



Agenda

Meeting: **Council**
Date: **20 November 2019**
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 and place shown above. The meeting will be open to the press and public.

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

This meeting will be webcast live to the council's website at <https://folkestone-hythe.public-i.tv/core/portal/home>. Although unlikely, no guarantee can be made that Members of the public in attendance will not appear in the webcast footage. It is therefore recommended that anyone with an objection to being filmed does not enter the council chamber.

Head of Paid Service

1. **Apologies for Absence**
2. **Declarations of Interest (Pages 7 - 8)**

Members of the Council should declare any discloseable pecuniary

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

interest or any other significant interests in any item/s on this agenda.

3. **Minutes (Pages 9 - 18)**

To receive the minutes of the meeting of the council held on 16 October 2019 and to authorise the Chairman of the Council to sign them as a correct record.

4. **Chairman's Communications**

5. **Petitions**

There are no petitions to be presented.

6. **Questions from the Public**

The following questions have been submitted:

From Mrs Lawes to Councillor David Godfrey, Cabinet Member for Housing, Transport and Special Projects

1. Could you explain why, in 2017 most private properties especially in Folkestone but not exclusively, were rented by London Boroughs for people on their waiting list?

This reduced vastly private rented housing to local families.

Can you tell me why, other Councils like Thanet are still putting people on their waiting list into private properties in Folkestone? Still reducing local housing for residents.

With the lack of rented housing for locals especially in Folkestone, what plans are in place to improve quality and quantity housing for local families?

From Mrs Sacre to Councillor John Collier, Cabinet Member for Property Management and Grounds Maintenance

2. In spring this year it was understood our public toilets, located within the bus station, yet owned by the shopping precinct management, in Folkestone, would be reopening shortly, following restoration work. To an onlooker it appears no such work has been undertaken, in the preparation for the reopening.

When will the toilets be reopened for the public's use?

7. **Questions from Councillors**

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

Up to 45 minutes is allowed for questions from councillors.

8. Announcements of the Leader of the Council

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

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

9. Opposition Business

There is no opposition business.

10. Motions on Notice

The following motions have been placed on the agenda in the order received; up to 60 minutes shall be allowed for debates on motions on notice:

1. From Councillor McConville, Leader of the Labour Party

This Council notes:

- There has been a 60% increase in the use of pesticides such as glyphosate in the UK since 1990.
- Italy and Portugal have banned the use of glyphosate [or glyphosate-based weed killers] and France is working towards this by 2021, Germany in 2023.
- In the UK many councils have banned the use of glyphosate: Brighton, Bristol, Croyden, Trafford and Lewes are but a few.
- That since the verdict against Monsanto, producers of Roundup, in America there has been work in many other local authorities to phase out the use of pesticides from their practice.
- That glyphosate was listed as a probable carcinogen in 2015 by the International Agency for the Research of Cancer (IARC)
- That recent studies published in ScienceDirect show a 41% increased risk of Non-Hodgkin Lymphoma caused by exposure from glyphosate-based weed killers and products

This Council believes:

- There is evidence to suggest that glyphosate and a wide range of other herbicides and pesticides may be harmful to human health
- The use of pesticides and weed killers reduces biodiversity, impacting negatively on insects, birds and bees, in a time when the world is losing 2.5% of its insect population per-year.

- Harmful weed killer residues can creep into the food chain.
- Pets and children should not be playing in parks treated with such chemicals.

This Council resolves to:

- Move towards phasing out the use of all pesticides and weed killers in council owned parks, gardens and play areas.
- Trial pesticide-free alternatives to control weeds in these areas. These might include; biodegradable foam or hot steam treatments on weeds.
- To report the outcomes of these trials to the Climate and Ecological Emergency working group for discussion and recommendation within 12 months.
- Grant an exception to the above 'phasing out' regarding the control of Japanese knotweed, or other invasive species, where there are currently no effective mechanical techniques available. For these plants glyphosate will be stem-injected, rather than sprayed, to reduce its spread in the environment.
- Grant an exception on sprays only in relation to Giant Hogweed where it's not safe to be dug out or safely removed by other means or where invasive plants are too small to be stem injected.
- It is recognized that herbicides are required for the control of weeds in fine turf such as bowling greens and tennis courts. Any chemical use will be kept to an absolute minimum and alternative methods of control, trialed when and if they become available.
- Write to the secretary of state for the environment to inform the government of this Council's opposition to glyphosate-based pesticides and to call for a UK-wide programme to phase out use once trials have been concluded and viable alternatives have been introduced for weed control across the District.

2. **From Councillor Whybrow, Leader of the Green party**

To request the Audit and Governance Committee to consider a change in the constitution so as to amend rule 3.1 of The Call – In Procedure Rules (parts 6.3 and 7.3 of the constitution) so as to read:-

“The Head of Paid Service, on advice from the Monitoring Officer, will determine whether or not a call-in is valid. In order to be valid, the call-in must meet all of the criteria in (a) to (g), plus at least one of the criteria in (h) to (m).”

And also to amend rule 3.2 of The Call – In Procedure Rules (parts 6.3 and 7.3 of the constitution) so as to read:-

“The call-in must also meet one or more of the following criteria...”

And to report back to the Council with their recommendations”

11. **Amendment to the scheme of delegation of Executive functions made by the Leader of the Council (Pages 19 - 20)**

Under the Council’s constitution (part 6, para 1.4.1) the Leader of the Council decides on the delegation of cabinet functions. The Leader may amend the delegations at any time by giving written notice to the Head of the Paid Service. Where such a notice is received the Head of the Paid Service must submit a report on the amendments to the next ordinary meeting of the Council. This report sets out the amendments made by the Leader.

12. **Report from the Independent Remuneration Panel on Members’ Allowances and Expenses (Pages 21 - 40)**

This report recommends the consideration of the proposals of the Council’s Independent Remuneration Panel that the members allowance scheme for elected members of Folkestone and Hythe District Council be amended.

13. **Members’ Allowances - Independent Remuneration Panel (Pages 41 - 44)**

This report recommends the council’s approval for the appointment of members for the Folkestone and Hythe Independent Remuneration Panel.

14. **Budget Approval for Folkestone Beach Chalets Scheme (Pages 45 - 50)**

This report proposes changes to the Council’s capital programme including the capital funding implications. The capital works are a request from the Trustees of the Folkestone Parks and Pleasure Grounds Charity to provide capital funding of £500,000 to support the renovation of 16 of existing beach chalets, the demolition of the remaining 58 beach chalets and the installation of 120 new beach chalets at Marine Walk, Folkestone.

15. **Otterpool Park - Additional Capital Funding (Pages 51 - 70)**

This report considers the recommendation of the Cabinet on additional capital funding for the Otterpool Park project.

This page is intentionally left blank

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.

This page is intentionally left blank

Public Document Pack Agenda Item 3

FOLKESTONE AND HYTHE DISTRICT COUNCIL

Minutes for the meeting of the Council held at the Council Chamber - Civic Centre Folkestone on Wednesday, 16 October 2019

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

Apologies for Absence: Councillors Ray Field, Nicola Keen and Stuart Peall

45. **Declarations of Interest**

Councillors Rolfe, Gane, Mullard and McConville declared an interest in respect of Minute No 55 (Medium Term Financial Strategy 2020/21 to 2023/24), in that they were Directors on the Board of Oportunitas. Dispensations had been applied.

Councillor Mrs Carey also declared a personal interest in respect of this item, as she was a customer of Oportunitas.

46. **Minutes**

The minutes of the meeting held on 25 September 2019 were submitted, approved and signed by the Chairman.

47. **Chairman's Communications**

The Chairman made the following announcements:

“The Deputy Chairman and I have continued to support and promote the District Council in the various events we have attended, as well as support the many and varied charity events.

The Most recent have been:

The High Sheriff’s Justice Service in Canterbury Cathedral on 4 October

The Gurkha Memorial Service and the 10th Anniversary of the Nepalese Charity held in the Garden of Remembrance on Sunday 6 October was both moving and colourful. It was attended by many Dignitaries from Nepal and locally.

Yesterday, we were both in Hythe attending and supporting The Hythe Wildlife function, whilst enjoying afternoon tea and listening to a Brass Band playing. One of the highlights for me was watching a certain Mayor joining in with others doing a bit of the Conga whilst singing along.

It’s good to see a lighter side of our Councillors when not in Committee”.

48. **Petitions**

There were no petitions.

49. **Questions from the Public**

There were no questions from the public.

50. **Questions from Councillors**

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

51. **Announcements of the Leader of the Council**

The Leader made the following announcements:

“Good evening to you all.

Last night I attended the council’s Scrutiny Committee meeting. The meeting was addressed by two members of the Shepway Tenants and Leaseholders Board who were expressing their concern about the possibility of us taking the housing department back in house. One of them thought that where previously there had been a stigma attached to being a council house tenant under EKH that had diminished. I do not know why he should have thought this, in all of the time I have been a Councillor I have never encountered it, far from it. Before EKH was formed, we were proud of our well maintained housing stock and particularly of our engagement with the tenants. When EKH was formed it was envisaged that at some future time it would become a stand-alone entity, that has not happened and therefore the legal accountability still resides with each of the councils. That leaves us liable for such things as corporate manslaughter without direct control of the situation. I make this point now because the tenants should be aware of this implication before they are consulted with. I will also say how impressed I was with the way the Scrutiny Committee handled this item.

EKH is a legal function of the Executive, but recognising the importance of this issue, Cabinet have decided that they will bring this item before Council for discussion before going to Cabinet for the final decision.

At the earlier Cabinet Meeting, a decision had also been made to purchase Ship Street, and I look forward to this coming forward.

The FPPG had also met earlier that evening, and had made a decision that meetings would be open to the public. A report would be brought to the next meeting of the FPPG setting out the rules for this”.

The Leader of the Green Group responded and stated that it had been useful to have the Shepway Tenants and Leaseholders Board present at the meeting of the Overview and Scrutiny Committee, and she had been surprised by how attached they were to EKH. She stated that it was important to involve the public, and listen to what they had to say. She also added that she was concerned about the current format of the consultation form, and felt that it could be leading.

The Leader of the Labour group responded and advised that he echoed the comments of Councillor Whybrow, and that it was important to have consultation events, not just to gain views, but to inform of the consequences of each action.

Councillor Prater, the Leader of the Liberal Democrat Group responded and stated that opening up the FPPG meetings was a welcome move. He also welcomed the Ship Street Scheme, and looked forward to seeing the proposals and costings. He added that a year ago, members would have been horrified at the thought of bringing the housing function back in house, but facts had changed, and despite appearances, tenants had not been kept safe. The council has seen this, and changed its mind. More reviews were coming forward and it was important to learn lessons and look forward. If the council did decide to bring the housing function back in house, there would be an extra cost to bring the housing stock back to an acceptable standard, and ensure this never happened again.

The Leader in reply stated that he was gratified that all parties recognised the problems and issues in taking forward the proposals with regard to bringing the housing function back in house. He added that he would have liked to set EKH off on its own, as a housing association, but it was not able to get there. He stated that the proposals were subject to consultation, but that there was no alternative but to bring the service back in house.

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

RESOLVED:

That the announcements of the Leader be noted.

52. Opposition Business

There was no opposition business.

53. Motions on Notice

1. From Councillor McConville, Leader of the Labour Party

Councillor McConville outlined his motion which asked for an amendment to part 5, section 6.2 of the constitution, to read "A councillor, who has

proposed a motion *or Opposition business*". The motion had been proposed and seconded at the meeting of the Council on 25 September 2019, and was now open for debate.

Proposed by Councillor McConville,
Seconded by Councillor Davison; and

RESOLVED:

That under part 5 section 27.2, the constitution be amended in regard to part 5 section 6.2. A Councillor, who has proposed a motion which has been referred to a committee or sub-committee, shall be given at least three clear working days' notice of the meeting, at which the motion will be considered, by the Head of Paid Service. If the Councillor attends the meeting but is not a member of that committee or sub-committee, s/he shall have an opportunity to explain the motion to the committee or sub-committee.

This would be amended to read "A councillor, who has proposed a motion or Opposition Business".

(Voting figures: 27 for, 0 against, 0 abstentions).

54. **Review of polling districts and polling places 2019**

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 (as Shepway District Council) in November 2014. The Report outlined the steps the Council was taking to comply with this duty and sought approval from Council to approve the recommendations made.

Proposed by Councillor Gane,
Seconded by Councillor Collier; and

RESOLVED:

That an additional recommendation be added that with regard to CH2/CH3, the Council accept the Scout Hall as a polling station but that this be revisited in due course.

(Voting figures: 27 for, 0 against, 0 abstentions).

Proposed by Councillor Davison,
Seconded by Councillor Dorrell; and

RESOLVED:

That an additional recommendation be added that the polling stations listed for Folkestone Central Ward be accepted but revisited in due course with a view to adding an additional polling station.

(Voting figures: 27 for, 0 against, 0 abstentions).

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

RECOMMENDATIONS:

1. **That report A/09/14 be received and noted.**
2. **That the proposals listed in the report as the Polling Districts, Polling Places and Stations be approved for the next four years, or until an ad-hoc review triggered by the Council in the interim.**
3. **That the proposals outlined in Appendix 2 be adopted, with the implementation to coincide with the revision of the register on 1 December 2019.**
4. **That in response to a recommendation received at Audit & Governance, the consideration of the use of public houses will be a part of any future polling reviews.**
5. **That with regard to CH2/CH3, the Council accept the Scout Hall as a polling station but that this be revisited in due course.**
6. **That the polling stations listed for Folkestone Central Ward be accepted but revisited in due course with a view to adding an additional polling station.**

(Voting figures: 26 for, 0 against, 1 abstentions).

55. Medium Term Financial Strategy 2020/21 to 2023/24

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 various plans and strategies in financial terms over the four year period ending 31st March 2024. It covers both revenue and capital for the General Fund and the Housing Revenue Account. Also included are the Council's reserves policies. The MTFS is a key element of sound corporate governance and financial management.

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

RESOLVED:

1. **That Report A/19/13 be received and noted.**
2. **That the Medium Term Financial Strategy, as appended to the report, be adopted.**

(Voting figures: 27 for, 0 against, 0 abstentions).

Council - 16 October 2019

Full Council – 16 October 2019

Councillor questions:

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

The financial viability analysis on which the planning permission for the Princes Parade development was based has many omissions, including:

- Site Clearance
- Remediation
- Regrading site levels
- Services Diversion
- Service corridor to connect with main services
- Attenuation Works/Surface water drainage
- Removal of Japanese Knotweed
- Works to Promenade
- Sea Wall works
- Canal side retaining/supporting structure to the new road
- Ground consolidation works
- Works to provide open space.
- In addition, the report has given an illustrative example for only half of the site.
- The report uses the phrase, “will be at the developer’s cost” whereas the Council are the developer and there is no cost included.
- The report assumes a fully serviced site, which it is not.

If all of the missing costs are included the scheme makes a £15M loss.

I have alerted members and senior officers to this dramatic shortfall many times, but have received no response. What are the Council doing to manage the risk of this potentially catastrophic financial shortfall?

ANSWER:

As you are aware the Council’s advisors, Savills, valuers and Betteridge and Milsom, cost consultants have reviewed your own appraisal and revisited their own work. They are firmly of the view that, having taken account of the matters you list that the project is viable and that there is no £15million gap funding requirement. Savills is one of the world’s leading property agents and I am happy to accept their expert opinion.

SUPPLEMENTARY QUESTION:

What is the link that allows developers to benefit significantly from the Princes Parade financial model?

ANSWER:

I am not going to answer this question as I believe the answer given was full and final.

2. From Councillor Davison to Councillor Monk, Leader of the Council

Can you please make a statement about the future of Folkestone beach huts following press reports?

ANSWER:

At the Folkestone Parks and Pleasure Grounds Charity (FPPG) meeting held on 16 October 2019, the trustees considered a report from officers looking at options to regenerate the area and provide new chalets for residents and visitors.

In 2018, the 74 chalets were taken back in house after a long lease where they had been allowed to fall into a state of disrepair. Currently, 52 of these are let to tenants with the other 22 being in an un-lettable condition and being too costly to repair. Significant investment is required, firstly to stabilise the slope between the chalets and the Coastal Park, remove the derelict chalets, repair the local infrastructure consisting of steps, paths and walls and finally to repair or replace all of the chalets.

The FPPG trustees have decided to proceed with an option that achieves the above objectives and provides 136 beach chalets in total. This is subject to Folkestone and Hythe District Council approving the capital loan at a full council meeting in November.

This consists of 120 new wooden chalets of varying sizes and 16 completely renovated existing chalets giving a total of 136 chalets. The renovated chalets will be the eight tiered chalets and eight of the better condition chalets with pitched roofs. The trustees believe that this will maintain some of the character of the site and help maintain its identity.

Many of the chalets need to be taken down so the slope can be stabilised behind them. Engineering works will be carried out to achieve this objective whilst the whole local infrastructure is renovated and improved. Two sections of the chalets will have new ramps installed to provide access to all before the 16 remaining chalets are renovated and the 120 new chalets installed.

My fellow trustees have committed to a significant investment that will not only greatly improve the area but provide an income for the charity for the years to come. This will help maintain the beach chalets and surrounding area and the other charity owned parks and open spaces in Folkestone.

QUESTION:

Could you provide costings for the repair of the existing chalets and also the costings and durability of the proposed wooden replacements?

ANSWER:

I'm not at liberty to do that, this is a matter for the trust.

3. From Councillor McConville to Councillor Monk, Leader of the Council

What impact does the decision to increase interest rates from the Public Works Loan Board have on our future financial outlook?

ANSWER:

The Treasury determined, on the 9 October, that the maximum net amount of loans by the PWLB at any one time would increase from £85 billion to £95 billion. This was in response to an increase in lending to the local authority sector. However, at the same time, the Treasury also increased its margin over gilts by 100bps (1%). This was an unexpected move and is seen by outside observers as a response to some authorities borrowing extensively against commercial investments.

Whilst this decision is unfortunate, overall this does not materially affect our financial outlook. There are some negative impacts of course. Loans from PWLB will be more expensive and it is likely the administrative process for obtaining other loans will be more complex. However, early advice is that there is likely to develop a market for borrowing which is less than the new PWLB rate and there has already been a marked increase in inter authority lending. The change in rate does not affect existing PWLB loans.

The notification from HM Treasury also makes reference to the government's willingness to work with authorities on a case by case basis. We will be making strong representations to the government to recognise our significant commitment to deliver new housing for the district and to allow us to borrow at the previous rate.

I will also add that any borrowing will also look to minimise the costs to the council and will be based on the most effective mix of short, medium and long term borrowing depending on the prevailing rates at the time.

THERE WAS NO SUPPLEMENTARY QUESTION.

4. From Councillor Davison, to Councillor Godfrey, Cabinet Member for Housing, Transport and special projects

What are your thoughts on Norwich city council for its Stirling prize winning development of environmentally conscious council housing and are there plans for such innovative and inspirational council housing in our own district?

ANSWER:

My thoughts are that Norwich City Council should be congratulated on their Goldsmith Street Stirling Development. These new Council homes have been developed to the German Passivhaus standard and are amongst the most energy efficient in the country with the residents expected to have their annual energy bills reduced by as much as 70% each year. I can confirm that the Council's Strategic Development team are exploring how the Council can work to further improve the energy efficiency of the further 200 Council homes already in its delivery programme and of course beyond. This will include work to explore how the homes in this benchmark development were financed and

delivered to enable us to see what lessons can be learnt for the new Council homes programme in this district.

This energy efficiency philosophy is not only for Council homes but also for other planned developments and is included in the Charter for the Councils flagship Otterpool Park proposals.

THERE WAS NO SUPPLEMENTARY QUESTION.

This report will be made public on 12 November 2019.

Report number **A/19/15**

To: Council
Date: 20 November 2019
Status: Non-Key Decision
Corporate Director: Susan Priest, Head of Paid Service

SUBJECT: AMENDMENT TO THE SCHEME OF DELEGATION OF EXECUTIVE FUNCTIONS MADE BY THE LEADER OF THE COUNCIL

SUMMARY: Under the Council's constitution (part 6, para 1.4.1) the Leader of the Council decides on the delegation of cabinet functions. The Leader may amend the delegations at any time by giving written notice to the Head of the Paid Service. Where such a notice is received the Head of the Paid Service must submit a report on the amendments to the next ordinary meeting of the Council. This report sets out the amendments made by the Leader.

REASON FOR RECOMMENDATIONS:

The Head of Paid Service must advise Council of any amendments to the Leaders delegations.

RECOMMENDATIONS:

1. To receive and note report A/19/15.

1. INTRODUCTION

- 1.1 Under the Council's constitution the Leader of the Council decides on the delegation of cabinet functions. The Leader may amend the delegations at any time by giving written notice to the Head of the Paid Service. Where such a notice is received the Head of the Paid Service must submit a report on the amendments to the next ordinary meeting of the Council.
- 1.2 The leader has amended the scheme of delegations in terms of Cabinet Portfolios, and has given Councillor Stuart Peall (Cabinet Member for Enforcement, Regulatory Services, Waste and Building Control) the additional responsibility of Environment and Climate Activities.

2. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

2.1 Legal officer's comments (AK)

There are no legal implications arising directly from this report.

2.2 Finance officer's comments

There are no financial implications arising from this report.

2.3 Diversities and equalities implications

No implications arising directly from this report.

3. CONTACT OFFICER AND BACKGROUND DOCUMENTS

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

Amandeep Khroud, Head of Democratic Services and Law
Telephone: 01303 853253
Email: amandeep.khroud@folkestone-hythe.gov.uk

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

None

This report will be made
public 12 November
2019

Report **A/19/19**

To: Council
Date: 20 November 2019
Status: Non executive decision
Head of Paid Service: Susan Priest

SUBJECT: REPORT FROM THE INDEPENDENT REMUNERATION
PANEL ON MEMBERS' ALLOWANCES AND EXPENSES

SUMMARY: This report recommends the consideration of the proposals of the Council's Independent Remuneration Panel that the members allowance scheme for elected members of Folkestone and Hythe District Council be amended.

RECOMMENDATIONS:

1. To receive and note report A/19/19.
2. To consider the recommendations of the Panel as set out in paragraph 2.3 of this report and to decide whether the allowance scheme should be amended with immediate effect.
3. To thank the Independent Remuneration Panel for undertaking the review.

1. INTRODUCTION

- 1.1 The Local Authorities (Members' Allowances) (England) Regulations 2003 require the Council to appoint an Independent Remuneration Panel (IRP) to consider and advise on the scale of members' remuneration.
- 1.2 On 24 July 2019 Council considered report A/19/10 and resolved to appoint a new IRP as the existing members terms of office were coming to an end (minute 34). The Head of Paid Service thought it was appropriate to ask the existing panel to have one final look at the scheme in view of the changes in composition of the Council since the election.

2. THE PANEL'S REPORT

- 2.1 The Panel's report is appended in appendix 1. The profiles of the members of the Panel are in appendix 2.
- 2.2 Members are requested to consider the recommendations of the IRP and make decisions on whether to amend the allowance scheme in the light of the recommendations.
- 2.3 The changes recommended by the Panel are as follows:
 - The Leader of the Council Special Responsibility Allowance (SRA) be set at 400 points and protection arrangements be applied in accordance with existing provisions. Note; once the protection arrangements cease to apply this would mean the Leader's SRA would be set at £21,732 per annum
 - The definition of 'Leader of the Opposition' for the purposes of the special responsibility allowance be amended to remove reference to 'minority' when referring to groups. The revised definition to read; "The Leader of the Opposition is defined as the leader of the largest group not forming part of the administration and that in the event of a number of groups of the same size occurring (with no one group being the largest group not being part of the administration) then this SRA should be divided equally between those group leaders.
 - Where the 'Leader of the Opposition' SRA is to be shared equally between two or more group leaders in accordance with the provisions of the scheme then the SRA is to be increased by 50 points to 200 points prior to calculating the relevant share. Note the SRA in the circumstances described above would be set at £10,866 per annum
 - The Council make clear both the aims of the Dependents Carers Allowance scheme and the importance of Councillors being able to claim under the scheme when reporting on Councilor expenses.
 - Paragraph 6 of the Dependents Carers Allowance scheme be amended to read: "The allowance will be paid at either: (a) an hourly rate (or proportion thereof) equivalent to the adult national living wage applicable at the time and to a total of the costs reasonably incurred or (b) paid on the basis of actual invoiced cost from a registered provider approved for the purposes of this scheme by the Monitoring Officer."

- Where an employee benefit scheme adopted by the Council is suitable to be extended to Councillors at no additional cost then discretion should rest with the Head of Paid Service to include Councillors within such a scheme
 - The special responsibility allowance for tier 2 committee chairs be discontinued
- 2.4 The recommendations of the Panel are that these proposals be adopted with immediate effect.
- 2.5 In addition the panel recommended that:-
- “Officers be asked to bring forward a parental leave scheme for consideration by the Council which would provide leave of absence for Councillors in cases of the birth or adoption of a child and that any such scheme, if approved by the Council, should be on the basis of no detrimental impact on an individual’s basic allowance and the ICT allowance but that any SRA cease to be paid during the period when the special responsibilities are no longer being undertaken”.
- 2.6 A further report on this aspect be brought forward shortly for members to consider.
- 2.7 Furthermore the panel made the following recommendation, not strictly relating to the allowance scheme namely:-
- “The Council consider the merits of conducting a trial of daytime meetings with a view to reducing the workload and time commitments for Councillors”.*
- 2.8 The Head of Paid Service will discuss with group leaders this recommendation to ascertain whether there is any desire to change the Council’s current practice.
- 2.9 The Panel also recommended that:-
- “If changes to governance arrangements currently being considered are to proceed then it is recommended that the new Panel is convened to carry out a review at that time. Whether or not such changes proceed, it is recommended that the new Panel be reconvened to review the scheme in 2023 following the local elections”.*

3. LEGAL / FINANCIAL AND OTHER POLICY MATTERS

3.1 Legal officer’s comments (AK)

All relevant legal issues have been addressed in the report.

3.2 Finance officer’s comments (CS)

The cost of the proposed scheme can be contained within the existing budget.

3.3 Diversities and equalities implications (AK)

All relevant issues have been addressed in the report

4. CONTACT OFFICER AND BACKGROUND DOCUMENTS

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

Amandeep Khroud
Assistant Director – Governance, Law and Regulatory Services
Telephone: 01303 853253
E-mail: Amandeep.khroud@folkestone-hythe.gov.uk

Background documents

None.

Appendices

Appendix 1 – The report from the Independent Remuneration Panel
Appendix – Profiles of Members of the Independent Remuneration Panel



**4th Report of the
Folkestone & Hythe District Council
Independent Remuneration Panel**

October 2019

Introduction

The Folkestone & Hythe District Council Independent Remuneration Panel (IRP) was formed to enable the Council to meet its obligations under the Local Authorities (Members' Allowances) (England) Regulations 2003.

The role of the Panel is to look objectively and independently at the allowances and expenses paid to Folkestone & Hythe District Councillors and co-optees, making recommendations relevant to the Folkestone & Hythe context. Under the regulations, it is a statutory requirement for the Council to have regard to those recommendations in determining allowances and expenses for both Councillors and co-optees.

The scheme of allowances and expenses recommended by the Panel in October 2015 was adopted by the Council on 13th January 2016 and implemented on the 25th May 2015. The operation of the scheme was reviewed by the Panel in its January 2017 report. This report is the final report of the current Panel following a further review carried out in September and October 2019.

The Panel would like to record its thanks to the Head of Paid Service, Monitoring Officer and staff of the Council and to the Councillors who have given their time to this process. A particular note of thanks also goes to Kate Clark for her practical and administrative support.

This report represents the collective view of the Panel and I would like to acknowledge the work of my fellow Panel members, David Ellerby, Michael George and Janet Waghorn.

Whilst the role of the Panel is to make recommendations, the final decisions on these matters rest with the elected members of Folkestone & Hythe District Council.

Chris Harman
Chair, Folkestone & Hythe Independent Remuneration Panel

1. Structure of Review

1.1 In carrying out this review, the approach adopted by the Panel was to:

- (a) Review documentation including the South East Employers' Members Allowances Survey 2018-19.
- (b) Interview the Head of Paid Service.
- (c) Interview a representative sample of 11 Councillors holding different roles
- (d) Solicit wider public input through use of the Council's website and social media feeds

1.2 All Councillors were given the opportunity to meet with the Panel and to make written submissions.

1.3 All Parish and Town Councils in the District were informed the Panel was sitting and asked if they would like the Panel to review their own arrangements for Member allowances as part of its work programme in its role as the Parish Remuneration Panel.

1.4 Areas considered by the Panel included:

- (a) The effectiveness of the scheme in practice taking into account the changing circumstances at the Council since its inception.
- (b) The operation of specific aspects of the scheme including provision for carers, the system of expenses and the arrangements related to the ICT allowance,
- (c) The degree to which the scheme effectively supported the democratic process and facilitated democratic participation.
- (d) The extent to which the differentials between different special responsibility allowances established by the scheme continued to be seen as appropriate in practice.
- (e) The appropriateness of the arrangements at Folkestone & Hythe with regard to the wider practices within Local Government and in particular within Kent.
- (f) The extent to which the scheme was successfully delivering a transparent and coherent framework for allowances.

2. Individuals and Roles

2.1 As with previous reviews, it was noted by several interviewees and accepted by the Panel that different individuals will bring a different level of involvement to the different roles. It is the view of the Panel that individual office holders have a degree of choice in the time commitment they give to a role and that variations in such choices should not impact on the assessment of the appropriate level of a special responsibility allowance (SRA).

2.2 This is consistent with the previously expressed view of the Panel that being a councillor is not a 'job' in the traditional sense and therefore Councillors' allowances are not 'pay'. Rather, the Panel viewed the role of a councillor as public service, carrying with it both privileges and responsibilities. Accordingly the Panel maintains the view that Councillors' allowances are primarily a means of compensating for both the time commitment and incidental financial costs of holding elected office. Having taken this view, it follows that allowances are not a 'reward' in pay strategy terms and that it would be inappropriate to allow the allowance scheme to be influenced by consideration of an individual's performance in a role, including how much time they give to it above and beyond what might reasonably be expected.

2.3 The Panel is conscious that such an approach does require an assessment of what might reasonably be expected in terms of time commitment and its conclusions on this, based on both local interviews and regional and national survey data, were detailed in previous reports. However the Panel accepts that such an approach is more difficult with unique roles, such as Leader of the Council, where the time commitment involved is heavily dependent on the individuals approach to the role.

3. Leader of the Council SRA

3.1 As part of this review the Panel again looked at the differentials between different SRAs and between those SRAs and the basic allowance. The Panel was satisfied that the basic allowance as well as the differentials were generally at the right levels other than the differential between the 'Leader of the Council' SRA and the 'Cabinet Members' SRA where a review of comparative data identified some concerns. It should be stressed however, that there was general consensus from the interviews conducted regarding the high demand of this role and the amount of work carried out by the current incumbent.

3.2 At the time of this Panel's last review this SRA was seen as being towards the higher end of acceptable values but not, in the circumstances of this Council, unreasonable. This reflects the conclusions of this Panel's 2015 review where this SRA was identified as being relatively high.

3.3 Revisiting relevant comparators suggests both in absolute and relative terms, that this SRA, set at 440 points, is now too high for the matter to remain unaddressed. Whilst it is clear to the Panel, from the interviews conducted, that the present incumbent of the role is perceived to carry significant responsibility and the role itself carries a high workload, the Panel is required to focus, not on the individual, but the allowance.

3.4 Having considered the comparators both across the South East and locally and taking into account local circumstances, the Panel is of the view that the differential between the 'Leader of the Council' and the 'Cabinet Member' SRA is set too high and should be reduced. The Panel has concluded that a point score of 400 points for the 'Leader of the Council' SRA would be appropriate. This would set the 'Leader of the Council' SRA at twice the level of the 'Cabinet Member' SRA.

3.5 Given that the recommendation involves a reduction in a current SRA, the protection arrangement, previously agreed by the Council, as detailed in the Panel's 2015 report, would apply. Under these arrangements there would be no detriment to the current incumbent as the allowance would be frozen at its current level.

3.6 In summary it is recommended that:

The Leader of the Council SRA be set at 400 points and protection arrangements be applied in accordance with existing provisions.

3.7 The Panel considered the 'Deputy Leader' SRA and also whether or not changes to the size of the Cabinet should impact the 'Cabinet Member' SRA. In both these areas the Panel reached the view that no changes be recommended. With respect to Cabinet size, the Panel accepted that this could increase workloads but concluded that this was a matter of political decision making and that the existing provisions with the scheme were adequate.

4. Leader of the Opposition SRA

4.1 The current scheme provides for an SRA set at 150 points for the role of Leader of the Opposition. This SRA is designed to support the democratic process and the Panel's reasoning has been detailed in previous reports. The scheme also provides that the Leader of the Opposition is defined as the leader of the largest minority group not forming part of the administration. Under the scheme, where there is more than one group of the same size occurring (with no one group being the largest minority group) then this SRA is divided equally between those group leaders.

4.2 The current situation at the Council has brought greater focus on this provision given that there is currently more than one minority group and two

are of the same size (with the consequence that the allowance is currently shared between those two group leaders).

4.3 The Panel appreciate that the current arrangement means there is no special responsibility allowance for leaders of smaller opposition groups not falling within the definition of 'leader of the opposition' as applied to this SRA. However, the Panel's view is that this SRA is not intended to recompense for the role of 'group leader' but to provide recompense for the democratically important role of 'leader of the opposition'. It is also the Panel's view that this role falls to the leader of the largest opposition group (or groups if more than one of equal size). Whilst leaders of groups not forming part of the administration may make political arrangements or come to political understandings which effectively share the responsibility for holding the administration to account, such arrangements being political in nature and discretionary are not matters for the Panel or that the Panel view as relevant to the distribution of SRAs. The Panel are also conscious of the importance of this SRA not becoming the equivalent of a 'group leader' SRA given that groups are essentially political creations, may or may not form part of the administration and that a 'group leader' type of SRA can have the unintended consequence of providing an incentive towards political fragmentation.

4.4 However, the panel are of the view that where the 'leader of the opposition' SRA is split between two or more group leaders in accordance with the current provisions of the scheme, then there is an argument that such responsibilities do not divide neatly and that the effect is to undervalue the additional responsibilities of each group leader. The Panel would therefore recommend that where the allowance is divided in these situations between two or more individuals, that there should be an uplift to the allowance of 50 points to 200 points prior to that division. The Panel is also of the view that the definition should refer to 'groups' not 'minority groups' given that it is possible for the largest group to become the opposition group in a Council comprising a number of groups. In summary it is recommended that:

The definition of 'Leader of the Opposition' for the purposes of the special responsibility allowance be amended to remove reference to 'minority' when referring to groups. The revised definition to read; "The Leader of the Opposition is defined as the leader of the largest group not forming part of the administration and that in the event of a number of groups of the same size occurring (with no one group being the largest group not being part of the administration) then this SRA should be divided equally between those group leaders.

Where the 'Leader of the Opposition' SRA is to be shared equally between two or more group leaders in accordance with the provisions of the scheme then the SRA is to be increased by 50 points to 200 points prior to calculating the relevant share.

5. Support for Carers

5.1 In relation to the Dependants' Carers' Allowance scheme, it continues to be the case that these provisions are not widely used. It was noted that there may be some reluctance for those eligible to make claims under the scheme because of adverse and hostile comments on social media and similar. The Panel see this as a regrettable situation which hinders democratic participation. The Panel noted that as the pool of Councillors becomes more diverse then the provisions of such a scheme increase in importance to facilitate democratic participation. In the light of this the Panel considered whether there were alternative means to deliver the objectives of the scheme which did not expose those utilising the scheme to hostile commentary. The Panel concluded that the interests of transparency and the need to effectively control the costs of the scheme make it difficult to find a viable alternative to a claims based provision. However, the Panel would recommend that:

The Council make clear both the aims of the Dependants' Carers' Allowance scheme and the importance of Councillors being able to claim under the scheme when reporting on Councillor expenses.

5.2 In reviewing the detail of the scheme the Panel noted that the requirement to base claims on the adult national living wage may be unnecessarily restrictive, particularly as the requirement for carers may lie outside normal working hours and attract premium rates of pay. The Panel therefore recommends that:

Paragraph 6 of the Dependants' Carers' Allowance scheme be amended to read: "The allowance will be paid at either: (a) an hourly rate (or proportion thereof) equivalent to the adult national living wage applicable at the time and to a total of the costs reasonably incurred or (b) paid on the basis of actual invoiced cost from a registered provider approved for the purposes of this scheme by the Monitoring Officer."

5.3 The Panel also considered whether there were appropriate further measures within its remit that could be taken to facilitate democratic participation particularly from those with carer responsibilities. The issue of parental leave was raised. Such a scheme would allow Councillors an approved leave of absence on the birth or adoption of a child. This could be with or without impact on that Councillors' remuneration. Whilst the Panel felt there was merit in the idea, it was also noted that there were practical difficulties given that the absence of a Councillor would inevitably impact on other Councillors at ward level and would also reduce the democratic representation of the electorate. However, the Panel noted that similar issues existed in relation to long term absence through ill-health and that Councillors had worked together at ward level to cover such absence. On this basis the Panel felt that the practical difficulties were not insurmountable. In considering such a scheme the Panel was conscious that there was a risk of treating the Councillor role as 'employment' but felt that such a risk was

balanced by the desirability of increased flexibility to remove barriers to democratic participation. However the Panel felt that the only aspect of such a scheme that fell within its statutory remit was whether or not such leave, if adopted by the Council, should be with or without impact on remuneration. The Panel took the view that for such a scheme to be effective any adverse economic impact on the individual should be minimised but that it was difficult to justify continuing to pay a special responsibility allowance when the associated role was no longer being performed. The Panel concluded that if such a scheme were introduced then the basic allowance and the ICT allowance should continue to be paid but that any special responsibility allowance should cease. It is the recommendation of the Panel that:

Officers be asked to bring forward a parental leave scheme for consideration by the Council which would provide leave of absence for Councillors in cases of the birth or adoption of a child and that any such scheme, if approved by the Council, should be on the basis of no detrimental impact on an individual's basic allowance and the ICT allowance but that any SRA cease to be paid during the period when the special responsibilities are no longer being undertaken.

5.4 A further issue that arose during this review was whether or not the current arrangements of primarily evening meetings was a disincentive to democratic participation and whether or not it unnecessarily added to the time commitments of all Councillors. The Panel noted that there were varying views on this and concluded that, whilst the practical matters of Council administration lay outside its formal remit, the impact on Councillor workloads, time commitment and on the application of the Dependents' Carers' Allowance scheme were relevant to remuneration. Given the differing views and the differential impact of such a change, the Panel felt that there may be some benefit to the Council in conducting a trial of daytime meetings in agreed areas to allow an assessment of the relative advantages and disadvantages and the overall impact on the Councillor role. The Panel therefore recommend that:

The Council consider the merits of conducting a trial of daytime meetings with a view to reducing the workload and time commitments for Councillors.

6. Benefit Schemes

6.1 It was brought to the Panel's attention that there might be other benefits, either proposed or existing, applicable to Council staff that could be extended to Councillors. Councillors are not employees and therefore the Panel felt that each proposal would need to be considered on its own merits. In relation to the particular case raised of an employee discount card scheme, the Panel was of the view that, if the extension of such a scheme incurred no additional cost, then it was reasonable to include Councillors within its purview provided there was no objection in principle

from the Head of Paid Service. Where there is a direct cost to the inclusion of Councillors in a scheme the Panel was of the view that the interests of transparency required such a proposal to be subject to a formal process and decision. The Panel therefore recommends that:

Where an employee benefit scheme adopted by the Council is suitable to be extended to Councillors at no additional cost then discretion should rest with the Head of Paid Service to include Councillors within such a scheme

7. Environmental Impact

7.1 The Panel's attention was also brought to the encouragement of environmentally sustainable travel through the application of the expenses scheme. The Panel took the view that this meant ensuring the scheme did not encourage unnecessary travel and positively encouraged reducing the carbon footprint of necessary travel. The Panel's view was that the current bicycle mileage allowance is set at a level sufficient to provide such encouragement and that travel by public transport is also adequately covered. The Panel considered whether the scheme should extend to the provision of interest free loans for the private purchase of bicycles but concluded that such a provision was more appropriate to employees where the processes for dealing with employee loans of various kinds are better developed and suitably robust. Given that Councillors are not employees it was felt inappropriate to recommend adoption of such a scheme. At a later date the Council may wish a future Panel to consider incentivising the use of fully electric vehicles for personal transport through the expenses scheme but the current Panel felt it was not a matter to be addressed at this time.

8. Committee Roles

8.1 It was noted that the Council is currently considering whether or not to move to new governance arrangement consisting of a committee system. The Panel's view is that this would constitute a significant change and would be a matter for the next Panel to consider.

8.2 In the meantime the Panel re-considered the unremunerated role of committee vice-chair and felt that no change was warranted to this arrangement. However should the Council move to different governance arrangements then this might be a matter for the next Panel to reconsider.

8.3 The Panel also considered the current categorisation of committees into 'tiers' for remuneration purposes. It was noted that the only remaining remunerated tier 2 committee chair role was for the chair of the Personnel Committee. It was also noted that this SRA has not been paid for some time under the rules related to the payment of only a single SRA. The Panel's view was that it was likely that this would continue to be the case and, in any event, whilst the committee dealt with substantive issues on the occasions it

did meet, the actual workload involved on a regular basis did not appear to warrant the continuation of this SRA. As this is the only tier 2 committee, removing this SRA would mean that SRA's would no longer be applicable for chairing a tier 2 committee. The Panel recommends that:

The special responsibility allowance for tier 2 committee chairs be discontinued

9. ICT Allowance

9.1 The Panel took the view that the ICT allowance is working effectively to cover the additional costs incurred by Councillors in fulfilling their responsibilities. However, there was a view expressed that the provision of a separate allowance, whilst required at the present time, may be something that has a limited lifespan. When such allowances were first introduced it was not uncommon for Councillors to have to purchase new technology, separate telephone lines, better broadband access and similar to fulfil their role. This is less often the case nowadays and the costs covered by the allowance tend to be related to consumables together with a contribution towards fixed costs. The Panel has some sympathy with this view and believes that, together with the Council issued tablet computers, the provision of a member 'business centre' in the form of a well equipped shared office facility with printing facilities might be a catalyst to phasing out the allowance. Whilst the Panel does not propose making any recommendations on this matter, the Panel believes that the continuation of this allowance should be kept under review as the Council's ICT support for Councillors develops.

10. Annual Increase

10.1 The Panel reviewed the annual up-rating provision in the scheme which currently uses CPI. This was seen as working effectively and avoided the inherent conflict of interest in using other measures such as the annual staff pay award which is itself determined by Councillors. It was noted that in the past Councillors allowances had fallen far below what was reasonable due to the lack of regular up-rating. Since the introduction of the current scheme the up-rating mechanism had prevented this re-occurring. It was also noted that during a period of fiscal restraint, the up-rating mechanism could lead to a relative increase in allowances at the Council when considered against comparator Councils where no up-rating, or a different up-rating mechanism is used. This was, in the Panel's view, an unavoidable consequence of the design of the scheme and less damaging to local democratic participation than the cumulative effect of failing to up-rate allowances over a number of years. It was also felt by the Panel that, over time, any anomalies created by different methods of up-rating between different Councils would have a tendency to even out.

11. Approved Duties for Travelling and Subsistence

11.1 It was noted that Councillors claims for travelling and subsistence for approved duties can attract negative publicity and that this can deter Councillors from making claims. It was also noted that a number of Councillors do not make claims under these provisions other than for exceptional items.

11.2 The Panel would reiterate its view that every individual's circumstances are different and that it is important the Councillors do not feel discouraged from making legitimate claims under these provisions. In this respect the Panel felt it incumbent upon the Council to make it clear in any publication of payments to Councillors in relation to travelling and subsistence claims both the legitimacy of those claims and the importance of the scheme to diversity in democratic participation.

11.3 Other than matters related to public perception, there appeared to be no substantive issues with the operation of this aspect of the scheme and no changes are recommended.

12. Conclusions of the Panel

12.1 Overall the Panel found that the scheme was functioning effectively with few negative criticisms being expressed by those interviewed, In addition no responses were received through the opportunity provided for public comment. A review of external comparator data showed that the scheme remained one of the most affordable within the region offering good value to the residents of the district whilst being perceived to offer adequate levels of compensation to Councillors. Where analysis of the comparative data has suggested amendments this is covered in the text of this report and recommendations below. Changes to the Council composition following the most recent elections have also tested the provision related to the 'leader of the opposition' SRA and an amendment to the operation of this SRA is included in the recommendations.

12.2 The Panel believe the scheme continues to operate in a transparent and coherent fashion and to support democratic participation. Some amendments are suggested to improve this aspect together with recommendations to the Council to consider issues such as parental leave and to trial daytime meetings. However, the provisions in the scheme to encourage a diversity of democratic representation can be undermined by ill-informed and unjustified negative public commentary on member expenses and allowances, particularly on the web and social media. Whilst transparency and accountability are essential in this area and public scrutiny is to be welcomed, the Panel believe it is important for the Council to be proactive in ensuring the public is properly informed about the work of Councillors and the role of the expenses and allowances scheme and to actively respond to ill-informed and unjustified public commentary on the subject.

13. Summary of Recommendations

13.1 The Leader of the Council SRA be set at 400 points and protection arrangements be applied in accordance with existing provisions.

13.2 The definition of 'Leader of the Opposition' for the purposes of the special responsibility allowance be amended to remove reference to 'minority' when referring to groups. The revised definition to read; "The Leader of the Opposition is defined as the leader of the largest group not forming part of the administration and that in the event of a number of groups of the same size occurring (with no one group being the largest group not being part of the administration) then this SRA should be divided equally between those group leaders.

13.3 Where the 'Leader of the Opposition' SRA is to be shared equally between two or more group leaders in accordance with the provisions of the scheme then the SRA is to be increased by 50 points to 200 points prior to calculating the relevant share.

13.4 The Council make clear both the aims of the Dependants' Carers' Allowance scheme and the importance of Councillors being able to claim under the scheme when reporting on Councillor expenses.

13.5 Paragraph 6 of the Dependants' Carers' Allowance scheme be amended to read: "The allowance will be paid at either: (a) an hourly rate (or proportion thereof) equivalent to the adult national living wage applicable at the time and to a total of the costs reasonably incurred or (b) paid on the basis of actual invoiced cost from a registered provider approved for the purposes of this scheme by the Monitoring Officer."

13.6 Officers be asked to bring forward a parental leave scheme for consideration by the Council which would provide leave of absence for Councillors in cases of the birth or adoption of a child and that any such scheme, if approved by the Council, should be on the basis of no detrimental impact on an individual's basic allowance and the ICT allowance but that any SRA cease to be paid during the period when the special responsibilities are no longer being undertaken.

13.7 The Council consider the merits of conducting a trial of daytime meetings with a view to reducing the workload and time commitments for Councillors.

13.8 Where an employee benefit scheme adopted by the Council is suitable to be extended to Councillors at no additional cost then discretion should rest with the Head of Paid Service to include Councillors within such a scheme

13.9 The special responsibility allowance for tier 2 committee chairs be discontinued

13.10 It is the Panel's view that the recommendations do not represent a 'package' and can therefore be considered individually. It is also the Panel's view that recommendation 13.2 falls within the existing provisions for updating and interpretation of the scheme and, together with 13.4, can be dealt with under officer delegated powers. Recommendation 13.7 is a suggestion to the Council and may not require a formal resolution to be passed.

14. Future Reviews

14.1 This will be the last review of the current Panel and any future review will be conducted by a new Panel. If changes to governance arrangements currently being considered are to proceed then it is recommended that the new Panel is convened to carry out a review at that time. Whether or not such changes proceed, it is recommended that the new Panel be reconvened to review the scheme in 2023 following the local elections.

This page is intentionally left blank

Profiles of the members of the Folkestone & Hythe Independent Remuneration Panel

DAVID ELLERBY

David moved to Hythe in 2006 when he retired as principal of a further education college in Essex. He has more than 18 years experience as a member of a district council members' independent remuneration panel. For twelve years, he was independent chairman of a large local strategic partnership, responsible for developing and overseeing an extensive community strategy. He was vice president of a local chamber of commerce, former Chair of the East Kent Bench and has held a number of chairmanship positions in the public sector. David lives in Hythe and is married with three children. He is a retired magistrate, a graduate in mathematics and a fellow of the Royal Statistical Society.

CHRIS HARMAN (CHAIR)

Chris has worked for county, district and unitary councils and in the private sector. Following his last local government role, serving as Chief Executive for a unitary authority, Chris retired to Folkestone. With a professional background in human resources he has experience with a wide range of pay and remuneration matters. A former governor of Staffordshire University, he is co-author of a number of professional books and articles on HR and Knowledge Management. Chris has worked with the United Nations, the OECD and the EU and currently sits on a scrutiny board for a large housing association. Chris holds a masters degree in management and is a Fellow of the Chartered Institute of Personnel and Development.

MICHAEL GEORGE

Michael has lived and worked in Folkestone for 38 years. After qualification as a solicitor, he worked for Shepway District Council before moving into private practice. Until retiring in 2011, Michael had spent 20 years as a Senior Crown Prosecutor, dealing with everything from motoring to murder. Married, and with two adult children, Michael has been a school governor, a member of St John Ambulance, and trustee of a local charity. He has worked with local schools sharing his experiences in the Law and military history (about which he has written two books). Keen to encourage interest in our local heritage, Michael has led guided walks and given many talks.

JANET WAGHORN

Janet retired following a successful career in the Police and Local Government, culminating in her role as executive director of East Kent Local Strategic Partnership. She holds a master degree in Management Studies and is an experienced strategic leader, working in complex organisations locally and nationally. Janet became a magistrate in 2009 and in recent years Janet has focused on 'Standards in Public Life' and is the appointed Independent Person for Dover District Council and Kent Fire and Rescue Authority

This page is intentionally left blank

This report will be made public on 12 November 2019



Report number **A/19/18**

To: Council
Date: 20 November 2019
Status: Non-key Decision
Head of Paid Service: Susan Priest
Responsible Officer: Amandeep Khroud, Assistant Director,
Governance, Law & Regulatory Services

Subject: Members' Allowances – Independent Remuneration Panel

Summary: This report recommends the council's approval for the appointment of members for the Folkestone and Hythe Independent Remuneration Panel.

Reason for recommendations:

Council is asked to agree the recommendations set out below because:
The council needs to establish an Independent Remuneration Panel under the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003, as the term of existing members expire on 1 December 2019.

Recommendations:

1. To receive and note report A19/18.
2. To appoint:
 - (a) Chris Harman
 - (b) Beverley Crouch
 - (c) Paul Murphy
 - (d) Judy Williams

As members of the Folkestone and Hythe Independent Remuneration Panel for a period of four years from 2 December 2019.

1. BACKGROUND

- 1.1 The Local Authorities (Members' Allowances) (England) Regulations 2003 (S11280) require the council to appoint an Independent Remuneration Panel (IRP) to consider and advise on the scale of members' remuneration.
- 1.2 On 24 July 2019, Council considered report A/19/10 and resolved that:
 - Four members be appointed to the Council's Independent Remuneration Panel under the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003 with a four year term of office from the 1 December 2019;
 - A Parish Remuneration Panel be established under the regulations, the members of which shall be identical to the members of the Independent Remuneration Panel;

2. FOLKESTONE AND HYTHE INDEPENDENT REMUNERATION PANEL

- 2.1 The 2003 Regulations do not specify how a local authority may appoint members of its IRP, but the guidance states that the process should command public confidence throughout all the communities in the local authority's area.
- 2.2 With due regard to the guidance, candidates were sought by advertisement in the local newspapers and via the council's website; the Head of Paid Service was authorised to produce a role description.
- 2.3 The selection panel for the IRP comprised the Chairman of the Council, the Leader of the Council, the Leader of the Labour Group, the Leader of the Green Group and the Leader of the Liberal Democrat Group, who was appointed by the Head of Paid Service.
- 2.4 The selection panel considered candidates from a shortlist drawn up by the Head of Paid Service and the Assistant Director, Governance, Law & Regulatory Services. The shortlist consisted of four applicants.
- 2.5 Following interviews held on 5 November 2019 the selection panel decided to recommend the following applicants for appointment:
 - (a) **Chris Harman**
 - (b) **Beverley Crouch**
 - (c) **Paul Murphy**
 - (d) **Judy Williams**

3. RISK MANAGEMENT ISSUES

3.1 A summary of the Perceived Risks Follows:

No perceived risk.

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal Officer's Comments (AK)

All relevant legal issues have been addressed in the report.

4.2 Finance Officer's Comments (CS)

None

4.3 Diversity and Equalities Implications (AK)

No diversity or equality implications.

5. Contact officer and background documents

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

Jemma West, Senior Committee Services Officer

Tel: 01303 853 369

Email: jemma.west@folkestone-hythe.gov.uk

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

None

This page is intentionally left blank

This report will be published
on 12 November 2019.

Agenda Item 14

**Folkestone
& Hythe**



District Council

Report Number **A/19/16**

To: Council
Date: 20 November 2019
Status: Key Decision
Responsible Officer: Andy Blaszkowicz, Assistant Director - Environment & Corporate Assets
Cabinet Member: Councillor David Monk, Leader of the Council
Councillor John Collier, Cabinet Member for Property Management and Grounds Maintenance

SUBJECT: Budget Approval for Folkestone Beach Chalets Scheme

SUMMARY: This report proposes changes to the Council's capital programme including the capital funding implications. The capital works are a request from the Trustees of the Folkestone Parks and Pleasure Grounds Charity to provide capital funding of £500,000 to support the renovation of 16 of existing beach chalets, the demolition of the remaining 58 beach chalets and the installation of 120 new beach chalets at Marine Walk, Folkestone.

RECOMMENDATIONS:

- 1) To receive and note report A/19/16.
- 2) To approve the change to the Council's capital funding programme to include £500,000 to be met from Prudential Borrowing to support the Folkestone Parks and Pleasure Grounds Charity's Folkestone Beach Chalets Scheme.

1. BACKGROUND

- 1.1 The District Council of Folkestone and Hythe, acting as trustee for the Folkestone Parks and Pleasure Grounds Charity, is the landlord of 74 beach chalets at Marine Walk, Folkestone, adjacent to the Lower Sandgate Road.
- 1.2 The net cost of operating the Charity is met through the General Fund and is charged as a special expense to the Council Tax payers of Folkestone & Sandgate.
- 1.3 On 16 October 2019 the Trustees of the Folkestone Parks and Pleasure Grounds Charity considered the Folkestone Beach Chalets Scheme and approved to seek capital funding of £500,000 from the Council to meet the cost of the project.
- 1.4 On 13th November 2019 the report was presented to Cabinet to seek approval from Full Council to provide capital funding of £500,000 to support the renovation of 16 of existing beach chalets, the demolition of the remaining 58 beach chalets and the installation of 120 new beach chalets at Marine Walk, Folkestone.
- 1.5 In summary the scheme provides for the renovation of 16 existing beach chalets, the demolition of the remaining 58 chalets and the acquisition and installation of 120 new chalets on land owned by the Charity at Marine Walk, Folkestone. The proposed scheme will provide the Charity with a sustainable net increase in income helping to improve its financial position over the longer term.
- 1.6 From 1997 to January 2018, all of the beach chalets had been leased to one tenant, who were responsible for the individual rental agreements of each chalet. The general condition of the chalets and infrastructure was deteriorating and the decision was made to terminate the existing lease. On the 4th January 2018 the Huts were brought back into Council control.
- 1.7 At the time the Council agreed to offer leases to the existing chalet occupants that agreed to the council's new terms. The majority of the leases commenced 4th January 2018 and are all coterminous, expiring 4th January 2020. The leases contain a mutual break option, operable from 5th January 2019, however none of the leases have been determined in this way. The leases have been excluded from the protection of the Landlord and Tenancy act 1954 meaning the tenants do not have a right to renew the lease at the end of the expiry date.
- 1.8 All the beach chalets have been inspected externally and any that were empty upon return to the council have additionally been inspected internally. They have had minor works completed where the financial implications were minimal to allow them to be re let for 2 years, these leases run out on the 4th January 2020.
- 1.9 There are 74 chalets, 22 are currently vacant with 52 tenanted. 22 have been withheld because the cost to make them ready for use is nominally in excess of £1000.
- 1.10 For 2019/20 the total annual income generated by leasing the chalets is forecast to be £40,400, with an annual maintenance budget of £20,000 resulting in a projected net income of £20,200 for the year. This position is not considered to be sustainable in future years due to the current condition of the chalets and infrastructure and the increasing decline in their condition.
- 1.11 Since the Council took control of the chalets in 2018 there have been significant interest in the buildings. To date there has been 128 expressions of interest from the

public wishing to lease a chalet. 67 of these reside within the Folkestone/Sandgate area, 19 within the rest of the district and 42 either unknown or outside the district. The interest has been received without the council advertising the space and therefore demand is considered high.

2. PROPOSAL

2.1 In summary, the proposed £500,000 capital scheme is for the following programme of works;

- Renovate the 8 tiered chalets
- Renovate 8 pitched roof chalets (Numbers 20-27).
- Undertake engineering works to stabilise and support the cliff.
- Undertake infrastructure improvements (walls, surfacing, steps, disabled access)
- Undertake drainage improvements
- Install 120 wooden chalets (3 sizes to installed)

3. OPERATING INCOME & EXPENDITURE

3.1 The financial model developed for the Beach Chalets scheme has been based on the following assumptions; *all figures rise by 3% annually.

- Rental charges set ranging between £850 and £1200 depending on size and type of chalet.
- £14,500 (£100 per chalet) is put aside for annual maintenance. After 5 years this increases to £25,375 (£175 per chalet). Capital financing cost over years 1 to 10 only (see section 4, below). Legal fees are charged at £100 for each lease charged in the first year and 15 expected to turnover per year.
- Management Costs £25 per chalet.
- Insurance £20 per chalet.
- Occupation of the chalets is as follows;
 - Year 1-3 = 80%
 - Year 3-10 = 95%

3.2 Figure 1: Cumulative income shows the financial income over the lifetime of the scheme design.

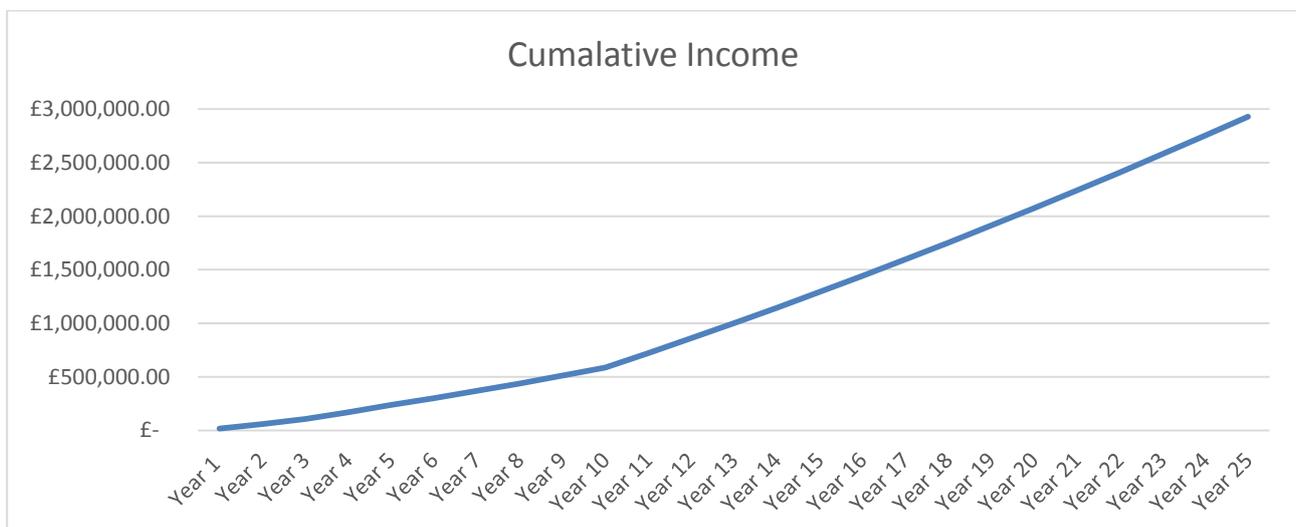


Figure 1: Cumulative Income

3.3 Figure 3: 5 year net income forecast shows the income position after 5 years to the Charity.

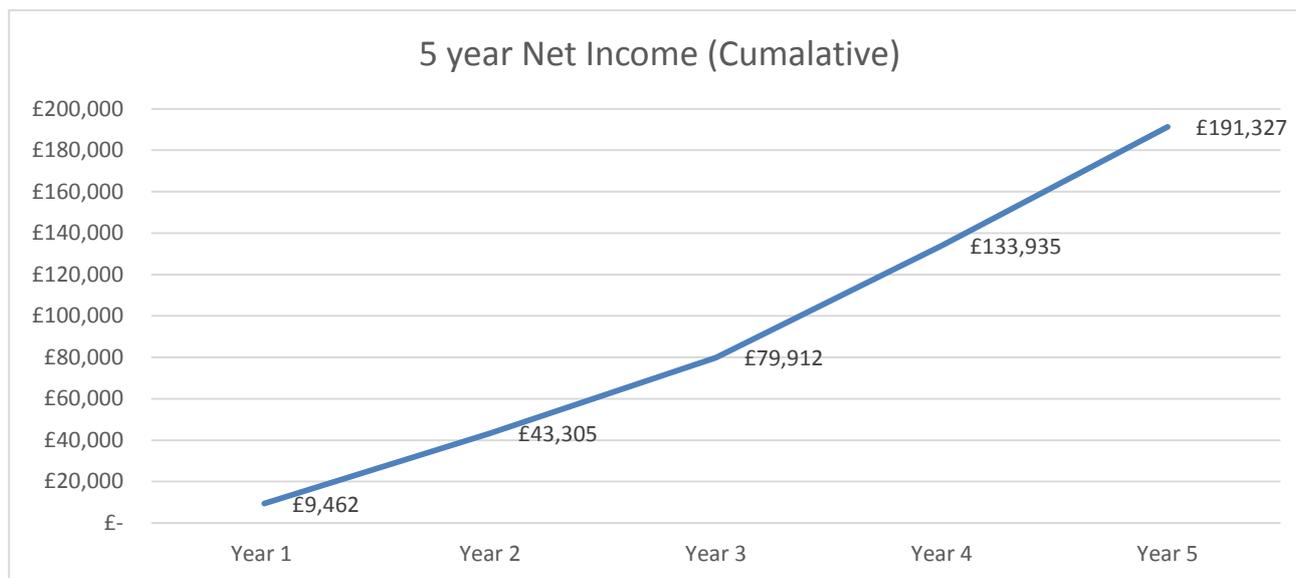


Figure 3: 5 year net income forecast

3.4 Table 1: Annual Net Return details the net income, after all costs, for the proposal to year 10. The reduction in income at year 6 can be attributed to the increase in maintenance cost planned from this point.

Table 1: Annual Net Return

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Income	£ 9,462	£ 33,844	£ 36,606	£ 54,024	£ 57,392	£ 52,949	£ 56,057	£ 59,144	£ 62,210	£ 65,253
Gross Income	£ 113,348	£ 116,748	£ 120,250	£ 138,429	£ 142,582	£ 146,735	£ 150,888	£ 155,041	£ 159,194	£ 163,347
Operating Costs	£ 45,640	£ 24,658	£ 25,398	£ 26,160	£ 26,945	£ 35,540	£ 36,585	£ 37,651	£ 38,738	£ 39,848
Financing Costs	£ 58,246	£ 58,246	£ 58,246	£ 58,246	£ 58,246	£ 58,246	£ 58,246	£ 58,246	£ 58,246	£ 58,246

4. FINANCE

4.1 The Charity does not have the resources in hand to meet the £500,000 capital cost of the proposed scheme and will require the Council to meet the cost through a capital contribution. This is suggested to be financed through prudential borrowing on the basis that this scheme generates a net benefit to the Charity and therefore reduces the burden

to the Council on the General Fund. The budget and capital resources for the proposed scheme will need to be approved by the full Council as it is not included in the Council's current capital programme. For the purpose of the financial model for the proposed scheme, the indicative annual capital financing cost is estimated to be £82,000. This means the total finance cost will be £582,000 over the planned borrowing period of 10 years and assumes an interest rate of 3% on a loan from the Public Works Loan Board (PWLB). The financial model for the scheme, outlined in section 3 of this report, provides for the Charity to meet the Council's annual capital financing costs over a 10 year period from the gross additional revenue income generated.

4.2 The proposed additional borrowing of £500,000 can be contained within the Council's existing authorised borrowing limit of £96.5m.

4.3 The proposal returns £2,715,000 over the lifetime of the scheme (25 years).

4.4 The impact to the Charity's revenue budget from the projected net additional income and the demand on the Special Expense met by the Council from the proposed scheme will be taken in to account in future annual budget setting rounds.

5. PROGRAMME OF WORKS

5.1 The council does not need to give notice to bring the leases to an end of the expiry date of the 4th January 2020. The Charity will be offering current tenants first refusal on the new chalets.

5.2 The Engineering & Buildings team will collate a full specification of works to be undertaken. Working with procurement this will be advertised as two separate tenders, one to undertake all the groundworks, and the second to supply and build the chalets.

5.3 Planning permission will have to be applied for.

5.4 Work is anticipated to commence in early February in line with planning permission approval. Works are anticipated to continue for a period of approximately 12 weeks, with a view to have new tenants in the chalets in early May 2020. Officers recommend that the leases are granted for a two year period on a non-secure basis.

6. RISK MANAGEMENT ISSUES

6.1 There is minor risk associated due to the amount of borrowing, however the apparent demand for beach chalets is considered to be suitably high to offset the risk.

7. CONCLUSION

7.1 The proposal set forward within this report returns an immediate, and sustainable return on investment for the Charity helping to improve its financial position with the potential

to reduce some of the financial burden to the Council through the Special Expense charged to the Council Tax payers of Folkestone and Sandgate only.

7.2 Appreciation has been given to the setting and environment that the beach chalets are found in. A high provision of maintenance funding has been put in place to ensure the scheme is self-supporting throughout the 25 year design life.

7.3 Offering internal repairing leases minimises the impact of the maintenance burden on the Council and allows the tenants a restricted option to utilise the chalets as they see fit.

7.4 Providing the option for existing tenant's first refusal on the new chalets should ensure a smooth transition to the service and minimise any reputational risk.

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

8.1 Legal Officers Comments (NE)

Legal will ensure that the provisions of the Charities Act 2011 are adhered to.

8.2 Finance Officers Comments (LW)

The main financial implications of the proposed scheme are outlined in section 4 of the report. The Charity does not have internal resources available to it to meet the capital cost of the scheme and therefore will need the Council to approve a capital contribution for this. The indicative capital financing cost has been prepared by Financial Services. The proposed borrowing for this scheme can be contained within the Council's authorised borrowing limit of £96.5m for 2019/20. The net cost of the Charity is met as a Special Expense charged to the Council Tax payers of Folkestone and Sandgate only.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Alastair Clifford – Interim Operations Manager
Telephone: 01303 853327
Email: Alastair.clifford@folkestone-hythe.gov.uk

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

None

Alastair Clifford, Operations – Lead Specialist
Andy Blaszkowicz, Assistant Director Environment and Corporate Assets



This report was made
public 12 November 2019

Report Number **A/19/17**

To:	Council
Date:	20 November 2019
Status:	Non - executive Decision
Responsible officer:	John Bunnett, Corporate Director for Place and Commercial

SUBJECT: OTTERPOOL PARK – ADDITIONAL CAPITAL FUNDING

SUMMARY: This report considers the recommendation of the Cabinet on additional capital funding for the Otterpool Park project.

RECOMMENDATIONS:

- 1. To receive and note report A/19/17.**
- 2. To consider the recommendation of Cabinet.**

1. BACKGROUND

1.1 On 20 November 2019 Cabinet will consider report C/19/23 attached at appendix 1.

1.2 The recommendations to Cabinet are:-

1. *To receive and note report C/19/23*
2. *To recommend to Council that it makes available an additional one hundred million pounds to be drawn down over a period of up to five years to enable the Otterpool Park project to proceed;*
3. *That decisions on spending the monies (if approved by council) are made by the decision maker after having consulted the Otterpool Park Working Group, with decisions on expenditure in excess of £100,000 being subject to the approval of the majority of the Working Group Members and;*
4. *To approve the submission of the Garden Communities capacity fund bid to government for 2019/20.*

1.3 This report is prepared before the meeting of Cabinet and so the actual recommendation of Cabinet will be reported separately. Council will need to consider that recommendation. If the recommendations are approved as shown above the recommendation before Council will be:-

“To recommend to Council that it makes available an additional one hundred million pounds to be drawn down over a period of up to five years to enable the Otterpool Park project to proceed.”

1.4 As the proposal is outside the current budget and budget strategies the decision whether to make the additional capital funding available is for the Council to take.

2. REASONS FOR RECOMMENDATIONS TO CABINET

2.1 Report C/19/23 sets out the rationale for the recommendation.

2.2 The financial implications, including the risks are also set out in the report. If the recommendations of Cabinet differ from those set out in the report then an update will be provided.

2.3 Council is therefore requested to consider the recommendation of Cabinet.

3. RISK MANAGEMENT ISSUES

3.1 The risks are set out in detail in report C/19/23.

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal Officer's Comments (NE)

These are set out in report C/19/23.

4.2 Finance Officer's Comments (CS)

The financial implications arising are addressed in the report (C/19/23) to Cabinet on 20 November 2019, included at appendix 1.

4.3 Diversities and Equalities Implications

No diversities and equalities implications.

5. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Andy Jarrett, Chief Strategic Development Officer
Telephone: 01303 853429
Email: andy.jarrett@folkestone-hythe.gov.uk

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

Documents exempt, paragraph 3 of schedule 12A Local Government Act 1972

APPENDIX

Appendix 1 – report C/19/23 – Cabinet 20 November 2019

This page is intentionally left blank

This Report will be made public on 12 November 2019

Report Number **C/19/23**

To: Cabinet
Date: 20 November 2019
Status: Key Decision
Responsible Officer: John Bunnett, Corporate Director Place and Commercial
Cabinet Member: Councillor David Monk, Leader of the Council

SUBJECT: OTTERPOOL PARK – ADDITIONAL CAPITAL FUNDING

SUMMARY: This report sets out the history of the Otterpool Park project and its rationale, the work done to date, the financial implications and returns, the challenges in delivering the project and makes the case for additional capital funding to enable to project to progress.

REASONS FOR RECOMMENDATIONS:

The Otterpool Park project has reached the stage where the Council must commit to additional funding in order that it can proceed.

RECOMMENDATIONS:

1. To receive and note report C/19/23.
2. To recommend to Council that it makes available an additional one hundred million pounds to be drawn down over a period of up to five years to enable the Otterpool Park project to proceed;
3. That decisions on spending the monies (if approved by council) are made by the decision maker, after having consulted the Otterpool Park Working Group, with decisions on expenditure in excess of £100,000 being subject to the approval of the majority of the Working Group members; and
4. To approve the submission of the Garden Communities capacity fund bid to government for 2019/20.

1. PURPOSE OF THE REPORT AND BACKGROUND

Purpose of this report

- 1.1 This report makes the case that cabinet should recommend to Council that additional capital funding of one hundred million pounds (£100M) be made available to enable the project, namely the development of Otterpool Park as a garden town to be delivered. However it should be appreciated that this money we will drawn down over a period of up to five years. A rough estimate is that a maximum of £40 million will be required in this or the next financial year, with the remainder over the next four or five years. The amount actually drawn down may change and be dependant, amongst other factors, on contributions from third parties.
- 1.2 In view of the large financial commitment it is considered appropriate to set out the history of the project, what has been done to date, the rationale and objectives of the project, the financial model and the potential risks and rewards.

Background

- 1.3 On 17 December 2015 the Council purchased 144.472 hectares (357 acres) of farmland to the south east of the former Folkestone Racecourse for £5M.
- 1.4 Since buying the land the cabinet and council have made several decisions regarding the Otterpool Park Garden Town project. It is not intended to go through these decisions in detail but in essence they authorised the garden town proposal, the entering into a collaboration agreement with Cozumel Estates Ltd (see below), the work necessary to obtain planning permission and the acquisition of options to purchase land and outright purchase.
- 1.5 As stated above the Council entered into a collaboration agreement with Cozumel Estates Ltd. Cozumel, are the owners of the former racecourse at Folkestone. This was last used as such on 18 December 2012. In very general terms by the collaboration agreement the parties agreed to secure a comprehensive development of the site with a suitable financial rate of return. Both parties agreed to jointly fund the work necessary to obtain planning permission and to secure additional area of land for the development.
- 1.6 Accordingly in furtherance of the agreement both parties have acquired land or obtained options to purchase land in the area.
- 1.7 An application for planning application was made on 28 February 2019, this was validated on 18 March 2019. The description of the development contained in the planning application is shown at appendix 1.
- 1.8 On 16 March 2019 it was announced that Homes England, the government agency had purchased land adjoining Lympe.
- 1.9 The spend to date is shown in the financial summary in the following paragraphs.

2. FINANCIAL SUMMARY OF CURRENT SCHEME COMMITMENTS

2.1 Since December 2015 the Council has approved capital budgets of £19m for the acquisition of land and property for the Otterpool Park development, including the original purchase of the farm. The capital expenditure is being met from prudential borrowing. To date approximately £11.1m has been spent with further planned expenditure estimated to be about £4.2m due over the next year, leaving an uncommitted budget of £3.7m to support the project. The expenditure to date is analysed below:

	£'m
Otterpool Farm (£5M plus SDLT, legal costs etc.)	5.263
Westenhanger Castle (£2.9M plus SDLT, legal costs etc.)	3.378
Residential Property (including SDLT)	2.381
Land Option Agreements	0.080
Total Expenditure	<u>11.102</u>

2.2 The Council is renting out the agricultural land it purchased and has let out and is marketing for rent the residential properties it has acquired. In addition it should be noted that it now has assets that will appreciate in value.

2.3 The Council as joint promoter of the scheme with Cozumel Estates Ltd is forecast to incur total expenditure of almost £7m on the masterplanning phase of the development over a four year period to 31 March 2020. The cost is being met from the following sources:

<u>Masterplanning Funding</u>	£'m
Cozumel Estates Limited	3.128
Government Grants	3.226
FHDC Otterpool Reserve	0.511
FHDC Existing GF Budgets	0.091
Total	<u>6.956</u>

2.4 A capital budget of £350k to support exploring how to deliver the proposed development at Otterpool Park was approved by Council in February 2018 and this work is currently in progress. The capital expenditure is being met from prudential borrowing.

2.5 Since 2016 the council has submitted bids for Garden Communities capacity funding to government (managed by Homes England). It has been successful in attracting £2.81 million to date. A further bid has been submitted for 2019/20 for £1.973 million, and cabinet's approval is sought for the submission of the bid.

3. WHY BUILD AT OTTERPOOL PARK?

- 3.1 As will be seen from above the Council has already invested a lot of money in the site. In addition it is devoting considerable resources in terms of member and officer time. The project will be a long term one – probably of about thirty years' duration, to put it another way there will be seven district wide elections, probably five general elections and several economic cycles before the Garden Town is complete. Members and the public rightly question why the Council has set out on this course.
- 3.2 The Garden Town project is seen as a unique opportunity to deliver the strategic objectives of the Corporate Plan relating to boosting the local economy, increasing job opportunities and providing more homes. It offers the opportunity to plan comprehensively to ensure all the right infrastructure and facilities are provided to meet the needs of new residents in a timely way, rather than lagging behind housing as is often the case. The project will provide over its lifetime 5 primary schools, a secondary school, employment land, 50% green space and community facilities including a new health centre. It will provide 22% affordable homes (around 2000 homes in total) to help meet local housing need. It can deliver low carbon technologies and be designed in such a way as to encourage healthy and sustainable lifestyles. These principles are set out in the council's Charter for Otterpool Park referred to below. There is also a fiscal driver which is the main subject of this report. However this section concentrates on why physically the site has been chosen.
- 3.3 As an area for development Otterpool Park almost chooses itself. The locations for development particularly providing significant housing growth in Folkestone and Hythe appear are limited due to the statutory designation of the North Downs Area of Outstanding Natural Beauty and the coverage of Romney Marsh by flood zone restrictions.
- 3.4 While much of the housing growth in Folkestone and Hythe has previously been met at Hawkinge, and within the urban areas of Folkestone and Hythe, previous work on the Core Strategy along with that currently being undertaken in preparing the Places and Policies Local Plan suggests that the opportunities for further strategic level growth in these areas appear very limited.
- 3.5 Using the latest household projections and affordability figures, the government methodology requires the provision in the district of:-
- 738 new homes a year on average over the period 2018/19 to 2036/37 (19 years); or
 - 13,285 additional homes in total.
- 3.6 In addition to the planning policy position the land has significant advantages in terms of infrastructure. Junction 11 of the M20 has available capacity with only minor alterations required to 2037 (signals to one arm and new road markings). In addition there is an existing railway station (Westenhanger) on the classic line to London with a junction to HS1 at Ashford International station. This is not to say that there are no infrastructure constraints, how the cost of these infrastructure is met is shown in the financial model shown below.

- 3.7 It should be appreciated that without the Otterpool Park site the Council would have great difficulty in meeting its housing targets for the district and that if the Council were to decide not to pursue its interest in Otterpool Park and sell the land it is highly likely that the land would come forward for development promoted by its new owner. The Council would be able to influence the development through its planning powers but would have a diminished role and would forego the benefits of land ownership. In other words whether or not the council owns the land at Otterpool Park is irrelevant to its future as a site for significant development. The Council's ownership is significant for other reasons explained below.

4. PRINCIPLES AND OBJECTIVES FOR THE DEVELOPMENT OF OTTERPOOL PARK

- 4.1 As will be seen from the decisions already taken much has been agreed regarding the shape of the project. This is still very much a work in progress, although this section summarises what has been agreed to date there will be further additions and refinements.
- 4.2 In addition it should be appreciated that the development of the town will evolve over time and it is not possible to anticipate all of the changes in the next thirty years. By way of illustration if the project was coming to an end now this would mean that it had started in 1989; the world was a very different place then, for example there was little emphasis on recycling; electric vehicles were largely confined to milk floats (which have now more or less disappeared); the internet did not exist; the main method of communication over a distance being 'phone or the post.

Framework Masterplan Principles

- 4.3 The Framework Masterplan for the area (see minute 97, cabinet meeting 28 March 2018) contains the following principles:-
- Initial outline planning application for 8,500 homes;
 - Masterplan to show further expansion in later phases to approximately 10,000 homes within the masterplan boundary;
 - Creation of around 15 hectares of employment space, contributing to a total of approximately 8,000 jobs;
 - Approximately 275 - 300 hectares of green infrastructure; and
 - Development to be delivered in a phased way.

Otterpool Park Charter

- 4.4 On 18 October 2017 (minute 48) cabinet approved a charter for Otterpool Park (https://www.folkestone-hythe.gov.uk/media/4649/A-Charter-for-Otterpool-Park/pdf/A_Charter_for_Otterpool_Park.pdf) which contains the following principles:-
- Landscape-led masterplanning retaining and enhancing existing green and blue assets;

- Embracing and enhancing the natural landscape character, with a diverse range of green spaces;
- Making best use of technologies in energy generation and conservation;
- Prioritise walking, cycling and sustainable transport;
- Promote healthy and sustainable environments;
- Providing much needed new homes through a phased approach;
- Maximising the visibility and enjoyment of local heritage assets;
- Delivering distinctive high quality townscape with an appropriate mix of housing types and tenures;
- Taking advantage of economies of scale and capturing land value;
- Providing opportunities for self-build and custom build; and
- Providing spaces for local food growing.

4.5 It should be noted that although these principles have been approved by cabinet they have not been agreed by the Council's partners.

Long term stewardship principles

4.6 Also on 18 October 2017 (minute 47) cabinet approved the principles for the long – term stewardship of community assets. These are:-

- The long term stewardship of open space, public realm (other than highways) and non-commercial community buildings will be the responsibility of a new body, i.e. not the Council.
- The responsible body will form part of an approach to land value capture for Otterpool Park. Its income is likely to come from a range of sources including income generating assets, endowment and potentially service charges. However, income sources being reinvested in the new community will need to be balanced against income generation to the Council for investment in facilities and services for residents across the whole district.
- While a trust or similar structure is likely to be the most suitable vehicle initially, potential future transition to a Town Council should be allowed for. The District Council should retain representation on the body.
- The body will be community-led (as distinct from a privately run management company). It should also allow for future residents and businesses to shape the objectives and governance of the organisation, and to influence the design of new community facilities and spaces.
- High quality management and maintenance over the long term is of fundamental importance when setting out the objectives of the stewardship body.

Strategic Financial Objectives and definition of commercial return

4.7 The following strategic financial objectives for the project have been agreed (cabinet 31 January 2018, minute 80):-

- To commit to a long term involvement with the garden town to explore means of generating ongoing revenue streams from commercial, retail and residential elements of the development.

- To recognise the capital input and to release this value to ensure any borrowing costs are sustainable within the financial parameters of the council.
- To optimise the resources from the garden town to provide a financial benefit for the whole district.
- To work towards an ongoing financially sustainable model for the new town and to avoid, as far as possible, creating unfunded liabilities.
- To work with private sector and public sector partners to maximise external funding in support of the project.
- To consider at each critical decision point the future financial model with an emphasis on affordability for the council.

4.8 The working definition of commercial return agreed is:-

“the value or profit available after meeting all the requirements of the initial outline planning application and future reserved matter approvals and further planning permissions”.

Delivery of the Project

- 4.9 As has been said above this is a long – term project. Delivery of it will be complex and it is unlikely that it could be successfully delivered through the Council’s usual decision-making processes. It is probable therefore that delivery will be via an arm’s length body in which the council will have shares.
- 4.10 Accordingly it has been agreed in principle that the delivery vehicle will be through a corporate joint venture (Cabinet 31 January 2018, minute 80). Clearly Members will be advised as more detail is prepared and this will be subject to a separate decision.

5 OTTERPOOL PARK AS AN INVESTMENT

- 5.1 The above sections set out why the land at Otterpool Park is being developed – indeed why it would probably be developed even if the council did not own the land and the principle and objectives of the development.
- 5.2 These sections however do not set out the potential financial benefits to the Council of developing the town. Members are being asked to approve substantial expenditure and it is right that members understand the potential risks and rewards. These are set out below.
- 5.3 More generally however why should the Council contemplate this investment? There are many wider reasons to progress with this scheme. However if considered solely from a financial angle, Local Government finance is under pressure. The current Medium Term Financial Strategy indicates a cumulative shortfall in revenue funding to 2024/25 of around £4 million. The Council must therefore seek other sources of funding to sustain its expenditure, meet its corporate objectives and set a year on year balanced budget position, working within acceptable levels of Council Tax for residents.

- 5.4 Whilst the Council will seek to make a profit from its investments and act in a commercial way it should be appreciated that the profits will be used in one way or the other to support public expenditure across the district.

6. THE FINANCIAL MODEL

- 6.1 Due to the complexity and scale of this project it was felt entirely appropriate that external specialist advisors were appointed to support officers and members with the financial modelling. The work undertaken at this stage has built on the principles & assumptions applied by the original architectural master & costing plan developed through the Collaboration Board with the assistance of Arcadis, Farrells, and Savills. Further work was commissioned earlier this year through BNP Paribas to create a phase by phase Master Developer and Residential Developer appraisals, and also update costs and sales values to reflect current market knowledge. BNP Paribas have extensive experience worldwide and in the UK advising on property development and investment. They also have local market experience with a local office in Canterbury, where they are involved in both the sale of development land and residential homes. They are currently advising clients on Chilmington Green, Ashford, (5,750 homes) Mountfield Canterbury (4,000 homes), Hoo Peninsula (12,500 homes) and Sittingbourne Urban Extension (750 homes).
- 6.2 BNP primarily considered the feasibility of the role of master developer, investing in infrastructure and selling the resultant parcels of land. The analysis is based both on financial appraisals, and benchmarking with reference to contemporary market transactions. On that basis they concluded that there was significant opportunity for the Council to be involved in a scheme that will create a significant return, at least commensurate to the risk undertaken.
- 6.3 Additionally the BNP work also points to significant additional opportunities for the Council in the future should it wish to invest in vertical development.
- 6.4 All of these elements were inputs utilised by the financial consultants (PWC) to provide the following financial analysis. This analysis has been developed to aid the Council's understanding of the potential financial implications and risks of the project in its entirety. The analysis provided provides the base case on the overall commercial viability of the project and its cashflows. This model and analysis will not stand still, it will continue to evolve as the project does and as further information becomes available and decisions are taken. Some key elements that will have an impact on the model moving forward include decisions on the delivery model (how this aligns to the Council's risk appetite and key objectives), funding and grant contributions including clarity on the role of potential partners and continued clarification on infrastructure costs as the project gains outline planning permission and phases are designed in greater detail, providing increased certainty.
- 6.5 That said, it is considered normal for such models to continue to evolve, the scale and very long term nature of this project mean this is inevitable, rather than should cause concern.

The financial model is based upon:

- The Council acquiring the required land;

- The Council acts as master developer of the scheme;
- The Council undertakes prudential borrowing to fund the land acquisition and infrastructure costs;
- The Council undertakes a competition to appoint developers who will have responsibility for the delivery of plots (& therefore transfer key market risks); and
- The Council manage the developers' obligations through contractual arrangements (such as S106 agreements).

6.6 These are assumptions at this stage to enable the financial model to consider the overall commercial viability of the scheme and its cashflows. The Council may choose for instance, through the appropriate decision making channels, to act as the developer / house builder for some plots to generate additional income for the Council. At this stage the model focuses on the overall viability of the scheme rather than any of the many variations for delivery that would be possible, should that represent the correct reward / risk balance for the Council at that time.

6.7 The Council's financial consultants (PWC) have utilised the available inputs to create a month by month financial model to show the illustrative financial impact of the project. In addition they have provided an inflationary assessment for the base case outputs. They have arrived at an analysis of phased gross development values, costs and developer profit to determine an estimate of land payments in to the Council from the sale of serviced plots. In addition they have considered the master developer position including analysis of cash flows and an illustrative debt profile.

7. WHAT THE FINANCIAL MODEL SAYS

7.1 The model considers income from residential developer land payments and Section 106 contributions (which are offset by related costs). Only minimal income from commercial land is anticipated at this stage of the modelling. Offsetting the inflows are the land, construction infrastructure costs as well as relevant fees.

7.2 The outputs from the financial model were presented by PWC to the Otterpool Park Working Group during its November meeting.

7.3 The analysis has identified the peak levels of debt and where they fall within the life of the project. Peak debt (the highest level of debt during the cashflows of the project) is felt to be at an acceptable level for a project of this scale and could be met through the Council's ability to undertake prudential borrowing.

7.4 The modelling has assumed the project commences immediately, therefore 2019 is year 1. Obviously the timing of the project is largely dependent on obtaining planning permission. The model identifies the break-even point for the project, which again is felt to be at an acceptable stage for this type of project.

7.5 A key measure for larger capital schemes is the IRR (Internal Rate of Return), The IRR measures the attractiveness of a scheme to the investor. The project

currently has an IRR post finance that would be acceptable to the market and therefore again supports the viability as a scheme.

- 7.6 It should be noted that the Council may not choose to acquire the entirety of the scheme, or indeed it may not be available for purchase. The analysis is focused on the scheme's viability to enable the Council to take a decision if it wishes to proceed to the next stage with the project. Future work will be required on delivery models, partnering arrangements etc.

8. WHY £100 MILLION?

- 8.1 The figure is an estimate to allow the project to progress over the medium term. The capital programme does not operate on an annual cycle as the revenue budget determination does. Instead the capital programme spans a rolling five year cycle as this decision will earmark funds available for draw-down over the term of the medium term capital programme. The decision taken through this paper will enable the project to progress to the next stage, but specific decisions will still be required to draw down the funds by Cabinet, or relevant decision-maker, at appropriate milestones. Members will also want to receive updates as the project develops and regular reporting is anticipated.

Examination in Public Core Strategy

- 8.2 At the Examination in Public for the Core Strategy Review the Inspector will expect to see a Delivery Strategy that sets out how Otterpool Park will be built, including the programme of work for infrastructure. The inspector will also be looking for evidence of how the infrastructure and other development costs will be funded by the landowner partners, with a particular focus on the first phase of development.
- 8.3 The infrastructure schedule prepared by consultant Arcadis sets out the essential infrastructure for the first phases of development where a funding commitment to progress the matters is needed including:
- Waste Water Treatment Works;
 - new roads into the site;
 - upgrade to the power supply;
 - advance planting; and
 - early investment in the green spaces including the castle park.
- 8.4 As noted above there is a significant infrastructure requirement. The costs of infrastructure are not incurred merely in construction, there are costs in preparatory work (e.g. feasibility studies) before any spade is put in the ground. These costs will fall in the short term. The sum requested will also be used for necessary preparatory work on infrastructure requirements, e.g. feasibility studies as well as implementing some in part.
- 8.5 The Council needs to show the commitment and it is considered that the monies requested, if approved, will satisfy the inspector on this point.
- 8.6 In addition the sum authorised will provide sufficient financial headroom to enable the Council, if it sees fit, to acquire further land.

Delivery Vehicle

- 8.7 Other immediate costs include establishing a delivery vehicle and team together with preparing reserved matters planning applications for early phases.

9. AUTHORISING THE EXPENDITURE

- 9.1 If Council agree to make the monies available this merely gives permission to allocate the budget it does not (and indeed could not) direct the cabinet to make any particular decision on how to spend the money. Provided the spending is within the budget it is for the decision-maker to decide when and how to expend the money. The decision-maker will vary depending on the level appropriate to that decision and could be cabinet (or in future a committee), delegation to officers or to a cabinet member for example.
- 9.2 In view however of the importance of the project an Otterpool Park Working Group has been established, the decision-maker it is recommended will consult the Working Group, and where decisions are in excess of £100,000 they will be subject to the approval of the majority of the working group members. This is reflected in the recommendations to this report.
- 9.3 The Working Group met on 6 November for a briefing from BNP Paribas and PWC and discussion on the recommendations in this report. A clear majority voted to support making the financial facility of £100 million available to the council to progress the project.

10. FINANCING THE £100 MILLION

- 10.1 The financial analysis undertaken focuses on the project as a whole, with the Council acting as master developer. It assumes the Council would acquire the whole site and sell serviced plots to house builders. The scheme will be funded through prudential borrowing. The Council would not borrow in advance of need, and therefore it is not proposed that the council would borrow £100m immediately. The decision provides the ability to add the facility to the medium term capital programme and for decisions to be taken regarding its use at the appropriate time, and for the Council to plan and manage its funds proactively over the term of the programme. Taking the decision to add the facility to the programme also enable work to start on adjusting the authorised borrowing limits and prudential indicators set as well as developing a borrowing strategy in good time.
- 10.2 The Code of Practice on Local Authority Accounting permits the capitalisation of borrowing costs for qualifying assets during the acquisition and construction phase of a scheme to get them ready for their intended use. The Code recognises this may be a 'substantial period' of time. To do so the Council will need to adopt a capitalisation policy. If the decision is taken to proceed with the scheme further work will be undertaken on this. Local Authorities are also required to consider MRP (Minimum Revenue Provision). The financial modelling undertaken does not factor this, as the delivery model remains undetermined. However MRP is only applicable from the financial year after the

asset met from borrowing becomes operational. The coming phase of Otterpool Park is anticipated to be classified as an Asset under Construction and therefore it is felt that until the infrastructure work of phase 1 is substantially completed no MRP provision is required to be made. Therefore it is anticipated that, there would not be at this stage for this initial phase of work a capital financing impact to the General Fund Revenue position. However in time as the project progresses financial benefits will need to be extracted from the scheme to pay down the cost of borrowing and contribute to the MRP provision. The Council will need to obtain specific advice when considering the delivery model in the future to ensure it meets the financial objectives of the project.

11. EXTERNAL FUNDING

- 11.1 The Council will work with potential partners to ensure that as much external funding is attracted to the project as possible.
- 11.2 The modelling currently assumes no grant funding or contributions (apart from Section 106 contributions), this is a pessimistic view and unlikely to be the case, however a cautious approach to the modelling has been taken in this respect.

12. RISK MANAGEMENT ISSUES

Perceived risk	Seriousness	Likelihood	Preventative action
Viability of the project changes due to e.g. recession, changing land values and increased infrastructure or construction costs	Medium	High	Costs and land values will inevitably change over the course of a 30 year project, so the financial modelling includes assumptions about fluctuating economic cycles and contingency for costs. The current model reflects a point in time and will need to be subject to continual review.
Delay to project causes increase to borrowing	Medium	Medium	Ensure contingency included within the modelling. While delays are hard to predict so are opportunities: e.g. for external funding applications and other income sources such as rents from housing and commercial land. The model currently takes a conservative view of this.
Lack of skills and expertise in delivering large scale development	High	Low	Recommend creation of delivery team, and appoint personnel with expertise in large scale development
Wider objectives of creating attractive, green sustainable town with high quality range of housing not met	Medium	Low	Ensure delivery team is adequately resourced with staff with the right skills. Put controls in place for all developers, including design codes and sign off of all proposals by landowner delivery team. Ensure LPA adequately resourced to manage future applications and strategies

13. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

13.1 Legal Officer's Comments (NE)

There are no legal implications arising directly from this report but legal services will continue to seek external legal advice on any complex issues as and when needed.

13.2 Finance Officer's Comments

The financial analysis of the project is outlined within the body of the report. This reports seeks authority to earmark a facility for the project to draw down at key milestones throughout the term of the medium term capital programme. Individual decisions will need to be taken considered by the working group and then decision-makers at the appropriate times in order to draw down the funds. A financial appraisal of those individual decisions will need to be undertaken at that time to inform the decision being taken.

13.3 Diversities and Equalities Implications (AJ)

No diversities and equalities issues arise out of this report.

14. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Andy Jarrett, Chief Strategic Development Officer
Telephone: 01303 853429
Email: andy.jarrett@folkestone-hythe.gov.uk

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

Documents exempt, paragraph 3 of schedule 12A Local Government Act 1972

Appendices:

Appendix 1 – description of planning application

Appendix 1 – description of planning application

Outline application, with all matters reserved, for a comprehensive residential led mixed use development comprising: Up to 8,500 residential homes including market and affordable homes; age restricted homes, assisted living homes, extra care facilities, care homes, sheltered housing and care villages; demolition of identified existing buildings; a range of community uses including primary and secondary schools, health centres and nursery facilities; retail and related uses; leisure facilities; business and commercial uses; open space and public realm; new planting and landscaping, and ecological enhancement works; sustainable urban drainage systems; utility and energy facilities and infrastructure; waste and waste water infrastructure and management facilities; vehicular bridge links; undercroft, surface and multi-storey car parking; creation of new vehicular and pedestrian accesses into the site, and creation of a new vehicular, pedestrian and cycle network within the site; improvements to the existing highway and local road network; lighting; engineering works, infrastructure and associated facilities; together with interim works or temporary structures required by the development and other associated works including temporary meanwhile uses.

This page is intentionally left blank