Folkestone & Hythe District Council

# Agenda

Meeting: **Council**
Date: **28 February 2024**
Time: **7.00 pm**
Place: **Council Chamber - Civic Centre Folkestone**

To: **All Members of the Council**

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

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

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

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

Dr Susan Priest
Chief Executive

1. **Apologies for Absence**

2. **Declarations of Interest (Pages 5 - 6)**

**Queries about the agenda? Need a different format?**

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

Date of Publication: Tuesday, 20 February 2024

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

3. **Minutes (Pages 7 - 14)**

To receive the minutes of the meeting of the council held on 24 January 2024 and to authorise the Chair of the Council to sign them as a correct record.

4. **Chair's Communications**

5. **Petitions**

There are no petitions to be presented.

6. **Questions from the Public**

1. **From Bryan Rylands to Councillor Shoob, Cabinet Member for Housing and Homelessness**

Landlords who neglect to carry out an EICR (along with any suggested work) prior to the start of a new tenancy may face a fine of up to £30,000. The enforcement of these regulations falls under the jurisdiction of local authorities, as outlined in the Housing Act 2004. How Many Landlords has the Council used the 2004 Housing ACT against for failure to carry out an EICR prior to rental or after rental?

7. **Questions from Councillors**

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

Up to 45 minutes is allowed for questions from councillors.

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

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

The opposition group will have an opportunity to reply to the leader's remarks. The opposition group leader shall have 5 minutes to respond after which the Leader of the Council will have a right of reply. Any right of reply will be for a maximum duration of 5 minutes.

9. **Portfolio Holder reports to Council (Pages 15 - 24)**

10. **Opposition Business**

The Labour Group has raised the following matter:

**Council Notes**:
This council continuously engages with local cultural organisations to provide opportunity and promote the local district.

The Council continuously supports local projects of a cultural nature through a wide variety of channels.

**Council Believes:**

The council produced a Heritage Strategy in 2019, however it was largely to support the local planning process and not to outline a comprehensive plan to support Heritage assets within the local area.

A co-ordinated strategy that brings together all aspects of the district's Cultural, Heritage and Tourism based assets will only benefit the district.

**Council Resolves:**

As part of the Corporate Plan refresh being undertaken, to begin work to produce a Culture, Heritage and Tourism Strategy.

To seek members' input, through either formal Committee or working group as to the preferred method to produce the Culture, Heritage and Tourism Strategy.

Should a Culture, Heritage and Tourism Strategy be drafted, it be adopted by full council as the overarching authorising body of this council.

Debates on opposition business shall be limited to 30 minutes. If the time limit is reached or the debate concludes earlier, the leader of the group raising the item shall have a right of reply.

The Council shall:

a) Note the issue raised and take no further action;
b) Refer the issue to the cabinet or relevant overview and scrutiny committee, as the case may be for their observations before deciding whether to make a decision on the issue;
c) Agree to examine the matter as part of a future scrutiny programme;
d) Adopt the issue raised by opposition business provided that the decision so made is within the policy framework and budget.

11. **Motions on Notice**

There are no motions on notice.

12. **Draft Housing Revenue Account Revenue and capital Original Budget 2024/25 (Pages 25 - 76)**

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.

13. **Revenue Budget, Capital Strategy, Capital Programme, Reserves and Balances, Treasury and Investment Strategy and Medium Term Financial Strategy and Council Tax for 2024/25 (Pages 77 - 254)**

Following consideration by Cabinet at their meeting of the 28th February this report concludes the budget setting process for 2024/25 and is submitted to Council with the proposed 2024/25 Revenue Budget, Capital Strategy, Capital Programme, Reserves and Balances, Treasury and Investment Strategy and Medium Term Financial Strategy.

It sets out recommendations for setting the council tax after taking into account the district's council tax requirement (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity), the precepts of Kent County Council, the Kent Police & Crime Commissioner, and the Kent Fire & Rescue Service.

## Declarations of Interest

### Disclosable Pecuniary Interest (DPI)

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

### Other Significant Interest (OSI)

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

### Voluntary Announcement of Other Interests (VAOI)

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

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

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FOLKESTONE AND HYTHE DISTRICT COUNCIL

**Minutes for the meeting of the Council held at the Council Chamber - Civic Centre Folkestone on Wednesday, 24 January 2024**

**Present:** Councillors Mike Blakemore, Polly Blakemore, James Butcher, Bridget Chapman, Tony Cooper, Laura Davison, Gary Fuller, Clive Goddard, David Godfrey, Rich Holgate, Mrs Jennifer Hollingsbee, Anita Jones (Vice-Chair, in the Chair), Nicola Keen, Adrian Lockwood, Alan Martin, Elaine Martin, Jim Martin, Connor McConville, Liz McShane, Jackie Meade, Tim Prater, Stephen Scoffham, Rebecca Shoob, Jeremy Speakman, Paul Thomas, Belinda Walker, David Wimble and John Wing

Apologies for Absence: Councillors Abena Akuffo-Kelly

64. **Declarations of Interest**

There were no declarations of interest at the meeting.

65. **Minutes**

The minutes of the meeting held on 29 November 2023 were submitted, approved and signed by the Chair.

66. **Chair's Communications**

In the Chair's absence, there were no communications, but the Vice-Chair wished the Chair well, and stated that she hoped to see her back at the next Full Council meeting.

67. **Petitions**

There were no petitions.

68. **Questions from the Public**

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

69. **Questions from Councillors**

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

70. **Announcements of the Leader of the Council**

The Leader gave the following announcements:

1. "I would like to wish all members and officers a very happy new year and I hope it will be a good one, I know it will be a challenging one!

2. I was delighted to be a guest at the Cheriton Community Centre for the Nepalese Community to welcome me as Leader.
3. The leaders of the four political groups and Independent Councillor Paul Thomas have been meeting regularly as we move towards a committee system.
4. I have attended many meetings regarding Otterpool Park with government agencies, developers and potential Joint Venture Partners and these discussions continue.
5. I attended a training session with many other Council representatives in my role as Armed Forces Champion.
6. I have been delighted to visit many businesses in our District, including Euro Tunnel, which was fascinating. I committed this Council to do whatever we can to help Euro Tunnel face the further challenges of Border Control which when introduced this summer may slow access to the Port of Dover and the Euro Tunnel site. This Council is a friend to good business.
7. Princes Parade hoarding: I am delighted to announce that the hording surrounding the Princes Parade site will shortly be dismantled. I am also delighted to announce that the hoardings and the concrete blocks that support it will be recycled to Otterpool, where they will be stored and used as required. Once the site is refenced we will be consulting next year to ask local people for their views on the future of Prince's Parade.
8. Following their announcement of cuts to local bus services I have been in almost daily contact with Stagecoach to discuss, indeed I recently attended a 6.00am meeting at Dover Bus Garage to establish for myself the feelings of the relocated drivers from Folkestone.
9. I have been in regular contact with Southern Water and held meetings with them, mainly because of the sewage on the Copperfield's Estate in Lydd, the flooding on Udan Rd in Dymchurch and the failure of the pumps at the Range Road pumping station in Hythe. I have further meetings with Southern Water and KCC Councillors this month.
10. Along with many coastal District Councils I attended a meeting organised by the Environment Agency to collectively express our shared concern about Southern Water's consistent failure to meet the needs of their customers.
11. I have attended the Kent Leaders Forum to discuss the issues which affect the Council's in Kent. I have also attended meetings of the East Kent Leaders forum which has a more focused view of the issues affecting the East Kent Districts.
12. I joined FHDC's excellent Licencing team on their regular Saturday night patrol around Folkestone. I was amazed the warm welcome we received in every pub and restaurant we went into, clearly the licencing team is seen as part of the solution to many of the nighttime economy problems and not seen as the enemy by licensees.
13. I joined our local police force on a daytime patrol in the centre of Folkestone to see for myself the types of problems they encounter. On the run up to Christmas the patrol officers are particularly on the look out

for shop lifters, street crime and organised begging. I was impressed by the individual officers knowledge and understanding of the specific problems that affect Folkestone.

14. I was delighted to attend the Panto, Beauty and the Beast at the Leas Cliff Hall.
15. I spent a morning with our front-line staff who answer the telephone and deal with all the problems our residents have. To say I was impressed by the care and understanding exhibited by our team is an understatement.
16. Without doubt my most pleasurable task this month was to join colleagues as we said goodbye to Karen Everett after 46 years of excellent service to this Council. Karen is a remarkable person, loved by colleagues and residents alike. We all wished Karen well in her new adventure and she will be greatly missed. He proposed a vote of thanks for 46 years of service to Karen Everett.

Councillor McConville, Leader of the Labour Group then responded to the announcements and stated he supported the vote of thanks for any staff members who commits so much time to helping local residents. Regarding the never-ending sagas with those organisations that begin with S – he indicated that in respect of Stagecoach he would like to thank the work of local councillors who are undertaking work within their wards, constantly in contact with residents, and trying to do as much as possible to offer hope of restoration of key services. In respect of Border control, he stated that this is timely. He added that it's an important issue and should have more focus. If the planned biometric checks are introduced on 6 October 2024, it's widely reported that there will be prolonged and detrimental impact to residents and businesses in the district. All members should receive more information on this from some of key partners/stakeholders, such as the Kent Resilience Forum, Eurotunnel and the Port of Dover. With regard to issues faced by councils in East Kent he suggested that Members would benefit from more information sharing on those details. With the precarious financial situation within KCC, these issues will be on us sooner rather than later, and the situation with care leavers was likely just the tip of the iceberg. As for the Committee system, he indicated he would save his views for the debate later in the agenda.

Councillor Mrs Hollingbee also responded and wished everyone a Happy New Year, adding that it would be a challenging year. She thanked the Leader for his report, and indicated support for his contact with Southern Water, the Environment Agency and Stagecoach. She added that as the Leaders Deputy representative for Armed Forces, she had attended the Lord Lieutenants cadets award at Greenwich University, which had been an interested evening. In respect of the Licensing team, she reiterated how great the team were, but stated that all staff work hard, and this is why she was keen for the Customer Service Excellence work to continue, so people can see how hard staff worked, and enabling staff to feel proud. She stated that joining the Police force for a patrol was also a great idea, and she highlighted the work of the Community Safety Unit, and the partnership working which was quite amazing and a credit to the council. She indicated that she was pleased to join Karen on her final day. She had known her for the 29 years she had been a Councillor, and Karen was always helpful, with nothing being too much trouble. She indicated she would therefore welcome the Leaders proposal. In respect of the Hoarding at Princes Parade, she believed the council should have waited until after the consultation before deciding what to do with it, rather than erect temporary fencing that may need to be changed again, as this was a waste of money.

The Leader of the Council then responded to the points raised by the Opposition Group Leaders and added that the key issue for him was the quality of the bathing water in the district, and issues around Southern Water. Whilst Stagecoach had engaged with the council, explaining their position, which he understood, he could not understand Southern Water's position at all. They had been doing testing and investigations for years, and it was so frustrating. In respect of Karen, and her 46 years of fantastic service, he added that she had been nicknamed 'Corporate Karen', and she would be sorely missed.

The Chair then led the Chamber in a round of applause for Karen Everett.

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

**RESOLVED:**

That the announcements of the Leader of the Council be noted.

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

71. **Portfolio Holder reports to Council**

The Portfolio Holder reports had been circulated within the agenda pack and noted by Members.

72. **Opposition Business**

There was no Opposition Business.

73. **Motions on Notice**

The Leader of the Council outlined his motion which asked for the implementation of the new governance arrangements to be moved to May 2025.

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

**RESOLVED:**

That this council believes that the current work on this important project should continue with the view of introducing the changes in May 2025. The proposed governance changes will be presented to the Audit and Governance Committee and Full Council for approval. This will allow more time for all councillors to be familiar with, and understand, the changes involved in the move to a committee system of governance.

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

FOR: Councillors M Blakemore, P Blakemore, Butcher, Goddard, Godfrey, Holgate, Mrs Hollingsbee, A Martin, E Martin, J Martin, Scoffham, Shoob, Speakman, Thomas, Wimble and Wing (16).

AGAINST: Councillors Chapman, Cooper, Davison, Fuller, Keen, Lockwood, McConville, McShane, Meade, Prater and Walker (11).

ABSTENTIONS: Councillor Jones (1).

(Voting figures: 16 for, 11 against, 1 abstention).

## 74. 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. Council are advised of the changes made to the 2023 policy as the refresh takes place every two years. Council 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 Council are presented with a public version (available on the website).

Proposed by Councillor M Blakemore,
Seconded by Councillor E Martin; and

**RESOLVED:**
1. **That report C/23/20 be received and noted.**
2. **That the updated safeguarding policy be agreed and adopted.**

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

## 75. Review of polling districts and polling places 2023

Section 18 of the Representation of the People Act 1983 (as amended by Part 4 of the Electoral Administration Act 2006) places a duty on the Council to conduct a review of polling places and polling districts every four years. The last review was concluded by Folkestone & Hythe District Council in September 2019. The report outlined the steps the Council is taking to comply with this duty and sought approval from Council to approve the recommendations made in the latest review which concluded on 17 November 2023.

Proposed by Councillor Prater,
Seconded by Councillor Fuller; and

**RESOLVED:**
1. **That report A/23/21 be received and noted.**
2. **That the recommendations as outlined in Appendix 2 be adopted, with the implementation to coincide with the revision or alteration of the electoral register on 1 February 2024.**

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

76. **Second Home and Empty Home Council Tax Premiums**

The report re-affirmed 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 and other from the financial year 2025/26.

Proposed by Councillor Prater,
Seconded by Councillor Shoob; and

**RESOLVED:**
1. **That report A/23/22 be received and noted.**
2. **That a Council Tax premium be introduced to second homes from the 2025/26 financial year onwards.**
3. **That amendments to the Council Tax empty home premiums from the 2024/25 financial year onwards as demonstrated in Table 2 be adopted.**

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

77. **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 Fuller; and

**RESOLVED:**
1. **That report A/23/23 be received and noted.**
2. **That the Medium Term Financial Strategy, as appended to the report, be adopted.**

**3. That the Reserves Policy outlined in appendix 3 of the report, be adopted.**

(Voting figures: 14 for, 0 against, 14 abstentions).

78. **Committee Membership Changes**

The report advised on changes to the political balance of Folkestone and Hythe District Council, following the resignation of Councillor Liz Grant on 14 December 2023. It also set out the appointments since the last Council meeting, under Part 8.1 of the constitution, 'Delegation to Officers', paragraph 3.16, which authorises the Chief Executive to make appointments to committees or sub-committees at the request of the relevant political group leader.

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

**RESOLVED:**

That report A/23/19 be received and noted.

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

**Council 28 February 2024**
**Agenda item 9 (Portfolio Holder reports)**

## 1. Report of the Leader and Cabinet Member for Otterpool Park and Planning Policy

1. I joined the personnel committee for their final deliberations on this year's pay award. I then chaired the meeting with the union representatives and staff representatives to discuss. The negotiations were frank and fair, I was very impressed by the professional approach of all members of the negotiating teams and hope that the recommendation will be accepted.
2. The leaders of the four political groups and Independent Councillor Paul Thomas have been meeting regularly as we move towards a committee system.
3. I have attended many meetings regarding Otterpool Park with government agencies, and developers, these discussions continue.
4. I attended a meeting with many other Council representatives in my role as Armed Forces Champion.
5. I have been visiting businesses in the District as usual, hotels, hospitality and Chartered Surveyors. Business holds some very interesting perspectives on the future of the District. This Council is a friend to good business.
6. Princes Parade hoarding: I am delighted to announce that the hording surrounding the Princes Parade site will shortly be dismantled. I am also delighted to announce that the hoardings and the concrete blocks that support it will be recycled to Otterpool, where they will be stored and used as required. Once the site is refenced we will be consulting next year to ask local people for their views on the future of Prince's Parade.
7. My regular contact with Stagecoach continues, this month we will begin the work on our joint "use it or lose it" campaign to encourage people to us the bus service.
8. Councillor Scoffham and I attended a presentation by Southern Water regarding the declining bathing water quality around our coast. I have been in regular contact with Southern Water and held meetings with them, mainly because of the sewage on the Copperfield's Estate in Lydd, the flooding on Udan Rd in Dymchurch and the failure of the pumps at the Range Road pumping station in Hythe. I have a further meetings with Southern Water, the Environment Agency and KCC Councillors this month.
9. Along with many coastal District Councils I continue to attend a monthly meeting organised by the Environment Agency to collectively express our shared concern about Southern Water's consistent failure to meet the needs of their customers.
10. I have attended the Kent Leaders Forum to discuss the issues which affect the Council's in Kent. I have also attended meetings of the East Kent Leaders forum which has a more focused view of the issues affecting the East Kent Districts.
11. I spent a morning with the team responsible for our sheltered housing and was so very impressed with the dedication and commitment of the Council's staff.

12. I accompanied our excellent Homes in Multiple Occupation team, to carry out a licencing inspection. Essential work, carried out with a high degree of professionalism and empathy by our Council team.
13. I have held meetings with local charities and agencies including Citizens Advice, Folkestone Parks and Pleasure Grounds, local Business Groups, local Community Groups.
14. I was pleased to talk to the students at East Kent College about the future of the District and potential career opportunities.
15. Finally, I attended the brilliant Youth Speaks event at Brockhill School, along with Councillors Belinda Walker and Anita Jones in their respective roles as Mayors of Folkestone and Hythe. Great thanks to the local Rotary Clubs who work so hard to put the event on.

**Portfolio Holder's Report for Otterpool Park:**

There is a lot of "behind the scenes work going on at Otterpool. I am continuing to work closely with Gary Ridgewell as the new Managing Director of Otterpool Park LLP. We are focusing on modelling alternative ways to deliver the first phase. We are continuing our discussions with Homes England and potential strategic partners. We are in discussion with landowners, Government Agencies, KCC and other stake holders.

**Planning Policy Portfolio holder update:**

Planning like many of the Council functions continues at some pace, the workload ebbs and flows but often is extremely high. As portfolio holder for planning, I continue to liaise with the Planning Department and all officers. This year there will be a call for sites to allow us the create our five-year land supply pine line as required by the Government. We continue to receive a high level of planning applications per year, although the pressure on the planning department is often very high, I am very confident in our group of officers to manage these high levels of applications with skill and professionalism.

**2. Report of the Deputy Leader and Cabinet Member for Finance and Governance**

I promise to not say this again in March: the key focus at this time is the budget!

The detailed draft of this I was delighted to proposed to and see passed by Cabinet, and is will be before full Council on February 28th: an ACTUALLY balanced budget for Folkestone and Folkestone & Hythe District Council.
But I don't write the budget. I just get to present it.

That we've got to the position I can present a budget that includes zero contribution from the General Reserve is testament to the superb work, and commitment of, the Chief Executive, Directors, Officers and staff of the council through the last six months, and not least their engagement with the transformation project.

Transformation included redundancies, but we've absolutely tried to minimise that, and we thank all staff, including those now leaving, for their contribution.

Councillors have also played their part in finding other savings and evaluating the benefits of other savings proposals. I want to flag in particular the role of the Finance Scrutiny Committee who look in detail at the proposals, and whose in depth look is not only invaluable and led to our changing the budget, it even found an error (take a bow Laura!) that has been corrected.

And all that work means that despite having a forecast £4.501m deficit for this year in last year's forecast and despite having a £1.8m deficit budget set for this year, we'll have *no* deficit next year, secure *all* key services, and have a strong position from which to rebuild.

However, one saving the leader Jim Martin and I really regretted, and hoped we could change, was a reduction of £15,000 in ward grants. That reduced the amount each Councillor could allocate to community projects in their ward by £500 (to £2,500).

This was a reduction flagged to us as of concern by the Finance Scrutiny Sub-Committee and Clive Goddard amongst others. We agreed as we hugely value the ability for Councillors to make a direct difference. However, we could hardly give that ability back to Councillors from a budget set on the sacrifice of staff and officers.

So we've found a different way to put that £15,000 back in the budget, but clearly at the expense of Councillors. Specifically, the Leader and Deputy Leader. They will sacrifice their allowances above cabinet members: Jim and I will no longer take the larger leader and deputy leader allowances. To be clear: the sacrifice on that is 90% Jim Martin and hugely honourable: I'm proud to be working with him.

So, with that amendment (put by myself and Jim) the proposed budget passed Cabinet, and with a few other tweaks will be put to Full Council. All major services: saved. Ward grants: protected. Deficit: eliminated.

Not many Councils in the UK will be saying that. Let's take some pride in being one of them.

**3. Report of Councillor Mike Blakemore, the Cabinet Member for Community and Collaboration**

I was delighted this month to launch the Folkestone & Hythe District Excellence in Volunteering Awards, the result of conversations I have been having with officers since I had the privilege of taking on this portfolio last May.

I am keen to highlight the important role volunteering plays in our local community and to encourage more people to follow the lead of those who already give up their time so generously, especially as the latest Community Life Survey found 16% of the UK population had volunteered at least once a month in 2021/22, down from about 23% in 2019/20. The impact of the pandemic is still being felt and volunteer groups across the district say participation has not fully recovered.

The excellent Kent Coast Volunteering are running the awards on behalf of the council and full details are available on their website. Nominations for the five categories close on 22 April and the winners will be announced at an event on 6 June, during Volunteering Week.

Alongside this work, I continue to support efforts to ensure the council works with and in support of the local community in the best way possible.

Folkestone Community Forum met for the second time in January, bringing the council and many local groups together to discuss issues of common concern.

This month I enjoyed welcoming dozens of representatives from local community groups to Hythe Cricket & Squash Club for another of our regular networking events, this time with the theme of organisational sustainability.

These events help to establish new connections between groups and organisations, voluntary or otherwise, and I was reminded in recent week of just how powerful such relationships can be when I attended a regular District Food Network meeting and a quarterly update from the Community Safety Partnership: both doing vital work to protect the wellbeing of local residents and improve the quality of their lives.

My portfolio includes representing the council on the Kent Police & Crime Panel, scrutinising the work of the Police & Crime Commissioner (PCC), including his budget and the sum that will be added to council tax bills to pay for police services (this accounts for about a third of the police budget alongside government funding).

I attended a budget briefing and then a meeting of the Panel earlier this month where members voted unanimously to approve an increase to the precept of £13 for 2024/25 as well as agreeing to back the PCC in lobbying the government for a fairer funding settlement for Kent Police. I expressed disappointment during the meeting that no sooner had our Community Safety Partnership been awarded £335,000 of funding for safer streets initiatives than 30% of this allocation was clawed back by the Home Office to help fund the police pay award.

**4. Report of Councillor Polly Blakemore, the Cabinet Member for Transport, Regulatory Services & Building Control**

This month I've been out and about with officers from different areas of my portfolio. I visited Repton Park in Ashford to see the road layouts and traffic calming measures which have been designed into development there as an example of how we could potentially make roads in our district calmer, safer and more suitable for cyclists. I also spent a morning visiting locations across the district with Environmental Protection to gain an overview of the breadth of cases that the team deals with on a daily basis across the whole range of environmental complaints.

I chaired the Licensing Forum held in mid-January which was a positive and productive session resulting in some wholesome debate between stakeholders. The meeting has already had some proactive results and we look forward to the next forum in the Autumn.

I've approved a shortlist of three proposed Controlled Parking Zones for 2024/2025. Each of these will be going to consultation to establish the level of resident support before progressing.

I attended a public meeting, organised by Labour councillors, where Joel Mitchell, Managing Director, of Stagecoach South East, spoke candidly about market challenges. The dialogue continues as we insist on a service that's fit for purpose for our residents. I am currently seeking to ensure that FHDC is represented on the Enhanced Partnership Scheme Monitoring Group for bus services in East Kent. In addition, I have requested an update on the status of and timescale for dissemination of Bus Service Improvement Plan funding across the county at this month's Joint Transportation Board.

December 2023 Fixed Penalty Notice figures proved Enforcement Officers' commitment to the district with the inclusion of four FPNs for dog fouling. It is notoriously difficult for officers to issue FPNs for dog fouling as it is essential that they witness the incident so the December figure is a real achievement.

Along with Cllr Scoffham, I met with Olu Fatokun, our Low Carbon & Sustainability Senior specialist, to discuss alternative transport solutions: ideas that could feed into our Corporate Plan.

I represented the council at the Cycle Shepway and the White Cliffs Community Rail Partnership quarterly meetings and will also be attending an Active Travel Workshop in Hythe organised by KCC later this month.

**5. Report of Councillor Gary Fuller, the Cabinet Member for Resident Engagement and Accountability**

Firstly, let me say thank you and good luck to Steve Makin, our excellent ICT & Infrastructure Senior Specialist, who is leaving us soon. I've really enjoyed working with him to learn about our IT infrastructure and how we cope with the many cyber threats that face us.

Preparations continue for the various upcoming elections. We are also making progress with the updating of the customer access policy and digital strategy, with drafts expected for internal review soon, ready to take to Cabinet later in the year.

Both our customer support and IT teams are experiencing significant change over the next few months, with new leadership and an evolving organisational structure. I'd like to thank everyone involved in this process for their hard work and patience.

I'm confident that, despite the uncertainty that change can bring, we will continue to make progress in improving our support for residents.

**6. Report of Councillor Rich Holgate, the Cabinet Member for Place Plan, Heritage, Tourism and District Economy**

A busy month across the portfolio has seen movement on multiple fronts:

**Folkestone: A Brighter Future**
In summary, the following activity is planned:

- Thursday 7 March – Folkestone Academy. Engaging with students to get their views on the project and the benefits they envisage it will bring to the town. Years 5 and 6 from Folkestone Primary School will also be coming along.
- Friday 8 March – Folkestone Town Hall. Students from Brockhill Park Performing Arts College will be attending as will students from other local primary schools (like St Eanswythe's, but awaiting confirmation) before doors to the public open from 1pm-7pm
- Saturday 9 March – Folkestone Town Hall. Open to the public 11-4pm

We have also actioned on feedback from the previous engagement events:

- Stagecoach have been encouraged to attend and have told us they should be able to send a representative (awaiting confirmation)
- We have liaised with our communities team and have contacted numerous community groups to attend, to try and increase the diversity of those who provide us with feedback

**Tourism**

- Working to do more in relation to supporting tourism sector including a better digital / web presence to showcase the district. This is such a key part of our economy and there is a fantastic and diverse offer across the district. Taking on board views of tourism businesses has been key in shaping our thinking on this.
- With this in mind I have begun working with officers to revisit our strategy and plan in regards to tourism. There is too much confusion, too many brands, and not enough resource. I look forward to addressing this across the year.

**Heritage**

- Engaging with local groups find ways to work together to promote heritage and keen to establish a forum where groups can come together
- We're updating the draft Heritage Strategy at the moment ahead of wider consultation and engagement - aim to have this as a driver for the promotion of heritage as well as being a key planning policy document.
- Council currently recruiting for a Conservation & Heritage Officer in the planning team which will boost our capacity to focus on heritage.

**Rural England Prosperity Fund - update**

- 30 x Expressions of interest received since inception.
- Resulting in 21 invites to make a full application.

- 10 x full applications received to date.
- For these 10 applications, the total requested value is £140,106. This means that if all were to be approved for the full ask, this would virtually use up the first year allocation of £142,868.
- Will continue to promote the scheme, with a particular emphasis on this when year 2 funding allocation takes effect from April.

**Green Business Grant Scheme**

- Green Business Grant Scheme to help smaller businesses become more energy efficient.
- Grants of up to £10,000 may be available to your business (up to £25,000 in exceptional circumstances).Total value awarded to date £85,488.
- 9 new applications received and being assessed.
- For these 9 applications the total value requested is £100,271. If all applications were to be approved for the full amount this would take the total sum allocated to £185,759, thereby leaving £64,241 of the total £250,000.

**Romney Marsh Business Hub and Grant Scheme**

- 13 businesses now located into the employment hub (16 offices available in total so 3 vacant), which is a very good performance and interest in the business pace remains high.

## 7. Report of Councillor Stephen Scoffham, the Cabinet Member for Climate Change, Environment and Biodiversity

**Making Space for Nature**

On 1st February I attended a day-long discussion and consultation (together with a FHDC planning officer) organised by the KCC Making Space for Nature team. Central government has mandated 48 responsible authorities across the country to devise local nature recovery strategies which will agree priorities for nature recovery and propose actions in the locations where they would be particularly effective. The strategies will also influence local planning and inform biodiversity net gain requirements. There was a wide range of interest groups and organisations represented in the session we attended. A further day-long consultation is planned for late April.

**Sustainable Schools Project**

I have started to develop a small -scale pilot sustainability project for local primary schools. Four teachers have agreed to take part in an initial trial. They have each identified cohorts of around eight to ten children who will devise a sustainability project which they can implement in their local environment during the summer term. The pupils will be coming the Civic Centre on 18th March to share and discuss their ideas. This will also allow them to get a better understanding of how the Council works. The aim of the project is to allow children who are concerned about the sustainability to have a voice and do something practical about it. If successful it may be possible to extend the project to other schools across the district in due course.

**Inland Drainage**

Together with representatives from around 20 other local authorities, I attended a reception at the House of Commons on 6th February to campaign about funding for the Inland Drainage Board. Due to cuts from central government Councils now have to fund the IDB levies directly from council tax and costs have risen hugely due to rising utility bills. Continuing to see that Romney Marsh and other low-lying areas such as the Fens in Lincolnshire, Norfolk and Cambridgeshire are properly protected from flooding is obviously a high priority so a permanent funding solution is urgently needed.

**Waste and Recycling**
Discussions with volunteers about setting up new collection points for electrical waste are ongoing. As is so often the case, the devil is in the detail and finding suitable sites and setting up an appropriate collection service needs to be carefully managed.

**UNESCO Geopark Bid**
I am currently exploring different ways to fund leaflets, display boards and other initiatives relating to the Geopark bid and will be reporting further about this at the Council meeting in April.

**8. Report of Councillor Rebecca Shoob, the Cabinet Member for Housing and Homelessness**

Several housing papers went to cabinet in January:

- Updates of gas and fire safety policies to bring them formally in line with new regulations and best practice. I am pleased to note that compliance across the board is well on track and expected to be at 100% by the end of the year.
- Cabinet gave agreement for the housing team to start a project to look at "de-pooling" service charges. This essentially means looking at all the costs incurred by the council in looking after communal parts of buildings and grounds as well as the costs of some communal services such as communal heating for a small number of blocks. The council can then be sure that all costs incurred are first of all covered and, just as importantly, that tenants are paying for the costs that actually apply to them. This is a huge piece of work scheduled to take two years. Until the work is well underway, it is impossible to know how the costs break down in practice. Engaging with and keeping tenants informed of the work will be an essential part of the ongoing project.
- Cabinet agreed that work could be started to dispose of Hay House as the cost of bringing the property up to the standard we would require would be prohibitive (£1.2m).

I've had a meeting with the Chair of the Strategic Tenants Advisory Panel ahead of the panel's next meeting.

In addition to ongoing and varied housing casework, I have had regular briefings from the housing team.

Several major procurements are underway, including for the repairs and maintenance contract and a new telecare contract.

Good progress is being made on the decarbonization programme, with 125 due to be completed in the first wave of the programme and work starting on a further 300 homes in the second wave. Among the main improvements will be much better levels of insulation which should help save energy and make homes more comfortable for tenants.

Despite the winter shelter currently in operation, unfortunately there still remain a relatively high number of rough sleepers, many of whom have complex needs. The outreach team continues to work closely with them.

Preparations have started for this year's tenant engagement survey. This is a requirement of the Regulator of Social Housing and large elements of the survey are prescribed by the Regulator. Overview and Scrutiny looked at the results of last year's survey and gave useful recommendations for this year which the team is taking forward, primarily around ways to increase response rates and to make sure that we get a good response rate from across the district.

**9. Report of Councillor Jeremy Speakman, the Cabinet Member for Assets and Operations**

As well as casework and attending meetings relating to my Hythe Rural Ward, I continue to have regular meetings and correspondence with relevant officers and residents on matters specifically relating to my portfolio.

<u>Assets</u>

- Grounds maintenance winter works going well including the removal of the conifers in Hawkinge cemetery
- Survey of churchyards across the district completed to inform longer term management plan
- Cut back of vegetation growth along the top of Leas Cliff has been completed in accordance with 2 yearly maintenance schedule
- Parks applications for Green Flag status submitted for our 4 Green Flag parks
- Work ongoing on Road of Remembrance to clear trees and debris following landslip. Area being surveyed to assess risk of further landslips and to identify effective prevention measures.
- Section of the Coastal Park path affected by landslip likely to remain closed until Spring as work to stabilise the area continues.
- Public toilets are going through deep clean
- The new Hawkinge maintenance depot has been handed over and hard standing to be installed in March.
- Radnor Park Lodge, formerly leased by East Kent College, now transferred back to FHDC / FPPG Charity. The Council will be looking for new tenants
- Biggins Wood site disposal on track for completion in March
- Ship Street site currently being market tested and planning submission being finalised. Report expected to go to Cabinet in the next few months
- Varne site – contracts exchanged with completion imminent as outstanding issues with utilities have been resolved
- Sale of 6 business units in Learoyd Road close to completion

- Offers received on High View site being assessed and will be reported to Cabinet, probably April
- Letting of Connect 38 office block ongoing, 10 year lease of 50% first floor secured reducing remaining vacant space.
- Potential solar park at Otterpool - negotiations ongoing with preferred supplier as reported to Cabinet on 13 December.
- Princes Parade – Removal of the hoarding and erection of a new fence to begin in March.
- 3 Changing Places Toilets – construction has commenced at Radnor Park, The Coastal Park and Dymchurch Main Car park with the facilities expected to be open by the end of March.

Waste Management

- Ongoing liaison with the public and the Waste Management Team to ensure that day to day issues and complaints from the public relating to refuse collection and street cleansing are promptly addressed.
- Liaison with Lympne Parish Council and the Waste Management Team regarding action to address specific waste issues affecting Otterpool Lane
- Ongoing liaison with enforcement over flytipping issues
- Officers and Waste Management Team have been working on an action plan to address the issues identified in the audit of the service earlier last year. Remedial measures are now in place that meet the key requirements of the Audit.
- Ongoing work to identify savings to street cleansing service as part of the Council's budget setting exercise including establishing criteria and consultation process for the review of litter bin locations.
- Ongoing discussions with Veolia on revised Garden Waste collection routes to improve capacity and scheme participation.
- Revision of arrangements to provide a more comprehensive waste and recycling service for routes that present particular collection challenges
- Ongoing discussions with Hythe Environmental Community Group to look at options for the expansion of their e-waste recycling scheme, which has enjoyed much local success.
- Ongoing consideration of the government's 'Simpler Recycling' proposals

This Report will be made public on 20 February 2024.

Report Number **A/23/25**

| | |
|---|---|
| **To:** | **Council** |
| **Date:** | **28 February 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.**<br>**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:**
The Committee is requested to agree the recommendations set out below as the Local Government Housing Act 1989 requires the Council, as a Local Housing Authority, to keep a separate Housing Revenue Account and to produce estimates to ensure that the account does not go into deficit. The authority also has a duty to set and approve rents in accordance with government guidelines that are outlined in the self-financing determination. The Constitution requires that the annual Budget and any variations to the Budget are approved by Council.

**RECOMMENDATIONS:**
1. **To receive and note Report A/23/25.**
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)**
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 approve the Housing Revenue Account 30-year Business Plan 2023/24-2033/34 (Refer to section 5 and Appendix 3)**

## 1. INTRODUCTION

1.1. The Housing Revenue Account (HRA) is a ring-fenced account and is outlined and projected within the HRA Business Plan. The HRA Business Plan determines HRA budget setting, as estimates need to be closely aligned to the 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 |
| **Original estimate of balance at 31 March 2024** | **(3,918)** |

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.

| *Table 2* | **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.

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.

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[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.*

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.

| *Table 3* | **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) |

- 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.

| *Table 4* | **£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 Contributio n** | **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

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Appendix 1

**HOUSING SERVICES** **ANNUAL ESTIMATES 2024/25**

| Actual 2022/23 £ | HOUSING REVENUE ACCOUNT | Original 2023/24 £ | Estimate 2024/25 £ |
|---|---|---|---|
| | **INCOME** | | |
| 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** |
| | **EXPENDITURE** | | |
| 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** |
| | Capital Financing Costs | | |
| 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** |
| | Investment Income | | |
| -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.

HOUSING SERVICES ANNUAL ESTIMATES 2024/25

| Actual 2022/23 £ | HRA CAPITAL PROGRAMME | Original 2023/24 £ | Estimate 2024/25 £ |
|---|---|---|---|
| | **EXPENDITURE** | | |
| | **Decent Homes Standard** | | |
| 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** |
| | **Non Decent Homes Standard** | | |
| 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** |
| | **New Build Programme** | | |
| 3,804,255 | New Builds | 3,204,000 | **5,130,000** |
| 3,804,255 | **Sub-Total** | 3,204,000 | **5,130,000** |
| | **Environment/Estate Improvement** | | |
| 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** |
| | **OTHER SCHEMES** | | |
| 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** |
| | **FINANCING** | | |
| 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*

*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, tenantable 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.*

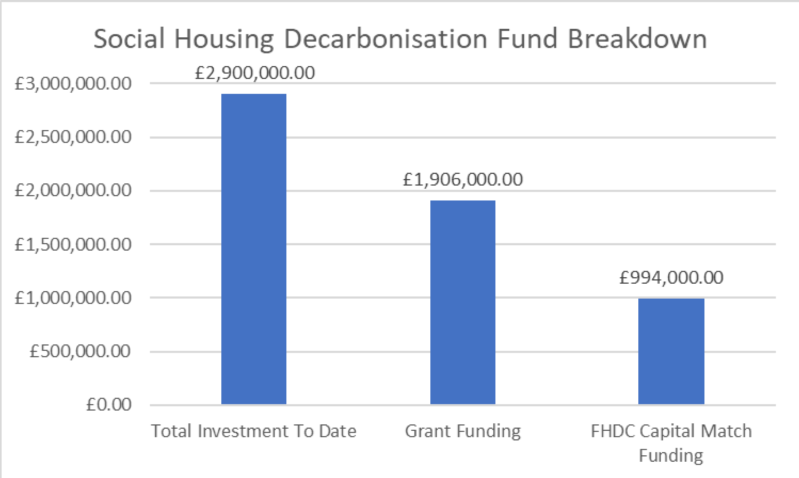
4.4 The Housing Carbon Reduction Approach (2023-2030) sets out how the Housing service will meet our target of getting all our stock up to EPC 'C' in the next seven years and how we will plan for further measures to meet 2050 targets. This Approach has considered the following key factors when agreeing 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 Housing[1]**

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.

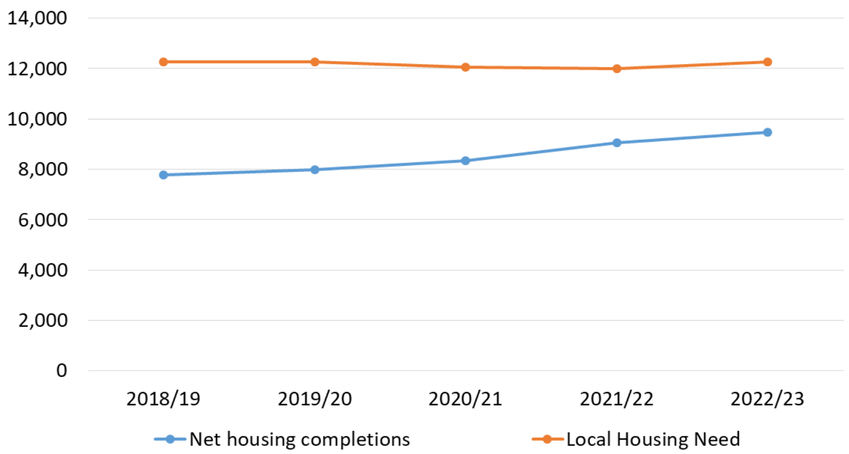
- Resources held within the HRA, including Capital resources, one for one receipts and receipts from any wider HRA asset sales.
- Affordable housing developer contributions held by the Council.
- The Council will also, where possible, look to secure grant funding through other sources such as Homes England 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.

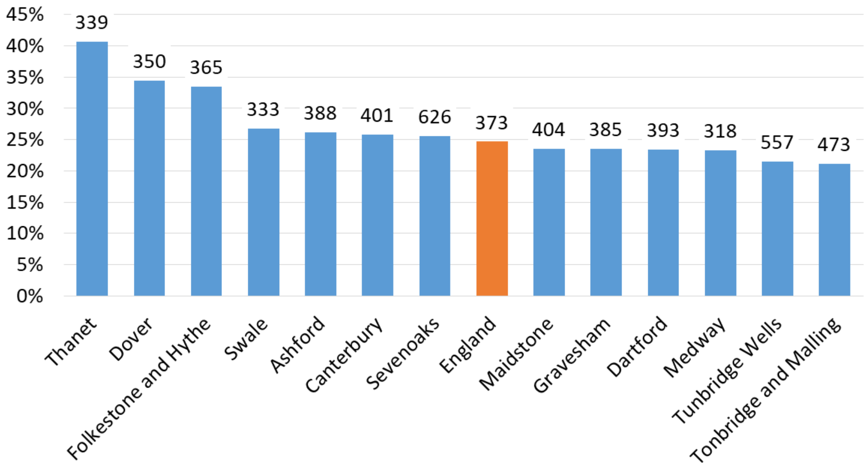
5.11 In line with the Housing Needs in the district, and the requirements of the Council's Local Plan, up to 5 of the homes delivered each year will be made available for shared ownership purchase, with the properties being sold at initial minimum shares of as low as 30%, with rental charge of 2.75% 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.

12

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' FLEGAL[2] 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)

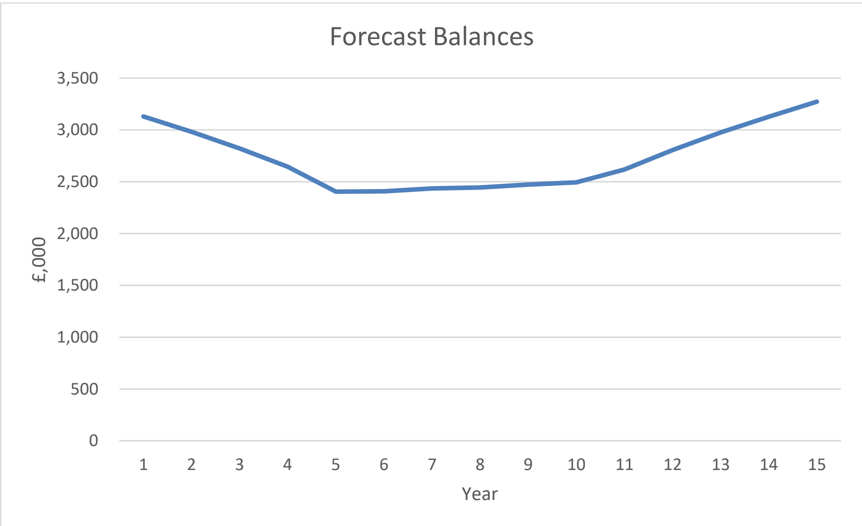
| | | |
|---|---|---|
| Satisfaction that we keep communal areas clean and well maintained | 70% | 70% |
| Satisfaction that we make a positive contribution to neighbourhoods | 48% | 59% |
| Satisfaction with anti-social behaviour handling | 51% | 54% |

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:




17

**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.

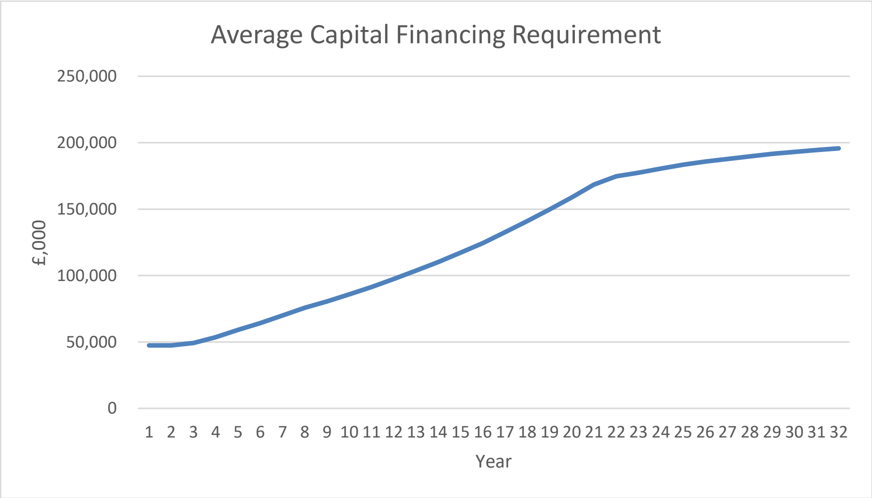
12.2 The BP model is based on the assumption that the Council sustainably manages its debt. In many cases, debt repayment will continue beyond the life of the model. This prolonging of debt is something officers will need to monitor going-forward to ensure the sustainability of the plan. The structure 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

| Capital Investment Required 2033/34 to 2042/43 | 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 |
| 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** |

| Capital Investment Required 2043/44 to 2052/53 | 2043.44 | 2044.45 | 2045.46 | 2046.47 | 2047.48 | 2048.49 | 2049.50 | 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 |
| 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

Commented [JS4]: Table needs updating

| | 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 | |

5

This report will be made public on 20 February 2024

Folkestone & Hythe District Council

Report number **A/23/24**

**To:** **Council**
**Date:** **28 February 2024**
**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: Revenue Budget, Capital Strategy, Capital Programme, Reserves and Balances, Treasury and Investment Strategy and Medium Term Financial Strategy and Council Tax for 2024/25.**

**SUMMARY:** Following consideration by Cabinet at their meeting of the 28th February this report concludes the budget setting process for 2024/25 and is submitted to Council with the proposed 2024/25 Revenue Budget, Capital Strategy, Capital Programme, Reserves and Balances, Treasury and Investment Strategy and Medium Term Financial Strategy.

It sets out recommendations for setting the council tax after taking into account the district's council tax requirement (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity), the precepts of Kent County Council, the Kent Police & Crime Commissioner, and the Kent Fire & Rescue Service.

**REASONS FOR RECOMMENDATIONS:**
Council is asked to agree the recommendations set out below to approve the Budget and set the Council Tax for the year commencing 1 April 2024

**RECOMMENDATIONS:**
1. **To receive and note Report A/23/24.**
2. **To approve the District Council's Revenue Budget, Capital Strategy and Minimum Revenue Provision Statement , Capital Programme, Investment Strategy, Annual Treasury Management for 2024/25 as presented in Appendices 1,4,5,7, & 8 to this report**
3. **To set a Council Tax rate of £280.08 at Band D, representing an increase of £8.01 on the current charge.**
4. **Approves the Council Tax Resolution at Appendix 2.**

## 1. INTRODUCTION

1.1 This report concludes the budget setting process for 2024/25.

1.2 Cabinet considered the Council's final budget for 2024/25 and the council tax requirement at its earlier meeting on 28 February 2024. Cabinet has agreed the revenue and capital budgets for 2024/25 details of which can be found in the appendices to this report. The draft budget was subject to review by the Finance & Performance Sub-Committee on 23 January 2024. It was also published for public consultation in mid-December and through the first week in February 2024.

1.3 This report makes recommendations to enable the council to set the council tax for each part of its area, after taking into account its council tax requirement for 2024/25 (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity) and the precepts of Kent County Council, the Kent Police & Crime Commissioner and Kent Fire & Rescue Service. Changes in respect of the major precept assumptions may result in a revised report having to be tabled.

1.4 The proposed General Fund budget for 2024/25 results in an increase to the council tax at Band D of £280.08 (2.94%), represent an annual increase of £8.01. This is the amount that Central Government monitors when considering whether any increase in council tax is excessive. Full details of the council tax calculations and additional precepts for parishes, special expenses, Kent county council, Kent police and crime commissioner and Kent fire and rescue services is detailed within appendix 2.

## 2. REVENUE BUDGET 2024/25

2.1 The budget has been prepared on the basis of the Council's approved Medium Term Financial Strategy (MTFS) and Budget Strategy. It also takes into account announcements, where relevant the Final Local Government Finance Settlement for 2024/25.

2.2 The MTFS initially identified a General Fund budget shortfall of £4.501m for the council regarding 2024/25. The Council replaced the incremental budget setting process with Priority Based Budgeting (PBB) for the 2024/25 budget, as a more robust method of allocating scarce resources to high priority areas and delivers the outcomes the Council want to achieve for local people under the new administration.

2.3 Following the Provisional and Final Local Government Finance Settlement announced by the Department for Levelling Up, Housing & Communities (DLUHC) on 18 December 2023 and 5 February 2024 respectively, 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.

2.4 A Council Tax rise of 2.99% has been adopted as the limit outlined in the publication of the local government finance policy statement in December

2023, which is applicable to the 2024/25 budget. This budget is now being presented to Members for approval.

2.5 The 2024/25 net service expenditure is £18,995,555. The budget details are set out at Appendix 1.

## 3 COUNCIL TAX

3.1 Town and parish precepts form part of the council tax requirement, Folkestone & Hythe's Band D council tax rate is £280.08; an increase of £8.01 (2.94%) from the 2023/24 rate.

The average council tax to finance Folkestone & Hythe's net spending plans in 2024/25, including special expenses, is proposed to be increased by £8.59 (2.99%) to £295.96. The Council needs to ensure that it remains within this limit, including any Special Expenses.

Council Tax Requirement

3.2 The total local council precepts in 2024/25 are £ 2,993,850 – an increase of £192,554 (6.8%) in cash terms compared to £2,801,296 in the current year. An increase in precepts increases the council tax requirement and affects the average tax calculation; however, it is not taken into account by the Government when monitoring 'excessive' increases. Town and parish councils are not currently subject to referendums.

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

## 4. GENERAL FUND REVENUE RESERVES

4.1 The General Fund Reserve is forecast to be £5.710m by 31 March 2025 and total General Fund Reserves (General Reserve plus Ringfenced and Earmarked Reserves) are forecast to be £17.444m at 31 March 2025.

4.2 These forecasts are based on the current projected outturn position for 2023/24 and on the assumption that in-year budget variances are contained within the overall approved 2024/25 budget. Any emerging issues in 2024/25 which have a revenue impact will affect the forecast position of the General Reserve.

4.3 The Council's reserves position is shown at Appendix 6.

## 5. CAPITAL STRATEGY AND MINIMUM REVENUE PROVISION STATEMENT 2024/25

5.1 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.

5.2 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 4** 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

5.3 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.

5.4 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 4** 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 <u>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</u>, 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 <u>on loans that are investments for commercial purposes</u>,

ii) 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. <u>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</u>

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.

5.5 The capital strategy should be considered alongside the investment strategy, due to be considered separately as part of this agenda. Like the capital strategy, the investment strategy is also required to be adopted by full Council.

5.6 The capital strategy is required to be reviewed annually as part of the authority's budget setting process. However, if the nature and structure of the authority's proposed capital expenditure and financing were to change significantly during the year it may be necessary to revise the strategy at the same time.

5.7 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.

## 6 CAPITAL PROGRAMME

6.1 As part of the Budget Strategy, Cabinet is asked to consider the proposals for new capital schemes to be included in the council's Capital Programme. The council's Medium Term Capital Programme (MTCP) has been updated to include recurring schemes planned to continue over the 5 year period to 2028/29.

6.2 The latest Medium Term Capital Programme, shown in Appendix 5, amounts to around £108.6m of investment over five years. The current Capital Investment Strategy was reported to Cabinet in February 2022, 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.

## 7 INVESTMENT STRATEGY 2024/25

7.1 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.

7.2 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).

7.3 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.

7.4 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 on 31 January 2024 and is include as appendix 7. 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.

7.5 The investment strategy, set out in the **appendix 8** to this report, is based on the authority's existing and planned service-related and commercial investments and is consistent with the proposed Medium Term Capital Programme and was considered by the Cabinet on 31st January 2024 and is here now submitted for approval to full Council.

7.6 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.

7.7 **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'.

## 8. TREASURY MANAGEMENT STRATEGY

8.1 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.

8.2 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.

## 9 BUDGET CONSULTATION

9.1 The objectives for consultation on the 2024/25 budget proposals were 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.

9.2 Information was placed on the website, promoted via posters, through partners, social media and feedback through email encouraged. Additionally, some specific groups such as the Business Advisory Board and Joint Parish Council Committee were directly engaged with.

9.3 There was no consensus among the feedback received and a summary of the consultation responses and its key messages are provided within the attached Appendix 12.

## 10. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

10.1 The Local Government Act 2003 requires the Council's Chief Finance Officer to give an opinion on the robustness of the budget and adequacy of the reserves. This statement is set out in full at Appendix 9.

## 11. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

11.1 **Legal Officer's Comments** (AK)

The Council must consistently comply with the Local Government Finance Act 1992 (as amended) and associated legislation. All the legal issues have been covered in the body of this report.

Members have a fiduciary duty to weigh the needs of the service users against the interest of local taxpayers. In planning the budget Members are under the fiduciary duty to act prudently, responsibly, in a business like manner and in their view of what constitutes the best interests of the general body of local tax payers.

In deciding upon expenditure, the council must fairly hold a balance between recipients of the benefits of services provided by the council and local tax players.

The Council has a duty under the Local Government Finance Act 1992 to set a balanced budget. Failure to set a lawful Council Tax could have serious financial results for the council.

Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Finance Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.

Section 25 of the Local Government Act 2003 imposes a specific duty on the S151 Officer to formally report to the council at the time of the budget is considered and the council tax is set on the robustness of the budget estimates and the adequacy of reserves. This statement by the S151 Officer is included alongside the budget and council tax setting report to both Cabinet and Full Council in February.

11.2 **Finance Officer's Comments** (LM)

The Financial implications are detailed in the report.

**S151 Comments**

Members should be reminded of the financial challenges facing all local authorities across the country. The Council finds itself in a fortunate position that it is in a position to approve a balance budget with minimal use of specific reserves unlike many other authorities and continues to have a reasonable level of reserves.

However, the Council does have some ongoing pressures and future challenges to manage.

Members should ensure themselves they are comfortable that the proposed budget meets the statutory legal requirements whilst delivering value for money for the residents of the District.

11.3 **Diversities and Equalities Implications** (CS)

The Equality Impact Assessment is attached at Appendix 6.

**12. 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:

- Budget working papers
- 13 December 2023 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2024/25 to 2027/28
- 13 December 2023 - Reports to Cabinet - Budget Strategy 2024/25 and Fees & Charges 2024/25
- 31 January 2024 - Report to Cabinet - Draft General Fund Original Revenue Budget 2024/25

## 13. APPENDICES:

- Appendix 1 - General Fund Budget 2024/25
- Appendix 2 – Council Tax Resolution
- Appendix 3 – Medium Term Financial Strategy
- Appendix 4 – Capital Strategy and Annual Minimum Revenue Provision Statement
- Appendix 5 – Capital Programme
- Appendix 6 – Council Reserves (for noting only)
- Appendix 7 – Treasury Management Strategy
- Appendix 8 – Investment Strategy
- Appendix 9 - Statement on Robustness of the Estimates and Adequacy of Reserves (for noting only)
- Appendix 10 – Budget Strategy 2024/25 and Fees and Charges 2024/25 (for noting only)
- Appendix 11 - Equality Impact Assessment (for noting only)
- Appendix 12 - Budget Consultation Responses 2024/25 (for noting only)

**APPENDIX 1**

| | GENERAL FUND SUMMARY | | Appendix 1 |
|---|---|---|---|
| 2023/24 Original Budget £ | | 2024/25 Draft Original Budget *Jan-24* £ | 2024/25 Draft Original Budget *Feb-24* £ |
| | **SUMMARY OF NET EXPENDITURE** | | |
| | **Service Heads** | | |
| 8,445,560 | Finance, Strategy & Corporate Services | 7,751,330 | 7,834,430 |
| 683,190 | Human Resources | 733,260 | 733,260 |
| 2,976,100 | Governance & Law | 3,248,940 | 3,230,640 |
| 740,960 | Leadership Support | 590,900 | 524,860 |
| 6,712,940 | Place | 6,957,130 | 7,022,130 |
| 413,180 | Economic Development | 435,800 | 435,800 |
| 165,400 | Planning | 206,080 | 208,480 |
| 2,483,630 | Operations | 2,301,180 | 2,283,680 |
| 3,048,610 | Housing | 2,971,090 | 3,081,790 |
| (5,919,556) | Recharges | (6,440,405) | (6,475,515) |
| 33,040 | Vacancy Target/Pay Award provisions | (424,000) | 116,000 |
| **19,783,054** | **TOTAL HEAD OF SERVICE NET EXPENDITURE** | **18,331,305** | **18,995,555** |
| 541,430 | Internal Drainage Board Levies | 585,610 | 585,610 |
| 2,502,000 | Interest Payable and Similar Charges | 2,381,000 | 2,381,000 |
| (2,521,000) | Interest and Investment Income | (3,043,000) | (3,043,000) |
| - | Council Tax Freeze Grant | - | - |
| (365,568) | New Homes Bonus Grant | (135,700) | (135,700) |
| (4,616,551) | Other non-service related Government Grants | (5,584,550) | (5,758,680) |
| 2,801,300 | Town and Parish Council Precepts | 2,801,300 | 2,993,850 |
| **18,124,665** | **TOTAL GENERAL FUND OPERATING NET EXP** | **15,335,965** | **16,018,635** |
| (2,180,000) | Net Transfers to/(from) Earmarked Reserves | 57,720 | (478,330) |
| 1,625,000 | Minimum Revenue Provision | 2,325,000 | 2,325,000 |
| 2,487,000 | Capital Expenditure funded from Revenue | 1,055,000 | 1,055,000 |
| **20,056,665** | **TOTAL TO BE MET FROM LOCAL TAXPAYERS** | **18,773,685** | **18,920,305** |
| (59,451) | Transfer to/(from) the Collection Fund | - | - |
| (3,921,454) | Business Rates Income | (4,023,175) | (4,023,175) |
| | Revenue Support Grant | - | - |
| 16,075,760 | **TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE** | **14,750,510** | **14,897,130** |
| (14,289,513) | Council Tax-Demand on Collection Fund | (14,750,510) | (14,897,130) |
| **1,786,247** | **(SURPLUS)/DEFICIT FOR YEAR** | **-** | **-** |
| (1,786,247) | Contribution from General Reserve | - | **-** |
| **-** | **BALANCE AT END OF YEAR** | **-** | **-** |

**APPENDIX 2**

## COUNCIL TAX RESOLUTION 2024/25

Following consideration of its budget, the Council is required under Statute to make a formal resolution in respect of the amount of Council Tax to be levied in Folkestone and Hythe District Council for the financial year commencing 1 April 2024.

The figures below have been calculated in accordance with regulations made under Sections 31B (3) and 34 (4) of the Local Government Finance Act 1992 (as amended) ("the Act").

1. To note that the Chief Finance Officer calculated the Council Tax Base 2024/25 for the Council as 40,466.09 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

2. That the following amounts now be calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Act:

    a. £96,295,358 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act

    b. £81,325,188 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act

    c. £14,970,171.64 – being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year.

    d. £ 369.94 – being the amount at 3(c) above divided by the tax base of 40,466.09 calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.

    e. £3,636,430 – being the aggregate of all special items (including parish precepts) referred to in Section 34(1) of the Act.

    f. £280.08 - being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by the tax base of 40,466.09 calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates, i.e. Old Romney and Snargate.

    g. That the following amounts be calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Act as amended.

| 2024/25 | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Parish | | | | | | | | |
| Folkestone | 256.50 | 299.25 | 342.00 | 384.75 | 470.25 | 555.75 | 641.25 | 769.50 |
| Sandgate | 244.57 | 285.34 | 326.10 | 366.86 | 448.38 | 529.91 | 611.43 | 733.72 |
| Hythe | 228.52 | 266.61 | 304.69 | 342.78 | 418.95 | 495.13 | 571.30 | 685.56 |
| Lydd | 241.23 | 281.44 | 321.64 | 361.85 | 442.26 | 522.67 | 603.08 | 723.70 |
| New Romney | 275.27 | 321.15 | 367.03 | 412.91 | 504.67 | 596.43 | 688.18 | 825.82 |
| Acrise | 188.13 | 219.48 | 250.84 | 282.19 | 344.90 | 407.61 | 470.32 | 564.38 |
| Elham | 256.80 | 299.60 | 342.40 | 385.20 | 470.80 | 556.40 | 642.00 | 770.40 |
| Elmsted | 194.51 | 226.93 | 259.35 | 291.77 | 356.61 | 421.45 | 486.28 | 583.54 |
| Hawkinge | 257.47 | 300.39 | 343.30 | 386.21 | 472.03 | 557.86 | 643.68 | 772.42 |
| Lyminge | 274.77 | 320.56 | 366.36 | 412.15 | 503.74 | 595.33 | 686.92 | 824.30 |
| Lympne | 222.72 | 259.84 | 296.96 | 334.08 | 408.32 | 482.56 | 556.80 | 668.16 |
| Monks Horton | 193.29 | 225.50 | 257.72 | 289.93 | 354.36 | 418.79 | 483.22 | 579.86 |
| Newington | 226.75 | 264.55 | 302.34 | 340.13 | 415.71 | 491.30 | 566.88 | 680.26 |
| Paddlesworth | 193.81 | 226.11 | 258.41 | 290.71 | 355.31 | 419.91 | 484.52 | 581.42 |
| Postling | 211.95 | 247.27 | 282.60 | 317.92 | 388.57 | 459.22 | 529.87 | 635.84 |
| Saltwood | 209.73 | 244.68 | 279.64 | 314.59 | 384.50 | 454.41 | 524.32 | 629.18 |
| Sellindge | 242.51 | 282.93 | 323.35 | 363.77 | 444.61 | 525.45 | 606.28 | 727.54 |
| Stanford | 221.69 | 258.63 | 295.58 | 332.53 | 406.43 | 480.32 | 554.22 | 665.06 |
| Stelling Minnis | 205.57 | 239.84 | 274.10 | 308.36 | 376.88 | 445.41 | 513.93 | 616.72 |
| Stowting | 200.40 | 233.80 | 267.20 | 300.60 | 367.40 | 434.20 | 501.00 | 601.20 |
| Swingfield | 228.07 | 266.09 | 304.10 | 342.11 | 418.13 | 494.16 | 570.18 | 684.22 |
| Brenzett | 215.28 | 251.16 | 287.04 | 322.92 | 394.68 | 466.44 | 538.20 | 645.84 |
| Brookland | 234.32 | 273.37 | 312.43 | 351.48 | 429.59 | 507.69 | 585.80 | 702.96 |
| Burmarsh | 221.33 | 258.21 | 295.10 | 331.99 | 405.77 | 479.54 | 553.32 | 663.98 |
| Dymchurch | 228.50 | 266.58 | 304.67 | 342.75 | 418.92 | 495.08 | 571.25 | 685.50 |
| Ivychurch | 225.56 | 263.15 | 300.75 | 338.34 | 413.53 | 488.71 | 563.90 | 676.68 |
| Newchurch | 220.39 | 257.12 | 293.85 | 330.58 | 404.04 | 477.50 | 550.97 | 661.16 |
| Old Romney | 186.72 | 217.84 | 248.96 | 280.08 | 342.32 | 404.56 | 466.80 | 560.16 |
| St Mary in the Marsh | 214.02 | 249.69 | 285.36 | 321.03 | 392.37 | 463.71 | 535.05 | 642.06 |
| Snargate | 186.72 | 217.84 | 248.96 | 280.08 | 342.32 | 404.56 | 466.80 | 560.16 |

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

3 To note that for the year 2024/25 Kent County Council, Kent Police and Crime Commissioner and the Kent Fire & Rescue Service have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

| Major Preceptors | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Kent County Council | 1,073.88 | 1,252.86 | 1,431.84 | 1,610.82 | 1,968.78 | 2,326.74 | 2,684.70 | 3,221.64 |
| Kent Police Crime Commissioner | 170.77 | 199.23 | 227.69 | 256.15 | 313.07 | 369.99 | 426.92 | 512.30 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Kent Fire and Rescue | 59.94 | 69.93 | 79.92 | 89.91 | 109.89 | 129.87 | 149.85 | 179.82 |

4. That, having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2024/25 for each of the categories of dwelling shown below:

| 2024/25 | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Parish | | | | | | | | |
| Folkestone | 1,561.09 | 1,821.27 | 2,081.45 | 2,341.63 | 2,861.99 | 3,382.35 | 3,902.72 | 4,683.26 |
| Sandgate | 1,549.16 | 1,807.36 | 2,065.55 | 2,323.74 | 2,840.12 | 3,356.51 | 3,872.90 | 4,647.48 |
| Hythe | 1,533.11 | 1,788.63 | 2,044.14 | 2,299.66 | 2,810.69 | 3,321.73 | 3,832.77 | 4,599.32 |
| Lydd | 1,545.82 | 1,803.46 | 2,061.09 | 2,318.73 | 2,834.00 | 3,349.27 | 3,864.55 | 4,637.46 |
| New Romney | 1,579.86 | 1,843.17 | 2,106.48 | 2,369.79 | 2,896.41 | 3,423.03 | 3,949.65 | 4,739.58 |
| Acrise | 1,492.72 | 1,741.50 | 1,990.29 | 2,239.07 | 2,736.64 | 3,234.21 | 3,731.79 | 4,478.14 |
| Elham | 1,561.39 | 1,821.62 | 2,081.85 | 2,342.08 | 2,862.54 | 3,383.00 | 3,903.47 | 4,684.16 |
| Elmsted | 1,499.10 | 1,748.95 | 1,998.80 | 2,248.65 | 2,748.35 | 3,248.05 | 3,747.75 | 4,497.30 |
| Hawkinge | 1,562.06 | 1,822.41 | 2,082.75 | 2,343.09 | 2,863.77 | 3,384.46 | 3,905.15 | 4,686.18 |
| Lyminge | 1,579.36 | 1,842.58 | 2,105.81 | 2,369.03 | 2,895.48 | 3,421.93 | 3,948.39 | 4,738.06 |
| Lympne | 1,527.31 | 1,781.86 | 2,036.41 | 2,290.96 | 2,800.06 | 3,309.16 | 3,818.27 | 4,581.92 |
| Monks Horton | 1,497.88 | 1,747.52 | 1,997.17 | 2,246.81 | 2,746.10 | 3,245.39 | 3,744.69 | 4,493.62 |
| Newington | 1,531.34 | 1,786.57 | 2,041.79 | 2,297.01 | 2,807.45 | 3,317.90 | 3,828.35 | 4,594.02 |
| Paddlesworth | 1,498.40 | 1,748.13 | 1,997.86 | 2,247.59 | 2,747.05 | 3,246.51 | 3,745.99 | 4,495.18 |
| Postling | 1,516.54 | 1,769.29 | 2,022.05 | 2,274.80 | 2,780.31 | 3,285.82 | 3,791.34 | 4,549.60 |
| Saltwood | 1,514.32 | 1,766.70 | 2,019.09 | 2,271.47 | 2,776.24 | 3,281.01 | 3,785.79 | 4,542.94 |
| Sellindge | 1,547.10 | 1,804.95 | 2,062.80 | 2,320.65 | 2,836.35 | 3,352.05 | 3,867.75 | 4,641.30 |
| Stanford | 1,526.28 | 1,780.65 | 2,035.03 | 2,289.41 | 2,798.17 | 3,306.92 | 3,815.69 | 4,578.82 |
| Stelling Minnis | 1,510.16 | 1,761.86 | 2,013.55 | 2,265.24 | 2,768.62 | 3,272.01 | 3,775.40 | 4,530.48 |
| Stowting | 1,504.99 | 1,755.82 | 2,006.65 | 2,257.48 | 2,759.14 | 3,260.80 | 3,762.47 | 4,514.96 |
| Swingfield | 1,532.66 | 1,788.11 | 2,043.55 | 2,298.99 | 2,809.87 | 3,320.76 | 3,831.65 | 4,597.98 |
| Brenzett | 1,519.87 | 1,773.18 | 2,026.49 | 2,279.80 | 2,786.42 | 3,293.04 | 3,799.67 | 4,559.60 |
| Brookland | 1,538.91 | 1,795.39 | 2,051.88 | 2,308.36 | 2,821.33 | 3,334.29 | 3,847.27 | 4,616.72 |
| Burmarsh | 1,525.92 | 1,780.23 | 2,034.55 | 2,288.87 | 2,797.51 | 3,306.14 | 3,814.79 | 4,577.74 |
| Dymchurch | 1,533.09 | 1,788.60 | 2,044.12 | 2,299.63 | 2,810.66 | 3,321.68 | 3,832.72 | 4,599.26 |
| Ivychurch | 1,530.15 | 1,785.17 | 2,040.20 | 2,295.22 | 2,805.27 | 3,315.31 | 3,825.37 | 4,590.44 |
| Newchurch | 1,524.98 | 1,779.14 | 2,033.30 | 2,287.46 | 2,795.78 | 3,304.10 | 3,812.44 | 4,574.92 |
| Old Romney | 1,491.31 | 1,739.86 | 1,988.41 | 2,236.96 | 2,734.06 | 3,231.16 | 3,728.27 | 4,473.92 |
| St Mary in the Marsh | 1,518.61 | 1,771.71 | 2,024.81 | 2,277.91 | 2,784.11 | 3,290.31 | 3,796.52 | 4,555.82 |
| Snargate | 1,491.31 | 1,739.86 | 1,988.41 | 2,236.96 | 2,734.06 | 3,231.16 | 3,728.27 | 4,473.92 |

5. To determine that the District Council's basic amount of council tax for 2024/25 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

6. As the billing authority, the Council has not been notified by a major precepting authority that their relevant basic amount of council tax for 2024/25 is excessive and therefore the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Act.

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

| | | £ | £ |
|---|---|---|---|
| | **EXPENDITURE (including additions to Reserves and Contingencies)** | | |
| 1. | Gross Revenue Expenditure (excl. Special Items) | 92,417,888 | |
| 2. | Special Items | | |
| | a) Special Expenses | 642,580 | |
| | b) Parish Precepts | 2,993,850 | |
| 3. | Addition to Reserves | | |
| | a. Corporate Initiatives | 241,040 | |
| | **TOTAL EXPENDITURE Recommendation 2(a)** | | **96,295,358** |
| | **INCOME (including use of Reserves)** | | |
| 1. | Gross Revenue Income | (79,749,177) | |
| 2. | Use of Reserves | | |
| | a) Vehicles, Equipment and Technology | (200,000) | |
| | b) Community Led Housing | (60,000) | |
| | c) Homelessness Prevention Reserve | (240,000) | |
| | d) Climate Change Reserve | (146,000) | |
| | e) Housing Revenue Account | (930,011) | |
| | **TOTAL INCOME Recommendation 2(b)** | | **(81,325,188)** |
| | **COUNCIL TAX REQUIREMENT Recommendation 2(c)** | | **14,970,170** |

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

1. **BASIC AMOUNT OF TAX**

| | | | |
|---|---|---|---|
| a) | Council Tax Requirement<br>**Recommendation 2(c)** | | £14,970,171.64 |
| b) | Divided by Tax Base | | 40,466.09 |
| c) | Basic amount of Tax<br>**Recommendation 2(d)** | | £369.94 |

2. **BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH NO SPECIAL ITEMS RELATE**

| | | | |
|---|---|---|---|
| a) | Basic amount of tax<br>**Recommendation 3(d)** | | £369.94 |
| b) | Special Expenses | £642,580 | |
| c) | Parish Precepts | £2,993,850.39 | |
| d) | Special Items<br>**Recommendation 2(e)** | £3,636,430 | |
| e) | Divided by Tax Base | 40,466.09 | (£89.86) |
| f) | Basic Amount of Tax for Areas with no Special Items<br>**Recommendation 2(f)** | | £280.08 |

3. **BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH SPECIAL ITEMS RELATE**

| | | | | |
|---|---|---|---|---|
| a) | Basic Amount of Tax for Areas with no Special Items<br>**Recommendation 3(f)** | | | £280.08 |
| b) | Special Items for each individual area of the District | £X | | |
| c) | Divided by Tax Base for each individual area of the District | Y | = | £Z |
| d) | Basic Amount of Tax for Areas with Special Items<br>**Recommendation 2(g)** | | | £280.08 + £Z |

**CALCULATING COUNCIL TAX IN RESPECT OF DISTRICT AND PARISH REQUIREMENTS**

The Council must calculate a 'basic amount' of tax for all Band D properties in each part of the district, taking into account not only the net expenditure of the District Council but also the precepts of the town and parish councils and the net expenditure of the Folkestone Parks and Pleasure Grounds Charity, which are charged to their local areas.

This net expenditure is known as the council tax requirement and is determined after taking in to account retained non-domestic rates, revenue support grant and the Council's share of the Collection Fund surplus. The calculation is set out at section 4.4 below.

The result of the calculation is divided by the Tax Base to give the tax rate. The Tax Base for 2024/25 of 40,466.09 Band D equivalent properties was approved by the Interim Director Governance and Finance Services on 6 February 2024 via delegated authority through the constitution and is recommended to Full Council as part of this report. The basic amount of tax (average District tax) is as follows:

| | £ |
|---|---|
| Expenditure - see Appendix 2 | 96,222,318 |
| Income - see Appendix 2 | (81,325,188) |
| **Council Tax Requirement- demand on the Collection Fund** | **14,897,130** |
| Divided by Tax Base | ÷ 40,466.09 |
| Basic amount of Council Tax - average District council tax | £368.14 |

The calculations for the basic amounts for each part of the District are set out at Appendix 2.

The average District council tax for Band D properties, including town and parish precepts, will be £368.14. This is an increase of £10.70 (2.99%) over 2023/24.

For the purposes of measuring Folkestone & Hythe's council tax increase against the Government's referendum criteria, the amount in respect of town and parish precepts is excluded – as detailed in the table below.

| **Band D Tax Rates** | **2024/25**<br>**£** | **2023/24**<br>**£** | Increase / (Decrease)<br>% |
|---|---|---|---|
| Council Tax (including town and parish precepts) | 368.14 | 357.44 | 2.99% |
| Less: equivalent of Town and Parish Precepts | -73.98 | -70.07 | -5.58% |
| Council Tax (excluding Town and Parish Precepts) | 294.16 | 287.37 | 2.36% |

The average Council Tax to finance Folkestone & Hythe's net expenditure plans in 2024/25 including Special Expenses, is proposed to increase by £6.79 (2.36%) to £294.16.

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

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

The final step in setting the council tax is for the Council to aggregate the District council tax with the precepts of Kent County Council, Kent Police and Crime Commissioner and Kent & Fire Rescue Service. The Fire & Rescue precept, KCC County and Police precept have been confirmed at the time of preparing this report.

Kent County Council, the Kent Police & Crime Commissioner and Kent Fire & Rescue Service plan to issue precepts of £65,183,580; £10,365,388; and £3,638,306 respectively. The County Council's precept includes £9,428,598 for the Adult Social Care precept which will be itemised separately on council tax bills.

The average total tax at Band D is summarised in the table below, confirming an overall increase of £**102.90** representing an increase of 4.63%.

| AUTHORITY | 2024/25 | 2023/24 | Increase | Increase |
|---|---|---|---|---|
| | £ | £ | £ | % |
| Folkestone & Hythe DC (including Special Expenses) | **294.16** | **287.37** | 6.79 | 2.36% |
| Town and Parish Councils | **73.98** | **70.07** | 3.91 | 5.58% |
| Total District Council | **368.14** | **357.44** | **10.70** | **2.99%** |
| Kent County Council | **1,610.82** | **1,534.23** | 76.59 | 4.99% |
| Kent Police Commissioner | **256.15** | **243.15** | 13.00 | 5.35% |
| Kent Fire and Rescue Service | **89.91** | **87.30** | 2.61 | 2.99% |
| **Overall Total** | **2,325.02** | **2,222.12** | **102.90** | **4.63%** |

The relative elements of the average council tax charge for 2024/25 are as follows:

| AUTHORITY | 2024/25 | Total Bill |
|---|---|---|
| | £ | % |
| Folkestone & Hythe DC (including Special Expenses) | **294.16** | 12.65% |
| Town and Parish Councils | **73.98** | 3.18% |
| Total District Council | **368.14** | |
| Kent County Council | **1,610.82** | 69.28% |
| Kent Police Commissioner | **256.15** | 11.02% |
| Kent Fire and Rescue Service | **89.91** | 3.87% |
| **Overall Total** | **2,325.02** | |

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

| Area | Precepts | +Folkestone Parks Charity | =Special Items | Divided by Taxbase | =Council Tax for special items | =Council Tax for General items | =District Council Tax * | +KCC, Police & Fire precepts | = Total Council Tax |
|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | | £ | £ | £ | £ | £ |
| Folkestone | 1,000,590 | 559,626 | 1,560,216 | 14,906.09 | 104.67 | 280.08 | 384.75 | 1,956.88 | 2,341.63 |
| Sandgate | 108,788 | 82,954 | 191,742 | 2,209.56 | 86.78 | 280.08 | 366.86 | 1,956.88 | 2,323.74 |
| Hythe | 397,944 | | 397,944 | 6,346.76 | 62.70 | 280.08 | 342.78 | 1,956.88 | 2,299.66 |
| Lydd | 178,900 | | 178,900 | 2,187.85 | 81.77 | 280.08 | 361.85 | 1,956.88 | 2,318.73 |
| New Romney | 396,952 | | 396,952 | 2,988.46 | 132.83 | 280.08 | 412.91 | 1,956.88 | 2,369.79 |
| Acrise | 200 | | 200 | 94.91 | 2.11 | 280.08 | 282.19 | 1,956.88 | 2,239.07 |
| Elham | 77,200 | | 77,200 | 734.39 | 105.12 | 280.08 | 385.20 | 1,956.88 | 2,342.08 |
| Elmsted | 2,250 | | 2,250 | 192.49 | 11.69 | 280.08 | 291.77 | 1,956.88 | 2,248.65 |
| Hawkinge | 327,054 | | 327,054 | 3,081.56 | 106.13 | 280.08 | 386.21 | 1,956.88 | 2,343.09 |
| Lyminge | 152,349 | | 152,349 | 1,153.56 | 132.07 | 280.08 | 412.15 | 1,956.88 | 2,369.03 |
| Lympne | 35,000 | | 35,000 | 648.17 | 54.00 | 280.08 | 334.08 | 1,956.88 | 2,290.96 |
| Monks Horton | 597 | | 597 | 60.61 | 9.85 | 280.08 | 289.93 | 1,956.88 | 2,246.81 |
| Newington | 8,864 | | 8,864 | 147.61 | 60.05 | 280.08 | 340.13 | 1,956.88 | 2,297.01 |
| Paddlesworth | 200 | | 200 | 18.82 | 10.63 | 280.08 | 290.71 | 1,956.88 | 2,247.59 |
| Postling | 4,236 | | 4,236 | 111.96 | 37.84 | 280.08 | 317.92 | 1,956.88 | 2,274.80 |
| Saltwood | 13,635 | | 13,635 | 395.07 | 34.51 | 280.08 | 314.59 | 1,956.88 | 2,271.47 |
| Sellindge | 73,500 | | 73,500 | 878.25 | 83.69 | 280.08 | 363.77 | 1,956.88 | 2,320.65 |
| Stanford | 10,000 | | 10,000 | 190.66 | 52.45 | 280.08 | 332.53 | 1,956.88 | 2,289.41 |
| Stelling Minnis | 8,159 | | 8,159 | 288.48 | 28.28 | 280.08 | 308.36 | 1,956.88 | 2,265.24 |
| Stowting | 2,500 | | 2,500 | 121.83 | 20.52 | 280.08 | 300.60 | 1,956.88 | 2,257.48 |
| Swingfield | 30,210 | | 30,210 | 487.01 | 62.03 | 280.08 | 342.11 | 1,956.88 | 2,298.99 |
| Brenzett | 6,500 | | 6,500 | 151.73 | 42.84 | 280.08 | 322.92 | 1,956.88 | 2,279.80 |
| Brookland | 12,870 | | 12,870 | 180.26 | 71.40 | 280.08 | 351.48 | 1,956.88 | 2,308.36 |
| Burmarsh | 5,827 | | 5,827 | 112.26 | 51.91 | 280.08 | 331.99 | 1,956.88 | 2,288.87 |
| Dymchurch | 83,000 | | 83,000 | 1,324.33 | 62.67 | 280.08 | 342.75 | 1,956.88 | 2,299.63 |
| Ivychurch | 5,410 | | 5,410 | 92.86 | 58.26 | 280.08 | 338.34 | 1,956.88 | 2,295.22 |
| Newchurch | 6,115 | | 6,115 | 121.08 | 50.50 | 280.08 | 330.58 | 1,956.88 | 2,287.46 |
| Old Romney | - | | - | 84.75 | - | 280.08 | 280.08 | 1,956.88 | 2,236.96 |
| St Mary in the Marsh | 45,000 | | 45,000 | 1,098.78 | 40.95 | 280.08 | 321.03 | 1,956.88 | 2,277.91 |
| Snargate | - | | - | 55.96 | - | 280.08 | 280.08 | 1,956.88 | 2,236.96 |
| | 2,993,850 | 642,580 | 3,636,430 | 40,466.09 | | | | | |

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

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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 been 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 MTFS 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 MTFS 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 In | 2023/24 Movement Out | Estimated Balance at 31/3/2024 | Purpose |
|---|---|---|---|---|---|
| | **£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 uprated 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**

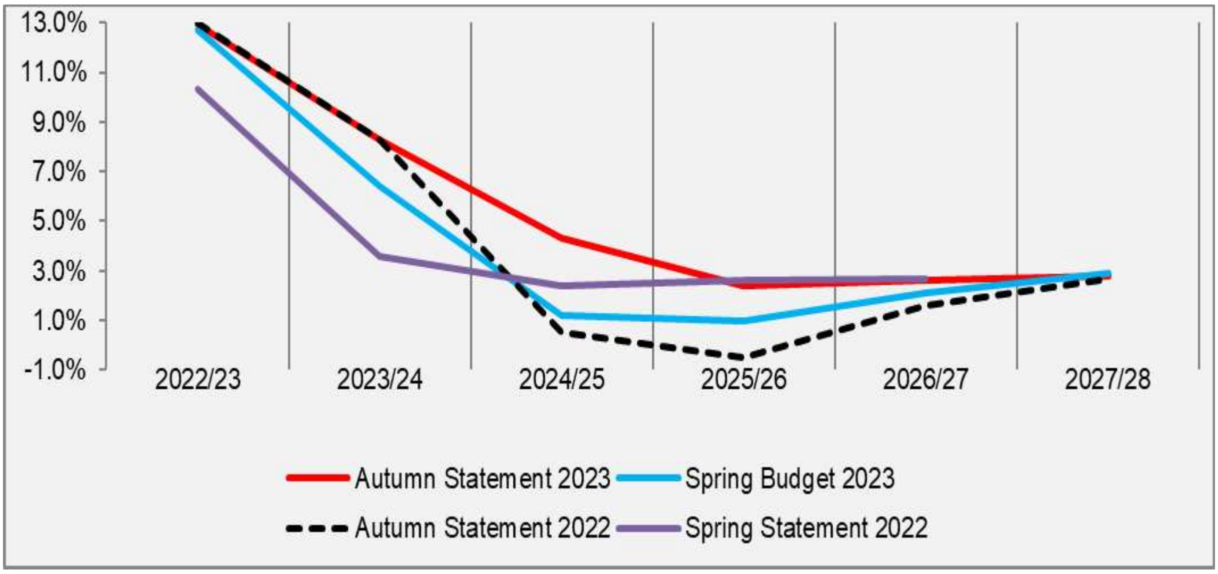
| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|
| Autumn Statement 2023 | 10.0% | 6.1% | 3.0% | 1.6% | 1.5% | 1.8% |
| Spring Budget 2023 | 9.9% | 4.1% | 0.6% | 0.0% | 0.8% | 1.7% |
| Autumn Statement 2022 | 10.1% | 5.5% | 0.0% | -1.0% | 0.8% | 1.8% |
| Spring 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.

Bigginswood 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 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. 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 Councils 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 scenario's 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)

**Appendix 4**

## Capital Strategy 2024/25 and Annual Minimum Revenue Provision Statement

### 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) from 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 considered the HRA medium term capital programme before it 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 | 2023/24 forecast | 2024/25 budget | 2025/26 budget | 2026/27 budget |
|---|---|---|---|---|---|

| | £m | £m | £m | £m | £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:

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. <u>Investments for Service Purposes</u>

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 Investment Strategy 2024/25.

## 5. <u>Commercial Activities</u>

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 contribute 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 Investment Strategy 2024/25.

- **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 discretional 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)

## 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

**Section 2 - 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 |

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**APPENDIX 5**

**CAPITAL PROGRAMME 2024 – 2029**

## 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 **Bigginswood** 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 |
| Less: | |
| 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.

| Item No. | Appendix 3 - General Fund Medium Term Capital Programme to 2028/29<br>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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | **Operations** | | | | | | | | | |
| 1 | Coast Protection - Coronation Parade, Folkestone | 742 | 742 | - | - | - | - | - | - | 742 |
| 2 | Coast Protection - Coronation Parade annual monitoring | 20 | 4 | 4 | 4 | 4 | 4 | - | - | 20 |
| 3 | Coast Protection - Greatstone Dunes Management & Study | 75 | 15 | 15 | 15 | 15 | 15 | - | - | 75 |
| 4 | Coast Protection - Hythe to Folkestone Beach Management | 1,027 | 572 | 455 | - | - | - | - | - | 1,027 |
| 5 | Royal Military Canal footpath enhancements | 80 | 20 | 20 | 20 | 20 | - | - | - | 80 |
| 6 | Lifeline Capitalisation | 350 | 70 | 70 | 70 | 70 | 70 | - | - | 350 |
| 7 | Public Toilet Enhancement Programme | 113 | 113 | - | - | - | - | - | - | 113 |
| 8 | New Public Toilets (Changing Places Fund) | 205 | 205 | - | - | - | - | - | - | 205 |
| 9 | Biggins Wood Site Land Remediation Works | 1,657 | 1,657 | - | - | - | - | - | - | 1,657 |
| 10 | Ship Street Site Folkestone (GF Element) | 192 | 192 | - | - | - | - | - | - | 192 |
| 11 | Princes Parade Leisure & Housing Development | 40,661 | 550 | - | - | - | - | - | 550 | 1,100 |
| 12 | Electric Vehicle Charging Points | 40 | 40 | - | - | - | - | - | - | 40 |
| 13 | District Street Lights | 401 | 401 | - | - | - | - | - | - | 401 |
| 14 | Coast Drive Seafront Development | 844 | 844 | 700 | - | - | - | - | - | 1,544 |
| 15 | Coastal Park Play Equipment | 19 | 19 | - | - | - | - | - | - | 19 |
| 16 | Coastal Park Toilet and Concession | 128 | 128 | - | - | - | - | - | - | 128 |
| 17 | East Cliff Landfill Protection (FPPG Charity) | 1,198 | 1,198 | - | - | - | - | - | - | 1,198 |
| 18 | Hawkinge Depot Upgrade | 143 | 143 | - | - | - | - | - | - | 143 |
| 19 | Replacement Asset Management System | 60 | 60 | - | - | - | - | - | - | 60 |
| 20 | Radnor Park Footpath Resurfacing (FPPG Charity) | 13 | 13 | - | - | - | - | - | - | 13 |
| 21 | The Stade, Folkestone Rental Huts | 100 | 100 | - | - | - | - | - | - | 100 |
| 22 | Additional Toilet Cleaners Vans | 33 | 33 | - | - | - | - | - | - | 33 |
| 23 | Replacement Park Keeper's Vehicle | 27 | 27 | - | - | - | - | - | - | 27 |
| 24 | Units 1-5 Learoyd Road New Romney | 196 | 196 | - | - | - | - | - | - | 196 |
| 25 | Connect 38 CAT A Works | 234 | 234 | - | - | - | - | - | - | 234 |
| 26 | Funding of Folkestone Coastal Park Play Area Refurbishment (FPPG Charity) | 40 | 40 | - | - | - | - | - | - | 40 |
| 27 | Replacement of HI-AB Crane | 75 | 75 | - | - | - | - | - | - | 75 |
| 28 | Staff Welfare Facilities New Romney Depot | 7 | 7 | - | - | - | - | - | - | 7 |
| 29 | Leas Cliff Hall Car Park - CCTV | 13 | 13 | - | - | - | - | - | - | 13 |
| 30 | Replacement Tractor | 85 | 85 | - | - | - | - | - | - | 85 |
| 31 | Replacement Cherry Picker Vehicle and Trailer | 100 | 100 | - | - | - | - | - | - | 100 |
| 32 | Replacement Weed Barge | 85 | 85 | - | - | - | - | - | - | 85 |
| 33 | Replacement Sports Mower (East Cliff Area) | 9 | 9 | - | - | - | - | - | - | 9 |
| 34 | Replacement Transit Van | 28 | 28 | - | - | - | - | - | - | 28 |
| 35 | On Street Pay and Display Parking Machines | - | - | - | 18 | - | - | - | - | 18 |
| 36 | 3 Ride on Mowers | - | - | 90 | - | - | - | - | - | 90 |
| 37 | Trimax Pegasus | - | - | 26 | - | - | - | - | - | 26 |
| 38 | Stump Grinder | - | - | 30 | - | - | - | - | - | 30 |
| 39 | Tractor mounted Hedge Flail | - | - | 40 | - | - | - | - | - | 40 |
| 40 | Excavator | - | - | 40 | - | - | - | - | - | 40 |
| | **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 |
| 42 | Migrate IKEN Legal System to Cloud Hosted Service | 18 | 18 | - | - | - | - | - | | 18 |
| | **Total - Governance, Law and Service Delivery** | **27** | **27** | **-** | **-** | **-** | **-** | **-** | | **27** |
| | | | | | | | | | | |
| | **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 |
| | 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 |
| 44 | Waste Contract - Acquisition of Vehicles and Equipment | 260 | 15 | 245 | - | - | - | - | | 260 |
| 45 | Area Officer Vans | 20 | 20 | - | - | - | - | - | | 20 |
| 46 | CLLD ERDF Capital Projects | 853 | 853 | - | - | - | - | - | | 853 |
| 47 | Rural England Prosperity Fund Capital Grants Scheme | 571 | 143 | 428 | - | - | - | - | | 571 |
| 48 | UK Shared Prosperity Fund Capital Grants Scheme | 463 | 113 | 350 | - | - | - | - | | 463 |
| 49 | Folkestone - A Brighter Future Project (LUF) | 21,874 | 1,731 | 16,475 | 3,668 | - | - | - | | 21,874 |
| 50 | FOLCA 2 | - | - | - | 5,000 | 5,000 | - | - | | 10,000 |
| 51 | Leisure centre development | - | - | - | - | 500 | 500 | 12,500 | 12,500 | 26,000 |
| | **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 |
| 53 | Temporary Accommodation (invest to save) | 94 | 94 | - | - | - | - | - | | 94 |
| 54 | Disabled Facilities Grants (DFGs) & Loans | 5,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | - | | 5,000 |
| 55 | Home Safe Loans | 611 | 211 | 100 | 100 | 100 | 100 | - | | 611 |
| | **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 |
| 57 | Server Replacement Programme | 300 | 60 | 60 | 60 | 60 | 60 | - | | 300 |
| 58 | ICT improvement costs (externally hosted Revenues & Benefits system) | 53 | 53 | - | - | - | - | - | | 53 |
| 59 | Website CMS replacement | 26 | 26 | - | - | - | - | - | | 26 |
| 60 | Folkestone & Hythe Green Business Grant Scheme | 220 | 220 | - | - | - | - | - | | 220 |
| 61 | FHDC Transformation | 15 | 15 | - | - | - | - | - | | 15 |
| 62 | Oportunitas Loan and Share Capital Phase 2 | 970 | 970 | - | - | - | - | - | | 970 |
| 63 | Upgrade financials Financial Ledger System to Cloud Hosted Service | 70 | 70 | - | - | - | - | - | | 70 |
| 64 | Financial Management System | - | - | 250 | 250 | - | - | - | - | 500 |
| | **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)** |

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**APPENDIX 6**

# Reserves Policy

## INTRODUCTION

The establishment, monitoring, and review of the levels of reserves and balances are an important element of the council's financial management systems and financial standing.

The Chief Finance Officer (S151 Officer) is required by law to formally report to the Council his/her opinion on the adequacy of the council's reserves. Irrespective of this, a well-managed authority is clear about the reserves it needs now and, in the future, to support its service aspirations, whilst at the same time delivering value for money within a climate of significant resource pressure and economic/social risk.

This policy does not cover non-distributable reserves required to support financial accounting transactions e.g., the Revaluation Reserve, Capital Adjustment Account and Pension Reserve. (Non-distributable reserves are those that cannot be used for revenue or capital purposes.)

Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted liabilities.
- A means of setting aside sums for future identified uses and / or investments.

Such reserves are generally referred to as earmarked reserves.

## WHAT ARE RESERVES?

There is no clear definition of reserves even though reference is made to reserves in legislation. The Chartered Institute of Public Finance and Accountancy (CIPFA) states "amounts set aside for purposes falling outside the definition of provisions should be considered as reserves." Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Generally, there are two types of reserves, those that are available to meet revenue or in some cases capital expenditure (Usable) and those that are not available to finance revenue or capital expenditure (Unusable). Useable reserves result from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. They can be spent or earmarked at the discretion of the council.

The council must manage its reserves in accordance with its strategic longer term planning process.

## LEVEL OF RESERVES

As mentioned above the council's reserves can be regarded as general and earmarked reserves. In addition, the council maintains a Usable Capital Receipt reserve.

As part of its MTFS, the council also adopts some fundamental principles as to how reserves are used:

- The reserves must primarily be used to fund one off expenditure.
- Any recurring item may only be funded from reserves if plans are in place to replenish the reserve within a defined period.
- Any unplanned revenue income receipt should be put in reserves pending any future decisions as to its use.
- Reserves should be maintained at a sustainable level to ensure an adequate working balance is maintained.
- Reserves may be used as part of a planned process to balance the budget in order to avoid short term responses which may not be in the best interests of the council.

The council has prudently built up its reserves in recent years to be able to provide for its priorities when required. The level of reserves has, in recent years, reduced in line with planned activities such as investments in Oportunitas and Otterpool and their use for other investment or in lieu of borrowing. This strategy means that reserves are currently at an adequate rather than excessive level however it is recognised this use is of a one off nature to secure future income streams for the council.

The use of reserves is a critical part of the council's budget strategy, and the level of reserves is kept under ongoing review. Any future calls on the reserves are considered by looking at the whole position and ensuring minimum reserve levels are adhered to. It is vital that the future needs of the authority such as through the VET reserve are continually refreshed and updated and that earmarked reserves are applied appropriately.

## ASSESSING THE ADEQUACY OF RESERVES

The Chartered Institute of Public Finance and Accountancy (CIPFA) state that the Institute 'does not accept a case for introducing a statutory minimum level of reserves, even in exceptional circumstances.' It does however confirm that authorities should make their own judgment on such matters, taking into account all relevant local circumstances on the advice of their Chief Finance Officer / S151.

The Local Government Act 2003 requires the Chief Finance Officer to formally report on the adequacy of the proposed financial reserves.

To arrive at assessing the adequacy of reserves a number of issues need to be addressed:

- What are the strategic, operational, and financial risks facing the authority?
- Does the authority comply with the requirements to ensure that there is an adequate system of internal control?
- Are the key financial assumptions in formulating the council's budget robust and reasonable?
- Does the council have adequate financial management and cash flow arrangements?

In addition, there are a number of questions an authority can ask to demonstrate that it is managing its affairs satisfactorily, such as:

- What is the track record of the council in its budgetary and financial management?
- What is the council's record regarding Council Tax collection?
- What is the council's capacity to manage in-year budgetary pressures?
- What is the strength of the council's financial reporting?
- What are the procedures to deal with under and overspends during and at the year end?
- In the case of earmarked reserves, will there be expected calls on the reserves that prompted the setting up of the reserves in the first place?

Finally, there is a need to look at the assumptions made in setting the budget, not just for the coming year but also under the MTFS.

The budgetary assumptions cover:

- Inflation and interest rate projections.
- Estimate and timings of capital receipts.
- Treatment of planned efficiency savings.
- Financial risks involved in major funding arrangements.

The assessment of the adequacy of the reserves and the robustness of the estimates are contained within the Chief Finance Officers report to council as part of the budget setting process based upon Section 25 of the Local Government Act of 2003.

**Allocation of Reserves**

There are to be no withdrawals from reserves, unless of a one-off nature, or if they are part of a planned usage which will lead to the elimination of any deficit and the setting of a balanced budget. It is not normal practice to withdraw from the General Fund Reserve to balance the annual budget, unless the circumstances are exceptional, and plans are in place to provide for an ongoing balanced budget.

**Budget Assumptions**

These are set out in detail within the Budget Strategy and a sensitivity analysis has been undertaken regarding the financial forecasts for the next five years. The council is responsible for a number of demand-led budgets which are difficult to control.

The council has identified its strategic financial risks and has carried out an assessment of that risk. Based on this analysis, the following levels are considered appropriate:

**Required Levels of Reserves**

| | **Minimum Level £m** |
|---|---|
| General Fund | 1.5 |
| Housing Revenue Account | 2.0 |
| Capital Receipts | 0.5 |

The minimum level of the General Reserve balance has been arrived at after assessing the strategic financial risks faced by the council.

The table above shows that a minimum General Reserve balance of £1.5 million should be maintained until the 2025/26 financial year. This level will be monitored and should be addressed as savings proposals are developed and implemented over the term of this plan. The HRA minimum balance has been set at £2.0 million as part of the preparation of the HRA business plan.

**OPPORTUNITY COST OF HOLDING RESERVES**

Having set minimum levels, the opportunity cost of holding reserves needs to be considered. All balances are used to either reduce temporary borrowing or are invested subject to other cash flows. Therefore, in measuring any opportunity cost of holding these reserves, consideration needs to be taken of the interest saving. The opportunity cost of holding the reserves is therefore a judgment whether the 'worth' of expenditure foregone is more than the income generated. Given the current economic climate it is a balanced judgement as to whether to invest / spend reserves or to hold these. As part of the MTFS and budget setting, an assessment of the adequacy of reserves and the associated risks will be made annually.

**REPORTING FRAMEWORK**

The level of reserves is continually monitored, and a full review is undertaken each year.

## Table 1.1 Detail of Council Reserves

| Earmarked Reserve | Balance at 1/4/2023 | 2023/24 Projection | Estimated Balance at 31/3/2024 | 2024/25 Projection | Estimated Balance at 31/3/2025 | Purpose |
|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s | |
| Business Rates | (1,657) | 26 | (1,631) | | (1,631) | To support requirements of the Rates Retention Scheme. |
| Leisure | (497) | - | (497) | | (497) | To meet future leisure improvements. |
| Carry Forward | (2,298) | 88 | (2,210) | | (2,210) | For items of expenditure not incurred or ringfenced grant or income not applied in the previous financial year |
| Vehicles, Equipment and Technology Reserve | (277) | (200) | (477) | 200 | (277) | To meet vehicle, equipment and technology replacement needs or improvements. |
| Maintenance of Graves | (12) | - | (12) | | (12) | Amounts held in perpetuity to meet the cost of maintaining certain grave sites. |
| New Homes Bonus (NHB) | (409) | 200 | (209) | | (209) | To fund the anticipated additional cost of services over the next five years. |
| Corporate Initiatives | (687) | 500 | (187) | (241) | (428) | To support Corporate Plan objectives and goals. |
| IFRS Reserve | (5) | - | (5) | | (5) | The impact of International Financial Reporting Standards |
| Economic Development | (1,923) | 1,364 | (559) | | (559) | Towards the regeneration of the district and to support the generation of new income. |
| Community Led Housing | (253) | | (253) | 60 | (193) | To support community-led housing developments and to deliver more affordable housing units of mixed tenure. |
| Lydd Airport | (9) | - | (9) | | (9) | To fund the anticipated ongoing costs of monitoring the conditions at Lydd Airport. |
| Homelessness Prevention | (925) | 90 | (835) | 240 | (595) | To flexibly fund ways to reduce the homelessness expenditure by taking preventative action. |
| High Street Regeneration | (1,233) | 528 | (705) | | (705) | To support the delivery of regeneration projects within the district's high street areas. |
| Climate Change | (4,656) | 1,155 | (3,501) | 146 | (3,355) | To fund initiatives to help the Council achieve net-zero carbon emissions by 2030. |
| Transformation Fund | 0 | (1,086) | (1,086) | | (1,086) | Set aside to enable investment in initiatives that will deliver future savings |
| Covid Reserve | (30) | 30 | 0 | | 0 | To support requirements of the Rates Retention Scheme. |
| **Total Earmarked Reserves** | **(14,871)** | **2,695** | **(12,176)** | **405** | **(11,771)** | |
| | | | | | | |
| **Total General Fund Reserve** | **(7,038)** | **1,328** | **(5,710)** | **0** | **(5,710)** | |

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**APPENDIX 7**

# TREASURY MANAGEMENT STRATEGY

## 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 A.

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**

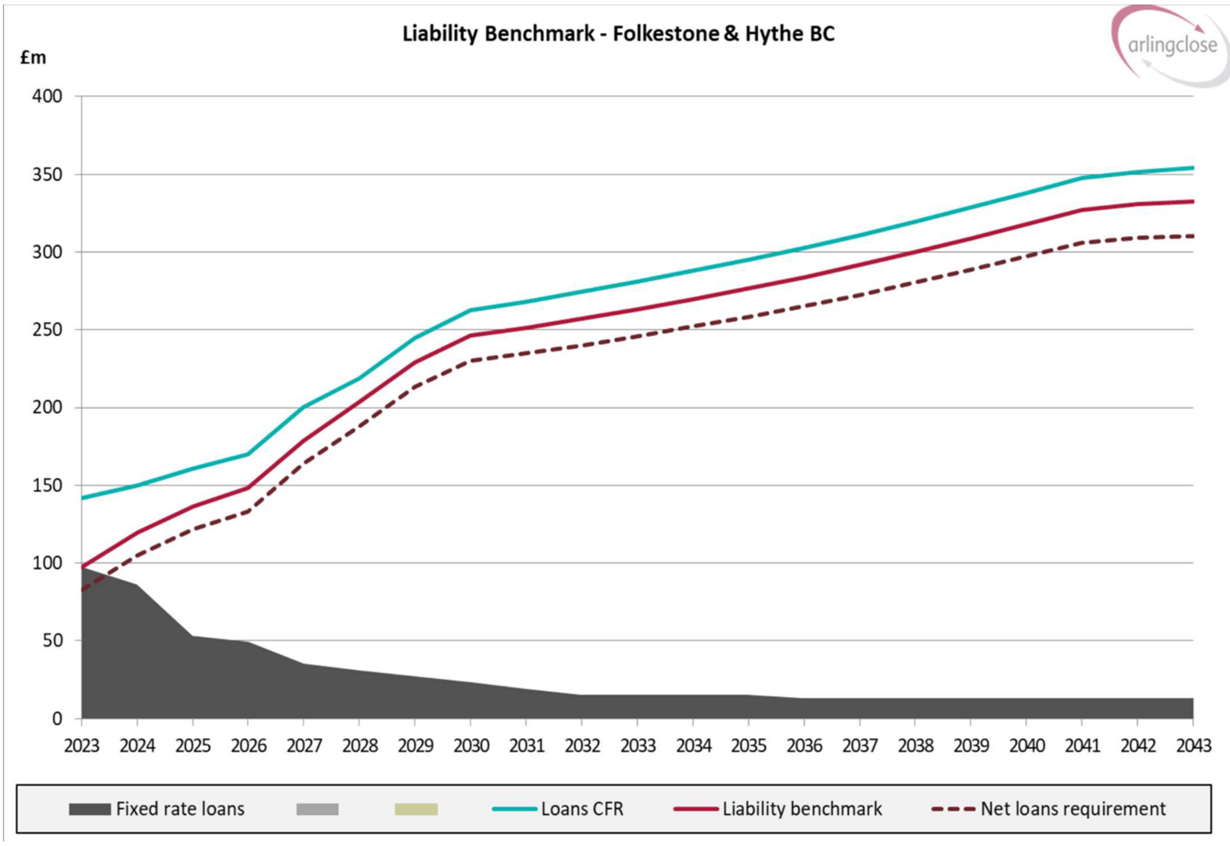
3.5.1 To compare the authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £15m at each 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 though 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)** |

**Appendix A – 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 B – 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 C – 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** |

**APPENDIX 8**

# 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 ££119m for working capital and land acquisitions into 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.

## 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<br><br>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 £m** | **Loss allowance £m** | **Net figure in accounts £m** | **Approved Limit £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 financially 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.

| | 31/03/2024 (Forecast) | | | 31/03/2025 (Projection) | | |
|---|---|---|---|---|---|---|
| **Property Type** | **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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**APPENDIX 9**

## ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

### Introduction

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

As the council's CFO, I confirm that in my opinion the draft budget is robust, and the proposed level of reserves is adequate in respect of the proposed budget for 2024/25. The reasons for this opinion are set out below.

In presenting this report the Chief Finance Officer is mindful of other associated statutory safeguards designed to support the Council:

- Section 151 of the Local Government Act 1972 which requires the authority to make arrangements for the proper administration of its financial affairs and that the Chief Financial Officer has personal responsibility for such administration.
- Sections 32, 43 & 93 of the Local Government Finance Act 1992 which requires the authority to set a balanced budget.
- The Prudential Code introduced as part of the Local Government Act 2003 sets out the framework within which the authority must manage its investments, including adequate planning and budget estimates.
- The external auditor's duty to assess the adequacy of the authority's proper arrangements to secure economy, efficiency, and effectiveness ('value for money').

To reinforce these obligations, section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to all the authority's councillors, in consultation with the Monitoring Officer, if there is or is likely to be unlawful expenditure or an unbalanced budget.

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

### Background

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

Local Government is continuing to deliver services to its residents and businesses during a period of prolonged financial uncertainty and significant change. This uncertainty relates to both the overall UK economy as well as the impact of national policy changes to the way in which local government is funded in the medium / long-term. Demand pressures, high inflation, and interest rates on top of 10+ years of cuts to local government funding have put significant pressure on the budgets of local authorities.

It is important that we continue to manage our resources in a prudent and sustainable way, ensuring that we understand and can plan and manage our risks effectively over the medium term which is why a strong link between our service outcomes and financial measures is imperative.

The Provisional Local Government Finance Settlement figures for 2024/25 were issued on 18 December 2023, with the final settlement being announced on 5 February 2024. Despite anticipation again this year that announcements may be made regarding local government funding reform, no confirmation was given through the settlement (either regarding Fair Funding or Business rates retention). The government focused instead on 'stability and certainty' for the coming financial year and policy principles being set for 2024/25.

The Fair Funding review is now not anticipated to be implemented until 2026/27, so Local Government will need to continue to operate in this short term funding environment for the majority of the term of our current Medium Term Financial Strategy (MTFS). Our Business Rates pooling arrangement with Kent authorities has been confirmed to continue for 2024/25 which will operate under the 50% retention scheme for a further year. The settlement also confirmed a Council Tax increase of 2.99% (or £5) for the Council be permissible under the referendum limits. Whilst it is encouraging that this limit has been stable in the context of current inflationary pressures, this % was far exceeded by other cost pressures to maintain baseline services.

More broadly though the settlement itself was welcomed by the sector and represented a good settlement position for Folkestone and Hythe. The settlement included the continuation of a reduced New Homes Bonus (without legacy payments); a 4% Funding level guarantee; reduced Service Grant allocation and the welcome news that the business rate multiplier compensation grant would compensate councils at CPI. These factors combined improved the funding position for 2024/25 by £995k. These gains are not guaranteed for 2025/26 or beyond at this time.

The Council has in recent year's demonstrated strong financial performance, and in many instances it has been able to add to the reserves in place. Reserves however are finite and were utilised to balance the budget in 2023/24 but will not be utilised for 2024/25. It is important that the council addresses its funding gap and moves away from a reliance on reserves.

Local Government continue to face an exceptionally uncertain financial period with the impact of the cost of living and its significant effects on leisure, arts and culture, retail, fees and charges and more commercial activities undertaken by authorities.

It was felt that some stability returned, albeit that the lack of clarity in terms of long-term funding streams for Councils remained. 2023/24 saw the return of most income streams to pre-pandemic levels, however the war in Ukraine/Israel, cost of living crisis, energy price increases, and most significantly inflation and borrowing rates multiplying have led to an extremely challenging financial period.

Budget managers have once again identified (during the growth and savings exercise) internal savings, through the priority based budgeting process, efficiencies and protected front line services. For 2024/25 the savings identified were exceeded by the essential growth needed, meaning the internal financial landscape for setting the 2024/25 budget was challenging until the implementation of the Council's restructure across all services. The Council's past strong financial performance and robust position means it has reserves to rely upon, but they are a finite resource and cannot be the basis of a long term plan to balance future budget. The Council will need to take further decisions over the next financial year to ensure a sustainable financial position is achievable over the medium term.

Due to the significant economic volatility in the UK during 2023/24 the Council has had to reevaluate a number of key projects due to rising construction and borrowing costs. These decisions have been necessary to ensure the Council remains on a sound financial footing, and due to a combination of the findings of the stock condition survey and the economic pressures faced the Housing Revenue Account is facing some significant challenges over its medium term. Members has received an update to the HRA Business Plan in 2024 and will need to prioritise the calls upon available funding.

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

**Robustness of the Estimates**

In assessing the robustness of the estimates this statement looks at the key factors and risk areas associated with the proposed 2024/25 budget and how they have been and can be managed.

<u>The MTFS</u>

In considering the budget calculations for 2024/25, regard should be had to the medium term financial position of the council and the future of local government funding. It was anticipated that clarity would have been available regarding the future of Business Rates retention and wider funding by this time but that is not the case. Indications are that the Fair Funding Review will be modelled on 2025/26 and implemented in 2026/27, but proposed dates for consultation and implementation have been set and missed several times in recent years, and therefore no certainty can be given as to when the long-term future of Local Government funding will be addressed. Once firm information is available it will be evaluated and incorporated into an updated MTFS, however this is not anticipated to be in the immediate future. The Council therefore needs to make steps itself to address its funding gap over the term of the current MTFS.

The current MTFS was considered by Cabinet and Full Council in January 2024 (A/23/23) and identified a balanced budget for 2024/25 and over its term (2024/25 2027/28) of £2.783million. In the context of the gross budget, funding sources and reserves availability this is a significant gap to address over the next few years.

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

- In-year savings from 2023/24
- Re-focusing of Priorities
- Strategic Investments
- Review of Reserves & prudent deployment
- Maximising Opportunities
- Reviewing the level of council tax
- An annual review of fees and charges
- Pursuing alternative income streams
- Continuing the use of digital technologies to transform services
- Exploring appropriate commercial opportunities
- Growing the local economy
- Reviewing all services to generate efficiencies
- Containing new budget pressures within allocated resources.

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

- **Review of Corporate Action Plan**
- **Review of Strategic Projects -** Prioritise and explore rephasing to recognise the financial & capacity challenges faced
- **Review of Ringfenced & Earmarked Reserves**
- **Identification of potential asset disposals -** Assess underutilised assets for potential sale (future funds to be deployed into capital schemes or through flexible capital receipts scheme)
- **Re-evaluation future service demands**
- **Identification of alternative opportunities**

Development of Budgets

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 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 considered 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.

Following consideration of the MTFS in 2023 and the 2024/25 Budget Strategy together with the proposed Fees and Charges 2024/25 were approved by Cabinet in December 2023.

In January 2024, the 2024/25 General Fund Draft Budget was examined in detail by the Finance & Performance Sub-Committee. The Medium Term Capital Programme and the HRA Revenue and Capital budgets were also presented for scrutiny in January 2024.

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

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

The budget-setting process commenced with detailed budget guidelines covering the General Fund, HRA and Capital Programme that were issued in August 2023. This aided a consistent approach to preparing the budget estimates. During August, September and October the Finance staff worked with budget holders to review all controllable costs using the priority based budgeting, agree the salary budgets, and build the base budget. Staff establishment salary budgets were prepared based on the approved structure for each cost centre on a post by post basis. Assistant Directors and Chief Officers were asked to work with their budget holders and Finance Officer to assess the need for growth in their areas and identify efficiency proposals. These proposals alongside the proposed fees and charges schedules (developed in accordance with the policy framework) were scrutinised by the Corporate Governance Board, Corporate Leadership Team (CLT) before the incorporation of them in the December round of Cabinet papers.

The budget estimates included assumptions around a number of key factors. The process for determining the 2024/25 budget has again required the majority of budgets to be cash limited with very limited growth being considered. The only budgets that have been adjusted for inflation are salaries and existing inflationary commitments in relation to contracts. A provision for pay awards has been made, as has allowance for the increase in pension contributions. During the growth & savings exercise all managers were asked to identify potential savings within their service areas and around £3.657m was removed from the base budget as a result of the PBB and restructure exercise.

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

The 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.

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). The authority's plans to create the Otterpool Park Garden Town Development are now at an advanced stage. Otterpool Park (OP) 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 for the purpose of supporting the delivery of future council services to residents across the district, in addition to the significant placemaking activities at OP itself.

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 £119m (Land Acquisition £44m and Working Capital £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.

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.

In October 2023 Cabinet agreed to delegate authority to the S151 officer, in consultation with the Leader to agree a Transition Budget for the OP LLP for inclusion in the Council’s 2024/25 budget.

The Budget Strategy process identified –

| | **£000** |
|---|---|
| **Budget growth proposals** | 679 |
| **Inflationary pressures** | 1,631 |
| **Priority Based Budget Savings and efficiencies** | (3,657) |

The Budget includes an assumption of Council Tax increases (including the special expense) of 2.99%. This is within the referendum limit and is an important element in determining a balanced budget both for the coming financial year but also one sustainable for the future. The Government base Council’s funding on the assumption that Council Tax has been set at the referendum limits and therefore there is a long-term implication to the available resources of an authority not to do so.

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

<u>Mitigating Risks</u>

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

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

The Council has a depth of experienced budget managers across its service areas and a strong finance team. We will continue to provide updates to budget managers and will support finance staff with relevant training and professional development to maintain this position. The experience and knowledge of our budget managers has been demonstrated through the Priority Based Budget Savings/efficiencies savings identified over the last seven months (£3.657m).

Additionally, to strengthen the council's overall approach to risk management this year we have established a Corporate Governance Board, which all Chief Officers & Assistant Director attend. This group of officers have also received further training in this area.

Furthermore, Contract Management/Standing Order training was delivered to all budget managers in the Council in February 2024, with Fraud awareness training being delivered also in February 2024.

In conclusion I am satisfied that officers have undertaken a robust and thorough approach to the setting of the budget for 2024/25. I am satisfied with the estimates in place that determine the setting of the budget and council tax for the coming financial year. The council will continue to assess the position in year, ensure it remains within the budget set and react promptly to address any changes identified. In addition, we will continue to give consideration to closing future budget gaps, acting proactively during the year, and assessing funding updates when they become available.

**Adequacy of Reserves**

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

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

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

The Council held £14.871m in Ringfenced/Earmarked Reserves and £7.038m in the General Reserve on 1 April 2023, and through this budget setting process anticipates holding £12.176m in Ringfenced/Earmarked Reserves and £5.710m in the General Reserve by 31 March 2024. Whilst there are movements anticipated both contributing to and withdrawing from, the council is managing its reserves position prudently, and will need to continue to do so over the coming year. Caution does need to be noted however, reserves can only be applied once and whilst the Council has a prudent record of building reserves over a number of financial years, it has drawn on them in the last three years.

The Council must address over the coming years its longer term funding issues to remain in a robust position. The Council also has ambitious plans to deliver upon, so must take steps to ensure it remains in a strong financial position, and able to deliver on its ambitious agenda.

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

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

The council reviews annually the adequacy of the reserve levels taking into account the council's exposure to risk, the systems of internal control, the robustness of the estimates, adequacy of financial management arrangements, our track record on budget monitoring, the strength of financial reporting, capacity to manage in year budget pressures and cash flow requirements to determine appropriate levels for the reserves. The monitoring and control systems in place are robust and identify at an early stage any significant variations within the council's activities.

The council also needs to consider unexpected draws on reserves due to the challenging economic climate and decisions that need to be taken to maintain the financial viability of the Council. Members considered a paper in June 2023 on the Princes Parade project, which determined that the Council would pause the construction of the new leisure centre on this site. Hoardings are being removed to be used elsewhere and there will be a significant draw required from reserves for the project not being progressed and the current capital expenditure amount will need to be written off to revenue.

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

**Conclusions**

Having considered the current level of reserves held, the anticipated levels of reserves through to end of 2024/25, the proposed budget, and the financial controls & reporting in place I am satisfied that the required minimum level of reserves remain appropriate, and the level of reserves held are appropriate, robust, and sustainable at this time.

**Statements of the Section s151 Officer**

<u>Section 151 Officer - Statement on the Robustness of the Budget.</u>

*"The District Council is recommended to note that, in my opinion, the estimates used in the production of the budget proposal for 2024-25 are adequately robust".*

<u>Section 151 Officer - Statement on the Adequacy of Reserves</u>

*"Based on the assessment of the reserves and contingencies, the key financial risks identified, and the thorough process used for developing the Medium-Term Financial Plan, I have determined that the level of reserves and balances for 2024-25 is adequate."*

Lydia Morrison,
Interim Director Governance and Finance Services (S151 Officer)
12 February 2024.

**Appendix 10**

**SUBJECT: BUDGET STRATEGY 2024/25**

## 1. INTRODUCTION

1.1 The Cabinet are required to publish initial budget proposals and a timetable, as well as provide details on the arrangements for consultation ahead of the budget framework itself being considered and finalised. The Council has a statutory requirement to set a balanced budget and Council Tax annually under the Local Government Finance Act 1992 and Council Tax (Administration and Enforcement) Regulations 1992.

1.2 This report covers those requirements, setting out the initial proposals and a timetable that will be used to inform the setting of the budget for 2024/25. The Budget Strategy is consistent with the direction and objectives of the updated MTFS which will be approved by Cabinet at its meeting on 13 December 2023. This report also outlines the current economic and financial difficulties facing the Council which have to be considered in setting its Budget for 2024/25.

1.3 The MTFS and Budget Strategy are aligned with the Council's strategic financial objectives, which are as follows:

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

better value from commissioning and procurement, whilst seeking to minimise the impact of budget savings on priority services.

- To bring together the key issues affecting the Revenue Budget, the Housing Revenue Account, Treasury Management, and the Capital Programme.
- To review emerging issues and other influences affecting the Council's financial strategy, the forecast impact of these changes on both the demand for services and likely funding due to:
    - Global, national, and local economic factors
    - Demographic changes
    - Technological advances
    - Climate change
    - New legislation
    - Policy initiatives by both the Government and the Council.

## 2. CONTEXT FOR THE BUDGET STRATEGY 2024/25

2.1 The Council's financial recovery and 2023 calendar year has been strong with income and collection rates recovering at a steady rate and this has continued into the current financial year 2023/24. The grants received from Central Government to provide essential support to businesses have also been fully utilised and accounted for and no further grant funding is expected.

2.2 For the Budget Strategy for financial year 2024/25, a range of entirely different economic and financial factors have had to be considered for the MTFS. This is in light of the ongoing war in Ukraine, the rise in Consumer Price Inflation (CPI), the increases in utility costs, the potential impacts of the current turmoil in the Middle-East and the resulting cost of living crisis that residents of this District now face.

2.3 Many of the factors outlined above had not previously been expected by Councils and so Medium-Term Financial plans have had to be re-cast to allow for these changes; many of these factors are still variable due to the uncertainty of the economic and financial environment. District Councils find themselves in a position where they have to remain flexible and adaptable to constant changes with limited new financial resources likely on the horizon.

2.4 As many leading economic commentators have stated, Councils face a future of "known–unknowns" and this makes for a period of great uncertainty in terms of cohesive financial planning. As such, this Budget Strategy (and the MTFS) are based on a continuation of service levels with reasoned assumptions in relation to pay and price inflation, borrowing costs, technical factors, plus income pressures known at this time.

2.5 The financial forecasts used in this Budget Strategy report are based on a mid-range scenario (as part of extensive MTFS stress-testing exercises by

Finance Officers) and will be updated in line with Government announcements as and when, latest information comes to light.

2.6 The Council is expected to receive its Provisional Local Government Settlement in December 2023, which may change some of the funding numbers (either positively or negatively) as a result of the settlement.

2.7 The position is thus fluid and the Council's Section 151 Officer, and the Finance Team will keep Members fully appraised of these budget changes as and when they arise. The timetable for the budget reporting process through to Full Council in February 2024, and final budget setting, is shown at Appendix 4 of this report. It is anticipated that this timetable will remain on track despite the fluidity of the Government decisions.

2.8 The forthcoming financial year and the Council's medium term financial position remains highly pressured and is likely to require challenging decisions to be taken by Members and Corporate Leadership Team (CLT) to achieve a balanced budget position for both the Council's General Fund and Housing Revenue Account Budget.

## 3. CURRENT FINANCIAL POSITION - UPDATE

2.1 This section of the report provides a summary update of how the Council is spending against budget in the current financial year (2023/24) and highlights the final outturn position for the last full financial year of 2022/23. It should be noted that any General Fund revenue underspends that can be generated in financial year 2023/24 could be transferred to reserves to assist with the budget pressures forecast for the 2024/25 financial year. Section 6 of this report below, highlights the current budget gap for 2024/25.

2022/23 General Fund Budget Outturn (last full financial year)

2.2 Whilst the Council's Statement of Accounts for 2022/23 final audit is yet to commence, the final General Fund position is unlikely to change and delivered an underspend of £1.03m for the financial year. A significant element of this underspend related to the receipt of additional grant and/or income received in the final quarter of the year. Typically, some elements of grants / income always arrive in the latter part of the financial year and whilst this funding is welcomed, it can make budget monitoring difficult to predict between Q3 and Q4.

2.3 Furthermore, the final position for actual income and expenditure is often affected by seasonal variations or different uptake levels which are only quantified once the final quarter period is closed. Finally, the year-end position always has to be adjusted for any accruals, prepayments, receipts in advance and transfer payments (such as council tax, housing benefit and rent allowances) and naturally these can impact upon the final position.

2.4 Many of the smaller underspends have also arisen due to planned management action to reduce spending in the year. As previously reported to Cabinet, the Chief Executive and the Corporate Leadership Team Directors asked all Budget Managers in December 2022 to rationalise spending where-ever possible for the remainder of the 2022/23 financial year and be prudent in the use of resources on discretionary items, but without compromising front line services to residents.

2.5 The key to this exercise was to adopt a “marginal gains approach”, i.e., small savings identified by every Manager (say for example on a supplies and service budget such as printing and stationery, holding a vacancy or suspending a subscription) will add up to a larger saving if all budget managers work together to achieve the same aim. Other areas such as income have also been reviewed and there has been a sharper focus on rationalising technical budgets that cover grants income, business rates income and capital financing costs.

2.6 Whilst the overall underspend reported is considered significant, it should be noted that this underspend represents just 5.6% of the overall total service department budget for the council in 2022/23 of £24.7m. In this context, the underspend can be viewed as reasonable (prudent) and not excessive and has not directly affected the quality of service provision to residents.

2.7 Over recent years, Folkestone & Hythe has established a good track record of maintaining a healthy reserves position. This enables the Council to have greater stability and resilience for dealing with current and future financial challenges and uncertainties.

2.8 A full breakdown of revenue reserves currently available to the Council in financial year 2023/24 (as at Quarter 2) is shown in Section 7 of this report for information.

<u>2023/24 Forecast General Fund Budget Outturn (for the current year to Q2)</u>

2.9 The Quarter 2 (Q2) General Fund Revenue Budget monitoring for 2023/24 was reported to Cabinet at its meeting on 18 October 2023. There is a projected favourable variance of £512k for the year against the latest approved budget. One of the main reasons for the variance is due to various service vacancies across the Council, and Budget Managers being asked to reduce non-essential spending for the remainder of the financial year (given the Budget pressures anticipated for 2024/25), it is anticipated that the position at Q3 through to Q4 may improve further and could result in higher level of underspend than anticipated at Q2.

2.10 The Quarter 2 HRA Monitoring for 2023/24 was also reported to Cabinet at its meeting on 18 October 2023 and sets out the projected outturn for HRA revenue and capital expenditure for 2023/24. The projections, based on actual expenditure and income to 31 August 2023, show there is a projected decrease in net expenditure of £1.067m on the HRA and an underspend of £1.317m on the capital programme against the £14.5m latest budget.

2.11 In terms of the General Fund capital programme for 2023/24, the latest projection was also reported to Cabinet at its meeting on 18 October 2023 and it shows a spend-to-date/expenditure of £5.5m against the latest budget of £48m. The main reason for the reduction is the re-profiling of the Otterpool Park projects, East Cliff Land fill works, Biggins Wood Remediation, Oportunitas Phase 2, etc. Work on the Coast Drive Seafront Development, Hawkinge Depot upgrade. The Stade Rental Huts, Public Toilet Enhancement, Public Toilets (Changing Places) has yet to commence.4

## 4. GOVERNMENT SPENDING PLANS – UPDATES

4.1 Government Spending Reviews – SR21

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

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

- Council tax thresholds will remain at similar levels to recent years, with the threshold for "core" council tax increases remaining at 2.99%. Confirmation of the thresholds will be in the provisional settlement.
- Local government in England will receive an additional £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).
- There were also smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security, and £34.5m to "strengthen local delivery and transparency".

4.3 Whilst the three-year review was welcomed, it should be noted that the Local Government grant increase of £4.8bn was £1.6bn per year. This means that after adding £1.6bn to the base budget in year one, the following years of 2023/24 and 2024/25 are effectively flat cash with no further growth funding for inflation pressures or pay award.

4.4 Furthermore, there were no announcements in the review about Local Government funding reforms (Fair Funding Review or Business Rates Retention changes) and it is anticipated that these have now been pushed back to at least 2025/26, if not later. Latest updates (as at November 2023) 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 for Local Government continues to remain unknown and is uncertain. Again, this makes financial planning in the long term more of a challenge.

4.5 The points made above are important, as Councils have been waiting for these funding reforms since 2016 to urgently reset the Government's formula (which is now around 10-years-old) and deliver a new set of formulae to assess the relative spending needs of each Council and provide a fairer level of settlement funding assessment (SFA).

4.6 It was anticipated that the Fair Funding Review would address these needs, especially as most Councils have not received any direct Revenue Support Grant (RSG) and are thus entirely reliant on their own core funding sources, namely Council Tax funding and Business Rate income, plus any one-off grants such as New Homes Bonus or Lower Tier Services Grants which are relatively small amounts.

4.7 In terms of changes to the current Business Rates Retention scheme, there is (again) no news on when this review will take place. Many Councils would welcome an increase in the level of business rates they can retain – as this would be a fairer reflection of the Business Rates generated (grown) in their own area or District.

4.8 Under current Business Rate rules, this Council collects approximately £27m of Business Rates per year. It then gives 50% back to Central Government, 9% to Kent County Council and 1% to Kent Fire Authority. This finally leaves 40% for this Council (approximately £10m). However, the Council then has to pay a further tariff to Government of £6m (under current rules) leaving a retained amount of Business Rate income for the Council of around £4m. This tariff charge is announced annually as part of the Provisional Local Government Settlement which is received in late December (it is due in December this year) with other key financial settlement data. Some Councils pay a tariff, and some Councils receive a top-up, depending on the Government's determination of need across the UK.

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

## 5. The Autumn Statement – impact on the Council's financial position

5.1 The Autumn Statement delivered public finance measures related to tax and spending and the purpose of the Autumn Statement was also to bridge a significant Government funding gap identified after the previous statement on economy and fiscal outlook.

5.2 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.

5.3 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.

5.4 However, these announcements do not fully 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.

5.5 Key 2023 Autumn Statement 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.

5.6 Based on initial analysis of the statement, FHDC will still need to make over £638,000 of savings in 2024-25, as part of an estimated £4.61 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.

5.7 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.

5.8 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.

5.9 The 2023 Autumn Statement announcements did not address, and other key funding release decisions remain unclear, as summarised below: -

- It is unclear if the New Homes Bonus will continue for a further year.
- No details provided on Lower Tier Services grant for 2024/25.
- No further updates on the fair funding review
- A business rates reset can technically be implemented without a fair funding review but the government's position on any possible reset remains unclear.

5.10 Further details of the possible funding assumptions for this Council are detailed below in the detailed sections of this strategy report.

## 6.0 2024/25 FINANCIAL FORECAST – LATEST POSITION

Medium Term Financial Strategy (MTFS)

3.1 The MTFS is the Council's key financial planning document. It links the council's strategic priorities with the financial resources required to deliver them. The MTFS covers a four-year period (as required by best practice - from the Chartered Institute of Public Finance), providing the context and framework within which the Budget Strategy is prepared, and considers the implications of the Council's approved priorities. It also takes in to account the uncertainty surrounding the financial climate that the Council is working within. The MTFS is updated each year, most recently it was updated and approved by Council on 22 November 2022 (report A/22/22).

3.2 The MTFS has been updated to include all the financial and economic pressures outlined in this report so far including, latest CPI increases, additional borrowing costs, energy costs, service pressures and changes to funding as best known. There are some changes that cannot be fully factored into the MTFS as the Provisional Local Government Settlement in December 2023 is awaited. A Council Tax rise of 2.99% has been assumed so far following a change to the limit outlined in the publication of the local government finance policy statement in December 2022, applicable for 2023/24 and 2024/25.

3.3 Due to all of the financial and economic pressures outlined above, the current MTFS forecast shows a cumulative funding gap of £4.61m 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) | 638 | 634 | 1,120 | 2,217 |
| **Cumulative Deficit** | **-** | **1,271** | **2,392** | **4,609** |

3.4 The MTFS forecasts a deficit of £638k for the forthcoming financial year 2024/25. The following section of this Budget Strategy report explains the assumptions underlying this forecast and also provides an update on the latest reserves position for the Council. Proposals for addressing next year's funding gap are then detailed in Section 8.

## 7.0 BUDGET ASSUMPTIONS

7.1 Appendix 1 explains the detailed changes between the 2023/24 approved base budget and 2024/25 budget forecast in the MTFS. However, these changes have been summarised as follows for ease of explanation: -

| | **£'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** |

**<u>MTFS Inflation and Funding Assumptions 2024/25</u>**

7.2 The MTFS has provided inflation of 5.5% in its pricing assumptions. Some Council contracts have embedded inflation and will require the full 5.5% rate to be added. Beyond 2024/25, there is a marked decline in inflation assumptions, which falls in line with the government's aim to halve inflation by the end of calendar year 2023 and previous forecasts from the OBR regarding the trajectory of the inflation rate. A new OBR forecast will be presented along with the Autumn Statement. In terms of pay inflation, this is the subject of on-going pay negotiations at the Council under local pay agreements. An approximate estimate has been added to the MTFS to cover the increase.

7.3 Income from Business Rates is based on last year's business rates baseline number as there will be no update on this until the Council receives the Provisional Local Government Settlement in December 2023. The Business Rates rateable value (RV) numbers have been adjusted for any changes in business numbers in the District or movements between bands that attract reliefs.

7.4 A Council Tax increase of 2.99% has been assumed pending the final decision by Full Council in February 2024. The outcome of the Provisional (and Final) Local Government Finance Settlement is awaited to confirm the maximum increase for 2024/25 without requiring a referendum. A council tax base increase of circa 1% is anticipated and a balanced Collection Fund (for Council Tax) has been assumed for 2024/25 after adjustments as set out below.

7.5 Collection Fund adjustments have been made, which covers not only the Council Tax increase (2.99%) as outlined above, but also any surplus balance brought forward on the Collection Fund last year.

7.6 Continuation of any New Homes Bonus payments remains uncertain, and the Council awaits the Provisional Local Government Settlement in December 2023. The MTFS assumes no new payments are likely in the forecast.

MTFS Expenditure and Income Assumptions 2024/25

7.7 Specific service budgets have been uplifted for inflation and this has added to costs for 2024/25. This includes the estimated costs of an assumed salary pay award and any salary increments plus the impacts of the local government pension fund valuation. Service expenditure has also been updated for any known or one-off changes to services, i.e., income budget realignment.

7.8 The budgets for energy costs for the Council have risen by £211k for since the budget setting process for 2023/24 began compared to the previous year. Whilst energy costs have stabilised over the course of calendar year 2023, the MTFS has been uplifted for this baseline increase.

7.9 An increase of 4% has been assumed in relation to the Internal Drainage Board levy.

7.10 Net Interest forecasts an increase of £386k compared to the 2023/24 estimate due to increases in interest rates (note this is a net figure after allowing for interest earned on cashflow and treasury investments).

7.11 Fees and charges income assumptions are based on current budgets and existing policies, adjusted for proposed changes as detailed in the Fees & Charges 2024/25 report also being considered at this Cabinet meeting.

**Reserves update**

3.5 Total General Fund reserves at 1 April 2023 amounted to £21.91m, of which £7.03m was held within the General Reserve. The table below shows projected reserves at 31 March 2024 before any application towards new budget growth or spending initiatives. The projection is forecast to be £21.53m as at 31/3/2024.

3.6 It should be noted that reserves do offer an option to finance a MTFS deficit, however, use of reserves is only a one-off (one year option) as it only reduces the shortfall for the year it is applied. The only way to introduce a permanent reduction in the financial gap (over the life of the MTFS) is to reduce the baseline budget itself, i.e., reduce expenditure or introduce a source income source that provides a permanent, year on year level of funding.

3.7 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.

3.8 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.

## 8.0 2024/25 BUDGET PROPOSALS TO REDUCE THE GAP

8.1 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.

8.2 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.

8.3 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.

8.4 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.

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

- Reviewing the level of council tax
- An annual review of fees and charges
- Pursuing alternative income streams
- Continuing the use of digital technologies to transform services
- Exploring appropriate commercial opportunities
- Growing the local economy
- Reviewing all services to generate efficiencies
- Containing new budget pressures within allocated resources, and
- Considering the use of reserves to help manage year on year variations in income and expenditure.

8.6 The MTFS outlined the Council's strategy in reducing the MTFS gap as being:

**In-year savings:**

- 2023/24 savings to be identified to ease pressures in future financial years.

**Re-focusing of Priorities**:

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

**Strategic Investments**:

- The Council is looking to take advantage of its position with a number of developments to produce financial returns whilst at the same time supporting the delivery of housing, regeneration, and sustainable growth across the district.

**Reserves:**

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

**Maximise Opportunities:**

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

8.7 Furthermore, in respect of the plans to address the budget gap in the coming financial year it is proposed that the following areas form the focus of work for management.

**Review of Corporate Action Plan**

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

**Review of 'Lessons Learnt' from Transformation**

**Review of Strategic Projects**

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

**Review of Earmarked Reserves**

**Identification of potential asset disposals**

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

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

**Identification of alternative opportunities**

**<u>Revenue Budget Growth required for 2024/25</u>**

8.8 Service heads and budget managers have been asked to identify any unavoidable budget growth items and income budget realignments that were necessary to ensure future service sustainability and address unavoidable budget pressures. These total £724k and are detailed at Appendix 2 with appropriate descriptions outlined for Members information.

**<u>Budget Savings and Efficiencies 2024/25</u>**

**8.9** Service heads and budget managers have also been asked through the Priority Based Budgeting to identify a minimum of 12% savings and a rigorous review of the 2023/24 base budget and previous years' outturns were undertaken by departments in liaison with Corporate Leadership Team (CLT). This review process also identified net potential savings and efficiencies of £2.99m for 2024/25. These 2024/25 savings are detailed in Appendix 1 of this report for Members information.

**<u>Fees and Charges 2024/25</u>**

8.9 A review of fees and charges has been undertaken and the outcome has been included in a separate Fees & Charges report to this Cabinet meeting. The proposed changes to fees and charges are anticipated to increase net income receipts by £67,000.

**<u>Forecast Budget Deficit 2024/25 – updated for growth/PBB savings/income</u>**

8.10 Based on the work undertaken to date and the factors outlined above, the latest forecast deficit is set out below. Members should note that this position may change as more detail becomes available, especially as a result of the Provisional Local Government Settlement in December 2023.

| | **£'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** |

8.11 As outlined above, options for addressing the forecast deficit for 2024/25 are now being considered in preparation for the detailed budget report to Cabinet in January and will take into consideration:

- Any new factors affecting local government funding arising from the Government funding settlement announcement in late December,
- Collection Fund surplus/deficit assumptions, with reference to the latest in-year collection performance,
- The outcome of ongoing discussion re potential savings raised at the Star Chamber for members' consideration,
- Further review of the revenue budget savings and growth proposals,
- Exploration of alternative funding options, and
- The action that is being taken to address the residual budget gap as detailed above.

## 9 HOUSING REVENUE ACCOUNT (HRA)

6.1 This Budget Strategy does not explore the Housing Revenue Account further as the Council is due to present a revised HRA business plan for the period 2023 to 2053 to Cabinet this December. Further, the HRA remains a ring-fenced account within the General Fund and is primarily a landlord account containing the income and expenditure arising from the Council's landlord functions. Notwithstanding, the original HRA Business Plan (2016) was updated in 2020 and at the time included a four-year development ambition of 140 new affordable homes.

6.2 Since the 2020 HRA Business Plan was approved, the COVID-19 pandemic hit in March 2020 which had an unforeseen impact on the delivery of the new build programme. In addition, the Housing Service was brought back in-house in October 2020. A thorough stock condition survey was conducted in 2021 for existing HRA housing stock to inform the Asset Management Strategy and capital programme. Whilst projects such as Highview and Biggins Wood were in progress to deliver on this ambition, in February 2023 due to market conditions, interest and borrowing rates, as well as the cost of the HRA capital investment programme, the HRA new build development plan was paused. The 2023 HRA Business Plan will set out a new funding plan for the Council.

6.3 The detailed 2024/25 HRA revenue and capital budgets that will be submitted to Cabinet in January 2024 will be based on the latest review of the revenue and capital position taking into account known factors from the stock condition surveys and subsequent assessments from the Housing management teams.

6.4 In 2023/24, the government limited the increase in social housing rents for Housing Revenue Accounts (HRA). Under current rules, rents could have risen by up to 11.1% in 2023/24 but were capped at a maximum of 7%. For 2024/25, the rules permit a 7.7% maximum increase (September CPI + 1%) but the Government may again choose to impose a cap.

6.5 The Government has not committed to funding Councils' losses due to the changes in social housing rent policy. For 2023/24, the costings showed a saving to the public purse (presumably through lower housing benefit costs) – for this to be the case, councils had to absorb the impact on their HRAs. A further cap for 2024/25 would add to the existing pressures on HRA revenue funding if costs rise at full CPI levels and rents only increase at a capped rate.

## 10 CAPITAL PROGRAMME

10.1 As part of the Budget Strategy, Cabinet is asked to consider the proposals for new capital schemes to be included in the council's General Fund Capital Programme. The council's General Fund Medium Term Capital Programme (MTCP) has been updated to include recurring schemes planned to continue over the 5 year period to 2028/29.

10.2 The latest General Fund Programme, shown in Appendix 3, amounts to around £108.6m of investment over five years. The current Capital Investment Strategy was reported to Cabinet in February 2022, 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.

10.3 The Council forecasts its Capital Programme over a 5-year period and the latest position is set out below.

| 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 | 808 | 109 | 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** | **27,571** | **23,542** | **20,124** | **15,104** | **22,305** |
| **Capital Funding** | | | | | | |
| **Government Grant** | (5,946) | (18,195) | (3,256) | (1,519) | (1,519) | (1,000) |
| Other External Contributions | (406) | (297) | - | - | - | - |
| Capital Receipts | (2,823) | (1,129) | (1,231) | (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)** | **(27,571)** | **(23,542)** | **(20,124)** | **(15,104)** | **(22,305)** |

10.4 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 of £37.0m covering between 2024/25 – 2028/29 are shown in Appendix 3 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 include the following-

- Ride on Mowers
- Tractor mounted Hedge Flail
- Excavator
- FOLCA 2
- Leisure centre development
- IT/Financial Management System.

10.5 Capital Receipts – the existing MTFS states that a minimum of £500k in capital receipts must be retained as a contingency to meet urgent or unforeseen capital expenditure. The council's general policy is that only capital receipts received should be earmarked to fund capital projects. The only departure from this is ring-fencing the use of future repaid decent homes loans and home safe loans receipts to be reinvested in further private sector housing improvement loans. 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** |
|---|---|
| Balance at 31/03/2024 | (9,549) |
| Less HRA capital receipts | 3,804 |

| Capital Receipts Position Statement | £'000 |
|---|---:|
| General Fund capital receipts | (5,745) |
| Less agreed minimum balance for contingencies | 578 |
| Balance to meet the GF MTCP | (5,167) |
| Planned use of capital receipts 2023/24 | 2,823 |
| **Balance available to support new capital expenditure** | **(2,344)** |

10.6 As the table above shows, the Council has sufficient capital receipts available to meet the cost of the General Fund capital growth proposals not met from government grant. Over the term of the MTFS the council expects to receive further capital receipts which it could choose to use to fund its future General Fund capital expenditure plans or retain for investment purposes. This excludes 'Right to Buy' disposals of council dwellings where the retained element of capital receipts are required to be reinvested directly in local social housing initiatives. This also currently excludes any potential future capital receipts that may be generated through the council's current 'invest to save' initiatives.

10.7 The Government's Flexible Use of Capital Receipts Guidance allows local authorities to use capital receipts from the disposal of surplus non-HRA property assets to be used towards certain one-off revenue costs that will lead to on-going revenue savings or operating efficiencies. Local authorities are required to approve an annual Flexible Use of Capital Receipts Strategy as part of the budget process. The Council's strategy for 2024/25 will be included as part of the 2024/25 General Fund Budget report to Cabinet and Full Council in February 2024.

10.8 Other Capital Funding Sources - in addition to the available capital receipts, the council can choose to use its revenue resources (earmarked revenue reserves and balances) or consider prudential borrowing to fund its General Fund capital expenditure plans. Prudential borrowing will incur a revenue cost to the General Fund in terms of interest and a minimum revenue provision charge (MRP). Therefore, prudential borrowing is best suited to capital 'invest to save' projects, such as Otterpool Park, Oportunitas Ltd and Coast Drive Seafront Development at New Romney that will provide a net long term financial return to the council allowing for these costs. The current approved MTCP requires about £77.8m of prudential borrowing over the next five years to support it, some of which will be offset in time by external funding.

10.9 Any capital scheme included in the approved capital programme requiring external grant funding to support it will only be allowed to commence once a formal funding agreement has been established between the council and the relevant funding body.

10.10 The Capital programme includes provision for the Council's Levelling Up Fund of £19.8m from the Government to support the Council's plans for the regeneration of Folkestone town centre. The fund builds upon the Council's Place Plan for the centre of Folkestone and for three key strands of work which aim to improve the appearance and use of the town centre including key links to it.

## 11 THE BUDGET TIMETABLE

11.1 By early March, each year the Council is required by statute to approve its budget (revenue, capital and HRA) and council tax levels for the forthcoming year. The Full Council meets in February to do this. Advance notice is given in the publication of key decisions to be made.

11.2 Detailed guidance on the annual budget preparation process was circulated to Officers in August 2023. This guidance covered roles and responsibilities; the links between finance and service planning; priority based budgeting process; expected standards and approach; and the timetable for preparing the 2024/25 Budget.

11.3 The 2024/25 Budget timetable is attached at Appendix 4.

## 12 BUDGET CONSULTATION

12.1 There is a duty under section 65 of the Local Government Finance Act 1992 to consult ratepayers (or bodies appearing to represent ratepayers) about proposed expenditure, including capital expenditure, prior to calculating the council tax requirement under S31a (England) of the Act.

12.2 The objectives for consultation on the 2024/25 budget proposals are to:

- Engage with key stakeholder groups and local residents;
- Seek feedback on specific budget proposals for 2024/25; and
- Seek feedback on general spending and income generation priorities.

12.3 This will be achieved through making budget information available to the public, inviting feedback, sharing information with representatives from the business community and attending the Joint Parish Council Committee meeting in January.

12.4 Following the November meeting of the Cabinet it is proposed that in addition to the publication of a survey to seek stakeholder views which will be available on the website, promoted through social media channels, that we will also seek to promote the survey through noticeboards in libraries and community hubs to engage those who do not have access to social media. The Council will also re-publicise the short videos developed last year which seek to further explain Council Tax and the services provided that it supports. Furthermore, we will be ensuring all Councillors have the relevant information to directly engage with their constituents and provide a route for feedback to be provided.

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
|---|---|---|---|---|---|---|
| | | | S | Standard Rated | | |
| | | | E | Exempt | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| **CORPORATE SERVICES** | | | | | | |
| **General sale of documents / photocopying** | | | | | | |
| Photocopying | per A4 sheet (black & white) | S | 0.13 | 0.16 | 0.14 | 0.17 |
| Photocopying | per A4 sheet (colour) | S | 0.17 | 0.20 | 0.18 | 0.22 |
| Photocopying | per A3 sheet (black & white) | S | 0.33 | 0.40 | 0.36 | 0.43 |
| Photocopying | per A3 sheet (colour) | S | 0.37 | 0.44 | 0.40 | 0.48 |
| Photocopying | per A1 sheet (black & white) | S | 3.36 | 4.03 | 3.63 | 4.36 |
| Photocopying | per A1 sheet (colour) | S | 3.74 | 4.49 | 4.04 | 4.85 |
| Photocopying | per A2 sheet (black & white) | S | 3.36 | 4.03 | 3.63 | 4.36 |
| Photocopying | per A2 sheet (colour) | S | 3.74 | 4.49 | 4.04 | 4.85 |
| Providing electronic copies (PDF or equivalent) | per sheet | S | 0.93 | 1.12 | 1.00 | 1.20 |
| **Court Costs** | | | | | | |
| Summons & Liability Order - council tax | | E | 100.00 | 100.00 | 100.00 | 100.00 |
| Summons & Liability Order - business rates | | E | 174.00 | 174.00 | 174.00 | 174.00 |
| Failure to submit Completion of Means Enquiry Form | | E | 70.00 | 70.00 | 70.00 | 70.00 |
| **Legal Fees** | | | | | | |
| *Fees can be varied depending on value by the Monitoring Officer* | | | | | | |
| *Commercial legal fees subject to VAT* | | | | | | |
| Development/planning agreements | per hour | OS | 720 to 4,110 | 720 to 4,110 | 250.00 | 250.00 |
| Commercial property / lease | | OS | 530 to 990 | 530 to 990 | 700 to 1500 | 700 to 1500 |
| Transfer of miscellaneous land | | OS | 600 to 900 | 600 to 900 | 800 to 1200 | 800 to 1200 |
| Lease renewals | | OS | 380 to 700 | 380 to 700 | 600 to 900 | 600 to 900 |
| Licence to assign / underlet | | OS | 500 to 1000 | 500 to 1000 | 750 to 1500 | 600 to 1100 |
| Licences for alterations | | OS | 500 to 1000 | 500 to 1000 | 750 to 1500 | 600 to 1100 |
| Licences for land | | OS | 500 to 1000 | 500 to 1000 | 750 to 1500 | 600 to 1100 |
| Easements | | OS | 500 to 1000 | 500 to 1000 | 750 to 1500 | 600 to 1100 |
| Deed of surrender | | OS | 450 to 900 | 450 to 900 | 750 to 1500 | 550 to 1000 |
| Discharge of mortgages | | OS | 141.29 | 141.29 | 200.00 | 200.00 |
| Supplying copies of deed/misc land documents per A4 photocopying charge | | OS | 0.11 | 0.11 | 0.50 | 0.50 |
| Hourly rate for providing services to external organisations or hourly rate to be applied in complex property/development transactions | | S | 124.47 | 149.36 | 208.33 | 250.00 |

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
|---|---|---|---|---|---|---|
| | | | S | Standard Rated | | |
| | | | E | Exempt | | |
| | | | | | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| *Leasehold administration fees (post Right To Buy matters)* | | | | | | |
| Standard management information for pre-assignments | | OS | 224.27 | 224.27 | 250.00 | 250.00 |
| Additional pre-assignment enquiries (questions outside of the standard pack) | | OS | 56.07 | 56.07 | 100.00 | 100.00 |
| Notice of transfer / charge | | OS | 168.20 | 168.20 | 200.00 | 200.00 |
| Notice of re-mortgage | | OS | 67.28 | 67.28 | 100.00 | 100.00 |
| Deed of covenant | | OS | 112.14 | 112.14 | 150.00 | 150.00 |
| Alteration/ improvements request | | OS | 168.20 | 168.20 | 200.00 | 200.00 |
| Retrospective alteration/improvement consent | | OS | 280.34 | 280.34 | 350.00 | 350.00 |
| Deed of Variation or Rectification | | OS | 168.20 | 168.20 | 200.00 | 200.00 |
| Notice of Subletting | | OS | 54.70 | 54.70 | 100.00 | 100.00 |
| | | | | | | |
| **COMMUNICATIONS** | | | | | | |
| | | | | | | |
| **Street Naming and Numbering** | | | | | | |
| Changing a property address | | OS | 89.70 | 89.70 | 96.80 | 96.80 |
| Registering a new property | | OS | 152.50 | 152.50 | 164.60 | 164.60 |
| New Street/Building (2-10 units) | | OS | 316.00 | 316.00 | 341.00 | 341.00 |
| New Street/Building (11-19 units) | | OS | 437.00 | 437.00 | 471.50 | 471.50 |
| New Street/Building (>20 units) | | OS | 441.00 | 441.00 | 475.80 | 475.80 |
| Additional unit | | OS | 33.60 | 33.60 | 36.30 | 36.30 |
| Changing a street name | | OS | 824.00 | 824.00 | 889.10 | 889.10 |
| Provision of historical information | | OS | 277.00 | 277.00 | 298.90 | 298.90 |
| | | | | | | |
| **HOUSING & OPERATIONS** | | | | | | |
| | | | | | | |
| **HOUSING** | | | | | | |
| | | | | | | |
| **Housing Revenue Account** | | | | | | |
| Garage rental deposit | On commencement of agreement | OS | 100.00 | 100.00 | 100.00 | 100.00 |
| Garages let to SDC tenants | Per week | OS | 13.45 | 13.45 | 14.60 | 14.60 |
| Garages let privately | Per week | S | 13.45 | 16.14 | 14.60 | 17.52 |
| Parking spaces let to SDC tenants | Per week | E | 4.00 | 4.00 | 4.40 | 4.40 |
| Parking spaces let privately | Per week | S | 4.00 | 4.80 | 4.40 | 5.28 |
| Stores | Per week | E | 20.20 | 20.20 | 21.80 | 21.80 |
| Hire of scooter store | Per week | E | 2.90 | 2.90 | 3.20 | 3.20 |
| Lounge hire - sheltered accommodation | Per hour | E | 16.40 | 16.40 | 17.70 | 17.70 |
| Guest rooms - sheltered accommodation | Per night | E | 21.90 | 21.90 | 23.70 | 23.70 |
| Hardwired Lifeline for Council tenants (VAT is zero rated for clients with disabilities) | Per week | S | 1.08 | 1.30 | 2.93 | 3.51 |
| Dispersed Lifeline for Council tenants (VAT is zero rated for clients with disabilities) | Per week | S | N/A | N/A | 3.87 | 4.64 |
| Item collection fee | Per instance | S | 68.33 | 82.00 | 83.33 | 100.00 |
| Controlled Entry Visit | Per instance | S | 79.39 | 95.27 | 85.67 | 102.80 |
| | | | | | | |
| **Long lease renewals** | | | | | | |
| Administrative fee | | S | 205.00 | 246.00 | 221.25 | 265.50 |
| Valuation fee | | S | 492.50 | 591.00 | 531.42 | 637.70 |
| Plan fee | | S | 164.17 | 197.00 | 177.17 | 212.60 |
| | | | | | | |

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
|---|---|---|---|---|---|---|
| | | | S | Standard Rated | | |
| | | | E | Exempt | | |
| | | | | | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| **Supporting People** | | | | | | |
| - Full Sheltered | Per week | E | 12.58 | 12.58 | 13.60 | 13.60 |
| Shed | Per week | E | 4.39 | 4.39 | 4.80 | 4.80 |
| Sale of land, including ah hoc land disposals - administration fee | | S | 305.00 | 366.00 | 329.17 | 395.00 |
| | | | | | | |
| **Housing** | | | | | | |
| Non-Statutory Inspection fee | Per inspection | S | 134.17 | 161.00 | 144.75 | 173.70 |
| | | | | | | |
| **Leasehold services** | | | | | | |
| Arrears administration fee | Stage 3 arrears cases | E | 75.00 | 75.00 | 81.00 | 81.00 |
| Major works service charge management fee | per major works (total cost of works) | E | 10.00% | 10.00% | 10.00% | 10.00% |
| Lease enfranchisement | Per case | E | 225.00 | 225.00 | 242.80 | 242.80 |
| Sewage/pump station management fee | per property | E | 110.00 | 110.00 | 118.70 | 118.70 |
| Leasehold management fee (leasehold/shared ownership/HRA commercial) | per property | E | 220.00 | 220.00 | 220.00 | 220.00 |
| | | | | | | |
| **OPERATIONS** | | | | | | |
| | | | | | | |
| **Parking Services** | | | | | | |
| Provision of white 'access' road markings (outside premises or private drive): | | | | | | |
| Analysis and survey work | per application | E | 133.50 | 133.50 | 144.10 | 144.10 |
| Installation and maintenance (10 years) | per application | E | 174.00 | 174.00 | 187.80 | 187.80 |
| | | | | | | |
| **Hire of Land** | | | | | | |
| Refundable deposit - non-commercial events(minimum of £100) - sliding scale | | OS | up to £500.00 | up to £500.00 | sliding scale up to £500 | sliding scale up to £500 |
| Small non-commercial events (excluding Boot Fairs) - hire charge | | S | 150.00 | 150.00 | 161.90 | 194.30 |
| Charitable/Community events - hire charge | | S | 45.00 | 45.00 | 48.60 | 58.30 |
| Boot Fairs | | S | 290.00 | 290.00 | 313.00 | 375.60 |
| Commercial events hire charge (per day) | | S | 1250.00 | 1250.00 | 1,348.80 | 1618.60 |
| Refundable deposit - commercial events (minimum of £500) - sliding scale | | OS | up to £1,000.00 | up to £1,000.00 | sliding scale up to £1000 | sliding scale up to £1000 |
| Arranging TPC road closure (admin fee) | | S | 35.00 | 35.00 | 37.80 | 45.40 |
| Small Commercial Events (per day) | | S | 50.00 | 50.00 | 54.00 | 64.80 |
| Exercise class/event (per event) | | S | 10.00 | 10.00 | 10.80 | 13.00 |
| Cleaning & restocking charge for use of WCs used by event organiser (some exemptions available on request) | | S | 129.17 | 155.00 | 139.42 | 167.30 |
| | | | | | | |
| **Public Toilets** | | | | | | |
| Radar keys | | S | 2.46 | 2.95 | 2.67 | 3.20 |
| | | | | | | |

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
|---|---|---|---|---|---|---|
| | | | S | Standard Rated | | |
| | | | E | Exempt | | |
| | | | | | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| **Outdoor Sports and Recreation** | | | | | | |
| These activities are subjected to standard VAT unless there is a block booking of 10 or more sessions by schools, clubs or associations, then it is treated as an exempt activity. | | | | | | |
| Football with Changing Facilities (11vs11) | | S | 77.50 | 93.00 | 83.58 | 100.30 |
| Football with Changing Facilities (11vs11) Concession | | S | 53.33 | 64.00 | 57.50 | 69.00 |
| Football with Changing Facilities (11vs11) - no net provided | | S | 66.67 | 80.00 | 69.42 | 83.30 |
| Football with Changing Facilities (11vs11) Concession - no net provided | | S | 49.17 | 59.00 | 53.08 | 63.70 |
| Football with Changing Facilities (9vs9) | | S | 58.33 | 70.00 | 62.92 | 75.50 |
| Football with Changing Facilities (9vs9) Concession | | S | 40.00 | 48.00 | 43.17 | 51.80 |
| Football with Toilet Facilities Only (11vs11) | | S | 65.67 | 78.80 | 70.83 | 85.00 |
| Football with Toilet Facilities Only (11vs11) Concession | | S | 45.00 | 54.00 | 48.58 | 58.30 |
| Football with Toilet Facilities Only (11vs11) - no net provided | | S | 55.83 | 67.00 | 60.25 | 72.30 |
| Football with Toilet Facilities Only (11vs11) Concession - no net provided | | S | 40.83 | 49.00 | 44.08 | 52.90 |
| Football with Toilet Facilities Only (9vs9) | | S | 49.25 | 59.10 | 53.17 | 63.80 |
| Football with Toilet Facilities Only (9vs9) Concession | | S | 33.33 | 40.00 | 36.00 | 43.20 |
| | | | | | | |
| Royal Military Canal: | | | | | | |
| Allotments (Green Lane) Full Plot | | OS | 48.10 | 48.10 | 51.90 | 51.90 |
| Allotments (Green Lane) Half Plot | | OS | 24.60 | 24.60 | 26.60 | 26.60 |
| | | | | | | |
| **Shingle Extraction** | | | | | | |
| Annual Fee up to 120,000 cubic metres | | OS | n/a | n/a | n/a | n/a |
| Fee per cubic metre over 120,000 cubic metres | | OS | 1.16 | 1.16 | 1.25 | 1.25 |
| | | | | | | |
| **Beach Huts** | | | | | | |
| Abus Diskus padlock and admin | | S | 66.99 | 80.39 | 72.33 | 86.80 |
| Pair of keys and admin | | S | 19.50 | 23.40 | 21.08 | 25.30 |
| Postage of new keys | | E | 0.95 | 0.95 | 1.00 | 1.00 |
| | | | | | | |
| **Corporate Transactions** | | | | | | |
| Disposition of land and property, including licence transactions – Admin Fee | | S | 305.00 | 366.00 | 329.17 | 395.00 |
| | | | | | | |
| **Memorial benches & trees** | | | | | | |
| Standard cost of a donated memorial bench, new plaque and 10 years mtce | | OS | 1886.00 | 1886.00 | 2,035.00 | 2,035.00 |
| Standard cost of a refurbished donated memorial bench, new plaque and 10 years mtce (limited availability) | | OS | 1108.00 | 1108.00 | 1,195.50 | 1,195.50 |
| Standard cost of a refurbished donated memorial bench, existing plaque and 10 years mtce | | OS | 975.00 | 975.00 | 1,052.00 | 1,052.00 |
| New or additional plaque | | | n/a | n/a | 150.00 | 150.00 |
| Cost of planted Memorial Tree | | OS | 826.00 | 826.00 | 891.30 | 891.30 |
| | | | | | | |

# Discretionary Fees and Charges 2024/25

**APPENDIX 2**

| **VAT KEY** | | |
|---|---|---|
| | OS | Outside the scope of VAT |
| | S | Standard Rated |
| | E | Exempt |

| Service | Further Information | VAT Category | Approved charges for 2023/24 Net of VAT if applicable | Approved charges for 2023/24 with VAT if applicable | Proposed charges for 2024/25 Net of VAT if applicable | Proposed charges for 2024/25 with VAT if applicable |
|---|---|---|---|---|---|---|
| | | | £ | £ | £ | £ |
| **Private Lifeline Charges** | | | | | | |
| *Equipment subject to VAT but client has option to complete VAT exemption form.* | | | | | | |
| Smart Hub (lifeline unit with GSM) | per week | S | 4.50 | 5.40 | 4.50 | 5.40 |
| Lifeline unit (per week) | per week | S | 3.58 | 4.30 | 3.58 | 4.30 |
| Bogus caller alarm | | S | n/a | n/a | n/a | n/a |
| CO2 fall & flood detector | Quarterly charge | S | 34.83 | 41.80 | 34.83 | 41.80 |
| Neo falls detector | per week | S | 0.00 | 0.00 | 0.00 | 0.00 |
| GPS Footprint | per week | S | 5.33 | 6.40 | 5.33 | 6.40 |
| Universal sensor | Quarterly charge | S | 17.75 | 21.30 | 17.75 | 21.30 |
| Epilepsy sensor | per week | S | 6.75 | 8.10 | 6.75 | 8.10 |
| Pull cord | | S | n/a | n/a | n/a | n/a |
| Property exit sensor | | S | 2.17 | 2.60 | 2.17 | 2.60 |
| Bed occupancy sensor | Quarterly | S | 83.25 | 99.90 | 83.25 | 99.90 |
| Bed sensory pad | per week | S | 1.50 | 1.80 | 1.50 | 1.80 |
| PR / fault visits | | S | 40.00 | 48.00 | 40.00 | 48.00 |
| Safe socket | | S | 31.00 | 37.20 | 31.00 | 37.20 |
| Smoke detectors | per week | S | 2.33 | 2.80 | 2.33 | 2.80 |
| Telephone extension lead | | S | 6.17 | 7.40 | 6.17 | 7.40 |
| Electrical extension lead | | S | 11.00 | 13.20 | 11.00 | 13.20 |
| Pendant | | S | 72.50 | 87.00 | 72.50 | 87.00 |
| Pendant rental | per week | S | n/a | n/a | n/a | n/a |
| Replacement pendant (used) | | S | 40.00 | 48.00 | 40.00 | 48.00 |
| Lost units (replacements) | | S | 139.00 | 166.80 | 139.00 | 166.80 |
| GSM (mobile phone lifeline) | per week | S | n/a | n/a | n/a | n/a |
| Care assist | per week | S | 3.33 | 4.00 | 3.33 | 4.00 |
| Care assist for existing clients with faulty line | | S | 44.42 | 53.30 | 44.42 | 53.30 |
| Replacement power supply | per unit | S | n/a | n/a | n/a | n/a |
| Big button phone | per unit | S | 20.00 | 24.00 | 20.00 | 24.00 |
| Minuet pendants | per unit | S | 85.00 | 102.00 | 85.00 | 102.00 |
| ADSL filters | Unit price +10% | S | 5.17 | 6.20 | 5.17 | 6.20 |
| Installation charge | | S | 40.00 | 48.00 | 40.00 | 48.00 |
| Out of area installation charge | | S | 69.50 | 83.40 | 69.50 | 83.40 |
| RSL monitoring income shown as an hourly rate | | S | n/a | n/a | n/a | n/a |
| Wristband set up charge | | S | 35.00 | 42.00 | 35.00 | 42.00 |
| Wristbands (per annum) | | S | 20.00 | 24.00 | 20.00 | 24.00 |
| Telehealth monitoring | | S | n/a | n/a | n/a | n/a |
| Warm Homes | | S | n/a | n/a | n/a | n/a |
| Lone Worker scheme set-up | per person | S | 5.50 | 6.60 | 5.50 | 6.60 |
| Lone Worker scheme part-time | per week | S | 0.92 | 1.10 | 0.92 | 1.10 |
| Lone Worker scheme full-time | per week | S | 1.17 | 1.40 | 1.17 | 1.40 |
| Data holding and contract holding | per week | S | n/a | n/a | n/a | n/a |
| Donated Units (per week) | As per supporting people grant | S | 2.25 | 2.70 | 2.25 | 2.70 |
| Daily Check Calls | per quarter | S | 14.75 | 17.70 | 14.75 | 17.70 |
| Daily Check Calls | per annum | S | 58.92 | 70.70 | 58.92 | 70.70 |

# Discretionary Fees and Charges 2024/25

**APPENDIX 2**

| **VAT KEY** | | |
|---|---|---|
| | OS | Outside the scope of VAT |
| | S | Standard Rated |
| | E | Exempt |

| Service | Further Information | VAT Category | Approved charges for 2023/24 Net of VAT if applicable | Approved charges for 2023/24 with VAT if applicable | Proposed charges for 2024/25 Net of VAT if applicable | Proposed charges for 2024/25 with VAT if applicable |
|---|---|---|---|---|---|---|
| | | | £ | £ | £ | £ |
| **PLACE** | | | | | | |
| | | | | | | |
| **PLANNING** | | | | | | |
| **Planning Pre-Application Charging Schedule** | | | | | | |
| Householder application - written advice only | | S | 125.00 | 150.00 | 133.33 | 160.00 |
| 1 - 4 Dwellings (written) | | S | 333.33 | 400.00 | 358.33 | 430.00 |
| 1-4 Dwellings (meeting and written) | | S | 541.67 | 650.00 | 583.33 | 700.00 |
| 1-4 Dwellings Follow up (written) | | S | 166.67 | 200.00 | 179.17 | 215.00 |
| 1-4 Dwellings Follow up (meeting and written) | | S | 291.67 | 350.00 | 316.67 | 380.00 |
| 5-9 Dwellings (written) | | S | 583.33 | 700.00 | 629.17 | 755.00 |
| 5 - 9 Dwellings (meeting and written) | | S | 833.33 | 1000.00 | 900.00 | 1,080.00 |
| 5-9 Dwellings Follow up (written) | | S | 291.67 | 350.00 | 316.67 | 380.00 |
| 5-9 Dwellings Follow up (meeting and written) | | S | 500.00 | 600.00 | 537.50 | 645.00 |
| 10-49 Dwellings (meeting and written) | | S | 2500.00 | 3000.00 | 2,695.83 | 3,235.00 |
| 10-49 Dwellings Follow up (written) | | S | 416.67 | 500.00 | 450.00 | 540.00 |
| 10-49 Dwellings Follow up (meeting and written) | | S | 1000.00 | 1200.00 | 1,079.17 | 1,295.00 |
| 50+ Dwellings (meeting and written) | | S | 4166.67 | 5000.00 | 4,495.83 | 5,395.00 |
| 50+ Dwellings follow up ( written) | | S | 833.33 | 1000.00 | 900.00 | 1,080.00 |
| 50+ Dwellings follow up (meeting and written) | | S | 2083.33 | 2500.00 | 2,250.00 | 2,700.00 |
| Planning Performance Agreement | | S | | Bespoke | | Bespoke |
| Non-Domestic External alterations requiring planning permission - all uses | | S | 333.33 | 400.00 | 358.33 | 430.00 |
| Listed Buildings where no associated planning permission required (written) | | S | 183.33 | 220.00 | 195.83 | 235.00 |
| Listed Buildings where no associated planning permission required (written & meeting) | | S | 291.67 | 350.00 | 316.67 | 380.00 |
| Trees with a Tree Preservation Order or in a Conservation Area | | S | 0.00 | 0.00 | 0.00 | 0.00 |
| Works to trees (meeting on site) | | S | 291.67 | 350.00 | 316.67 | 380.00 |
| Businesses generating new/additional employment - free initial meeting up to 2 hours with written advice | | S | 0.00 | 0.00 | 0.00 | 0.00 |
| Commercial Initial 30min Meeting no written advice | | S | 0.00 | 0.00 | 0.00 | 0.00 |
| Commercial up to 250m² (inc advertisements) Written | | S | 145.83 | 175.00 | 158.33 | 190.00 |
| Commercial up to 250m² (inc advertisements) Written & Meeting | | S | 266.67 | 320.00 | 287.50 | 345.00 |
| Commercial up to 500m² (written) | | S | 250.00 | 300.00 | 270.83 | 325.00 |
| Commercial up to 500m² (meeting & written) | | S | 416.67 | 500.00 | 450.00 | 540.00 |
| Commercial up to 1000m² | | S | 1000.00 | 1200.00 | 1,079.17 | 1,295.00 |
| Commercial over 1000m² | | S | 1000+416.67 per 500m² | 1200+500 per 500m² | 1079.17+416.67 per 500m² | 1295.00+500 per 500m² |
| Commercial over 1000m² Follow up (written) | | S | 333.33 | 400.00 | 358.33 | 430.00 |
| Commercial over 1000m² Follow up (written & meeting) | | S | 500.00 | 600.00 | 450.00 | 540.00 |
| All Other operations and developments including changes of use | | S | 583.33 | 700.00 | 629.17 | 755.00 |
| | | | | | | |
| Charities and Parish Councils | | | TBC | TBC | | |
| | | | | | | |
| **Sale of Documents** | | | | | | |
| Charging for monitoring legal agreements | | S | Variable | Variable | | Variable |
| | | | | | | |
| Places and Policies Local Plan 2020 | Hard Copy | S | 20.83 | 25.00 | 22.50 | 27.00 |
| Core Strategy Review 2022 | Hard Copy | S | 20.83 | 25.00 | 22.50 | 27.00 |
| | | | | | | |
| **Sale of Documents** | | | | | | |
| Sale of miscellaneous documents - Building Control. Actual charge based on staff time | | S | Variable | Variable | Variable | Variable |
| | | | | | | |

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
|---|---|---|---|---|---|---|
| | | | S | Standard Rated | | |
| | | | E | Exempt | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| **Waste & Recycling** | | | | | | |
| Bulky household collection (up to 3 items) | | OS | n/a | n/a | 53.00 | 53.00 |
| Bulky waste additional items (collected on the same visit) | | OS | n/a | n/a | 9.00 | 9.00 |
| Abortive visits (including scheduled collections not cancelled 1 working day in advance) | | OS | 27.60 | 27.60 | 29.80 | 29.80 |
| Cancelled visits - (including scheduled collections not cancelled 1 working day in advance) | | OS | 5.50 | 5.50 | 5.90 | 5.90 |
| Purple sacks (restrictions apply) - individual | | OS | 2.80 | 2.80 | 3.00 | 3.00 |
| Purple sacks (restrictions apply) - roll of 13 sacks | | OS | 34.50 | 34.50 | 37.20 | 37.20 |
| Supply & delivery of 140 litre wheeled bin | | OS | 41.00 | 41.00 | 44.20 | 44.20 |
| Supply & delivery of 180 litre wheeled bin | | OS | 57.60 | 57.60 | 62.10 | 62.10 |
| Supply & delivery of 240 litre wheeled bin | | OS | 55.00 | 55.00 | 59.40 | 59.40 |
| Supply & delivery of 360 litre wheeled bin | | OS | 87.50 | 87.50 | 94.40 | 94.40 |
| Supply & delivery of 660 litre wheeled bin (Refuse / Recycling) | | OS | 282.50 | 285.50 | 304.80 | 304.80 |
| Supply & delivery of 1100 litre wheeled (Refuse / Recycling) bin | | OS | 290.50 | 290.50 | 313.50 | 313.50 |
| Bin authorisation fee (2 wheeled bin) | | OS | 6.75 | 6.75 | 7.30 | 7.30 |
| Bin authorisation fee (4wheeled bin) | | OS | 13.50 | 13.50 | 14.60 | 14.60 |
| Food waste collections, kerbside container | | OS | 16.80 | 16.80 | 18.10 | 18.10 |
| Food waste collections, kitchen caddy | | OS | 11.25 | 11.25 | 12.10 | 12.10 |
| New property container offer (Up to 2WB, 2 Food + Box) Price capped at | | OS | 112.15 | 112.15 | 121.00 | 121.00 |
| Black box recycling container | | OS | 16.85 | 16.85 | 18.20 | 18.20 |
| Purple box recycling container | | OS | 16.85 | 16.85 | 18.20 | 18.20 |
| Green waste collection - contribute towards purchase | | OS | 34.50 | 34.50 | 37.20 | 37.20 |
| Green waste collection - annual charge for new subscription | | OS | 53.00 | 53.00 | 60.00 | 60.00 |
| Green waste collection - direct debit charge for new subscription | | OS | 53.00 | 53.00 | 60.00 | 60.00 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Discretionary Fees and Charges 2024/25** | | **VAT KEY** | OS | Outside the scope of VAT | | **APPENDIX 2** |
| | | | S | Standard Rated | | |
| | | | E | Exempt | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| **Hythe Swimming Pool** | | | | | | |
| *These activities are subjected to standard VAT unless there is a block booking of 10 or more sessions by schools, clubs or associations, then it is treated as an exempt activity.* | | | | | | |
| Swimming – Adult | | S | 4.17 | 5.00 | 4.50 | 5.40 |
| Swimming – Junior | | S | 2.67 | 3.20 | 2.92 | 3.50 |
| Swimming – Senior | | S | 2.67 | 3.20 | 2.92 | 3.50 |
| Swimming – Off Peak | | S | 3.00 | 3.60 | 3.25 | 3.90 |
| Swimming – Disabled | | S | 2.08 | 2.50 | 2.25 | 2.70 |
| Swimming – Carer | | S | 2.08 | 2.50 | 2.25 | 2.70 |
| Organised Groups – Adults | | S | 3.33 | 4.00 | 3.67 | 4.40 |
| Organised Groups – Junior | | S | 2.17 | 2.60 | 2.42 | 2.90 |
| Family ticket (2 adults & 2 juniors or 1 adult & 3 juniors) | | S | 10.83 | 13.00 | 11.75 | 14.10 |
| Aqua Aerobics/Fit | | S | 5.08 | 6.10 | 5.50 | 6.60 |
| Aqua Zumba | | S | 5.08 | 6.10 | 5.50 | 6.60 |
| Spectator Admission | | S | 0.83 | 1.00 | 0.83 | 1.00 |
| Gym | | S | 5.17 | 6.20 | 5.58 | 6.70 |
| Adult lessons – course of 10 (45 minute lessons) | | E | 91.35 | 91.35 | 98.60 | 98.60 |
| Adult (front crawl) training - per session | | E | 6.10 | 6.10 | 6.60 | 6.60 |
| Junior lessons – course of 10 (30 minute lessons) | | E | 62.80 | 62.80 | 67.80 | 67.80 |
| Pool hire per hour (includes 1 lifeguard and up to 30 people) | | S | 107.58 | 129.10 | 116.08 | 139.80 |
| Teaching Pool hire per hour | | S | 39.17 | 47.00 | 42.33 | 50.80 |
| Club hire (Monday-Saturday) | | E | 78.50 | 78.50 | 84.70 | 84.70 |
| Club hire (Sunday) | | E | 71.55 | 71.55 | 77.20 | 77.20 |
| Lifeguard for clubs | | E | 13.60 | 13.60 | 14.70 | 14.70 |
| Adult blue voucher book (12 tickets) | | S | 41.67 | 50.00 | 45.00 | 54.00 |
| Senior voucher book (12 tickets) | | S | 26.67 | 32.00 | 29.17 | 35.00 |
| Junior voucher book (12 tickets) | | S | 26.67 | 32.00 | 29.17 | 35.00 |
| Disabled Voucher book (12 tickets) | | S | 20.83 | 25.00 | 22.50 | 27.00 |
| Aqua Aerobics yellow voucher books (12 tickets) | | S | 50.83 | 61.00 | 55.00 | 66.00 |
| School swimming teacher - per half hour | | S | 8.33 | 10.00 | 9.00 | 10.80 |
| Schools non exclusive – per child per half hour | | S | 2.21 | 2.65 | 2.42 | 2.90 |
| School exclusive pool hire – per half hour (maximum 20 children) | | S | 33.75 | 40.50 | 36.42 | 43.70 |
| School exclusive pool hire – additional children | | S | 1.58 | 1.90 | 1.71 | 2.05 |
| Private lessons per half hour – 1 child | | E | 15.30 | 15.30 | 16.60 | 16.60 |
| Direct debit - annual advance payment | | S | 191.67 | 230.00 | 206.83 | 248.20 |
| Direct debit - monthly payment on a minimum 12 month contract | | S | 16.83 | 20.20 | 18.17 | 21.80 |
| Direct debit monthly payment - open contract (no minimum term can be cancelled at any time) subject to a joining fee see next line | | S | 21.50 | 25.80 | 23.25 | 27.90 |
| Joining fee for open contract direct debit | | S | 15.00 | 18.00 | 16.25 | 19.50 |

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
|---|---|---|---|---|---|---|
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| | | | E | Exempt | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| **Taxi Licensing** | | | | | | |
| Private Hire Driver | | OS | 340.00 | 340.00 | 366.90 | 366.90 |
| Dual Driver | | OS | 340.00 | 340.00 | 366.90 | 366.90 |
| Knowledge Test | | OS | 66.00 | 66.00 | 71.30 | 71.30 |
| Vehicle Licence – Annual | | OS | 300.00 | 300.00 | 300.00 | 300.00 |
| Vehicle Licence – Transfer | | OS | 100.00 | 100.00 | 107.90 | 107.90 |
| Vehicle Licence - Change of Ownership (no plates) | | OS | 50.00 | 50.00 | 54.00 | 54.00 |
| Vehicle Plate replacement | | OS | 23.00 | 23.00 | 24.90 | 24.90 |
| Driver Badge replacement | | OS | 23.00 | 23.00 | 24.90 | 24.90 |
| Single Vehicle Operator | 5 years renewal | OS | 130.00 | 130.00 | 130.00 | 130.00 |
| Multiple Vehicle Operator | 5 years renewal | OS | 1050.00 | 1050.00 | 1050.00 | 1050.00 |
| Refund Processing Fee (surrendered Licence) | | OS | 25.00 | 25.00 | 27.00 | 27.00 |
| Copy of Paper Licence | | OS | 11.00 | 11.00 | 11.90 | 11.90 |
| Amend Paper Licence (change of address details) | | OS | 11.00 | 11.00 | 11.90 | 11.90 |
| | | | | | | |
| **Miscellaneous Licensing** | | | | | | |
| Dangerous Wild Animals Act 1964 & 1970 | Every Two years | OS | 470.00 | 470.00 | 507.20 | 507.20 |
| Boarding in Kennels for Dogs Boarding For Cats (Part A) | | OS | 207.00 | 207.00 | 223.40 | 223.40 |
| Selling Animals As Pets (Part A) | | OS | 207.00 | 207.00 | 223.40 | 223.40 |
| Home boarding for Dogs (6 or more animals), Dog Day Care, Home boarding Agent (Part A) | | OS | 187.00 | 187.00 | 201.80 | 201.80 |
| Home boarding for Dogs (5 or less animals) (Part A) | | OS | 166.00 | 166.00 | 179.20 | 179.20 |
| Breeding of Dogs (Part A) | | OS | 187.00 | 187.00 | 201.80 | 201.80 |
| Keeping/Training Animals for Exhibition (5 or less animals) (Part A) | | OS | 166.00 | 166.00 | 179.20 | 179.20 |
| Keeping/Training Animals for Exhibition (6 or more animals) (Part A) | | OS | 207.00 | 207.00 | 223.40 | 223.40 |
| 1 year Licence (Part B) | | OS | 127.00 | 127.00 | 137.10 | 137.10 |
| 2 year Licence (Part B) | | OS | 198.00 | 198.00 | 213.70 | 213.70 |
| 3 year Licence (Part B) | | OS | 257.00 | 257.00 | 277.30 | 277.30 |
| Hiring of Horses (Part A) | | OS | 187.00 | 187.00 | 201.80 | 201.80 |
| **Other Charges:** | | | | | | |
| Request for Variations | | | | | | |
| - administrative amendment only | | OS | 23.00 | 23.00 | 24.90 | 24.90 |
| - inspector visit (if required) | | OS | 89.70 | 89.70 | 96.80 | 96.80 |

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
|---|---|---|---|---|---|---|
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| | | | E | Exempt | | |
| | | | | | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| Request for re-inspection (for all licences) plus vet fees if applicable | | OS | 89.70 | 89.70 | 96.80 | 96.80 |
| Zoo Licence Act 1982 | | OS | 661.00 | 661.00 | 1,083.30 | 1,083.30 |
| LA Inspector per hour | | OS | 35.00 | 35.00 | 37.80 | 37.80 |
| Veterinary fees (all animal licences) - recharged at cost. | | | N/A | N/A | N/A | N/A |
| Street Trading Consent/Licence (Annual) | | OS | 333.00 | 333.00 | 359.40 | 359.40 |
| Street Trading Consent (3 month) | | OS | 136.00 | 136.00 | 146.80 | 146.80 |
| Non mobiles > 25 feet in length | | OS | 907.00 | 907.00 | 978.70 | 978.70 |
| Stall per foot per day - Sandgate Road and Guildhall Street - regular stall holders | | OS | 1.00 | 1.00 | 1.10 | 1.10 |
| Stall per foot per day - Sandgate Road and Guildhall Street - casual stall holders | | OS | 2.00 | 2.00 | 2.20 | 2.20 |
| Street Trading Licence (Lanterns) - per stall per day | per foot | OS | 5.00 | 5.00 | 5.40 | 5.40 |
| | | | | | | |

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
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| | | | E | Exempt | | |
| Service | Further Information | VAT Category | Approved charges for 2023/24 Net of VAT if applicable | Approved charges for 2023/24 with VAT if applicable | Proposed charges for 2024/25 Net of VAT if applicable | Proposed charges for 2024/25 with VAT if applicable |
| | | | £ | £ | £ | £ |
| New Markets: | | | | | | |
| Number of stalls 5 -20 | Max of 14 days | OS | 158.00 | 158.00 | 170.50 | 170.50 |
| | 15 - 52 days | OS | 583.00 | 583.00 | 629.10 | 629.10 |
| | 53 + days | OS | 1166.00 | 1166.00 | 1,258.20 | 1,258.20 |
| Number of stalls 21 + | Max of 14 days | OS | 235.00 | 235.00 | 253.60 | 253.60 |
| | | | | | | |
| | 15 - 52 days | OS | 875.00 | 875.00 | 944.20 | 944.20 |
| | 53 + days | OS | 1749.00 | 1749.00 | 1,887.20 | 1,887.20 |
| Town Centre Commercial Bookings Thurs-Sat Only (No bookings Sun-Wed) | Per day | OS | 197.00 | 197.00 | 212.60 | 212.60 |
| Pavement Licenses | Licences issued up to Sept 2024 | OS | 100.00 | 100.00 | 100.00 | 100.00 |
| | | | | | | |
| Canoe and paddle boards - annual | | OS | 32.80 | 32.80 | 35.40 | 35.40 |
| Canoe and paddle boards - seasonal | | OS | 21.90 | 21.90 | 23.70 | 23.70 |
| Boat - annual | | OS | 53.60 | 53.60 | 57.90 | 57.90 |
| Boat - seasonal | | OS | 34.00 | 34.00 | 36.70 | 36.70 |
| | | | | | | |
| **Scrap Metal Licensing** | | | | | | |
| Grant of site licence | | OS | 580.00 | 580.00 | 625.90 | 625.90 |
| Renewal of site licence | | OS | 544.00 | 544.00 | 587.00 | 587.00 |
| Collectors licence | | OS | 339.00 | 339.00 | 365.80 | 365.80 |
| Variation of licence | | OS | 74.00 | 74.00 | 79.90 | 79.90 |
| Change of details | | OS | 61.00 | 61.00 | 65.90 | 65.90 |
| | | | | | | |
| **Personal & Premises Licences** | | | | | | |
| Personal - Acupuncture, ear piercing, electrolysis & semi-permanent ink | | OS | 217.00 | 217.00 | 234.20 | 234.20 |
| Personal - Tattooing Registration | | OS | 346.00 | 346.00 | 373.40 | 373.40 |
| Personal - Sex Shop Consent | | OS | 2318.00 | 2318.00 | 2,501.20 | 2,501.20 |
| Personal - Change to Registration | | OS | 120.00 | 120.00 | 129.50 | 129.50 |
| Personal - change of detail to licence that does not require an officer visit | | OS | 11.50 | 11.50 | 12.50 | 12.50 |
| | | | | | | |
| **Premise Licence Pre-Application Schedule** | | | | | | |
| Premises Licence Pre-application Advice Meeting 90 mins | | S | 90.00 | 108.00 | 97.20 | 116.60 |
| | | | | | | |
| **Dog Control** | | | | | | |
| Kennelling per night | | OS | 24.00 | 24.00 | 30.00 | 30.00 |
| Out of hours dog collection | | OS | 60.00 | 60.00 | 66.00 | 66.00 |
| Veterinary fees at cost | | OS | Variable | Variable | Variable | Variable |
| Microchip fee | | OS | 7.5 to 35.00 | 7.5 to 35.00 | 7.5 to 35.00 | 7.5 to 35.00 |
| Flea treatment (dependant on size of the dog) | | OS | 10.00 to 14.00 | 10.00 to 14.00 | 15.00 to 23.00 | 15.00 to 23.00 |

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| | | | **£** | **£** | **£** | **£** |
| Worming (dependant on size of the dog) | | OS | 10.00 to 14.00 | 10.00 to 14.00 | 10.00 to 18.00 | 10.00 to 18.00 |
| Vaccination charge | | OS | 32.00 | 32.00 | 35.00 | 35.00 |

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| | | | E | Exempt | | |
| | | | | | | |
| Service | Further Information | VAT Category | Approved charges for 2023/24 Net of VAT if applicable | Approved charges for 2023/24 with VAT if applicable | Proposed charges for 2024/25 Net of VAT if applicable | Proposed charges for 2024/25 with VAT if applicable |
| | | | £ | £ | £ | £ |
| | | | | | | |
| **Pollution Environmental Health** | | | | | | |
| Contaminated land search fee | | OS | 172.70 | 172.70 | 186.40 | 186.40 |
| Hourly fee for works in default (returning seized goods and removal of fly posting) | | OS | 17.30 | 17.30 | 18.70 | 18.70 |
| | | | | | | |
| **Food and Safety** | | | | | | |
| Certificate for voluntary surrender of unfit food (Including 1 hour officer time) | | OS | 106.00 | 106.00 | 114.40 | 114.40 |
| Plus officer time per additional hour | | OS | 48.10 | 48.10 | 51.90 | 51.90 |
| Export Health Certificate | | OS | 50.30 | 50.30 | 109.00 | 109.00 |
| Food export certificate - additional charges | per hour | OS | 101.00 | 101.00 | 101.00 | 101.00 |
| Food Hygiene Scheme - re-rating | per application | E | 146.00 | 146.00 | 157.60 | 157.60 |
| | | | | | | |
| **Private Water Supply Sampling** | | | | | | |
| Risk assessments(If carried out by contractor) | per hour | OS | 60.40 | 60.40 | 65.20 | 65.20 |
| Risk assessments(If carried out by SDC staff) | per hour | OS | 29.80 | 29.80 | 32.20 | 32.20 |
| Mileage | per mile | OS | 0.80 | 0.80 | 0.90 | 0.90 |
| Sampling | per visit | OS | 63.70 | 63.70 | 68.70 | 68.70 |
| Analysis and courier (first sample) | first sample | OS | 18.40 | 18.40 | 19.90 | 19.90 |
| Additional sample | each | OS | 6.10 | 6.10 | 6.60 | 6.60 |
| | | | | | | |
| **Caravan Site Licensing** | | | | | | |
| New application | Band A (single pitch) | E | 0.00 | 0.00 | 0.00 | 0.00 |
| New application | Band B (2 - 10 pitches) | E | 603.00 | 603.00 | 650.70 | 650.70 |
| New application | Band C (11 - 25 pitches) | E | 702.00 | 702.00 | 757.50 | 757.50 |
| New application | Band D (26 - 50 pitches) | E | 865.00 | 865.00 | 933.40 | 933.40 |
| New application | Band E (51 - 100 pitches) | E | 1167.00 | 1167.00 | 1,259.20 | 1,259.20 |
| New application | Band F (101 - 200 pitches) | E | 1790.00 | 1790.00 | 1,931.50 | 1,931.50 |
| New application | Band G (201 - 400 pitches) | E | 3016.00 | 3016.00 | 3,254.30 | 3,254.30 |
| New application | Band H (401 - 800 pitches) | E | 5470.00 | 5470.00 | 5,902.20 | 5,902.20 |
| Annual fee | Band A | E | 0.00 | 0.00 | 0.00 | 0.00 |
| Annual fee | Band B | E | 358.00 | 358.00 | 386.30 | 386.30 |
| Annual fee | Band C | E | 456.00 | 456.00 | 492.10 | 492.10 |
| Annual fee | Band D | E | 620.00 | 620.00 | 669.00 | 669.00 |

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| | | | | | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| Annual fee | Band E | E | 923.00 | 923.00 | 996.00 | 996.00 |
| Annual fee | Band F | E | 1544.00 | 1544.00 | 1,666.00 | 1,666.00 |
| Annual fee | Band G | E | 2771.00 | 2771.00 | 2,990.00 | 2,990.00 |
| Annual fee | Band H | E | 5226.00 | 5226.00 | 5,638.90 | 5,638.90 |
| Transfer | Band A | E | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfer | Band B to Band H | E | 65.60 | 65.60 | 70.80 | 70.80 |
| Amendment | Band A (single pitch) | E | 0.00 | 0.00 | 0.00 | 0.00 |
| Amendment | Band B to Band H | E | 93.00 | 93.00 | 100.40 | 100.40 |
| Site rules | Band A (single pitch) | E | 0.00 | 0.00 | 0.00 | 0.00 |
| Site rules | Band B to Band H | E | 43.80 | 43.80 | 47.30 | 47.30 |
| Application for Fit & Proper Person Register - Mobile Homes (Requirement for Manager of Site to be Fit and Proper Person) (England) Regulations 2020 | | E | 222.00 | 222.00 | 239.60 | 239.60 |
| | | | | | | |
| **Cemeteries** | | | | | | |
| **Purchase fees** | | | | | | |
| Children not exceeding 12 | | OS | 280.00 | 280.00 | 302.20 | 302.20 |
| Person over 12 –purchase fee | | OS | 640.00 | 640.00 | 690.60 | 690.60 |
| Green Burials (Hawkinge Only) | | OS | 1132.00 | 1132.00 | 1,221.50 | 1221.50 |

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| | | | | | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| | | | | | | |
| **Plot purchase, first internment & right to erect** | | | | | | |
| Garden of remembrance (Lydd, Double Plot) | | OS | 684.00 | 684.00 | 738.10 | 738.10 |
| Garden of remembrance (New Romney, Double Plot) | | OS | 684.00 | 684.00 | 738.10 | 738.10 |
| Garden of remembrance (New Romney, Single Plot) | | OS | 428.00 | 428.00 | 461.90 | 461.90 |
| | | | | | | |
| **Digging Fees** | | | | | | |
| Children stillborn - No charge | | E | 0.00 | 0.00 | 0.00 | 0.00 |
| Children -between 0-12 | | E | 226.00 | 226.00 | 243.90 | 243.90 |
| Person over 12 – single depth digging | | OS | 661.00 | 661.00 | 713.30 | 713.30 |
| Person over 12 – double depth | | OS | 979.00 | 979.00 | 1,056.40 | 1,056.40 |
| Person over 12 – triple depth | | OS | 1312.00 | 1312.00 | 1,415.70 | 1,415.70 |
| | | | | | | |
| **Other Fees** | | | | | | |
| Exhumation Fee (at cost) | | E | variable | variable | variable | variable |
| Internment of ashes | | OS | 167.00 | 167.00 | 180.20 | 180.20 |
| Late internment | | OS | 160.00 | 160.00 | 172.70 | 172.70 |
| Spreading of ashes | | OS | 61.30 | 61.30 | 66.20 | 66.20 |
| Scattering of ashes under turf | | OS | 167.00 | 167.00 | 180.20 | 180.20 |
| Re-open fee | | OS | 100.00 | 100.00 | 107.90 | 107.90 |
| Add. inscription | | S | 72.00 | 86.40 | 77.70 | 93.30 |
| Use of chapel | | OS | 165.00 | 165.00 | 178.10 | 178.10 |
| Memorials – 6 X 3 | | OS | 283.00 | 283.00 | 305.40 | 305.40 |
| Vases | | OS | 109.00 | 109.00 | 117.70 | 117.70 |
| Kerbs for Children's Plot | | OS | 300.00 | 300.00 | 323.70 | 323.70 |
| Kerbs | | OS | 502.00 | 502.00 | 541.70 | 541.70 |
| Laying down unsafe memorial | | OS | 142.00 | 142.00 | 153.30 | 153.30 |
| Deed of grant - 30 year period | | E | n/a | n/a | 50.00 | 50.00 |
| Deed of grant - 50 year period | | E | n/a | n/a | 85.00 | 85.00 |
| Deed of grant - 75 year period | | E | n/a | n/a | 125.00 | 125.00 |
| Transfer of Deed of Grant | | E | 118.00 | 118.00 | 127.40 | 127.40 |
| Maintenance | | E | 110.00 | 110.00 | 118.70 | 118.70 |
| Reserved plot surcharge on use | | OS | 91.90 | 91.90 | 99.20 | 99.20 |
| Reservation fee | | OS | 91.90 | 91.90 | 99.20 | 99.20 |
| Family History Request - per request up to 3 names | | E | 36.10 | 36.10 | 39.00 | 39.00 |
| Family History Request - per request more than 3 names | | E | 71.10 | 71.10 | 76.80 | 76.80 |
| Replacement headstones - administration fee | | E | 58.00 | 58.00 | 62.60 | 62.60 |
| Burial where ashes are added - administration fee | | E | 58.00 | 58.00 | 62.60 | 62.60 |
| Mixing of two ashes - administration fee | | E | 58.00 | 58.00 | 62.60 | 62.60 |
| Public Health Funerals | | E | 339.10 | 339.10 | 365.90 | 365.90 |
| | | | | | | |

| Discretionary Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | APPENDIX 2 |
|---|---|---|---|---|---|---|
| | | | S | Standard Rated | | |
| | | | E | Exempt | | |
| **Service** | **Further Information** | **VAT Category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Proposed charges for 2024/25 Net of VAT if applicable** | **Proposed charges for 2024/25 with VAT if applicable** |
| | | | **£** | **£** | **£** | **£** |
| **Hiring of council meeting rooms for all non Folkestone & Hythe District Council meetings/functions** | | | | | | |
| *KALC (Kent Association of Local Councils) and relevant voluntary/Charity organisations 100% discount* | | | | | | |
| Council Chamber | Basic Hourly rate | E | 40.48 | 40.48 | 43.68 | 43.68 |
| Council Chamber | Hourly rate after 7pm week day evenings & Saturday (including Civic Warden fee) | E | 68.92 | 68.92 | 74.36 | 74.36 |
| Council Chamber | Hourly rate for Sundays & Bank Holidays (including Civic Warden fee) | E | 76.58 | 76.58 | 82.63 | 82.63 |
| Boulogne and Middleburg Room | Basic Hourly rate | E | 30.63 | 30.63 | 33.05 | 33.05 |
| Boulogne and Middleburg Room | Hourly rate after 7pm week day evenings & Saturday (including Civic Warden fee) | E | 58.65 | 58.65 | 63.28 | 63.28 |
| Boulogne and Middleburg Room | Hourly rate for Sundays & Bank Holidays (including Civic Warden fee) | E | 66.73 | 66.73 | 72.00 | 72.00 |
| Other meeting rooms | Basic Hourly rate | E | 17.50 | 17.50 | 18.88 | 18.88 |
| Other meeting rooms | Hourly rate after 7pm week day evenings & Saturday (including Civic Warden fee) | E | 45.95 | 45.95 | 49.58 | 49.58 |
| Other meeting rooms | Hourly rate for Sundays & Bank Holidays (including Civic Warden fee) | E | 53.61 | 53.61 | 57.85 | 57.85 |
| | | | | | | |
| **Use of drinks machine for non Folkestone & Hythe District Council meetings/functions** | | | | | | |
| Per drink - Up to 30 persons | | S | 1.09 | 1.31 | 1.18 | 1.42 |
| 30 Persons or more | (max. 60 drinks) | S | 32.82 | 39.38 | 43.20 | 51.84 |
| | | | | | | |
| **Lost/Unreturned ID cards** | | | | | | |
| Charge to staff and tenants | | E | 8.75 | 8.75 | 9.50 | 9.50 |
| Charge to contractors | | E | 8.75 | 8.75 | 9.50 | 9.50 |
| | | | | | | |
| **Life Verifications** | | | | | | |
| Completion of Proof of Life Certificates | | S | 0.00 | 0.00 | 16.67 | 20.00 |

| Car Parking Fees and Charges 2024/25 | | VAT KEY | OS | Outside the scope of VAT | | Appendix 3 |
|---|---|---|---|---|---|---|
| | | | S | Standard Rated | 20% | |
| | | | E | Exempt | | |

| Service | Further Information | VAT Category | Charges for 2023/24 Net of VAT if applicable | Charges for 2023/24 with VAT if applicable | Charges for 2024/25 Net of VAT if applicable | Charges for 2024/25 with VAT if applicable |
|---|---|---|---|---|---|---|
| | | | £ | £ | £ | £ |
| *Charges apply 8am - 6pm unless otherwise indicated* | | | | | | |
| | | | | | | |
| **FOLKESTONE** | | | | | | |
| **SHORT STAY Upper Payers Park, Shellons St., Foresters Way, Playdell Gardens** | | | | | | |
| Hourly charge with linear per minute charging. | 30 mins | S | 0.67 | 0.80 | 0.75 | 0.90 |
| Minimum stay 30mins and maximum stay 4 hours<br>*New line added as 4 hours introduced summer 2022 | 1 hour | S | 1.33 | 1.60 | 1.50 | 1.80 |
| | 3 hour | S | 4.00 | 4.80 | 4.50 | 5.40 |
| | 4 hours | S | 5.33 | 6.40 | 6.00 | 7.20 |
| **LONG STAY Tram Road and Harbourside** | | | | | | |
| Hourly charge with linear per minute charging | 1 hour | S | 1.33 | 1.60 | 1.50 | 1.80 |
| | All day | S | 8.00 | 9.60 | 9.00 | 10.80 |
| | | | | | | |
| **LONG STAY Sandgate Road Car Park (formerly Leas Cliff Hall)** | Up to 2 hours | S | 1.83 | 2.20 | 2.00 | 2.40 |
| | Up to 4 hours | S | 2.75 | 3.30 | 4.00 | 4.80 |
| | Up to 5 hours | S | 3.67 | 4.40 | 5.00 | 6.00 |
| | All day | S | 4.58 | 5.50 | 9.00 | 10.80 |
| | | | | | | |
| | | | | | | |
| **OTHER FOLKESTONE & HYTHE AREAS** | | | | | | |
| **SHORT TERM** | | | | | | |
| **Hythe:** | | | | | | |
| Mount Street: | Up to 30 mins | S | | | | |
| Hourly charge with linear per minute charging | Up to 1 hour | S | 1.33 | 1.60 | 1.50 | 1.80 |
| Minimum stay 1 hour and maximum stay 4 hours<br>*New line added as 4 hours introduced summer 2022 | Up to 2 hours | S | Linear per minute charging | Linear per minute charging | Linear per minute charging | Linear per minute charging |
| | Up to 3 hours | S | 4.00 | 4.80 | | |
| | Up to 4 hours | S | 5.33 | 6.40 | 6.00 | 7.20 |
| **New Romney:** | | | | | | |
| Church Road:<br>Hourly charge with linear per minute charging.<br>Minimum stay 1 hour and maximum stay 3 hours | Up to 1 hour | S | 0.92 | 1.10 | 1.00 | 1.20 |
| | Up to 2 hours | S | Linear per minute charging | Linear per minute charging | Linear per minute charging | Linear per minute charging |
| | Up to 3 hours | S | 2.75 | 3.30 | | |
| New line added as 4 hours is due to be introduced in April 2024 | Up to 4 hours | S | | | 4.00 | 4.80 |
| | | | | | | |

| Service | Further Information | VAT Category | Charges for 2023/24 Net of VAT if applicable | Charges for 2023/24 with VAT if applicable | Charges for 2024/25 Net of VAT if applicable | Charges for 2024/25 with VAT if applicable |
|---|---|---|---|---|---|---|
| **LONG TERM** | | | | | | |
| **Sandgate:** Lower Sandgate Road West (Seasonal - 1st April-30th September) 8am-8pm | Up to 1 hour | S | 2.75 | 3.30 | 3.00 | 3.60 |
| | Up to 4 hours | S | 11.00 | 13.20 | 12.00 | 14.40 |
| | Up to 12 hours | S | 18.25 | 21.90 | 20.00 | 24.00 |
| **Sandgate:** Lower Sandgate Road West (Seasonal - 1st October-31st March) 8am-6pm | Up to 1 hour* | S | 1.33 | 1.60 | 1.50 | 1.80 |
| **Hythe:** Military Road, The Paddocks | Up to 2 hours ** | S | Linear per minute charging | Linear per minute charging | Linear per minute charging | Linear per minute charging |
| **Dymchurch:** Martello, High Knocke, Central | Up to 3 hours | S | Linear per minute charging | Linear per minute charging | Linear per minute charging | Linear per minute charging |
| **Greatstone:** Jolly Fisherman | Up to 4 hours | S | Linear per minute charging | Linear per minute charging | Linear per minute charging | Linear per minute charging |
| **Littlestone:** Coast Drive | Up to 5 hours | S | Linear per minute charging | Linear per minute charging | Linear per minute charging | Linear per minute charging |
| **New Romney:** West Street | Up to 6 hours | S | Linear per minute charging | Linear per minute charging | Linear per minute charging | Linear per minute charging |
| | Up to 12 hours | S | 8.00 | 9.60 | 9.00 | 10.80 |
| **Hythe:** Battery Point, Twiss Fort, Seapoint | Up to 1 hour | S | 1.33 | 1.60 | 1.50 | 1.80 |
| | | S | Linear per minute charging | Linear per minute charging | Linear per minute charging | Linear per minute charging |
| | All day | S | 8.00 | 9.60 | 9.00 | 10.80 |
| **Sandgate,** Castle Road; Wilberforce Road | Up to 2 hours | S | 1.42 | 1.70 | 1.58 | 1.90 |
| | Up to 4 hours | S | 3.25 | 3.90 | 3.58 | 4.30 |
| | Up to 5 hours | S | n/a | n/a | n/a | n/a |
| | All day | S | 5.08 | 6.10 | 5.50 | 6.60 |
| **Cheriton**: Broomfield Road, **Elham:** Pound Lane; **Lyminge**: Station Road | ALL DAY - Free | S | | | | |
| **Hythe**: West Hythe | Up to 1 hour | S | 1.33 | 1.60 | 1.50 | 1.80 |
| | | S | | | Linear per minute charging | Linear per minute charging |
| | All day | S | 8.00 | 9.60 | 9.00 | 10.80 |
| **Folkestone**: East Cliff Pavilion; The Coastal Park | 1 hour | S | 1.33 | 1.60 | 1.50 | 1.80 |
| | | | | | Linear per minute charging | Linear per minute charging |
| | All day | S | 8.00 | 9.60 | 9.00 | 10.80 |
| **Folkestone**: Golden Valley; Sports Grounds, | ALL DAY - Free | | 0.00 | 0.00 | 0.00 | 0.00 |

| Service | Further Information | VAT Category | Charges for 2023/24 Net of VAT if applicable | Charges for 2023/24 with VAT if applicable | Charges for 2024/25 Net of VAT if applicable | Charges for 2024/25 with VAT if applicable |
|---|---|---|---|---|---|---|
| **Lydd**:The Lade, Coast Drive (east of), Lydd on Sea | Per hour | S | 1.33 | 1.60 | 1.50 | 1.80 |
| | All day (6hrs+) | S | 8.00 | 9.60 | Linear per minute charging | Linear per minute charging |
| | | | | | 9.00 | 10.80 |
| **Sandgate**: Gough Road | ALL DAY - Free | S | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | |
| | | | | | | |
| **COACH PARKING** | | | | | | |
| **Littlestone:** Coast Drive | Up to 5 hours | S | 7.00 | 8.40 | 7.58 | 9.10 |
| | Up to 10 hours | S | 12.83 | 15.40 | 13.92 | 16.70 |
| **Dymchurch:** Central | ALL DAY - Free | | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | |

| Service | Further Information | VAT Category | Charges for 2023/24 Net of VAT if applicable | Charges for 2023/24 with VAT if applicable | Charges for 2024/25 Net of VAT if applicable | Charges for 2024/25 with VAT if applicable |
|---|---|---|---|---|---|---|
| | | | | | | |
| **CAR PARK SEASON TICKETS** | | | | | | |
| **All Long Stay Car Parks** | | | | | | |
| Valid 7 days per week | Annual | S | 599.00 | 718.80 | 646.32 | 775.59 |
| | 6 month | S | 300.00 | 360.00 | 323.70 | 388.44 |
| | 3 months | S | 150.50 | 180.60 | 162.39 | 194.87 |
| Valid 6 days per week | Annual | S | 510.58 | 612.70 | 550.92 | 661.10 |
| | 6 month | S | 255.33 | 306.40 | 275.50 | 330.61 |
| | 3 months | S | 127.67 | 153.20 | 137.75 | 165.30 |
| Valid 5 days per week | Annual | S | 426.67 | 512.00 | 460.37 | 552.45 |
| | 6 month | S | 213.33 | 256.00 | 230.19 | 276.22 |
| | 3 months | S | 106.67 | 128.00 | 115.09 | 138.11 |
| Valid 4 days per week | Annual | S | 341.00 | 409.20 | 367.94 | 441.53 |
| | 6 month | S | 170.50 | 204.60 | 183.97 | 220.76 |
| | 3 months | S | 85.75 | 102.90 | 92.52 | 111.03 |
| Valid 3 days per week | Annual | S | 255.33 | 306.40 | 275.50 | 330.61 |
| | 6 month | S | 127.67 | 153.20 | 137.75 | 165.30 |
| | 3 months | S | 63.83 | 76.60 | 68.88 | 82.65 |
| Valid 2 days per week | Annual | S | 170.50 | 204.60 | 183.97 | 220.76 |
| | 6 month | S | 85.75 | 102.90 | 92.52 | 111.03 |
| | 3 months | S | 42.92 | 51.50 | 46.31 | 55.57 |
| Valid 1 days per week | Annual | S | 85.75 | 102.90 | 92.52 | 111.03 |
| | 6 month | S | 42.92 | 51.50 | 46.31 | 55.57 |
| | 3 months | S | 21.92 | 26.30 | 23.65 | 28.38 |
| | | | | | | |
| **HOTEL GUEST PERMITS (per 24 hours)** | | OS | 3.30 | 3.30 | 4.00 | 4.00 |
| | | | | | | |
| **RESIDENT PERMITS** | | | | | | |
| Folkestone & Hythe District Car Park Resident Permits | 12 months | S | 59.33 | 71.20 | 66.67 | 80.00 |
| Folkestone & Hythe District Car Park Resident Permits (3 month) | 3 months | S | n/a | n/a | 16.67 | 20.00 |
| On Street Parking Waiver | Daily | E | 11.00 | 11.00 | 12.00 | 12.00 |
| On Street Parking Waiver | Weekly | E | 32.90 | 32.90 | 36.00 | 36.00 |
| Parking permissions for Window Cleaners, pharmacists, | Annual | E | 71.20 | 71.20 | 80.00 | 80.00 |
| | | | | | | |
| | | | | | | |
| **FOLKESTONE CONTROLLED PARKING ZONES** | | | | | | |
| 1st Resident Permit | | E | 38.30 | 38.30 | 42.00 | 42.00 |
| 2nd Resident Permit | | E | 38.30 | 38.30 | 42.00 | 42.00 |
| Resident Visitor Permit (5 sessions) | | E | 6.60 | 6.60 | 8.00 | 8.00 |
| Business Permit | | E | 71.20 | 71.20 | 80.00 | 80.00 |
| Replacement Permit | | E | 5.70 | 5.70 | 6.15 | 6.15 |
| Special Permit - Free Health & Care Workers and Emergency services | | E | 0.00 | 0.00 | 0.00 | 0.00 |
| Trade Permits (All Zones) (Yearly) | | E | 455.20 | 455.20 | 492.00 | 492.00 |
| Trade Permits (All Zones) (6 monthly) | | E | 227.60 | 227.60 | 246.00 | 246.00 |
| | | | | | | |
| **ON STREET CAR PARKING** | **Linear per minute** | | | | | |
| Folkestone Town Centre CPZ A1 and A2 | Min 30mins | E | 0.90 | 0.90 | 1.00 | 1.00 |
| Folkestone Town Centre CPZ A1 and A2 | 1 Hour- Max 3 hours | E | 1.80 | 1.80 | 2.00 | 2.00 |
| Folkestone Seafront Zone C2 | Min 1 hour<br>Max 5 hours | E | 1.80 | 1.80 | 2.00 | 2.00 |

| | Service | Further Information | VAT Category | Charges for 2023/24 Net of VAT if applicable | Charges for 2023/24 with VAT if applicable | Charges for 2024/25 Net of VAT if applicable | Charges for 2024/25 with VAT if applicable |
|---|---|---|---|---|---|---|---|
| | The Leas Bandstand- Zone H | Min 1 hour<br>Max 5 hours | E | 1.80 | 1.80 | 2.00 | 2.00 |
| | Princes Parade, Hythe | Minimum 30 minutes | E | 0.90 | 0.90 | 1.00 | 1.00 |
| | | 1 hour | E | 1.80 | 1.80 | 2.00 | 2.00 |
| | | 6 hours + (all day) | E | 10.20 | 10.20 | 12.00 | 12.00 |
| | Parking Suspensions | | E | £100 admin charge plus £12 per day per 6 metres | £100 admin charge plus £12 per day per 6 metres | £110 admin charge plus £14 per day per 6 metres | £110 admin charge plus £14 per day per 6 metres |

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| Statutory Charges Subject to Discretionary Fees 2024/25 | VAT KEY | OS | OS | Outside the scope of VAT | | Appendix 4 |
|---|---|---|---|---|---|---|
| | | S | S | Standard Rated | | |
| | | E | E | Exempt | | |
| **Service** | **Further Information** | **VAT category** | **Approved charges for 2023/24 Net of VAT if applicable** | **Approved charges for 2023/24 with VAT if applicable** | **Charges for 2024/25 Net of VAT if applicable** | **Charges for 2024/25 with VAT if applicable** |
| | | | £ | £ | £ | £ |
| **HOUSING** | | | | | | |
| Licensing Application for Houses in Multiple Occupation Fees(renewals) | All properties | OS | 835.00 | 835.00 | 901.00 | 901.00 |
| | Additional fee per unit over 8 units | OS | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | |
| Licensing Application for Houses in Multiple Occupation Fees(new applications) | All properties | OS | 983.00 | 983.00 | 1,061.00 | 1,061.00 |
| | Additional fee per unit over 8 units | OS | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | | |
| **PLANNING** | | | | | | |
| High Hedge Complaints | level of fee discretionary | OS | 437.60 | 437.60 | 472.20 | 472.20 |
| | | | | | | |
| **PLACE** | | | | | | |
| **Local Land Charges** | | | | | | |
| Official search of the Local Land Charges Register (LLC1) | | OS | 25.20 | 25.20 | 27.20 | 27.20 |
| Basic Research Fee (CON29) | | S | 108.33 | 130.00 | 116.92 | 140.30 |
| Optional questions (CON29 Part II optional enquiries of local authority) | | S | 10.83 | 13.00 | 11.67 | 14.00 |
| Additional parcels (An extra parcel of land in separate occupation or separately rated at the time of the search) | | S | 15.50 | 18.60 | 16.67 | 20.00 |
| Additional parcels where submitted as part of an LLC1 only | | OS | 3.30 | 3.30 | 3.60 | 3.60 |
| | | | | | | |
| **Submitted via NLIS** | | | | | | |
| Official search of the Local Land Charges Register (LLC1) | | OS | 25.20 | 25.20 | 27.20 | 27.20 |
| Basic Research Fee (CON29) | | S | 97.50 | 117.00 | 105.25 | 126.30 |
| Optional questions (CON29 Part II optional enquiries of local authority) | | S | 10.83 | 13.00 | 11.67 | 14.00 |
| Additional parcels (An extra parcel of land in separate occupation or separately rated at the time of the search) | | S | 15.50 | 18.60 | 16.67 | 20.00 |
| Additional parcels where submitted as part of an LLC1 only | | OS | 3.30 | 3.30 | 3.60 | 3.60 |
| | | | | | | |
| **CON29 Individual Questions** | | | | | | |
| 1.1 a-i Planning | | S | 8.33 | 10.00 | 9.00 | 10.80 |
| 1.1 j-l Building Regulations | | S | 8.33 | 10.00 | 9.08 | 10.90 |
| 1.2 Planning Designations & Proposals | | S | 4.50 | 5.40 | 4.83 | 5.80 |
| 2.1 a-d, 3.4 & 3.6 Roadways, Footways & Footpaths | | S | 29.17 | 35.00 | 31.50 | 37.80 |
| 3.1 Land Required for Public Purposes | | S | 1.25 | 1.50 | 1.33 | 1.60 |
| 3.3 Drainage matters | | S | 3.33 | 4.00 | 3.58 | 4.30 |
| 3.5 Nearby Railway Schemes | | S | 2.08 | 2.50 | 2.25 | 2.70 |
| 3.7 Outstanding Notices | | S | 5.42 | 6.50 | 5.83 | 7.00 |
| 3.8 Contravention of Building Regulations | | S | 7.42 | 8.90 | 8.00 | 9.60 |
| 3.9 Notices, Orders, Directions and Proceedings under Planning Acts | | S | 3.75 | 4.50 | 4.08 | 4.90 |
| 3.10 Community Infrastructure Levy | | S | 5.58 | 6.70 | 6.00 | 7.20 |
| 3.11 Conservation Area | | S | 3.17 | 3.80 | 3.42 | 4.10 |
| 3.12 Compulsory Purchase | | S | 5.58 | 6.70 | 6.00 | 7.20 |
| 3.13 Contaminated Land | | S | 7.42 | 8.90 | 8.00 | 9.60 |
| 3.14 Radon Gas | | S | 7.42 | 8.90 | 8.00 | 9.60 |
| 3.15 Assets of Community Value | | S | 5.58 | 6.70 | 6.00 | 7.20 |

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**Appendix 11**

# EQUALITY IMPACT ASSESSMENT

Directorate: Corporate Services
Service: Finance

Accountable Officer: Lydia Morrison,
Telephone & e-mail: 01303 853792.
lydia.morrison@folkestone-hythe.gov.uk

Date of assessment: 6 February 2024

Names & job titles of people carrying out the assessment:
Lydia Morrison, Interim Director Governance and Finance Services
Gavin Edwards, Performance, and Improvement Specialist

| |
|---|
| Name of service/function/policy etc:<br>General Fund Revenue Budget 2024/25 |
| Is this new or existing?<br>Annual production of Council's General Fund Budget and Council Tax Setting. |

## Stage 1: Screening Stage

### 1. Briefly describe its aims & objectives

| |
|---|
| The council's Corporate Plan informs preparation of the Medium Term Financial Strategy (MTFS) and Budget Strategy which underpin preparation of the General Fund Revenue Budget each year.<br><br>The Budget is the detailed financial plan of how the council will operate its day to day activities to achieve corporate objectives. |

### 2. Are there external considerations? (legislation/government directive etc.)

| |
|---|
| The council is required to comply with the Local Government Finance Act 1992 (as amended) and associated legislation when setting the budget and council tax. The position is also informed by the Local Government Settlement, which this year was provisionally announced on 18 December 2023 with the final settlement announcement being made on 5 February 2024. |

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

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

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

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

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

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

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

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

Yes.

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

Externally - during December & January the Council undertook public budget consultation which was available online and promoted both on the webpage and through social media channels and through poster promotion. As well as dedicated information being available online.

| |
|---|
| |

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

| |
|---|
| All these considerations will have been taken into account when EIAs have been completed by Service Heads for strategies that affect their services. Any negative impacts will have been reviewed at that stage.<br><br>There are no direct concerns at this time. No specific issues have been identified in relation to the proposed growth and savings incorporated within this budget position.<br><br>In addition, all reports to CLT, Cabinet and Council require implications to be considered – this includes financial implications. |

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

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

| | |
|---|---|
| Marriage/ Civil Partnership Status | Not applicable – individual service strategies and plans will address these impacts before they are included in the budget. |

**8. Could other socio-economic groups be affected** e.g. carers, ex-offenders, low incomes?

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

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

| |
|---|
| None have been identified at this time. |

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

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

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

| |
|---|
| Not applicable |

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

| |
|---|
| No |

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

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

| |
|---|
| No |

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

| |
|---|
| N/A |

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

| | | |
|---|---|---|
| Completed by: | Lydia Morrison | Date: 6 February 2024 |
| Role: | Interim Director Governance and Finance Services (Chief Finance Officer) | |

Countersigned by: Gavin Edwards Date: 8 February 2024
Role: Performance and Improvement Specialist

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**Appendix 9**

## 2024/25 Budget Consultation Responses

1. The Council Constitution sets out a requirement for the Council to undertake sufficient internal and external consultation on the annual budget and medium-term financial plan proposals. The external consultation has included a very broad public consultation on the overall budget strategy.

2. The objectives for consultation on the 2024/25 budget proposals were 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.

3. The Council ran a public budget consultation ran online from mid-December 2023 to the end of first week in February 2024. At the time of drafting this report four pieces of direct feedback were received through these means, which was significantly lower than the nine pieces of feedback received last year. We will continue to seek to explore options to obtain a more representative sample of residents' views in future years.

4. There was no consensus among the feedback received, and some of the comments were as follow:

- *Waste collection issues - planned reduction in number of waste bins and street cleaning would seem to be counterproductive, only increasing the potential rise in fly tipping etc.*
- *Waste collection services should be maintained and all services that the Council provide to collect extra-large domestic waste items should be increased so the Council covers all costs and maintain provision of general waste bins etc.*
- *Like to see the reversal of all the residential parking restrictions and the associated costs.*
- *Completely understand why you are having to consider budget cuts, but it is not at all clear from the documents in the public domain exactly what the £3.6m cuts will mean to local residents.*
- *Concerned about the £10m capital items for Folca and also the £26m for a new leisure center.*
- *Do not cut street litter bins to an unjustifiable target figure. Look at the numbers and distribution based on need.*

**On the proposed 2.99% District Council tax increase proposed within this budget.**

- *Think this is reasonable given the increase in the cost of services that the Council supplies.*
- *This will be difficult for some people to afford this increase, but it is much less than inflation and I so I support it. Much better than additional cuts.*
- *Wish it could be lower, but its a lot lower than inflation.*

**Other suggestions on how the Council could save money, raise extra income, or provide better value for money?**

- *Otterpool - delays in this development are resulting in piecemeal land grabs and developments by local developers with little regard for residents. The Council should prioritise local residents and taxpayers' views when determining how Otterpool progresses.*
- *General - the Council should reduce / remove spending on consultants and agency staff to minimums and review all contracts for services supplied by external contractors.*
- *Sell off property gained under previous management that is not required i.e., saltwood castle.*
- *Great to see the Residents car parking permit being offered for a 3 month period rather than just annually. Reduces barrier to entry.*