharges	299,030
2 Approved Budget Strategy Savings (non staffing)	-97,000

CE20	Cemeteries			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
367	Supplies & Services	380	400	20
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>367</u>	Gross Expenditure	<u>380</u>	<u>400</u>	<u>20</u>
-155,239	Other Income	-167,970	-167,200	770
<u>-154,872</u>	Net Expenditure	<u>-167,590</u>	<u>-166,800</u>	<u>790</u>

CE21	Closed Churchyards			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>0</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
-233	Other Income	0	0	0
<u>-233</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

CE25	Burials			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
24,323	Supplies & Services	3,000	3,000	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>24,323</u>	Gross Expenditure	<u>3,000</u>	<u>3,000</u>	<u>0</u>
-20,293	Other Income	-1,000	-1,000	0
<u>4,030</u>	Net Expenditure	<u>2,000</u>	<u>2,000</u>	<u>0</u>

CE31	Hythe Swimming Pool			
238,702	1 Employees	259,150	288,950	29,800
0	Premises-Related Expenditure	0	0	0
48	Transport-Related Expenditure	0	0	0
30,117	2 Supplies & Services	39,250	32,570	-6,680
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>268,868</u>	Gross Expenditure	<u>298,400</u>	<u>321,520</u>	<u>23,120</u>
-260,910	3 Other Income	-286,150	-276,000	10,150
<u>7,957</u>	Net Expenditure	<u>12,250</u>	<u>45,520</u>	<u>33,270</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	27,050
2 Approved Budget Strategy Savings (non staffing)	-7,200
3 Approved Budget Strategy Growth	27,350
3 Approved Budget Strategy Savings (non staffing)	-17,200

CE51	Dog Control			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
2,646	Transport-Related Expenditure	1,820	1,820	0
7,897	Supplies & Services	10,060	9,560	-500
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>10,542</u>	Gross Expenditure	<u>11,880</u>	<u>11,380</u>	<u>-500</u>
-5,149	Other Income	-4,900	-4,900	0
<u>5,394</u>	Net Expenditure	<u>6,980</u>	<u>6,480</u>	<u>-500</u>

CE54	Litter & Fouling Enforcement			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
2,914	Supplies & Services	7,500	6,000	-1,500
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>2,914</u>	Gross Expenditure	<u>7,500</u>	<u>6,000</u>	<u>-1,500</u>
<u>-3,680</u>	Other Income	<u>-4,000</u>	<u>-2,500</u>	<u>1,500</u>
<u>-766</u>	Net Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>

CE58	Hackney Carriage Licensing			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
20,864	Supplies & Services	21,870	23,100	1,230
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>20,864</u>	Gross Expenditure	<u>21,870</u>	<u>23,100</u>	<u>1,230</u>
<u>-173,576</u>	1 Other Income	<u>-125,870</u>	<u>-143,870</u>	<u>-18,000</u>
<u>-152,712</u>	Net Expenditure	<u>-104,000</u>	<u>-120,770</u>	<u>-16,770</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-18,000
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CE60	Cleansing			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
15,960	Supplies & Services	17,000	17,000	0
1,448,310	1 Third Party Payments	1,467,490	1,697,310	229,820
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>1,464,270</u>	Gross Expenditure	<u>1,484,490</u>	<u>1,714,310</u>	<u>229,820</u>
<u>-16,553</u>	2 Other Income	<u>-10,850</u>	<u>0</u>	<u>10,850</u>
<u>1,447,717</u>	Net Expenditure	<u>1,473,640</u>	<u>1,714,310</u>	<u>240,670</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Change in Outsourced Contract Recharges	229,820
2 Approved Budget Strategy Growth	10,850

ED00	Otterpool - Developer			
55,021	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
8	Transport-Related Expenditure	0	0	0
3,225	Supplies & Services	10,000	13,550	3,550
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>58,254</u>	Gross Expenditure	<u>10,000</u>	<u>13,550</u>	<u>3,550</u>
<u>-581,946</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>-523,693</u>	Net Expenditure	<u>10,000</u>	<u>13,550</u>	<u>3,550</u>

ED40	Members Ward Allowance			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
89,317	1 Supplies & Services	90,000	75,000	-15,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>89,317</u>	Gross Expenditure	<u>90,000</u>	<u>75,000</u>	<u>-15,000</u>
<u>-420</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>88,897</u>	Net Expenditure	<u>90,000</u>	<u>75,000</u>	<u>-15,000</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-15,000
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ED41	Community Grants			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
89,945	Supplies & Services	45,460	45,460	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>89,945</u>	Gross Expenditure	<u>45,460</u>	<u>45,460</u>	<u>0</u>
<u>-31,051</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>58,893</u>	Net Expenditure	<u>45,460</u>	<u>45,460</u>	<u>0</u>

EE20	Sports Development Initiatives			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
19,850	Supplies & Services	19,850	19,850	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
19,850	Gross Expenditure	19,850	19,850	0
-1,800	Other Income	0	0	0
18,050	Net Expenditure	19,850	19,850	0

EE25	Folkestone Sports Centre			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
150,000	1 Supplies & Services	150,000	100,000	-50,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
150,000	Gross Expenditure	150,000	100,000	-50,000
0	Other Income	0	0	0
150,000	Net Expenditure	150,000	100,000	-50,000

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-50,000
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ER02	Tall Ships Project			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
43,508	1 Supplies & Services	25,000	0	-25,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
43,508	Gross Expenditure	25,000	0	-25,000
0	Other Income	0	0	0
43,508	Net Expenditure	25,000	0	-25,000

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-25,000
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FH57	Local Land Charges			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
32,281	1 Supplies & Services	43,580	38,260	-5,320
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
32,281	Gross Expenditure	43,580	38,260	-5,320
-146,817	2 Other Income	-216,600	-166,600	50,000
-114,535	Net Expenditure	-173,020	-128,340	44,680

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-5,750
2 Approved Budget Strategy Growth	50,000

Administration

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
GA23	Case Management (Place)			
1,383,956	1 Employees	1,323,830	1,269,150	-54,680
0	Premises-Related Expenditure	0	0	0
2,004	Transport-Related Expenditure	2,000	500	-1,500
17,549	Supplies & Services	15,980	18,530	2,550
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
1,403,509	Gross Expenditure	1,341,810	1,288,180	-53,630
-8,514	Other Income	0	0	0
1,394,994	Net Expenditure	1,341,810	1,288,180	-53,630

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	80,000
1 Approved Budget Strategy Savings (non staffing)	-166,000
1 Approved Budget Strategy Salary Adjustment	26,000

GA56 New Romney One Stop				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
115	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>115</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>115</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GA60 Civic Wardens				
64,927	Employees	59,520	64,350	4,830
0	Premises-Related Expenditure	0	0	0
92	Transport-Related Expenditure	50	50	0
4,382	Supplies & Services	7,510	4,100	-3,410
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>69,401</u>	Gross Expenditure	<u>67,080</u>	<u>68,500</u>	<u>1,420</u>
-8	Other Income	0	-1,500	-1,500
<u>69,393</u>	Net Expenditure	<u>67,080</u>	<u>67,000</u>	<u>-80</u>

GA62 Customer Services				
853,675	1 Employees	800,060	583,380	-216,680
0	Premises-Related Expenditure	0	0	0
6	Transport-Related Expenditure	300	0	-300
21,215	2 Supplies & Services	22,060	15,920	-6,140
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>874,896</u>	Gross Expenditure	<u>822,420</u>	<u>599,300</u>	<u>-223,120</u>
-14,618	Other Income	0	0	0
<u>860,278</u>	Net Expenditure	<u>822,420</u>	<u>599,300</u>	<u>-223,120</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (staffing)	-259,120
1 Employee Costs including Increments and Pension	42,440
2 Approved Budget Strategy Savings (non staffing)	-6,440

GL21 Community Safety				
1,760	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
766	Transport-Related Expenditure	700	770	70
666	Supplies & Services	620	680	60
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>3,193</u>	Gross Expenditure	<u>1,320</u>	<u>1,450</u>	<u>130</u>
0	Other Income	0	0	0
<u>3,193</u>	Net Expenditure	<u>1,320</u>	<u>1,450</u>	<u>130</u>

GM36 Environmental Protection				
499,805	1 Employees	532,720	501,510	-31,210
0	Premises-Related Expenditure	0	0	0
2,596	Transport-Related Expenditure	4,500	4,700	200
24,556	Supplies & Services	18,320	17,930	-390
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>526,958</u>	Gross Expenditure	<u>555,540</u>	<u>524,140</u>	<u>-31,400</u>
-276	Other Income	-70	0	70
<u>526,681</u>	Net Expenditure	<u>555,470</u>	<u>524,140</u>	<u>-31,330</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	31,670
1 Approved Budget Strategy Savings (staffing)	-75,000
1 Approved Budget Strategy Salary Adjustment	11,150

GM44 Licensing				
214,106	1 Employees	194,880	208,440	13,560
0	Premises-Related Expenditure	0	0	0
3,491	Transport-Related Expenditure	2,900	1,500	-1,400
1,742	Supplies & Services	1,440	1,580	140
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>219,339</u>	Gross Expenditure	<u>199,220</u>	<u>211,520</u>	<u>12,300</u>
0	Other Income	0	0	0
<u>219,339</u>	Net Expenditure	<u>199,220</u>	<u>211,520</u>	<u>12,300</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	13,560
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GM50 Area Officers				
168,181	1 Employees	197,230	75,560	-121,670
0	Premises-Related Expenditure	0	0	0
26,665	Transport-Related Expenditure	18,570	18,960	390
6,154	Supplies & Services	7,130	6,840	-290
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>201,000</u>	Gross Expenditure	<u>222,930</u>	<u>101,360</u>	<u>-121,570</u>
0	Other Income	0	0	0
<u>201,000</u>	Net Expenditure	<u>222,930</u>	<u>101,360</u>	<u>-121,570</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (staffing)	-130,000
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**Rod Lean
Economic Development Summary**

		<u>Service</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
45,888	ED10	96,650	48,450	-48,200
10,052	ED12	46,730	47,550	820
257,430	ED14	370	410	40
43,038	ED16	-5,320	0	5,320
14,503	ED18	0	0	0
214	ED19	0	0	0
448,050	ED54	0	0	0
-124,587	ED56	0	0	0
47,998	ED57	0	0	0
-107,202	ED58	0	0	0
-36,000	ED59	0	0	0
51,251	EE23	50,060	50,000	-60
40,355	ES05	40,360	40,360	0
690,989	Service Total	228,850	186,770	-42,080

		<u>Administration</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
328,888	GM30	234,330	249,030	14,700
328,888	Administration Total	234,330	249,030	14,700

**Rod Lean
Economic Development Detail**

		<u>Service</u>		
2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	ED10 Regen & Economic Development			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
45,888	1 Supplies & Services	270,650	48,450	-222,200
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
45,888	Gross Expenditure	270,650	48,450	-222,200
0	2 Other Income	-174,000	0	174,000
45,888	Net Expenditure	96,650	48,450	-48,200

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Permanent virement (ED58)	-174,000
1 Approved Budget Strategy Savings (non staffing)	-48,000
2 Permanent virement (ED58)	174,000

	ED12 Rural Regeneration Initiatives			
41,848	Employees	55,500	59,700	4,200
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
245	Supplies & Services	11,230	10,250	-980
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
42,093	Gross Expenditure	66,730	69,950	3,220
-32,041	Other Income	-20,000	-22,400	-2,400
10,052	Net Expenditure	46,730	47,550	820

	ED14 High Street Innovation Fund			
20,564	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
12	Transport-Related Expenditure	0	0	0
236,854	Supplies & Services	370	410	40
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
257,430	Gross Expenditure	370	410	40
0	Other Income	0	0	0
257,430	Net Expenditure	370	410	40

ED16 Folkestone CLLD				
78,157	1 Employees	74,470	0	-74,470
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
20,032	2 Supplies & Services	5,800	0	-5,800
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
98,189	Gross Expenditure	80,270	0	-80,270
-55,151	3 Other Income	-85,590	0	85,590
43,038	Net Expenditure	-5,320	0	5,320

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1	Realignment of budgets	-74,470
2	Realignment of budgets	-5,800
3	Realignment of budgets	85,590

ED17 CLLD ESF Projects				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
7,154	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
7,154	Gross Expenditure	0	0	0
-7,154	Other Income	0	0	0
0	Net Expenditure	0	0	0

ED18 CLLD ERDF Projects				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
69,560	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
69,560	Gross Expenditure	0	0	0
-55,057	Other Income	0	0	0
14,503	Net Expenditure	0	0	0

ED19 Re-Opening High Streets Safely				
215	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
215	Gross Expenditure	0	0	0
-1	Other Income	0	0	0
214	Net Expenditure	0	0	0

ED54 Corporate Investment Initiatives				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
135,550	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
325,000	Contributions to Provisions	0	0	0
460,550	Gross Expenditure	0	0	0
-12,500	Other Income	0	0	0
448,050	Net Expenditure	0	0	0

ED56 RM Business Hub Grant Scheme				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
49,544	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
49,544	Gross Expenditure	0	0	0
-174,131	Other Income	0	0	0
-124,587	Net Expenditure	0	0	0

ED57	Green Business Grant Scheme			
17,874	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
30,124	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>47,998</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>47,998</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

ED58	UK Shared Prosperity Fund			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
12,834	1 Supplies & Services	0	524,000	524,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>12,834</u>	Gross Expenditure	<u>0</u>	<u>524,000</u>	<u>524,000</u>
<u>-120,035</u>	2 Other Income	<u>0</u>	<u>-524,000</u>	<u>-524,000</u>
<u>-107,202</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Permanent virement (ED10)	174,000
1 Adjustment to Centrally Determined Costs	350,000
2 Permanent virement (ED10)	-174,000
2 Adjustment to Centrally Determined Costs	-350,000

ED59	Rural England Prosperity Fund			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	1 Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	430,000	430,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>0</u>	Gross Expenditure	<u>0</u>	<u>430,000</u>	<u>430,000</u>
<u>-36,000</u>	2 Other Income	<u>0</u>	<u>-430,000</u>	<u>-430,000</u>
<u>-36,000</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Adjustment to Centrally Determined Costs	430,000
2 Adjustment to Centrally Determined Costs	-430,000

EE23	ED/Tourism			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
55,251	Supplies & Services	50,060	50,000	-60
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>55,251</u>	Gross Expenditure	<u>50,060</u>	<u>50,000</u>	<u>-60</u>
<u>-4,000</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>51,251</u>	Net Expenditure	<u>50,060</u>	<u>50,000</u>	<u>-60</u>

ES05	Environmental Initiatives			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
40,360	Supplies & Services	40,360	40,360	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>40,360</u>	Gross Expenditure	<u>40,360</u>	<u>40,360</u>	<u>0</u>
<u>-5</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>40,355</u>	Net Expenditure	<u>40,360</u>	<u>40,360</u>	<u>0</u>

Administration

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	GM30 Regeneration & Economic Development			
343,942	1 Employees	230,950	246,460	15,510
0	Premises-Related Expenditure	0	0	0
163	Transport-Related Expenditure	1,500	500	-1,000
28,771	Supplies & Services	1,880	2,070	190
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
372,876	Gross Expenditure	234,330	249,030	14,700
-43,988	Other Income	0	0	0
328,888	Net Expenditure	234,330	249,030	14,700
	Key Variances from Original Budget 2023/24 to Original Budget 2024/25			
	1 Employee Costs including Increments and Pension			15,510

**Llywelyn Lloyd
Planning Summary
Service**

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
-198,165	DA10 Building Control	-291,660	-292,760	-1,100
-882,120	DA11 Development Control	-955,890	-985,890	-30,000
-1,080,285	Service Total	-1,247,550	-1,278,650	-31,100

Administration

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
1,143,440	GM20 Development Management	1,142,910	1,201,520	58,610
335,049	GM21 Building Control	270,040	283,210	13,170
1,478,489	Administration Total	1,412,950	1,484,730	71,780

**Llywelyn Lloyd
Planning Detail
Service**

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Original to Original Variance £
DA10 Building Control				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
49,992	Supplies & Services	1,680	580	-1,100
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
49,992	Gross Expenditure	1,680	580	-1,100
-248,157	Other Income	-293,340	-293,340	0
-198,165	Net Expenditure	-291,660	-292,760	-1,100
DA11 Development Control				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
115,951	Supplies & Services	109,210	109,210	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
115,951	Gross Expenditure	109,210	109,210	0
-998,071	1 Other Income	-1,065,100	-1,095,100	-30,000
-882,120	Net Expenditure	-955,890	-985,890	-30,000

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-30,000
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Administration

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
GM20 Development Management				
1,103,929	1 Employees	1,109,870	1,173,610	63,740
0	Premises-Related Expenditure	0	0	0
6,073	Transport-Related Expenditure	5,920	5,920	0
33,426	2 Supplies & Services	34,660	29,530	-5,130
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
1,143,428	Gross Expenditure	1,150,450	1,209,060	58,610
13	Other Income	-7,540	-7,540	0
1,143,440	Net Expenditure	1,142,910	1,201,520	58,610

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	63,600
2 Adjustment to Centrally Determined Costs	-5,130

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
GM21 Building Control				
230,580	1 Employees	256,180	267,320	11,140
0	Premises-Related Expenditure	0	0	0
3,410	Transport-Related Expenditure	4,000	6,400	2,400
101,571	Supplies & Services	10,860	10,490	-370
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
335,561	Gross Expenditure	271,040	284,210	13,170
-512	Other Income	-1,000	-1,000	0
335,049	Net Expenditure	270,040	283,210	13,170

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	11,000
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**Andy Blaszkowicz
Operations Summary**

		<u>Service</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Original to Original Variance
£		£	£	£
863	CE02 Street Furniture	10,000	8,000	-2,000
76	CE03 Passenger Shelters	7,080	7,090	10
89,986	CE04 Street Lighting	156,500	91,500	-65,000
-33,325	CE30 Outdoor Sports and Recreation	-27,220	-39,220	-12,000
-16,266	CE33/ CERMCE-RMCEcology&Habitat MTCE(HLF)	-16,820	-21,860	-5,040
4,470	CE36 Royal Military Canal Drainage Functions	5,440	5,440	0
9,605	CE37 RMC - Bridge Painting	22,480	17,480	-5,000
866,489	CE38 Community Parks & Open Spaces	878,990	918,940	39,950
-1,285,797	CE40 Off-Street Parking	-1,301,790	-1,389,050	-87,260
-513,746	CE45 On-Street Parking Enforcement	-349,380	-438,950	-89,570
24,939	CE52 Public Conveniences	31,000	28,800	-2,200
-8,301	CE55 Communities - Events	-400	-8,400	-8,000
95,930	CE99 Other Environmental Services	34,100	34,100	0
-216,457	CG80 Coast Protection	-159,520	-163,090	-3,570
-1,695	EA11 Leas Bandstand	3,200	-1,800	-5,000
-7,858	EA12 Hythe Beach Chalets	-7,980	-7,980	0
-11,848	EB02 Mountfield Industrial Estate	-104,730	-104,730	0
3	ED02 Princess Parade Planning Project	119,000	119,000	0
69,409	ED50 Strategic Projects	30,000	30,000	0
15,062	FH25 Emergency Planning	18,600	16,500	-2,100
87,515	HH51 Lifeline Facilities	7,640	24,600	16,960
-830,946	Service Total	-643,810	-873,630	-229,820

		<u>Administration</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Original to Original Variance
£		£	£	£
283,912	GM18 Maintenance Officers	252,350	212,620	-39,730
136,738	GM23 Parking Services	129,330	133,860	4,530
388,895	GM31 Engineering and Buildings	408,170	325,260	-82,910
197,384	GM32 Estates and Assets	232,090	200,570	-31,520
432,908	GM33 Strategic Development	431,960	358,930	-73,030
4,125	GM40 Strategic Development Projects	0	1,970	1,970
1,443,961	Administration Total	1,453,900	1,233,210	-220,690

		<u> Holding</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Original to Original Variance
£		£	£	£
1,746,797	GE01 Grounds Maintenance	1,623,120	1,777,730	154,610
226,242	GE05 Charity Areas	207,180	245,000	37,820
78,892	GE06 Royal Military Canal	85,580	76,060	-9,520
143,512	GE07 Toilet Cleaning	152,130	159,640	7,510
20,280	GE08 Pump Maintenance Crew	6,720	630	-6,090
14,863	GE10 Diesel - Fuel Tank Ross Depot	0	0	0
134,706	GX00 Civic Centre	228,360	232,870	4,510
223	GX05 Hawkinge Depot	0	250	250
49,276	GX10 Public Toilets	83,110	78,350	-4,760
11,853	GX20 Parks & Open Spaces Buildings	3,440	-4,530	-7,970
7,192	GX21 Royal Military Canal Buildings	6,130	6,160	30
2,552	GX22 Hythe Beach Huts	90	100	10
634	GX23 Bandstand	2,600	2,620	20
51,698	GX24 Sports & Recreation Buildings	29,870	28,380	-1,490
76,653	GX25 Charity Parks & Open Spaces	47,410	47,750	340
120,830	GX27 Hythe Swimming Pool	196,620	208,860	12,240
220,327	GX30 Car Parks	223,200	229,370	6,170
101,059	GX40 Prog Planned Maintenance	77,400	77,400	0
59,737	GX50 Depots & Cemetery Buildings	59,500	61,610	2,110
284	GX52 Mountfield Road Depot	0	0	0
-268,335	GX53 Misc Corporate Property	-337,120	-347,180	-10,060
760	GX54 Christchurch Tower	440	480	40
6,890	GX60 Mountfield Industrial Estate	2,910	90	-2,820
95,057	GX65 Folca	212,500	212,500	0
125,962	GX80 Misc Otterpool Property	-77,200	-91,520	-14,320
-102,106	GX81 Connect 38	-1,174,900	-1,073,440	101,460
-4,694	GX82 Westenhanger Castle	0	1,810	1,810
470	GX83 Memorial Arch	14,350	10,610	-3,740
-29,085	GX84 Folkestone Racecourse	0	0	0
47,500	GX89 Misc Agricultural Property	100	0	-100
2,940,028	Holding Total	1,673,540	1,941,600	268,060

**Andy Blaszkowicz
Operations Detail**

		<u>Service</u>			
2022/23 Actual £			2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	CE02 Street Furniture				
0	Employees		0	0	0
0	Premises-Related Expenditure		0	0	0
0	Transport-Related Expenditure		0	0	0
863	Supplies & Services		10,000	8,000	-2,000
0	Third Party Payments		0	0	0
0	Transfer Payments		0	0	0
0	Contributions to Provisions		0	0	0
<u>863</u>	Gross Expenditure		<u>10,000</u>	<u>8,000</u>	<u>-2,000</u>
0	Other Income		0	0	0
<u>863</u>	Net Expenditure		<u>10,000</u>	<u>8,000</u>	<u>-2,000</u>
	CE03 Passenger Shelters				
0	Employees		0	0	0
76	Premises-Related Expenditure		7,080	7,090	10
0	Transport-Related Expenditure		0	0	0
0	Supplies & Services		0	0	0
0	Third Party Payments		0	0	0
0	Transfer Payments		0	0	0
0	Contributions to Provisions		0	0	0
<u>76</u>	Gross Expenditure		<u>7,080</u>	<u>7,090</u>	<u>10</u>
0	Other Income		0	0	0
<u>76</u>	Net Expenditure		<u>7,080</u>	<u>7,090</u>	<u>10</u>
	CE04 Street Lighting				
0	Employees		0	0	0
59,483	1 Premises-Related Expenditure		56,500	61,500	5,000
0	Transport-Related Expenditure		0	0	0
30,503	2 Supplies & Services		100,000	30,000	-70,000
0	Third Party Payments		0	0	0
0	Transfer Payments		0	0	0
0	Contributions to Provisions		0	0	0
<u>89,986</u>	Gross Expenditure		<u>156,500</u>	<u>91,500</u>	<u>-65,000</u>
0	Other Income		0	0	0
<u>89,986</u>	Net Expenditure		<u>156,500</u>	<u>91,500</u>	<u>-65,000</u>
	Key Variances from Original Budget 2023/24 to Original Budget 2024/25				
	1 MTFS adjustment				5,000
	2 Approved Budget Strategy Savings (non staffing)				-70,000
	CE30 Outdoor Sports and Recreation				
0	Employees		0	0	0
0	Premises-Related Expenditure		0	0	0
0	Transport-Related Expenditure		0	0	0
0	1 Supplies & Services		7,500	0	-7,500
0	Third Party Payments		0	0	0
0	Transfer Payments		0	0	0
0	Contributions to Provisions		0	0	0
0	Gross Expenditure		<u>7,500</u>	<u>0</u>	<u>-7,500</u>
-33,325	2 Other Income		-34,720	-39,220	-4,500
-33,325	Net Expenditure		<u>-27,220</u>	<u>-39,220</u>	<u>-12,000</u>
	Key Variances from Original Budget 2023/24 to Original Budget 2024/25				
	1 Approved Budget Strategy Savings (non staffing)				-7,500
	2 Approved Budget Strategy Savings (non staffing)				-4,500
	CE33/ CE34 RMC-Ecology&Habitat MTCE(HLF)				
240	Employees		240	240	0
0	Premises-Related Expenditure		0	0	0
0	Transport-Related Expenditure		0	0	0
6,761	Supplies & Services		600	660	60
0	Third Party Payments		0	0	0
0	Transfer Payments		0	0	0
0	Contributions to Provisions		0	0	0
<u>7,001</u>	Gross Expenditure		<u>840</u>	<u>900</u>	<u>60</u>
-23,266	1 Other Income		-17,660	-22,760	-5,100
-16,266	Net Expenditure		<u>-16,820</u>	<u>-21,860</u>	<u>-5,040</u>
	Key Variances from Original Budget 2023/24 to Original Budget 2024/25				
	1 Approved Budget Strategy Savings (non staffing)				-5,100

CE36	Royal Military Canal Drainage Functions			
0	Employees	0	0	0
4,470	Premises-Related Expenditure	5,440	5,440	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>4,470</u>	Gross Expenditure	<u>5,440</u>	<u>5,440</u>	<u>0</u>
0	Other Income	0	0	0
<u>4,470</u>	Net Expenditure	<u>5,440</u>	<u>5,440</u>	<u>0</u>

CE37	RMC - Bridge Painting			
0	Employees	0	0	0
9,605	1 Premises-Related Expenditure	22,480	17,480	-5,000
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>9,605</u>	Gross Expenditure	<u>22,480</u>	<u>17,480</u>	<u>-5,000</u>
0	Other Income	0	0	0
<u>9,605</u>	Net Expenditure	<u>22,480</u>	<u>17,480</u>	<u>-5,000</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-5,000
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CE38	Community Parks & Open Spaces			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
545,882	Supplies & Services	529,860	532,880	3,020
304,200	1 Third Party Payments	318,840	368,770	49,930
0	Transfer Payments	0	0	0
52,200	Contributions to Provisions	52,200	52,200	0
<u>902,282</u>	Gross Expenditure	<u>900,900</u>	<u>953,850</u>	<u>52,950</u>
-35,793	2 Other Income	-21,910	-34,910	-13,000
<u>866,489</u>	Net Expenditure	<u>878,990</u>	<u>918,940</u>	<u>39,950</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Change in Outsourced Contract Recharges	49,930
2 Approved Budget Strategy Savings (non staffing)	-13,000

CE40	Off-Street Parking			
0	Employees	0	0	0
152,027	1 Premises-Related Expenditure	95,070	15,070	-80,000
0	Transport-Related Expenditure	0	0	0
86,554	2 Supplies & Services	86,550	92,880	6,330
111,345	3 Third Party Payments	118,650	130,060	11,410
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>349,925</u>	Gross Expenditure	<u>300,270</u>	<u>238,010</u>	<u>-62,260</u>
-1,635,723	4 Other Income	-1,602,060	-1,627,060	-25,000
<u>-1,285,797</u>	Net Expenditure	<u>-1,301,790</u>	<u>-1,389,050</u>	<u>-87,260</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-80,000
2 Approved Budget Strategy Savings (non staffing)	-5,520
2 Approved Budget Strategy Growth	10,000
3 Change in Outsourced Contract Recharges	11,410
4 Approved Budget Strategy Savings (non staffing)	-25,000

CE45	On-Street Parking Enforcement			
0	Employees	0	0	0
51,698	1 Premises-Related Expenditure	38,500	25,000	-13,500
0	Transport-Related Expenditure	0	0	0
121,997	2 Supplies & Services	111,020	128,730	17,710
346,540	3 Third Party Payments	369,900	399,120	29,220
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>520,235</u>	Gross Expenditure	<u>519,420</u>	<u>552,850</u>	<u>33,430</u>
-1,033,981	4 Other Income	-868,800	-991,800	-123,000
<u>-513,746</u>	Net Expenditure	<u>-349,380</u>	<u>-438,950</u>	<u>-89,570</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Growth	7,000
1 Approved Budget Strategy Savings (non staffing)	-20,500
2 Approved Budget Strategy Growth	19,000
3 Change in Outsourced Contract Recharges	29,220
4 Approved Budget Strategy Savings (non staffing)	-123,000

CE52	Public Conveniences			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
40,433	Supplies & Services	44,200	44,200	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
-3,633	Contributions to Provisions	0	0	0
<u>36,801</u>	Gross Expenditure	<u>44,200</u>	<u>44,200</u>	<u>0</u>
-11,862	Other Income	-13,200	-15,400	-2,200
<u>24,939</u>	Net Expenditure	<u>31,000</u>	<u>28,800</u>	<u>-2,200</u>

CE55	Communities - Events			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>0</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
-8,301	1 Other Income	-400	-8,400	-8,000
<u>-8,301</u>	Net Expenditure	<u>-400</u>	<u>-8,400</u>	<u>-8,000</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing) -8,000

CE99	Other Environmental Services			
378	Employees	0	0	0
311	Premises-Related Expenditure	0	0	0
-32	Transport-Related Expenditure	100	100	0
16,273	Supplies & Services	34,000	34,000	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
79,000	Contributions to Provisions	0	0	0
<u>95,930</u>	Gross Expenditure	<u>34,100</u>	<u>34,100</u>	<u>0</u>
0	Other Income	0	0	0
<u>95,930</u>	Net Expenditure	<u>34,100</u>	<u>34,100</u>	<u>0</u>

CG80	Coast Protection			
0	Employees	0	0	0
38,630	Premises-Related Expenditure	53,810	49,800	-4,010
0	Transport-Related Expenditure	0	0	0
3,289	Supplies & Services	2,820	2,320	-500
1,676	Third Party Payments	19,000	19,000	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>43,595</u>	Gross Expenditure	<u>75,630</u>	<u>71,120</u>	<u>-4,510</u>
-260,052	1 Other Income	-235,150	-234,210	940
<u>-216,457</u>	Net Expenditure	<u>-159,520</u>	<u>-163,090</u>	<u>-3,570</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Growth 6,900

1 Approved Budget Strategy Savings (non staffing) -6,000

EA11	Leas Bandstand			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
4,305	1 Supplies & Services	9,200	4,200	-5,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>4,305</u>	Gross Expenditure	<u>9,200</u>	<u>4,200</u>	<u>-5,000</u>
-6,000	Other Income	-6,000	-6,000	0
<u>-1,695</u>	Net Expenditure	<u>3,200</u>	<u>-1,800</u>	<u>-5,000</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing) -5,000

EA12	Hythe Beach Chalets			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>0</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
-7,858	Other Income	-7,980	-7,980	0
<u>-7,858</u>	Net Expenditure	<u>-7,980</u>	<u>-7,980</u>	<u>0</u>

EB02	Mountfield Industrial Estate			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
0	Gross Expenditure	0	0	0
-11,848	Other Income	-104,730	-104,730	0
-11,848	Net Expenditure	-104,730	-104,730	0

ED02	Princess Parade Planning Project			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
3	Supplies & Services	119,000	119,000	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
3	Gross Expenditure	119,000	119,000	0
0	Other Income	0	0	0
3	Net Expenditure	119,000	119,000	0

ED50	Strategic Projects			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
69,409	Supplies & Services	30,000	30,000	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
69,409	Gross Expenditure	30,000	30,000	0
0	Other Income	0	0	0
69,409	Net Expenditure	30,000	30,000	0

FH25	Emergency Planning			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
15,062	Supplies & Services	18,600	16,500	-2,100
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
15,062	Gross Expenditure	18,600	16,500	-2,100
0	Other Income	0	0	0
15,062	Net Expenditure	18,600	16,500	-2,100

HH51	Lifeline Facilities			
680,910	1 Employees	728,470	659,520	-68,950
0	Premises-Related Expenditure	0	0	0
11,981	Transport-Related Expenditure	12,030	12,130	100
146,540	2 Supplies & Services	111,140	93,150	-17,990
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
839,431	Gross Expenditure	851,640	764,800	-86,840
-751,916	3 Other Income	-844,000	-740,200	103,800
87,515	Net Expenditure	7,640	24,600	16,960

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1	Employee Costs including Increments and Pension	10,000
1	Realignment of budgets	-42,000
1	Approved Budget Strategy Savings (staffing)	-37,200
2	Approved Budget Strategy Savings (non staffing)	-23,000
3	Approved Budget Strategy Growth	110,500
3	Approved Budget Strategy Savings (non staffing)	-6,700

Administration

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variances £
	GM18 Maintenance Officers			
212,252	1 Employees	207,140	186,850	-20,290
0	Premises-Related Expenditure	0	0	0
25,627	Transport-Related Expenditure	12,170	12,310	140
102,338	2 Supplies & Services	92,850	73,270	-19,580
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
340,217	Gross Expenditure	312,160	272,430	-39,730
-56,306	Other Income	-59,810	-59,810	0
283,912	Net Expenditure	252,350	212,620	-39,730

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	13,800
1 Approved Budget Strategy Savings (staffing)	-35,500
2 Approved Budget Strategy Savings (non staffing)	-20,830

	GM23 Parking Services			
128,325	1 Employees	121,210	126,630	5,420
0	Premises-Related Expenditure	0	0	0
815	Transport-Related Expenditure	650	650	0
7,598	Supplies & Services	7,470	6,580	-890
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
136,738	Gross Expenditure	129,330	133,860	4,530
0	Other Income	0	0	0
136,738	Net Expenditure	129,330	133,860	4,530

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	5,420
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	GM31 Engineering and Buildings			
374,631	1 Employees	386,690	308,080	-78,610
0	Premises-Related Expenditure	0	0	0
4,406	Transport-Related Expenditure	3,800	2,800	-1,000
9,857	Supplies & Services	17,680	14,380	-3,300
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
388,895	Gross Expenditure	408,170	325,260	-82,910
0	Other Income	0	0	0
388,895	Net Expenditure	408,170	325,260	-82,910

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	16,400
1 Approved Budget Strategy Savings (staffing)	-91,660

	GM32 Estates and Assets			
191,467	1 Employees	228,110	196,700	-31,410
0	Premises-Related Expenditure	0	0	0
2,214	Transport-Related Expenditure	2,100	1,800	-300
4,558	Supplies & Services	1,880	2,070	190
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
198,239	Gross Expenditure	232,090	200,570	-31,520
-856	Other Income	0	0	0
197,384	Net Expenditure	232,090	200,570	-31,520

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	14,250
1 Approved Budget Strategy Savings (staffing)	-46,980

	GM33 Strategic Development			
403,803	1 Employees	423,310	349,410	-73,900
0	Premises-Related Expenditure	0	0	0
181	Transport-Related Expenditure	0	0	0
28,924	Supplies & Services	8,650	9,520	870
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
432,908	Gross Expenditure	431,960	358,930	-73,030
0	Other Income	0	0	0
432,908	Net Expenditure	431,960	358,930	-73,030

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	15,000
1 Approved Budget Strategy Savings (staffing)	-86,110

GM40 Strategic Development Projects				
62,380	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
1,789	Supplies & Services	0	1,970	1,970
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>64,170</u>	Gross Expenditure	<u>0</u>	<u>1,970</u>	<u>1,970</u>
<u>-60,045</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>4,125</u>	Net Expenditure	<u>0</u>	<u>1,970</u>	<u>1,970</u>

Holding

2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Variances
£		£	£	£
GE01 Grounds Maintenance				
1,434,332	1 Employees	1,405,960	1,529,010	123,050
108,282	Premises-Related Expenditure	75,780	75,780	0
176,306	Transport-Related Expenditure	163,530	165,500	1,970
193,379	Supplies & Services	183,750	183,340	-410
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>1,912,298</u>	Gross Expenditure	<u>1,829,020</u>	<u>1,953,630</u>	<u>124,610</u>
<u>-165,501</u>	2 Other Income	<u>-205,900</u>	<u>-175,900</u>	<u>30,000</u>
<u>1,746,797</u>	Net Expenditure	<u>1,623,120</u>	<u>1,777,730</u>	<u>154,610</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Permanent virement (GE05)	-25,420
1 Employee Costs including Increments and Pension	135,000
2 Approved Budget Strategy Growth	30,000

GE05 Charity Areas				
213,373	1 Employees	188,210	226,320	38,110
0	Premises-Related Expenditure	0	0	0
6,231	Transport-Related Expenditure	7,710	7,290	-420
6,638	Supplies & Services	11,260	11,390	130
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>226,242</u>	Gross Expenditure	<u>207,180</u>	<u>245,000</u>	<u>37,820</u>
<u>0</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>226,242</u>	Net Expenditure	<u>207,180</u>	<u>245,000</u>	<u>37,820</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Permanent virement (GE05)	25,420
1 Employee Costs including Increments and Pension	9,300

GE06 Royal Military Canal				
57,675	1 Employees	62,630	53,090	-9,540
5,245	Premises-Related Expenditure	5,000	5,000	0
5,828	Transport-Related Expenditure	4,550	4,550	0
10,145	Supplies & Services	13,400	13,420	20
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>78,892</u>	Gross Expenditure	<u>85,580</u>	<u>76,060</u>	<u>-9,520</u>
<u>0</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>78,892</u>	Net Expenditure	<u>85,580</u>	<u>76,060</u>	<u>-9,520</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-13,950
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GE07 Toilet Cleaning				
102,091	1 Employees	113,800	121,150	7,350
18,626	Premises-Related Expenditure	17,250	17,250	0
12,102	Transport-Related Expenditure	9,340	9,480	140
17,143	Supplies & Services	18,240	18,260	20
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>149,962</u>	Gross Expenditure	<u>158,630</u>	<u>166,140</u>	<u>7,510</u>
<u>-6,450</u>	Other Income	<u>-6,500</u>	<u>-6,500</u>	<u>0</u>
<u>143,512</u>	Net Expenditure	<u>152,130</u>	<u>159,640</u>	<u>7,510</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	7,350
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GE08 Pump Maintenance Crew				
49,570	Employees	45,160	45,510	350
0	Premises-Related Expenditure	0	0	0
6,946	1 Transport-Related Expenditure	11,300	4,770	-6,530
37,741	Supplies & Services	42,860	42,950	90
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
94,257	Gross Expenditure	99,320	93,230	-6,090
-73,977	Other Income	-92,600	-92,600	0
20,280	Net Expenditure	6,720	630	-6,090

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-6,530
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GE10 Diesel - Fuel Tank Ross Depot				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
14,863	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
14,863	Gross Expenditure	0	0	0
0	Other Income	0	0	0
14,863	Net Expenditure	0	0	0

GX00 Civic Centre				
0	Employees	0	0	0
289,449	1 Premises-Related Expenditure	352,530	366,820	14,290
0	Transport-Related Expenditure	0	0	0
26,462	Supplies & Services	1,170	1,390	220
5,984	Third Party Payments	3,460	3,460	0
0	Transfer Payments	0	0	0
-70,920	Contributions to Provisions	0	0	0
250,974	Gross Expenditure	357,160	371,670	14,510
-116,268	2 Other Income	-128,800	-138,800	-10,000
134,706	Net Expenditure	228,360	232,870	4,510

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 MTFS adjustment	18,000
1 Approved Budget Strategy Savings (non staffing)	-5,000
2 Approved Budget Strategy Savings (non staffing)	-10,000

GX05 Hawkinge Depot				
0	Employees	0	0	0
223	Premises-Related Expenditure	0	250	250
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
223	Gross Expenditure	0	250	250
0	Other Income	0	0	0
223	Net Expenditure	0	250	250

GX10 Public Toilets				
0	Employees	0	0	0
49,276	Premises-Related Expenditure	83,110	78,350	-4,760
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
49,276	Gross Expenditure	83,110	78,350	-4,760
0	Other Income	0	0	0
49,276	Net Expenditure	83,110	78,350	-4,760

GX20 Parks & Open Spaces Buildings				
0	Employees	0	0	0
11,863	Premises-Related Expenditure	15,300	15,320	20
0	Transport-Related Expenditure	0	0	0
15	Supplies & Services	140	150	10
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
11,878	Gross Expenditure	15,440	15,470	30
-25	1 Other Income	-12,000	-20,000	-8,000
11,853	Net Expenditure	3,440	-4,530	-7,970

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-8,000
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GX21	Royal Military Canal Buildings			
0	Employees	0	0	0
7,192	Premises-Related Expenditure	6,130	6,160	30
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>7,192</u>	Gross Expenditure	<u>6,130</u>	<u>6,160</u>	<u>30</u>
0	Other Income	0	0	0
<u>7,192</u>	Net Expenditure	<u>6,130</u>	<u>6,160</u>	<u>30</u>

GX22	Hythe Beach Huts			
0	Employees	0	0	0
2,552	Premises-Related Expenditure	90	100	10
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>2,552</u>	Gross Expenditure	<u>90</u>	<u>100</u>	<u>10</u>
0	Other Income	0	0	0
<u>2,552</u>	Net Expenditure	<u>90</u>	<u>100</u>	<u>10</u>

GX23	Bandstand			
0	Employees	0	0	0
634	Premises-Related Expenditure	2,600	2,620	20
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>634</u>	Gross Expenditure	<u>2,600</u>	<u>2,620</u>	<u>20</u>
0	Other Income	0	0	0
<u>634</u>	Net Expenditure	<u>2,600</u>	<u>2,620</u>	<u>20</u>

GX24	Sports & Recreation Buildings			
0	Employees	0	0	0
51,698	Premises-Related Expenditure	29,840	28,380	-1,460
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>51,698</u>	Gross Expenditure	<u>29,840</u>	<u>28,380</u>	<u>-1,460</u>
0	Other Income	30	0	-30
<u>51,698</u>	Net Expenditure	<u>29,870</u>	<u>28,380</u>	<u>-1,490</u>

GX25	Charity Parks & Open Spaces			
0	Employees	0	0	0
75,776	Premises-Related Expenditure	46,910	47,200	290
0	Transport-Related Expenditure	0	0	0
988	Supplies & Services	500	550	50
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>76,764</u>	Gross Expenditure	<u>47,410</u>	<u>47,750</u>	<u>340</u>
-111	Other Income	0	0	0
<u>76,653</u>	Net Expenditure	<u>47,410</u>	<u>47,750</u>	<u>340</u>

GX27	Hythe Swimming Pool			
0	Employees	0	0	0
121,504	1 Premises-Related Expenditure	196,620	208,860	12,240
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>121,504</u>	Gross Expenditure	<u>196,620</u>	<u>208,860</u>	<u>12,240</u>
-674	Other Income	0	0	0
<u>120,830</u>	Net Expenditure	<u>196,620</u>	<u>208,860</u>	<u>12,240</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 MTFS adjustment	27,000
1 Approved Budget Strategy Savings (non staffing)	-15,000

GX30 Car Parks				
0	Employees	0	0	0
220,327	1 Premises-Related Expenditure	222,700	228,820	6,120
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	500	550	50
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>220,327</u>	Gross Expenditure	<u>223,200</u>	<u>229,370</u>	<u>6,170</u>
0	Other Income	0	0	0
<u>220,327</u>	Net Expenditure	<u>223,200</u>	<u>229,370</u>	<u>6,170</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Adjustment to Centrally Determined Costs	6,000
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GX40 Prog Planned Maintenance				
0	Employees	0	0	0
101,059	Premises-Related Expenditure	77,400	77,400	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>101,059</u>	Gross Expenditure	<u>77,400</u>	<u>77,400</u>	<u>0</u>
0	Other Income	0	0	0
<u>101,059</u>	Net Expenditure	<u>77,400</u>	<u>77,400</u>	<u>0</u>

GX50 Depots & Cemetery Buildings				
0	Employees	0	0	0
60,523	Premises-Related Expenditure	58,700	61,610	2,910
0	Transport-Related Expenditure	0	0	0
414	Supplies & Services	800	0	-800
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>60,937</u>	Gross Expenditure	<u>59,500</u>	<u>61,610</u>	<u>2,110</u>
-1,200	Other Income	0	0	0
<u>59,737</u>	Net Expenditure	<u>59,500</u>	<u>61,610</u>	<u>2,110</u>

GX52 Mountfield Road Depot				
0	Employees	0	0	0
284	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>284</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>284</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GX53 Misc Corporate Property				
0	Employees	0	0	0
21,956	Premises-Related Expenditure	33,400	33,340	-60
0	Transport-Related Expenditure	0	0	0
9,523	Supplies & Services	7,150	7,150	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>31,479</u>	Gross Expenditure	<u>40,550</u>	<u>40,490</u>	<u>-60</u>
-299,814	1 Other Income	-377,670	-387,670	-10,000
<u>-268,335</u>	Net Expenditure	<u>-337,120</u>	<u>-347,180</u>	<u>-10,060</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-10,000
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GX54 Christchurch Tower				
0	Employees	0	0	0
760	Premises-Related Expenditure	440	480	40
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>760</u>	Gross Expenditure	<u>440</u>	<u>480</u>	<u>40</u>
0	Other Income	0	0	0
<u>760</u>	Net Expenditure	<u>440</u>	<u>480</u>	<u>40</u>

GX60	Mountfield Industrial Estate			
0	Employees	0	0	0
6,890	Premises-Related Expenditure	2,910	90	-2,820
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>6,890</u>	Gross Expenditure	<u>2,910</u>	<u>90</u>	<u>-2,820</u>
0	Other Income	0	0	0
<u>6,890</u>	Net Expenditure	<u>2,910</u>	<u>90</u>	<u>-2,820</u>

GX65	Folca			
0	Employees	0	0	0
110,252	Premises-Related Expenditure	212,500	212,500	0
0	Transport-Related Expenditure	0	0	0
24	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>110,276</u>	Gross Expenditure	<u>212,500</u>	<u>212,500</u>	<u>0</u>
-15,219	Other Income	0	0	0
<u>95,057</u>	Net Expenditure	<u>212,500</u>	<u>212,500</u>	<u>0</u>

GX80	Misc Otterpool Property			
0	Employees	0	0	0
45,671	Premises-Related Expenditure	22,100	22,710	610
3,804	Transport-Related Expenditure	700	770	70
84,787	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>134,262</u>	Gross Expenditure	<u>22,800</u>	<u>23,480</u>	<u>680</u>
-8,300	1 Other Income	-100,000	-115,000	-15,000
<u>125,962</u>	Net Expenditure	<u>-77,200</u>	<u>-91,520</u>	<u>-14,320</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-15,000
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GX81	Connect 38			
0	Employees	0	0	0
12,863	1 Premises-Related Expenditure	24,100	15,560	-8,540
0	Transport-Related Expenditure	0	0	0
467,233	Supplies & Services	42,000	42,000	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>480,096</u>	Gross Expenditure	<u>66,100</u>	<u>57,560</u>	<u>-8,540</u>
-582,202	2 Other Income	-1,241,000	-1,131,000	110,000
<u>-102,106</u>	Net Expenditure	<u>-1,174,900</u>	<u>-1,073,440</u>	<u>101,460</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Adjustment to Centrally Determined Costs	-8,540
2 MTFS adjustment	110,000

GX82	Westenhanger Castle			
0	Employees	0	0	0
1,643	Premises-Related Expenditure	0	1,810	1,810
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>1,643</u>	Gross Expenditure	<u>0</u>	<u>1,810</u>	<u>1,810</u>
-6,337	Other Income	0	0	0
<u>-4,694</u>	Net Expenditure	<u>0</u>	<u>1,810</u>	<u>1,810</u>

GX83	Memorial Arch			
0	Employees	0	0	0
470	Premises-Related Expenditure	11,780	7,780	-4,000
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	2,570	2,830	260
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>470</u>	Gross Expenditure	<u>14,350</u>	<u>10,610</u>	<u>-3,740</u>
0	Other Income	0	0	0
<u>470</u>	Net Expenditure	<u>14,350</u>	<u>10,610</u>	<u>-3,740</u>

GX84	Folkestone Racecourse			
0	Employees	0	0	0
97,055	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
8,321	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>105,375</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
<u>-134,460</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>-29,085</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GX89	Misc Agricultural Property			
0	Employees	0	0	0
0	Premises-Related Expenditure	100	0	-100
0	Transport-Related Expenditure	0	0	0
47,500	Supplies & Services	0	0	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>47,500</u>	Gross Expenditure	<u>100</u>	<u>0</u>	<u>-100</u>
<u>0</u>	Other Income	<u>0</u>	<u>0</u>	<u>0</u>
<u>47,500</u>	Net Expenditure	<u>100</u>	<u>0</u>	<u>-100</u>

**Gill Butler
Housing Summary**

		<u>Service</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Original to Original Variance
£		£	£	£
-7,543	HE10 Housing Standards	-5,660	-7,660	-2,000
3,500	HH11 Housing Strategy	3,500	3,500	0
-29,500	HH21 Homelessness	-25,010	-25,310	-300
-171,404	HH22 Homelessness (Grant Funded Exp)	-63,660	-39,670	23,990
-83,579	HH25 FHDC Temporary Accommodation	-52,000	-79,650	-27,650
-70,918	HH40 Renovation Grants	0	0	0
44,550	HH42 Care and Repair Scheme	44,550	44,550	0
178,787	HH48 Other Housing Improvement Services	100,000	100,000	0
0	HX02 Rent Deposits	1,000	0	-1,000
-136,106	Service Total	2,720	-4,240	-6,960

		<u>Administration</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Original to Original Variance
£		£	£	£
88,074	GH01 Assets and Development	90,440	90,320	-120
-2,229	GH02 HRA Regeneration & Development	2,300	1,170	-1,130
213,988	GH03 Compliance	231,040	239,440	8,400
348,752	GH04 Repairs	327,650	384,830	57,180
361,389	GH05 Assets & Major Works	308,270	283,470	-24,800
72,222	GH06 Housing Operations	80,810	71,000	-9,810
621,421	GH07 Neighbourhood Management	637,400	575,200	-62,200
59,331	GH08 Leasehold Management	61,400	64,960	3,560
352,353	GH09 Supported Housing	334,330	349,350	15,020
-119	GH10 Regulations Specialists	39,280	0	-39,280
458,031	GH58 Housing Options	358,210	311,470	-46,740
50,215	GH61 Social Lettings Agency	49,750	52,840	3,090
159,342	GH62 Housing Strategy & Support	148,220	152,510	4,290
142,585	GM03 Assistant Director - Housing	133,730	137,990	4,260
224,267	GM29 Private Sector Housing	243,060	260,780	17,720
3,149,624	Administration Total	3,045,890	2,975,330	-70,560

**Gill Butler
Housing Detail**

		<u>Service</u>		
2022/23 Actual		2023/24 Original Budget	2024/25 Original Budget	Variances
£		£	£	£
	HE10 Housing Standards			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	1,000	0	-1,000
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
0	Gross Expenditure	1,000	0	-1,000
-7,543	Other Income	-6,660	-7,660	-1,000
-7,543	Net Expenditure	-5,660	-7,660	-2,000
	HH11 Housing Strategy			
0	Employees	0	0	0
1,000	Premises-Related Expenditure	1,000	1,000	0
0	Transport-Related Expenditure	0	0	0
2,500	Supplies & Services	2,500	2,500	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
3,500	Gross Expenditure	3,500	3,500	0
0	Other Income	0	0	0
3,500	Net Expenditure	3,500	3,500	0

HH21 Homelessness				
132	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	300	0	-300
376,072	Supplies & Services	307,290	307,290	0
9,527	Third Party Payments	7,400	7,400	0
0	Transfer Payments	0	0	0
-6,644	Contributions to Provisions	0	0	0
<u>379,087</u>	Gross Expenditure	<u>314,990</u>	<u>314,690</u>	<u>-300</u>
-408,587	Other Income	-340,000	-340,000	0
<u>-29,500</u>	Net Expenditure	<u>-25,010</u>	<u>-25,310</u>	<u>-300</u>

HH22 Homelessness (Grant Funded Exp)				
234,660	1 Employees	230,320	254,110	23,790
0	Premises-Related Expenditure	0	0	0
3,193	Transport-Related Expenditure	2,000	2,000	0
197,774	Supplies & Services	218,020	218,220	200
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>435,627</u>	Gross Expenditure	<u>450,340</u>	<u>474,330</u>	<u>23,990</u>
-607,031	Other Income	-514,000	-514,000	0
<u>-171,404</u>	Net Expenditure	<u>-63,660</u>	<u>-39,670</u>	<u>23,990</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	23,790
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HH25 FHDC Temporary Accommodation				
0	Employees	0	0	0
10,871	1 Premises-Related Expenditure	23,000	15,750	-7,250
0	Transport-Related Expenditure	0	0	0
40,118	Supplies & Services	5,000	4,600	-400
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>50,990</u>	Gross Expenditure	<u>28,000</u>	<u>20,350</u>	<u>-7,650</u>
-134,568	2 Other Income	-80,000	-100,000	-20,000
<u>-83,579</u>	Net Expenditure	<u>-52,000</u>	<u>-79,650</u>	<u>-27,650</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (non staffing)	-7,250
2 Approved Budget Strategy Savings (non staffing)	-20,000

HH40 Renovation Grants				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
1,308,398	Supplies & Services	1,000,000	1,000,000	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>1,308,398</u>	Gross Expenditure	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
-1,379,316	Other Income	-1,000,000	-1,000,000	0
<u>-70,918</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

HH42 Care and Repair Scheme				
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
44,550	Supplies & Services	44,550	44,550	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>44,550</u>	Gross Expenditure	<u>44,550</u>	<u>44,550</u>	<u>0</u>
0	Other Income	0	0	0
<u>44,550</u>	Net Expenditure	<u>44,550</u>	<u>44,550</u>	<u>0</u>

HH48 Other Housing Improvement Services				
3,559	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
37,025	Supplies & Services	100,000	100,000	0
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
199,000	Contributions to Provisions	0	0	0
<u>239,585</u>	Gross Expenditure	<u>100,000</u>	<u>100,000</u>	<u>0</u>
-60,797	Other Income	0	0	0
<u>178,787</u>	Net Expenditure	<u>100,000</u>	<u>100,000</u>	<u>0</u>

	HX02 Rent Deposits			
0	Employees	0	0	0
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
0	Supplies & Services	1,700	0	-1,700
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
0	Gross Expenditure	1,700	0	-1,700
0	Other Income	-700	0	700
0	Net Expenditure	1,000	0	-1,000

Administration

2022/23 Actual £		2023/24 Original Budget £	2024/25 Original Budget £	Variations £
	GH01 Assets and Development			
86,996	Employees	89,140	89,310	170
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
1,078	Supplies & Services	1,300	1,010	-290
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
88,074	Gross Expenditure	90,440	90,320	-120
0	Other Income	0	0	0
88,074	Net Expenditure	90,440	90,320	-120

	GH02 HRA Regeneration & Development			
-2,422	Employees	1,020	1,020	0
0	Premises-Related Expenditure	0	0	0
174	Transport-Related Expenditure	150	150	0
19	Supplies & Services	1,130	0	-1,130
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
-2,229	Gross Expenditure	2,300	1,170	-1,130
0	Other Income	0	0	0
-2,229	Net Expenditure	2,300	1,170	-1,130

	GH03 Compliance			
201,571	1 Employees	224,390	235,070	10,680
0	Premises-Related Expenditure	0	0	0
590	Transport-Related Expenditure	1,500	500	-1,000
11,827	Supplies & Services	5,150	3,870	-1,280
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
213,988	Gross Expenditure	231,040	239,440	8,400
0	Other Income	0	0	0
213,988	Net Expenditure	231,040	239,440	8,400

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	10,680
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	GH04 Repairs			
337,555	1 Employees	314,200	375,660	61,460
0	Premises-Related Expenditure	0	0	0
5,974	Transport-Related Expenditure	8,000	4,000	-4,000
5,223	Supplies & Services	5,450	5,170	-280
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
348,752	Gross Expenditure	327,650	384,830	57,180
0	Other Income	0	0	0
348,752	Net Expenditure	327,650	384,830	57,180

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	61,460
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GH05 Assets & Major Works				
346,016	1 Employees	297,420	274,880	-22,540
0	Premises-Related Expenditure	0	0	0
2,911	Transport-Related Expenditure	6,000	4,000	-2,000
12,462	Supplies & Services	4,850	4,590	-260
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>361,389</u>	Gross Expenditure	<u>308,270</u>	<u>283,470</u>	<u>-24,800</u>
0	Other Income	0	0	0
<u>361,389</u>	Net Expenditure	<u>308,270</u>	<u>283,470</u>	<u>-24,800</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	-22,540
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GH06 Housing Operations				
71,289	1 Employees	79,610	70,100	-9,510
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
932	Supplies & Services	1,200	900	-300
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>72,222</u>	Gross Expenditure	<u>80,810</u>	<u>71,000</u>	<u>-9,810</u>
0	Other Income	0	0	0
<u>72,222</u>	Net Expenditure	<u>80,810</u>	<u>71,000</u>	<u>-9,810</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	-9,510
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GH07 Neighbourhood Management				
581,909	1 Employees	559,500	540,190	-19,310
0	Premises-Related Expenditure	0	0	0
16,646	Transport-Related Expenditure	15,000	17,250	2,250
36,567	2 Supplies & Services	62,900	17,760	-45,140
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>635,122</u>	Gross Expenditure	<u>637,400</u>	<u>575,200</u>	<u>-62,200</u>
-13,700	Other Income	0	0	0
<u>621,421</u>	Net Expenditure	<u>637,400</u>	<u>575,200</u>	<u>-62,200</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (staffing)	-56,500
1 Employee Costs including Increments and Pension	37,190
2 Approved Budget Strategy Savings (non staffing)	-45,140

GH08 Leasehold Management				
58,174	Employees	60,330	63,920	3,590
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
1,157	Supplies & Services	1,070	1,040	-30
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>59,331</u>	Gross Expenditure	<u>61,400</u>	<u>64,960</u>	<u>3,560</u>
0	Other Income	0	0	0
<u>59,331</u>	Net Expenditure	<u>61,400</u>	<u>64,960</u>	<u>3,560</u>

GH09 Supported Housing				
338,576	1 Employees	321,180	336,610	15,430
0	Premises-Related Expenditure	0	0	0
7,176	Transport-Related Expenditure	4,500	6,000	1,500
6,601	Supplies & Services	8,650	6,740	-1,910
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>352,353</u>	Gross Expenditure	<u>334,330</u>	<u>349,350</u>	<u>15,020</u>
0	Other Income	0	0	0
<u>352,353</u>	Net Expenditure	<u>334,330</u>	<u>349,350</u>	<u>15,020</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	15,430
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GH10 Regulations Specialists				
-356	1 Employees	39,000	0	-39,000
0	Premises-Related Expenditure	0	0	0
0	Transport-Related Expenditure	0	0	0
236	Supplies & Services	280	0	-280
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>-119</u>	Gross Expenditure	<u>39,280</u>	<u>0</u>	<u>-39,280</u>
0	Other Income	0	0	0
<u>-119</u>	Net Expenditure	<u>39,280</u>	<u>0</u>	<u>-39,280</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Approved Budget Strategy Savings (staffing)	-39,000
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GH58 Housing Options				
459,628	1 Employees	352,960	306,830	-46,130
0	Premises-Related Expenditure	0	0	0
7,411	Transport-Related Expenditure	6,020	5,020	-1,000
114,559	Supplies & Services	4,400	4,790	390
0	Third Party Payments	35,000	35,000	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>581,598</u>	Gross Expenditure	<u>398,380</u>	<u>351,640</u>	<u>-46,740</u>
-123,567	Other Income	-40,170	-40,170	0
<u>458,031</u>	Net Expenditure	<u>358,210</u>	<u>311,470</u>	<u>-46,740</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	25,750
1 Approved Budget Strategy Savings (staffing)	-68,960

GH61 Social Lettings Agency				
49,189	Employees	48,750	51,300	2,550
0	Premises-Related Expenditure	0	0	0
519	Transport-Related Expenditure	600	1,100	500
507	Supplies & Services	400	440	40
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>50,215</u>	Gross Expenditure	<u>49,750</u>	<u>52,840</u>	<u>3,090</u>
0	Other Income	0	0	0
<u>50,215</u>	Net Expenditure	<u>49,750</u>	<u>52,840</u>	<u>3,090</u>

GH62 Housing Strategy & Support				
148,407	Employees	139,460	144,440	4,980
0	Premises-Related Expenditure	0	0	0
1,402	Transport-Related Expenditure	1,180	1,180	0
11,110	Supplies & Services	7,580	6,890	-690
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>160,920</u>	Gross Expenditure	<u>148,220</u>	<u>152,510</u>	<u>4,290</u>
-1,578	Other Income	0	0	0
<u>159,342</u>	Net Expenditure	<u>148,220</u>	<u>152,510</u>	<u>4,290</u>

GM03 Assistant Director - Housing				
140,947	Employees	131,760	136,160	4,400
0	Premises-Related Expenditure	0	0	0
91	Transport-Related Expenditure	250	250	0
1,547	Supplies & Services	1,720	1,580	-140
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>142,585</u>	Gross Expenditure	<u>133,730</u>	<u>137,990</u>	<u>4,260</u>
0	Other Income	0	0	0
<u>142,585</u>	Net Expenditure	<u>133,730</u>	<u>137,990</u>	<u>4,260</u>

GM29 Private Sector Housing				
251,851	1 Employees	235,920	254,530	18,610
0	Premises-Related Expenditure	0	0	0
3,947	Transport-Related Expenditure	3,600	2,600	-1,000
5,114	Supplies & Services	3,540	3,650	110
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>260,912</u>	Gross Expenditure	<u>243,060</u>	<u>260,780</u>	<u>17,720</u>
-36,645	Other Income	0	0	0
<u>224,267</u>	Net Expenditure	<u>243,060</u>	<u>260,780</u>	<u>17,720</u>

Key Variances from Original Budget 2023/24 to Original Budget 2024/25

1 Employee Costs including Increments and Pension	16,200
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MEDIUM TERM FINANCIAL STRATEGY

2024/25 TO 2027/28

(Version produced in December 2023)



MEDIUM TERM FINANCIAL STRATEGY

Introduction

The Medium Term Financial Strategy (MTFS) is one of the key strategies of Folkestone & Hythe District Council and is a four year strategy that sets out in financial terms the Council's commitment to provide services which meet the needs of the people locally and that represent good value for money.

This document sets out the key challenges and approach of the Council in relation to the Council's MTFS and it provides an integrated view of the whole of the Council's finances, and it also maps out the objectives to be secured, policies to be applied and risks to be managed over the period. It links the Council's vision and priorities with its financial budgets and details how the Council's finances will be structured and managed to ensure that this fits with, and supports, the priorities of the Council and its partners.

Since the introduction of austerity in 2010, local government has taken a disproportionately large share of the reductions in public expenditure as part of efforts to balance the nation's finances and the previously integral part of Local Government funding that was Revenue Support Grant is now completely phased out for this District as well as most other Councils.

Local and National funding – the current year

During the current financial year 2023/24, a number of new and significant pressures have arisen for both Central and Local Government, these being: -

- The ongoing war in Ukraine and its impact on the world economy and financial climate
- Maintenance of the high price of utilities such as electricity and gas
- Huge fluctuations in the price of crude oil and supply side pressures
- High inflation e.g., consumer price inflation (CPI) now at 6.3% in the U.K.
- Bank of England base rates, now at 5.25% (as of 27/10/2023) with further increases possible to combat inflation.
- Increases in the cost of borrowing due to higher interest rates.
- Volatility in the bond and currency markets affecting the financial climate.

All the events above have led to an environment of increasing financial pressure, and great uncertainty over the future financial support that is available to local government for 2024/25 and onwards.

The Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP, delivered the 2023 Autumn Statement on 22nd November 2023. As well as the usual updates on the state of public finances and the performance of the economy, the Chancellor organised his policies into five key areas: reducing debt; cutting tax and rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world-class education.

There were a few positives to take from the Autumn Statement with new planning reforms and the unfreezing of the local housing allowance both announced. There was also the further geographic rollout of existing policy with four new devolution deals and the extension of the Investment Zones in both time and money. This was coupled with some additional regeneration funding in the form of Levelling Up monies and £50 million for regeneration projects.

However, these announcements do not address the deep-set financial and operational challenges facing local government. Therefore, the Local Government Finance Settlement will send far greater reverberations across the sector.

Key Headlines

- There was no new funding for adult or children's social care or any general local government funding for 2024-25, beyond what was announced last year.
- Resource Departmental Expenditure Limit (DEL) budgets will increase by 1.0% in real terms over the medium term to 2028-29, which actually implies real terms cuts for 'unprotected departments' like the Local Government DEL.
- Local Housing Allowance rates will be raised to a level covering 30% of local market rents.
- Local Authority Housing Fund to be extended with a third round worth £450m to deliver new housing units and temporary accommodation for Afghan refugees.
- Local planning authorities to receive £32m to tackle planning backlogs.
- There are plans to allow local authorities to be able to fully recover the cost of planning fees for major planning applications if decisions are made within certain timelines.
- Additional UK-wide funding of £120m for homelessness prevention in 2024-25.
- The standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen for a fourth consecutive year.
- The 75% Retail, Hospitality and Leisure (RHL) business rates relief scheme will be extended to 2024-25.
- Local authorities will be fully compensated for the loss of income because of these two measures and will receive new burdens funding for administrative and IT costs.
- Reforms to the Local Government Pension Scheme (LGPS), including confirmation of guidance that will implement a 10% allocation ambition for investments in private equity, and establish a March 2025 deadline for the accelerated consolidation of LGPS assets into pools.

Based on initial analysis of the statement, FHDC will still need to make over £658,000 of savings in 2024-25, as part of an estimated £4.67 million funding gap over the next four years. FHDC has worked hard to protect its budgets, but there is no painless way to make savings on the scale required. Any low hanging fruit and general efficiencies are gone through the Priority Based Budgeting. Various Councils plan to use their reserves to balance budgets over the next four years. This is not sustainable.

Regarding local taxes, FHDC continues to argue that neither council tax (still reliant on property values from 1991) nor business rates (an increasingly burdensome tax for bricks and mortar business) are fit for purpose.

It is anticipated at this stage, that the Provisional Local Government Settlement will still be announced in December as usual and not delayed. This settlement announcement advises all Councils of their key Spending Funding Assessment (SFA) numbers for the next financial year. A final Local Government Settlement is published in late January to confirm final numbers.

Further details of the possible funding assumptions for this Council are detailed below in the detailed sections of this strategy report.

Medium Term Financial Plan update and rationale

Medium Term financial planning is critical in ensuring that the Council has a clear understanding of the level of available resources, the costs of delivering services and plans for new projects and services. This financial planning facilitates strategic choices around service delivery, efficiency, and service reductions. The MTFS informs the annual budget process, and the Council has a legal requirement to set a balanced budget each year.

The last Government Spending Review 2021 (SR21) was announced on 27 October 2021 alongside and set out the Government's spending priorities, resource and capital budgets and devolved administrations' block grants for the three years from 2022/23 to 2024/25. Key measures announced in the Spending Review for local government included:

- Local government in England will receive an additional £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).
- There were also smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security, and £34.5m to "strengthen local delivery and transparency".

Since the SR21, the Local Government Settlement policy statement for 2023/24 made a change to the referendum limits for Council tax. Council tax thresholds for "core" Council tax increased to 2.99% (and the adult social care precept by a further 2%) for the years 2023/24 and 2024/25 at least.

It is important to note that the Local Government grant increase (above) of £4.8bn was £1.6bn per year. This means that after adding £1.6bn to base budgets in year one (2022/23), the following years of 2023-24 and 2024-25 are flat cash with no further growth for inflation pressures or pay award.

Furthermore, the Fair Funding Review and business rates changes have been pushed back to at least 2025/26, if not later, as announced by the Government as part of the finance policy statement in December 2022. Latest updates suggest that the Fair Funding Review is being modelled for 2025/26 with a view to implementation in 2026/27. Therefore, the longer term funding picture continues to remain unknown and uncertain, which makes financial planning in the long term more challenging.

In response to the financial challenges experienced over the past ten years, local government has innovated, streamlined services, and increased productivity over recent years. The Government's plans to devolve more responsibilities to local government through the localisation and retention of business rates have been delayed again. This work is currently being considered alongside the Fair Funding Review.

In terms of Council Tax, the current referendum limit for District Councils for the core element is 2.99% or £5, whichever is the greater. It is possible that the Autumn Statement or Local Government Settlement may vary this to give Councils an opportunity to raise Council Tax above this level. The outcome of that review at HM Treasury is still awaited.

In summary, the MTFs is a critical document in setting out the Council's approach to establishing a strong financial base to enable the Council's policies and priorities to be delivered whilst ensuring the Council's finances are sustainable and in-line with latest policy from Central Government. Within the document are some key issues which will need to be tackled due to the financial pressures outlined in the introductory sections of this strategy report. The Council's annual budget setting and strategy process will set out the detailed actions required to meet these but will in all cases be consistent with the direction and objectives of the MTFs.

Folkestone and Hythe Council - the Current Position

Folkestone and Hythe Council is a coastal district in south eastern England and home to a diverse collection of towns, villages, and environments. It covers an area of 140 square miles and has a population of over 100,000 people with approximately 51,000 dwellings in the district. The majority of the residents live in urban areas (67%) with the remaining 37% to be found living in rural areas. The Council has responsibility for a wide range of services including waste collection, planning, environmental enforcement, housing and homelessness, parking, and grounds maintenance. In 2023/24 the Council planned to spend approximately £19.8 million per annum net revenue (after income) on expenditure for services.

Continuing challenges for the Council to consider when establishing its priorities and financial strategy include, but are not limited to: considerable deprivation relative to the national average but with significant inequality within the District; rural areas have poorer access to services and facilities; the district suffers from high levels of disability/long term illness, reflecting, in part, the relatively high proportion of older people living in the District and bringing associated demands on local services; an increasing demand for housing is outstripping supply and there are rising house costs particularly in the private rental market as well as high demand for affordable housing and increasing levels of homelessness.

To add to this list in 2023/24, are increased mortgage interest rates for homeowners, unprecedented increases in the cost of living due to increases in energy costs, pay rises not linked to CPI rates and the growing use of food banks and potential homelessness.

The Council's Aspirations

Following a period of public consultation, the Council has outlined its vision and strategic objectives in the new Corporate Plan 2021/2030 – Creating Tomorrow Together:

The plan is focused on four service ambitions, positive community leadership, a thriving environment, a vibrant economy and quality homes and infrastructure and by 2030 will have achieved the following:

Creating Tomorrow Together

- **Positive community leadership** – local leadership in community services will be recognised for the vital contribution in creating a sense of place, health, and wellbeing. This will be a shared ambition with partners across our communities. Local leadership will address many of the inequalities that exist between our communities, and we will have improved access to services in our most deprived neighbourhoods. A strong and distinctive sense of place will prevail.
- **A thriving environment** - we will be recognised as an outstanding place and known as a green exemplar Council. Across the district, we will ensure excellent accessible open spaces for all. We will have invested in green infrastructure to enhance our superb natural environment and the Council itself will generate net zero carbon emissions.
- **A vibrant economy** - Folkestone & Hythe will have a thriving, distinctive and dynamic economy. It will have capitalised on major investment, will have responded positively to the structural challenges facing high streets, and will enjoy a diverse range of economic opportunities in its towns and rural areas. Building on its excellent connectivity it will attract more, higher-value employment, driving aspiration and demand for skills.
- **Quality homes and infrastructure** - Residents in Folkestone & Hythe will have better access to a wider choice of homes. New development will embrace high standards of sustainability and the district will be delivering planned, high quality housing with the necessary infrastructure to meet identified need, anchored by an ambitious new Garden Town at Otterpool Park.

At the heart of everything the Council does, it wants to build sustainable, resilient, and prosperous communities and has set out six guiding principles to run through all activities, they are:

- **Locally Distinctive**
- **Sustainable Recovery**
- **Greener Folkestone & Hythe**
- **Transparent, Stable, Accountable & Accessible**
- **Working effectively with partners**
- **Continuous Improvement**

The Council has also developed a detailed action plan which provides focus for the first three years and outlines the outcomes anticipated to be delivered over that period relating to the Corporate Plan service ambitions.

The Council will continue to deliver a range of major projects as outlined in the plans and initiatives focusing on putting the community and our customers first, whilst ensuring financial stability, and continuing the journey of service improvement alongside realising development projects at sites including Mountfield Industrial Estate, Biggins Wood and ultimately, Otterpool Park – a garden town for the future and the creation of new homes in-line with the Council's Local Plan.

Strategic Financial Objectives

The MTFs covers all areas of Council spending and is underpinned by the strategic financial objectives as set out below:

- To maintain a balanced Budget such that expenditure matches income from Council Tax, fees and charges, and government and other grants and to maintain that position.
- To maximise the Council's income by setting fees and charges, where it has the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs.
- To ensure a long term sustainable view is taken of any investments and the appropriate risk analysis is provided in considering those.
- To set a rate for Council Tax which maximises income necessary for the Council to deliver its strategic objectives but ensures that government referendum limits are not exceeded. The percentage increase will be reviewed annually.
- To ensure resources are aligned with the Council's strategic vision and corporate priorities.
- To safeguard public money and ensure financial resilience.
- To maintain an adequate and prudent level of reserves.
- To estimate the expenditure requirements over the life of the Strategy to ensure value for money is achieved and resources are utilised where outcomes are measurable and have real impact.
- To continue to improve value for money – managing people and money more efficiently and effectively to continue to improve value for money, standardise, streamline, and share best practice, getting better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services.
- To bring together the key issues affecting the Revenue Budget, the Housing Revenue Account, Treasury Management, and the Capital Programme.

- To review emerging issues and other influences affecting the Council's financial strategy, the forecast impact of these changes on both the demand for services and likely funding due to:
 - Global, national, and local economic factors
 - Demographic changes
 - Technological advances
 - Climate change
 - New legislation
 - Policy initiatives by both the Government and the Council.

The Council faces a number of difficult financial decisions if it is to achieve its corporate priorities in the current economic and financial climate which remains challenging. Effective prioritisation and management of resources therefore continues to remain significant for the coming years. It is prudent to assume a limited level of support from Central Government in the next years and if the U.K. enters a challenging period despite its ambition to grow the economy and boost investment within the sector.

Supporting the production of the delivery of sound financial planning for the Council are several Council wide documents and programmes including:

- The Corporate Plan 2021 – 2030 'Creating Tomorrow Together'
- Council Constitution, Part 10 – Financial Procedure Rules, Contract Standing Orders and Auditing the Council
- Economic Development Strategy
- The Medium Term Financial Strategy
- The HRA Business Plan
- Housing Delivery Action Plan
- The Council's Capital Strategy and Investment Strategy (Treasury Management)
- CIPFA Financial Management Code self-assessment and action plan
- The investment in longer term strategic developments to secure the financial future of the Council.
- The development of the garden town at Otterpool Park with a long term financial benefit for the Council and establishing sustainable communities for the future
- Otterpool Park LLP Business Plan
- The Folkestone Place Plan
- A sustainable and prudent reserves policy to underpin the financial resilience of the Council.

An MTFs stress testing exercise is now executed annually alongside a self-assessment against the CIPFA Financial Management standards and review of CIPFA's financial resilience index. The MTFs stress test ensures that the Council can constantly monitor a series of best and worst case scenarios to ensure that its financial plans are robust and based on varied assumptions.

The range of strategy documents and approaches provides the overall strategy of the Council in delivering its future agenda and as a combination they are owned by the Council as a whole. This MTFS brings together the financial strands of that approach in the context of the current financial climate and essentially provides a golden thread that runs through all the Council's plans to ensure sound financial planning, management, and stewardship.

Budget Process

The MTFS represents an overarching view of the finances of the organisation. It is the document that takes a medium term view of the financial environment the Council is operating in and looks to anticipate future demands and pressures so the Council can make longer term decisions over its financial sustainability. In addition to this, there are a number of key documents which contribute to the overall financial health of the organisation. These are:

- The Budget Strategy. This is produced on an annual basis and sets out the strategy for setting and managing the budget for the new financial year. It is here the detailed decisions on expenditure are taken including determining key growth and savings and fees and charges for the year ahead. MTFS assumptions are also refined for further details where these are available. For 2024/25, the Budget Strategy will also include the implications and impact for the Council that are contained in the Medium Term Fiscal Plan that is due to be announced by the Chancellor of the Exchequer on 22 November 2023 (where feasible given the time restraints).
- The detailed revenue estimates. These represent the operational detail for the following year's budget and form the basis of the following years budget monitoring and management.
- The Medium Term Capital Programme. This sets out the Council's capital expenditure plans over the medium term. This also informs the revenue budget of the costs and implications of any proposed developments. For 2024/25 this is highly critical due to the increased costs of capital financing because of higher interest rates and long term borrowing rates.
- The Housing Revenue Account. This sets out the annual capital and revenue budget for the Council's housing stock and links to the 30-year business plan. For 2024/25 the impact of CPI inflation on costs, borrowing and rent increases or a cap on increases will be a key consideration.
- The Treasury Management, Capital, and Investment strategies. These documents set out the approach to managing the cash available to the Council and how to maximise its value to the Council. They also consider all the Council's investments and plans to achieve future returns over the longer term. Again, the strategy for 2024/25 will be crucial to the impact of interest rate increases on both investments and borrowing costs for the Council.
- Fees and Charges. This sets out a corporate view of the fees and charges which are levied by the Council for consideration each year.

Together these reports lead to the final Council Tax setting report that will be presented to Full Council in February 2024 and the agreement of the Budget for the new financial year.

Priority Based Budgeting

For the 2024/25 budget, the Council utilised a budgeting approach known as Priority Based Budgeting (PBB). Having carried out a self-assessment of the Council current budget setting processes, the Council identified a new approach to budget setting that would ensure that the Council have a Priority Based Budgeting (PBB) approach, which allocates scarce budget resources to the areas of service that are of highest priorities and delivers the outcomes the Council want to achieve for local people under the new administration.

The model seeks to ensure that budgets are set and that service areas are resourced to deliver on their priority areas, with any budget savings being made in areas that are considered lower priority. The core concepts are to –

- Prioritise services.
- Eliminate the unnecessary spending.
- Question spending
- Budget within the Council means.
- Understand commitments, controllable cost/non-controllable, contract, etc.
- Be transparent about community priorities.
- Be transparent about financial implications.
- Responsible budget holder accountability.
- Discretionary or Statutory service review.

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

The draft budget package prepared by officers consider savings from both corporate reviews as well as departmental proposals, but all should reflect the agreed priorities and focus on the use of resources. This also ensure that members have an opportunity to review the draft budget package and make changes before it is formally submitted to Council. Members would still make the final decisions on budgets as is the case now but with a focus on delivery of priorities and outcomes rather than the detail of every individual proposal.

Financial Pressures and Projections

The last eight years have seen significant shifts in funding for the local government sector. The spending review in 2015 confirmed a transition away from direct central government Revenue Support Grant (RSG) and for Folkestone and Hythe this grant was consistently reduced from £4.901 million in 2013/14 to nil. This is in line with the Government's intention to see more money raised locally for its core spending base from local taxation (Council Tax and Business Rates) to provide local services. The Government's intention was to introduce a new funding regime for Local Government based on a Fair Funding formula coupled with a major review of the Business Rates system to help Council's keep more of their business rates growth.

Since April 2020, there have been constant delays and setbacks to the introduction of the Fair Funding Review. The review was anticipated to make major changes in the structure of local government finance including local business rates retention, a revised allocation of resources and new arrangements to replace the New Homes Bonus to reward those Councils which support home building. A spending (SR21) was finally announced on 27 October 2021 alongside an Autumn Budget, and this set out the government's spending priorities and funding plans for 2022/23 through to 2024/25. However, whilst this provided a steer of the financial impact for the Council over this period, the Council like others is still dependent upon a local government settlement that is announced annually in December. This is known as the Provisional Local Government Finance Settlement.

The degree of uncertainty to the projections made within the MTFs remains on-going and funding announcements will have to be factored into the MTFs as they are announced. The Chancellor's Autumn Statement was delivered on the 22 November 2023 and the statement is still being analysed to determine how the Council projected deficit of £4.6 million will be addressed.

For 2024/25, a range of different economic factors have had to be considered in the MTFs, in light of the higher CPI inflation and increases in utility costs and the cost of living crisis. There has been turbulence in the financial markets and the costs of borrowing for Local Government has increased markedly due to the above factors. Many of these factors have not been previously expected by councils and so most Medium Term Financial plans have had to be re-cast to allow for these changes, some of which are still considered variable due to the uncertainty in the economic and financial environment that U.K. faces.

Key Financial Assumptions

The preparation of a four-year MTFs is based on a number of working assumptions. These inevitably become more difficult to predict as the period covered lengthens. Potential medium-term implications are considered as part of the risk assessment section of the report. The key financial assumptions, based on known and expected changes, in the revised MTFP 2024/25 to 2027/28 are detailed below and are summarised as follows:

- Business rates income – pending the result of the 2023 revaluation, the overall Business Rates income is unchanged from the previous MTFs.
- Securing a level of external funding through capital schemes.
- Council Tax Base (dwellings) – an increase of 1.00% in 2024/25 and growth of 1.0% p.a. thereafter.
- Council Tax model increases of the higher of 2.99% at Band D equivalent for 2024/25 or £5.00 (whichever is the higher) per annum.
- An assumed pay award of 3.0% p.a. for 2024/25, 3.0% for subsequent years and 1% for salary increments and maintaining the adoption of the Real Living Wage.
- Selective prices inflation at an average of 5.5% to reflect contractual commitments and price risk areas.
- Interest rates receivable budget in 2024/25 of 5.5% in line with advice provided by our treasury advisers.

As many economic commentators have reported, Councils currently faces a future of “known–unknowns” and this makes for a period of great uncertainty in terms of effective financial planning. As such, the forecasts set out below for the MTFS recognise current service levels plus any known and agreed variations. They are based on a continuation of those service levels and reasonable assumptions in relation to pay and price inflation and other known pressures. The forecast is based on a mid-range scenario and will need to be updated in line with government announcements and as new information becomes available as detailed in the introductory sections of this strategy report.

2024/25 Provisional Local Government Finance Settlement and adjustments to the Budget

The Provisional Local Government Finance Settlement was announced by the Department for Levelling Up, Housing & Communities (DLUHC) on 18 December 2023. The broad approach is based on a uniform roll-over of the core elements of the 2023/24 settlement funding assessment (SFA) however, new additional resources have been made available for one further year consisting of a reduced New Homes Bonus; a 3% Funding guarantee grant and a reduced service grant – plus a CPI multiplier cap compensation for Business Rates. These new resources are in the form of one-year grants and have been welcomed by all councils.

The 2024-25 settlement is effectively the second year of a two-year settlement. Almost everything in the settlement has already been announced, either in the Autumn Statement (22 November 2023), the Policy Statement (5 December 2023), or the response to the technical business rates consultation (14 December 2023).

The settlement continues the series of real terms increases in Core Spending Power that started in 2020-21. Funding increases might not feel very generous to authorities who are wrestling with very significant spending pressures – but they have been higher than the headline rate of inflation and will be again in 2024-25. However, CSP increases are likely to be lower from 2025-26 onwards, and reliant on council tax rises rather than grant increases.

It has been a good provisional settlement for Folkestone and Hythe District Council. In particular, the Council benefits from the receipt of additional new grants (one year only) for a reduced New Homes Bonus; a 3% Funding level guarantee and a reduced Service Grant allocation.

The current MTFS forecast, set out at Table 1 below, and identifies the future pressure that the Council would be facing, and it is clear to see that the Council faces a marked increases in cost and price pressures in years 2024/25 onwards. It should be noted at this stage that due to the projected financial resources (including the government provisional settlement) and economic pressures outlined above, the current MTFS forecast shows a cumulative funding gap of £2.78m over the lifetime of this MTFS.

The table below shows the cumulative deficit over the period of the MTFS.

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

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

The MTFFS currently forecasts a balanced budget for the forthcoming financial year - 2024/25, following the Council's new approach to budget setting, transformation programme, achieved savings, recently announced positive Government Provisional Settlement, etc. Some of the key underlying assumptions and drivers are set out in the paragraphs below:

Council Tax

Council Tax is one of the key core funding streams for the Council and accounts for approximately two thirds of the Council's income. Although this is a significant funding source, it is subject to restrictions by central government. The Localism Act included a requirement to hold a local referendum if any Council Tax increase is deemed 'excessive' and this level is currently set at 2.99% by central government, or £5 for a district Council (whichever is the higher). It is possible that changes to these limits may be introduced by the Government as highlighted in the introductory sections of this strategy report.

The MTFFS as presented here, assumes an ongoing Council Tax increase of 2.99% per annum however this will be subject to a member decision on an annual basis dependent on circumstances at the time. A 1% increase in Council tax, based on the revised Council tax base and other adjustments, will raise approximately £110k for the Council in 2024/25, which is approximately 0.7% of net revenue spend (excluding Town and Parish precept costs).

Use of Reserves

The Council has a level of reserves which includes a General Fund Reserves Balance and a level of Earmarked Reserves. These reserves provide the Council with some protection against the difficult economic times and short term gaps in funding. The level of reserves currently held by Folkestone and Hythe gives it a secure financial base however it is important to have an appropriate balance between supporting the financial position of the Council and planning the delivery of services. The Council has identified specific uses for much of the reserves including setting aside sums to support the regeneration of High Streets and sums to support the Council's carbon net zero ambitions amongst other key priorities. Whilst the Council will seek to continue to add to earmarked reserves and seek to deploy them for their intended purpose, in the current financial climate it may be necessary to deploy reserves for other important needs.

The Council had to use a level of reserves to balance its 2023/24 Budget, and this may also have to be considered for the 2024/25 Budget due to the likely cost pressures outlined in the earlier sections of this strategy report.

Appendix 3 to the 13th December Cabinet report sets out the Council's overall reserves policy and the context in which decisions are made as to the appropriate level of reserves.

Table 2 – Reserves available at Q3 – 2023/24 as at December 2023

Earmarked Reserve	Balance at 1/4/2023	2023/24 Movement		Estimated Balance at 31/3/2024	Purpose
		In	Out		
	£000s	£000s	£000s	£000s	
Business Rates	(1,657)	-	26	(1,631)	To support the Rates Retention Scheme.
Leisure	(497)	-	-	(497)	To meet future leisure improvements.
Carry Forward	(2,298)	-	88	(2,210)	For items of expenditure not incurred or grant & income not applied in the previous financial year
Vehicles, Equipment and Technology Reserve	(277)	(200)	-	(477)	To meet vehicle, equipment and technology replacement needs or improvements.
Maintenance of Graves	(12)	-	-	(12)	Amounts held in perpetuity for grave sites.
New Homes Bonus (NHB)	(409)	-	200	(209)	To fund the anticipated additional cost of services
Corporate Initiatives	(687)	-	500	(187)	To support Corporate Plan objectives and goals.
IFRS Reserve	(5)	-	-	(5)	Accounting code changes support
Economic Development	(1,923)	-	1,364	(559)	Towards the regeneration of the district match funding
Community Led Housing	(253)	-	-	(253)	Ringfenced to support community-led housing
Lydd Airport	(9)	-	-	(9)	Support monitoring the conditions at Lydd Airport.
Homelessness Prevention	(925)	-	90	(835)	Flexibly fund ways to reduce the homelessness
High Street Regeneration	(1,233)	-	528	(705)	Regeneration projects within the district's high street areas.
Climate Change	(4,656)	-	1,155	(3,501)	To fund initiatives to help the Council achieve net-zero carbon emissions by 2030.
Transformation Fund	0	(1,500)	414	(1,086)	Set aside to enable investment in initiatives that will deliver future savings.
VAT Backdated Claim	0	(405)	405	0	Backdated claims refunded by the HMRC
Covid Reserve	(30)	(26)	56	0	To support collection fund deficit
Total Earmarked Reserves	(14,871)	(2,131)	4,826	(12,176)	
Total General Fund Reserve	(7,038)	(458)	1,786	(5,710)	

The Council's prudent approach to reserves means that a number of investments have been made using reserves to support initiatives such as Oportunitas (a company wholly owned by Folkestone & Hythe District Council to provide more homes for local people and to promote new employment and housing opportunities across Folkestone and Hythe) contributions towards Mountfield Road Industrial Estate and the acquisition of Folca. Table 2 above shows the levels of reserves currently available at Quarter 3 in 2023/24.

The Council holds a range of Reserves for a variety of reasons. The actual number and value fluctuate over the year as monies are spent on projects, new money is received from funders (most often from Government but not exclusively) and new reserves are created to respond to changing financial pressures. The Reserves are held as funding for specific projects, against known or potential expenditure or to meet future costs or allow for service developments and to allow value for money improvements.

A review of the Council reserve will be taking place in 2024/25 to consider the forecast use of reserves and to ensure that the Council retains a prudent level of reserves over the medium term. The review would cover a number of stages:

- To understand the spending plans regarding the current reserves over the next few years.
- Consider what level of general balances that FHDC should hold, based on a risk assessment.
- Identifying those reserves that are ringfenced as they have specific grant objectives to deliver.
- Considering what strategic earmarked reserves FHDC should hold.

Cost of Living

The Council's economic and fiscal position is clearly impacted by the wider national and international economic context. The United Kingdom's cost of living crisis started in 2021, when prices for many essential goods increased faster than household incomes, resulting in a fall in real income. Global and local factors have contributed to this. Global factors include (but are not limited to): cost of living crisis, the energy crisis and rising energy process, a supply chain crisis and Russia's invasion of Ukraine in 2022. Local factors, some unique to the UK, include high inflation, labour shortages (in part caused by the exit from the EU), and rises in Council Tax. Household incomes have not kept pace with rising prices.

New Homes Bonus Funding (NHB)

The New Homes Bonus was introduced in 2011/12 and has become an important funding source for Councils. It is designed by Central Government to incentivise new house building. Local authorities are rewarded with a financial bonus, equal to the national average Council Tax on each additional property built and paid for the following six years after the occupation as a non-ring fenced grant. This bonus is currently split in two tier areas 80% to the District Council and 20% to the County Council and includes where properties which have been empty for more than six months are brought back into use. There is also an enhancement for affordable homes.

In recent years, the government set out its intention to end New Homes Bonus, however with the delays to the Fair Funding Review its future remains unclear. The intention is to replace this mechanism with a different means of incentivising and rewarding housing growth.

Currently, the Council has a residual reserve of unused New Homes Bonus of £409k (see Table 2 above) and this is available for use if approved as part of the Budget Strategy. It should be noted that the Council utilised £2.18m of its earmarked and £1.78m of general reserves in 2023/24 to balance its Budget. This reserve is likely to continue to be depleted in 2024/25 unless the Government provide a compensating alternative.

On 18 December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), released a written statement to Parliament on the provisional local government finance settlement 2024/25.

Reduced New Homes Bonus - New Homes Bonus (NHB) will continue in 2024-25. The government provided a one-year extension to the NHB scheme for 2024/25 and has stated the future of NHB will be set out ahead of the future settlement. The council received a reduced amount of £0.135m in 2024/25 (£0.366m in 2023/24).

Homelessness, Asylum, & Refugees

The 2023 Autumn Statement on 22nd November 2023, include the following: -

- Local authorities will receive £120m to invest in homelessness prevention. DLUHC subsequently confirmed this is new money for 2024-25, but the share for England is yet to be confirmed.
- A third round of funding of £450m from the Local Authority Housing Fund to deliver 2,400 new housing units and temporary accommodation for Afghan refugees.
- 'Thank you' payments for 'Homes for Ukraine' sponsors will be extended another year (and continue at £500).

Business Rates (Non Domestic Rates)

The Governments long standing Business Rate Scheme through which local authorities would be able to retain a proportion of any business rates growth above a set baseline. The purpose was to give local authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth. Whilst this scheme has been broadly welcomed by local authorities, there are concerns over the potential volatility of this income stream with the level of appeals and that even a small variation in the overall revenue generated can carry a significant financial impact. The government is currently undertaking a review of how business rates operate and has stated its intentions to achieve 75% localisation of business rates, the commencement of this proposal has been delayed alongside the Fair Funding Review.

Regarding the MTFs, the Council has welcomed the emphasis on economic growth but has been cautious about building this into the base budget. Part of this is due to the impact of appeals and the volatility of the income which makes it more complex to forecast. Where possible, any surpluses have been placed within a reserve until there is a degree of certainty that they can be used which may well not be until the following financial year. This is prudent management to manage the natural fluctuations of the business cycle.

The role of business rates in the funding of the Council will be affected by the Fair Funding Review. The full impact of this will only become clear as proposals are developed with likely implementation from 2025/26. This adds a further element of uncertainty to the projected position and suggests caution is needed in any future projections.

The 2023 Autumn Statement on 22nd November 2023 made the following reference to business rates -

- The small business rate multiplier will be frozen for another year at 49.9p whilst the standard rate multiplier will be updated with September CPI (6.7%) to 54.6p.
- The 75% Retail, Hospitality and Leisure (RHL) business rates relief scheme will be extended to 2024-25 with a £110,000 cash cap per business.
- For both the rate freeze and RHL relief measures, local authorities will be compensated for the loss of income and for new burdens related to administrative and IT costs.

Office for Budget Responsibility forecasts

Previous analysis of data provided by the Office for Budget Responsibility (OBR) showed that the economy was being adversely affected by the cost-of-living crisis and the impacts of the war in the Ukraine. A summary of the economic data and forecasts published as part of today's Autumn Statement are as follow -

GDP Growth - Table A1 shows the GDP growth forecasts against those published in previous announcements. The table shows that the forecast for UK wide economic growth for 2023/24 is now 0.4% higher than in the Spring Budget 2023. However, it is then shown lower for the subsequent two years by 1.2% in 2024/25 and 0.9% in 2025/26, before being broadly the same in the final two years of the forecast.

Table A1 GDP Growth Forecasts

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	1.7%	0.6%	0.9%	1.5%	2.0%	1.9%
Spring Budget 2023	1.4%	0.2%	2.1%	2.4%	2.1%	1.8%
Autumn Statement 2022	1.3%	-1.2%	2.0%	2.6%	2.6%	2.1%
Spring Statement 2022	2.2%	1.9%	2.1%	1.7%	1.7%	

Inflation – CPI - Table A2 shows the CPI inflation forecasts against those published in previous announcements. The most significant message the table shows is that after reaching a peak at 10% in 2022/23 there will then be a decline in the level of CPI in 2023/24 to 6.1% followed by further reductions to 3.0% in 2024/25 and an average of 1.6% per annum in the following three years.

These latest forecasts for CPI inflation are however higher in every year of the forecast from 2023/24 onwards by on average 1.4% per annum than at Spring Budget 2023.

Table A2 CPI Inflation Forecasts

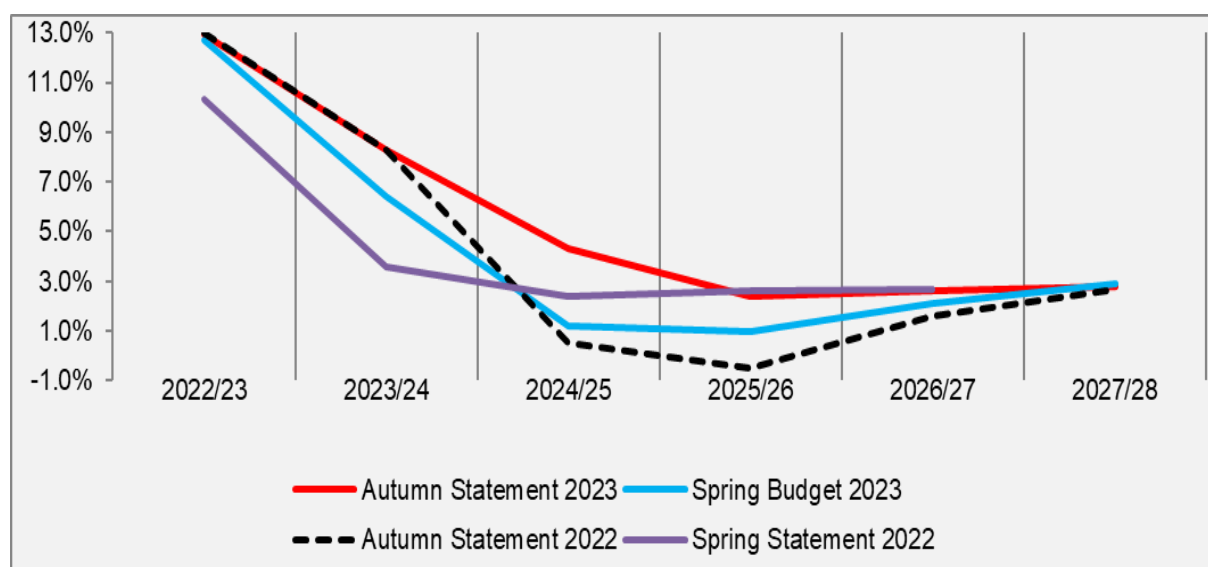
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	10.0%	6.1%	3.0%	1.6%	1.5%	1.8%
Spring Budget 2023	9.9%	4.1%	0.6%	0.0%	0.8%	1.7%
Autumn Statement 2022	10.1%	5.5%	0.0%	-1.0%	0.8%	1.8%
Spring Statement 2022	8.0%	2.4%	1.7%	2.0%	2.0%	

Inflation – RPI - Table A3 shows the RPI inflation forecasts against those published in previous announcements. The most significant message the table shows is that after reaching a peak of 12.9% in 2022/23, the forecast is for reductions to RPI in 2023/24 and beyond. However, RPI is shown higher at the Autumn Statement 2023 compared to the Spring Budget for the next four years by on average 1.7% per annum up to 2026/27.

Table A3 RPI Inflation Forecasts

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	12.9%	8.3%	4.3%	2.4%	2.6%	2.8%
Spring Budget 2023	12.7%	6.4%	1.2%	1.0%	2.1%	2.9%
Autumn Statement 2022	13.0%	8.3%	0.5%	-0.5%	1.6%	2.7%
Spring Statement 2022	10.3%	3.6%	2.4%	2.6%	2.7%	

Figure A3 RPI Inflation Forecasts



Climate Emergency

The Council formally recognised, in 2019, that there is a climate & ecological emergency and has agreed to commit to several activities which will reduce its carbon footprint, and which will move towards a carbon neutral district. A Working Group has been established to consider the options and implications and an Action Plan for our own estate has been adopted and a district wide strategy is anticipated to be created during 2022. The Council has allocated funds to an earmarked reserve to manage the financial implications of the actions required and facilitate progress on the agenda. The Council has a Climate Change reserve, and this reserve currently holds £3.9 million.

Future Strategies

The current negative forecast means that there will need to be significant work undertaken to address the forecast deficit over the term of the MTFs. Set out below are some of the key areas to be developed through the 2024/25 budget strategy and beyond to address those financial challenges.

Re-focusing of Priorities: The Council needs to prioritise and rephase the work it is undertaking to recognise the financial challenges it faces. We will continue to undertake and re-focusing work throughout the term of the medium term financial strategy but with a focus upon the early years of the plan, with the intention of delivery base budget recurring savings. This work will include a review of services performed, identification of opportunities to improve the efficiency, improve service delivery and resilience through improved 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 and regenerating parts of the district.

Bigginwood was acquired with the objectives of boosting the local economy, increase job opportunities and providing more homes (including affordable homes) and is anticipated to deliver 77 residential units, 660m² of commercial office units and 5,142m² of light industrial units. The Council has undertaken remediation and infrastructure works to the site to enable it to be sold for the planned redevelopment; it is currently in the process of being sold.

The largest development is that of the proposed new town at Otterpool Park and options are being explored to generate future revenue and capital streams. A full financial model was completed in 2019 to consider the long term potential returns from the development. During 2020 the Council acquired its partner's stake in the site and now has full control of the project. Also, during 2020 the Council established a Limited Liability Partnership (LLP) to manage the delivery of the project. The LLP's first Strategic Business Plan was approved by the Council in January 2021 and the first review of this was approved by Cabinet in January 2022.

The draw-down of funds from the Council will be linked to key milestones contained in separate detailed funding agreements which will be the subject of expert advice to be commissioned by the Director of Corporate Services (the S151 Officer of the Council) to regulate the milestones for draw down, the terms for repayment, security, and all other provisions which it would be prudent to include. The MTFs incorporate income from Otterpool Park, which is represented as interest on the loans the Council will make to the LLP to facilitate infrastructure and land acquisition. As outlined within the risks, this is a volatile area with many dependencies affecting the financial position, the sums do have an impact upon the MTFs itself, so will be monitored closely.

The Council's Cabinet on Wednesday, 18th October 2023 considered a paper on Otterpool Park LLP. The report presents an update on Otterpool Park and details outcomes of the governance, finance, and management reviews to ensure the successful continuation of this important significant project.

Recommendations cover the strategic direction, funding, and future delivery of the project. The report, which also includes details on delivery and financial risks for the Council is available through the link below.....

<https://folkestone-hythe.moderngov.co.uk/mgCalendarMonthView.aspx?M=11&CID=0&OT=&C=-1&MR=0&DL=0&D=1&ACT=Earlier&DD=2023>

The Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision. The broad principles on which this should be based are proposed as:

- A Joint Venture (JV) between the Council and third party on a strategic, site-wide basis.
- The JV partner to demonstrate a track record of facilitating development at scale, and a commitment to delivering the vision for Otterpool Park.
- The JV partner to share the role, risk, and responsibility as Master Developer for the whole site.
- The Council retaining a significant stake - preferably 51% control.
- The JV partner makes a financial contribution to costs already incurred by the Council.
- The JV agreement to release an early capital repayment to the Council.
- Future profit / returns to be on a shared 'risk and reward' basis; and
- Delivery and financial risk to the Council mitigated to an acceptable level of tolerance.

Folkestone Town Centre Levelling Up Funding Application

The Council was successful re the Levelling Up Funding (LUF) bid of £19.8m from the Government to support its plans for the regeneration of Folkestone town centre. The bid builds upon the Council's Place Plan for the centre of Folkestone and seeks funds for three key strands of work which aim to improve the appearance and use of the town centre including key links to it. A provision has been made in the existing approved Medium Term Capital Programme for this scheme.

A **financial review** of previous years' outturn and our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained. This is a fundamental annual review of our current operations in order to maximise the use of our current resources.

Using **reserves** in a sustainable and prudent manner to support the Council's strategies and priorities. These are informed by the reserve's strategies at Appendix 2, and it is recognised that these can only be used on a "one off" basis. However, they can play an important part in supporting initiatives or investments which can produce benefits in the future. The current financial climate means the Council may need to utilise reserves in the short term to protect front line services whilst its longer term plans are brought to a conclusion. It is highly likely that the Council's reserve balances will be further depleted if the Government's financial support to Local Government for 2024/25 is below inflationary levels.

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. It has utilised Flexible Capital Receipts where possible to fund the transformation programme and to take pressure off the revenue account. All these are managed on an ongoing basis.

To maintain the Council's financial standing it is important that it continues its proactive approach to financial planning and ensures that the savings plans are deliverable and that any investments are focussed on the financial health of the authority.

Housing Revenue Account

The Council has a separate ring-fenced account, the Housing Revenue Account (HRA) which supports local authority housing throughout the district. The HRA is required to produce a 30 year business plan which demonstrates the affordability and sustainability of the management and investment in the Council's housing stock. This financial plan is being brought to Cabinet alongside this MTFS.

The Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP, delivered the 2023 Autumn Statement on 22nd November 2023, which include the following-

- From April 2024, the government will raise Local Housing Allowance (LHA) rates to the 30th percentile of local market rates. This is intended to relieve housing cost pressures for those on low incomes and living in the private rented sector.
- Housing supply measures were announced for specific local areas, including London, which, subject to business case approval, is to receive £23m in bus network funding to support housing in the Docklands 2.0 scheme.
- Additional planning funds were also announced, including £5m for DLUHC's Planning Skills Delivery Fund for local planning authorities to improve capacity, and £110m for a Local Nutrient Mitigation Fund to deliver schemes to offset nutrient pollution.
- There are plans to guarantee accelerated delivery decisions for major developments in exchange for a fee paid to local authorities. If accelerated timelines are not met, developers will receive a refund of these fees.

- There will be a new consultation early in 2024 on a new permitted development right to convert one house into two flats without changing the façade.

Medium Term Capital Programme

The Medium Term Capital Programme (MTCP) sets out how capital resources are used to achieve the Council's vision and corporate priorities. Funding for capital projects is limited and where possible external funding is used to supplement the programme. The Council has an affordable Capital Programme, and this is assessed against business cases taking into account future resources to support projects. A strategy has been adopted which will look to utilise capital receipts to support investments for the Council. Demand for financing potential new projects continues to outweigh the funding available and developments such as Otterpool Park will need to be prioritised as part of the programme.

The main strategic objectives of the Capital Programme, which provide the underlying principles for financial planning, can be summarised as follows:

- To maintain a five year rolling Capital Programme which remains within the approved affordable, sustainable, and prudential limits.
- To ensure capital resources are aligned with the Council's strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology.
- Prudential Borrowing to be undertaken to support the Council's priorities where there is a business case for it to do so and there are sufficient monies to meet in full the implications of capital expenditure, both borrowing and running costs.
- To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets.
- To use internal resources alongside external resources where appropriate to support the capital programme and minimise any borrowing costs.

The Council forecasts its capital programme over a 5 year period. A full update to the MTCP will be made to Cabinet in January 2024 before being submitted to full Council for approval in February 2024 as part of the annual budget setting cycle.

Risks and Sensitivities

In considering the future projections, it is recognised that there are unknowns which could impact upon the existing forecasts. The MTFs should therefore not be seen as a static document but rather one that is constantly evolving as the environment around it changes.

In terms of financial planning for 2024/25, the projection in the MTFs is likely to see many changes before the budget reaches Cabinet and Full Council in February 2024 for decision and approval.

It is a requirement of the CIPFA Financial Management Code that the Council considers different scenarios when developing its MTFs, and while it is accepted that the MTFs cannot be based on full knowledge of the future, there will be "events" which cannot be predicted or the impact of which cannot be quantified.

It is important to consider the Council's ability to withstand significant external 'shocks' and how it could potentially manage these. This testing is about the ability to cope should the "what if?" happen and not the likelihood of it happening which is dealt with through the risk management strategy and the review of the robustness of estimates and reserves.

Some of the key risks and sensitivities which are included in the Council's corporate risk register and need to be monitored are mentioned below.

- **Funding.** As previously explained, the future funding arrangements to be established by government pose a potential risk to the council. It is not expected that the new arrangements will come into place until 2025/26, a further delay to the previously extended delay, although final confirmation is awaited of this from the Government. Changes to the funding formula for Local Government have been delayed for several years, with the earliest opportunity for implementation being 2025/26.

The outcome from the review could increase or reduce funding compared to those values included in the medium-term financial strategy. At this stage no intelligence has been received from supporting professional bodies that would support different assumptions to those being used in the forecast.

The annual budget statement from the Chancellor of the Exchequer delivered on 22nd November 2023, could influence the medium-term financial strategy funding position. These are usually reflected within the Provisional Settlement that will be published prior to Christmas. This presents a level of risk, as additional grants could be awarded, but offsetting could be higher than anticipated costs, or reduced levels of existing grants that differ to the levels assumed within our current forecast.

The Autumn Statement updated the overall envelope for public spending to 2028-29. Total departmental spending will grow in real terms at 2.6% per year on average over this period. While the planned departmental resource spending will continue to grow at 1% per year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year RHL business rates relief scheme.

- **Economic conditions.** The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures, and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model. The economy has recovered well following COVID-19 restrictions and the UK's labour market has proved more resilient than expected, although there are new national issues impacting on the picture due to the war in Ukraine and the cost of living crisis and rising interest rates affecting borrowing costs.

Funding settlements in the next spending review are likely to be very tight indeed. The Office for Budget Responsibility (OBR) forecasts increases in Departmental Expenditure Limits (DEL) of 3.9% and 3.7% in 2025-26 and 2026-

27 respectively. These uplifts are likely to be reduced and many services (mostly the NHS and Defence) are likely to take the lion's share of any increases.

For local government, there is no planned additional increase in grant funding. Even if the previous year's allocations are seen as generous, this is clearly insufficient to meet the cost of inflation and cost of living crisis over the 3 years of the spending review. Local Government expects DLUHC to make a bid to the Treasury for additional funding. Any additional funding is not likely to be announced until December. The chances of a material increase in funding for local government (outside social care) are considered to be slim.

- The Chancellor set out the Autumn Statement for 2023 with a lookback to three of the Prime Minister's five priorities which were explicitly economic: halving inflation, growing the economy, and reducing debt—his assessment is all three of these promises have been met.
- In halving inflation, CPI fell from its 11% peak in October 2022 to 4.6% in October 2023. This is predicted to reach the government's target of 2% CPI by the second quarter 2025.
- On growing the economy, the Office for Budget Responsibility assumed the UK economy would be 1.1% smaller by summer 2023 than its pre-pandemic level; however, Office for National Statistics figures showed the economy was 1.8% larger.
- On reducing debt, the government is predicted to hit its self-imposed fiscal targets across the forecast period, namely for public sector net debt to have fallen in the final year of the forecast (2028-29) and for public sector net borrowing to not exceed 3% of GDP by 2028-29.
- **Levelling up.** The government is seeking to level up across the whole of the United Kingdom to ensure that no community is left behind. Three new investment programmes have been launched, UK Community Renewal fund, Levelling Up fund and Community Ownership fund. The Council has submitted and was successful with its application for funding to support its key priorities and particularly the achievement of the objectives in the Folkestone Place Plan.
- **Otterpool Park.** Given the scale of the Garden Town project, it has a significant bearing on the Council's MTFS. There are several factors which present risk and sensitivity to the plan. The Otterpool Park LLP is fully funded by the Council. It is anticipated that the Council will be the lender of the LLP and will need to fund the initial infrastructure (through debt and equity in the LLP). Factors which have a financial impact on this plan in this regard include interest rates available to the Council, the timescale for the delivery of the infrastructure, the sequencing of that work, and indeed when the LLP will be in a position to sell serviced plots to housebuilders, and market rates of both constructions and plot prices.

The Council's Cabinet met on Wednesday, 18th October 2023, to consider a paper on Otterpool Park LLP – Strategic direction, funding, and delivery. The report covers the review outcome and key issues that the Council must consider concerning the strategic direction, funding, and delivery of Otterpool Park. The Cabinet resolved to explore the potential of a strategic joint venture partner leading to third party funding, skills, and expertise to support continued delivery of Otterpool Park based on broad agreed principles.

- **Local Government Finance Settlement.** Whilst the SR21 Spending Review (CSR) has provided some clarity we await the detail that the final finance settlement for 2024/25. On 18 December 2023, the Government published the provisional local government finance settlement for 2024/25. The 2024-25 settlement is effectively the second year of a two-year settlement. Almost everything in the settlement has already been announced, either in the Autumn Statement (22 November 2023), the Policy Statement (5 December 2023), or the response to the technical business rates consultation (14 December 2023). The settlement continues the series of real terms increases in Core Spending Power that started in 2020-21. Funding increases might not feel very generous to authorities who are wrestling with very significant spending pressures – but they have been higher than the headline rate of inflation and will be again in 2024-25. However, CSP increases are likely to be lower from 2025-26 onwards, and reliant on council tax rises rather than grant increases.

These are the main headlines from yesterday's provisional finance settlement:

- “Core” Band D council tax (2.99% maximum increase, or £5 for shire districts).
- Adult social care (ASC) precept (2% in 2024-25). No change from 2023-24 Policy Statement.
- Baseline Funding Level (BFL) and Revenue Support Grant (RSG). Local authorities' BFL allocations will be uplifted by the “weighted average index”. RSG allocations will be uplifted in line with the Consumer Price Index (6.62%).
- Cap compensation will be paid to compensate authorities for lost income arising from the decision to freeze the small business rating multiplier. Adjustments will be made to take into account different indexation factors used for BFL.
- 3% Funding Guarantee. Continues into 2024-25 and calculated on the same basis as in 2023-24.
- Services Grant will continue to operate in the same way in 2023-24 but with a significant reduced overall amount (down from £483m to £77m).
- New Homes Bonus (NHB) will continue in 2024-25. No future legacy payments.
- 100% business rates pilots will continue for another year, but ministers will review their contribution policy objectives. Business rates pooling will be available in 2024-25.

- **Government Finance Legislation.** There are key pieces of government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the government's Fair Funding Review of local government finance which is now anticipated to take place future year.
- **Other Government Legislation.** There are a significant number of political initiatives particularly in relation to localisation and the role of local government. These will need to be assessed for their relevance to Folkestone and Hythe and the impact on future finances.
- **Buoyancy of income streams.** These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored. The 2023/24 budget prudently allowed for reductions in income for some facilities, whilst car parking income is returning to normality that is not yet the position with leisure facilities income.

Conclusion

The MTFS represents the collation of the key financial documents which looks to forecast the likely financial position the Council will be facing over the next 4 years. It is the critical financial planning tool for the Council and will provide the overall steer for the ongoing discussions throughout the annual budget cycles in dealing with the current economic climate.

Appendices (*attached to the 13 December 2023 Cabinet report*)

2. MTFS workings
3. Reserves Policy
4. MTFS summary of variations
5. MTFS assumptions used (indices)



This Report will be made public on 23 January 2024

Report Number **C/23/80**

To: Cabinet
Date: 31 January 2024
Status: Key Decision
Corporate Director: Lydia Morrison – Interim Director Governance and Finance
Cabinet Member: Councillor Tim Prater – Deputy Leader and Portfolio Holder for Finance and Governance

SUBJECT: INVESTMENT STRATEGY 2024/25

SUMMARY:

This report sets out the Council's proposed strategy for its service and commercial investments in 2024/25 to be approved by full Council.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because: -

- a) The Council must have regard to both CIPFA's Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities Local Government Investment Guidance when carrying out its duties under Part 1 of the Local Government Act 2003.
- b) The Council is required to approve an Investment Strategy for the forthcoming year.

RECOMMENDATIONS:

1. To receive and note report C/23/80.
2. To recommend to Council that the 2024/25 Investment Strategy, including the Investment Indicators, set out in the appendix to this report is approved.
3. To note the Council's Approach to Environmental, Social and Governance (ESG) Considerations for Investments (Para 7 of the attached appendix).

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 (TMSS) which is due to be considered and approved by Cabinet as part of this agenda. 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.
- 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 be considered by Cabinet as part of this agenda before being submitted for approval to full Council on 28 February 2024. The investment strategy 2024/25 is also required to be approved by full Council on 28 February 2024, as part of the budget process.
- 1.6 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 and in line with the statutory guidance. 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.

- 1.7 **Environmental, Social and Governance (ESG) Considerations** – In line with statutory guidance and the CIPFA Treasury Management Code, the proposed TMSS includes an ESG Policy for the authority's treasury investments. For other investments the authority has committed to reducing its own carbon footprint to a net zero target by 2030 through the **Folkestone and Hythe District Carbon Action Plan** which sits within the framework provided by the draft Corporate Plan 2021-30, 'Creating Tomorrow Together'.

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 (AK)

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 (DL)

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

3.3 Diversities and Equalities Implications (DL)

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

3.5 Climate Change Implications (OF)

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 2024/25. 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.

Dani Loxton – Senior Finance Specialist (Capital and Treasury)

Tel: 01303 853583 Email: daniella.loxton@folkestone-hythe.gov.uk

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

Arlingclose Ltd – Investment Strategy Report 2024/25 Template

Appendices:

Appendix 1: Investment Strategy 2024/25

INVESTMENT STRATEGY 2024/25

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 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 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 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.
- 1.5 The statutory guidance defines investments as "all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios." The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

- 1.6 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.
- 1.7 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. 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.
- 1.8 On 18 October 2023, Cabinet considered a report providing an update on Otterpool Park detailing the outcomes of the governance, finance, and management reviews to ensure the successful continuation of the key project of the Council. Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision.

2. TREASURY MANAGEMENT INVESTMENTS

- 2.1 The authority 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 about £15m and £30m during the 2024/25 financial year.
- 2.2 **Contribution:** The contribution that these investments make to the objectives of the authority 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 authority's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the Treasury Management Strategy Statement (TMSS), due to be approved by

Cabinet on 31 January 2024 as part of the budget process for 2024/25. The approved TMSS will be published on the Council’s website.

3. SERVICE INVESTMENTS: LOANS

3.1 **Contribution:** The authority 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 authority 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

Category of borrower	31.3.2024 (Forecast)			2024/25
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
	£m	£m	£m	£m
Subsidiary – Oportunitas Ltd	6.7	(0.1)	6.6	6.6
Subsidiary – Otterpool Park LLP	18.6	(1.2)	17.4	69.3
FPPG Charity	0.4	-	0.4	0.4
Local residents/landlords (Housing)	2.4	-	2.4	3.1
TOTAL	28.1	(1.3)	26.8	79.4

- 3.3 The approved limits for 2024/25 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 2024/25 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 be 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 authority 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 authority 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 authority 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 authority 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 authority has invested in share equity for Oportunitas Limited and Otterpool Park LLP. In the future the authority 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 authority'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 authority's overall investment in Oportunitas provides an additional revenue stream to the General Fund.
- 4.3 **Contribution Otterpool Park LLP:** The authority'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 capital receipts or contributions from the development have been anticipated for the period of the latest Medium Term Financial Strategy (MTFS) to 2027/28.
- 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.

Category of company	31.3.2024 (Forecast)			2024/25
	Amounts invested £m	Gains or losses £m	Value in accounts £m	Approved Limit £m
Subsidiary – Oportunitas Ltd	4.9	(4.9)	-	4.9
Subsidiary – Otterpool Park LLP	2.4	(1.0)	1.4	7.5
TOTAL	7.3	(5.9)	1.4	12.4

4.5 The approved limit for 2024/25 includes;

- i) the cash value of the Council's share equity investment in Oportunitas Limited, and
- ii) the proposed equity in Otterpool Park LLP being a maximum of 10% 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 authority 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 authority'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 authority's investment in Oportunitas and Otterpool are based on original 45 year and 30 year periods, respectively. The authority'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 authority's total investment in the project can be met from the schemes projected net proceeds. The Council has overall control of 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 authority 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 authority 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 authority 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 authority 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
- 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	31/03/2024 (Forecast)			31/03/2025 (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)	1.3	1.3	2.6	1.3	1.3	2.6
Other Land	2.9	(0.9)	2.0	2.9	(0.9)	2.0
Otterpool land and property	10.2	0.2	10.4	10.2	0.2	10.4
Connect 38 Offices	17.9	(0.4)	17.5	17.9	(0.4)	17.5
Total	32.3	0.2	32.5	32.3	0.2	32.5

* 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 2024 meaning, where appropriate, they are shown at either their value as at 31 March 2023 (subject to Audit of Statement of Accounts) or purchase cost if planned to be acquired or constructed in 2023/24 or 2024/25 in table 4, above. Similarly, the accrued gains and losses only reflect those recorded at 31 March 2023.
- 5.4 **Security:** In accordance with government guidance, the authority 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 authority 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 2023/24 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 authority'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 authority 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 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.
- 5.6.8 Using credit checks if required to assess the financial strength of third parties the authority 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 authority 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 authority'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 authority 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 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 (2025/26 to 2027/28) in a deficit position of about £2.8m and the authority is continuing to explore investments to support the closure of this gap. As the authority'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

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Gross service expenditure	100.3	102.5	104.8	106.7	108.8
Net investment income to General Fund	2.6	4.1	5.2	6.0	7.1
Proportion	2.6%	4.0%	5.0%	5.7%	6.6%

7. ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

- 7.1 In line with statutory guidance and the CIPFA Treasury Management Code, the proposed TMSS 2024/25 includes an Environmental, Social and Governance (ESG) Policy for the authority's treasury investments. When investing in banks and funds, the authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 7.2 For service investments the authority has committed to reducing its own carbon footprint to a net zero target by 2030 and will take the opportunity to be an influencer of change within the district and plans to support local communities, organisations and businesses in the implementation of measures designed to reduce the CO2e footprint to net zero by 2030 of the district as a whole.
- 7.3 This Carbon Action Plan sits within the framework provided by the council's draft Corporate Plan 2021-30, 'Creating Tomorrow Together' that sets out guiding principles and service ambitions that have helped influence the Carbon Action Plan which has been developed alongside it. The purpose of which is to identify an evidence-based pathway to deliver cleaner growth, and specifically,

strategies and actions to eliminate poor air quality, reduce fuel poverty and deliver an affordable, clean, and secure energy supply.

- 7.4 Implementing carbon reduction actions and specific targeted measures may have a significant cost as well as many benefits (social, economic, environmental). Sourcing of funding to deliver the Carbon Action Plan objectives for the Council's own estate and to support / encourage the transition across the district will require careful and deliberate targeting of funds.

8. CAPACITY, SKILLS, AND CULTURE

8.1 Elected members and statutory officers:

- 8.1.1 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 2024 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.

8.2 Commercial deals:

- 8.2.1 The authority 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.

8.3 Corporate governance:

- 8.3.1 The authority 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 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.

9. INVESTMENT INDICATORS

- 9.1 The authority proposes to set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.
- 9.2 **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

Total investment exposure	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.2025 Forecast £m
Treasury management investments	24.3	15.0	15.0
Service investments: Loans	15.9	25.9	33.9
Service investments: Shares	0.5	1.4	2.2
Commercial investments: Property	29.6	32.5	32.5
TOTAL INVESTMENTS	70.3	74.8	83.6
Commitments to lend	63.0	52.8	44.2
TOTAL EXPOSURE	133.3	127.6	127.8

- 9.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the authority 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 authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 7 - Investments funded by external borrowing.

Investments funded by borrowing	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.2025 Forecast £m
Service investments: Loans	7.4	15.1	20.3
Service investments: Shares	4.4	5.4	5.9
Commercial investments: Property	23.7	24.2	23.8
TOTAL FUNDED BY EXTERNAL BORROWING	35.5	44.7	50.0

- 9.4 **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	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	3.0%	4.8%	4.5%
Service investments: Loans	2.3%	2.4%	2.8%
Service investments: Shares	(1.7%)*	(6.9%)*	(6.8%)*
Commercial investments:			
Otterpool Land and Property	(1.2)%	(5.7%)*	(5.0%)*
Connect 38 Offices	1.1%*	0.9%*	0.4%*
Other Commercial & Light Industrial Property	6.4%*	5.0%*	5.5%*
ALL INVESTMENTS	1.3%	1.2%	1.3%

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

- 9.4.1 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 23 January 2024



Report Number **C/23/81**

To: Cabinet
Date: 31 January 2024
Status: Key Decision
Corporate Director: Lydia Morrison – Interim Director Governance and Finance
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance
Subject: TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25

SUMMARY:

This Treasury Management Strategy Statement sets out the Council's proposed strategy for its treasury management activities for 2024/25, including Treasury Management Prudential Indicators.

REASONS FOR RECOMMENDATION:

Cabinet is asked to agree the recommendations set out below because: -

- a) The Council must have regard to CIPFA's Code of Practice for Treasury Management in the Public Services when carrying out its duties under Part 1 of the Local Government Act 2003, including approving an annual Treasury Management Strategy Statement in advance of the financial year.
- b) The Council's Financial Procedure Rules require an annual plan and strategy for treasury management to be approved in advance of the financial year.

RECOMMENDATIONS:

1. To receive and note Report C/23/81.
2. To approve the strategy for treasury management in 2024/25 set out in the report.
3. To approve the Treasury Management Prudential Indicators for 2024/25 set out in the report.
4. To recommend to Full Council that the proposed Treasury Management Strategy and Annual Investment Strategy for 2024/25, including the prudential indicators be approved.
5. To note the Council's Approach to Environmental, Social and Governance (ESG) Considerations for Investments (Para 5.10 – 5.11)

1. INTRODUCTION

- 1.1 Treasury management is the management of the authority's cash flows, borrowing and investments, and the associated risks. The authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the authority's treasury management strategy and its prudent financial management.
- 1.2 Treasury risk management at the authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code). The Code requires the authority to approve a treasury management strategy before the start of each financial year. This report fulfils the authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The authority's own Financial Procedure Rules also require an annual plan and strategy for treasury management to be approved in advance of each financial year.
- 1.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy which Cabinet is due to consider as part of this agenda ahead of it being submitted to full Council for approval on 28 February 2024.

2. ECONOMIC BACKGROUND AND PROSPECT FOR INTEREST RATES

2.1 Economic Background

- 2.1.1 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the authority's treasury management strategy for 2024/25.
- 2.1.2 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September, November and then again in December. In December, Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.
- 2.1.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.
- 2.1.4 Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, a reduction of 0.7% from the previous month and lower than the 4.3% expected. Core CPI inflation fell to 5.1% from 5.7%, again lower than the 5.6% predicted. Looking ahead, using the interest rate path implied by

financial markets the BoE expects CPI inflation to continue falling, but taking until early 2025 to reach the 2% target and then falling below target during the second half 2025 and into 2026.

2.1.5 ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

2.1.6 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

2.1.7 Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

2.1.8 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.9% in October 2023. Economic growth has been weak, and GDP was shown to have contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has been increasing rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

2.2 Credit Outlook

2.2.1 Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

2.2.2 On an annual basis, CDS price volatility have been lower in 2023 compared to 2022, but 2023 has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

2.2.3 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

- 2.2.4 Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.
- 2.2.5 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.
- 2.2.6 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

2.3 Interest Rate Forecast (December2023)

- 2.3.1 Although UK inflation and wage growth remain elevated, the authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early mid-2026.
- 2.3.2 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 2.3.3 A more detailed economic and interest rate forecast provided by Arlingclose is in appendix 1.
- 2.3.4 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 4.64%, and that new long-term loans will be borrowed at an average rate of 6.50%.

3. THE COUNCIL'S FORECAST BORROWING AND INVESTMENT POSITION

- 3.1 On 31st December 2023, the authority held £106.7m of borrowing and £25m of treasury investments. This is set out in further detail in appendices 2 (borrowing) and 3 (investments) to this report. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
General Fund CFR	16.8	16.8	16.2	20.4	24.5
HRA CFR	47.4	48.0	53.5	59.0	63.7
Investments CFR	77.2	87.0	93.0	104.2	115.0
Total CFR	141.4	151.8	162.7	183.6	203.2
Less: External borrowing	(107.1)	(106.5)	(63.2)	(45.2)	(41.5)
Internal borrowing	34.3	45.3	99.5	138.4	161.7
Less: Balance Sheet resources	(58.6)	(45.2)	(39.3)	(36.8)	(36.8)
Treasury Investments (-) or / New Borrowing (+)	(24.3)	0.1	60.2	101.6	124.9

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3 The movement in table 1 is based on the projected outturn for the current financial year, the draft revenue and capital budgets being proposed for 2024/25, the proposed General Fund and HRA Medium-Term Capital Programmes and information taken from the latest approved Medium Term Financial Strategy for 2024/25 and 2027/28. The authority has an increasing CFR arising from its planned capital investment and will therefore be required to borrow up to a further £124.9m over the forecast period, including replacing existing maturing debt.

3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2024/25.

3.5 Liability Benchmark

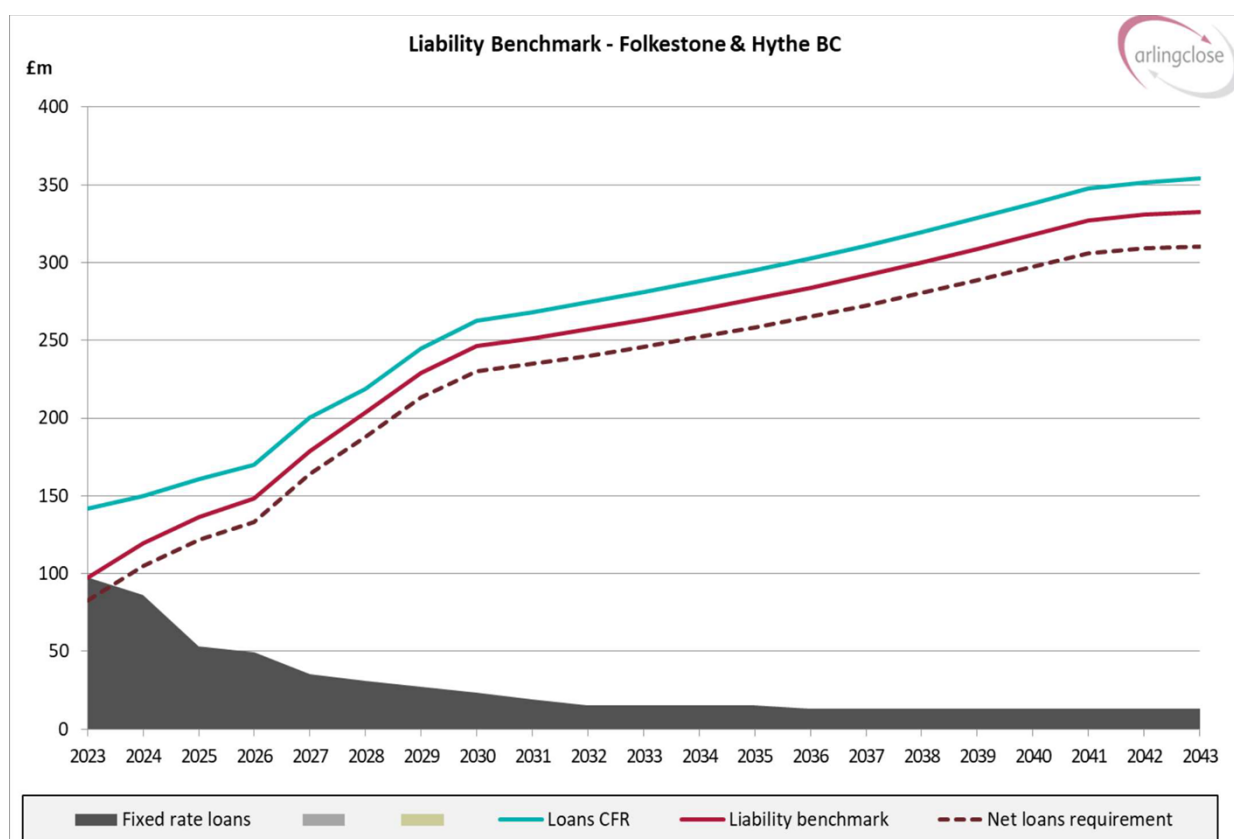
3.5.1 To compare the authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £15m at each year-end, in line with strategic investment objectives and cash flow requirements.

3.5.2 The liability benchmark is an important tool to help establish whether the authority is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator – Liability Benchmark

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
CFR	141.4	151.8	162.7	183.6	203.2
Less: Balance Sheet resources	(58.6)	(45.2)	(39.3)	(36.8)	(36.8)
Net loans requirement	82.8	106.6	123.4	146.8	166.4
Plus: Liquidity allowance	15.0	15.0	15.0	15.0	15.0
Liability Benchmark	102.8	126.6	143.4	166.8	186.4

3.5.3 Following on from the medium-term forecasts in table 2 above, the long term liability benchmark assumes further capital expenditure funded by borrowing after 31 March 2027 for Otterpool Park, FOLCA phase 2 (Folkestone town centre regeneration) and new leisure centre in the district, minimum revenue provision on new capital expenditure based on asset life. The liability benchmark currently excludes any future capital contributions or receipts from the Otterpool Park development to be used to reduce the CFR while the council explores a joint venture approach to delivering the project. The benchmark assumes the income, expenditure and reserves all increase by inflation of 2.5% a year. This is shown in the chart below:



- 3.5.4 The Council, despite having an increasing need to borrow as defined by the Loans CFR, can manage this borrowing requirement using existing balance sheet resources (balances, reserves, cash flow surpluses) through what is known as “internal borrowing”. The Liability Benchmark, calculated in accordance with CIPFA’s best practice, suggests that this internal borrowing position can be maintained for the foreseeable future.

4. BORROWING STRATEGY

- 4.1 The authority currently holds £106.7 million of loans, a small reduction of £0.4m on the previous year, as part of its strategy for funding previous years’ capital programmes. The balance sheet forecast in table 1 shows that the authority expects to borrow up to a further £60.2m over the period to 31 March 2025, including replacing maturing debt. The authority may however borrow to pre-fund future years’ requirements, providing this does not exceed the forecast authorised limit for borrowing of £190 million for 2024/25. The authorised borrowing limit will be considered in more detail as one of the prudential indicators for capital expenditure which will be included in the Capital Strategy for 2024/25 report to Cabinet as part of this agenda before going to full Council for approval on 28 February 2024.

4.2 Objectives

- 4.2.1 The authority’s chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the authority’s long-term plans change is a secondary objective.

4.3 Strategy

- 4.3.1 Given the significant reductions to public expenditure, in particular to local government funding, the authority’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to use internal resources or to borrow short-term loans instead. However, short-term loans must be regularly refinanced at the new market rate, leaving the authority exposed to the risk of interest rate rises.
- 4.3.2 By doing so, the authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the authority with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 4.3.3 The forecast of interest rates for borrowing from the PWLB for 50 years is a much flatter curve with these not expected to change much from their current levels. Therefore, it may still be appropriate for the authority to use longer term borrowing where it fits its capital investment plans, including those for the HRA.
- 4.3.4 The authority has previously used the PWLB as its main source of long-term borrowing. However over recent years the authority has borrowed from other local authorities for periods typically up to two years at rates significantly cheaper than the PWLB at that time. The authority will consider borrowing long-term loans from the PWLB as well as other sources including banks, pensions, and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the authority intends to avoid this activity in order to retain its access to PWLB loans.
- 4.3.5 Alternatively, the authority may arrange forward starting loans where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.3.6 In addition, the authority may borrow further short-term loans to cover unplanned cash flow shortages.

4.4 Sources of Borrowing

- 4.4.1 The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - UK Infrastructure Bank Ltd
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK.
 - any other UK public sector body
 - UK public and private sector pension funds (except the Kent County Council Pension Fund)
 - capital market bond investors.
 - retail investors via a regulated peer to peer platform
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
- 4.4.2 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback
 - similar asset based finance.

4.4.3 The **UK Municipal Bonds Agency plc** was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

4.5 Short-term and Variable Rate Loans

4.5.1 These loans leave the authority exposed to the risk of short-term interest rate rises and are therefore subject to interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section 7.2 below).

4.6 Debt Rescheduling

4.6.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5. TREASURY INVESTMENT STRATEGY

5.1 The authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the 9 months to 31 December 2023, the authority's investment balance has ranged between £19 million and £33 million with the average being £26.7 million. The average investment balance held is expected to reduce slightly to around £25 million in the coming year as the council uses more of its reserves to meet its approved capital expenditure plans and also continues to use some of its cash balances in lieu of external borrowing (i.e. internal borrowing).

5.2 Objectives

5.2.1 The CIPFA Code requires the authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The authority aims to be a responsible investor and will consider the environmental, social and governance (ESG) issues when investing.

5.3 Strategy

5.3.1 As demonstrated by the liability benchmark above, the authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

5.3.2 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

5.4 Business Models

5.4.1 Under the new IFRS 9 standard, the accounting for certain investments depends on the authority's "business model" for managing them. The authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.5 Approved Counterparties

5.5.1 The authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown. The limits being proposed for 2024/25 are unchanged from those applicable for 2023/24. Green energy bonds are proposed to be added to the list of approved counterparties for the first time and is explained further in the notes below.

Table 3: Approved Investment Counterparties and Limits for New Investments effective from 1 April 2024

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£5m	Unlimited
Secured investments*	3 years	£5m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	£6m
Registered providers (unsecured) *	3 years	£3m	£15m
Money market funds *	n/a	£5m	Unlimited

Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£5m	£15m
Green Bonds	3 years	£2m	£5m
Other investments *	3 years	£3m	£9m

Table 3 must be read in conjunction with the notes below.

5.5.2 ***Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.5.3 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

5.5.4 **Government** - Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 3 years.

5.5.5 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.5.6 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.5.7 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for

Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

- 5.5.8 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 5.5.9 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the authority's investment objectives will be monitored regularly.
- 5.5.10 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- 5.5.11 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the authority's investment at risk.
- 5.5.12 **Operational bank accounts:** The authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and the authority will endeavour to keep its end of day balances below £0.5m per bank. However, unexpected cash flow transactions may mean this level could be breached and would need rectifying on the next working day. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the authority maintaining operational continuity.
- 5.5.13 **Green Bonds:** Green bonds are a type of debt, usually unsecured corporate or government bond. On issuing this type of bond, a company — private or public — receives funds that must be used exclusively to finance or refinance (partly or fully) projects with a positive impact on the environment. Green bonds raise funds for new and existing projects which deliver environmental benefits, and a more sustainable economy. 'Green' can include renewable energy, sustainable resource use, conservation, clean transportation, and adaptation to climate change.

5.6 Risk Assessment and Credit Ratings

5.6.1 Credit ratings are obtained and monitored by the authority's treasury adviser, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.6.2 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.7 Other Information on the Security of Investments

5.7.1 The authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the credit rating criteria.

5.7.2 **Reputational aspects:** The authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

5.7.3 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.8 Investment Limits

- 5.8.1 The authority's revenue reserves available to cover investment losses are forecast to be about £21.5 million at 31 March 2024 and £21.4 million on 31 March 2025. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 5.8.2 Credit risk exposures arising from non-treasury investments, financial derivatives, and balances greater than £0.5m in operational bank accounts count against the relevant investment limits.
- 5.8.3 Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries, and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

Table 4: Additional Investment Limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country

5.9 Liquidity Management

- 5.9.1 The authority uses spreadsheet forecasts to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the authority's medium term financial plan and cash flow forecast.
- 5.9.2 The authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

5.10 Environmental, Social and Governance Policy

- 5.10.1 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5.10.2 **Folkestone & Hythe District Carbon Action Plan** - The Council has committed to reducing its own carbon footprint to a net zero target by 2030 and will take the opportunity to be an influencer of change within the district and plans to support local communities, organisations and businesses in the implementation of measures designed to reduce the CO₂e footprint to net zero by 2030 of the district as a whole.

5.10.3 This Carbon Action Plan sits within the framework provided by the council's draft Corporate Plan 2021-30, 'Creating Tomorrow Together' that sets out guiding principles and service ambitions that have helped influence the Carbon Action Plan which has been developed alongside it. The purpose of which is to identify an evidence-based pathway to deliver cleaner growth, and specifically, strategies and actions to eliminate poor air quality, reduce fuel poverty and deliver an affordable, clean, and secure energy supply.

5.10.4 Implementing carbon reduction actions and specific targeted measures may have a significant cost as well as many benefits (social, economic, environmental). Sourcing of funding to deliver the Carbon Action Plan objectives for the Council's own estate and to support / encourage the transition across the district will require careful and deliberate targeting of funds.

5.11 The Council's Approach to Environmental, Social and Governance (ESG) Considerations for Investments

5.11.1 ESG considerations specifically, and ethical considerations more generally, are topics of increasing interest within treasury management. Investment guidance, both statutory and from CIPFA, makes clear however that all investment must adopt the principals of security, liquidity, yield, and that ESG issues, although important, must play a subordinate role to those priorities.

5.11.2 Historically, the council has not included ethical criteria when determining its investment criteria. The investment environment can be very fast moving, so there is a need to ensure that any investment criteria are objective, such as credit ratings. It is difficult to gain an objective assessment of the ethical standing of a potential counterparty, particularly to a tight timescale.

5.11.3 Ethical considerations are difficult to evaluate objectively and would also need to be applied to the counterparty list after taking into account security and liquidity issues. The council's current counterparty list is, due to the high credit quality criteria used by the council, very small, and therefore does not encompass solely those organisations which promote themselves as ethical. Cash deposits with banks and money market funds are more difficult to apply ESG and ethical criteria against because the underlying assets are simply those of appropriate financial institutions, although they will have their own ESG policies in place. However, pooled funds and other structured investment products use defined asset classes, such as equities, bonds, and property, providing greater objectivity for ESG and ethical investment considerations.

5.11.4 Furthermore, the council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values. This would include avoiding direct investment in institutions with links to:

- Human rights abuse (e.g. child labour, political oppression);
- Environmentally harmful activities (e.g. pollutions, destruction of habitat, fossil fuels);
- Socially harmful activities (e.g. tobacco, gambling).

5.11.5 A small, but growing, number of financial institutions are promoting ESG products and Arlingclose Treasury Management Advisers are currently looking at how these can be incorporated into its creditworthiness assessment service. This is still very much an evolving area and should any investment in ESG products be undertaken by the Council, this would require to be within the approved counterparty and creditworthiness criteria, and with regard to the views of our treasury advisors on any proposals.

5.11.6 ESG criteria attached to investments can include a range of different factors depending on the region where their core activities take place and the commercial sector they occupy. The following are criteria that the Fitch Rating Agency takes into consideration:

- **Environmental Category:** Emissions and Air Quality; Energy and Waste Management; Waste and Hazardous Material; Exposure to Environmental Impact;
- **Social Category:** Human Rights; Community Relations; Customer Welfare; Labour Relations; Employee Wellbeing; Exposure to Social Impacts;
- **Governance Category:** Management Structure; Governance Structure; Group Structure; Financial Transparency.

5.11.7 The Council does invest in pooled fund and therefore does not fully have influence over the activities of companies that part-ownership might provide. However, as an investor the council can take the following approach:

- a. For direct investments, the Council will seek to ensure that counterparties (excluding the UK Government and other UK Local Authorities) have 'Responsible Investment Policies or Environmental, Social and Governance (ESG) policies' in place prior to investing.
- b. For indirect investments, the council will seek to ensure that any fund managers used have their own responsible investment policies or have signed up to widely recognised policies such as the United Nations Principles for Responsible Investment.
- c. The Council recognises that it has no control or influence over where its counterparties themselves lend money or invest once an investment has been made by the Council.

5.11.8 The investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt SLY principles – security, liquidity, and yield: ethical issues must play a subordinate role to those priorities. Arlingclose continue to investigate ways to incorporate these factors into their creditworthiness assessment service, but with a lack of consistency, as well as coverage, they will continue to review the options and will update the Council as progress is made.

6. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

6.1 The authority measures and manages its exposures to treasury management risks using indicators and those proposed for 2024/25 are outlined below for approval. The latest position for the indicators in 2023/24 against the existing approved target is also shown below.

6.2 **Security** - The authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2023/24 Target	31/12/2023 Actual	2024/25 Target
Portfolio average credit rating	A	A+	A

6.3 **Liquidity** - The authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	2023/24 Target	31/12/2023 Actual	2024/25 Target
Total cash available within 3 months	£5m	£8.1m	£5m

6.4 **Interest Rate Exposures** - This indicator is set to control the authority's exposure to interest rate risk. The upper limits of a 1% rise or fall in interest rates will be:

	2023/24 Target	31/12/2023 Actual	2024/25 Target
Upper limit on one year revenue impact of a 1% rise in interest rates	£191,000	£190,000	£180,000
Upper limit on one year revenue impact of a 1% fall in interest rates	(£191,000)	(£190,000)	(£180,000)

6.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. The change in the limits for 2024/25 are consistent with the authority's projected borrowing required for the year.

- 6.6 **Maturity Structure of Borrowing** - This indicator is set to control the authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	31/12/23 Actual	2024/25 Upper	2024/25 Lower
Under 12 months	21.0%	30%	0%
12 months and within 24 months	6.7%	40%	0%
24 months and within 5 years	7.7%	50%	0%
5 years and within 10 years	3.9%	80%	0%
10 years and above	12.1%	100%	0%

- 6.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The borrowing is measured against the authority's authorised borrowing limit.

- 6.8 **Long-term Treasury Management Investments** - The purpose of this indicator is to control the authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price Risk Indicator	2024/25	2025/26	2026/27	No Fixed Date
Limit on principal invested beyond year end	£15m	£5m	£5m	£20m

- 6.9 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

7. OTHER ITEMS

- 7.1 The CIPFA Code requires the authority to include the following in its Treasury Management Strategy.

7.2 Policy on Use of Financial Derivatives

- 7.2.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

- 7.2.2 The authority will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 7.2.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 7.2.4 In line with the CIPFA Code, the authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7.3 Policy on Apportioning Interest to the HRA

- 7.3.1 On 1st April 2012, the authority notionally split each of its existing long-term loans into General Fund and HRA pools. Since then, new long-term loans borrowed are assigned in their entirety to one pool or the other (General Fund or HRA). Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) are charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) result in a notional cash balance which may be positive or negative. This balance is measured over the financial year and interest transferred between the General Fund and HRA at the authority's average interest rate on treasury investments excluding strategic pooled funds, adjusted for credit risk if a net investment balance and the authority's average rate of borrowing if a net borrowing balance. This policy will continue for 2024/25.

7.4 Markets in Financial Instruments Directive

- 7.4.1 The authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the authority's treasury management activities, the Interim Director Governance and Finance believes this to be the most appropriate status.

8. FINANCIAL IMPLICATIONS

- 8.1 The net revenue cost of the council's treasury management borrowing, and investment activity based on information at budget setting time is estimated to be:

Description	2023/24 Estimate	2024/25 Estimate	Variance
Revenue Budgets	£'000	£'000	£'000
Interest on Borrowing	6,348	7,246	898
Less Capitalised Interest	(1,889)	(2,781)	(892)
HRA Element	(1,907)	(1,661)	246
GF Borrowing Cost	2,552	2,804	252
Investment income	(1,162)	(1,338)	(176)
HRA Element	311	219	(92)
GF Investment income	(851)	(1,119)	(268)
Net Cost (GF)	1,701	1,685	(16)

8.2 The main reasons for the projected net reduction in the General Fund borrowing cost of £16k in 2024/25 compared to 2023/24 are:

	£'000
i) Impact of higher interest rates on net GF borrowing costs	252
ii) Impact of higher interest rates on treasury management investments	(268)
Net reduction	(16)

9. OTHER OPTIONS CONSIDERED

9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Interim Director Governance and Finance, having consulted the Cabinet Member for Finance and Governance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Alternative	Impact on income and expenditure	Impact on risk management
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

10. RISK MANAGEMENT ISSUES

10.1 Inherently, treasury management is concerned with the management of risk, e.g. interest rate risk, market risk, credit risk and liquidity risk. The strategies in this Report are developed to minimise the impact of risk changes whilst at the same time providing a framework for the council to reduce its net interest costs.

10.2 Specific risks to be addressed are as follows:

PERCEIVED RISK	SERIOUSNESS	LIKELIHOOD	PREVENTATIVE ACTION
Interest Rate Risk (rates moving significantly different to expectations)	High	Medium	With an increasing borrowing requirement rising interest rates would be detrimental. The council would need to consider taking out fixed borrowing to help mitigate this risk and/or use further internal borrowing if resources are available. Falling interest rates would be broadly beneficial to the council given the increasing borrowing requirement.
Market Risk (adverse market fluctuations affect value of investment capital)	Medium	Low	A limit is placed on the value of principal exposed to changes in market value.
Credit Risk (risk to repayment of Capital)	High	Medium	The council's investment criteria restricts counterparties to those of the highest quality and security.
Liquidity Risk (risk that cash will not be available when needed)	Medium	Medium	Council's investment portfolio structured to reflect future liquidity needs. Temporary borrowing is also available to meet short term liquidity issues.

PERCEIVED RISK	SERIOUSNESS	LIKELIHOOD	PREVENTATIVE ACTION
Changes to the Capital Programme and/or revenue streams	High	Medium	Cash flows are calculated monthly and regular projections are made to identify changes to the council's funding requirements. Prudential borrowing to support capital expenditure can be used for schemes expected to provide a financial benefit to the council. There may be some slippage in capital expenditure between years and the impact will be monitored.

11. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

11.1 Legal Officer's Comments (AK)

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.

11.2 Finance Officer's Comments (DL)

The report has been prepared by Finance and the relevant financial implications are contained within it.

11.3 Diversities and Equalities Implications (DL)

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

11.4 Climate Change Implications (xx)

There are no direct climate change implications arising from this report. However, the report outlines Environment, Social and Governance (ESG) investment considerations required as part of the revised CIPFA Treasury Management Code. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. Where practical, when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon.

11.5 Communications and Engagement Implications (xx)

12. CONTACT OFFICER AND BACKGROUND DOCUMENTS

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

Dani Loxton – Senior Finance Specialist (Capital and Treasury)
Tel: 01303 853583 Email: daniella.loxton@folkestone-hythe.gov.uk

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

Arlingclose's Treasury Management Strategy Statement Template 2024/25

Appendices

Appendix 1 – Arlingclose Interest Rate Forecast at December 2023

Appendix 2 – Borrowing portfolio at 31 December 2023

Appendix 3 – Investment portfolio at 31 December 2023

Appendix 1 – Arlingclose Economic & Interest Rate Forecast – December 2023

Underlying assumptions:

- i) UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- ii) The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- iii) Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- iv) Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- v) Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- vi) Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- vii) Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- viii) There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Interest Rate Forecast:

- i) The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- ii) The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early mid-2026.

- iii) The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- iv) Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

Interest Rate Forecast

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix 2 – Treasury Management Loans Borrowed at 31 December 2023

Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 31/12/2023 £	Interest Rate %	Broker Name	Long Term	Short Term
Public Works Loan Board	430141	Annuity	09/11/1973	01/11/2033	3,313.59	11.38		3,313.59	
Public Works Loan Board	488942	Fixed	12/08/2004	07/08/2034	2,000,000.00	4.80		2,000,000.00	
Public Works Loan Board	492233	Fixed	28/09/2006	15/03/2054	2,000,000.00	4.05		2,000,000.00	
Public Works Loan Board	493698	Fixed	10/08/2007	07/08/2055	2,500,000.00	4.55		2,500,000.00	
Public Works Loan Board	493914	Fixed	10/09/2007	07/02/2053	2,500,000.00	4.55		2,500,000.00	
Public Works Loan Board	494027	Fixed	31/10/2007	15/03/2044	2,000,000.00	4.65		2,000,000.00	
Public Works Loan Board	494028	Fixed	31/10/2007	15/03/2045	2,000,000.00	4.65		2,000,000.00	
Public Works Loan Board	494029	Fixed	31/10/2007	15/03/2046	2,141,190.00	4.65		2,141,190.00	
Public Works Loan Board	500537	Fixed	28/03/2012	28/03/2031	4,010,000.00	3.26		4,010,000.00	
Public Works Loan Board	500538	Fixed	28/03/2012	28/03/2028	4,000,000.00	3.08		4,000,000.00	
Public Works Loan Board	500540	Fixed	28/03/2012	28/03/2025	4,000,000.00	2.82		4,000,000.00	
Public Works Loan Board	500541	Fixed	28/03/2012	28/03/2029	4,000,000.00	3.15		4,000,000.00	
Public Works Loan Board	500542	Fixed	28/03/2012	28/03/2030	4,000,000.00	3.21		4,000,000.00	
Public Works Loan Board	500543	Fixed	28/03/2012	28/03/2027	4,000,000.00	3.01		4,000,000.00	
Public Works Loan Board	500546	Fixed	28/03/2012	28/03/2024	4,000,000.00	2.70		0.00	4,000,000.00
Public Works Loan Board	500548	Fixed	28/03/2012	28/03/2026	4,000,000.00	2.92		4,000,000.00	
Public Works Loan Board	602621	Fixed	28/02/2023	28/02/2024	10,000,000.00	4.54		0.00	10,000,000.00
Public Works Loan Board	609700	Fixed	27/03/2023	27/03/2035	10,000,000.00	3.93		10,000,000.00	
Total - Public Works Loan Board					67,154,503.59				
Leicester City Council	3092	Fixed	31/01/2022	31/01/2024	5,000,000.00	0.40	ICAP		5,000,000.00
Leicester City Council	3095	Fixed	22/03/2022	22/03/2024	5,000,000.00	1.25	ICAP		5,000,000.00
Cornwall Council	3097	Fixed	14/10/2022	14/10/2025	5,000,000.00	5.00	Imperial Treasury	5,000,000.00	
Leicester City Council	3098	Fixed	14/10/2022	14/10/2025	5,000,000.00	5.00	Imperial Treasury	5,000,000.00	
West Midlands Combined Authority	3099	Fixed	31/01/2023	30/01/2024	5,000,000.00	4.00	Imperial Treasury		5,000,000.00
Lichfield District Council	3101	Fixed	09/03/2023	07/03/2024	2,000,000.00	4.40	ICAP		2,000,000.00
East Sussex County Council	3102	Fixed	21/03/2023	19/03/2024	5,000,000.00	4.50	Imperial Treasury		5,000,000.00
North Somerset Council	3105	Fixed	09/03/2023	07/03/2024	3,000,000.00	4.70	ICAP		3,000,000.00
Merseyside Fire & Rescue Authority	3106	Fixed	30/11/2023	31/05/2024	2,000,000.00	5.60	ICAP		2,000,000.00
Salford City Council	3107	Fixed	05/12/2023	05/06/2024	2,000,000.00	5.60	ICAP		2,000,000.00
Folkestone Town Council	n/a	Variable - 2 day call notice	Various May 2018	n/a	500,000.00	5.00			500,000.00
Total - Borrowing at 31/12/2023					106,654,503.59			63,154,503.59	43,500,000.00

Appendix 3 – Treasury Management Investment Portfolio at 31 December 2023

Category and Counterparty	Amount or Value £	Terms	Indicative Interest Rate or Yield %
Money Market Funds			
Northern Trust MMF	4,535,000	No notice instant access	5.34
Federated MMF	5,000,000	No notice instant access	5.38
Aberdeen Standard MMF	1,380,000	No notice instant access	5.29
Goldman Sachs MMF	25,000	No notice instant access	5.24
Other Pooled Funds			
Commercial Property Funds			
CCLA Property Fund	5,073,352	No specified maturity date	4.71
Multi-Asset Income Funds			
CCLA Diversified Income Fund	1,923,483	No specified maturity date	2.74
UBS Multi-Asset Income Fund	758,417	No specified maturity date	5.05
Aegon Asset Management Diversified Monthly Income Fund	3,185,262	No specified maturity date	6.59
Ninety-One Diversified Income Fund	3,153,515	No specified maturity date	4.32
Total Investments	25,034,029		5.04

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This Report will be made
public on 23 January
2024

Report Number **C/23/82**

To: Cabinet
Date: 31 January 2024
Status: Key Decision
Corporate Director: Lydia Morrison – Interim Director Governance and Finance
Cabinet Member: Councillor Tim Prater – Deputy Leader and Portfolio Holder for Finance and Governance

SUBJECT: CAPITAL STRATEGY 2024/25 AND MINIMUM REVENUE PROVISION STATEMENT 2024/25

SUMMARY:

This report sets out the Council's proposed strategy in relation to capital expenditure, financing, and treasury management in 2024/25 to be approved by full Council. The report also sets out the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2024/25 to be approved by full Council.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because: -

- a) The Council must have regard to both CIPFA's Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities' (DLUHC) Investment Guidance when carrying out its duties under Part 1 of the Local Government Act 2003.
- b) The Council is required to approve a Capital Strategy for the forthcoming year.
- c) The Council is required to approve a Minimum Revenue Provision statement for 2024/25 in advance of the start of the financial year.

RECOMMENDATIONS:

1. To receive and note report C/23/82.
2. To recommend to Council that the 2024/25 Capital Strategy, including the Prudential Indicators, set out in appendix 1 to this report is approved.
3. To recommend to Council that the Minimum Revenue Provision (MRP) Statement for 2024/25 set out in appendix 2 to this report is approved.

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 2024/25 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 authority'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 2024/25 required to be approved by full Council and is set out in **appendix 2** to this report. The proposed Statement is broadly unchanged from that approved for 2023/24, however the section dealing with capital expenditure on loans to third parties met from prudential borrowing has been updated to reflect changes from a recent government consultation on MRP charges, outlined below in the underlined text:

- i) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, 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 on loans that are investments for commercial purposes, 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. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the authority's view is consistent with the current regulations. 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.

1.5 **Capital Flexibilities** – DLUHC has also recently announced a consultation with local government on Capital Flexibilities aimed at providing authorities with more options to use capital resources to meet one-off or exceptional revenue expenditure to help manage budget pressures without seeking exceptional financial support. The four options identified by DLUHC are:

- i) allowing authorities to capitalise general cost pressures and meet these with capital receipts,
- ii) extending the flexible use of capital receipts to allow authorities to borrow for the revenue costs of invest-to-save projects,
- iii) providing additional flexibilities for the use of the proceeds of selling investment assets, such as using capital receipts to increase revenue reserves, and
- iv) discounting PWLB rates by 0.4% for invest-to-save projects, matching the current HRA rate.

There is no commitment to take any of these options forward and, equally, the Government is interested to hear alternative options. The call for views is due to close on 31 January 2024.

1.6 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.

1.7 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.

1.8 The capital strategy contains links to the proposed General Fund and Housing Revenue Account (HRA) medium term capital programmes, the investment strategy, and the treasury management strategy statement (TMSS) being considered on this agenda as part of the current budget process. With the exception of the TMSS, these documents are required to be approved by full Council on 28 February 2024 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 a dedicated web page to provide a link for it together with those for:

- Investment Strategy 2024/25

- Medium Term Capital Programme to 2028/29
- HRA Medium Term Capital Programme to 2028/29

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 (AK)

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 (DL)

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

3.3 Diversities and Equalities Implications (DL)

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

3.4 Climate Change Implications (OF)

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.

Dani Loxton – Senior Finance Specialist (Capital and Treasury)
Tel: 01303 853583 Email: daniella.loxton@folkestone-hythe.gov.uk

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

Arlingclose Ltd – Capital Strategy Report 2024/25 Template
Arlingclose Ltd – MRP 2024/25 Template

Appendices:

Appendix 1: Capital Strategy 2024/25

Appendix 2: Annual Minimum Revenue Provision Statement 2024/25

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Appendix 1

Capital Strategy 2024/25

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 authority 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 authority 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 authority 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 2024/25, the Council is planning capital expenditure of £41.2m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
General Fund services	6.02	11.95	20.05	10.56	7.12
Council housing (HRA)	9.75	13.14	12.95	11.88	11.53
Capital investments	11.60	12.33	8.20	13.00	13.00
TOTAL	27.37	37.42	41.20	35.44	31.65

- 2.3 The main General Fund capital projects with expenditure planned for 2024/25 include Folkestone – A Brighter Future project (£16.5m) largely met from the Council's successful Levelling Up Funding Bid, Private Sector Housing Improvement initiatives (£1.4m), Rural England Prosperity Fund capital grants scheme (£0.4m) and UK Shared Prosperity Fund capital grants scheme (£0.35m). The proposed medium term capital

programme to 2027/28 includes £10m (profiled over 2025/26 and 2026/27) for the second phase of Folkestone – A Brighter Future project (FOLCA 2) and £26m (profiled from 2025/26) for the provision of a new leisure centre in the district, both of which are key future priorities for the Council.

- 2.4 The main capital investment projects for 2024/25 include further expenditure on the Otterpool Park Garden Town Development (£7.5m) and the completion of the Coastal Drive Seafront Development scheme at Littlestone (£0.7m).
- 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 new 30-year HRA Business Plan was approved by Cabinet on 13 December 2023. From this, a five-year medium term capital programme for the HRA to 2028/29 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 and provides for investment to increase the supply of affordable homes for rent. Cabinet is due to consider the HRA medium term capital programme as part of this agenda before being submitted to full Council for approval on 28 February 2024, as part of the current budget process.
- 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. £4.4m 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:

	£'000
i) Electric Vehicle Charging Points	40
ii) District Street Lights Scheme	408
iii) Folkestone & Hythe Green Business Grant Scheme	250
Total	798

- 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 authority'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

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
External sources	4.05	7.70	19.19	3.25	1.52
Own resources	11.84	16.29	8.70	8.76	7.40
Debt	11.48	13.43	13.31	24.43	27.33
TOTAL	27.37	37.42	41.20	35.44	31.65

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

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
MRP	3.21	1.96	2.32	2.59	3.02
Capital receipts	-	1.15	-	-	-
TOTAL	3.21	3.11	2.32	2.59	3.02

- The Council's full minimum revenue provision statement is available here:
See Appendix 1 – link to follow

2.10 The authority'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 £11m during 2024/25 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

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
General Fund services	16.8	16.8	16.2	20.4	24.5
Council housing (HRA)	47.4	47.9	53.5	58.9	63.7
Capital investments	77.2	87.0	93.0	104.2	115.0
TOTAL CFR	141.4	151.7	162.7	183.5	203.2

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.

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 2024. 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 authority 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 authority plans to receive £2m capital receipts in the coming financial year as follows:

Table 5: Projected Capital Receipts

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Asset sales – Non Housing	0.07	7.54	-	-	-
Asset Sales - HRA	1.11	1.50	1.50	1.50	1.50
Loans Repaid	0.56	0.43	0.46	0.46	0.46
TOTAL	1.74	9.47	1.96	1.96	1.96

- 2.14 The Non-Housing asset sales forecast for 2023/24 includes the sale of land at both Biggins Wood, Folkestone and Mountfield Road, New Romney.
- 2.15 No capital receipts from the Otterpool Park development are anticipated to be received over the three-year period to 2026/27.
- 2.16 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 authority’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 authority 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 authority as at 31 December 2023 has £106.7m borrowing at an average interest rate of 3.74% and £25m treasury investments at an average rate of 5.04%.
- 3.3 **Borrowing strategy:** The authority’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 authority 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 authority 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 authority’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

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Debt (incl. PFI & leases)	107.1	121.6	138.4	161.8	181.4
Capital Financing Requirement	141.4	151.8	162.7	183.5	203.2

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 authority expects to comply with this in the medium term.

3.7 **Liability benchmark:** To compare the authority’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 £126.6m and is forecast to rise to £186.4m over the next three years in line with the borrowing requirement for the authority’s capital expenditure plans.

Table 7: Borrowing and the Liability Benchmark

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Forecast borrowing	127.1	126.6	143.4	166.8	186.4
Liability benchmark	127.1	126.6	143.4	166.8	186.4

3.8 The table shows that the authority 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 authority 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. The reduction in the proposed authorised limit for 2024/25 is consistent with the council’s borrowing anticipated for its updated medium term capital expenditure plans.

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

	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m
Authorised limit – borrowing	207.6	190.0	210.0	236.0
Authorised limit – PFI and leases	-	-	-	-
Authorised limit – total external debt	207.6	190.0	210.0	236.0
Operational boundary – borrowing	171.7	164.0	185.0	204.0
Operational boundary – PFI and leases	-	-	-	-
Operational boundary – total external debt	171.7	164.0	185.0	204.0

- Further details on borrowing are in pages 7 to 9 of the treasury management strategy to be considered by Cabinet on 31 January 2024 – 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 authority'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 authority may request its money back at short notice.

Table 9: Treasury management investments

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Near-term investments	10.2	-	-	-	-
Longer-term investments	14.1	15.0	15.0	15.0	15.0
TOTAL	24.3	15.0	15.0	15.0	15.0

3.12 Table 9, above, reflects the treasury management investments held at each financial year-end. The average value of the treasury management investments for each of the

budget years is estimated to be £25m, including £10m in-year cash surpluses expected to be held as near-term investments.

- Further details on treasury investments are in pages 9 to 17 of the treasury management strategy – link to follow

3.13 **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 17 to 18 of the treasury management strategy – link to follow

3.14 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Interim Director Governance and Finance and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity will be presented to Cabinet. The Finance and Performance Scrutiny Sub-Committee are responsible for scrutinising treasury management decisions.

4. Investments for Service Purposes

4.1 The authority 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 authority 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 authority can invest 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 authority 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 authority'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 authority, as principal land owner, also expects to gain a financial return from its investment in the Otterpool Park development. The authority has created the Otterpool

Park Limited Liability Partnership (LLP) as a wholly owned subsidiary to deliver the project. 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. Cabinet approved the latest business plan for the LLP on 26 January 2022.

- 4.6 On 18 October 2023, Cabinet considered a report providing an update on Otterpool Park detailing the outcomes of the governance, finance and management reviews to ensure the successful continuation of the key project of the Council. Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision. The broad principles on which this should be based are proposed as:
- A Joint Venture (JV) between the Council and third party on a strategic, site-wide basis.
 - The JV partner to demonstrate a track record of facilitating development at scale, and a commitment to delivering the vision for Otterpool Park.
 - The JV partner to share the role, risk and responsibility as Master Developer for the whole site.
 - The Council retaining a significant stake - preferably 51% control.
 - The JV partner makes a financial contribution to costs already incurred by the Council.
 - The JV agreement to release an early capital repayment to the Council.
 - Future profit / returns to be on a shared 'risk and reward' basis; and
 - Delivery and financial risk to the Council mitigated to an acceptable level of tolerance.
- 4.7 The Council's latest approved Medium Term Financial Strategy (MTFS) incorporates income from Otterpool Park, which is represented as interest on the loans the Council will make to the LLP to facilitate infrastructure and land acquisition only. The MTFS assumes there will be no income from land sales at Otterpool Park over the period to 2027/28, however this may change pending the outcome of the joint venture review. Over the life of the project the authority still expects to recoup its investment and receive a financial return.
- 4.8 The equated value of investments for service purposes in 2024/25 is approximately £47.3m generating a net return, after capital financing costs, of about 1.14%. The net return is from the Council's interest received on its loans to Oportunitas Ltd and Otterpool LLP (accrued interest). No return is being received from the Council's equity investment in both organisations. The net return to the Council is lower than originally forecast due, in part, to higher interest rates on borrowing.
- 4.9 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Interim Director Governance and 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 2024/25 report being considered separately on this agenda. The Capital Strategy 2024/25 and Investment Strategy 2024/25 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 authority 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 £17.5m at 31 March 2024 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 (£10.4m).
- 5.2 The authority's major land holdings for the Otterpool Park development of the former Folkestone Racecourse and Otterpool Farm are classified as Property, Plant and Equipment – Surplus Assets rather than Investment 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 2024/25 mainly due to the impact of capital financing costs for the Otterpool Park residential property and miscellaneous land holdings. However, over the life of the project the authority still expects to recoup its investment and receive a financial return.
- 5.4 **Risk Management:** With financial return being the main objective, the authority 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 authority has an established proactive risk management framework, which incorporates key projects, and reports quarterly to the Audit & Governance Committee as well as annually to the Cabinet. The authority 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 Strategy and Resources 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 2024/25 report being considered separately on this agenda. The Capital Strategy 2024/25 and Investment Strategy 2022/25 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

	2022/23 actual	2023/24 projection	2024/25 budget	2025/26 forecast	2026/27 forecast
Net income from service investments £m	0.5	1.6	2.7	3.7	4.7
Net income from commercial investments £m	1.0	1.4	1.4	1.4	1.4
Total income from service and commercial investments £m	1.5	3.0	4.1	5.1	6.1
Proportion of net revenue stream	11.3%	20.9%	28.1%	33.3%	39.2%

6. Other Liabilities

6.1 In addition to debt of projected £138.4m at 31 March 2025 detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £13m), and its impact to 2027/28 is factored into the MTFS. The Council has also previously set aside £2m to cover risks of the business rates appeals.

6.2 **Governance:** Decisions on incurring new discretionary liabilities are taken by the Interim Director Governance and Finance 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 72 to 77 of the draft 2022/23 statement of accounts [published-draft-statement-of-accounts-2022-to-2023 \(folkestone-hythe.gov.uk\)](https://www.folkestone-hythe.gov.uk/published-draft-statement-of-accounts-2022-to-2023)

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. 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

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
General Fund Financing costs (£m)	4.1	3.9	4.7	5.8	4.1
Proportion of net revenue stream	30.6%	27.4%	31.2%	38.3%	45.7%
HRA Financing costs (£m)	1.5	1.9	2.4	2.6	2.9
Proportion of net revenue stream	8.7%	10.4%	11.8%	12.7%	14.0%

- The increase to the General Fund's indicator for 2024/25 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 2024/25 revenue budget.
- For the HRA the revenue implications of capital expenditure are included in the 2024/25 HRA revenue budget.

- 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 Interim Director Governance and Finance 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 authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Interim Director Governance and Finance (Section 151 Officer) is a qualified accountant with over 25 years' experience, the Chief Financial Services

Officer (Deputy Section 151 Officer) is a qualified accountant with over 23 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 authority pays for staff to study towards relevant professional qualifications including ACCA .

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>

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Annual Minimum Revenue Provision Statement 2024/25

1. Where the authority 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 authority 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 authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, 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 on loans that are investments for commercial purposes, 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. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the authority's view is consistent with the current regulations. 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, but depreciation on those assets will be charged instead in line with regulations.
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 2024/25 will not be subject to a MRP charge until 2025/26.
7. Based on the authority's latest estimate of its capital financing requirement (CFR) on 31st March 2024, the budget for MRP has been set as follows:

	31.03.2024 Estimated CFR £m	2024/25 Estimated MRP £m
Capital expenditure before 01.04.2008	7.3	0.3
Unsupported capital expenditure after 31.03.2008	77.3	1.7
Loans to other bodies repaid in instalments	19.2	0.3
Voluntary overpayment (or use of prior year overpayments)	-	-
Total General Fund	103.8	2.3
Assets in the Housing Revenue Account	15.9	-
HRA subsidy reform payment	32.0	-
Total Housing Revenue Account	47.9	-
Total	151.7	2.3

This Report will be made public on 23 January 2024



Report Number **C/23/84**

To: Cabinet
Date: 31 January 2024
Status: Key Decision
Head of Service: Lydia Morrison – Interim Director Governance and Finance
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance

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 2029. 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.

REASONS FOR RECOMMENDATIONS:

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

- a) It needs to be kept informed of the existing General Fund Medium Term Capital Programme position and take appropriate action to deal with any variance from the approved budget.
- b) Proposed extensions to existing schemes are required to be considered and approved before being included in the Council's Medium Term Capital Programme.
- c) The proposed Medium Term Capital Programme needs to be considered before it is submitted to full Council for approval as part of the budget process.
- d) The Council must also have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities when carrying out its duties under Part 1 of the Local Government Act 2003.

RECOMMENDATIONS:

1. To receive and note report C/23/84.
2. To seek Council's approval to the updated General Fund Medium Term Capital Programme as set out in appendix 1 to this report.

1. INTRODUCTION AND BACKGROUND

- 1.1 In line with the Council's approved Budget Strategy for 2024/25, this report updates the General Fund Medium Term Capital Programme (MTCP) for the five-year period ending 31 March 2029. 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 2024/25,
 - ii) provides details of those existing capital schemes proposed to be extended by one year into 2028/29,
 - 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) are due to be considered by Cabinet in a separate report on this agenda as part of the current budget process for 2024/25.
- 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.
- 1.4 Additionally, 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 28 February 2024 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 MEDIUM TERM CAPITAL PROGRAMME (MTCP)

- 2.1 While Revenue Budget expenditure is concerned with the day-to-day running of services, the Capital Programme is concerned with investment in the assets required to deliver services or the delivery of new income streams. The Medium-Term Capital Programme sets out how capital resources will be used to achieve the Council's vision and corporate priorities.
- 2.2 The strategic objectives of the Council's Capital Programme can be summarised as follows:
- i) To maintain a five-year rolling Capital Programme which remains within the approved affordable, sustainable, and prudential limits;
 - ii) To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology;
 - iii) To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams;
 - iv) To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets; and
 - v) To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.

- 2.3 That decisions on the financing of the capital programme are taken with consideration to the impact on the revenue budget, the treasury management strategy, and the investment strategy.
- 2.4 The latest General Fund Programme, shown in Appendix 1, amounts to around £108.6m of investment over five years. The current Capital Investment Strategy was reported to Cabinet in February 2023, and it sets out a framework for funding and investment decisions in respect of capital assets, in the context of the Council vision and priorities and available financial resources. The Capital Investment Strategy demonstrates that the Council take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability, and affordability.
- 2.5 The Council forecasts its Capital Programme over a 5-year period. The full details are shown in **Appendix 1** to this report and the table below summarises the position across the service units and outlines the impact on the capital resources required to fund the programme:

Service Area and Scheme	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Operations	8,018	1,490	127	109	89	
Governance, & Law	27	-	-	-	-	-
Otterpool Park Garden Town	10,287	7,500	13,000	13,000	13,000	9,750
Place	2,875	17,498	8,668	5,500	500	12,500
Housing	1,630	1,400	1,400	1,400	1,400	0
Corporate Services	1,449	365	365	115	115	55
Total Capital Programme	24,286	28,253	23,560	20,124	15,104	22,305
Capital Funding						
Government Grant	(5,946)	(18,595)	(3,256)	(1,519)	(1,519)	(1,000)
Other External Contributions	(406)	(597)	-	-	-	-
Capital Receipts	(2,823)	(1,111)	(1,249)	(400)	(400)	0
Revenue Contributions	(2,223)	(205)	(1,055)	(205)	(185)	(55)
Borrowing	(12,888)	(7,745)	(18,000)	(18,000)	(13,000)	(21,250)
Total Funding	(24,286)	(28,253)	(23,560)	(20,124)	(15,104)	(22,305)

3. Capital Programme - Revenue Budget Implications

- 3.1 With the exception of earmarked s106 funds, the Council no longer has significant capital reserves, therefore, while a small number of schemes will continue to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing.
- 3.2 The costs of repaying this borrowing fall on the revenue budget as treasury management costs within the Corporate Service budgets. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2024/25 onwards net of interest on forecast balances and loan repayments. Details are set out in the Treasury Management Strategy for 2024/25 that will be approved in February 2024.

- 3.3 Any new capital scheme to be included in the programme will need to contribute to the objectives set out in section 1.3 of this report. New General Fund capital scheme proposals covering between 2024/25 – 2028/29 are shown in Appendix 1 to this report. In summary, £37.0m proposed capital growth will be funded from government grant, capital receipts and prudential borrowing. The new capital projects are shown within the table below-

2024/25 Capital Programme Growth Bids

Service Area and Scheme	2024/25	2025/26	2026/27	2027/28	2028/29	Future Commit.
	£'000	£'000	£'000	£'000	£'000	£'000
Handheld computers	-	18	-	-	-	-
3 Ride on Mowers	90	-	-	-	-	-
Trimax Pegasues	26	-	-	-	-	-
Stump Grinder	30	-	-	-	-	-
Tractor mounted Hedge	40	-	-	-	-	-
Excavator	40	-	-	-	-	-
FOLCA 2	-	5,000	5,000	-	-	-
Leisure Centre dev.	-	-	500	500	12,500	12,500
Financial Mgt. System	250	250	-	-	-	-
PC Replacement Prog.	55	55	55	55	55	-
Total	531	5,323	5,555	555	12,555	12,500

- 3.4 **Princes Parade Leisure and Housing Scheme** – Cabinet took the decision on 14 December 2022 to pause the Princes Parade project and just to do the necessary works to implement the planning permission. In May 2023, the new administration immediately made their intentions clear to “save” the site and the Leader subsequently agreed to the submission of a non-material amendment application to the LPA to extend the implementation date by 3 years. This extension of time provides opportunity for the new Administration to reconsider options and allow engagement with the community and their representatives on the future uses of the site before further formal decisions are made.
- 3.5 The Administration has also made it clear that they would like the hoarding removed as soon as practicable. As the council is aware that contaminates exist it is not immediately possible to remove the hoardings without fuller consideration of how the site can be made safe for public access, or partial access. It is anticipated that costs associated with the removal of the hoarding and erection of a new fence will be met from the existing capital budget.
- 3.6 Following the immediate work outlined above, officers will work closely with Members to prepare an engagement plan to consult with the public for the future use of the site. Cabinet is advised that until such time that formal decisions are made, the full financial implications of the wider capital project spend to date remains unclear.
- 3.7 **Bigginwood** was acquired with the objectives of boosting the local economy, increase job opportunities and providing more homes (including affordable homes) and is anticipated to deliver 77 residential units, 660m2 of commercial office units and 5,142m2 of light industrial units. The Council has undertaken remediation and infrastructure works to the site to enable it to be sold for the planned redevelopment; it is currently in the process of being sold.

- 3.8 **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. Apart from Otterpool, there are two new major projects (i.e., FOLCA 2 and the Leisure center development) 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.
- 3.9 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 FOLCA 2, Leisure center development, Otterpool Park Garden Town may be subject to change as the Council's plans for these projects 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.
- 3.10 **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.
- 3.11 The latest development is that of the proposed new town at Otterpool Park and options are being explored to generate future revenue and capital streams. A full financial model was completed in 2019 to consider the long-term potential returns from the development. During 2020 the Council acquired its partner's stake in the site and now has full control of the project.
- 3.12 The draw-down of funds from the Council will be linked to key milestones contained in separate detailed funding agreements, to regulate the milestones for draw down, the terms for repayment, security, and all other provisions which it would be prudent to include. The MTFs incorporates income from Otterpool Park, which is represented as interest on the loans the Council will make to the LLP to facilitate infrastructure and land acquisition. This is a volatile area with many dependencies affecting the financial position, the sums do have an impact upon the MTFs itself, so will be monitored closely.

3.13 The Cabinet at its meeting on Wednesday, 18th October 2023 considered a paper on Otterpool Park LLP. The report presents an update on Otterpool Park and details outcomes of the governance, finance, and management reviews to ensure the successful continuation of this important significant project. The Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision. The broad principles on which this should be based are proposed as:

- A Joint Venture (JV) between the Council and third party on a strategic, site-wide basis.
- The JV partner to demonstrate a track record of facilitating development at scale, and a commitment to delivering the vision for Otterpool Park.
- The JV partner to share the role, risk, and responsibility as Master Developer for the whole site.
- The Council retaining a significant stake - preferably 51% control.
- The JV partner makes a financial contribution to costs already incurred by the Council.
- The JV agreement to release an early capital repayment to the Council.
- Future profit / returns to be on a shared 'risk and reward' basis; and
- Delivery and financial risk to the Council mitigated to an acceptable level of tolerance.

3.14 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 2024/25 or feature in the approved Medium Term Financial Strategy.

4. IMPACT ON CAPITAL RESOURCES

4.1 The proposed MTCP (2024/25 to 2028/29) requires approximately £91m of prudential borrowing to support the programme, with about £56m of this for the Otterpool Park scheme, £10m for FOLCA2 and £26m for the Leisure Centre development. Ordinarily the investment in Otterpool Park, FOLCA2 and the Leisure Centre would put a significant pressure on the General Fund budget for additional interest costs pending surplus assets disposal and receiving the Capital Receipts.

4.2 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.

- 4.3 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	550
Otterpool Park	56,250
Waste Contract Vehicles Funding	245
FOLKA2	10,000
Leisure Centre Development	24,000
Total	91,045

- 4.4 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
Opening Balance at 1 April 2023	7,859
<u>Less:</u>	
Committed towards General Fund capital expenditure	(5,983)
Committed towards HRA capital expenditure	(3,489)
Contingency for urgent or unforeseen capital expenditure	(500)
Anticipated capital receipts to be received in 2023/24	3,373
Balance available to support new GF capital expenditure	1,260

- 4.5 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 £4.179m committed towards funding the MTCP to 2028/29.

Revenue Resources to Fund the MTCP	£'000
Vehicle, Equipment and Technology Reserve	799
Economic Development Reserve	1,789
Climate Change Reserve	641
High Street Reserve	450
General Reserve	500
Total	4,179

4.6 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.

5. CONCLUSIONS

5.1 The MTCP has been reviewed and updated in accordance with the approved budget strategy for 2024/25.

5.2 The revenue consequences of the MTCP are reflected in the Council's General Fund budget and Medium Term Financial Strategy.

5.3 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.

5.4 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.

5.5 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.

6. RISK MANAGEMENT ISSUES

6.1 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.

Perceived risk	Seriousness	Likelihood	Preventative action
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.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 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 to produce a balanced budget. Generally, the Council must take into account its fiduciary duties to local taxpayers and its continuing obligation to ensure it has the funding required to perform its statutory undertakings.

7.2 Finance Officer's Comments (OO)

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

7.3 Diversities and Equalities Implications (DA)

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

7.4 Climate Change Implications (AT)

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.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Ola Owolabi, Chief Financial Services Officer

Tel: 01303 853728, email: ola.owolabi@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 2028/29

Appendix 1 - General Fund Medium Term Capital Programme to 2028/29											
Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Latest Projection 2026/27	Latest Projection 2027/28	Latest Projection 2028/29	To be determined	Total Projection 2023/24 - 2028/29	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Operations										
1	Coast Protection - Coronation Parade, Folkestone	742	742	-	-	-	-	-	-	742	Planned works to strengthen cliff face along Coronation Parade (externally funded)
2	Coast Protection - Coronation Parade annual monitoring	20	4	4	4	4	4	-	-	20	Scheme externally funded by the Environment Agency
3	Coast Protection - Greatstone Dunes Management & Study	75	15	15	15	15	15	-	-	75	Annual programme funded by Environment Agency.
4	Coast Protection - Hythe to Folkestone Beach Management	1,027	572	455	-	-	-	-	-	1,027	Scheme externally funded by the Environment Agency.
5	Royal Military Canal footpath enhancements	80	20	20	20	20	-	-	-	80	10 annual programme from 2017/18 to 2026/27
6	Lifeline Capitalisation	350	70	70	70	70	70	-	-	350	Annual programme to purchase new and replacement units for fee-earning service.
7	Public Toilet Enhancement Programme	113	113	-	-	-	-	-	-	113	Scheme on going
8	New Public Toilets (Changing Places Fund)	205	205	-	-	-	-	-	-	205	Scheme externally funded
9	Biggins Wood Site Land Remediation Works	1,657	1,657	-	-	-	-	-	-	1,657	Works mostly complete update in Q3. Small parcels of land transfer required and some additional legal fees, but expected to come in under budget.
10	Ship Street Site Folkestone (GF Element)	192	192	-	-	-	-	-	-	192	Professional fees for design cost to support planning application (General Fund element only)
11	Princes Parade Leisure & Housing Development	40,661	550	-	-	-	-	-	550	1,100	Project paused in December 2022. £250k budget agreed to spend to planning matters. Up to £300k for project close down costs.
12	Electric Vehicle Charging Points	40	40	-	-	-	-	-	-	40	Scheme to install EV charging points.
13	District Street Lights	401	401	-	-	-	-	-	-	401	Scheme to upgrade street lights ongoing.
14	Coast Drive Seafront Development	844	844	700	-	-	-	-	-	1,544	Additional £700k budget - funded by £300k Magnox grant, £300k CIL, £100k UKSPF
15	Coastal Park Play Equipment	19	19	-	-	-	-	-	-	19	Expected to be completed in 2023/24
16	Coastal Park Toilet and Concession	128	128	-	-	-	-	-	-	128	Completed
17	East Cliff Landfill Protection (FPPG Charity)	1,198	1,198	-	-	-	-	-	-	1,198	Preliminary works being undertaken to progress scheme.
18	Hawkinge Depot Upgrade	143	143	-	-	-	-	-	-	143	Scheme due to complete in 2023/24.
19	Replacement Asset Management System	60	60	-	-	-	-	-	-	60	Estates currently assessing system requirements.
20	Radnor Park Footpath Resurfacing (FPPG Charity)	13	13	-	-	-	-	-	-	13	Ongoing.
21	The Stade, Folkestone Rental Huts	100	100	-	-	-	-	-	-	100	Expected to be completed in 2023/24
22	Additional Toilet Cleaners Vans	33	33	-	-	-	-	-	-	33	Ongoing.
23	Replacement Park Keeper's Vehicle	27	27	-	-	-	-	-	-	27	Ongoing.
24	Units 1-5 Learoyd Road New Romney	196	196	-	-	-	-	-	-	196	Agreement to be made on future of project
25	Connect 38 CAT A Works	234	234	-	-	-	-	-	-	234	Carry out adaptations for office space. £79k income received in 22/23 carried forward needs to be added to budget.
26	Funding of Folkestone Coastal Park Play Area Refurbishment (FPPG Charity)	40	40	-	-	-	-	-	-	40	Funding for redesign and refurbishment of play area.
27	Replacement of HI-AB Crane	75	75	-	-	-	-	-	-	75	Expected to be completed in 2023/24
28	Staff Welfare Facilities New Romney Depot	7	7	-	-	-	-	-	-	7	Expected to be completed in 2023/24
29	Leas Cliff Hall Car Park - CCTV	13	13	-	-	-	-	-	-	13	Expected to be completed in 2023/24
30	Replacement Tractor	85	85	-	-	-	-	-	-	85	Purchased
31	Replacement Cherry Picker Vehicle and Trailer	100	100	-	-	-	-	-	-	100	Purchased
32	Replacement Weed Barge	85	85	-	-	-	-	-	-	85	Ordered placed
33	Replacement Sports Mower (East Cliff Area)	9	9	-	-	-	-	-	-	9	Purchased
34	Replacement Transit Van	28	28	-	-	-	-	-	-	28	Expected to be completed in 2023/24
35	On Street Play and Display Parking Machines	-	-	-	18	-	-	-	-	18	2024/25 Growth Bid
36	3 Ride on Mowers	-	-	90	-	-	-	-	-	90	2024/25 Growth Bid - Grounds maintenance equipment
37	Trimax Pegasus	-	-	26	-	-	-	-	-	26	2024/25 Growth Bid - Grounds maintenance equipment
38	Stump Grinder	-	-	30	-	-	-	-	-	30	2024/25 Growth Bid - Grounds maintenance equipment
39	Tractor mounted Hedge Flail	-	-	40	-	-	-	-	-	40	2024/25 Growth Bid - Grounds maintenance equipment
40	Excavator	-	-	40	-	-	-	-	-	40	2024/25 Growth Bid - Grounds maintenance equipment
	Total - Operations	49,000	8,018	1,490	127	109	89	-	550	10,383	
	Governance, Law and Service Delivery										
41	Electoral Management System	9	9	-	-	-	-	-	-	9	Ongoing
42	Migrate IKEN Legal System to Cloud Hosted Service	18	18	-	-	-	-	-	-	18	Ongoing
	Total - Governance, Law and Service Delivery	27	27	-	-	-	-	-	-	27	

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Latest Projection 2026/27	Latest Projection 2027/28	Latest Projection 2028/29	To be determined	Total Projection 2023/24 - 2028/29	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Place										
	Otterpool Land and Property Acquisition	11,113	787	-	-	-	-	-	-	787	
	Otterpool Park Delivery	55,424	9,500	7,500	13,000	13,000	13,000	9,750	-	65,750	project delivery being reviewed - reprofile budgets to reflect lower expected annual spend - total borrowing to LLP £75m (£9.25m paid out to 31.03.23)
	Otterpool Park Garden Town Delivery Mechanism	-	-	-	-	-	-	-	-	-	
	Otterpool Park Master planning Costs	-	-	-	-	-	-	-	-	-	
43	Otterpool Park Garden Town	66,537	10,287	7,500	13,000	13,000	13,000	9,750	-	66,537	Project delivery being reviewed - reprofile budgets to reflect lower expected annual spend - total borrowing to LLP £75m (£9.25m paid out to 31.03.23).
44	Waste Contract - Acquisition of Vehicles and Equipment	260	15	245	-	-	-	-	-	260	Further planned purchases of vehicles for waste contract.
45	Area Officer Vans	20	20	-	-	-	-	-	-	20	Ongoing.
46	CLLD ERDF Capital Projects	853	853	-	-	-	-	-	-	853	Scheme now completed. Awaiting claim income.
47	Rural England Prosperity Fund Capital Grants Scheme	571	143	428	-	-	-	-	-	571	Capital grants scheme funded by government as part of levelling up agenda supporting local businesses and communities.
48	UK Shared Prosperity Fund Capital Grants Scheme	463	113	350	-	-	-	-	-	463	Capital grants scheme funded by government as part of levelling up agenda supporting local businesses and communities.
49	Folkestone - A Brighter Future Project (LUF)	21,874	1,731	16,475	3,668	-	-	-	-	21,874	Preliminary works currently being undertaken. Delivery phase due to start in April 2024. Reprofiled based on LUF funding tracker to end Sept 23
50	FOLCA 2	-	-	-	5,000	5,000	-	-	-	10,000	Growth bid 24/25 initially funded by borrowing - potential £4.5m capital receipt expected.
51	Leisure centre development	-	-	-	-	500	500	12,500	12,500	26,000	Growth bid 2024/25 will initially be funded by borrowing and £2m grant - potential £8m capital receipt from disposal of land.
	Total - Place	90,578	13,162	24,998	21,668	18,500	13,500	22,250	12,500	126,578	
	Housing										
52	Empty Properties Initiative (KCC) - Loans to landlords	1,525	325	300	300	300	300	-	-	1,525	Ongoing scheme.
53	Temporary Accommodation (invest to save)	94	94	-	-	-	-	-	-	94	Ongoing.
54	Disabled Facilities Grants (DFGs) & Loans	5,000	1,000	1,000	1,000	1,000	1,000	-	-	5,000	Number of DFG's static, however increase in costs for building works and services.
57	Home Safe Loans	611	211	100	100	100	100	-	-	611	Ongoing.
	Total - Housing	7,230	1,630	1,400	1,400	1,400	1,400	-	-	7,230	
	Corporate Services										
56	PC Replacement Programme	175	35	55	55	55	55	55	-	310	Growth Bid increase budget by £20k per annum
57	Server Replacement Programme	300	60	60	60	60	60	-	-	300	Ongoing.
58	ICT improvement costs (externally hosted Revenues & Benefits system)	53	53	-	-	-	-	-	-	53	Ongoing.
59	Website CMS replacement	26	26	-	-	-	-	-	-	26	Ongoing.
60	Folkestone & Hythe Green Business Grant Scheme	220	220	-	-	-	-	-	-	220	Part of Council's Climate Change response initiative.
61	FHDC Transformation	15	15	-	-	-	-	-	-	15	Ongoing.
62	Oportunitas Loan and Share Capital Phase 2	970	970	-	-	-	-	-	-	970	Loan will be fully utilised by end of 2023/24
63	Upgrade financials Financial Ledger System to Cloud Hosted Service	70	70	-	-	-	-	-	-	70	Ongoing.
64	Financial Management System	-	-	250	250	-	-	-	-	500	2024/25 Growth Bid
	Total - Corporate Services	1,829	1,449	365	365	115	115	55	-	2,464	
	Total GF Medium Term Capital Programme	148,664	24,286	28,253	23,560	20,124	15,104	22,305	13,050	146,682	
	Capital Funding										
65	Government Grant	(29,435)	(5,946)	(18,595)	(3,256)	(1,519)	(1,519)	(1,000)	-	(31,835)	
66	Other External Contributions	(9,362)	(406)	(597)	-	-	-	-	-	(1,003)	
67	Capital Receipts	(31,839)	(2,823)	(1,111)	(1,249)	(400)	(400)	-	-	(5,983)	
68	Revenue Contributions	(3,893)	(2,223)	(205)	(1,055)	(205)	(185)	(55)	-	(3,928)	
69	Borrowing	(74,135)	(12,888)	(7,745)	(18,000)	(18,000)	(13,000)	(21,250)	(13,050)	(103,933)	
	Total Funding	(148,664)	(24,286)	(28,253)	(23,560)	(20,124)	(15,104)	(22,305)	(13,050)	(146,682)	

This Report will be made public on 23 January 2024.

Report Number **C/23/77**

To: Cabinet
Date: 31 January 2024
Status: Non-Key Decision
Head of Service: Lydia Morrison, Interim Director Governance and Finance
Cabinet Members: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance.
Councillor Rebecca Shoob, Cabinet Member for Housing and Homelessness

SUBJECT: HRA Budget Monitoring Quarter 3

SUMMARY: This monitoring report provides a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme based on net expenditure to 1 December 2023.

REASONS FOR RECOMMENDATION:

Cabinet is asked to note the recommendation set out below because the Cabinet needs to be kept informed of the Housing Revenue Account position and take appropriate action to deal with any variance from the approved budget.

RECOMMENDATION:

1. To receive and note Report C/23/77.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2023/24.
- 1.2 The projections are based on actual expenditure and income to 1 December 2023. Some caution therefore needs to be exercised when interpreting the results due to the stage of the financial year, however, a thorough budget monitoring exercise has been carried out.

2. HOUSING REVENUE ACCOUNT REVENUE 2023/24 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2023/24.

	Latest Budget	Projection	Variance
	£'000	£'000	£'000
Income	(18,420)	(18,536)	(116)
Expenditure	14,617	15,195	578
HRA Share of Corporate Costs	175	175	0
Net Cost of HRA Services	(3,628)	(3,166)	462
Interest Payable/Receivable, etc	1,696	2,280	584
HRA (Surplus)/Deficit	(1,932)	(886)	1,046
Revenue Contribution to Capital	4,358	2,611	(1,747)
HRA Share of pension reserve movement	(195)	(484)	(289)
Decrease/(Increase) to HRA Reserve	2,231	1,241	(990)

- 2.2 The table shows that overall, at quarter 3 there is a projected decrease in net expenditure of £990k on the HRA.

The main reasons for this are as follows: -

	£'000
Net effect of pension interest costs (see 2.3 below)	295
Increase in repairs and maintenance (see 2.4 below)	530
Increase in rental income (see 2.5 below)	(116)
Revenue contribution to capital expenditure (see 2.6 below)	(1,747)
Other net variances	48
Total net projected Housing Revenue Account decrease	990

- 2.3 The increase in pension interest costs is due to the costs being based on actuals for 2022/23, whereas budget was based on estimates before the triennial pension revaluation was completed.
- 2.4 The increase in repairs and maintenance is largely due to Mears is non price per property being higher than anticipated £350k, and an increase in works required to prevent potential disrepair claims being made, 9 new fire alarm installations and an 8% contract uplift £90k and an increase in disrepair claims £40k.
- 2.5 The net increase in planned maintenance of £166k is largely due to the heating and services contract being increased by £240k and a contract variation. Invitations to tender went out with a predicted price based on Gas Call (previous contractor) of £255,000. However, the winning tender from came in at £380k with no allowance for additional works if required. A higher tender sum should have been expected as inflation and contractor costs were increasing at the time. The overspends have been offset by underspends on void repairs -£79k and the reduction in the revenue contribution to capital expenditure -£1,75m.
- 2.6 The net increase in rental income of £116k is due to combination of i) a decrease in charges for services and facilities of £76k as the budget has been based on 2022/23 actuals, ii) an increase in non-dwelling rental income of £91k due to lower garage void levels and iii) an increase in dwelling rental income of £101k relating to an increase in affordable properties being acquired.
- 2.7 Revenue contribution to capital expenditure has decreased due to carry forward (capital slippage) from 2022/23 which will impact the expected completion of work already scheduled for 2023/24 (see Appendix 2).
- 2.8 Overall, the HRA reserve at 31 March 2024 is expected to be £5.76m compared with £4.77m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2023/24 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2023/24 is £14.45m and the projected outturn for the year is £12.7m, an underspend of £1.7m.
- 3.2 The reason for the decrease in expenditure is due to consumption of carry forwards (capital slippage), as highlighted at paragraph 2.5 above.
- 3.3 The decrease of £379k in heating improvements is due to a delay in the procurement of the contract for boilers at Win Pine House, the amount of £140k will be requested as a carry forward to 2024/25 to commence the project.
- 3.4 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2023/24. The total variation shown below corresponds to the figure in section 3.1 above.

2023/24 HRA	1-4-1 Capital Receipts	Revenue Contribution to Capital	HRA Other Capital Receipts	Carry Forwards	Major Repairs Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Projected Outturn	600	2,611	3,204	3,208	3,084	12,707
Approved	600	4,358	3,204	3,208	3,084	14,454
Variation	0	(1,747)	0	0	0	(1,747)

4. CONCLUSION

- 4.1 The HRA revenue outturn projection for 2023/24 forecasts £990k lower expenditure than the latest approved budget for the reasons set out at section 2.2 of this report.
- 4.2 The HRA capital outturn projection for 2023/24 forecasts £1.74m lower than the latest approved budget for the reasons set out at section 3.2 of this report.
- 4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2023/24 reflects the position based on actual expenditure and forecasts at 1 December 2023.

5. RISK MANAGEMENT ISSUES

- 5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
The latest projection of the outturn could be materially different to the actual year end position.	Medium	Medium	Areas at greater risk of variances are being closely monitored and an update will be made to Cabinet if appropriate when this report is considered to allow action to be taken.
Capital receipts (including right to buy sales) not materialising	Medium	Low	The capital programme uses realised capital receipts only.
Insufficient capacity to manage delayed expenditure along with new year programme	Medium	Medium	The 2023/24 to 2024/25 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2023/24 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2024/25 and beyond.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Specialist's Comments (NM)

There are no legal implications arising from this report.

6.2 Finance Specialist's Comments (LW)

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

6.3 Diversities and Equalities Implications (DA)

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)

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.

6.5 Communications and Engagement Implications (KA)

There are no communication implications arising from this report.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Jonathan Smith, Chief Accountant

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

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

Budget projection working papers.

Appendices:

[Appendix 1](#) Housing Revenue Account revenue budget monitoring report at 31 August 2023

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 31 August 2023

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HOUSING PORTFOLIO	LATEST APPROVED BUDGET £000	PROJECTED OUTTURN £000	VARIANCE £000	REASON
INCOME				
Dwelling rents	16,984	17,085	-101	Increase in affordable properties
Non-dwelling rents	285	376	-91	Lower void levels (garages)
Charges for services and facilities	1,099	1,023	76	Budget based on 22/23 actuals and based on best estimates at budget setting
Contributions from general fund	52	52	0	
Total Income	18,420	18,536	-116	
EXPENDITURE				
Repairs and maintenance	4,355	4,885	530	Net increase due to Mears non price per property £350k, planned maintenance £167k, electrical maintenance £90k and a decrease in void repairs -£79k
Supervision and management	6,883	6,931	48	Net increase in expenditure due to an increase in utilities £61k, landscaping works £15k and telephones £7k, a reduction in council tax on void properties -£15k and building cleaning contract -£20k
Rent, rates and taxes	22	22	0	
Depreciation charges of fixed assets	3,084	3,084	0	
Debt management expenses	23	23	0	
Bad debts provision	250	250	0	
Total Expenditure	14,617	15,195	578	
Net	-3,804	-3,342	462	
HRA Share of Corporate and Democratic Costs	175	175	0	
Net Cost of HRA Services	-3,628	-3,166	462	
Interest payable	1,907	1,907	0	
Interest and investment income	-311	-311	0	
Pension Interest Cost	100	684	584	Projected outturn updated to reflect actuals from 22/23 following actuarial revaluation
(SURPLUS)/DEFICIT	-1,932	-886	1,046	
MOVEMENTS IN HRA BALANCE FOR 2023/24				
Revenue contribution to capital	4,358	2,611	-1,747	Underspend projected due to carry forward consumption and limited availability to complete procurement.
HRA share of pension reserve movement	-195	-484	-289	Projected outturn updated to reflect actuals from 22/23 following actuarial revaluation
Surplus/deficit for the year	-1,932	-886	1,046	
Increase/Decrease in Net Movement in HRA Balance	2,231	1,241	-990	
HRA Reserve balance brought forward	-7,001	-7,001	0	
HRA Reserve balance carried forward	-4,770	-5,761	-990	

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PORTFOLIO AND SCHEMES	LATEST APPROVED BUDGET	PROJECTED OUTTURN	VARIANCE	COMMENTS
HOUSING PORTFOLIO	£'000	£000	£000	
1. Planned Improvements				
Windows & Doors	979	732	-247	Top slice of original budget may not be fully utilised due to time required to reprocure for additional spend in 23/24 given the additional budget carried forward from 22/23.
Re-roofing	1,571	800	-771	Top slice of original budget may not be fully utilised due to time required to reprocure for additional spend in 23/24 given the additional budget carried forward from 22/23.
Heating Improvements	649	270	-379	Reduced due to delay in procurement of contract for works at Win Pine House £140k to be carried forward to 2024/25
Kitchen Replacements	500	500	-	
Bathroom Improvements	444	444	-	
Voids Capital Works	300	249	-51	
Disabled Adaptations	450	450	-	
Sheltered Scheme upgrades	60	60	-	
Rewiring	237	237	-	
Lift Replacement	60	60	-	
Thermal Insulation	277	277	-	
Fire Protection Works	1,099	800	-299	Top slice of original budget may not be fully utilised due to time required to reprocure for additional spend in 23/24 given the additional budget carried forward from 22/23.
Smoke/CO/ Smoke Detectors	50	50	-	
Door Block Entry	406	406	-	
Communal Areas	60	60	-	
Ross House	404	404	-	
SHDF Wave 1	161	161	-	
SHDF Wave 1 - Capital Works	834	834	-	
SHDF Wave 2 - A & A costs	155	155	-	
SHDF Wave 2 - Capital works	881	881	-	
Telecare - Digital upgrade	619	619	-	
Remodelling IL Schemes	250	250	-	
	10,447	8,700	-1,747	
2. Major Schemes				
External Enveloping *	350	350	-	
Garages Improvements	100	100	-	
Treatment Works	220	220	-	
	670	670	0	
3. Other Schemes				
New Builds/Acquisitions	3,309	3,309	-	
EKH Single System	28	28	-	
Cash Incentive Scheme	0	0	-	
	3,337	3,337	0	
TOTAL	14,454	12,707	-1,747	
FUNDING				
Major Repairs Reserve	3,084	3,084	-	
Revenue Contribution	4,358	2,611	-1,747	
1-4-1 Capital Receipts	600	600	-	
HRA Other Capital Receipts	3,204	3,204	-	
Carry forwards	3,208	3,208	-	
TOTAL FUNDING	14,454	12,707	-1,747	

* This includes all items of the property structure that is external, such as roof, chimneys, gutters, fascia's, eaves and repointing.

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This Report will be made
public on 23 January
2024

Report Number **C/23/78**

To: Cabinet
Date: 31 January 2024
Status: Non-Key Decision
Head of Service: Lydia Morrison – Interim Director Governance and Finance Services
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 3RD QUARTER (Q3) 2023/24

SUMMARY: This report sets out the financial monitoring information for the Council as at 1 December 2023, i.e., Q3 of 2023/24. The report provides Members with an overview of budget performance, including an overview of reserves and balances, to enable the Committee to take ownership of the budgets and provide robust challenge and scrutiny to Officers on the performance of those budgets. At the end of Quarter 3, there is a favourable **end of the financial year projected position of £458k** on the Council's revised net revenue expenditure budget, of £22.2m. This position is based on budget activities as at 1 December 2023, projected trends in income and expenditure and changes to Council funding.

REASONS FOR RECOMMENDATION:

The Cabinet is asked to note the recommendation set out below as it needs to be informed of the Council's General Fund revenue budget position, note the forecast outturn underspend position, and consider any action required as appropriate. Regular monitoring and reporting of the revenue budgets and savings achievements enable decisions to be taken in a timely manner, which may produce revenue benefits and will improve the financial control of the Council.

RECOMMENDATION:

1. To receive and note Report C/23/78.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates the Cabinet on the **projected outturn for the General Fund Revenue budget for 2023/24**. This is the third round of budget monitoring for the financial year and provides the latest set of data at Q3, which can be considered the most accurate to date, given that the council is in month nine of the financial year.
- 1.2 These projections are made against the latest approved budget and based on data received from Budget Managers.

Economic Context

- 1.3 There remain considerable uncertainties in the economy during 2023/24. High inflation and interest rates continue to place significant pressures on Council finances and restrict the ability to forecast and plan, with confidence, for the future.
- 1.4 Although UK inflation and wage growth remain elevated, the forecasts are that Bank Rate has peaked at 5.25%. The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September, November and then again in December.
- 1.5 The latest update from the Office for National Statistics (ONS) puts the Consumer Prices Index (CPI) measure of inflation at 3.9% in the year to November 2023, significantly less than the 4.6% recorded a month earlier and now at a two-year low. While this figure is much smaller than the 11.1% recorded in the year to October 2022 – a 41-year high – the figure still sits above the government’s long-term target.
- 1.6 The reason inflation continues to remain higher than target is down to a long-lasting legacy of damaging economic conditions. These include a knock-on from elevated energy and food prices – triggered in large part by the ongoing war in Ukraine and Middle East – combined with high interest rates, a tight labour market featuring accelerating wage rises, plus ongoing global supply chain bottlenecks.

2. MONITORING - THE COUNCIL'S OVERARCHING BUDGET POSITION

- 2.1 Members will be aware from recent reports to the Council and cabinet that the council faces a significant budget funding gap for future years. Officers will continue to look at solutions to reduce this budget gap. This is being done through the Priority Based Budgeting (PBB) model, which provides a comprehensive review of the entire council’s budget, identifying and ranking services offered on the basis of the council’s priorities. The process enables members to link service provision decisions to priorities within the corporate plan. The PBB philosophy involves aligning resources to output.

- 2.2 In considering the budget gap, any underspend that can be generated in the current financial year 2023/24, can be carried forward to reserves to help bridge part of the future years budget deficits.
- 2.3 Being mindful of this, the Chief Executive and the Corporate Leadership Team Directors have asked Budget Managers to rationalise discretionary spending wherever possible for the remainder of the 2023/24 financial year and be prudent in the use of resources, but without compromising front line services to residents.
- 2.4 The results for the Q3 budget monitoring have been assembled and have also been reviewed by the Finance Team officers.
- 2.5 The forecasts at this stage (Q3) of the year are subject to movement as the year progresses, as more certainty arises, and less estimation is required. They are however forecasts for known items and commitments and estimates for the remainder of the financial year. The current economic position and volatility exposes the council to continued risk that forecasts move during the last quarter of the year due to continued inflation rates and cost of living.
- 3. GENERAL FUND REVENUE 2023/24 - FORECAST END OF YEAR OUTTURN**
- 3.1 The Q3 results are summarised in Table 1 below. The table presents the forecast outturn as a net position at the end of the financial year, i.e., expenditure minus income. Favourable variances (underspends) are shown as negative values and adverse variances (overspends) are shown as positive value.
- 3.2 The Service or Team spending covers the specific budgets used to fund services at the Council and includes budgets/costs for employees, transport, supplies and services, contracts, benefits, homelessness, and income from grants, fees, and charges. Any carried forward funding from reserves from 2022/23 has also been applied to reflect the latest position.
- 3.3 The technical/funding/other budgets cover items of a more corporate funding nature such as capital financing costs, investment income, Minimum Revenue Provision (MRP), use of reserves, collection fund, levies, precepts, and any other technical budget adjustments. These budgets/costs are kept separate for accounting and service classification reasons under the CIPFA Service Reporting Code of Practice (SERCOP).
- 3.4 In summary, at the end of Quarter 3, there is an overall 2023/24 projected end of year revenue underspend position of **£458,000 (£512,000 in Quarter 2)** against the Council's revised net revenue budget of £22.6m, which is equivalent to a variance of 1.44% on the current annual budget.

Table 1 – Q3 Budget Monitoring statement

General Fund Net Cost of Services	Latest Approved Budget	Qtr. 3 Projected Outturn	Q3 Variance	Qtr. 2 variance
	£000	£000	£000	£000
Finance, Strategy & Corporate Services	8,665	8,439	(226)	(387)
Human Resources	646	693	47	52
Governance & Law	2,930	2,929	(2)	36
Leadership Support	753	754	1	51
Place	6,789	7,147	358	225
Economic Development	469	608	139	115
Planning	191	162	(29)	(60)
Operations	2,841	2,774	(67)	(202)
Housing	3,113	3,017	(96)	(189)
Sub-Total - Heads of Service	26,397	26,522	125	(360)
Unallocated Net Employee Costs	(441)	-	441	441
Recharges to Non General Fund Accounts	5,978)	5,978)	-	
Total for Service	19,979	20,545	566	82
Internal Drainage Board Levies	541	541	-	-
Interest Payable and Similar Charges	2,502	1,943	(559)	-
Interest and Investment Income	(2,521)	(2,402)	119	-
New Homes Bonus Grant	(366)	(366)	-	-
Other Non-Service Related Government Grants	(4,844)	(4,985)	(141)	(141)
Town and Parish Council Precepts	2,801	2,801	-	-
Minimum Revenue Provision	1,625	1,968	343	-
Capital Expenditure Financed from Revenue	2,487	2,344	(143)	-
NET REVENUE EXPENDITURE BEFORE USE OF RESERVES	22,204	22,389	185	(59)
Net Transfer to/from(-) Earmarked Reserves	(2,207)	(2,850)	(643)	(50)
TOTAL TO BE MET FROM TAXPAYERS & FORMULA GRANT	19,997	19,539	(458)	(110)
Business Rates Income	(3,921)	(3,921)	-	(263)
Demand on the Collection Fund	(14,290)	(14,290)	-	(140)
SURPLUS(-)/DEFICIT FOR THE YEAR	1,786	1,328	(458)	(513)
Contribution (from)/to the General Reserve	(1,786)	(1,328)	458	513
Projected Balance at end of the year	-	-	-	-

3.5 Significant aspects of the General Fund Revenue variances by directorate are as follows:

3.5.1 Finance, Strategy & Corporate Services

Finance, Strategy & Corporate Services are forecasting an underspend of £226k, (£387k in Quarter 2) and the table below shows the major variations against the latest budget with detailed descriptions as follows:

Descriptions	£000
ICT operation/admin net over/underspend within the various areas including the ICT contracted services, Web/Intranet, telephones, an unbudgeted grant, and vacancies.	(206)
Underspends due to various vacancies across the services, including Case Management (Corporate Services) and Strategy Policy & Performance.	(250)
Revenue and Benefit services - net increased in rent rebate payments	211
Revenue and Benefit services - net increased in rent allowance subsidy and other misc. variances	(118)
Various services early retirement contributions that will be funded through the transformation reserve	160
The internal audit service being provided by the East Kent Audit Partnership is projected to overspend due to an increase in EKAP charge.	23
The remaining under/overspend are due to other minor variations.	(46)
TOTAL	(226)

3.5.2 Human Resources

Human Resources are forecasting an overspend of £47k (£52k in Quarter 2), and the table below shows major variations against the latest budget with detailed descriptions as follows:

Descriptions	£000
Human Resources (Corporate Training) - variance due to reduction in Income Contributions and Reimbursements	30
Organisational Development - Overspend due to salary costs against Maternity leave & Temp Contractor post.	10
The remaining under/overspend are due to other minor variations.	7
TOTAL	47

3.5.3 Place

Place Services are forecasting an overspend of £358k (£225k in Quarter 2), and the table below shows major variations against the latest budget with detailed descriptions as follows:

Descriptions	£000
This is due to unavoidable contract inflation and the increase from the actual indexation for the preceding year, which was higher than the original estimate within the Household Waste Collection, Recycling/Waste and Cleansing services.	227
Projected underspend as a result of various vacancies within the Customer Services, Environmental Protection, Area Offices, and Hythe Swimming Pool	(141)
Otterpool Legal and financial advice costs, which will be funded by the external grant coming to the Council in 2023/24.	114
Cleansing – this is due to contract recharges and loss of income from KCC, re contribution to regular weed spraying	117
Local Land Charges – reduction in income due to a reduced volume in requests.	43
The remaining under/overspend are due to other minor variations.	(2)
TOTAL	358

3.5.4 Economic Development

Economic Development are forecasting an overspend of £139k (£115k in Quarter 2), and the table below shows major variations against the latest budget with detailed descriptions as follows:

Descriptions	£000
High Street Innovation Fund overspent that will be funded from the High Street Reserve (accounted for within the net transfer from reserve – Table 1)	50
Higher than budgeted Economic Development staffing costs including £24k for LUF Project Officer from Aug'23. This will be funded through the LUF grant funds/reserves and the CLT contingency. (accounted for within the net transfer from reserve – Table 1)	62
Rural England Prosperity Fund - Salary costs funded from Rural Prosperity Fund. This will be recovered from an allocated grant funding/reserve (accounted for within the net transfer from reserve – Table 1).	26
The remaining under/overspend are due to other minor variations.	1
TOTAL	139

3.5.5 Planning

Planning is forecasting an underspend of £29k (£60k in Quarter 2), and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Descriptions	£000
Building Control – this is due to a reduced income projection, based on current level of income. Current service review ongoing.	92
Development Control – due to higher professional fees relating to Otterpool, Legal & Nutrient Neutrality advice.	45
Projected underspend as a result of various vacancies and grant received for Biodiversity.	(178)
The remaining under/overspend are due to other minor variations.	12
TOTAL	(29)

3.5.6 Operations

Operations services is forecasting an underspend of £67k (£202k in Quarter 2), and the table below shows the major variation against the latest budget with detailed descriptions as follows:

Descriptions	£000
Off-street car parking – projected underspend/savings were due to additional income and saving against RingGo Fees.	(151)
On-street car parking – projected overspend/variance due to significant reduction in income against parking charges, reduction in visitors this year, and an increase in contract recharge costs.	46
Mountfield Industrial Estate - Projected overspend due to vacant units resulting in reduced income/rent.	35
Projected overspend due to an increase in Business Rates, Utilities costs at the Sports & Recreation Buildings, Charity Parks & Open Spaces and Hythe Swimming Pool.	54
Projected underspend as a result of various vacancies within the Lifeline Facilities, Maintenance Offices, Engineering and Buildings, Estates/Assets, and Strategic Development.	(307)
Due to reduction in Folca maintenance costs and Business Rates	(44)
Connect 38 – projected overspend due to business rates and vacant floors resulting in reduced income.	211
The remaining under/overspend are due to other minor variations.	89
TOTAL	(67)

3.5.7 Housing

Housing services is forecasting an underspend of £96k (£189k in Quarter 2), and the table below shows major variation against the latest budget with detailed descriptions as follows:

Descriptions	£000
Homelessness - due to a reduced benefit income compared to budget and increase usage of the FHDC temp accommodation.	36
Projected net underspends from vacancies savings and secondment arrangements within various services including Compliance, Repairs, Assets & Major Works, and Regulation Specialists.	(123)
Neighbourhood Management Unbudgeted grant fund to cover Tenant Satisfaction Surveys (GF Housing)	(36)
Housing Options - overspend due to increases in legal costs; reduced income on DA grant and an adjustment for salary saving (net of redundancy payment).	28
The remaining under/overspend are due to other minor variations.	(1)
TOTAL	(96)

3.5.8 Other Non – Service Related

Descriptions	£000
Other Non-Service Related Government Grants	(141)
Interest Payable and Similar Charges - This is due to an underspend on interest payable; given the slippage in the capital programme, the budget for 2023/24 has been refined to reflect that borrowing has been deferred compared to the cashflow forecast on which the interest payable budget was constructed.	(559)
Interest and Investment Income - Interest receivable from treasury investments is forecast to be below budget due to the lower than forecast base rates available in the market.	119
Minimum Revenue Provision – This is as a result of changes made after the budget was set for the mix of funding used to finance capital schemes in 2023/24, and to reflect the projected slippage in the capital programme in 2023/24.	343
Capital Expenditure Financed from Revenue - The variance is as a result of changes made to reflect the projected funding/slippage in the capital programme in 2023/24.	(143)

- 3.6 An application to the Homes England Market, Partners, and Places programme for grant funding of £150k has been successful. The purpose of the grant is to support the ongoing delivery of the Otterpool Park project in relation to planning, infrastructure development and seeking third party funding. The funding will be fully utilised in 2023/24.
- 3.7 The new Committee system implementation cost of £100k will be funded from GF balances.

3.8 It should also be noted that there are a number of carry forward reserves applied from carried forward balances in 2022/23 which will fund certain specific costs included within the latest service budget.

4. Reserves Position and Forecast

4.1 Reserves are an essential element of the Council's finances, and a sufficient level of balances should be held, to mitigate risks within the budget and operations of the Council. The Council holds a range of Reserves for a variety of reasons.

4.2 The actual number and value fluctuate over the year as monies are spent on projects, new money is received from funders (most often from Government but not exclusively) and new reserves are created to respond to changing financial pressures. The Reserves are held as funding for specific projects, against known or potential expenditure or to meet future costs or allow for service developments and to allow value for money improvements.

4.3 The level of general fund reserves and earmarked reserves held by the Council were increased as part of the final financial year end position for 2022/23. This brought the level of the reserves up to the value that was set out in risk assessed level of reserves required to support the council's budget for 2023/24 and included in the budget report in February 2023. This provides additional capacity and resilience to support the financial position in 2023/24, supports the financial risks within the budget and allows lead in time for transformation and to reshape services to deliver on-going financial resilience and sustainability.

4.4 The transformation reserve provides funding for transformational activity across the council. The transformation seeks to reduce management duplication, improve efficiency, ensure that organisation capacity is focused on the Council's priorities, and deliver financial savings by making the best use of IT, Premises, Asset & Contract Management and reducing the overall number of staff across the Council.

4.5 The use of this reserve is overseen by the CLT, who agree the prioritisation of the activity and agree the funding.

Movement in Earmarked Reserves

4.6 The level of Earmarked reserves projected to held for discretionary use by the Council at 1 December 2023 is £12.176m compared to a balance of £14.871m at 31st March 2023.

Summary of Movement in Earmarked Reserves	£'000
Earmarked Reserves at 1st April 2023	14,871
Transfers to Earmarked Reserves	2,131
Planned use of reserve – 2023/24 Budget	(4,826)
Earmarked Reserves Closing Balance 2023/24 (Projected)	12,176

Movement in General Fund Reserve

- 4.7 The Council held a £7.038m as at April 2023 in General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget. The movement based on the forecast outturn for 2023/24 and the transfer to General Fund identifies that the General Fund closing balance will be £5.710m as detailed below:

Summary of Movement in General Reserves	£'000
General Fund Reserves at 1st April 2023	7,038
Planned use of reserve – 2023/24 Budget	(1,786)
Forecast 2023/24 outturn revenue budget (surplus) / deficit	458
General Fund Reserve Closing Balance 2023/24 (Projected)	5,710

5. Virement

- 5.1 As stated in the Council's virement policy, all virements will be reported retrospectively to Cabinet as part of the Council's budget monitoring procedures. Various virements (including recharges) in the region of £393k were carried out between October and December (Q3).

6. CONCLUSIONS

- 6.1 The projected outturn shown for the General Fund Revenue account for 2023/24 reflects the position based on actual expenditure and forecasts on 1 December 2023 and projects an underspend of £458k at the end of the current financial year.
- 6.2 If this level of underspend continues through to outturn, then this may be added to reserves and carried forward to the 2024/25 Budget.

7. RISK MANAGEMENT ISSUES

- 7.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
MTFS becomes out of date.	High	Low	The MTFS is reviewed annually through the budget process.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly, and financial developments nationally are tracked. Assumptions are regularly reviewed.

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

8.1 Legal Officer's Comments (NM)

There are no legal implications arising directly out of this report.

8.2 Finance Officer's Comments (OO)

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

8.3 Diversities and Equalities Implications

The report does not cover a new service/policy or a revision of an existing service/policy and therefore does not require an Equity Impact Assessment.

8.4 Climate Change Implications (OF)

As this report deals entirely with financial matters, there is no climate change impact.

8.5 Communications implications (KA)

There are no communications implications arising from this report.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Ola Owolabi, Chief Financial Services Officer
Office: 01303 853728, Email: ola.owolabi@folkestone-hythe.gov.uk

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

Budget projection working papers.

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This Report will be made public on 23 January 2024.

Report Number **C/23/79**

To: Cabinet
Date: 31 January 2024
Status: Non-Key Decision
Head of Service: Lydia Morrison – Interim Director of Corporate Services and Governance
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance

SUBJECT: GENERAL FUND CAPITAL PROGRAMME – QUARTER THREE BUDGET MONITORING 2023/24

SUMMARY: This monitoring report provides an initial projection of the current financial position for the General Fund capital programme profiled for 2023/24, based on expenditure to 1 December 2023, and identifies variances compared to the latest approved budget.

REASONS FOR RECOMMENDATION:

Cabinet is asked to note the recommendation set out below because it needs to be kept informed of the General Fund capital programme position and take appropriate action to deal with any variance from the approved budget.

RECOMMENDATION:

1. To receive and note report C/23/79.

1. INTRODUCTION AND BACKGROUND

- 1.1 As part of the council's normal budget monitoring process, this report updates Cabinet on the current position for the General Fund capital programme profiled for 2023/24, based on expenditure to 1 December 2023, compared to the latest approved budget. Specifically, this report; -
- i) identifies variances on planned capital expenditure for 2023/24 and provides explanations for these differences, and
 - ii) considers the impact any changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 Cabinet is reminded that the full Council approved the current General Fund Medium Term Capital Programme (MTCP) for the rolling five-year period to 31 March 2028 on 22 February 2023. The latest approved budget for 2023/24 includes £3,973k of planned capital expenditure reprofiled from 2022/23 due to slippage on schemes.
- 1.3 The projections shown in the report are as at the third quarter in the financial year and may be subject to further change which will be reported to Cabinet as part of the on-going budget monitoring process.

2. CAPITAL PROGRAMME 2023/24 – PROJECTED OUTTURN

- 2.1 The latest projection for the total expenditure and funding of the General Fund capital programme for 2023/24 is £24,286k, resulting in a variance of £23,762k from the latest approved budget at quarter three.
- 2.2 Actual expenditure to 1 December 2023 is £9,611k a variance of £38,437k to the latest approved budget. This is due to delays in number of projects, and the levelling up project is in its early stages. However, it is expected that the capital commitments will increase during the rest of the financial year.
- 2.3 The table below provide an update on the 2023/24 Capital Programme analysed on a Directorate basis. A number of variations have arisen since the original programme was agreed at the end of February 2023 and subsequently revised via the Q2 Capital Monitoring Report. These include variations to spend forecasts and inclusion of additional grant funding and external contributions.
- 2.4 Full details are shown in Appendix 1 to this report and the following table summarises the position across the Service Units and also outlines the impact on the capital resources required to fund the programme:

General Fund Capital Programme Q3 2023/24	Latest Budget 2023/24	Latest 2023/24 Projection	Q3 Variance
	£'000	£'000	£'000
Service Units			
Operations	7,738	8,038	300
Corporate Services	1,229	1,229	-
Housing	1,630	1,630	-
Governance, Law & Regulatory Services	27	27	-
Economic Development Place	12,207 25,217	3,060 10,302	(9,147) (14,915)
Total Capital Expenditure	48,048	24,286	(23,762)
Capital Funding			
Capital Grants	(14,117)	(5,946)	8,171
External Contributions	(553)	(406)	147
Capital Receipts	(3,106)	(2,823)	283
Revenue	(2,769)	(2,223)	546
Borrowing	(27,503)	(12,888)	14,615
Total Funding	(48,048)	(24,286)	23,762

2.5 At Quarter 3, there has been a net variation of £23 million as noted above, the main movements in this year's programme so far are in respect of reprofiling of budgets/projects into future years along with the inclusion of new funding and schemes into the programme.

2.6 The following table summarises the main variances:

Significant Variances	Q3 Variance
	£'000
Otterpool Park	(14,915)
Folkestone Brighter Place LUF	(9,147)
Princes Parade Leisure Centre	300
Total	(23,762)

- Otterpool Park and Folkestone Brighter Place projects are the Council's most significant projects and are expected to last several years. Following the review of the expenditure to date, the budgets has been reprofiled to future years. Otterpool will enter a transition period of between 18 - 24 months whilst a strategic partner is sought. The main works for Folkestone Brighter Place are due to start in the spring of 2024.
- To enable works to remove the hoarding and make the site safe works at Princes Parade budget allocated to future years has been allocated to 2023/24.

- Biggins Wood Remediation works, and Oportunitas Phase 2 have been completed and the final costs will be received shortly.
 - Mountfield Road and CLLD ERDF Capital projects has been completed and awaiting final invoices to be received for payment.
 - Work on Coast Drive Seafront Development, Units 1-5 Learoyd Road, the Stade Rental Huts, and Public Toilets (Changing Places) are yet to commence. The Public Toilet Enhancement are nearing completion while the Hawkinge Depot upgrade has been completed.
- 2.7 It is anticipated that further reductions and/or deferrals of budget will be made in last quarter. Such deferrals would reduce the borrowing costs incurred during 2023/24 and also delays the resultant Minimum Revenue Provision (MRP) charges into future years. Given the budgetary pressures that the Council faces, a review of the programme continues to try and identify schemes that may no longer be financially viable,

Reprofiling of the Capital Programme expenditure

- 2.8 Regular meetings are held with officers who are responsible for capital projects contained within the programme. During these meetings assessments are made regarding the deliverability of the schemes and their budgetary requirement for the year. These assessments are reflected in the forecast outturn provided through the quarterly update reports to Members. Should it be assessed that a scheme will continue into the next financial year, or beyond, budget is reprofiled as deemed appropriate at that time.
- 2.9 A scheme should not be paused or deferred into a future year if this action were to lead to avoidable detrimental effects on the Council. The project lead officers determine if a scheme is appropriate for deferral and manage any risks or negative impacts associated with this decision. Schemes that are part or fully funded from grant require additional consideration before deferral, so as not to compromise the conditions of the grant agreements, which may jeopardise the scheme funding.
- 2.10 A review of the expenditure profile within the Capital Programme is continuing and is likely to lead to a further reduction in anticipated spend for the year.

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

- 3.1 One of the key principles underlying the Council's Medium Term Financial Strategy is the capital programme funding from available or realised capital resources and that new borrowing should only be used as the last resort, where it is prudent and affordable. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no commitment is made against these until the funding is confirmed. The 2023/24 projected outturn for the General Fund capital programme conforms to this key principle.

- 3.2 As summarised within section 2 of this report, the council's projected capital expenditure for 2023/24 requires a significant level of borrowing to support the programme. The capital schemes in 2023/24 planned to be supported by borrowing are:

	£'000
Princes Parade Leisure Centre	550
Coast Drive Seafront Development	844
Coastal Park Toilet and Concession	128
Otterpool Park	10,287
Veolia Waste Contract	15
Oportunitas Phase 2 funding	970
Temporary Accommodation	94
Total	12,888

- 3.3 The borrowing required is consistent with the council's approved Capital Strategy for 2023/24.
- 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
Opening Balance at 1 April 2023	7,859
<u>Less:</u>	
Committed towards General Fund capital expenditure	(5,983)
Committed towards HRA capital expenditure	(3,489)
Contingency for urgent or unforeseen capital expenditure	(500)
Anticipated capital receipts to be received in 23/24	3,373
Balance available to support new GF capital expenditure	1,260

4. CONCLUSIONS

- 4.1 The projected outturn shown for the General Fund capital programme for 2023/24 reflects the position based on projected and forecasts at 1 December 2023. The projected outturn will be reviewed, updated, and reported to Cabinet as part of the regular budget monitoring process for 2023/24. Although there are significant variances comparing projected outturn to latest budget, this will continue to be reviewed as part of the budget monitoring cycle for the MTCP and further update will be provided during the quarter four monitoring report on any material changes to the overall programme.

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	Capital receipts required have already been realised for the majority of the programme. Schemes subject to future capital resources will only commence once these are realised. Schemes supported by grant funding will only commence once fully approved and committed by the relevant body. Prudential borrowing is only used for capital schemes expected to generate a net revenue benefit and/or future capital receipts
Cost of new projects may exceed the estimate.	High	Medium	Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively. Cost inflation risk has been identified in the report and the position is being closely monitored as part of the council's budget process.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 **Legal Officer's Comments (NM)**

There are no legal implications arising directly out of this report.

6.2 **Finance Officer's Comments (DL)**

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

6.3 **Communication Officer's Comments (KA)**

There is likely to be media interest in the timeline of the Royal Victoria Hospital site development and the comms team will prepare a response accordingly.

6.4 **Diversities and Equalities Implications**

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

6.5 **Climate Change Implications (AT)**

There are no climate change implications arising directly from this report. The report is a monitoring report that provides an initial position against the latest approved budget. 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.

Dani Loxton, Senior Finance Specialist (Capital and Treasury)
Tel: 01303 853583. e-mail :daniella.loxton@folkestone-hythe.gov.uk

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

None

Appendices:

Appendix 1 – General Fund Capital Programme 2023/24 Projected Outturn

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General Fund Capital Programme - Q3 Monitoring

Appendix 1

Item Scheme	2023/24 Original Budget	Latest Approved Budget	Q3 Actuals	Latest Projection	Variance	Comments
	£000	£000	£000	£000	£000	
Housing & Operations						
1 Lifeline Capitalisation	70	70	48	70	0	
2 Royal Military Canal Enhancements	20	20	9	20	0	
3 Biggins Wood Commercial Development	0	0	6	0	0	
4 Biggins Wood Site Land Remediation Works	1,364	1,657	910	1,657	0	
5 Ship Street Site Folkestone	0	192	222	192	0	
6 Area Officer Vans	0	20	0	20	0	
7 Princes Parade Leisure Centre	250	250	(352)	550	300	Additional £300k required for hoarding removal and make site good works
8 EV ChargePoint's	40	40	0	40	0	
9 Fisherman's Beach Chalets	789	844	19	844	0	
10 Coastal Park Play Equipment	0	19	0	19	0	
11 Coastal Park Toilet and Concession	97	128	150	128	0	Completed. Incls budget for 22/23.
12 East Cliff Landfill Protection (FPPG Charity)	1,200	1,198	0	1,198	0	
13 Hawkinge Depot Upgrade	150	143	94	143	0	Ongoing for 23/24
14 Units 1-5 Learoyd Road New Romney	196	196	0	196	0	Now not continuing with projects - units to be sold
15 Connect 38 CAT A Works	240	234	201	234	0	Works continuing. Using Revenue contribution?
16 District Street Lights	0	401	326	401	0	
17 Park Keepers Van	0	27	0	27	0	
18 Replacement Asset Management System	0	60	0	60	0	
19 Radnor Park Footpath Resurfacing (FPPG Charity)	0	13	0	13	0	
20 The Stade Rental Huts	0	100	0	100	0	
21 Toilet Cleaner's Van	0	33	0	33	0	
22 Coast Protection, Coronation Parade Folkestone	0	742	0	742	0	
23 Coastal Protection, Greatstone dune management & study	15	15	3	15	0	
24 Beach Management 2020-2021	455	572	206	572	0	
25 Coronation Parade Annual Monitoring	4	4	0	4	0	
27 Public Toilet Enhancement	100	113	0	113	0	Some spent for 23/24 £20k? Will c.f to 24/25
28 Public Toilets (Changing Places)	205	205	1	205	0	
29 Coastal Park Play Area Ref (FPPG)	40	40	0	40	0	Maybe Spring'24.
30 HI-AB Crane	75	75	0	75	0	Maybe end 23/24, if not c/f to 24/25
31 Welfare Facilities New Romney	7	7	2	7	0	Ongoing
32 LCH Car Park - CCTV	13	13	0	13	0	Ongoing
33 Replacement Tractor	85	85	85	85	0	
34 Cherry Picker Vehicle and Trailer	100	100	96	100	0	
35 Replacement Weed Barge	85	85	80	85	0	
36 Sports Mower (East Cliff Area)	9	9	7	9	0	
37 Transit Van	28	28	0	28	0	
Total - Housing & Operations	5,637	7,738	2,113	8,038	300	
Place						
38 Land at Otterpool Lane	407	752	26	787	35	budget reprofiled
39 Otterpool Park Garden Town Del Veh	0	0	19	0	0	
40 Otterpool Further Investment	24,000	24,450	5,539	9,500	(14,950)	budget reprofiled to future years £9.5m allowed for 23/24
42 Veolia Waste Contract	0	15	0	15	0	
43 Mountfield Road Employment Land	0	0	(150)	0	0	
Total - Place	24,407	25,217	5,434	10,302	(14,915)	
Corporate Services						
45 PC Replacement Programme	35	35	34	35	0	
46 Server Replacement Programme	60	60	51	60	0	
47 Oportunitas PH 2	970	970	670	970	0	
48 FHDC Transformation	0	15	0	15	0	
49 ICT improvement costs (externally hosted Revenues & Benefits system)	0	53	51	53	0	
50 Website CMS Replacement	0	26	0	26	0	
51 Upgrade eFin to Cloud	70	70	0	70	0	
Total - Corporate Services	1,135	1,229	806	1,229	0	
Governance, Law & Regulatory Services						
52 Electoral Management System	0	9	0	9	0	
53 IKEN to Cloud Hosted Service	18	18	0	18	0	
Total - Governance, Law & Regulatory Services	18	27	0	27	0	
Economic Development						
54 CLLD ERDF Capital Projects	40	853	183	853	0	
55 Folkestone & Hythe Green Business Grant	200	220	25	220	0	
56 Folkestone Brighter Place LUF Professional Fees	10,995	10,878	354	1,731	(9,147)	budget reprofiled to future years - main works due to start April 24
57 Rural England Prosperity Fund Cap	143	143	0	143	0	
58 UK Shared Prosperity Fund Cap	100	113	0	113	0	
Total - Economic Development	11,478	12,207	562	3,060	(9,147)	
Housing						
59 Temporary Accommodation	0	94	0	94	0	
60 Disabled Facilities Grants	1,000	1,000	671	1,000	0	Currently on track
61 Home Safe Loans	100	211	0	211	0	Low activity
62 Empty Home Initiatives	300	325	25	325	0	
Total - Housing	1,400	1,630	696	1,630	0	
TOTAL GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME	44,075	48,048	9,611	24,286	(23,762)	
Funding Summary:						
1 Capital Receipts		(3,106)	0	(2,823)	283	
2 Government Grant		(14,117)	0	(5,946)	8,171	
3 External Contributions		(553)	0	(406)	147	
5 Direct Revenue		(2,769)	0	(2,223)	546	
6 Borrowing		(27,503)	0	(12,888)	14,615	
TOTAL FUNDING		(48,048)	0	(24,286)	23,762	

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