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Folkestone & Hythe District Council

Agenda

Meeting: **Cabinet**
Date: **28 February 2024**
Time: **5.00 pm**
Place: **Council Chamber - Civic Centre Folkestone**

To: **All members of the Cabinet**

All Councillors for information

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

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

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

1. **Apologies for Absence**

2. **Declarations of Interest (Pages 3 - 4)**

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

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

3. **Minutes (Pages 5 - 14)**

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

Queries about the agenda? Need a different format?

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

Date of Publication: Tuesday, 20 February 2024

held on 31 January 2024.

4. **Housing Compliance Policies - Asbestos and Electrical Safety (Pages 15 - 78)**

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

1. Housing Compliance (Asbestos) Policy
2. Housing Compliance (Electric Safety) Policy

5. **Folkestone and Hythe District Council Budget 2024/25 (Pages 79 - 262)**

This report presents the Folkestone and Hythe District Council Budget 2024/25.

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

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

Other Significant Interest (OSI)

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

Voluntary Announcement of Other Interests (VAOI)

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

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

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Agenda Item 3

Folkestone & Hythe District Council

Minutes

Cabinet

Held at:	Council Chamber - Civic Centre Folkestone
Date	Wednesday, 31 January 2024
Present	Councillors Mike Blakemore, Polly Blakemore, Gary Fuller, Rich Holgate, Jim Martin (Chairman), Tim Prater (Vice-Chair), Stephen Scoffham, Rebecca Shoob and Jeremy Speakman
Apologies for Absence	Councillor Gary Fuller gave apologies for lateness.
Officers Present:	Andy Blaszkowicz (Director of Housing and Operations), Gill Butler (Chief Officer - Housing), Ewan Green (Director of Strategy and Resources), Jonathan Hicks (Performance Specialist (Business Insight Manager)), Amandeep Khroud (Assistant Director), Lydia Morrison (Interim S151 Officer), Ola Owolabi (Chief Financial Services Officer), Richard Parker (Leasehold Management Senior Specialist), Susan Priest (Chief Executive) and Jemma West (Democratic Services Senior Specialist)
Others Present:	Councillor Laura Davison Councillor Connor McConville.

NOTE: All decisions are subject to call-in arrangements. The deadline for call-in is Friday 9 February at 5pm. Decisions not called in may be implemented on Monday 12 February 2024.

71. **Declarations of Interest**

During the consideration of Draft Housing Revenue Account Revenue and capital original budget 24/25 (Minute No 76), Councillor Fuller made a declaration as he was a local authority tenant. He indicated that he would move to the public gallery during consideration of the item, and would not take part in the vote.

72. **Minutes**

The minutes of the meeting held on 13 December 2023 were submitted, approved, and signed by the Leader.

73. **Housing Compliance (Gas and Fire Safety) Policies**

The report presented two policies in relation to health and safety compliance for the Council's housing landlord service, which were the Housing Compliance (Gas Safety) Policy and the Housing Compliance (Fire Safety) Policy.

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

RESOLVED:

1. **That report C/23/86 be received and noted.**
2. **That the proposed changes to the Council's Housing Compliance (Gas and Fire Safety) Policies outlined in the report and in the appended track-changed documents be approved.**

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

REASONS FOR DECISION:
Cabinet is asked to agree the recommendations because: -

a. There have been changes in legislation and best practice since the policies were introduced in 2021. Cabinet needs to be made aware of these changes and the policies updated.

b. The policies will expire in April 2024 and therefore require updating/renewing to ensure the Council is fully compliant with health and safety legislation.

74. **Service charges 'de-pooling' for council housing - Housing Revenue Account (HRA)**

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

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

RESOLVED:

1. **That report C/23/75 be received and noted**
2. **That initiation of the service charge de-pooling project, of which the first stage is to ensure we can accurately breakdown and apportion all service chargeable items per block and unit, be agreed.**
3. **To note that the current standard tenancy agreement does not have adequate provision for service charges. The project will therefore**

include updating the agreement by variation to ensure that a new agreement is in place before the de-pooling project is concluded.

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

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

Councillor Fuller arrived at the meeting during the debate on this item, and therefore did not take part in the vote.

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

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

75. **Disposal - Hay House, Hythe - Housing Revenue Account (HRA) Grade 2 Listed Asset**

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

Following extensive discussion, it was noted that the preservation of history was an important consideration, and Cabinet Members strongly expressed a desire for officers to explore opportunities in order to preserve the building.

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

RESOLVED:

1. **That report C/23/76 be received and noted.**
2. **That the recommendation that the council dispose of Hay House, with the funds generated used to supplement the HRA capital budget to provide new, affordable energy efficient homes be agreed.**

3. That delegated authority be provided to the Director of Housing & Operations to market the property and accept the best offer for the Housing Revenue Account.

(Voting figures: 9 for, 0 against, 0 abstentions).

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

76. **Draft Housing Revenue Account Revenue and capital original budget 24/25**

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

Proposed by Councillor Prater,
Seconded by Councillor Shoob; and

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

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

Councillor Fuller declared an interest in respect of this item, and moved to the public gallery during the consideration and vote on the matter.

REASONS FOR DECISION:
The Local Government Housing Act 1989 requires the Council, as a Local Housing Authority, to keep a separate Housing Revenue Account and to produce estimates to ensure that the account does not go into deficit. The authority also has a duty to set and approve rents in accordance with government guidelines that are outlined in the self-financing determination. The

Constitution requires that the annual Budget and any variations to the Budget are approved by Council.

77. **Draft General Fund budget 2024/25**

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

The Deputy Leader and Cabinet Member for Governance and Finance asked for a fourth recommendation to be added to the recommendations which advised that both the Leader and Deputy Leader had offered to reduce their Leader and Deputy Leader allowances, in favour of receiving the Cabinet Member allowance, with effect from 1 April 2024. The combined circa £15k saving (£13,740 and £1,145) would be moved in to the Councillor Ward Budget Grant scheme, in order for that scheme to remain at £90,000 in the 24/25 budget, continuing the grant scheme at £3k per Councillor for the 24/25 period.

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

RESOLVED:
1. **That report C/23/83 be received and noted.**
2. **That the budget estimates, as detailed in the report, be approved as the basis for preparing the final 2024/25 budget and council tax recommendations for approval by Full Council in February 2024**
3. **That the updated Medium Term Financial Strategy (MTFS) covering between 2024/25 and 2027/28 be approved.**
4. **That the contributions made by the Leader and Deputy Leader be welcomed, and that the necessary adjustments be made to the draft budget as matters are finalised prior to its consideration at the meeting of Cabinet and Council on 28 February 2024.**

(Voting figures: 9 for, 0 against, 0 abstentions).

REASONS FOR DECISION:
The recommendations form part of the budget-setting process which will culminate in Full Council approving the budget and council tax for 2024/25 on 28 February 2024, in accordance with the Local Government Finance Act 1992.

78. **Investment Strategy 2024/25**

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

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

RESOLVED:
1. **That report C/23/80 be received and noted.**

2. **To <u>recommend to Full Council</u> that the 2024/25 Investment Strategy, including the Investment Indicators, set out in the appendix to the report is approved.**
3. **That the Council's Approach to Environmental, Social and Governance (ESG) Considerations for Investments be noted (Para 7 of the attached appendix).**

(Voting figures: 9 for, 0 against, 0 abstentions).

REASONS FOR DECISION:
Cabinet is asked to agree the recommendations because: -

a) The Council must have regard to both CIPFA's Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities Local Government Investment Guidance when carrying out its duties under Part 1 of the Local Government Act 2003.
b) The Council is required to approve an Investment Strategy for the forthcoming year.

79. **Treasury Management Strategy**

The Treasury Management Strategy Statement set out the Council's proposed strategy for its treasury management activities for 2024/25, including Treasury Management Prudential Indicators.

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

RESOLVED:
1. **That report C/23/81 be received and noted.**
2. **That the strategy for treasury management in 2024/25 set out in the report be approved.**
3. **That the Treasury Management Prudential Indicators for 2024/25 set out in the report be approved.**
4. **To <u>recommend to Full Council</u> that the proposed Treasury Management Strategy and Annual Investment Strategy for 2024/25, including the prudential indicators be approved.**
5 **To note the Council's Approach to Environmental, Social and Governance (ESG) Considerations for Investments (Para 5.10 – 5.11)**

(Voting figures: 9 for, 0 against, 0 abstentions).

REASONS FOR DECISION:
Cabinet is asked to agree the recommendations because: -

a) The Council must have regard to CIPFA's Code of Practice for Treasury Management in the Public Services when carrying out its duties under Part 1 of the Local Government Act 2003, including approving an annual Treasury Management Strategy Statement in advance of the financial year.

b) The Council's Financial Procedure Rules require an annual plan and strategy for treasury management to be approved in advance of the financial year.

80. **Capital Strategy 2024/25 and Minimum Revenue Provision Statement 2024/25**

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

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

RESOLVED:
1. **That report C/23/82 be received and noted.**
2. **To <u>recommend to Council</u> that the 2024/25 Capital Strategy, including the Prudential Indicators, set out in appendix 1 to the report is approved.**
3. **To <u>recommend to Council</u> that the Minimum Revenue Provision (MRP) Statement for 2024/25 set out in appendix 2 to the report be approved.**

(Voting figures: 9 for, 0 against, 0 abstentions).

REASONS FOR DECISION:
Cabinet is asked to agree the recommendations because: -

a) The Council must have regard to both CIPFA's Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities' (DLUHC) Investment Guidance when carrying out its duties under Part 1 of the Local Government Act 2003.
b) The Council is required to approve a Capital Strategy for the forthcoming year.
c) The Council is required to approve a Minimum Revenue Provision statement for 2024/25 in advance of the start of the financial year.

81. **Update to the General Fund Medium Term Capital Programme (MTCP)**

The report updated the General Fund Medium Term Capital Programme for the five-year period ending 31 March 2029. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process.

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

RESOLVED:

1. **That report C/23/84 be received and noted.**
2. **To recommend to Full Council that the updated General Fund Medium Term Capital Programme as set out in appendix 1 to the report, be approved.**

(Voting figures: 9 for, 0 against, 0 abstentions).

REASONS FOR DECISION:
Cabinet is asked to agree the recommendations because:

a) It needs to be kept informed of the existing General Fund Medium Term Capital Programme position and take appropriate action to deal with any variance from the approved budget.
b) Proposed extensions to existing schemes are required to be considered and approved before being included in the Council's Medium Term Capital Programme.
c) The proposed Medium Term Capital Programme needs to be considered before it is submitted to full Council for approval as part of the budget process.
d) The Council must also have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities when carrying out its duties under Part 1 of the Local Government Act 2003.

82. Q3 Housing Revenue Account Budget Monitoring

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

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

RESOLVED:

1. **That report C/23/77 be received and noted.**

(Voting figures: 9 for, 0 against, 0 abstentions).

REASONS FOR DECISION:
Cabinet is asked to note the recommendation because the Cabinet needs to be kept informed of the Housing Revenue Account position and take appropriate action to deal with any variance from the approved budget.

83. Q3 General Fund Revenue Budget Monitoring

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

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

RESOLVED:
1. That report C/23/78 be received and noted.

(Voting figures: 9 for, 0 against, 0 abstentions).

REASONS FOR DECISION:
The Cabinet is asked to note the recommendation as it needs to be informed of the Council's General Fund revenue budget position, note the forecast outturn underspend position, and consider any action required as appropriate. Regular monitoring and reporting of the revenue budgets and savings achievements enable decisions to be taken in a timely manner, which may produce revenue benefits and will improve the financial control of the Council.

84. **Q3 General Fund Capital Programme Budget Monitoring**

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

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

RESOLVED:
1. That report C/23/79 be received and noted.

(Voting figures: 9 for, 0 against, 0 abstentions).

REASONS FOR DECISION:
Cabinet is asked to note the recommendation because it needs to be kept informed of the General Fund capital programme position and take appropriate action to deal with any variance from the approved budget.

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This Report will be made public on 20 February 2024

Report Number **C/23/89**

To:	**Cabinet**
Date:	**28 February 2024**
Status:	**Non-Key Decision**
Director:	**Andy Blaszkowicz, Corporate Director of Housing and Operations** **Gill Butler, Chief Officer Housing**
Cabinet Member:	**Councillor Shoob, Cabinet Member for Housing and Homelessness**
SUBJECT:	**HOUSING COMPLIANCE (ASBESTOS AND ELECTRIC SAFETY) POLICIES**

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

1. Housing Compliance (Asbestos) Policy
2. Housing Compliance (Electric Safety) Policy

REASONS FOR RECOMMENDATIONS:

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

a. There have been changes in legislation and best practice since the policies were introduced in 2021. Cabinet needs to be made aware of these changes and the policies updated.

b. The policies will expire in April 2024 and therefore require updating/renewing to ensure the Council is fully compliant with health and safety legislation.

RECOMMENDATIONS:

1. **To receive and note report C/23/89.**
2. **To approve the proposed changes to the Council's Housing Compliance (Asbestos and Electric Safety) Policies outlined in the report and in the appended track-changed documents.**

1. BACKGROUND

1.1 Six policies covering the FLEGAL (Fire, Legionella, Electric, Gas, Asbestos and Lifts) areas of health and safety compliance were approved by Cabinet in May 2021. These policies are due to expire in April 2024.

1.2 An audit on tenant health and safety was conducted by the East Kent Audit Partnership (concluded in August 2023) which awarded the Council with 'Reasonable Assurance' that it has a robust system of internal controls in place for the management of tenant health and safety. Part of this assurance is based on evidence that the Council has clear and up-to-date policies on the 'big six' aforementioned 'FLEGAL' areas of tenant health and safety compliance.

1.3 All six policies have undergone an internal review to ensure that they reflect current legislation and best practice. As a result, all six policies have been amended to reflect changes in regulatory powers to the effect that, from 01 April 2024, the Regulator of Social Housing will be able to proactively intervene or carry out inspections where landlords are underperforming.

1.4 In addition, all six policies now have corresponding paragraphs in relation to 'controlled access' that stipulate that the Council will make every effort to obtain access to properties to carry out safety checks, giving reasonable notice, before the inspection/certificate is due to expire. However, if access has still not been granted, or in cases of emergency, we will take enforcement action to gain entry to the property if necessary.

1.5 Following on from Gas and Fire safety (presented to Cabinet 31 January 2024) we now present policies for Asbestos and Electric, with Legionella and Lifts to follow in March. Both policies have been updated with changes noted below (and highlighted as track changes at appendices 1 and 3).

2. HOUSING COMPLIANCE (ASBESTOS) POLICY

2.1 Broadly, the aim of this policy is to meet the requirements of the Control of Asbestos Regulations (CAR) 2012. The policy provides assurance to the Council that measures are in place to identify, manage and/or mitigate risks associated with asbestos.

2.2 The policy has been updated to ensure it reflects the current working practices of the housing compliance team. Aside from the changes noted at 1.3 and 1.4 above, no other significant changes have been made and there are no changes to the legal framework that underpins the policy.

2.3 Minor changes we have made are:

- **Section 4 - Responsibilities** updated to reflect current roles and practices in relation to reporting and 4.6 – competent persons/qualifications
- **Section 7 – Compliance Risk Assessment** references to HRA commercial stock removed

- **Section 11 – Performance reporting** updated to reflect current reporting requirements
- **Section 12 – Quality assurance** updated to reflect percentage of inspections to be routinely audited (5%) but that this to be agreed through contracts
- **Section 14 – Equality and diversity** paragraph added to address potential tenant vulnerabilities when gaining access to undertake safety checks

2.4 Other minor changes and/or re-wording have been made throughout the policy.

2.5 Note that the 'Asbestos Management Plan' (referenced at section 5.3 of the policy) and the Asbestos Register (which holds records of the assets that contain ACMs) are the main control mechanisms for effective operational management of this policy.

3. HOUSING COMPLIANCE (ELECTRIC SAFETY) POLICY

3.1 The Housing Compliance (Electric Safety) policy has been updated to ensure it reflects the current working practices of the housing compliance team. Aside from the changes noted at 1.3 and 1.4 above, no other significant changes have been made and there are no changes to the legal framework that underpins the policy.

3.2 Minor changes we have made are:

- **Section 4 - Responsibilities** updated to reflect current roles and practices in relation to reporting and 4.6 – competent persons/qualifications
- **Section 7 – Compliance Risk Assessment** references to HRA commercial stock removed
- **Section 8 – Compliance follow up work** categories for electric defects clarified (C1 – danger present; C2 – potentially dangerous; C3 rec. improvement)
- **Section 10 – Performance reporting** updated to reflect current reporting requirements
- **Section 14 – Equality and diversity** paragraph added to address potential tenant vulnerabilities when gaining access to undertake necessary safety checks

3.3 Other minor changes and/or re-wording have been made throughout the policy.

3.4 The Electrical Inspection Condition Report (EICR) records, and the 5-year inspection programme are the main controls for effective operational management of this policy

4. CONSULTATION

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

5. CONCLUSION

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

6. RISK MANAGEMENT ISSUES

6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
If the policies expire or are not adopted by Cabinet, the Council cannot provide assurance that it recognises its duty, or that it has the necessary controls in place to manage Asbestos and Electric safety in tenants' homes effectively	High	Low	The policies are being presented to Cabinet for approval before they expire. There are no fundamental changes to working practices being proposed.
Failure by the Council to discharge its responsibilities for Asbestos and Electric safety could lead to a range of sanctions including prosecution by the Health and Safety Executive under the Health and Safety at Work Act 1974, and/or prosecution under the Corporate Manslaughter and Corporate Homicide Act 2007	High	Low	An audit of tenant health and safety completed by the East Kent Audit partnership in 2023, provided 'reasonable assurance' that the Council has a robust system of internal controls in place. These policies form part of that assurance. In addition, KPIs for Asbestos and Electric safety are monitored by the housing team weekly/monthly and reported to Cabinet quarterly.

Failure by the Council to demonstrate compliance with the regulatory framework and consumer standards may lead to an intervention and/or inspection by the Regulator of Social Housing (RSH)	High	Low	A mock assessment by the RSH against its new consumer standards (as part of a pilot exercise Jan-Mar 2023) concluded that the Council's data and controls did not suggest any potential breaches of consumer standards. The housing team are preparing to submit data against the standards for the 2023/24 year.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 **Legal (NM)** – These policies have been updated in light of changes in legislation, which are identified in this report.

7.2 **Finance (LW)** - There are no direct financial implications within this report, however, consideration will need to be given with regard to any future impact on the HRA Capital Programme.

7.3 **Equality and Diversity (GE)** – An Equality Impact Assessment has been completed on both policies consideration given in relation to how we treat vulnerable tenants when attempting to gain access for safety checks.

7.4 **Climate Change Implications (AT)** - There are no climate change implications arising from this report.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Mick Hale, Housing Assets Lead Manager
Telephone: 07517 830462
Email: mick.hale@folkestone-hythe.gov.uk

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

Appendices:

1. Housing Compliance (Asbestos) policy (track changes)
2. Housing Compliance (Asbestos) policy (clean version)
3. Housing Compliance (Electric Safety) policy (track changes)
4. Housing Compliance (Electric Safety) policy (clean version)

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HOUSING COMPLIANCE (ASBESTOS) POLICY

Date of policy	April ~~2021~~2024
Date for review	~~April 2024~~March 2027
Policy owner	Director of Housing and Operations, Folkestone & Hythe District Council
Approved by	Pending
Risk register rating	High
Associated documents	~~FHDC Asbestos procedure~~, Asbestos Management Plan

Revision history (For FHDC officer use only)			
Version	**Date**	**Revision description**	**Policy author**
V1.0	March 2020	Document created	Lee Woods (Pennington Choices)
V2.0	March 2021	Re-branding; update of key roles and responsibilities in line with FHDC reporting structure	John Holman, Assistant Director (Housing); Jonathan Hicks, Policy & Performance Specialist
V2.1 (draft)	November 2023	Changes made to reflect current working practises.	Claire Wickens, Compliance Specialist; Jonathan Hicks, Performance Specialist

V2.2 (draft)	January 2024	3.4 updated to reflect new powers by the Regulator; 6.18/19 added Controlled Access.	Jonathan Hicks, Performance Specialist

NEW POLICY / POLICY REVIEW	
New policy	
Early review – change in legislation	
Early review – significant changes in practice	
Review due – significant changes	
Review due – minor changes	YES
Other reason	

Reason for new policy / summary of changes
To ensure the accountability for managing this policy reflects the current working practices of the housing and compliance team

CONSULTATION	
List of people/roles who have been consulted	**Date**
TBC	

EQUALITY IMPACT ASSESSMENT	Completed	Date
	Yes	22 April 2021

DISSEMINATION		
Role	Awareness	Essential
Compliance team		YES
All housing staff	YES	

TRAINING		
Role	Trainer	Date completed
Compliance Specialists	Compliance Senior Specialist	

MONITORING AND COMPLIANCE		
Method	Responsibility	Frequency

Internal audit review	EK Audit partnership	Annually or as required

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1. Purpose of the Policy

1.1 The purpose of this policy is to ensure Folkestone & Hythe District Council (hereafter referred to as 'the Council') administers its duty to manage asbestos in its homes and buildings, and that this is done in accordance with The Control of Asbestos Regulations (CAR) 2012.

1.2 Breathing in air containing asbestos fibres can lead to asbestos-related diseases, mainly cancer of the lungs and chest lining. Asbestos is only a risk to health if asbestos fibres are released into the air and breathed in. Past exposure to asbestos currently kills around 5,000 people a year in Great Britain.

1.3 There is usually a long delay between first exposure to asbestos and the onset of the disease (15-60 years). Only by preventing or minimising these exposures now can asbestos-related disease eventually be reduced.

1.4 Any c~~C~~ouncil home or building built ~~or refurbished~~ before the year 2000 may contain asbestos. As long as the asbestos-containing material (ACM) is in good condition and is not going to be disturbed or damaged, there is negligible risk. However, if it is disturbed or damaged it can become a danger to health, because people may breathe in any asbestos fibres released into the air.

1.5 Workers who carry out repairs and maintenance work are at particular risk. If asbestos is present and can readily be disturbed, is in poor condition and not managed properly, others who may be occupying the homes or buildings could also be put at risk.

1.6 The Council is responsible for the maintenance and repair~~s~~ ~~to homes, non-domestic (communal blocks)~~of its social housing portfolio ~~and 'other' properties (e.g. offices, commercial buildings, depots, etc.), many~~ some of which ~~will~~ may have been constructed using asbestos-containing materials.

2. Policy Objectives and Scope

2.1 ~~Folkestone~~ The Council must establish a policy which meets the requirements of The Control of Asbestos Regulations (CAR) 2012, which came into force on 6th April 2012. The policy must provide assurance to the Council that measures are in place to identify, manage and/or mitigate risks associated with asbestos.

2.2 In addition, the Council must establish an Asbestos Management Plan (AMP), which outlines key information on roles and responsibilities, and the management of information, works, and ACMs.

2.3 The Council must also ensure that compliance with asbestos is formally reported to Cabinet, including the details of any non-compliance and planned corrective actions.

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3. Legal/Regulatory Framework

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

3.2 **Legislation** - the principal legislation applicable to this policy is The Control of Asbestos Regulations (CAR) 2012, which came into force on 6th April 2012. The Council has a legal obligation under ~~Part 2, Section 4~~Regulation 4 of the legislation (Duty to manage asbestos in non-domestic properties) and is the 'Duty Holder' for the purposes of the legislation.

The Council is the 'duty holder' by virtue of the fact that it owns and manages homes and buildings that~~,~~ house ~~ing~~ tenants and leaseholders. The Council has obligations with regard to health and safety that are set out in the ~~through the~~ tenancy and lease agreements. ~~obligations it has.~~

3.3 **Approved Codes of Practice and Guidance** – the principal approved codes of practice and guidance (as updated) applicable to this policy are:

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3.4 **Sanctions**

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

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

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The Council will use the legal remedies available within the terms of the tenancy and lease agreement should any tenant, leaseholder or shared owner refuse access to carry out essential asbestos related inspection and remediation works.

3.6 Additional Legislation

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

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- The Workplace (Health Safety and Welfare) Regulations 1992
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4.1 The Council's Cabinet will have overall governance responsibility for ensuring the asbestos policy is fully implemented to ensure full compliance with the regulatory standards, legislation and approved codes of practice. The Council's Cabinet will formally approve this policy and review it every ~~two~~ three years (or sooner if there is a change in regulation, legislation or codes of practice).

~~4.2 The Council's Cabinet will receive reports in respect of asbestos management performance and ensure compliance is being achieved. They will also be notified of any non-compliance issue identified.~~

4.~~3~~2 The Council's Director of Housing and Operations has strategic responsibility for the management of asbestos and ensuring compliance is achieved and maintained.~~ The Director will oversee the implementation of the Asbestos Policy~~.

4.3~~4~~ The Council's Assets Lead Manager~~Lead Specialist~~ ~~Director of Housing and Operations~~ will be responsible for overseeing the delivery of the agreed ~~survey~~ domestic and communal inspection programmes and the prioritisation and implementation of any works arising from the surveys. The day-to-day operational delivery will be delegated to the housing compliance team.

4.4 The Housing and Corporate Leadership Teams will receive reports in respect of asbestos management performance and ensure compliance is being achieved. They will also be notified of any non-compliance issue identified.

4.4 The housing teams will provide key support in gaining access into properties where access is proving difficult and use standards methods to do so.~~ They will also facilitate the legal process to gain access as necessary.~~

4.5 The Council's ~~Director of Housing and Operations~~Chief Officer for Housing will be responsible for ensuring the policy is reviewed every ~~two~~ three years, and will notify The Council's Corporate Leadership Team and operational team(s) responsible for the delivery of the compliance programme, of the upcoming review.

4.6 Competent Persons

4.6.1 The Council will ensure that the manager with lead responsibility for operational delivery is suitably qualified and experienced, holding one of the following as a minimum:

- P405 qualification;
- Level 4 qualification in a related subject such as Level 4 VRQ Diploma in Asset and Building Management Compliance; and/or
- Level 4 NEBOSH National Certificate/Diploma in health and safety~~.~~

4.6.2 Where the appropriate qualification has not yet been obtained, the Council will seek assistance from a relevant external consultant, until the Council employee(s) has obtained the qualification(s).~~The most appropriate qualification will be obtained within 12 months of the approval of this policy, or within 12 months of the start of employment for any new operational leads, where the employee does not already hold it.~~

4.6.3 The Council will ensure that competent contractors (as per HSG264) are procured and appointed to deliver asbestos management surveys.

4.6.4 The Council will ensure that competent licensed asbestos removal contractors are appointed for all notifiable non-licensed work or licensed works.

4.6.5 The operational team with responsibility for delivery will check the relevant qualifications of employees working for these contractors on an annual basis and evidence this appropriately.

The Policy

5. Obligations

5.1 The duty to manage asbestos is included in The Control of Asbestos Regulations (CAR) 2012. The duty requires t~~T~~he Council to manage the risk from asbestos by finding out if there is asbestos present and identifying its location and condition.

5.2 The Council has an obligation to do this~~,~~ in the homes and buildings it owns~~ed~~ and manages.~~d by the Council (or~~In practice this means assessing if asbestos-containing materials are liable to be present and making ~~a presumption~~an assumption that materials may contain asbestos, unless ~~the Council~~it has strong evidence that they do not~~)~~.

5.3~~2~~ The Council must also identify ~~its~~ the location of any asbestos-containing material (ACM) and identify what condition it is in. If the home or building was built prior to the year 2000 the Council will assume asbestos is present. If the home or building was built after the year 2000 asbestos is unlikely to be present and no further action will be required.

5.4~~3~~ The Council must ~~make~~ establish and keep an up-to-date record (referred to as the 'asbestos register') of the location and condition of the asbestos-containing materials (ACMs) or presumed asbestos-containing materials in the homes and buildings it own~~ed and managed by the Council~~s and manages, ~~and~~in order to:

- Assess the risk from the asbestos-containing materials found;~~.~~
- Prepare an Asbestos Management Plan that sets out in detail how the Council is going to manage the risk from the asbestos-containing materials, and taking ~~the~~ steps ~~needed~~ to put the asbestos management plan into action.

5.5~~4~~ The Council must also review and monitor the asbestos management plan and the arrangements made to put it in place; and set up a system for providing information on the location and condition of the asbestos-containing materials to anyone who is liable to work on or disturb these materials.

5.6~~5~~ Anyone who has information on the whereabouts of asbestos in homes and buildings is required to make this available to the Council as the 'duty holder', but the Council then has to assess its reliability.

6. Statement of Intent

6.1 The Council recognises that the main hazard in relation to asbestos is the non-identification of ACMs, and as such will protect those persons potentially exposed to asbestos as far as is reasonably practical by minimising the exposure through the use of appropriate control measures and working methods.

6.2 The Council accepts that asbestos is likely to be present in the majority of its properties built prior to the year 2000 and will therefore manage these properties accordingly.

6.3 In order to fully comply with the legislation t~~T~~he Council will have a Cabinet-approved Asbestos Policy. In addition the Council will have an Asbestos Management Plan and develop an Asbestos Register which will hold records of the assets which have asbestos-containing materials in them.

6.4 The Council will hold accurate records against each property it owns or manages, identifying whether the property has had its initial asbestos management survey and when the next re-inspection is due.

6.5 Survey and re-inspection dates, details of ACMs and asbestos management survey reports will be held electronically.

6.6 The Council will employ competent external contractors (in line with HSG264) to undertake asbestos management surveys. Licensed asbestos removal operatives and/or contractors will be employed to carry out licensed remediation works (where necessary) to non-domestic (communal blocks/ 'other' properties) and domestic properties as outlined in section 8 of this policy.

6.7 The Council will employ suitably competent persons to undertake asbestos re-inspections and the removal of non-licensed asbestos.

6.8 The Council will also undertake an intrusive refurbishment and demolition (R&D) survey to domestic and non-domestic properties as and when required as per HSG264. This will also be in accordance with the criteria set out in the Council Asbestos Management Plan, which should be read in conjunction with this policy.

6.9 The Council considers good communication essential in the safe delivery of asbestos management and will therefore ensure that information about asbestos-containing materials (known or suspect) is provided to every person liable to disturb it, accidentally or during the course of the work. This includes employees and tenants.

6.10 The Council will ensure that all contractors' employee and public liability insurances are up to date on an annual basis.

6.11 The Council will ensure contracts/service level agreements are in place with the contractors responsible for delivering the compliance service.

6.12 The Council will ensure there are effective contract management arrangements in place, in the form of client-led meetings taking place regularly, with standard agendas and minutes produced, key performance indicators analysed and programmes and performance scrutinised.

6.13 The Council will provide leaseholders and tenants with an asbestos survey report on request.

6.14 The Council will provide tenants with information about asbestos via their website that will: tell them of possible asbestos-containing materials (ACMs) in their home, advise them what to do if they wish to carry out DIY or employ a contractor to undertake work, and advise them who to contact if ACMs are accidentally disturbed.

6.15 The Council will generally not use asbestos labelling in domestic premises, however, in non-domestic premises and common areas of domestic blocks, labelling will be used where practicable.

6.16 The Council will implement a robust process to deal with all changes to stock, including new property acquisitions, disposals and stock transfers, in order to ensure that properties are not omitted from the compliance programme, and to ensure the programme remains up-to-date.

6.17 The Council will ensure that there is a robust process in place for the management of immediately dangerous situations identified from any asbestos related works undertaken on t~~T~~he Council's properties.

6.18 The Council will have a robust controlled access procedure in place should any tenant refuse access to carry out essential safety related inspection and/or remediation works. The Council will make every effort to obtain access giving reasonable notice, and before the inspection/certificate is due to expire. However, if access has still not been granted, or in cases of emergency, we will take enforcement action to gain entry to the property if necessary. This may mean undertaking a 'controlled entry'.

6.19 Where a controlled entry is required, a locksmith appointed by the Council will gain entry to the property and change the lock. Work will be completed with or without the tenant's presence and the tenant will be recharged for the work.

7. Compliance Risk Assessment/Inspection Programmes

7.1 **Non-Domestic (communal) Stock** – The Council will review existing asbestos management survey information prior to carrying out any repairs or planned maintenance works which may involve working on, or adjacent to, any asbestos-containing materials within a non-domestic (i.e. communal) block.~~)~~ ~~or 'other' properties (e.g. offices, commercial shops, depots, etc.).~~

7.2 This is to ensure that any asbestos-containing materials likely to pose a risk are identified prior to works commencing and the details passed onto the relevant operatives or external contractors and managed in an appropriate way. Where required a new hybrid R&D/management survey will be commissioned prior to work commencing.

7.3 The Council will ensure that all non-domestic (communal blocks) ~~and 'other' properties in ownership or management~~ have an initial asbestos management survey carried out. All surveys comply with the CAR 2012 legislation and are therefore dated after 6th April 2012 when the legislation came into effect.

7.4 Thereafter all non-domestic (communal blocks) ~~and 'other' properties~~ where ACM has been identified (but deemed safe to leave in place) will be recorded on the Council's Asset Management system, and will have a re-inspection survey and an assigned re-inspection date where applicable. This date will be in accordance with the specific needs of the building. It will either be annually or at a period dictated by the previous survey/re-inspection. Re-inspection dates may change following the re-categorisation of a property or a building.

7.5 The Council will not need to re-inspect any non-domestic (communal blocks) ~~or 'other' properties~~ built after the year 2000, or where the initial asbestos management survey confirms that there are no asbestos-containing materials present.

7.6 **Domestic Stock** – The Council will review existing asbestos management survey information prior to carrying out any void repairs, day to day repairs, or planned maintenance works which may involve working on or adjacent to any asbestos-containing materials within a domestic property.

7.7 This is to ensure that any asbestos-containing materials likely to pose a risk are identified prior to works commencing, and the details passed onto the relevant operatives or external contractors and managed in an appropriate way.

7.8 Where there is no previous asbestos-related information in respect of a domestic property which requires an asbestos survey ahead of void repairs, day-to-day repairs or planned maintenance work, a survey will be undertaken and the scope of the survey agreed in accordance with the works due to be carried out. If the void only requires the standard safety checks (gas, electric and EPC) and there is no intrusive repair work, an asbestos survey is not required.

7.9 The Council will not need to re-inspect any domestic properties built after the year 2000, or where the initial asbestos management survey confirms that there are no asbestos-containing materials present.

7.10 **Refurbishment Work** – The Council will undertake an intrusive refurbishment and demolition (R&D) survey to domestic, non-domestic (communal blocks) and 'other' properties prior to planned maintenance works taking place to the areas of the property that are likely to be disturbed as part of the proposed works. This will be in accordance with the criteria set out in t~~T~~he Council's Asbestos Management Plan, which should be read in conjunction with this policy.

7.11 **Garages** – The Council will carry out asbestos management surveys on garages prior to any work being carried out.

~~7.12 **Commercial Stock Assigned to the HRA** – The Council will ensure they have records of an asbestos management survey where properties they own or manage are managed by people or organisations other than The Council and Hythe District Council (i.e. are managed by managing agents). These properties will also be included on the Council's asbestos programme, so an asbestos re-inspection survey can be requested from the managing agent prior to the existing one expiring. If the managing agent fails to carry out an initial asbestos management survey or re-inspection survey, The Council will step in and carry out the test and re-charge the managing agent for the cost of this work.~~

8. Compliance Follow-up Work

8.1 The Council will ensure there is a robust process in place for the management of any follow-up works required following the completion of an asbestos management survey.

8.2 Where asbestos is positively identified and, as a result of a risk assessment (conducted in accordance with published guidance), removal, sealing or encapsulation is recommended, this will be carried out as follows:

- Non-licensed works – as defined in regulation 2 of CAR 2012 – by specifically trained contractors with appropriate equipment and working procedures in place which are sufficient to comply with the CAR 2012;
- Notifiable non-licensed works – as defined in regulation 2 of the CAR 2012 – by a licensed asbestos removal contractor (LARC) licensed by the Health and Safety Executive in compliance with the CAR 2012; or

- Licensed works - as defined in regulation 2 of the CAR 2012 – by a LARC, licensed by the Health and Safety Executive in compliance with the CAR 2012.

Key controls and reporting

9. Asbestos Surveys

9.1 The Council will establish and maintain a programme of non-domestic (communal blocks) and 'other' property surveys and re-inspections, and an Asbestos Register of all the asbestos-containing materials by type, address, location and condition.

9.2 Survey and re-inspection dates, details of ACMs and asbestos management survey reports will be held electronically.

9.3 Spreadsheets will be used to record the details of all asbestos surveys undertaken on The Council's non-domestic (communal), domestic and other properties. This will include the date and type of the most recent survey and/or re-inspection where applicable.

9.4 The findings from the asbestos survey, including any ACMs and remediation works identified and subsequently completed (including evidence of removal and encapsulation) should also be recorded on the spreadsheets.

9.5 Appropriate asbestos information will be made available to all interested stakeholders as required.

10. Training

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

11. Performance Reporting

11.1 Robust performance indicator measures will be established and maintained to ensure the Council is able to report on performance in relation to asbestos.

11.2 Performance measures will be produced and provided at Corporate Leadership Team (CLT) and Cabinet as part of the reporting cycle, as required. As a minimum these measures will include reporting on:

- Communal properties with a valid asbestos check. This is the level of compliance expressed as a number and/or as a percentage;

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

- Domestic properties with a valid asbestos check. This is the level of compliance expressed as a number and/or as a percentage;
- Written narrative on the current position, corrective action applied, and/or progress on follow-up works.

~~11.3 **Data – the total number of:**~~

- ~~Properties – split by non-domestic properties (communal blocks) and 'other' properties;~~
- ~~Properties on the asbestos management/re-inspection programme;~~
- ~~Properties not on the asbestos management/re-inspection programme;~~
- ~~Properties with a valid 'in date' survey/re-inspection. This is the level of compliance expressed as a number and a percentage;~~
- ~~Properties where the survey/re-inspection has expired and is 'out of date'. This is the level of non-compliance expressed as a number and a percentage; and~~
- ~~The percentage of domestic stock with full asbestos data.~~

~~11.4 **Narrative - an explanation of the:**~~

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

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

12. Quality Assurance

12.1 The Council will require external contractors to provide the results of their own ~~5 per cent quality~~ assurance audit checks, on a minimum of 5% of inspections (or a percentage determined through agreed contractual arrangements).~~as required by UKAS, on a monthly basis.~~

12.2 The Council will commission an independent audit of asbestos at least once every ~~two~~ three years. This audit will specifically test for compliance with the regulation, legislation and codes of practice and identify any non-compliance issues for correction.

13. Non-Compliance/Escalation Process

13.1 The definition of non-compliance in relation to this policy refers to any incident which results in a potential breach of legislation or regulatory standard, or which causes or has the potential to cause a significant a risk to health or safety.

13.2 Any non-compliance issue identified at an operational level will be formally reported to t~~T~~he Council's Director of Housing and Operations as part of the monthly reporting cycle.

13.3 Where necessary t~~T~~he Council's Director of Housing and Operations will agree an appropriate course of corrective action with the relevant operational teams in order to address any non-compliance issue.

13.4 The Council's Director of Housing and Operations will ensure the appropriate Cabinet Member(s) ~~for Housing, Transport and Special Projects~~ is made aware of any non-compliance issue.

14 Equality and Diversity

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

14.2 Provision has been made to record any tenant vulnerability issues that are known or identified, and therefore taken account of, when gaining access to properties to undertake necessary safety checks. However, ensuring we can gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant and/or other building occupants, is the Council's primary concern.

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HOUSING COMPLIANCE (ASBESTOS) POLICY

Date of policy	April 2024
Date for review	March 2027
Policy owner	Director of Housing and Operations, Folkestone & Hythe District Council
Approved by	Pending
Risk register rating	High
Associated documents	Asbestos Management Plan

Revision history (For FHDC officer use only)

Version	**Date**	**Revision description**	**Policy author**
V1.0	March 2020	Document created	Lee Woods (Pennington Choices)
V2.0	March 2021	Re-branding; update of key roles and responsibilities in line with FHDC reporting structure	John Holman, Assistant Director (Housing); Jonathan Hicks, Policy & Performance Specialist
V2.1 (draft)	November 2023	Changes made to reflect current working practises.	Claire Wickens, Compliance Specialist; Jonathan Hicks, Performance Specialist

V2.2 (draft)	January 2024	3.4 updated to reflect new powers by the Regulator; 6.18/19 added Controlled Access.	Jonathan Hicks, Performance Specialist

NEW POLICY / POLICY REVIEW	
New policy	
Early review – change in legislation	
Early review – significant changes in practice	
Review due – significant changes	
Review due – minor changes	YES
Other reason	

Reason for new policy / summary of changes
To ensure the accountability for managing this policy reflects the current working practices of the housing and compliance team

CONSULTATION	
List of people/roles who have been consulted	**Date**
TBC	

EQUALITY IMPACT ASSESSMENT	Completed	Date
	Yes	22 April 2021

DISSEMINATION		
Role	Awareness	Essential
Compliance team		YES
All housing staff	YES	

TRAINING		
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4. Responsibility

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

4.2 The Council's Director of Housing and Operations has strategic responsibility for the management of asbestos and ensuring compliance is achieved and maintained.

4.3 The Council's Assets Lead Manager will be responsible for overseeing the delivery of the agreed domestic and communal inspection programmes and the prioritisation and implementation of any works arising from the surveys. The day-to-day operational delivery will be delegated to the housing compliance team.

4.4 The Housing and Corporate Leadership Teams will receive reports in respect of asbestos management performance and ensure compliance is being achieved. They will also be notified of any non-compliance issue identified.

4.4 The housing teams will provide key support in gaining access into properties where access is proving difficult and use standards methods to do so.

4.5 The Council's Chief Officer for Housing will be responsible for ensuring the policy is reviewed every three years, and will notify The Council's Corporate Leadership Team and operational team(s) responsible for the delivery of the compliance programme, of the upcoming review.

4.6 Competent Persons

4.6.1 The Council will ensure that the manager with lead responsibility for operational delivery is suitably qualified and experienced, holding one of the following as a minimum:

- P405 qualification;
- Level 4 qualification in a related subject such as Level 4 VRQ Diploma in Asset and Building Management Compliance; and/or
- Level 4 NEBOSH National Certificate/Diploma in health and safety

4.6.2 Where the appropriate qualification has not yet been obtained, the Council will seek assistance from a relevant external consultant, until the Council employee(s) has obtained the qualification(s).

4.6.3 The Council will ensure that competent contractors (as per HSG264) are procured and appointed to deliver asbestos management surveys.

4.6.4 The Council will ensure that competent licensed asbestos removal contractors are appointed for all notifiable non-licensed work or licensed works.

4.6.5 The operational team with responsibility for delivery will check the relevant qualifications of employees working for these contractors on an annual basis and evidence this appropriately.

The Policy

5. Obligations

5.1 The duty to manage asbestos is included in The Control of Asbestos Regulations (CAR) 2012. The duty requires the Council to manage the risk from asbestos by finding out if there is asbestos present and identifying its location and condition.

5.2 The Council has an obligation to do this in the homes and buildings it owns and manages. In practice this means assessing if asbestos-containing materials are liable to be present and making an assumption that materials may contain asbestos, unless it has strong evidence that they do not.

5.3 The Council must also identify the location of any asbestos-containing material (ACM) and identify what condition it is in. If the home or building was built prior to the year 2000 the Council will assume asbestos is present. If the home or building was built after the year 2000 asbestos is unlikely to be present and no further action will be required.

5.4 The Council must establish and keep an up-to-date record (referred to as the 'asbestos register') of the location and condition of the asbestos-containing materials (ACMs) or presumed asbestos-containing materials in the homes and buildings it owns and manages, in order to:

- Assess the risk from the asbestos-containing materials found;
- Prepare an Asbestos Management Plan that sets out in detail how the Council is going to manage the risk from the asbestos-containing materials, and taking steps to put the asbestos management plan into action.

5.5 The Council must also review and monitor the asbestos management plan and the arrangements made to put it in place; and set up a system for providing information on the location and condition of the asbestos-containing materials to anyone who is liable to work on or disturb these materials.

5.6 Anyone who has information on the whereabouts of asbestos in homes and buildings is required to make this available to the Council as the 'duty holder', but the Council then has to assess its reliability.

6. Statement of Intent

6.1 The Council recognises that the main hazard in relation to asbestos is the non-identification of ACMs, and as such will protect those persons potentially exposed to asbestos as far as is reasonably practical by minimising the exposure through the use of appropriate control measures and working methods.

6.2 The Council accepts that asbestos is likely to be present in the majority of its properties built prior to the year 2000 and will therefore manage these properties accordingly.

6.3 In order to fully comply with the legislation the Council will have a Cabinet-approved Asbestos Policy. In addition the Council will have an Asbestos Management Plan and develop an Asbestos Register which will hold records of the assets which have asbestos-containing materials in them.

6.4 The Council will hold accurate records against each property it owns or manages, identifying whether the property has had its initial asbestos management survey and when the next re-inspection is due.

6.5 Survey and re-inspection dates, details of ACMs and asbestos management survey reports will be held electronically.

6.6 The Council will employ competent external contractors (in line with HSG264) to undertake asbestos management surveys. Licensed asbestos removal operatives and/or contractors will be employed to carry out licensed remediation works (where necessary) to non-domestic (communal blocks/ 'other' properties) and domestic properties as outlined in section 8 of this policy.

6.7 The Council will employ suitably competent persons to undertake asbestos re-inspections and the removal of non-licensed asbestos.

6.8 The Council will also undertake an intrusive refurbishment and demolition (R&D) survey to domestic and non-domestic properties as and when required as per HSG264. This will also be in accordance with the criteria set out in the Council Asbestos Management Plan, which should be read in conjunction with this policy.

6.9 The Council considers good communication essential in the safe delivery of asbestos management and will therefore ensure that information about asbestos-containing materials (known or suspect) is provided to every person liable to disturb it, accidentally or during the course of the work. This includes employees and tenants.

6.10 The Council will ensure that all contractors' employee and public liability insurances are up to date on an annual basis.

6.11 The Council will ensure contracts/service level agreements are in place with the contractors responsible for delivering the compliance service.

6.12 The Council will ensure there are effective contract management arrangements in place, in the form of client-led meetings taking place regularly, with standard agendas and minutes produced, key performance indicators analysed and programmes and performance scrutinised.

6.13 The Council will provide leaseholders and tenants with an asbestos survey report on request.

6.14 The Council will provide tenants with information about asbestos via their website that will: tell them of possible asbestos-containing materials (ACMs) in their home, advise them what to do if they wish to carry out DIY or employ a contractor to undertake work, and advise them who to contact if ACMs are accidentally disturbed.

6.15 The Council will generally not use asbestos labelling in domestic premises, however, in non-domestic premises and common areas of domestic blocks, labelling will be used where practicable.

6.16 The Council will implement a robust process to deal with all changes to stock, including new property acquisitions, disposals and stock transfers, in order to ensure that properties are not omitted from the compliance programme, and to ensure the programme remains up-to-date.

6.17 The Council will ensure that there is a robust process in place for the management of immediately dangerous situations identified from any asbestos related works undertaken on the Council's properties.

6.18 The Council will have a robust controlled access procedure in place should any tenant refuse access to carry out essential safety related inspection and/or remediation works. The Council will make every effort to obtain access giving reasonable notice, and before the inspection/certificate is due to expire. However, if access has still not been granted, or in cases of emergency, we will take enforcement action to gain entry to the property if necessary. This may mean undertaking a 'controlled entry'.

6.19 Where a controlled entry is required, a locksmith appointed by the Council will gain entry to the property and change the lock. Work will be completed with or without the tenant's presence and the tenant will be recharged for the work.

7. Compliance Risk Assessment/Inspection Programmes

7.1 **Non-Domestic (communal) Stock** – The Council will review existing asbestos management survey information prior to carrying out any repairs or planned maintenance works which may involve working on, or adjacent to, any asbestos-containing materials within a non-domestic (i.e. communal) block.

7.2 This is to ensure that any asbestos-containing materials likely to pose a risk are identified prior to works commencing and the details passed onto the relevant operatives or external contractors and managed in an appropriate way. Where required a new hybrid R&D/management survey will be commissioned prior to work commencing.

7.3 The Council will ensure that all non-domestic (communal blocks) have an initial asbestos management survey carried out. All surveys comply with the CAR 2012 legislation and are therefore dated after 6th April 2012 when the legislation came into effect.

7.4 Thereafter all non-domestic (communal blocks) where ACM has been identified (but deemed safe to leave in place) will be recorded on the Council's Asset Management system, and will have a re-inspection survey and an assigned re-inspection date where applicable. This date will be in accordance with the specific needs of the building. It will either be annually or at a period dictated by the previous survey/re-inspection. Re-inspection dates may change following the re-categorisation of a property or a building.

7.5 The Council will not need to re-inspect any non-domestic (communal blocks) built after the year 2000, or where the initial asbestos management survey confirms that there are no asbestos-containing materials present.

7.6 **Domestic Stock** – The Council will review existing asbestos management survey information prior to carrying out any void repairs, day to day repairs, or planned maintenance works which may involve working on or adjacent to any asbestos-containing materials within a domestic property.

7.7 This is to ensure that any asbestos-containing materials likely to pose a risk are identified prior to works commencing, and the details passed onto the relevant operatives or external contractors and managed in an appropriate way.

7.8 Where there is no previous asbestos-related information in respect of a domestic property which requires an asbestos survey ahead of void repairs, day-to-day repairs or planned maintenance work, a survey will be undertaken and the scope of the survey agreed in accordance with the works due to be carried out. If the void only requires the standard safety checks (gas, electric and EPC) and there is no intrusive repair work, an asbestos survey is not required.

7.9 The Council will not need to re-inspect any domestic properties built after the year 2000, or where the initial asbestos management survey confirms that there are no asbestos-containing materials present.

7.10 **Refurbishment Work** – The Council will undertake an intrusive refurbishment and demolition (R&D) survey to domestic, non-domestic (communal blocks) and 'other' properties prior to planned maintenance works taking place to the areas of the property that are likely to be disturbed as part of the proposed works. This will be in accordance with the criteria set out in the Council's Asbestos Management Plan, which should be read in conjunction with this policy.

7.11 **Garages** – The Council will carry out asbestos management surveys on garages prior to any work being carried out.

8. Compliance Follow-up Work

8.1 The Council will ensure there is a robust process in place for the management of any follow-up works required following the completion of an asbestos management survey.

8.2 Where asbestos is positively identified and, as a result of a risk assessment (conducted in accordance with published guidance), removal, sealing or encapsulation is recommended, this will be carried out as follows:

- Non-licensed works – as defined in regulation 2 of CAR 2012 – by specifically trained contractors with appropriate equipment and working procedures in place which are sufficient to comply with the CAR 2012;
- Notifiable non-licensed works – as defined in regulation 2 of the CAR 2012 – by a licensed asbestos removal contractor (LARC) licensed by the Health and Safety Executive in compliance with the CAR 2012; or
- Licensed works - as defined in regulation 2 of the CAR 2012 – by a LARC, licensed by the Health and Safety Executive in compliance with the CAR 2012.

Key controls and reporting

9. Asbestos Surveys

9.1 The Council will establish and maintain a programme of non-domestic (communal blocks) and ‘other’ property surveys and re-inspections, and an Asbestos Register of all the asbestos-containing materials by type, address, location and condition.

9.2 Survey and re-inspection dates, details of ACMs and asbestos management survey reports will be held electronically.

9.3 Spreadsheets will be used to record the details of all asbestos surveys undertaken on The Council’s non-domestic (communal), domestic and other properties. This will include the date and type of the most recent survey and/or re-inspection where applicable.

9.4 The findings from the asbestos survey, including any ACMs and remediation works identified and subsequently completed (including evidence of removal and encapsulation) should also be recorded on the spreadsheets.

9.5 Appropriate asbestos information will be made available to all interested stakeholders as required.

10. Training

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

11. Performance Reporting

11.1 Robust performance indicator measures will be established and maintained to ensure the Council is able to report on performance in relation to asbestos.

11.2 Performance measures will be produced and provided at Corporate Leadership Team (CLT) and Cabinet as part of the reporting cycle, as required. As a minimum these measures will include reporting on:

- Communal properties with a valid asbestos check. This is the level of compliance expressed as a number and/or as a percentage;

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

- Domestic properties with a valid asbestos check. This is the level of compliance expressed as a number and/or as a percentage;
- Written narrative on the current position, corrective action applied, and/or progress on follow-up works.

12. Quality Assurance

12.1 The Council will require external contractors to provide the results of their own assurance audit checks, on a minimum of 5% of inspections (or a percentage determined through agreed contractual arrangements).

12.2 The Council will commission an independent audit of asbestos at least once every three years. This audit will specifically test for compliance with the regulation, legislation and codes of practice and identify any non-compliance issues for correction.

13. Non-Compliance/Escalation Process

13.1 The definition of non-compliance in relation to this policy refers to any incident which results in a potential breach of legislation or regulatory standard, or which causes or has the potential to cause a significant a risk to health or safety.

13.2 Any non-compliance issue identified at an operational level will be formally reported to the Council's Director of Housing and Operations as part of the monthly reporting cycle.

13.3 Where necessary the Council's Director of Housing and Operations will agree an appropriate course of corrective action with the relevant operational teams in order to address any non-compliance issue.

13.4 The Council's Director of Housing and Operations will ensure the appropriate Cabinet Member(s) is made aware of any non-compliance issue.

14 Equality and Diversity

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

14.2 Provision has been made to record any tenant vulnerability issues that are known or identified, and therefore taken account of, when gaining access to properties to undertake necessary safety checks. However, ensuring we can gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant and/or other building occupants, is the Council's primary concern.

HOUSING COMPLIANCE (ELECTRICAL SAFETY) POLICY

Date of policy	April ~~2021~~2024
Date for review	~~April 2024~~March 2027
Policy owner	Director of Housing and Operations, Folkestone & Hythe District Council
Approved by	Pending
Risk register rating	High
Associated documents	FHDC Electrical Safety procedure

Revision history (For FHDC officer use only)			
Version	Date	Revision description	Policy author
V1.0	March 2020	Document created	Lee Woods (Pennington Choices)
V2.0	March 2021	Re-branding; update of key roles and responsibilities in line with FHDC reporting structure	John Holman, Assistant Director (Housing); Jonathan Hicks, Policy & Performance Specialist
V2.1 (draft)	November 2023	Changes made to reflect current working practises.	Keith Deane, Compliance Specialist; Jonathan Hicks, Performance Specialist
V2.2 (draft)	January 2024	3.7 updated to reflect new powers by the Regulator;	Jonathan Hicks, Performance Specialist

		6.18/19 added Controlled Access.	

NEW POLICY / POLICY REVIEW	
New policy	
Early review – change in legislation	
Early review – significant changes in practice	
Review due – significant changes	
Review due – minor changes	YES
Other reason	

Reason for new policy / summary of changes
To ensure the accountability for managing this policy reflects the current working practices of the housing and compliance team

CONSULTATION	
List of people/roles who have been consulted	**Date**
TBC	

EQUALITY IMPACT ASSESSMENT	Completed	Date
	Yes	28 April 2021

DISSEMINATION		
Role	Awareness	Essential
Compliance team		YES
All housing staff	YES	

TRAINING		
Role	Trainer	Date completed
Compliance Specialists	Compliance Senior Specialist	

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

Table of Contents

1. Purpose of the Policy

1.1 Although the UK has a fairly good record on electrical safety, there are still over 30 deaths and nearly 4,000 injuries from electrical accidents that occur in the home each year. A large number are related to electrical maintenance or DIY activities. The major dangers to health from electrical accidents are from shock, burns, electrical explosion or arcing, fire, and mechanical movements initiated by electricity.

1.2 Folkestone & Hythe District Council (hereafter referred to as 'the Council') is responsible for the maintenance and repairs to its homes and other buildings, all of which will contain electrical installations and appliances. The Landlord and Tenant Act 1985 and the Housing Act 2004 place duties on landlords to ensure that these electrical installations are safe at the start of any tenancy and are maintained in a safe condition throughout the tenancy.

1.3 The Council is also responsible for maintaining electrical installations and equipment in non-domestic (communal blocks) and any 'other' properties (offices, commercial shops, depots, etc.) it may own or manage under the Electricity at Work Regulations 1989 and the Electrical Equipment (Safety) Regulations 2016.

2. Policy Objectives and Scope

2.1 The Council must establish a policy which meets the requirements for electrical safety under the Landlord and Tenant Act 1985, the Housing Act 2004, the Electricity at Work Regulations 1989 and the Electrical Equipment (Safety) Regulations 2016. In addition to this, the policy must provide assurance to the Council that measures are in place to ensure compliance with these regulations and to identify, manage and/or mitigate risks associated with electrical installations and electrical portable appliances.

2.2 The Council must ensure compliance with electrical safety legislation is formally reported to the Council's Corporate Leaders and Members including the details of any non-compliance.

2.3 The policy is relevant to all Council employees, tenants, contractors and other persons who may work on, occupy, visit, or use its domestic and non-domestic social housing premises, or who may be affected by its activities or services.

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

3. Legal/Regulatory Framework

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

3.2 **Legislation** - the principal legislation applicable to this policy is the Landlord and Tenant Act 1985; the Electricity at Work Regulations 1989 and the Electrical Equipment (Safety) Regulations 2016.

3.3 Section 8 of the Landlord and Tenant Act 1985 sets out implied terms as to fitness for human habitation, and Section 11 of the Landlord and Tenant Act 1985 places repairing obligations in short leases.

3.4 The Electricity at Work Regulations 1989 places duties on employers to ensure that all electrical equipment used within the workplace is safe to use. The Electrical Equipment (Safety) Regulations 2016 requires Landlords to ensure that any appliances provided as part of a tenancy are safe when first supplied.

3.5 The Council is the 'landlord' by virtue of the fact that it owns and manages homes and buildings housing tenants/leaseholders through the tenancy, lease and licence agreement obligations it has with its tenants/leaseholders.

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

- IET Wiring Regulations British Standard 7671: 2018 (18^{th} edition)
- The Code of Practice for In-Service Inspection and Testing of Electrical Equipment (ISITEE) 2012 (5^{th} edition)
- HSE INDG236: 'Maintaining portable electrical equipment in low-risk environments' (as amended 2013)
- ~~Electrical Safety Council: 'Landlords' Guide to Electrical Safety 2009'~~
- Electrical Safety First: Landlords' guide to electrical safety
- Code of Practice for the Management of Electro-technical Care in Social Housing (January 2019)

3.7 **Sanctions**

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

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

3.8 **Tenants** **and Leaseholders** ~~**and HRA Commercial Stock**~~ – The Council will use the legal remedies available within the terms of the tenancy agreement, lease or licence should any tenant or ~~HRA commercial stock~~ leaseholder refuse access to carry out essential electrical safety checks, maintenance and safety-related repair works.

3.9 **Additional Legislation**

This Electrical Safety Policy also operates in the context of the following additional legislation:

- Health and Safety at Work Act 1974
- The Management of Health and Safety at Work Regulations 1999
- The Workplace (Health Safety and Welfare) Regulations 1992
- Management of Houses in Multiple Occupation (England) Regulations 2006
- Housing (Scotland) Act 2006
- Regulatory Reform (Fire Safety) Order 2005
- The Building Regulations for England and Wales (Part P)
- The Housing Act 2004
- The Occupiers' Liability Act 1984
- Health and Safety (Safety Signs and Signals) Regulations 1996
- Provision and Use of Work Equipment Regulations 1998
- Construction, Design and Management Regulations 2015
- Data Protection Act 2018
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013
- Homes (Fitness for Human Habitation) Act 2018

4. Responsibility

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

4.2 The Council's Director of Housing and Operations has strategic responsibility for the management of electrical safety and for ensuring compliance is achieved and maintained. ~~The Director will also oversee the implementation of the Electrical Safety Policy.~~

4.3 The Council's ~~Director of Housing and Operations~~Assets Lead Manager will be responsible for overseeing the delivery of the agreed electrical safety programme, and the prioritisation and implementation of any works arising from the electrical safety inspections. The day-to-day operational delivery will be delegated to the housing compliance team.

4.4 The housing teams will provide key support in gaining access into properties where access is proving difficult, and use standards methods to do so. They will also facilitate the legal process to gain access as necessary.

4.5 The Council's ~~Director of Housing and Operations~~Chief Officer for Housing will be responsible for ensuring the policy is reviewed every ~~two~~ three years and will notify the Corporate Leadership Team and relevant operational team(s) responsible for the delivery of the compliance programme, of the upcoming review.

4.6 **Competent Persons**

4.6.1 The Council will ensure that the ~~manager~~ officer with lead responsibility for operational delivery is appropriately qualified, holding one of the following as a minimum:

- Level 4 VRQ in Electrical Safety Management (or equivalent);
- A minimum of a level 4 qualification in a related subject such as Level 4 VRQ Diploma in Asset and Building Management Compliance.

4.6.2 Where the appropriate qualification has not yet been obtained, the Council will seek assistance from a relevant external consultant, until the Council employee(s) has obtained the qualification(s).~~The most appropriate qualification will be obtained within 12 months of the approval of this policy, or within 12 months of the start of employment for any new operational leads, where the employee does not already hold it.~~

4.6.3 ~~The Council will ensure that the manager with lead responsibility for operational delivery maintains/gains Approved Electrical Contractor Accreditation with the National Inspection Council for Electrical Inspection Contracting (NICEIC) or equivalent for all areas of electrical inspection, testing, installation and repair works that they undertake.~~

4.6.34 The operational team with responsibility for delivery will check the relevant accreditations for the work that contractors and operatives are carrying out. These checks will be undertaken on an annual basis and evidenced appropriately.

The Policy

5. Obligations

5.1 The Landlord and Tenant Act 1985 places duties on landlords to ensure that electrical installations in rented properties are:

- Safe when a tenancy begins, Section 8 (1a)
- Maintained in a safe condition throughout the tenancy, Section 11 (1b)

5.2 In order to be compliant under these duties electrical installations are required to be periodically inspected and tested. The intervals between inspections are not absolutely set within any regulations, however, best practice guidance from the ~~Electrical Safety Council and from BS7671:2018~~Institute of Engineering and Technology (IET) Guidance note 3: Inspection and testing BS:7671:2018 states that electrical installations should be tested at intervals of no longer than 5 years from the previous inspection.

5.3 Any deviation from these intervals should be at the recommendation of a competent NICEIC qualified (or equivalent) person and should be backed up by sound engineering evidence to support the recommendation.

5.4 All electrical installations should be inspected and tested prior to the commencement of any new tenancies (void properties or new builds), mutual exchanges and transfers, and a satisfactory Electrical Installation Condition Report (EICR) should be issued to the tenant prior to them moving in.

5.5 The Electricity at Work Regulations 1989 places duties on employers that all electrical installations and appliances within the workplace are safe and that only competent persons work on the electrical installations, systems and equipment (Section 16).

5.6 The Electrical Equipment (Safety) Regulations 2016 requires Landlords to ensure that any electrical appliances provided as part of a tenancy are safe when first supplied.

6. Statement of Intent

6.1 The Council acknowledges and accepts its responsibilities with regard to electrical safety under the Landlord and Tenant Act 1985, the Housing Act 2004, the Electricity at Work Regulations 1989 and the Electrical Equipment (Safety) Regulations 2016.

6.2 The Council will hold accurate records against each property it owns or manages, identifying when the electrical installation was last inspected and tested.

6.3 Inspection and re-inspection dates, along with EICR records, will be held electronically. A safety inspection will be undertaken sooner than the stated period if recommended by the competent person.

6.4 The Council will ensure that all electrical installations shall be in a satisfactory condition following completion of an electrical installation inspection and test.

6.5 The Council will ensure that a full electrical installation inspection retest is undertaken in the case of a change of occupancy (void properties, mutual exchanges and transfers) for all properties. This test will take place as near to the date at which the new tenancy commences.

6.6 The Council will ensure that only suitably competent NICEIC electrical contractors and engineers (or equivalent) undertake electrical works for the organisation.

6.7 The Council will carry out electrical installation inspection and tests and issue new satisfactory EICRs when completing planned component replacement works within domestic properties.

6.8 The Council will have a robust process in place to gain access should any tenant or leaseholder refuse access to carry out essential electrical safety related inspection and remediation works.

6.9 The Council will have a robust process in place to gain access to properties where tenant vulnerability issues are known or identified, whilst ensuring the organisation can gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant.

6.10 The Council will have a robust process in place to actively communicate with tenants in relation to electrical safety.

6.11 The Council will ensure that robust processes and controls are in place to manage the completion of follow up works identified during inspection and testing of electrical installations.

6.12 The Council will ensure that all contractors' employee and public liabilities are up to date on an annual basis.

6.13 The Council will ensure contracts/service level agreements are in place with the contractors responsible for delivering the compliance service.

6.14 The Council will ensure there are effective contract management arrangements in place, in the form of client-led meetings taking place regularly, with standard agendas and minutes produced, key performance indicators analysed and programmes and performance scrutinised.

6.15 The Council will ensure that measures are in place to identify, manage and/or mitigate risks related to portable electrical appliances in any properties where The Council is responsible for these. This will be achieved through annual PAT testing (unless otherwise specified within manufacturers' recommendations).

6.16 The Council will ensure that there is a robust process in place for the management of immediately dangerous situations identified from the electrical safety check.

6.17 The Council will implement a robust process to deal with all changes to stock, including new property acquisitions, disposals and stock transfers, in order to ensure that properties are not omitted from the compliance programme, and to ensure the programme remains up-to-date.

6.18 The Council will have a robust controlled access procedure in place should any tenant refuse access to carry out essential safety related inspection and/or remediation works. The Council will make every effort to obtain access giving reasonable notice, and before the inspection/certificate is due to expire. However, if access has still not been granted, or in cases of emergency, we will take enforcement action to gain entry to the property if necessary. This may mean undertaking a 'controlled entry'.

6.19 Where a controlled entry is required, a locksmith appointed by the Council will gain entry to the property and change the lock. Work will be completed with or without the tenant's presence and the tenant will be recharged for the work.

7. Compliance Risk Assessment/Inspection Programmes

7.1 **Risk assessment** – The Council will establish and maintain a risk assessment for electrical safety management and operations. This risk assessment will set out the organisation's key electrical safety risks together with appropriate mitigations.

7.2 **CDM** - to comply with the requirements of the Construction (Design and Management) Regulations 2015 (CDM) a Construction Phase Plan will be completed for all repairs work to void and tenanted properties (at the start of the contract and annually thereafter), component replacement and refurbishment works where applicable.

7.3 **Domestic properties** – The Council will carry out a programme of electrical installation inspection and testing to all domestic properties. This inspection and test will be carried out at intervals of no less than five years (unless the competent person recommends the next test must be done sooner than this) and will include the issuing of a new satisfactory EICR. This inspection and test is driven from the anniversary date of the most recent EICR, which may have been carried out at the start of a new tenancy or following planned component replacement works.

7.4 **Communal Blocks and 'Other' properties** – The Council will carry out a programme of electrical installation inspection and testing to all 'communal blocks' and any 'other' properties (shops, offices, depots, etc.), where there is a landlord's electrical installation (and the Council has the legal obligation to do so). This inspection and test will be carried out at intervals of no more than five years (unless the competent person recommends the next test must be done sooner than this) and will include the issuing of a new satisfactory EICR.

7.5 This inspection and test is driven from the anniversary date of the most recent EICR which may have been carried out following planned component replacement works. The Council's EICR programme will be aligned with the timescales set out within its 5-year contract specification.~~The five year inspection period will commence following a catch up programme, which is due to be completed within the timescales outlined within the EKH Recovery Plan.~~

7.6 ~~**Commercial Stock Assigned to the HRA** – The Council will ensure it has records of a valid EICR where properties it owns or manages are managed by people or organisations other than the Council (i.e. are managed by managing agents). These properties will be included on the Council's electrical inspection and testing programme, so a new EICR can be requested from the managing agent prior to the existing one expiring. If the managing agent fails to carry out the electrical inspection and test, the Council will step in and carry out the test and re-charge the managing agent for the cost of this work.~~

8. Compliance Follow up Work

8.1 The Council will ensure there is a robust process in place for the management of any follow-up works required following the completion of a periodic inspection and test of an electrical installation.

8.2 The Council will ensure there is a robust process in place to collate and store all EICRs and associated records and certification of completed remedial works.

8.3 The Council will, as a minimum, make safe and/or where possible endeavour to repair all ~~code 1 and code 2~~ C1 (danger is present) and C2 (potentially dangerous) defects identified by a periodic electrical installation inspection and test before leaving site after completing the inspection and testing works.

8.4 Any C2 works which cannot be completed at the time of the inspection and test will be completed within ~~F1 with~~ 10 working days and an EICR ~~will be~~ issued stating that the installation is in a satisfactory condition. ~~Code 3~~C3 (recommended improvement) ~~and F1~~ type works will be referred back to the Council's programme manager for a decision.

9. Key controls and reporting

9.1 The Council will hold accurate records against each property it owns or manages, identifying when the electrical installation was last inspected and tested.

9.2 Inspection and re-inspection dates, along with EICR records will be held electronically.

9.3 The Council will establish and maintain accurate records of all completed EICRs, Minor Electrical Works Certificates (MEW) and Building Regulation Part P notifications associated with remedial works from these reports, and Electrical Installation Certificates, and keep these as per the organisation's Data Retention Policy. Remedial works will be managed through an Excel Spreadsheet.

9.4 The Council will hold and maintain accurate records on the qualifications of all engineers undertaking electrical safety works for the organisation.

9.5 The Council will ensure robust processes and controls are in place to provide and maintain appropriate levels of security for all electrical safety related data.

10. Performance Reporting

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

10.2 Performance measures will be produced and provided at Corporate Leadership Team (CLT) and Cabinet as part of the reporting cycle, as required. As a minimum these measures will include reporting on:

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

- ~~Properties – split by domestic properties, communal blocks and 'other' properties;~~
- ~~Properties on the electrical inspection and testing programme;~~
- ~~Properties not on the electrical inspection and testing programme;~~
- Communal ~~P~~properties with a valid 'in date' EICR ~~(in line with a 5 year re-inspection period).~~ This is the level of compliance expressed as a number and/or as a percentage;
- Domestic ~~P~~properties with a valid 'in date' EICR (in line with a ~~5 year~~5-year re-inspection period). This is the level of compliance expressed as a number and/or as a percentage;

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

- Written narrative on the current position, corrective action applied, and/or progress on follow-up works.

~~10.2.2 **Narrative - an explanation of the:**~~

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

11. Quality Assurance

11.1 The Council will carry out 100 per cent desktop audits on the documentation produced by the external contractor delivering the inspection and testing programme.

11.2 The Council will appoint a third-party independent auditor to undertake quality assurance audits on a minimum 5 per cent sample of electrical works and supporting documentation. This sample will increase if issues are identified within the initial 5 per cent sample.

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

12. Non-Compliance/Escalation Process

12.1 The definition of non-compliance in relation to this policy refers to any incident which results in a potential breach of legislation or regulatory standard, or which causes or has the potential to cause a significant a risk to health or safety.

12.2 Any non-compliance issue identified at an operational level will be formally reported to The Council's Director of Housing and Operations as part of the monthly reporting cycle.

12.3 Where necessary The Director of Housing and Operations will agree an appropriate course of corrective action with the relevant operational team(s) in order to address the non-compliance issue.

12.4 The Director of Housing and Operations will ensure the ~~Cabinet Member for Housing, Transport and Special Projects~~appropriate Cabinet Member(s) is made aware of any non-compliance issue.

13. Training

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

14 Equality and Diversity

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

14.2 Provision has been made to record any tenant vulnerability issues that are known or identified, and therefore taken account of, when gaining access to properties to undertake necessary safety checks. However, ensuring we can gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant and/or other building occupants, is the Council's primary concern.

HOUSING COMPLIANCE (ELECTRICAL SAFETY) POLICY

Date of policy	April 2024
Date for review	March 2027
Policy owner	Director of Housing and Operations, Folkestone & Hythe District Council
Approved by	Pending
Risk register rating	High
Associated documents	FHDC Electrical Safety procedure

Revision history (For FHDC officer use only)

Version	Date	Revision description	Policy author
V1.0	March 2020	Document created	Lee Woods (Pennington Choices)
V2.0	March 2021	Re-branding; update of key roles and responsibilities in line with FHDC reporting structure	John Holman, Assistant Director (Housing); Jonathan Hicks, Policy & Performance Specialist
V2.1 (draft)	November 2023	Changes made to reflect current working practises.	Keith Deane, Compliance Specialist; Jonathan Hicks, Performance Specialist
V2.2 (draft)	January 2024	3.7 updated to reflect new powers by the Regulator;	Jonathan Hicks, Performance Specialist

		6.18/19 added Controlled Access.	

NEW POLICY / POLICY REVIEW	
New policy	
Early review – change in legislation	
Early review – significant changes in practice	
Review due – significant changes	
Review due – minor changes	YES
Other reason	

Reason for new policy / summary of changes
To ensure the accountability for managing this policy reflects the current working practices of the housing and compliance team

CONSULTATION	
List of people/roles who have been consulted	**Date**
TBC	

EQUALITY IMPACT ASSESSMENT	Completed	Date
	Yes	28 April 2021

DISSEMINATION		
Role	Awareness	Essential
Compliance team		YES
All housing staff	YES	

TRAINING		
Role	Trainer	Date completed
Compliance Specialists	Compliance Senior Specialist	

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

Table of Contents

1. Purpose of the Policy

1.1 Although the UK has a fairly good record on electrical safety, there are still over 30 deaths and nearly 4,000 injuries from electrical accidents that occur in the home each year. A large number are related to electrical maintenance or DIY activities. The major dangers to health from electrical accidents are from shock, burns, electrical explosion or arcing, fire, and mechanical movements initiated by electricity.

1.2 Folkestone & Hythe District Council (hereafter referred to as ‘the Council’) is responsible for the maintenance and repairs to its homes and other buildings, all of which will contain electrical installations and appliances. The Landlord and Tenant Act 1985 and the Housing Act 2004 place duties on landlords to ensure that these electrical installations are safe at the start of any tenancy and are maintained in a safe condition throughout the tenancy.

1.3 The Council is also responsible for maintaining electrical installations and equipment in non-domestic (communal blocks) and any ‘other’ properties (offices, commercial shops, depots, etc.) it may own or manage under the Electricity at Work Regulations 1989 and the Electrical Equipment (Safety) Regulations 2016.

2. Policy Objectives and Scope

2.1 The Council must establish a policy which meets the requirements for electrical safety under the Landlord and Tenant Act 1985, the Housing Act 2004, the Electricity at Work Regulations 1989 and the Electrical Equipment (Safety) Regulations 2016. In addition to this, the policy must provide assurance to the Council that measures are in place to ensure compliance with these regulations and to identify, manage and/or mitigate risks associated with electrical installations and electrical portable appliances.

2.2 The Council must ensure compliance with electrical safety legislation is formally reported to the Council’s Corporate Leaders and Members including the details of any non-compliance.

2.3 The policy is relevant to all Council employees, tenants, contractors and other persons who may work on, occupy, visit, or use its domestic and non-domestic social housing premises, or who may be affected by its activities or services.

2.4 It should be used by all to ensure they understand the obligations placed upon the Council to maintain a safe environment for tenants and employees within the homes of each tenant, and within all communal areas of buildings and any ‘other’ properties (owned and/or managed).

3. Legal/Regulatory Framework

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

3.2 **Legislation** - the principal legislation applicable to this policy is the Landlord and Tenant Act 1985; the Electricity at Work Regulations 1989 and the Electrical Equipment (Safety) Regulations 2016.

3.3 Section 8 of the Landlord and Tenant Act 1985 sets out implied terms as to fitness for human habitation, and Section 11 of the Landlord and Tenant Act 1985 places repairing obligations in short leases.

3.4 The Electricity at Work Regulations 1989 places duties on employers to ensure that all electrical equipment used within the workplace is safe to use. The Electrical Equipment (Safety) Regulations 2016 requires Landlords to ensure that any appliances provided as part of a tenancy are safe when first supplied.

3.5 The Council is the ‘landlord’ by virtue of the fact that it owns and manages homes and buildings housing tenants/leaseholders through the tenancy, lease and licence agreement obligations it has with its tenants/leaseholders.

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

- IET Wiring Regulations British Standard 7671: 2018 (18th edition)
- The Code of Practice for In-Service Inspection and Testing of Electrical Equipment (ISITEE) 2012 (5th edition)
- HSE INDG236: ‘Maintaining portable electrical equipment in low-risk environments’ (as amended 2013)
- Electrical Safety First: Landlords’ guide to electrical safety
- Code of Practice for the Management of Electro-technical Care in Social Housing (January 2019)

3.7 **Sanctions**

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

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

3.8 **Tenants and Leaseholders**– The Council will use the legal remedies available within the terms of the tenancy agreement, lease or licence should any tenant or leaseholder refuse access to carry out essential electrical safety checks, maintenance and safety-related repair works.

3.9 **Additional Legislation**

This Electrical Safety Policy also operates in the context of the following additional legislation:

- Health and Safety at Work Act 1974
- The Management of Health and Safety at Work Regulations 1999
- The Workplace (Health Safety and Welfare) Regulations 1992
- Management of Houses in Multiple Occupation (England) Regulations 2006
- Housing (Scotland) Act 2006
- Regulatory Reform (Fire Safety) Order 2005
- The Building Regulations for England and Wales (Part P)
- The Housing Act 2004
- The Occupiers' Liability Act 1984
- Health and Safety (Safety Signs and Signals) Regulations 1996
- Provision and Use of Work Equipment Regulations 1998
- Construction, Design and Management Regulations 2015
- Data Protection Act 2018
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013
- Homes (Fitness for Human Habitation) Act 2018

4. Responsibility

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

4.2 The Council's Director of Housing and Operations has strategic responsibility for the management of electrical safety and for ensuring compliance is achieved and maintained.

4.3 The Council's Assets Lead Manager will be responsible for overseeing the delivery of the agreed electrical safety programme, and the prioritisation and implementation of any works arising from the electrical safety inspections. The day-to-day operational delivery will be delegated to the housing compliance team.

4.4 The housing teams will provide key support in gaining access into properties where access is proving difficult and use standards methods to do so. They will also facilitate the legal process to gain access as necessary.

4.5 The Council's Chief Officer for Housing will be responsible for ensuring the policy is reviewed every three years and will notify the Corporate Leadership Team and relevant operational team(s) responsible for the delivery of the compliance programme, of the upcoming review.

4.6 **Competent Persons**

4.6.1 The Council will ensure that the officer with lead responsibility for operational delivery is appropriately qualified, holding one of the following as a minimum:

- Level 4 VRQ in Electrical Safety Management (or equivalent);
- A minimum of a level 4 qualification in a related subject such as Level 4 VRQ Diploma in Asset and Building Management Compliance.

4.6.2 Where the appropriate qualification has not yet been obtained, the Council will seek assistance from a relevant external consultant, until the Council employee(s) has obtained the qualification(s).

4.6.3

4.6.3 The operational team with responsibility for delivery will check the relevant accreditations for the work that contractors and operatives are carrying out. These checks will be undertaken on an annual basis and evidenced appropriately.

The Policy

5. Obligations

5.1 The Landlord and Tenant Act 1985 places duties on landlords to ensure that electrical installations in rented properties are:

- Safe when a tenancy begins, Section 8 (1a)
- Maintained in a safe condition throughout the tenancy, Section 11 (1b)

5.2 In order to be compliant under these duties electrical installations are required to be periodically inspected and tested. The intervals between inspections are not absolutely set within any regulations, however, best practice guidance from the Institute of Engineering and Technology (IET) Guidance note 3: Inspection and testing BS:7671:2018 states that electrical installations should be tested at intervals of no longer than 5 years from the previous inspection.

5.3 Any deviation from these intervals should be at the recommendation of a competent NICEIC qualified (or equivalent) person and should be backed up by sound engineering evidence to support the recommendation.

5.4 All electrical installations should be inspected and tested prior to the commencement of any new tenancies (void properties or new builds), mutual exchanges and transfers, and a satisfactory Electrical Installation Condition Report (EICR) should be issued to the tenant prior to them moving in.

5.5 The Electricity at Work Regulations 1989 places duties on employers that all electrical installations and appliances within the workplace are safe and that only competent persons work on the electrical installations, systems and equipment (Section 16).

5.6 The Electrical Equipment (Safety) Regulations 2016 requires Landlords to ensure that any electrical appliances provided as part of a tenancy are safe when first supplied.

6. Statement of Intent

6.1 The Council acknowledges and accepts its responsibilities with regard to electrical safety under the Landlord and Tenant Act 1985, the Housing Act 2004, the Electricity at Work Regulations 1989 and the Electrical Equipment (Safety) Regulations 2016.

6.2 The Council will hold accurate records against each property it owns or manages, identifying when the electrical installation was last inspected and tested.

6.3 Inspection and re-inspection dates, along with EICR records, will be held electronically. A safety inspection will be undertaken sooner than the stated period if recommended by the competent person.

6.4 The Council will ensure that all electrical installations shall be in a satisfactory condition following completion of an electrical installation inspection and test.

6.5 The Council will ensure that a full electrical installation inspection retest is undertaken in the case of a change of occupancy (void properties, mutual exchanges and transfers) for all properties. This test will take place as near to the date at which the new tenancy commences.

6.6 The Council will ensure that only suitably competent NICEIC electrical contractors and engineers (or equivalent) undertake electrical works for the organisation.

6.7 The Council will carry out electrical installation inspection and tests and issue new satisfactory EICRs when completing planned component replacement works within domestic properties.

6.8 The Council will have a robust process in place to gain access should any tenant or leaseholder refuse access to carry out essential electrical safety related inspection and remediation works.

6.9 The Council will have a robust process in place to gain access to properties where tenant vulnerability issues are known or identified, whilst ensuring the organisation can gain timely access to any property in order to be compliant with this policy and safeguard the wellbeing of the tenant.

6.10 The Council will have a robust process in place to actively communicate with tenants in relation to electrical safety.

6.11 The Council will ensure that robust processes and controls are in place to manage the completion of follow up works identified during inspection and testing of electrical installations.

6.12 The Council will ensure that all contractors' employee and public liabilities are up to date on an annual basis.

6.13 The Council will ensure contracts/service level agreements are in place with the contractors responsible for delivering the compliance service.

6.14 The Council will ensure there are effective contract management arrangements in place, in the form of client-led meetings taking place regularly, with standard agendas and minutes produced, key performance indicators analysed and programmes and performance scrutinised.

6.15 The Council will ensure that measures are in place to identify, manage and/or mitigate risks related to portable electrical appliances in any properties where The Council is responsible for these. This will be achieved through annual PAT testing (unless otherwise specified within manufacturers' recommendations).

6.16 The Council will ensure that there is a robust process in place for the management of immediately dangerous situations identified from the electrical safety check.

6.17 The Council will implement a robust process to deal with all changes to stock, including new property acquisitions, disposals and stock transfers, in order to ensure that properties are not omitted from the compliance programme, and to ensure the programme remains up-to-date.

6.18 The Council will have a robust controlled access procedure in place should any tenant refuse access to carry out essential safety related inspection and/or remediation works. The Council will make every effort to obtain access giving reasonable notice, and before the inspection/certificate is due to expire. However, if access has still not been granted, or in cases of emergency, we will take enforcement action to gain entry to the property if necessary. This may mean undertaking a ‘controlled entry’.

6.19 Where a controlled entry is required, a locksmith appointed by the Council will gain entry to the property and change the lock. Work will be completed with or without the tenant’s presence and the tenant will be recharged for the work.

7. Compliance Risk Assessment/Inspection Programmes

7.1 **Risk assessment** – The Council will establish and maintain a risk assessment for electrical safety management and operations. This risk assessment will set out the organisation’s key electrical safety risks together with appropriate mitigations.

7.2 **CDM -** to comply with the requirements of the Construction (Design and Management) Regulations 2015 (CDM) a Construction Phase Plan will be completed for all repairs work to void and tenanted properties (at the start of the contract and annually thereafter), component replacement and refurbishment works where applicable.

7.3 **Domestic properties** – The Council will carry out a programme of electrical installation inspection and testing to all domestic properties. This inspection and test will be carried out at intervals of no less than five years (unless the competent person recommends the next test must be done sooner than this) and will include the issuing of a new satisfactory EICR. This inspection and test is driven from the anniversary date of the most recent EICR, which may have been carried out at the start of a new tenancy or following planned component replacement works.

7.4 **Communal Blocks and ‘Other’ properties** – The Council will carry out a programme of electrical installation inspection and testing to all ‘communal blocks’ and any ‘other’ properties (shops, offices, depots, etc.), where there is a landlord’s electrical installation (and the Council has the legal obligation to do so). This inspection and test will be carried out at intervals of no more than five years (unless the competent person recommends the next test must be done sooner than this) and will include the issuing of a new satisfactory EICR.

7.5 This inspection and test is driven from the anniversary date of the most recent EICR which may have been carried out following planned component replacement works. The Council’s EICR programme will be aligned with the timescales set out within its 5-year contract specification.

8. Compliance Follow up Work

8.1 The Council will ensure there is a robust process in place for the management of any follow-up works required following the completion of a periodic inspection and test of an electrical installation.

8.2 The Council will ensure there is a robust process in place to collate and store all EICRs and associated records and certification of completed remedial works.

8.3 The Council will, as a minimum, make safe and/or where possible endeavour to repair all C1 (danger is present) and C2 (potentially dangerous) defects identified by a periodic electrical installation inspection and test before leaving site after completing the inspection and testing works.

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12.1 The definition of non-compliance in relation to this policy refers to any incident which results in a potential breach of legislation or regulatory standard, or which causes or has the potential to cause a significant a risk to health or safety.

12.2 Any non-compliance issue identified at an operational level will be formally reported to The Council's Director of Housing and Operations as part of the monthly reporting cycle.

12.3 Where necessary The Director of Housing and Operations will agree an appropriate course of corrective action with the relevant operational team(s) in order to address the non-compliance issue.

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Folkestone & Hythe District Council

This Report will be made public on 20 February 2024

Report Number **C/23/90**

To:	**Cabinet**
Date:	**28 February 2024**
Status:	**Key Decision**
Head of Service:	**Lydia Morrison – Interim Director Governance and Finance Services**
Cabinet Member:	**Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance**

SUBJECT: FOLKESTONE AND HYTHE DISTRICT COUNCIL BUDGET 2024/25

SUMMARY: This report presents the Folkestone and Hythe District Council Budget 2024/25.

REASONS FOR RECOMMENDATIONS:

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

a) The District Council's Revenue Budget and Council Tax rate for 2024/25 needs to be set in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. **To receive and note Report C/23/90.**
2. **To recommend to Council that Council approves the proposed Revenue Budget 2024/25 and sets a Council Tax rate of £280.08 at Band D, representing an increase of £8.01 on the current charge.**
3. **To approve the Council Tax Resolution at Appendix 1.**
4. **To note, with thanks, the voluntary reduction in Special Responsibility Allowance (SRA) from the Leader (£13,740) and Deputy Leader (£1,145) to enable the Ward Grants budget to remain at £90,000 in the 2024/25 budget.**

1. BACKGROUND

1.1 It is a legal requirement for the Council to set a “Balanced Budget” each year in accordance with the Local Government Finance Act 1988. Every year the Council faces changes to its funding, increases in service demands and this year in particular pressures arising from an all time high rate of inflation, all of which have placed significant pressures on the Council’s budget in the past few years.

1.2 Following a thorough and robust process of challenge and a move away from incremental budgeting to Priority Based Budgeting (PBB), the Council is presented with the following proposals for its revenue budget and Council Tax resolution:

- Supporting reports which form part of the budgeting process and framework have been presented and approved by Cabinet as detailed below:

- C/23/63 Budget Strategy 2024/25
  This report sets out the guidelines for preparing the 2024/25 Budget. It supports the Corporate Plan and aligns with the direction and objectives of the Medium Term Financial Strategy (MTFS).

- C/23/71 Fees & Charges 2024/25
  This report sets out the fees and charges for 2024/25 which will contribute towards meeting the council’s 2024/25 budget objectives and Medium Term Financial Strategy.

- C/23/64 Medium Term Financial Strategy 2024/25 to 2027/28
  This report sets out the Medium Term Financial Strategy and forecasts a base budget deficit of £2.783M by the end of the 2027/28 financial year. This is based on best estimates at the time of writing.

- C/23/83 Draft General Fund Budget 2024/25 and Medium Term Financial Strategy for the period 2024/25 and 2027/28.
  This report sets out the position as at January 2024 following the draft Financial Settlement, and prior to the final settlement being received.

1.3 At the Cabinet meeting in January 2024 a draft Revenue Budget was approved with estimates pending the receipt of a number of key components, these being:

1.4

- The Final Local Government Finance Settlement for 2024/25;
- The council’s share of the Collection Fund surplus or deficit;
- Town and parish precepts; and
- The council tax base and business rates income forecast.

1.5 Cabinet's proposals for the Revenue Budget 2024/25 and the Council Tax resolution will be presented for approval at Council on the 28th February 2024. The Council Tax resolution is required to set the level of Council Tax charge for the new financial year and incorporates precepts from the following organisations:

- Precepts from Kent County Council, Kent Police & Crime Commissioner and Kent Fire & Rescue Service;
- The special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity; and Individual town and parish council precepts.

1.6 The budget proposals have been subject to public consultation and review by the Finance & Performance Sub-Committee.

National Developments and Economic Environment

1.7 As well as the Council facing the pressures of reduction in direct funding and cost pressures, there are a number of wider economic pressures that impact on the Council's budget, even if not directly.

1.8 The ongoing war in Ukraine and conflict in the Middle East have had many impacts including the available funding the Treasury has to support Local Government, high levels of inflation, labour shortages and rising interest rates, all of which present the Council with a volatile and uncertain economic environment. The ongoing cost-of-living crisis will continue to impact the residents of Folkestone & Hythe and the Council is committed to doing what it can to support those in greatest need. Service demand continues to rise due to demographic changes which affect all age groups and inflationary pressures are causing providers to raise their prices, which impacts the Council as a whole.

1.9 Inflation peaked in October 2022 at 11.1% on the CPI measure and is currently at 4.0%. The Bank of England (BoE) expects inflation to continue to fall, but not to return to its target level of 2% until the end of 2025. RPI, which is often used as the basis for indexation in contracts, peaked at 16.4% in October 2022 and currently stands at 5.2%. It is worth noting that at the time of setting the 2023/24 budget the Bank of England was forecasting that inflation would fall to its target rate of 2% by January 2024.

1.10 Interest Rates having remained at 1% or less since February 2009, have been rising steadily as the BOE attempts to quell inflation which remains significantly above the BOE's official target of 2%. In December 2023, the BOE decided to keep the base rate unchanged at 5.25%. The latest Monetary Policy report says rates are expected to remain around 5.25% until Q3 2024 and then decline gradually to 4.25% by the end of 2026. Some forecasters predict a swifter cut in base rate to around 3% by late 2025. There is no expectation that interest rates will return to anywhere near 1% in the foreseeable future.

1.11 For the Council, this translates into higher costs of borrowing which in turn will have an adverse impact on the capital programme. For residents, high interest rates will adversely affect the holders of existing mortgages and first time buyers alike. The positive arising from an increasing Bank of England base rate is the improvement in the performance of our treasury investments.

1.12 Since late 2021, the UK has experienced a rise in the cost of living for individuals and businesses. For many residents, this means having to make difficult decisions on how they spend their income, which can have a negative impact on their standard of living. This has also translated into an increased number in residents presenting as homeless which in turn places increasing pressures on the Council's budget.

2. COUNCIL TAX 2024/25

2.1 The Council Tax resolution is required to set the level of Council Tax change for the new financial year. The budget has been prepared on the basis that the District Council's element of council tax (including the special expenses for Folkestone Parks and Pleasure Grounds) is increased by 2.99%. This is the increase that is monitored by the Government when determining whether any increase in council tax is excessive and would require a referendum. The maximum increase permitted for the financial year 2024/25 without referendum is 2.99%, therefore the proposed increase is within this threshold.

The following is extracted from the Council Tax Resolution (Appendix 1) to highlight the key decisions for the Council to approve:

That it be noted that Chief Finance Officer has calculated the Council Tax Base 2024/25 for the whole of the Council area as 14,970,171.64.

To approve that the following amounts be now calculated by the Council for the year 2024/25 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 (the Act):

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

b) £81,325,188 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act (as in Appendix 2).

c) £14,970,171.64 – being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year (as in Appendix 2).

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

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

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

2.2 Further detail can be found at Appendix 7.

3. THE FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25

3.1 The provisional local government 2024/25 settlement was announced on 18 December 2023 and details of the settlement were reported to Cabinet on 31 January 2024 as contained in the draft General Fund Budget report 2024/25 report reference C/23/83.

3.2 **Movement from 3% to 4% Funding Guarantee.** In 2023-24, the government applied a 3% Funding Guarantee – and had announced the same guarantee in the 2024-25 provisional settlement. This ensured that every authority receives a 3% increase in funding within Core Spending Power before any increase in Band D. It includes increases in Settlement Funding Assessment (SFA), cap compensation, specific grants, and New Homes Bonus (NHB), plus any additional revenue from taxbase growth. The Secretary of State announced on Wednesday 24 January 2024 that the threshold will be increased from 3% to 4% in the final settlement.

3.3 The final local government settlement was received by the Council on 5 February 2024 which increased the provision sum expected to be received by the Council to reflect the uplift in Funding Guarantee to 4%.

3.4 The table below summarises the funding gains for the council as a result of the final settlement and these have been factored into the 2024/25 General Fund Budget for council tax setting purposes.

Final LG Settlement – compared to provisional			
	Provisional	**Final**	**Change**
Description	**£**	**£**	**£**
Settlement Funding Assessment (SFA)	150,946	150,946	-
Other Grant (RSG)	14,064	14,064	-
New Homes Bonus	135,703	135,703	-
3% Funding level guarantee payment	505,607	677,431	171,824
Service Grant Allocation	(127,207)	(124,900)	2,307
Multiplier Cap Compensation	141,791	141,791	-
Total	**820,904**	**995,035**	**174,131**

Local Government Funding Reforms

3.5 It was anticipated that the settlement would provide some clarity about future funding reforms, however there were no announcements in the review about local government funding reforms (Fair Funding Review or Business Rates Retention scheme changes), and it is anticipated that these have now been pushed back to at least 2025/26 if not later. Latest updates suggest that the Fair Funding Review is being modelled for 2025/26 with a view to implementation in 2026/27 and therefore, the longer term funding picture continues to remain unknown and is uncertain. Again, this will make future financial planning a challenge given the existing context of economic and financial challenges that the Council faces in terms of the residual impact of the ongoing war in Ukraine, conflict in the Middle East and the subsequent impact on interest rates, high inflation costs and the rise in energy and borrowing costs. The council will continue to monitor this position and update Cabinet throughout the 2024/25 year in terms of any new developments.

Folkestone & Hythe – key settlement information

3.6 Core Spending Power is a headline figure used by Government to represent the key revenue resources available to local authorities; it includes an estimate of actual and potential council tax.

	2023/24 £M	2024/25 £M
Core Spending Power	**17.413**	**18.456**
Comprising:		
Settlement Funding Assessment	3.872	4.023
Assumed Council Tax	11.488	11.902
Other Grants	2.053	2.531
Change in Core Spending Power		
Annual Change		**5.9%**

Folkestone & Hythe Retained Business Rates – settlement information.

3.7 The Baseline Funding Level is the share of the Settlement Funding Assessment that Government intends to be funded via locally retained business rates. It is Government's projection of the authority's share of business rates assuming there has been no change in the tax base since the start of the scheme. It increases each year in line with the small business rates multiplier for which the council receives compensation at CPI levels.

	2023/24 £m	2024/25 £m
a. Baseline Funding Level (£M)	3.872	4.023
b. Baseline Business Baseline (£M)	10.812	11.041
c. Tariff/Top Up (£M)	(6.939)	(7.018)
Levy Rate (pence in the pound)	50	50

a. The Baseline Funding Level is the share of the Council's Settlement Funding Assessment that DLUHC intends to be funded via locally retained business rates or s31 grants which replace business rates foregone.
b. Business Rates Baseline is DLUHC's assumed projection of the Council's business rates share, assuming no change in tax base since the start of the scheme. This figure is inferred, based on BFL and Tariff / Top Up.
c. Tariff / Top Up is calculated such that, if the Council's actual business rates were equal to its Baseline Business Rates, then its final revenue would equal its Baseline Funding level.

Business Rates multiplier under indexation compensation

3.8 It was announced, as part of the Autumn Statement in November 2022, that the small business rates multiplier for 2024/25 will remain frozen and councils will be compensated for loss of income by way of an under indexation adjustment at CPI inflation levels. This adjustment has been received within the final settlement and the amount received is outlined in paragraph 3.7 above.

Kent Business Rates Pool

3.9 The settlement confirmed the continuation of the Kent and Medway business rates pool for 2024/25 which will operate under the existing retention scheme.

Folkestone & Hythe New Homes Bonus (NHB)

3.10 The final settlement included a one-year payment for New Homes Bonus. The reduced 2024/25 allocation follows the 2023/24 approach and is an 'in year' only payment and will not have future years' legacy payments. In terms of the future of New Homes Bonus, government decisions are still awaited on the 2021 consultation exercise, which was a very open exercise with limited indication of the favoured policy proposals and no strong view on the efficacy of the NHB incentive effect; decisions on this are expected by the time of next year's 2025/26 provisional settlement.

3.11 Council Tax

In 2023/24 District and Shire Councils were able to apply an increase of less than 2.99% or up to £5 whichever was the greater, these remain the same for the 2024/25 financial year.

3.12 Local productivity plans

Alongside the final settlement, the Government confirmed that it will require all councils to publish local productivity plans agreed by Council Leaders and members by 28 July 2024, identifying ways to unlock productivity improvements and setting out the key implementation milestones. The expectation is that they cover the following main areas:

- transformation of services to make better use of resources;
- opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
- ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and staff Equality, Diversity, and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and
- barriers preventing activity that Government can help to reduce or remove.

3.13 Councils will have to provide progress updates against these plans. At the time of writing, there is no specific guidance on the plans and the Government says it will work with the local government sector on the approach to producing these plans, but the plans should be short and draw on work councils have already done. Government intends to monitor these plans, and funding settlements in future will be informed by performance against them.

4. REVENUE BUDGET 2024/25

4.1 Balancing the Budget - The Council is legally required to set a balanced budget for the following financial year, and it must remain balanced. Projections show that this is possible for 2024-25 but not in the future years without ongoing mitigation i.e., savings. The most significant challenge for the Council in future years is the interest on borrowing and future mitigation must be focussed on reducing the cost of debt (i.e., a capital solution) to minimise the impact on the service delivery budget.

4.2 Cabinet considered and approved the Draft Revenue Budget for 2024/25 on 31 January 2024. This took into account the growth and savings proposals and fees & charges income as detailed in the Budget Strategy report that was approved by Cabinet on 13 December 2023, along with the forecast 2024/25 budget changes from the Medium Term Financial Strategy.

4.3 Following the final settlement and final budget updates the Revenue Budget for 2024/25 is set out below:

GENERAL FUND

SUMMARY

2023/24 Original Budget £		2024/25 Draft Original Budget *Jan-24* £	2024/25 Draft Original Budget *Feb-24* £
	SUMMARY OF NET EXPENDITURE		
	Service Heads		
8,445,560	Finance, Strategy & Corporate Services	7,751,330	7,834,430
683,190	Human Resources	733,260	733,260
2,976,100	Governance & Law	3,248,940	3,230,640
740,960	Leadership Support	590,900	524,860
6,712,940	Place	6,957,130	7,022,130
413,180	Economic Development	435,800	435,800
165,400	Planning	206,080	208,480
2,483,630	Operations	2,301,180	2,283,680
3,048,610	Housing	2,971,090	3,081,790
(5,919,556)	Recharges	(6,440,395)	(6,475,515)
33,040	Vacancy Target & Savings Target not included in service heads	(424,000)	116,000
19,783,054	**TOTAL HEAD OF SERVICE NET EXPENDITURE**	**18,331,315**	**18,995,555**
541,430	Internal Drainage Board Levies	585,610	585,610
2,502,000	Interest Payable and Similar Charges	2,381,000	2,381,000
(2,521,000)	Interest and Investment Income	(3,043,000)	(3,043,000)
(365,568)	New Homes Bonus Grant	(135,700)	(135,700)
(4,616,551)	Other non-service related Government Grants	(5,584,550)	(5,758,680)
2,801,300	Town and Parish Council Precepts	2,801,300	2,993,850
18,124,665	**TOTAL GENERAL FUND OPERATING NET EXP**	**15,335,975**	**16,018,635**
(2,180,000)	Net Transfers to/(from) Earmarked Reserves	57,720	(405,290)
1,625,000	Minimum Revenue Provision	2,325,000	2,325,000
2,487,000	Capital Expenditure funded from Revenue	1,055,000	1,055,000
20,056,665	**TOTAL TO BE MET FROM LOCAL TAXPAYERS**	**18,773,695**	**18,993,345**
(59,451)	Transfer to/(from) the Collection Fund	-	-
(3,921,454)	Business Rates Income	(4,023,175)	(4,023,175)
16,075,760	**TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE**	**14,750,520**	**14,970,170**
(14,289,513)	Council Tax-Demand on Collection Fund	(14,750,520)	(14,970,170)
1,786,247		**-**	**-**
	(SURPLUS)/DEFICIT FOR YEAR		
1,786,247	Contribution from General Reserve	**-**	**-**
1,786,247	**BALANCE AT END OF YEAR**	**-**	**-**

Budget Movements

4.4 The table below details various updates with reasons for changes since the draft budget was presented to the Cabinet on 31 January 2024:

Descriptions	**£**
Additional Pay Award provision	340,000
Adjustment to the saving target, partly related to vacant posts within Customer Services.	200,000
Council Homelessness Appeal/Review Officer	54,850
The reinstatement of the FSCT budget to £150k in 2024/25.	50,000
Annual members allowances increments	36,800
The reinstatement of £15k Ward Grants budget.	15,000
Voluntary reduction in Special Responsibility Allowance (SRA) from the Leader (£13,740) and Deputy Leader (£1,145) to enable the reinstatement of £15k Ward Grants budget.	-14,900
Reducing the rural swathe cut to the required KCC frequency.	-17,500
Council Tax Demand on the Collection Fund amendment	-219,656
Additional Govt Final Settlement re 4% Funding Guarantee	-174,131
Use of specific earmarked reserves in funding various specific grant funded fixed/temporary roles	-463,013

4.5 More detail is provided below on the changes to the draft budget which was reported in January 2024:

(i) Pay Award - The pay award for Folkestone & Hythe District Council is negotiated locally and has not yet been agreed for 2024-25. The MTFS assumptions were based on an increase in the budget of 3% for 2024-25, with 3% in the following years. In addition to the 3% within the MTFS for 2024/25, an additional pay award provision of £340k has been provided for within the 2024/25 budget to cover the outcome of the ongoing pay award negotiation. Whilst this is the budget for the overall increase, it would be applied differentially across the pay scales.

It is recommended that the additional £174,131 from the Government Final Settlement announced on 5 February 2024 is utilised and transferred into the pay award provision to fund anticipated 2024/25 pay award pressures.

(ii) Annual Member Allowances increment of £36,800 has been provided for within the 2024/25 budget. This is in line with the Council Constitution that *the allowances shall be automatically adjusted, annually, by reference to the Consumer Price Index (CPI). The adjustment will be calculated on the September CPI index, for implementation the following April.*

(iii) The adjustment to the saving target relates to the Managed Vacancy Factor (MVF) built into the previous year's budget. As part of the budget process non-essential vacancies have been removed and the transformation programme has restructured the organisation and therefore the establishment is smaller going into the 2024/25 financial year. There remains a MVF of £224k built into the budget.

(iv) Council Tax Demand on the Collection Fund – updated for:

- forecast income based on the council tax base for 2024/25;
- confirmation of the town and Parish Council Precepts;
- confirmation of the special expenses for the Folkestone Parks and Pleasure Grounds Charity; and
- a proposed 2.99% increase in the district council's council tax in-line with referendum limits in the final settlement.

5. FOLKESTONE & HYTHE BAND D EQUIVALENT COUNCIL TAX 2024/25

5.1 The Local Government Finance Act 1992 (as amended) requires the Council to determine its council tax requirement for 2024/25.

5.2 The legal determinations in respect of the budget and council tax setting are set out in the General Fund Budget and Council Tax 2024/25 Report that is being considered at the 28 February 2028 meeting of Full Council, following this Cabinet meeting.

5.3 The amount to be raised by this authority from council tax payers comprises the council tax - demand on collection fund of £14,970,171.64.

5.4 This is divided by the tax base (40,466.09) Band D equivalent properties) to calculate the average district council tax, including town and parish precepts. The council tax base was approved by the Interim Director of Corporate Services and Governance and S151 Officer on 5 February 2024 via delegated authority through the constitution and is recommended to Full Council as part of the General Fund Budget and Council Tax 2023 Report that is being considered on 28 February 2024, following this Cabinet meeting.

£ 14,970,171.64 ÷ 40,466.09 = £369.94

5.5 The average District council tax for Band D properties, including an amount for town and parish councils, will be £369.94. This is an increase of £12.50 (3.50%) over 2023/24. This sum will vary by parish and only represents an average, there is no referendum limit placed on town or parish councils by central government.

5.6 The impact of town and parish precepts is excluded when comparing the increase against what the Government regards as an excessive increase.

Band D Tax Rates			
	2024/25	**2023/24**	**Increase/ Decrease**
	£	**£**	**%**
Average Council Tax (including Town and Parish Precepts)	369.94	357.44	3.50
Average Council Tax (excluding Town and Parish Precepts)	295.96	287.37	2.99

The average council tax to finance Folkestone & Hythe's net spending plans in 2024/25, including special expenses, is proposed to be increased by £8.59 (2.99%) to £295.96. The Council needs to ensure that it remains within this limit, including any Special Expenses. The Council is therefore not at risk of having to hold a referendum because the increase falls below the Government threshold.

Excluding the special expenses, Folkestone & Hythe's council tax rate is £280.08; an increase of £8.01 (2.94%) from the 2023/24 rate.

The Council Tax resolution can be found at Appendix 1 and full detail of the Calculation of Basic Amounts of Council Tax are attached at Appendix 3.

6. SPECIAL EXPENSES – FOLKESTONE PARKS AND PLEASURE GROUNDS CHARITY

6.1 The average 2024/25 council tax for Folkestone & Hythe District Council of £295.96 includes an amount that the Council has identified is in respect of special expenses i.e. the Folkestone Parks and Pleasure Grounds (FPPG) Charity.

6.2 When council tax bills are issued, the council tax (and % change in tax) for special expenses is disclosed separately from the council tax (and % change in tax) for Folkestone & Hythe District Council excluding special expenses.

6.3 Subject to Full Council's consideration and final approval of the budget and council tax, the following amounts will be disclosed separately on the council tax bill for a Band D property:

Based on a Band D average	Council Tax 2024/25 (Band D) £	Increase (Band D) £	Increase + /Decrease ( )	Council Tax payers that receive this information
Folkestone & Hythe District Council element of Council Tax - excluding Special Expenses	280.08	8.01	+2.94%	All Folkestone & Hythe District council tax payers
Special Expenses - Folkestone Parks and Pleasure Ground Charity	37.54	1.07	+2.94%	Folkestone and Sandgate council tax payers only

7. MAJOR PRECEPTS

7.1 Local taxpayers will also receive information in their council tax bill regarding the amount payable in respect of:

- their town or parish council;
- Kent County Council;
- Kent Police & Crime Commissioner; and
- Kent Fire and Rescue Service.

7.2 The Adult Social Care precept levied by Kent County Council will be itemised separately on council tax bills.

7.3 Precept details are set out in the General Fund Budget and Council Tax 2024/25 report to Full Council on 28 February 2024.

8. GENERAL FUND RESERVES

8.1 The Council holds a number of financial reserves, both revenue and capital. Some of these are earmarked reserves, whilst others are ring-fenced with strict conditions attached for their use. There is also a general fund balance which is not earmarked and is where any general underspend would be transferred to, or any general overspend would be funded from.

Whilst reserves should not be seen as a 'safety net' they are an integral part of the Council's financial planning.

The forecast reserves position for 2023/24 and 2024/25 is shown below.

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

8.2 The General Reserve is forecast to be £5.710m by 31 March 2025. Total General Fund Reserves (General Reserve plus Ring-fenced / Earmarked Reserves) are forecast to be £17.481m at 31 March 2025. The net forecast use of ringfenced / earmarked reserves in 2024/25 is £405k.

8.3 The main uses of reserves are to fund specific capital expenditure, to match fund external grant, or to deploy ringfenced grant held in reserves against specific activities. For example, using the Vehicle, Equipment, and Technology reserve to fund a PC Replacement Programme/Server Replacement Programme; and the Climate Change and Homelessness reserves to fund specific grant funded fixed/temporary roles, including the Homelessness Appeal Officer.

8.3 These forecasts are based on the current projected position for 2023/24 and on the assumption that in-year budget variances are contained within the overall approved 2023/24 budget. Any emerging issues in 2023/24 which have a revenue impact will affect the forecast position of the General Reserves and variances will be reported to Cabinet as part of the quarterly budget monitoring process for capital and revenue.

9. BUDGET CONSULTATION

9.1 The objectives for consultation on the 2024/25 budget proposals were to:
(i) Engage with key stakeholder groups and local residents;
(ii) Seek feedback on specific budget proposals for 2024/25; and
(iii) Seek feedback on general spending and income generation priorities.

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

Budget Consultation Responses

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

9.4 There was no consensus among the feedback received and a summary of the consultation responses and its key messages are provided within the attached Appendix 9.

10. BUDGET SCRUTINY

10.1 The 2024/25 budget reports that have been approved by Cabinet have been subject to review by the Overview & Scrutiny or Finance & Performance Sub-Committee at the following meetings:

- 31 October 2023 – Overview of the Budget process for 2024/25 and summary of Medium Term Financial Strategy
- 5 December 2023 – Budget Strategy 2024/25
- 23 January 2024 - Draft General Fund Original Revenue Budget 2024/25

Minutes of these discussions have been made available to Cabinet when considering the reports.

11. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

11.1 The Council's Chief Finance Officer (s151 of the Local Government Act 1972) formally gives an opinion on the robustness of the budget and adequacy of reserves. This is a statutory duty under section 25 of the 2003 Local Government Act.

11.2 This report has to be considered and approved by Council as part of the budget approval and Council Tax Process.

11.3 In relation to the 2024/25 budget, I have examined the budget proposals and I believe that, whilst the economic conditions are challenging and ongoing, the budget presented is more than achievable. It has been constructed in a collaborative and consultative manner. I am also satisfied that there remain sufficient management processes within the Council to deliver this budget and deal with any issues that may arise unexpectedly during the forthcoming financial year.

11.4 In relation to the adequacy of reserves, the overall position for the authority remains healthy.

11.5 As Section 151 and Chief Finance Officer I am content that the budget being presented is adequate, and the level of reserves held throughout the MTFS period are adequate to meet the Council's financial obligations having due regard to foreseeable risk.

11.6 Further detail can be found within Appendix 8.

12. CONCLUSION

12.1 The proposed 2024/25 budget has been drawn up in consideration to all statutory and constitutional requirements.

The 2024/25 budget is the culmination of many months work between the Council's Corporate Leadership Team, officers, and elected members. The revenue budget has been balanced and includes some new elements of investment and growth, whilst protecting the Council's front line services and financial sustainability.

Cabinet is asked to recommend to Full Council the approval of the final Revenue Fund budget for 2024/25 and to determine the District Council's council tax requirement as £14,970,171.64.

13. RISK MANAGEMENT ISSUES

13.1 The risks in respect of the General Fund Budget 2024/25 have already been set out in detail in Report to Cabinet on 31 January 2024 but are repeated below (and updated where applicable).

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including ongoing impact of global uncertainty	Medium	Low-medium	Setting of a prudential budget and continuing strong financial control in the Council's decision making and appropriate allowance made for known inflationary factors.

Perceived risk	Seriousness	Likelihood	Preventative action
MTFS becomes out of date.	High	Low	The MTFS is fully reviewed annually through the budget process. Key movements will continue to be captured in year to inform future versions of the MTFS and reported through monitoring papers where relevant.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly, and financial developments nationally are tracked. Assumptions are regularly reviewed. Detailed budget has been fully reviewed ahead of proposals made.

14. LEGAL/FINANCIAL AND POLICY MATTERS

14.1 Legal Officer's Comments (AK)

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

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

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

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

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

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

14.2 Finance Officer's Comments (LM)

The Financial implications are detailed in the report.

S151 Comments

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

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

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

14.3 Diversities and Equalities Implications (CS)

The Equality Impact Assessment will be presented in the 28 February 2024 Budget and Council Tax 2024/25 report to Council.

14.4 Climate Change implications (OF)

There are no climate change implications arising directly out of this report.

15. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Ola Owolabi, Chief Financial Services Officer
Telephone: 07731 347103
Email: ola.owolabi@folkestone-hythe.gov.uk

15.1 The following background documents have been relied upon in the preparation of this report and are included as appendices for completeness:

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

- 31 January 2024 - Report to Cabinet - Draft General Fund Original Revenue Budget 2024/25.
- 28 February 2028 - Update to the General Fund Medium Term Capital Programme.

16. APPENDICES

- Appendix 1 – Medium Term Financial Strategy
- Appendix 2 – Capital Strategy
- Appendix 3 – Capital Programme
- Appendix 4 – Council Reserves
- Appendix 5 – Treasury Management Strategy
- Appendix 6 – Investment Strategy
- Appendix 7 – Council Tax Resolution
- Appendix 8 Statement of Robustness
- Appendix 9 – Budget Consultation Responses 2024/25
- Appendix 10 – Budget Strategy 2024/25 and Fees and Charges 2024/25

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MEDIUM TERM FINANCIAL STRATEGY

2024/25 TO 2027/28

(Version produced in December 2023)

MEDIUM TERM FINANCIAL STRATEGY

Introduction

The Medium Term Financial Strategy (MTFS) is one of the key strategies of Folkestone & Hythe District Council and is a four year strategy that sets out in financial terms the Council's commitment to provide services which meet the needs of the people locally and that represent good value for money.

This document sets out the key challenges and approach of the Council in relation to the Council's MTFS and it provides an integrated view of the whole of the Council's finances, and it also maps out the objectives to be secured, policies to be applied and risks to be managed over the period. It links the Council's vision and priorities with its financial budgets and details how the Council's finances will be structured and managed to ensure that this fits with, and supports, the priorities of the Council and its partners.

Since the introduction of austerity in 2010, local government has taken a disproportionately large share of the reductions in public expenditure as part of efforts to balance the nation's finances and the previously integral part of Local Government funding that was Revenue Support Grant is now completely phased out for this District as well as most other Councils.

Local and National funding – the current year

During the current financial year 2023/24, a number of new and significant pressures have arisen for both Central and Local Government, these being: -

- The ongoing war in Ukraine and its impact on the world economy and financial climate
- Maintenance of the high price of utilities such as electricity and gas
- Huge fluctuations in the price of crude oil and supply side pressures
- High inflation e.g., consumer price inflation (CPI) now at 6.3% in the U.K.
- Bank of England base rates, now at 5.25% (as of 27/10/2023) with further increases possible to combat inflation.
- Increases in the cost of borrowing due to higher interest rates.
- Volatility in the bond and currency markets affecting the financial climate.

All the events above have led to an environment of increasing financial pressure, and great uncertainty over the future financial support that is available to local government for 2024/25 and onwards.

The Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP, delivered the 2023 Autumn Statement on 22nd November 2023. As well as the usual updates on the state of public finances and the performance of the economy, the Chancellor organised his policies into five key areas: reducing debt; cutting tax and rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world-class education.

There were a few positives to take from the Autumn Statement with new planning reforms and the unfreezing of the local housing allowance both announced. There was also the further geographic rollout of existing policy with four new devolution deals and the extension of the Investment Zones in both time and money. This was coupled with some additional regeneration funding in the form of Levelling Up monies and £50 million for regeneration projects.

However, these announcements do not address the deep-set financial and operational challenges facing local government. Therefore, the Local Government Finance Settlement will send far greater reverberations across the sector.

Key Headlines

- There was no new funding for adult or children's social care or any general local government funding for 2024-25, beyond what was announced last year.
- Resource Departmental Expenditure Limit (DEL) budgets will increase by 1.0% in real terms over the medium term to 2028-29, which actually implies real terms cuts for 'unprotected departments' like the Local Government DEL.
- Local Housing Allowance rates will be raised to a level covering 30% of local market rents.
- Local Authority Housing Fund to be extended with a third round worth £450m to deliver new housing units and temporary accommodation for Afghan refugees.
- Local planning authorities to receive £32m to tackle planning backlogs.
- There are plans to allow local authorities to be able to fully recover the cost of planning fees for major planning applications if decisions are made within certain timelines.
- Additional UK-wide funding of £120m for homelessness prevention in 2024-25.
- The standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen for a fourth consecutive year.
- The 75% Retail, Hospitality and Leisure (RHL) business rates relief scheme will be extended to 2024-25.
- Local authorities will be fully compensated for the loss of income because of these two measures and will receive new burdens funding for administrative and IT costs.
- Reforms to the Local Government Pension Scheme (LGPS), including confirmation of guidance that will implement a 10% allocation ambition for investments in private equity, and establish a March 2025 deadline for the accelerated consolidation of LGPS assets into pools.

Based on initial analysis of the statement, FHDC will still need to make over £658,000 of savings in 2024-25, as part of an estimated £4.67 million funding gap over the next four years. FHDC has worked hard to protect its budgets, but there is no painless way to make savings on the scale required. Any low hanging fruit and general efficiencies are gone through the Priority Based Budgeting. Various Councils plan to use their reserves to balance budgets over the next four years. This is not sustainable.

Regarding local taxes, FHDC continues to argue that neither council tax (still reliant on property values from 1991) nor business rates (an increasingly burdensome tax for bricks and mortar business) are fit for purpose.

It is anticipated at this stage, that the Provisional Local Government Settlement will still be announced in December as usual and not delayed. This settlement announcement advises all Councils of their key Spending Funding Assessment (SFA) numbers for the next financial year. A final Local Government Settlement is published in late January to confirm final numbers.

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

Medium Term Financial Plan update and rationale

Medium Term financial planning is critical in ensuring that the Council has a clear understanding of the level of available resources, the costs of delivering services and plans for new projects and services. This financial planning facilitates strategic choices around service delivery, efficiency, and service reductions. The MTFS informs the annual budget process, and the Council has a legal requirement to set a balanced budget each year.

The last Government Spending Review 2021 (SR21) was announced on 27 October 2021 alongside and set out the Government's spending priorities, resource and capital budgets and devolved administrations' block grants for the three years from 2022/23 to 2024/25. Key measures announced in the Spending Review for local government included:

- Local government in England will receive an additional £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).
- There were also smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security, and £34.5m to "strengthen local delivery and transparency".

Since the SR21, the Local Government Settlement policy statement for 2023/24 made a change to the referendum limits for Council tax. Council tax thresholds for "core" Council tax increased to 2.99% (and the adult social care precept by a further 2%) for the years 2023/24 and 2024/25 at least.

It is important to note that the Local Government grant increase (above) of £4.8bn was £1.6bn per year. This means that after adding £1.6bn to base budgets in year one (2022/23), the following years of 2023-24 and 2024-25 are flat cash with no further growth for inflation pressures or pay award.

Furthermore, the Fair Funding Review and business rates changes have been pushed back to at least 2025/26, if not later, as announced by the Government as part of the finance policy statement in December 2022. Latest updates suggest that the Fair Funding Review is being modelled for 2025/26 with a view to implementation in 2026/27. Therefore, the longer term funding picture continues to remain unknown and uncertain, which makes financial planning in the long term more challenging.

In response to the financial challenges experienced over the past ten years, local government has innovated, streamlined services, and increased productivity over recent years. The Government's plans to devolve more responsibilities to local government through the localisation and retention of business rates have been delayed again. This work is currently being considered alongside the Fair Funding Review.

In terms of Council Tax, the current referendum limit for District Councils for the core element is 2.99% or £5, whichever is the greater. It is possible that the Autumn Statement or Local Government Settlement may vary this to give Councils an opportunity to raise Council Tax above this level. The outcome of that review at HM Treasury is still awaited.

In summary, the MTFS is a critical document in setting out the Council's approach to establishing a strong financial base to enable the Council's policies and priorities to be delivered whilst ensuring the Council's finances are sustainable and in-line with latest policy from Central Government. Within the document are some key issues which will need to be tackled due to the financial pressures outlined in the introductory sections of this strategy report. The Council's annual budget setting and strategy process will set out the detailed actions required to meet these but will in all cases be consistent with the direction and objectives of the MTFS.

Folkestone and Hythe Council - the Current Position

Folkestone and Hythe Council is a coastal district in south eastern England and home to a diverse collection of towns, villages, and environments. It covers an area of 140 square miles and has a population of over 100,000 people with approximately 51,000 dwellings in the district. The majority of the residents live in urban areas (67%) with the remaining 37% to be found living in rural areas. The Council has responsibility for a wide range of services including waste collection, planning, environmental enforcement, housing and homelessness, parking, and grounds maintenance. In 2023/24 the Council planned to spend approximately £19.8 million per annum net revenue (after income) on expenditure for services.

Continuing challenges for the Council to consider when establishing its priorities and financial strategy include, but are not limited to: considerable deprivation relative to the national average but with significant inequality within the District; rural areas have poorer access to services and facilities; the district suffers from high levels of disability/long term illness, reflecting, in part, the relatively high proportion of older people living in the District and bringing associated demands on local services; an increasing demand for housing is outstripping supply and there are rising house costs particularly in the private rental market as well as high demand for affordable housing and increasing levels of homelessness.

To add to this list in 2023/24, are increased mortgage interest rates for homeowners, unprecedented increases in the cost of living due to increases in energy costs, pay rises not linked to CPI rates and the growing use of food banks and potential homelessness.

The Council's Aspirations

Following a period of public consultation, the Council has outlined its vision and strategic objectives in the new Corporate Plan 2021/2030 – Creating Tomorrow Together:

The plan is focused on four service ambitions, positive community leadership, a thriving environment, a vibrant economy and quality homes and infrastructure and by 2030 will have achieved the following:

Creating Tomorrow Together

- **Positive community leadership –** local leadership in community services will be recognised for the vital contribution in creating a sense of place, health, and wellbeing. This will be a shared ambition with partners across our communities. Local leadership will address many of the inequalities that exist between our communities, and we will have improved access to services in our most deprived neighbourhoods. A strong and distinctive sense of place will prevail.
- **A thriving environment** - we will be recognised as an outstanding place and known as a green exemplar Council. Across the district, we will ensure excellent accessible open spaces for all. We will have invested in green infrastructure to enhance our superb natural environment and the Council itself will generate net zero carbon emissions.
- **A vibrant economy** - Folkestone & Hythe will have a thriving, distinctive and dynamic economy. It will have capitalised on major investment, will have responded positively to the structural challenges facing high streets, and will enjoy a diverse range of economic opportunities in its towns and rural areas. Building on its excellent connectivity it will attract more, higher-value employment, driving aspiration and demand for skills.
- **Quality homes and infrastructure** - Residents in Folkestone & Hythe will have better access to a wider choice of homes. New development will embrace high standards of sustainability and the district will be delivering planned, high quality housing with the necessary infrastructure to meet identified need, anchored by an ambitious new Garden Town at Otterpool Park.

At the heart of everything the Council does, it wants to build sustainable, resilient, and prosperous communities and has set out six guiding principles to run through all activities, they are:

- **Locally Distinctive**
- **Sustainable Recovery**
- **Greener Folkestone & Hythe**
- **Transparent, Stable, Accountable & Accessible**
- **Working effectively with partners**
- **Continuous Improvement**

The Council has also developed a detailed action plan which provides focus for the first three years and outlines the outcomes anticipated to be delivered over that period relating to the Corporate Plan service ambitions.

The Council will continue to deliver a range of major projects as outlined in the plans and initiatives focusing on putting the community and our customers first, whilst ensuring financial stability, and continuing the journey of service improvement alongside realising development projects at sites including Mountfield Industrial Estate, Biggins Wood and ultimately, Otterpool Park – a garden town for the future and the creation of new homes in-line with the Council's Local Plan.

Strategic Financial Objectives

The MTFS covers all areas of Council spending and is underpinned by the strategic financial objectives as set out below:

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

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

The Council faces a number of difficult financial decisions if it is to achieve its corporate priorities in the current economic and financial climate which remains challenging. Effective prioritisation and management of resources therefore continues to remain significant for the coming years. It is prudent to assume a limited level of support from Central Government in the next years and if the U.K. enters a challenging period despite its ambition to grow the economy and boost investment within the sector.

Supporting the production of the delivery of sound financial planning for the Council are several Council wide documents and programmes including:

- The Corporate Plan 2021 – 2030 'Creating Tomorrow Together'
- Council Constitution, Part 10 – Financial Procedure Rules, Contract Standing Orders and Auditing the Council
- Economic Development Strategy
- The Medium Term Financial Strategy
- The HRA Business Plan
- Housing Delivery Action Plan
- The Council's Capital Strategy and Investment Strategy (Treasury Management)
- CIPFA Financial Management Code self-assessment and action plan
- The investment in longer term strategic developments to secure the financial future of the Council.
- The development of the garden town at Otterpool Park with a long term financial benefit for the Council and establishing sustainable communities for the future
- Otterpool Park LLP Business Plan
- The Folkestone Place Plan
- A sustainable and prudent reserves policy to underpin the financial resilience of the Council.

An MTFS stress testing exercise is now executed annually alongside a self-assessment against the CIPFA Financial Management standards and review of CIPFA's financial resilience index. The MTFS stress test ensures that the Council can constantly monitor a series of best and worst case scenarios to ensure that its financial plans are robust and based on varied assumptions.

The range of strategy documents and approaches provides the overall strategy of the Council in delivering its future agenda and as a combination they are owned by the Council as a whole. This MTFS brings together the financial strands of that approach in the context of the current financial climate and essentially provides a golden thread that runs through all the Council's plans to ensure sound financial planning, management, and stewardship.

Budget Process

The MTFS represents an overarching view of the finances of the organisation. It is the document that takes a medium term view of the financial environment the Council is operating in and looks to anticipate future demands and pressures so the Council can make longer term decisions over its financial sustainability. In addition to this, there are a number of key documents which contribute to the overall financial health of the organisation. These are:

- The Budget Strategy. This is produced on an annual basis and sets out the strategy for setting and managing the budget for the new financial year. It is here the detailed decisions on expenditure are taken including determining key growth and savings and fees and charges for the year ahead. MTFS assumptions are also refined for further details where these are available. For 2024/25, the Budget Strategy will also include the implications and impact for the Council that are contained in the Medium Term Fiscal Plan that is due to be announced by the Chancellor of the Exchequer on 22 November 2023 (where feasible given the time restraints).
- The detailed revenue estimates. These represent the operational detail for the following year's budget and form the basis of the following years budget monitoring and management.
- The Medium Term Capital Programme. This sets out the Council's capital expenditure plans over the medium term. This also informs the revenue budget of the costs and implications of any proposed developments. For 2024/25 this is highly critical due to the increased costs of capital financing because of higher interest rates and long term borrowing rates.
- The Housing Revenue Account. This sets out the annual capital and revenue budget for the Council's housing stock and links to the 30-year business plan. For 2024/25 the impact of CPI inflation on costs, borrowing and rent increases or a cap on increases will be a key consideration.
- The Treasury Management, Capital, and Investment strategies. These documents set out the approach to managing the cash available to the Council and how to maximise its value to the Council. They also consider all the Council's investments and plans to achieve future returns over the longer term. Again, the strategy for 2024/25 will be crucial to the impact of interest rate increases on both investments and borrowing costs for the Council.
- Fees and Charges. This sets out a corporate view of the fees and charges which are levied by the Council for consideration each year.

Together these reports lead to the final Council Tax setting report that will be presented to Full Council in February 2024 and the agreement of the Budget for the new financial year.

Priority Based Budgeting

For the 2024/25 budget, the Council utilised a budgeting approach known as Priority Based Budgeting (PBB). Having carried out a self-assessment of the Council current budget setting processes, the Council identified a new approach to budget setting that would ensure that the Council have a Priority Based Budgeting (PBB) approach, which allocates scarce budget resources to the areas of service that are of highest priorities and delivers the outcomes the Council want to achieve for local people under the new administration.

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

- Prioritise services.
- Eliminate the unnecessary spending.
- Question spending
- Budget within the Council means.
- Understand commitments, controllable cost/non-controllable, contract, etc.
- Be transparent about community priorities.
- Be transparent about financial implications.
- Responsible budget holder accountability.
- Discretionary or Statutory service review.

The PBB approach allows the Budget Manager, Chief Officers, Directors, and Elected Members through various budget meetings including the Star Chamber to have the opportunity to provide an input and be involved in setting the priorities, strategy, and direction at the outset of the budget setting process.

The draft budget package prepared by officers consider savings from both corporate reviews as well as departmental proposals, but all should reflect the agreed priorities and focus on the use of resources. This also ensure that members have an opportunity to review the draft budget package and make changes before it is formally submitted to Council. Members would still make the final decisions on budgets as is the case now but with a focus on delivery of priorities and outcomes rather than the detail of every individual proposal.

Financial Pressures and Projections

The last eight years have seen significant shifts in funding for the local government sector. The spending review in 2015 confirmed a transition away from direct central government Revenue Support Grant (RSG) and for Folkestone and Hythe this grant was consistently reduced from £4.901 million in 2013/14 to nil. This is in line with the Government's intention to see more money raised locally for its core spending base from local taxation (Council Tax and Business Rates) to provide local services. The Government's intention was to introduce a new funding regime for Local Government based on a Fair Funding formula coupled with a major review of the Business Rates system to help Council's keep more of their business rates growth.

Since April 2020, there have been constant delays and setbacks to the introduction of the Fair Funding Review. The review was anticipated to make major changes in the structure of local government finance including local business rates retention, a revised allocation of resources and new arrangements to replace the New Homes Bonus to reward those Councils which support home building. A spending (SR21) was finally announced on 27 October 2021 alongside an Autumn Budget, and this set out the government's spending priorities and funding plans for 2022/23 through to 2024/25. However, whilst this provided a steer of the financial impact for the Council over this period, the Council like others is still dependent upon a local government settlement that is announced annually in December. This is known as the Provisional Local Government Finance Settlement.

The degree of uncertainty to the projections made within the MTFS remains on-going and funding announcements will have to be factored into the MTFS as they are announced. The Chancellor's Autumn Statement was delivered on the 22 November 2023 and the statement is still being analysed to determine how the Council projected deficit of £4.6 million will be addressed.

For 2024/25, a range of different economic factors have had to be considered in the MTFS, in light of the higher CPI inflation and increases in utility costs and the cost of living crisis. There has been turbulence in the financial markets and the costs of borrowing for Local Government has increased markedly due to the above factors. Many of these factors have not been previously expected by councils and so most Medium Term Financial plans have had to be re-cast to allow for these changes, some of which are still considered variable due to the uncertainty in the economic and financial environment that U.K. faces.

Key Financial Assumptions

The preparation of a four-year MTFS is based on a number of working assumptions. These inevitably become more difficult to predict as the period covered lengthens. Potential medium-term implications are considered as part of the risk assessment section of the report. The key financial assumptions, based on known and expected changes, in the revised MTFP 2024/25 to 2027/28 are detailed below and are summarised as follows:

- Business rates income – pending the result of the 2023 revaluation, the overall Business Rates income is unchanged from the previous MTFS.
- Securing a level of external funding through capital schemes.
- Council Tax Base (dwellings) – an increase of 1.00% in 2024/25 and growth of 1.0% p.a. thereafter.
- Council Tax model increases of the higher of 2.99% at Band D equivalent for 2024/25 or £5.00 (whichever is the higher) per annum.
- An assumed pay award of 3.0% p.a. for 2024/25, 3.0% for subsequent years and 1% for salary increments and maintaining the adoption of the Real Living Wage.
- Selective prices inflation at an average of 5.5% to reflect contractual commitments and price risk areas.
- Interest rates receivable budget in 2024/25 of 5.5% in line with advice provided by our treasury advisers.

As many economic commentators have reported, Councils currently faces a future of "known–unknowns" and this makes for a period of great uncertainty in terms of effective financial planning. As such, the forecasts set out below for the MTFS recognise current service levels plus any known and agreed variations. They are based on a continuation of those service levels and reasonable assumptions in relation to pay and price inflation and other known pressures. The forecast is based on a mid-range scenario and will need to be updated in line with government announcements and as new information becomes available as detailed in the introductory sections of this strategy report.

2024/25 Provisional Local Government Finance Settlement and adjustments to the Budget

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

The 2024-25 settlement is effectively the second year of a two-year settlement. Almost everything in the settlement has already been announced, either in the Autumn Statement (22 November 2023), the Policy Statement (5 December 2023), or the response to the technical business rates consultation (14 December 2023).

The settlement continues the series of real terms increases in Core Spending Power that started in 2020-21. Funding increases might not feel very generous to authorities who are wrestling with very significant spending pressures – but they have been higher than the headline rate of inflation and will be again in 2024-25. However, CSP increases are likely to be lower from 2025-26 onwards, and reliant on council tax rises rather than grant increases.

It has been a good provisional settlement for Folkestone and Hythe District Council. In particular, the Council benefits from the receipt of additional new grants (one year only) for a reduced New Homes Bonus; a 3% Funding level guarantee and a reduced Service Grant allocation.

The current MTFS forecast, set out at Table 1 below, and identifies the future pressure that the Council would be facing, and it is clear to see that the Council faces a marked increases in cost and price pressures in years 2024/25 onwards. It should be noted at this stage that due to the projected financial resources (including the government provisional settlement) and economic pressures outlined above, the current MTFS forecast shows a cumulative funding gap of £2.78m over the lifetime of this MTFS.

The table below shows the cumulative deficit over the period of the MTFS.

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

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

The MTFS currently forecasts a balanced budget for the forthcoming financial year - 2024/25, following the Council's new approach to budget setting, transformation programme, achieved savings, recently announced positive Government Provisional Settlement, etc. Some of the key underlying assumptions and drivers are set out in the paragraphs below:

Council Tax

Council Tax is one of the key core funding streams for the Council and accounts for approximately two thirds of the Council's income. Although this is a significant funding source, it is subject to restrictions by central government. The Localism Act included a requirement to hold a local referendum if any Council Tax increase is deemed 'excessive' and this level is currently set at 2.99% by central government, or £5 for a district Council (whichever is the higher). It is possible that changes to these limits may be introduced by the Government as highlighted in the introductory sections of this strategy report.

The MTFS as presented here, assumes an ongoing Council Tax increase of 2.99% per annum however this will be subject to a member decision on an annual basis dependent on circumstances at the time. A 1% increase in Council tax, based on the revised Council tax base and other adjustments, will raise approximately £110k for the Council in 2024/25, which is approximately 0.7% of net revenue spend (excluding Town and Parish precept costs).

Use of Reserves

The Council has a level of reserves which includes a General Fund Reserves Balance and a level of Earmarked Reserves. These reserves provide the Council with some protection against the difficult economic times and short term gaps in funding. The level of reserves currently held by Folkestone and Hythe gives it a secure financial base however it is important to have an appropriate balance between supporting the financial position of the Council and planning the delivery of services. The Council has identified specific uses for much of the reserves including setting aside sums to support the regeneration of High Streets and sums to support the Council's carbon net zero ambitions amongst other key priorities. Whilst the Council will seek to continue to add to earmarked reserves and seek to deploy them for their intended purpose, in the current financial climate it may be necessary to deploy reserves for other important needs.

The Council had to use a level of reserves to balance its 2023/24 Budget, and this may also have to be considered for the 2024/25 Budget due to the likely cost pressures outlined in the earlier sections of this strategy report.

Appendix 3 to the 13th December Cabinet report sets out the Council's overall reserves policy and the context in which decisions are made as to the appropriate level of reserves.

Table 2 – Reserves available at Q3 – 2023/24 as at December 2023

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

Total General Fund Reserve	**(7,038)**	**(458)**	**1,786**	**(5,710)**	

The Council’s prudent approach to reserves means that a number of investments have been made using reserves to support initiatives such as Oportunitas (a company wholly owned by Folkestone & Hythe District Council to provide more homes for local people and to promote new employment and housing opportunities across Folkestone and Hythe) contributions towards Mountfield Road Industrial Estate and the acquisition of Folca. Table 2 above shows the levels of reserves currently available at Quarter 3 in 2023/24.

The Council holds a range of Reserves for a variety of reasons. The actual number and value fluctuate over the year as monies are spent on projects, new money is received from funders (most often from Government but not exclusively) and new reserves are created to respond to changing financial pressures. The Reserves are held as funding for specific projects, against known or potential expenditure or to meet future costs or allow for service developments and to allow value for money improvements.

A review of the Council reserve will be taking place in 2024/25 to consider the forecast use of reserves and to ensure that the Council retains a prudent level of reserves over the medium term. The review would cover a number of stages:

- To understand the spending plans regarding the current reserves over the next few years.
- Consider what level of general balances that FHDC should hold, based on a risk assessment.
- Identifying those reserves that are ringfenced as they have specific grant objectives to deliver.
- Considering what strategic earmarked reserves FHDC should hold.

Cost of Living

The Council’s economic and fiscal position is clearly impacted by the wider national and international economic context. The United Kingdom’s cost of living crisis started in 2021, when prices for many essential goods increased faster than household incomes, resulting in a fall in real income. Global and local factors have contributed to this. Global factors include (but are not limited to): cost of living crisis, the energy crisis and rising energy process, a supply chain crisis and Russia’s invasion of Ukraine in 2022. Local factors, some unique to the UK, include high inflation, labour shortages (in part caused by the exit from the EU), and rises in Council Tax. Household incomes have not kept pace with rising prices.

New Homes Bonus Funding (NHB)

The New Homes Bonus was introduced in 2011/12 and has become an important funding source for Councils. It is designed by Central Government to incentivise new house building. Local authorities are rewarded with a financial bonus, equal to the national average Council Tax on each additional property built and paid for the following six years after the occupation as a non-ring fenced grant. This bonus is currently split in two tier areas 80% to the District Council and 20% to the County Council and includes where properties which have been empty for more than six months are brought back into use. There is also an enhancement for affordable homes.

In recent years, the government set out its intention to end New Homes Bonus, however with the delays to the Fair Funding Review its future remains unclear. The intention is to replace this mechanism with a different means of incentivising and rewarding housing growth.

Currently, the Council has a residual reserve of unused New Homes Bonus of £409k (see Table 2 above) and this is available for use if approved as part of the Budget Strategy. It should be noted that the Council utilised £2.18m of its earmarked and £1.78m of general reserves in 2023/24 to balance its Budget. This reserve is likely to continue to be depleted in 2024/25 unless the Government provide a compensating alternative.

On 18 December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), released a written statement to Parliament on the provisional local government finance settlement 2024/25.

Reduced New Homes Bonus - New Homes Bonus (NHB) will continue in 2024-25. The government provided a one-year extension to the NHB scheme for 2024/25 and has stated the future of NHB will be set out ahead of the future settlement. The council received a reduced amount of £0.135m in 2024/25 (£0.366m in 2023/24).

Homelessness, Asylum, & Refugees

The 2023 Autumn Statement on 22nd November 2023, include the following: -

- Local authorities will receive £120m to invest in homelessness prevention. DLUHC subsequently confirmed this is new money for 2024-25, but the share for England is yet to be confirmed.
- A third round of funding of £450m from the Local Authority Housing Fund to deliver 2,400 new housing units and temporary accommodation for Afghan refugees.
- 'Thank you' payments for 'Homes for Ukraine' sponsors will be extended another year (and continue at £500).

Business Rates (Non Domestic Rates)

The Governments long standing Business Rate Scheme through which local authorities would be able to retain a proportion of any business rates growth above a set baseline. The purpose was to give local authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth. Whilst this scheme has been broadly welcomed by local authorities, there are concerns over the potential volatility of this income stream with the level of appeals and that even a small variation in the overall revenue generated can carry a significant financial impact. The government is currently undertaking a review of how business rates operate and has stated its intentions to achieve 75% localisation of business rates, the commencement of this proposal has been delayed alongside the Fair Funding Review.

Regarding the MTFS, the Council has welcomed the emphasis on economic growth but has been cautious about building this into the base budget. Part of this is due to the impact of appeals and the volatility of the income which makes it more complex to forecast. Where possible, any surpluses have been placed within a reserve until there is a degree of certainty that they can be used which may well not be until the following financial year. This is prudent management to manage the natural fluctuations of the business cycle.

The role of business rates in the funding of the Council will be affected by the Fair Funding Review. The full impact of this will only become clear as proposals are developed with likely implementation from 2025/26. This adds a further element of uncertainty to the projected position and suggests caution is needed in any future projections.

The 2023 Autumn Statement on 22nd November 2023 made the following reference to business rates -

- The small business rate multiplier will be frozen for another year at 49.9p whilst the standard rate multiplier will be uprated with September CPI (6.7%) to 54.6p.
- The 75% Retail, Hospitality and Leisure (RHL) business rates relief scheme will be extended to 2024-25 with a £110,000 cash cap per business.
- For both the rate freeze and RHL relief measures, local authorities will be compensated for the loss of income and for new burdens related to administrative and IT costs.

Office for Budget Responsibility forecasts

Previous analysis of data provided by the Office for Budget Responsibility (OBR) showed that the economy was being adversely affected by the cost-of-living crisis and the impacts of the war in the Ukraine. A summary of the economic data and forecasts published as part of today's Autumn Statement are as follow -

GDP Growth - Table A1 shows the GDP growth forecasts against those published in previous announcements. The table shows that the forecast for UK wide economic growth for 2023/24 is now 0.4% higher than in the Spring Budget 2023. However, it is then shown lower for the subsequent two years by 1.2% in 2024/25 and 0.9% in 2025/26, before being broadly the same in the final two years of the forecast.

Table A1 GDP Growth Forecasts

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	1.7%	0.6%	0.9%	1.5%	2.0%	1.9%
Spring Budget 2023	1.4%	0.2%	2.1%	2.4%	2.1%	1.8%
Autumn Statement 2022	1.3%	-1.2%	2.0%	2.6%	2.6%	2.1%
Spring Statement 2022	2.2%	1.9%	2.1%	1.7%	1.7%	

Inflation – CPI - Table A2 shows the CPI inflation forecasts against those published in previous announcements. The most significant message the table shows is that after reaching a peak at 10% in 2022/23 there will then be a decline in the level of CPI in 2023/24 to 6.1% followed by further reductions to 3.0% in 2024/25 and an average of 1.6% per annum in the following three years.

These latest forecasts for CPI inflation are however higher in every year of the forecast from 2023/24 onwards by on average 1.4% per annum than at Spring Budget 2023.

Table A2 CPI Inflation Forecasts

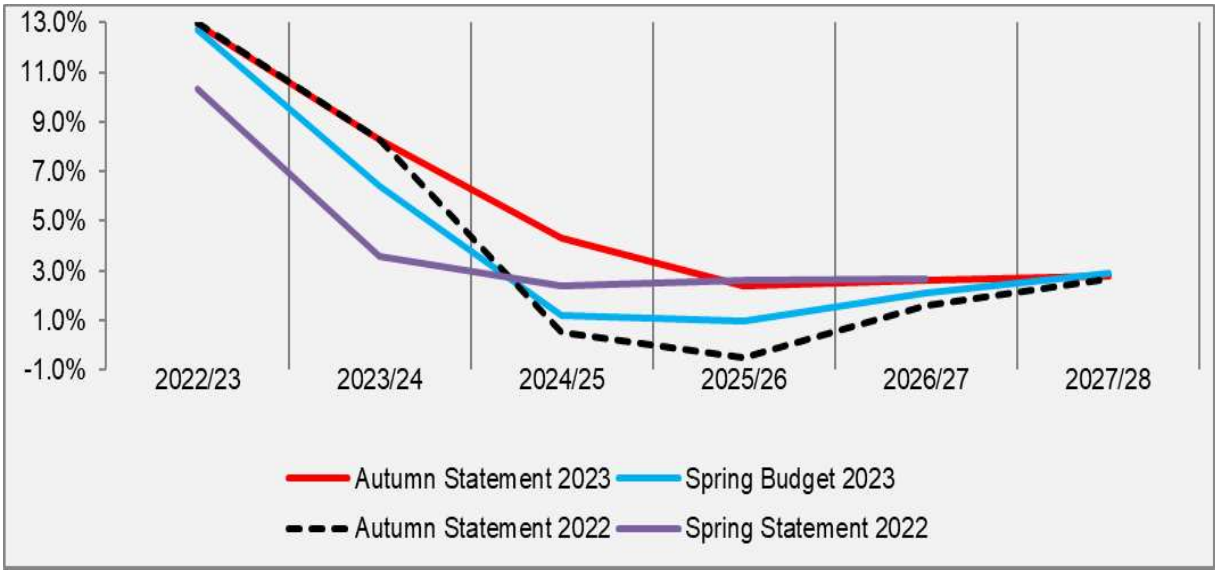
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	10.0%	6.1%	3.0%	1.6%	1.5%	1.8%
Spring Budget 2023	9.9%	4.1%	0.6%	0.0%	0.8%	1.7%
Autumn Statement 2022	10.1%	5.5%	0.0%	-1.0%	0.8%	1.8%
Spring Statement 2022	8.0%	2.4%	1.7%	2.0%	2.0%	

Inflation – RPI - Table A3 shows the RPI inflation forecasts against those published in previous announcements. The most significant message the table shows is that after reaching a peak of 12.9% in 2022/23, the forecast is for reductions to RPI in 2023/24 and beyond. However, RPI is shown higher at the Autumn Statement 2023 compared to the Spring Budget for the next four years by on average 1.7% per annum up to 2026/27.

Table A3 RPI Inflation Forecasts

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Autumn Statement 2023	12.9%	8.3%	4.3%	2.4%	2.6%	2.8%
Spring Budget 2023	12.7%	6.4%	1.2%	1.0%	2.1%	2.9%
Autumn Statement 2022	13.0%	8.3%	0.5%	-0.5%	1.6%	2.7%
Spring Statement 2022	10.3%	3.6%	2.4%	2.6%	2.7%	

Figure A3 RPI Inflation Forecasts



Climate Emergency

The Council formally recognised, in 2019, that there is a climate & ecological emergency and has agreed to commit to several activities which will reduce its carbon footprint, and which will move towards a carbon neutral district. A Working Group has been established to consider the options and implications and an Action Plan for our own estate has been adopted and a district wide strategy is anticipated to be created during 2022. The Council has allocated funds to an earmarked reserve to manage the financial implications of the actions required and facilitate progress on the agenda. The Council has a Climate Change reserve, and this reserve currently holds £3.9 million.

Future Strategies

The current negative forecast means that there will need to be significant work undertaken to address the forecast deficit over the term of the MTFS. Set out below are some of the key areas to be developed through the 2024/25 budget strategy and beyond to address those financial challenges.

Re-focusing of Priorities: The Council needs to prioritise and rephase the work it is undertaking to recognise the financial challenges it faces. We will continue to undertake and re-focusing work throughout the term of the medium term financial strategy but with a focus upon the early years of the plan, with the intention of delivery base budget recurring savings. This work will include a review of services performed, identification of opportunities to improve the efficiency, improve service delivery and resilience through improved ways of working.

Strategic Investments: The Council is looking to take advantage of its position with a number of developments to produce financial returns whilst at the same time supporting the delivery of housing and regenerating parts of the district.

Bigginswood was acquired with the objectives of boosting the local economy, increase job opportunities and providing more homes (including affordable homes) and is anticipated to deliver 77 residential units, 660m2 of commercial office units and 5,142m2 of light industrial units. The Council has undertaken remediation and infrastructure works to the site to enable it to be sold for the planned redevelopment; it is currently in the process of being sold.

The largest development is that of the proposed new town at Otterpool Park and options are being explored to generate future revenue and capital streams. A full financial model was completed in 2019 to consider the long term potential returns from the development. During 2020 the Council acquired its partner's stake in the site and now has full control of the project. Also, during 2020 the Council established a Limited Liability Partnership (LLP) to manage the delivery of the project. The LLP's first Strategic Business Plan was approved by the Council in January 2021 and the first review of this was approved by Cabinet in January 2022.

The draw-down of funds from the Council will be linked to key milestones contained in separate detailed funding agreements which will be the subject of expert advice to be commissioned by the Director of Corporate Services (the S151 Officer of the Council) to regulate the milestones for draw down, the terms for repayment, security, and all other provisions which it would be prudent to include. The MTFS incorporates income from Otterpool Park, which is represented as interest on the loans the Council will make to the LLP to facilitate infrastructure and land acquisition. As outlined within the risks, this is a volatile area with many dependencies affecting the financial position, the sums do have an impact upon the MTFS itself, so will be monitored closely.

The Council's Cabinet on Wednesday, 18th October 2023 considered a paper on Otterpool Park LLP. The report presents an update on Otterpool Park and details outcomes of the governance, finance, and management reviews to ensure the successful continuation of this important significant project.

Recommendations cover the strategic direction, funding, and future delivery of the project. The report, which also includes details on delivery and financial risks for the Council is available through the link below……….
https://folkestone-hythe.moderngov.co.uk/mgCalendarMonthView.aspx?M=11&CID=0&OT=&C=-1&MR=0&DL=0&D=1&ACT=Earlier&DD=2023

The Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision. The broad principles on which this should be based are proposed as:

- A Joint Venture (JV) between the Council and third party on a strategic, site-wide basis.
- The JV partner to demonstrate a track record of facilitating development at scale, and a commitment to delivering the vision for Otterpool Park.
- The JV partner to share the role, risk, and responsibility as Master Developer for the whole site.
- The Council retaining a significant stake - preferably 51% control.
- The JV partner makes a financial contribution to costs already incurred by the Council.
- The JV agreement to release an early capital repayment to the Council.
- Future profit / returns to be on a shared 'risk and reward' basis; and
- Delivery and financial risk to the Council mitigated to an acceptable level of tolerance.

Folkestone Town Centre Levelling Up Funding Application

The Council was successful re the Levelling Up Funding (LUF) bid of £19.8m from the Government to support its plans for the regeneration of Folkestone town centre. The bid builds upon the Council's Place Plan for the centre of Folkestone and seeks funds for three key strands of work which aim to improve the appearance and use of the town centre including key links to it. A provision has been made in the existing approved Medium Term Capital Programme for this scheme.

A **financial review** of previous years' outturn and our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained. This is a fundamental annual review of our current operations in order to maximise the use of our current resources.

Using **reserves** in a sustainable and prudent manner to support the Council's strategies and priorities. These are informed by the reserve's strategies at Appendix 2, and it is recognised that these can only be used on a "one off" basis. However, they can play an important part in supporting initiatives or investments which can produce benefits in the future. The current financial climate means the Council may need to utilise reserves in the short term to protect front line services whilst its longer term plans are brought to a conclusion. It is highly likely that the Council's reserve balances will be further depleted if the Government's financial support to Local Government for 2024/25 is below inflationary levels.

Using opportunities as they arise including government initiatives or incentives. In particular, the Council will seek to participate in the Business Rates Pooling scheme to maximise the financial benefit from this area. It has utilised Flexible Capital Receipts where possible to fund the transformation programme and to take pressure off the revenue account. All these are managed on an ongoing basis.
To maintain the Council's financial standing it is important that it continues its proactive approach to financial planning and ensures that the savings plans are deliverable and that any investments are focussed on the financial health of the authority.

Housing Revenue Account

The Council has a separate ring-fenced account, the Housing Revenue Account (HRA) which supports local authority housing throughout the district. The HRA is required to produce a 30 year business plan which demonstrates the affordability and sustainability of the management and investment in the Council's housing stock. This financial plan is being brought to Cabinet alongside this MTFS.

The Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP, delivered the 2023 Autumn Statement on 22nd November 2023, which include the following-

- From April 2024, the government will raise Local Housing Allowance (LHA) rates to the 30th percentile of local market rates. This is intended to relieve housing cost pressures for those on low incomes and living in the private rented sector.
- Housing supply measures were announced for specific local areas, including London, which, subject to business case approval, is to receive £23m in bus network funding to support housing in the Docklands 2.0 scheme.
- Additional planning funds were also announced, including £5m for DLUHC's Planning Skills Delivery Fund for local planning authorities to improve capacity, and £110m for a Local Nutrient Mitigation Fund to deliver schemes to offset nutrient pollution.
- There are plans to guarantee accelerated delivery decisions for major developments in exchange for a fee paid to local authorities. If accelerated timelines are not met, developers will receive a refund of these fees.

- There will be a new consultation early in 2024 on a new permitted development right to convert one house into two flats without changing the façade.

Medium Term Capital Programme

The Medium Term Capital Programme (MTCP) sets out how capital resources are used to achieve the Council's vision and corporate priorities. Funding for capital projects is limited and where possible external funding is used to supplement the programme. The Council has an affordable Capital Programme, and this is assessed against business cases taking into account future resources to support projects. A strategy has been adopted which will look to utilise capital receipts to support investments for the Council. Demand for financing potential new projects continues to outweigh the funding available and developments such as Otterpool Park will need to be prioritised as part of the programme.

The main strategic objectives of the Capital Programme, which provide the underlying principles for financial planning, can be summarised as follows:

- To maintain a five year rolling Capital Programme which remains within the approved affordable, sustainable, and prudential limits.
- To ensure capital resources are aligned with the Council's strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology.
- Prudential Borrowing to be undertaken to support the Councils priorities where there is a business case for it to do so and there are sufficient monies to meet in full the implications of capital expenditure, both borrowing and running costs.
- To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets.
- To use internal resources alongside external resources where appropriate to support the capital programme and minimise any borrowing costs.

The Council forecasts its capital programme over a 5 year period. A full update to the MTCP will be made to Cabinet in January 2024 before being submitted to full Council for approval in February 2024 as part of the annual budget setting cycle.

Risks and Sensitivities

In considering the future projections, it is recognised that there are unknowns which could impact upon the existing forecasts. The MTFS should therefore not be seen as a static document but rather one that is constantly evolving as the environment around it changes.

In terms of financial planning for 2024/25, the projection in the MTFS is likely to see many changes before the budget reaches Cabinet and Full Council in February 2024 for decision and approval.

It is a requirement of the CIPFA Financial Management Code that the Council considers different scenario's when developing its MTFS, and while it is accepted that the MTFS cannot be based on full knowledge of the future, there will be "events" which cannot be predicted or the impact of which cannot be quantified.

It is important to consider the Council's ability to withstand significant external 'shocks' and how it could potentially manage these. This testing is about the ability to cope should the "what if?" happen and not the likelihood of it happening which is dealt with through the risk management strategy and the review of the robustness of estimates and reserves.

Some of the key risks and sensitivities which are included in the Council's corporate risk register and need to be monitored are mentioned below.

- **Funding.** As previously explained, the future funding arrangements to be established by government pose a potential risk to the council. It is not expected that the new arrangements will come into place until 2025/26, a further delay to the previously extended delay, although final confirmation is awaited of this from the Government. Changes to the funding formula for Local Government have been delayed for several years, with the earliest opportunity for implementation being 2025/26.

  The outcome from the review could increase or reduce funding compared to those values included in the medium-term financial strategy. At this stage no intelligence has been received from supporting professional bodies that would support different assumptions to those being used in the forecast.

  The annual budget statement from the Chancellor of the Exchequer delivered on 22nd November 2023, could influence the medium-term financial strategy funding position. These are usually reflected within the Provisional Settlement that will be published prior to Christmas. This presents a level of risk, as additional grants could be awarded, but offsetting could be higher than anticipated costs, or reduced levels of existing grants that differ to the levels assumed within our current forecast.

  The Autumn Statement updated the overall envelope for public spending to 2028-29. Total departmental spending will grow in real terms at 2.6% per year on average over this period. While the planned departmental resource spending will continue to grow at 1% per year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year RHL business rates relief scheme.

- **Economic conditions.** The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures, and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model. The economy has recovered well following COVID-19 restrictions and the UK's labour market has proved more resilient than expected, although there are new national issues impacting on the picture due to the war in Ukraine and the cost of living crisis and rising interest rates affecting borrowing costs.

  Funding settlements in the next spending review are likely to be very tight indeed. The Office for Budget Responsibility (OBR) forecasts increases in Departmental Expenditure Limits (DEL) of 3.9% and 3.7% in 2025-26 and 2026-

27 respectively. These uplifts are likely to be reduced and many services (mostly the NHS and Defence) are likely to take the lion's share of any increases.

For local government, there is no planned additional increase in grant funding. Even if the previous year's allocations are seen as generous, this is clearly insufficient to meet the cost of inflation and cost of living crisis over the 3 years of the spending review. Local Government expects DLUHC to make a bid to the Treasury for additional funding. Any additional funding is not likely to be announced until December. The chances of a material increase in funding for local government (outside social care) are considered to be slim.

- The Chancellor set out the Autumn Statement for 2023 with a lookback to three of the Prime Minister's five priorities which were explicitly economic: halving inflation, growing the economy, and reducing debt—his assessment is all three of these promises have been met.
- In halving inflation, CPI fell from its 11% peak in October 2022 to 4.6% in October 2023. This is predicted to reach the government's target of 2% CPI by the second quarter 2025.
- On growing the economy, the Office for Budget Responsibility assumed the UK economy would be 1.1% smaller by summer 2023 than its pre-pandemic level; however, Office for National Statistics figures showed the economy was 1.8% larger.
- On reducing debt, the government is predicted to hit its self-imposed fiscal targets across the forecast period, namely for public sector net debt to have fallen in the final year of the forecast (2028-29) and for public sector net borrowing to not exceed 3% of GDP by 2028-29.

- **Levelling up.** The government is seeking to level up across the whole of the United Kingdom to ensure that no community is left behind. Three new investment programmes have been launched, UK Community Renewal fund, Levelling Up fund and Community Ownership fund. The Council has submitted and was successful with its application for funding to support its key priorities and particularly the achievement of the objectives in the Folkestone Place Plan.

- **Otterpool Park.** Given the scale of the Garden Town project, it has a significant bearing on the Council's MTFS. There are several factors which present risk and sensitivity to the plan. The Otterpool Park LLP is fully funded by the Council. It is anticipated that the Council will be the lender of the LLP and will need to fund the initial infrastructure (through debt and equity in the LLP). Factors which have a financial impact on this plan in this regard include interest rates available to the Council, the timescale for the delivery of the infrastructure, the sequencing of that work, and indeed when the LLP will be in a position to sell serviced plots to housebuilders, and market rates of both constructions and plot prices.

The Council's Cabinet met on Wednesday, 18th October 2023, to consider a paper on Otterpool Park LLP – Strategic direction, funding, and delivery. The report covers the review outcome and key issues that the Council must consider concerning the strategic direction, funding, and delivery of Otterpool Park. The Cabinet resolved to explore the potential of a strategic joint venture partner leading to third party funding, skills, and expertise to support continued delivery of Otterpool Park based on broad agreed principles.

- **Local Government Finance Settlement.** Whilst the SR21 Spending Review (CSR) has provided some clarity we await the detail that the final finance settlement for 2024/25. On 18 December 2023, the Government published the provisional local government finance settlement for 2024/25.
  The 2024-25 settlement is effectively the second year of a two-year settlement. Almost everything in the settlement has already been announced, either in the Autumn Statement (22 November 2023), the Policy Statement (5 December 2023), or the response to the technical business rates consultation (14 December 2023). The settlement continues the series of real terms increases in Core Spending Power that started in 2020-21. Funding increases might not feel very generous to authorities who are wrestling with very significant spending pressures – but they have been higher than the headline rate of inflation and will be again in 2024-25. However, CSP increases are likely to be lower from 2025-26 onwards, and reliant on council tax rises rather than grant increases.

  These are the main headlines from yesterday's provisional finance settlement:
  - "Core" Band D council tax (2.99% maximum increase, or £5 for shire districts).
  - Adult social care (ASC) precept (2% in 2024-25). No change from 2023-24 Policy Statement.
  - Baseline Funding Level (BFL) and Revenue Support Grant (RSG). Local authorities' BFL allocations will be uplifted by the "weighted average index". RSG allocations will be uplifted in line with the Consumer Price Index (6.62%).
  - Cap compensation will be paid to compensate authorities for lost income arising from the decision to freeze the small business rating multiplier. Adjustments will be made to take into account different indexation factors used for BFL.
  - 3% Funding Guarantee. Continues into 2024-25 and calculated on the same basis as in 2023-24.
  - Services Grant will continue to operate in the same way in 2023-24 but with a significant reduced overall amount (down from £483m to £77m).
  - New Homes Bonus (NHB) will continue in 2024-25. No future legacy payments.
  - 100% business rates pilots will continue for another year, but ministers will review their contribution policy objectives. Business rates pooling will be available in 2024-25.

- **Government Finance Legislation.** There are key pieces of government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the government's Fair Funding Review of local government finance which is now anticipated to take place future year.

- **Other Government Legislation.** There are a significant number of political initiatives particularly in relation to localisation and the role of local government. These will need to be assessed for their relevance to Folkestone and Hythe and the impact on future finances.

- **Buoyancy of income streams.** These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored. The 2023/24 budget prudently allowed for reductions in income for some facilities, whilst car parking income is returning to normality that is not yet the position with leisure facilities income.

Conclusion

The MTFS represents the collation of the key financial documents which looks to forecast the likely financial position the Council will be facing over the next 4 years. It is the critical financial planning tool for the Council and will provide the overall steer for the ongoing discussions throughout the annual budget cycles in dealing with the current economic climate.

Appendices (*attached to the 13 December 2023 Cabinet report***)**

2. MTFS workings
3. Reserves Policy
4. MTFS summary of variations
5. MTFS assumptions used (indices)

Appendix 2

Capital Strategy 2024/25

1. Introduction

1.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

1.2 Decisions made this year on capital and treasury management will have financial consequences for the authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

2. Capital Expenditure and Financing

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

2.2 In 2024/25, the Council is planning capital expenditure of £41.2m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
General Fund services	6.02	11.95	20.05	10.56	7.12
Council housing (HRA)	9.75	13.14	12.95	11.88	11.53
Capital investments	11.60	12.33	8.20	13.00	13.00
TOTAL	**27.37**	**37.42**	**41.20**	**35.44**	**31.65**

2.3 The main General Fund capital projects with expenditure planned for 2024/25 include Folkestone – A Brighter Future project (£16.5m) largely met from the Council's successful Levelling Up Funding Bid, Private Sector Housing Improvement initiatives (£1.4m), Rural England Prosperity Fund capital grants scheme (£0.4m) and UK Shared Prosperity Fund capital grants scheme (£0.35m). The proposed medium term capital programme to 2027/28 includes £10m (profiled over 2025/26 and 2026/27) for the second phase of Folkestone – A Brighter Future project (FOLCA 2) and £26m (profiled from 2025/26) from for the provision of a new leisure centre in the district, both of which are key future priorities for the Council.

2.4 The main capital investment projects for 2024/25 include further expenditure on the Otterpool Park Garden Town Development (£7.5m) and the completion of the Coastal Drive Seafront Development scheme at Littlestone (£0.7m).

2.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. A new 30-year HRA Business Plan was approved by Cabinet on 13 December 2023. From this, a five-year medium term capital programme for the HRA to 2028/29 has been prepared which focuses on maintaining and improving the existing stock to meet both the Decent Homes Standard Plus and the EPC C energy efficiency rating and provides for investment to increase the supply of affordable homes for rent. Cabinet is due to consider the HRA medium term capital programme as part of this agenda before being submitted to full Council for approval on 28 February 2024, as part of the current budget process.

2.6 **Climate Change Emergency** – On 24 February 2021 Cabinet approved a Carbon Action Plan which identified themes and initiatives the Council intends to pursue to tackle climate change locally and reduce its own carbon emissions. £4.4m has been provided in the Climate Change Reserve to support this work. Any new capital schemes arising from the plan will need approving before including in the capital programme. To date, funding from the Climate Change Reserve has been committed towards the following General Fund capital schemes:

		£'000
i)	Electric Vehicle Charging Points	40
ii)	District Street Lights Scheme	408
iii)	Folkestone & Hythe Green Business Grant Scheme	250
	Total	798

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

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

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

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

Table 2: Capital financing

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
External sources	4.05	7.70	19.19	3.25	1.52
Own resources	11.84	16.29	8.70	8.76	7.40
Debt	11.48	13.43	13.31	24.43	27.33
TOTAL	**27.37**	**37.42**	**41.20**	**35.44**	**31.65**

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

Table 3: Replacement of prior years' debt finance

	2022 /23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget

	£m	£m	£m	£m	£m
MRP	3.21	1.96	2.32	2.59	3.02
Capital receipts	-	1.15	-	-	-
TOTAL	**3.21**	**3.11**	**2.32**	**2.59**	**3.02**

➢ The Council's full minimum revenue provision statement is available here: See Appendix 1 – link to follow

2.10 The authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £11m during 2024/25 in accordance with the latest GF and HRA capital programmes. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
General Fund services	16.8	16.8	16.2	20.4	24.5
Council housing (HRA)	47.4	47.9	53.5	58.9	63.7
Capital investments	77.2	87.0	93.0	104.2	115.0
TOTAL CFR	**141.4**	**151.7**	**162.7**	**183.5**	**203.2**

2.11 In line with the existing approved HRA Business Plan, no provision is made to reduce the HRA CFR in the future. This helps to support the HRA's financial position over the life of the business plan.

2.12 **Asset management:** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. This strategy was adopted in July 2017 by Cabinet, covers the five-year period to 2022 and sets out how property asset management is delivered for the Council to meet its long term objectives and goals. It outlines how the long term objectives for managing the asset portfolio are met, including statutory obligations, stakeholder needs & the overall performance of property within the context of any constraints such as funding. A new 5-year asset management strategy is planned to be submitted to Cabinet during 2024. The strategy is supported by the Asset Management Policy & Asset Management Plan also adopted by Cabinet in July 2017.

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

2.13 **Asset disposals**: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The authority is currently also permitted to spend capital receipts on service transformation projects until 2025/26 under the Flexible Use of Capital Receipts Policy. Repayments of capital grants, loans and investments also generate capital receipts. The authority plans to receive £2m capital receipts in the coming financial year as follows:

Table 5: Projected Capital Receipts

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Asset sales – Non Housing	0.07	7.54	-	-	-
Asset Sales - HRA	1.11	1.50	1.50	1.50	1.50
Loans Repaid	0.56	0.43	0.46	0.46	0.46
TOTAL	**1.74**	**9.47**	**1.96**	**1.96**	**1.96**

2.14 The Non-Housing asset sales forecast for 2023/24 includes the sale of land at both Biggins Wood, Folkestone and Mountfield Road, New Romney.

2.15 No capital receipts from the Otterpool Park development are anticipated to be received over the three-year period to 2026/27.

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

- The Council's Flexible Use of Capital Receipts Policy is available here: [link]

3. Treasury Management

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

3.2 Due to decisions taken in the past, the authority as at 31 December 2023 has £106.7m borrowing at an average interest rate of 3.74% and £25m treasury investments at an average rate of 5.04%.

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

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

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

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

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Debt (incl. PFI & leases)	107.1	121.6	138.4	161.8	181.4
Capital Financing Requirement	141.4	151.8	162.7	183.5	203.2

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

3.7 **Liability benchmark:** To compare the authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £15m at each year-end. This benchmark is currently £126.6m and is forecast to rise to £186.4m over the next three years in line with the borrowing requirement for the authority's capital expenditure plans.

Table 7: Borrowing and the Liability Benchmark

	2022 /23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Forecast borrowing	127.1	126.6	143.4	166.8	186.4
Liability benchmark	127.1	126.6	143.4	166.8	186.4

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

3.9 **Affordable borrowing limit:** The authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. The authorised limit provides for borrowing for capital purposes for one year in advance so is higher than both the operational boundary and the figures shown in the Prudential Indicator for gross debt and the CFR in table 7, above. The reduction in the proposed authorised limit for 2024/25 is consistent with the council’s borrowing anticipated for its updated medium term capital expenditure plans.

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

	2023/24 limit £m	2024/25 limit £m	2025/26 limit £m	2026/27 limit £m
Authorised limit – borrowing	207.6	**190.0**	210.0	236.0
Authorised limit – PFI and leases	-	**-**	-	-
Authorised limit – total external debt	207.6	**190.0**	210.0	236.0
Operational boundary – borrowing	171.7	164.0	185.0	204.0
Operational boundary – PFI and leases	-	-	-	-
Operational boundary – total external debt	171.7	164.0	185.0	204.0

- Further details on borrowing are in pages 7 to 9 of the treasury management strategy to be considered by Cabinet on 31 January 2024 – link to follow

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

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

Table 9: Treasury management investments

	2022 /23 actual £m	**2023/24 forecast £m**	**2024/25 budget £m**	**2025/26 budget £m**	**2026/27 budget £m**
Near-term investments	10.2	-	-	-	-
Longer-term investments	14.1	15.0	15.0	15.0	15.0
TOTAL	24.3	15.0	15.0	15.0	15.0

3.12 Table 9, above, reflects the treasury management investments held at each financial year-end. The average value of the treasury management investments for each of the budget years is estimated to be £25m, including £10m in-year cash surpluses expected to be held as near-term investments.

- Further details on treasury investments are in pages 9 to 17 of the treasury management strategy – link to follow

3.13 **Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- The treasury management prudential indicators are on pages 17 to 18 of the treasury management strategy – link to follow

3.14 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Interim Director Governance and Finance and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity will be presented to Cabinet. The Finance and Performance Scrutiny Sub-Committee are responsible for scrutinising treasury management decisions.

4. Investments for Service Purposes

4.1 The authority can lend money to its subsidiaries, its charities where the Council is the trustee, its external service providers, local residents and its employees to support local public services and stimulate local economic growth. In the future the authority may also lend money to joint ventures it decides to enter into to help deliver its major corporate investment initiatives.

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

4.3 Additionally the authority can invest equity in its subsidiary companies it may choose to establish or other joint venture companies it decides to enter into to help deliver its corporate investment initiatives.

4.4 The authority will have invested £11.7m in its wholly owned Housing and Regeneration subsidiary company, Oportunitas Limited, by 2023/24 to support its housing for rent programme. This investment has been through approximately £6.8 in loan funding and £4.9m in share equity. The Council's funding is secured against the assets of the company.

4.5 The authority's plans to create the Otterpool Park Garden Town Development are now at an advanced stage. Otterpool Park will provide up to 10,000 much needed new homes over a 30-year period, creating significant economic benefits to the district. The authority, as principal land owner, also expects to gain a financial return from its investment in the Otterpool Park development. The authority has created the Otterpool Park Limited Liability Partnership (LLP) as a wholly owned subsidiary to deliver the project. The Council has previously agreed making an investment of up to £75m in the LLP through a combination of approximately 10% equity, through a capital contribution, and 90% loan funding, although these proportions may fluctuate at different stages of the project. The LLP's prime source of income will be through its share of income from house sales from the housing developers. Cabinet approved the latest business plan for the LLP on 26 January 2022.

4.6 On 18 October 2023, Cabinet considered a report providing an update on Otterpool Park detailing the outcomes of the governance, finance and management reviews to ensure the successful continuation of the key project of the Council. Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision. The broad principles on which this should be based are proposed as:

- A Joint Venture (JV) between the Council and third party on a strategic, site-wide basis.

- The JV partner to demonstrate a track record of facilitating development at scale, and a commitment to delivering the vision for Otterpool Park.
- The JV partner to share the role, risk and responsibility as Master Developer for the whole site.
- The Council retaining a significant stake - preferably 51% control.
- The JV partner makes a financial contribution to costs already incurred by the Council.
- The JV agreement to release an early capital repayment to the Council.
- Future profit / returns to be on a shared 'risk and reward' basis; and
- Delivery and financial risk to the Council mitigated to an acceptable level of tolerance.

4.7 The Council's latest approved Medium Term Financial Strategy (MTFS) incorporates income from Otterpool Park, which is represented as interest on the loans the Council will make to the LLP to facilitate infrastructure and land acquisition only. The MTFS assumes there will be no income from land sales at Otterpool Park over the period to 2027/28, however this may change pending the outcome of the joint venture review. Over the life of the project the authority still expects to recoup its investment and receive a financial return.

4.8 The equated value of investments for service purposes in 2024/25 is approximately £47.3m generating a net return, after capital financing costs, of about 1.14%. The net return is from the Council's interest received on its loans to Oportunitas Ltd and Otterpool LLP (accrued interest). No return is being received from the Council's equity investment in both organisations. The net return to the Council is lower than originally forecast due, in part, to higher interest rates on borrowing.

4.9 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Interim Director Governance and Finance and must meet the criteria and limits laid down in the Investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- ➢ Further details on service investments are in sections 3 & 4 of the appendix to the Investment Strategy 2024/25 report being considered separately on this agenda. The Capital Strategy 2024/25 and Investment Strategy 2024/25 will be published together on the Council's website once they are adopted.

5. <u>Commercial Activities</u>

5.1 With central government financial support for local public services declining, the authority has invested in commercial property and land with the intention of making capital gains or generating new revenue streams to spend on local public services. Total commercial investments are currently projected to be valued at £17.5m at 31 March 2024 with the largest being the Connect 38 Offices in Ashford (£16.8m) and the residential and other miscellaneous property held for the Otterpool Park development (£10.4m).

5.2 The authority's major land holdings for the Otterpool Park development of the former Folkestone Racecourse and Otterpool Farm are classified as Property, Plant and Equipment – Surplus Assets rather than Investment Assets as they are no longer viewed as being held solely for their investment return because both sites will contribute equally contribute towards the housing development and wider community aspects of the Garden Town development.

5.3 No net return after all costs is projected on commercial activities for 2024/25 mainly due to the impact of capital financing costs for the Otterpool Park residential property and miscellaneous land holdings. However, over the life of the project the authority still expects to recoup its investment and receive a financial return.

5.4 **Risk Management:** With financial return being the main objective, the authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include fluctuations in future demand of the market including competition, risk of void tenancies, fall in capital values etc. These risks are managed by the project lead as well as assessed through the corporate risk register. The authority has an established proactive risk management framework, which incorporates key projects, and reports quarterly to the Audit & Governance Committee as well as annually to the Cabinet. The authority is also working on a council wide transformation programme to support the needs of the medium-term revenue position so as to not place sole reliance on the investment plans providing the expected yields within the anticipated timeframes.

5.5 **Governance:** Decisions on commercial investments are made by Cabinet and / or Full Council in line with the criteria and limits outlined within the Constitution, in specific circumstances the Executive have delegated authority to progress certain projects to the Director of Strategy and Resources and the Director of Housing and Operations in consultation with the relevant Portfolio Holders. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on commercial investments, limits on their use and other risk management controls are in section 5 of the appendix to the Investment Strategy 2024/25 report being considered separately on this agenda. The

Capital Strategy 2024/25 and Investment Strategy 2022/25 will be published together on the Council's website once they are adopted.

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

	2022/23 actual	2023/24 projection	2024/25 budget	2025/26 forecast	2026/27 forecast
Net income from service investments £m	0.5	1.6	2.7	3.7	4.7
Net income from commercial investments £m	1.0	1.4	1.4	1.4	1.4
Total income from service and commercial investments £m	**1.5**	**3.0**	**4.1**	**5.1**	**6.1**
Proportion of net revenue stream	**11.3%**	**20.9%**	**28.1%**	**33.3%**	**39.2%**

6. Other Liabilities

6.1 In addition to debt of projected £138.4m at 31 March 2025 detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £13m), and its impact to 2027/28 is factored into the MTFS. The Council has also previously set aside £2m to cover risks of the business rates appeals.

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

- Further details on liabilities and guarantees are on pages 72 to 77 of the draft 2022/23 statement of accounts published-draft-statement-of-accounts-2022-to-2023 (folkestone-hythe.gov.uk)

7. Revenue Budget Implications

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

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

	2022 /23 actual £m	**2023/24 forecast £m**	**2024/25 budget £m**	**2025/26 budget £m**	**2026/27 budget £m**
General Fund Financing costs (£m)	4.1	3.9	4.7	5.8	4.1
Proportion of net revenue stream	30.6%	27.4%	31.2%	38.3%	45.7%
HRA Financing costs (£m)	1.5	1.9	2.4	2.6	2.9
Proportion of net revenue stream	8.7%	10.4%	11.8%	12.7%	14.0%

- The increase to the General Fund's indicator for 2024/25 and future years is a combination of the increased borrowing requirement mainly for the Otterpool Park development and higher interest rates for new and replacement borrowing. The General Fund revenue implications of capital expenditure are included in the 2024/25 revenue budget.
- For the HRA the revenue implications of capital expenditure are included in the 2024/25 HRA revenue budget.

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

8. Knowledge and Skills

8.1 The authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Interim Director Governance and Finance (Section 151 Officer) is a qualified accountant with over 25 years' experience, the Chief Financial Services Officer (Deputy Section 151 Officer) is a qualified accountant with over 23 years' experience, the Director of Housing and Operations has a degree and post graduate certificate in strategic leadership and over 20 years extensive and relevant experience in contract and project management. The Housing and Operations teams include suitably qualified and experienced professionals ranging from FRCIS through to MSc Engineering and senior project management qualifications. The authority pays for staff to study towards relevant professional qualifications including ACCA .

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

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

Annual Minimum Revenue Provision Statement 2024/25

1. Where the authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision (MRP),** although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Council to have regard to the Department for Levelling Up, Housing and Communities' *Guidance on Minimum Revenue Provision* (the DLUHC Guidance) most recently issued in 2018.

2. The broad aim of the DLUHC Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

3. The DLUHC Guidance requires the authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

   i) For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.

   ii) For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments or as the principal repayment on an annuity with an annual interest rate equal or linked to the average relevant PWLB rates for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

iii) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the authority's view is consistent with the current regulations. While this is not one of the options in the DLUHC Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

4. No MRP will be charged in respect of assets held within the Housing Revenue Account, but depreciation on those assets will be charged instead in line with regulations.

5. Any deviation from the approved policy in year will, as a minimum, be addressed in the MRP Policy Statement for the next financial year.

6. Capital expenditure incurred during 2024/25 will not be subject to a MRP charge until 2025/26.

7. Based on the authority's latest estimate of its capital financing requirement (CFR) on 31st March 2024, the budget for MRP has been set as follows:

	31.03.2024 Estimated CFR £m	**2024/25 Estimated MRP £m**
Capital expenditure before 01.04.2008	7.3	0.3
Unsupported capital expenditure after 31.03.2008	77.3	1.7
Loans to other bodies repaid in instalments	19.2	0.3
Voluntary overpayment (or use of prior year overpayments)	-	-
Total General Fund	103.8	2.3
Assets in the Housing Revenue Account	15.9	-
HRA subsidy reform payment	32.0	-

Total Housing Revenue Account	47.9	-
Total	151.7	2.3

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APPENDIX 3

CAPITAL PROGRAMME 2024 – 2029

1. INTRODUCTION AND BACKGROUND

1.1 In line with the Council's approved Budget Strategy for 2024/25, this report updates the General Fund Medium Term Capital Programme (MTCP) for the five-year period ending 31 March 2029. The report; -

i) reviews and updates the existing approved Medium Term Capital Programme and incorporates the capital investment proposals agreed by Cabinet during the budget process for 2024/25,

ii) provides details of those existing capital schemes proposed to be extended by one year into 2028/29,

iii) summarises the impact the proposed changes to the overall capital programme will have on the financing resources required to fund it.

1.2 The capital expenditure plans for the Housing Revenue Account (HRA) are due to be considered by Cabinet in a separate report on this agenda as part of the current budget process for 2024/25.

1.3 The overall capital expenditure plans for both the General Fund and HRA are required to be submitted to full Council for consideration and approval as part of the budget process.

1.4 Additionally, the Council's General Fund and HRA capital investment plans will feature in the Capital Strategy and Investment Strategy both of which are planned to be reported to Cabinet on 28 February 2024 ahead of being submitted to full Council for approval on the same day. This is a requirement of the CIPFA Prudential Code for Capital Finance in Local Authorities.

2. UPDATE TO THE MEDIUM TERM CAPITAL PROGRAMME (MTCP)

2.1 While Revenue Budget expenditure is concerned with the day-to-day running of services, the Capital Programme is concerned with investment in the assets required to deliver services or the delivery of new income streams. The Medium-Term Capital Programme sets out how capital resources will be used to achieve the Council's vision and corporate priorities.

2.2 The strategic objectives of the Council's Capital Programme can be summarised as follows:

i) To maintain a five-year rolling Capital Programme which remains within the approved affordable, sustainable, and prudential limits;

ii) To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology;

iii) To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams;

iv) To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets; and

v) To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.

2.3 That decisions on the financing of the capital programme are taken with consideration to the impact on the revenue budget, the treasury management strategy, and the investment strategy.

2.4 The latest General Fund Programme, shown in Appendix 1, amounts to around £108.6m of investment over five years. The current Capital Investment Strategy was reported to Cabinet in February 2023, and it sets out a framework for funding and investment decisions in respect of capital assets, in the context of the Council vision and priorities and available financial resources. The Capital Investment Strategy demonstrates that the Council take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability, and affordability.

2.5 The Council forecasts its Capital Programme over a 5-year period. The full details are shown in **Appendix 1** to this report and the table below summarises the position across the service units and outlines the impact on the capital resources required to fund the programme:

Service Area and Scheme	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Operations	8,018	1,490	127	109	89	
Governance, & Law	27	-	-	-	-	-
Otterpool Park Garden Town	10,287	7,500	13,000	13,000	13,000	9,750
Place	2,875	17,498	8,668	5,500	500	12,500
Housing	1,630	1,400	1,400	1,400	1,400	0
Corporate Services	1,449	365	365	115	115	55
Total Capital Programme	**24,286**	**28,253**	**23,560**	**20,124**	**15,104**	**22,305**
Capital Funding						
Government Grant	(5,946)	(18,595)	(3,256)	(1,519)	(1,519)	(1,000)
Other External Contributions	(406)	(597)	-	-	-	-
Capital Receipts	(2,823)	(1,111)	(1,249)	(400)	(400)	0
Revenue Contributions	(2,223)	(205)	(1,055)	(205)	(185)	(55)
Borrowing	(12,888)	(7,745)	(18,000)	(18,000)	(13,000)	(21,250)
Total Funding	**(24,286)**	**(28,253)**	**(23,560)**	**(20,124)**	**(15,104)**	**(22,305)**

3. Capital Programme - Revenue Budget Implications

3.1 With the exception of earmarked s106 funds, the Council no longer has significant capital reserves, therefore, while a small number of schemes will continue to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing.

3.2 The costs of repaying this borrowing fall on the revenue budget as treasury management costs within the Corporate Service budgets. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2024/25 onwards net of interest on forecast balances and loan repayments. Details are set out in the Treasury Management Strategy for 2024/25 that will be approved in February 2024.

3.3 Any new capital scheme to be included in the programme will need to contribute to the objectives set out in section 1.3 of this report. New General Fund capital scheme proposals covering between 2024/25 – 2028/29 are shown in Appendix 1 to this report. In summary, £37.0m proposed capital growth will be funded from government grant, capital receipts and prudential borrowing. The new capital projects are shown within the table below-

2024/25 Capital Programme Growth Bids

Service Area and Scheme	2024/25	2025/26	2026/27	2027/28	2028/29	Future Commit.
	£'000	£'000	£'000	£'000	£'000	£'000
Handheld computers	-	18	-	-	-	-
3 Ride on Mowers	90	-	-	-	-	-
Trimax Pegasues	26	-	-	-	-	-
Stump Grinder	30	-	-	-	-	-
Tractor mounted Hedge	40	-	-	-	-	-
Excavator	40	-	-	-	-	-
FOLCA 2	-	5,000	5,000	-	-	-
Leisure Centre dev.	-	-	500	500	12,500	12,500
Financial Mgt. System	250	250	-	-	-	-
PC Replacement Prog.	55	55	55	55	55	-
Total	**531**	**5,323**	**5,555**	**555**	**12,555**	**12,500**

3.4 **Princes Parade Leisure and Housing Scheme** – Cabinet took the decision on 14 December 2022 to pause the Princes Parade project and just to do the necessary works to implement the planning permission. In May 2023, the new administration immediately made their intentions clear to “save” the site and the Leader subsequently agreed to the submission of a non-material amendment application to the LPA to extend the implementation date by 3 years. This extension of time provides opportunity for the new Administration to reconsider options and allow engagement with the community and their representatives on the future uses of the site before further formal decisions are made.

3.5 The Administration has also made it clear that they would like the hoarding removed as soon as practicable. As the council is aware that contaminates exist it is not immediately possible to remove the hoardings without fuller consideration of how the site can be made safe for public access, or partial access. It is anticipated that costs associated with the removal of the hoarding and erection of a new fence will be met from the existing capital budget.

3.6 Following the immediate work outlined above, officers will work closely with Members to prepare an engagement plan to consult with the public for the future use of the site. Cabinet is advised that until such time that formal decisions are made, the full financial implications of the wider capital project spend to date remains unclear.

3.7 **Bigginswood** was acquired with the objectives of boosting the local economy, increase job opportunities and providing more homes (including affordable homes) and is anticipated to deliver 77 residential units, 660m2 of commercial office units and 5,142m2 of light industrial units. The Council has undertaken remediation and infrastructure works to the site to enable it to be sold for the planned redevelopment; it is currently in the process of being sold.

3.8 **Inflation** in the current economic climate is clearly a risk to the delivery of the MTCP. In general terms, cost inflation poses a much greater risk for future construction related schemes than it does for the one-off replacement of vehicles and equipment. Apart from Otterpool, there are two new major projects (i.e., FOLCA 2 and the Leisure center development) related capital schemes in the proposed MTCP where cost inflation is likely to be a major risk. In the case of Otterpool Park it is anticipated the inflation risk from delivering the infrastructure for the proposed scheme can be mitigated by similar increases in land values as plots are sold for development. Capital grants and loans schemes are not subject to direct inflation as spending is limited to the approved budget only. Equally, coastal defence schemes are required to be managed within the approved grant funding from the Environment Agency, who will separately consider variation orders for additional costs before expenditure can be committed.

3.9 The profiling of the capital programme budget is likely to be subject to some change over the medium term. Factors including planning consents, procurement processes and external grant approvals can affect the timeframes to deliver capital schemes. Notably, the timing and profiling of the FOLCA 2, Leisure center development, Otterpool Park Garden Town may be subject to change as the Council's plans for these projects develops going forward. Cabinet will be kept informed of any changes to the proposed profiling of expenditure for the capital programme through the budget monitoring process and future updates to the MTCP.

3.10 **Otterpool Park LLP Loan Funding** – Within the Otterpool Park Garden Town budget is provision for loan funding currently up to £75m from the Council to Otterpool Park LLP to support the infrastructure work for the project. Interest is charged at 3% above that the Council can borrow from the PWLB. The loan and its interest will be repaid from the proceeds the LLP generate from selling serviced plots of land to the housing developers over the life of the project. Given the variable and fluid nature of both the infrastructure works and the land sale receipts, the Council's loan funding to the LLP is in the form of a revolving credit facility (RCF). The RCF allows the LLP to repay part or all of its outstanding loan to the Council when it receives income from the sale of land, avoiding the LLP holding significant cash balances and reducing the credit risk to the Council.

3.11 The latest development is that of the proposed new town at Otterpool Park and options are being explored to generate future revenue and capital streams. A full financial model was completed in 2019 to consider the long-term potential returns from the development. During 2020 the Council acquired its partner's stake in the site and now has full control of the project.

3.12 The draw-down of funds from the Council will be linked to key milestones contained in separate detailed funding agreements, to regulate the milestones for draw down, the terms for repayment, security, and all other provisions which it would be prudent to include. The MTFS incorporates income from Otterpool Park, which is represented as interest on the loans the Council will make to the LLP to facilitate infrastructure and land acquisition. This is a volatile area with many dependencies affecting the financial position, the sums do have an impact upon the MTFS itself, so will be monitored closely.

3.13 The Cabinet at its meeting on Wednesday, 18th October 2023 considered a paper on Otterpool Park LLP. The report presents an update on Otterpool Park and details outcomes of the governance, finance, and management reviews to ensure the successful continuation of this important significant project. The Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision. The broad principles on which this should be based are proposed as:

- A Joint Venture (JV) between the Council and third party on a strategic, site-wide basis.
- The JV partner to demonstrate a track record of facilitating development at scale, and a commitment to delivering the vision for Otterpool Park.
- The JV partner to share the role, risk, and responsibility as Master Developer for the whole site.
- The Council retaining a significant stake - preferably 51% control.
- The JV partner makes a financial contribution to costs already incurred by the Council.
- The JV agreement to release an early capital repayment to the Council.
- Future profit / returns to be on a shared ‘risk and reward’ basis; and
- Delivery and financial risk to the Council mitigated to an acceptable level of tolerance.

3.14 All proposed changes to the Council’s General Fund MTCP are required to be approved by full Council as part of the budget setting process. The revenue implications of the of the MTCP are contained in either the proposed General Fund budget for 2024/25 or feature in the approved Medium Term Financial Strategy.

4. IMPACT ON CAPITAL RESOURCES

4.1 The proposed MTCP (2024/25 to 2028/29) requires approximately £91m of prudential borrowing to support the programme, with about £56m of this for the Otterpool Park scheme, £10m for FOLCA2 and £26m for the Leisure Centre development. Ordinarily the investment in Otterpool Park, FOLCA2 and the Leisure Centre would put a significant pressure on the General Fund budget for additional interest costs pending surplus assets disposal and receiving the Capital Receipts.

4.2 However, the Council is capitalising its borrowing cost for expenditure on the land assembly for the site until the land is ready for its intended use. As the land is sold the Council can then look to repay its borrowing. Additionally, the Council is receiving a net rental income stream from some of the properties it has acquired to date. The borrowing cost to the Council for the planned loan investment in Otterpool Park LLP, the delivery vehicle for the project, will be covered by the accrued interest to be charged on the loan in the first instance.

4.3 Prudential borrowing is planned to be used to fund the following capital schemes where the Council will receive a net revenue benefit after allowing for interest costs:

Scheme	Borrowing
	£'000
Princes Parade Leisure & Housing	550
Otterpool Park	56,250
Waste Contract Vehicles Funding	245
FOLKA2	10,000
Leisure Centre Development	24,000
Total	**91,045**

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

Capital Receipts Position Statement	£'000
Opening Balance at 1 April 2023	7,859
Less:	
Committed towards General Fund capital expenditure	(5,983)
Committed towards HRA capital expenditure	(3,489)
Contingency for urgent or unforeseen capital expenditure	(500)
Anticipated capital receipts to be received in 2023/24	3,373
Balance available to support new GF capital expenditure	**1,260**

4.5 Council's continuing prudent financial management means it is able to use its other internal resources (cash reserves and balances) to fund the MTCP that is not already met from external grants and contributions without resorting to new borrowing. The table below summarises the council's revenue resources of £4.179m committed towards funding the MTCP to 2028/29.

Revenue Resources to Fund the MTCP	£'000
Vehicle, Equipment and Technology Reserve	799
Economic Development Reserve	1,789
Climate Change Reserve	641
High Street Reserve	450
General Reserve	500
Total	**4,179**

4.6 This level of capital investment will be a significant draw upon the Council's available reserves and balances, and it is unlikely this could be repeated in the future. For this reason, it is important that a thorough and robust assessment is undertaken for the new major capital investment proposals to ensure best use of the Council's limited financial resources.

Item No.	Appendix 3 - General Fund Medium Term Capital Programme to 2028/29 Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Latest Projection 2026/27	Latest Projection 2027/28	Latest Projection 2028/29	To be determined	Total Projection 2023/24 - 2028/29
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Operations									
1	Coast Protection - Coronation Parade, Folkestone	742	742	-	-	-	-	-	-	742
2	Coast Protection - Coronation Parade annual monitoring	20	4	4	4	4	4	-	-	20
3	Coast Protection - Greatstone Dunes Management & Study	75	15	15	15	15	15	-	-	75
4	Coast Protection - Hythe to Folkestone Beach Management	1,027	572	455	-	-	-	-	-	1,027
5	Royal Military Canal footpath enhancements	80	20	20	20	20	-	-	-	80
6	Lifeline Capitalisation	350	70	70	70	70	70	-	-	350
7	Public Toilet Enhancement Programme	113	113	-	-	-	-	-	-	113
8	New Public Toilets (Changing Places Fund)	205	205	-	-	-	-	-	-	205
9	Biggins Wood Site Land Remediation Works	1,657	1,657	-	-	-	-	-	-	1,657
10	Ship Street Site Folkestone (GF Element)	192	192	-	-	-	-	-	-	192
11	Princes Parade Leisure & Housing Development	40,661	550	-	-	-	-	-	550	1,100
12	Electric Vehicle Charging Points	40	40	-	-	-	-	-	-	40
13	District Street Lights	401	401	-	-	-	-	-	-	401
14	Coast Drive Seafront Development	844	844	700	-	-	-	-	-	1,544
15	Coastal Park Play Equipment	19	19	-	-	-	-	-	-	19
16	Coastal Park Toilet and Concession	128	128	-	-	-	-	-	-	128
17	East Cliff Landfill Protection (FPPG Charity)	1,198	1,198	-	-	-	-	-	-	1,198
18	Hawkinge Depot Upgrade	143	143	-	-	-	-	-	-	143
19	Replacement Asset Management System	60	60	-	-	-	-	-	-	60
20	Radnor Park Footpath Resurfacing (FPPG Charity)	13	13	-	-	-	-	-	-	13
21	The Stade, Folkestone Rental Huts	100	100	-	-	-	-	-	-	100
22	Additional Toilet Cleaners Vans	33	33	-	-	-	-	-	-	33
23	Replacement Park Keeper's Vehicle	27	27	-	-	-	-	-	-	27
24	Units 1-5 Learoyd Road New Romney	196	196	-	-	-	-	-	-	196
25	Connect 38 CAT A Works	234	234	-	-	-	-	-	-	234
26	Funding of Folkestone Coastal Park Play Area Refurbishment (FPPG Charity)	40	40	-	-	-	-	-	-	40
27	Replacement of HI-AB Crane	75	75	-	-	-	-	-	-	75
28	Staff Welfare Facilities New Romney Depot	7	7	-	-	-	-	-	-	7
29	Leas Cliff Hall Car Park - CCTV	13	13	-	-	-	-	-	-	13
30	Replacement Tractor	85	85	-	-	-	-	-	-	85
31	Replacement Cherry Picker Vehicle and Trailer	100	100	-	-	-	-	-	-	100
32	Replacement Weed Barge	85	85	-	-	-	-	-	-	85
33	Replacement Sports Mower (East Cliff Area)	9	9	-	-	-	-	-	-	9
34	Replacement Transit Van	28	28	-	-	-	-	-	-	28
35	On Street Pay and Display Parking Machines	-	-	-	18	-	-	-	-	18
36	3 Ride on Mowers	-	-	90	-	-	-	-	-	90
37	Trimax Pegasus	-	-	26	-	-	-	-	-	26
38	Stump Grinder	-	-	30	-	-	-	-	-	30
39	Tractor mounted Hedge Flail	-	-	40	-	-	-	-	-	40
40	Excavator	-	-	40	-	-	-	-	-	40
	Total - Operations	**49,000**	**8,018**	**1,490**	**127**	**109**	**89**	**-**	**550**	**10,383**
	Governance, Law and Service Delivery									
41	Electoral Management System	9	9	-	-	-	-	-		9
42	Migrate IKEN Legal System to Cloud Hosted Service	18	18	-	-	-	-	-		18
	Total - Governance, Law and Service Delivery	**27**	**27**	**-**	**-**	**-**	**-**	**-**		**27**
	Place									
	Otterpool Land and Property Acquisition	11,113	787	-	-	-	-	-		787
	Otterpool Park Delivery	55,424	9,500	7,500	13,000	13,000	13,000	9,750	-	65,750
	Otterpool Park Garden Town Delivery Mechanism	-	-	-	-	-	-	-		-
	Otterpool Park Master planning Costs	-	-	-	-	-	-	-		-
43	Otterpool Park Garden Town	66,537	10,287	7,500	13,000	13,000	13,000	9,750		66,537
44	Waste Contract - Acquisition of Vehicles and Equipment	260	15	245	-	-	-	-		260
45	Area Officer Vans	20	20	-	-	-	-	-		20
46	CLLD ERDF Capital Projects	853	853	-	-	-	-	-		853
47	Rural England Prosperity Fund Capital Grants Scheme	571	143	428	-	-	-	-		571
48	UK Shared Prosperity Fund Capital Grants Scheme	463	113	350	-	-	-	-		463
49	Folkestone - A Brighter Future Project (LUF)	21,874	1,731	16,475	3,668	-	-	-		21,874
50	FOLCA 2	-	-	-	5,000	5,000	-	-		10,000
51	Leisure centre development	-	-	-	-	500	500	12,500	12,500	26,000
	Total - Place	**90,578**	**13,162**	**24,998**	**21,668**	**18,500**	**13,500**	**22,250**	**12,500**	**126,578**
	Housing									
52	Empty Properties Initiative (KCC) - Loans to landlords	1,525	325	300	300	300	300	-		1,525
53	Temporary Accommodation (invest to save)	94	94	-	-	-	-	-		94
54	Disabled Facilities Grants (DFGs) & Loans	5,000	1,000	1,000	1,000	1,000	1,000	-		5,000
55	Home Safe Loans	611	211	100	100	100	100	-		611
	Total - Housing	**7,230**	**1,630**	**1,400**	**1,400**	**1,400**	**1,400**	**-**	**-**	**7,230**
	Corporate Services									
56	PC Replacement Programme	175	35	55	55	55	55	55		310
57	Server Replacement Programme	300	60	60	60	60	60	-		300
58	ICT improvement costs (externally hosted Revenues & Benefits system)	53	53	-	-	-	-	-		53
59	Website CMS replacement	26	26	-	-	-	-	-		26
60	Folkestone & Hythe Green Business Grant Scheme	220	220	-	-	-	-	-		220
61	FHDC Transformation	15	15	-	-	-	-	-		15
62	Oportunitas Loan and Share Capital Phase 2	970	970	-	-	-	-	-		970
63	Upgrade financials Financial Ledger System to Cloud Hosted Service	70	70	-	-	-	-	-		70
64	Financial Management System	-	-	250	250	-	-	-	-	500
	Total - Corporate Services	**1,829**	**1,449**	**365**	**365**	**115**	**115**	**55**	**-**	**2,464**
	Total GF Medium Term Capital Programme	**148,664**	**24,286**	**28,253**	**23,560**	**20,124**	**15,104**	**22,305**	**13,050**	**146,682**
	Capital Funding									
65	Government Grant	(29,435)	(5,946)	(18,595)	(3,256)	(1,519)	(1,519)	(1,000)	-	(31,835)
66	Other External Contributions	(9,362)	(406)	(597)	-	-	-	-	-	(1,003)
67	Capital Receipts	(31,839)	(2,823)	(1,111)	(1,249)	(400)	(400)	-	-	(5,983)
68	Revenue Contributions	(3,893)	(2,223)	(205)	(1,055)	(205)	(185)	(55)	-	(3,928)
69	Borrowing	(74,135)	(12,888)	(7,745)	(18,000)	(18,000)	(13,000)	(21,250)	(13,050)	(103,933)
	Total Funding	**(148,664)**	**(24,286)**	**(28,253)**	**(23,560)**	**(20,124)**	**(15,104)**	**(22,305)**	**(13,050)**	**(146,682)**

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APPENDIX 4

Reserves Policy

INTRODUCTION

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

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

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

Reserves can be held for four reasons:

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

Such reserves are generally referred to as earmarked reserves.

WHAT ARE RESERVES?

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

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

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

LEVEL OF RESERVES

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

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

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

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

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

ASSESSING THE ADEQUACY OF RESERVES

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

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

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

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

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

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

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

The budgetary assumptions cover:

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

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

Allocation of Reserves

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

Budget Assumptions

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

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

Required Levels of Reserves

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

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

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

OPPORTUNITY COST OF HOLDING RESERVES

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

REPORTING FRAMEWORK

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

LEVEL OF RESERVES

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

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APPENDIX 5

TREASURY MANAGEMENT STRATEGY

INTRODUCTION

1.1 Treasury management is the management of the authority's cash flows, borrowing and investments, and the associated risks. The authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the authority's treasury management strategy and its prudent financial management.

1.2 Treasury risk management at the authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code). The Code requires the authority to approve a treasury management strategy before the start of each financial year. This report fulfils the authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The authority's own Financial Procedure Rules also require an annual plan and strategy for treasury management to be approved in advance of each financial year.

1.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy which Cabinet is due to consider as part of this agenda ahead of it being submitted to full Council for approval on 28 February 2024.

2. ECONOMIC BACKGROUND AND PROSPECT FOR INTEREST RATES

2.1 Economic Background

2.1.1 The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the authority's treasury management strategy for 2024/25.

2.1.2 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September, November and then again in December. In December, Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

2.1.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

2.1.4 Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, a reduction of 0.7% from the previous month and lower than the 4.3% expected. Core CPI inflation fell to 5.1% from 5.7%, again lower than the 5.6% predicted. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling, but taking until early 2025 to reach the 2% target and then falling below target during the second half 2025 and into 2026.

2.1.5 ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

2.1.6 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

2.1.7 Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

2.1.8 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.9% in October 2023. Economic growth has been weak, and GDP was shown to have contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has been increasing rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

2.2 Credit Outlook

2.2.1 Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

2.2.2 On an annual basis, CDS price volatility have been lower in 2023 compared to 2022, but 2023 has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

2.2.3 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

2.2.4 Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

2.2.5 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

2.2.6 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

2.3 Interest Rate Forecast (December2023)

2.3.1 Although UK inflation and wage growth remain elevated, the authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early mid-2026.

2.3.2 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

2.3.3 A more detailed economic and interest rate forecast provided by Arlingclose is in appendix 1.

2.3.4 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 4.64%, and that new long-term loans will be borrowed at an average rate of 6.50%.

3. THE COUNCIL'S FORECAST BORROWING AND INVESTMENT POSITION

3.1 On 31st December 2023, the authority held £106.7m of borrowing and £25m of treasury investments. This is set out in further detail in appendices 2 (borrowing) and 3 (investments) to this report. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
General Fund CFR	16.8	16.8	16.2	20.4	24.5
HRA CFR	47.4	48.0	53.5	59.0	63.7
Investments CFR	77.2	87.0	93.0	104.2	115.0
Total CFR	**141.4**	**151.8**	**162.7**	**183.6**	**203.2**
Less: External borrowing	(107.1)	(106.5)	(63.2)	(45.2)	(41.5)
Internal borrowing	34.3	45.3	99.5	138.4	161.7
Less: Balance Sheet resources	(58.6)	(45.2)	(39.3)	(36.8)	(36.8)
Treasury Investments (-) or / New Borrowing (+)	**(24.3)**	**0.1**	**60.2**	**101.6**	**124.9**

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3 The movement in table 1 is based on the projected outturn for the current financial year, the draft revenue and capital budgets being proposed for 2024/25, the proposed General Fund and HRA Medium-Term Capital Programmes and information taken from the latest approved Medium Term Financial Strategy for 2024/25 and 2027/28. The authority has an increasing CFR arising from its planned capital investment and will therefore be required to borrow up to a further £124.9m over the forecast period, including replacing existing maturing debt.

3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2024/25.

3.5 Liability Benchmark

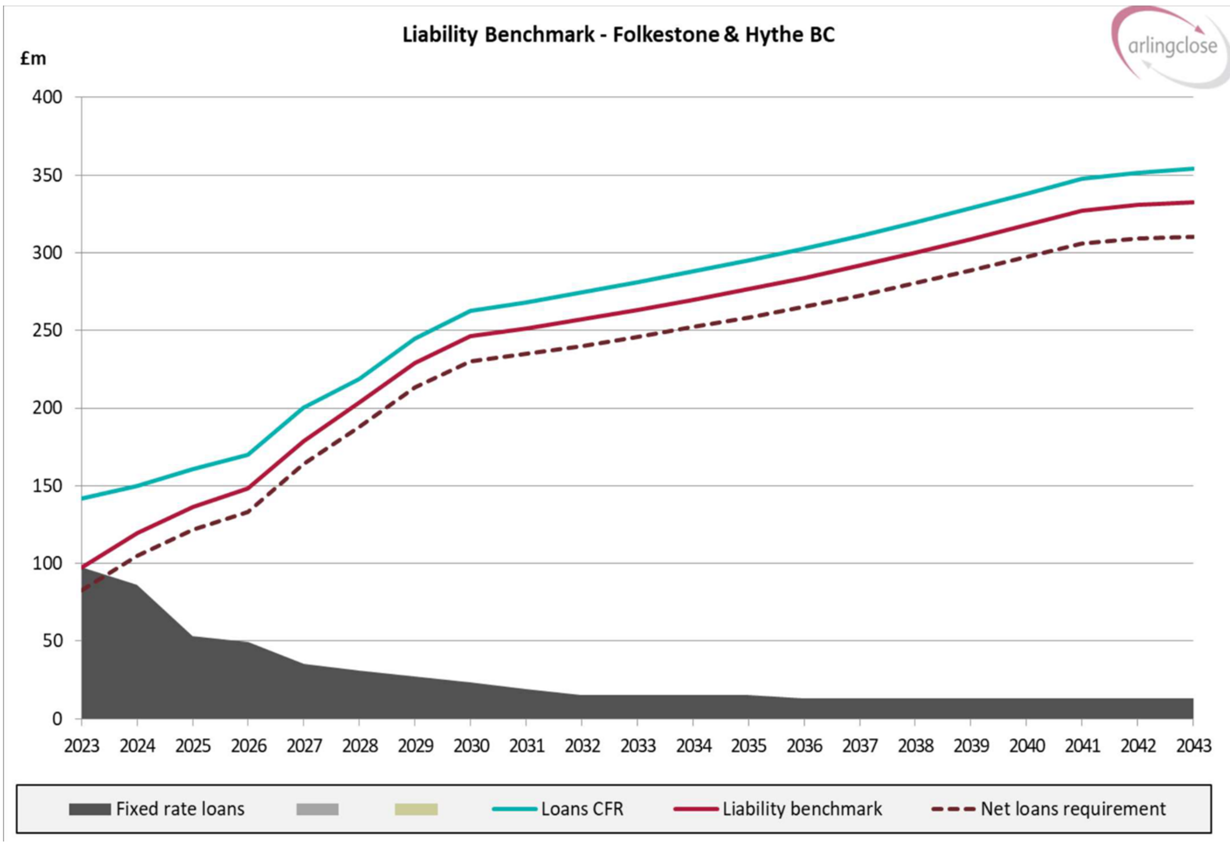
3.5.1 To compare the authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £15m at each year-end, in line with strategic investment objectives and cash flow requirements.

3.5.2 The liability benchmark is an important tool to help establish whether the authority is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the authority must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator – Liability Benchmark

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
CFR	141.4	151.8	162.7	183.6	203.2
Less: Balance Sheet resources	(58.6)	(45.2)	(39.3)	(36.8)	(36.8)
Net loans requirement	82.8	106.6	123.4	146.8	166.4
Plus: Liquidity allowance	15.0	15.0	15.0	15.0	15.0
Liability Benchmark	**102.8**	**126.6**	**143.4**	**166.8**	**186.4**

3.5.3 Following on from the medium-term forecasts in table 2 above, the long term liability benchmark assumes further capital expenditure funded by borrowing after 31 March 2027 for Otterpool Park, FOLCA phase 2 (Folkestone town centre regeneration) and new leisure centre in the district, minimum revenue provision on new capital expenditure based on asset life. The liability benchmark currently excludes any future capital contributions or receipts from the Otterpool Park development to be used to reduce the CFR while the council explores a joint venture approach to delivering the project. The benchmark assumes the income, expenditure and reserves all increase by inflation of 2.5% a year. This is shown in the chart below:



3.5.4 The Council, despite having an increasing need to borrow as defined by the Loans CFR, can manage this borrowing requirement using existing balance sheet resources (balances, reserves, cash flow surpluses) through what is known as “internal borrowing”. The Liability Benchmark, calculated in accordance with CIPFA’s best practice, suggests that this internal borrowing position can be maintained for the foreseeable future.

4. BORROWING STRATEGY

4.1 The authority currently holds £106.7 million of loans, a small reduction of £0.4m on the previous year, as part of its strategy for funding previous years’ capital programmes. The balance sheet forecast in table 1 shows that the authority expects to borrow up to a further £60.2m over the period to 31 March 2025, including replacing maturing debt. The authority may however borrow to pre-fund future years’ requirements, providing this does not exceed the forecast authorised limit for borrowing of £190 million for 2024/25. The authorised borrowing limit will be considered in more detail as one of the prudential indicators for capital expenditure which will be included in the Capital Strategy for 2024/25 report to Cabinet as part of this agenda before going to full Council for approval on 28 February 2024.

4.2 Objectives

4.2.1 The authority’s chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the authority’s long-term plans change is a secondary objective.

4.3 Strategy

4.3.1 Given the significant reductions to public expenditure, in particular to local government funding, the authority’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to use internal resources or to borrow short-term loans instead. However, short-term loans must be regularly refinanced at the new market rate, leaving the authority exposed to the risk of interest rate rises.

4.3.2 By doing so, the authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the authority with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.3.3 The forecast of interest rates for borrowing from the PWLB for 50 years is a much flatter curve with these not expected to change much from their current levels. Therefore, it may still be appropriate for the authority to use longer term borrowing where it fits its capital investment plans, including those for the HRA.

4.3.4 The authority has previously used the PWLB as its main source of long-term borrowing. However over recent years the authority has borrowed from other local authorities for periods typically up to two years at rates significantly cheaper than the PWLB at that time. The authority will consider borrowing long-term loans from the PWLB as well as other sources including banks, pensions, and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the authority intends to avoid this activity in order to retain its access to PWLB loans.

4.3.5 Alternatively, the authority may arrange forward starting loans where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.3.6 In addition, the authority may borrow further short-term loans to cover unplanned cash flow shortages.

4.4 Sources of Borrowing

4.4.1 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK.
- any other UK public sector body
- UK public and private sector pension funds (except the Kent County Council Pension Fund)
- capital market bond investors.
- retail investors via a regulated peer to peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

4.4.2 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset based finance.

4.4.3 The **UK Municipal Bonds Agency plc** was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

4.5 Short-term and Variable Rate Loans

4.5.1 These loans leave the authority exposed to the risk of short-term interest rate rises and are therefore subject to interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section 7.2 below).

4.6 Debt Rescheduling

4.6.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5. TREASURY INVESTMENT STRATEGY

5.1 The authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the 9 months to 31 December 2023, the authority’s investment balance has ranged between £19 million and £33 million with the average being £26.7 million. The average investment balance held is expected to reduce slightly to around £25 million in the coming year as the council uses more of its reserves to meet its approved capital expenditure plans and also continues to use some of its cash balances in lieu of external borrowing (i.e. internal borrowing).

5.2 Objectives

5.2.1 The CIPFA Code requires the authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The authority aims to be a responsible investor and will consider the environmental, social and governance (ESG) issues when investing.

5.3 Strategy

5.3.1 As demonstrated by the liability benchmark above, the authority expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

5.3.2 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the authority may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

5.4 Business Models

5.4.1 Under the new IFRS 9 standard, the accounting for certain investments depends on the authority's "business model" for managing them. The authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.5 Approved Counterparties

5.5.1 The authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown. The limits being proposed for 2024/25 are unchanged from those applicable for 2023/24. Green energy bonds are proposed to be added to the list of approved counterparties for the first time and is explained further in the notes below.

Table 3: Approved Investment Counterparties and Limits for New Investments effective from 1 April 2024

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£5m	Unlimited
Secured investments*	3 years	£5m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	£6m
Registered providers (unsecured) *	3 years	£3m	£15m
Money market funds *	n/a	£5m	Unlimited

Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£5m	£15m
Green Bonds	3 years	£2m	£5m
Other investments *	3 years	£3m	£9m

Table 3 must be read in conjunction with the notes below.

5.5.2 ***Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.5.3 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

5.5.4 **Government** - Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 3 years.

5.5.5 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.5.6 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.5.7 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for

Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.5.8 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

5.5.9 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the authority's investment objectives will be monitored regularly.

5.5.10 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

5.5.11 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the authority's investment at risk.

5.5.12 **Operational bank accounts:** The authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and the authority will endeavour to keep its end of day balances below £0.5m per bank. However, unexpected cash flow transactions may mean this level could be breached and would need rectifying on the next working day. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the authority maintaining operational continuity.

5.5.13 **Green Bonds:** Green bonds are a type of debt, usually unsecured corporate or government bond. On issuing this type of bond, a company — private or public — receives funds that must be used exclusively to finance or refinance (partly or fully) projects with a positive impact on the environment. Green bonds raise funds for new and existing projects which deliver environmental benefits, and a more sustainable economy. 'Green' can include renewable energy, sustainable resource use, conservation, clean transportation, and adaptation to climate change.

5.6 Risk Assessment and Credit Ratings

5.6.1 Credit ratings are obtained and monitored by the authority's treasury adviser, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.6.2 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.7 Other Information on the Security of Investments

5.7.1 The authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the credit rating criteria.

5.7.2 **Reputational aspects:** The authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

5.7.3 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.8 Investment Limits

5.8.1 The authority's revenue reserves available to cover investment losses are forecast to be about £21.5 million at 31 March 2024 and £21.4 million on 31 March 2025. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.8.2 Credit risk exposures arising from non-treasury investments, financial derivatives, and balances greater than £0.5m in operational bank accounts count against the relevant investment limits.

5.8.3 Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries, and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

Table 4: Additional Investment Limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country

5.9 Liquidity Management

5.9.1 The authority uses spreadsheet forecasts to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the authority's medium term financial plan and cash flow forecast.

5.9.2 The authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

5.10 Environmental, Social and Governance Policy

5.10.1 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5.10.2 **Folkestone & Hythe District Carbon Action Plan** - The Council has committed to reducing its own carbon footprint to a net zero target by 2030 and will take the opportunity to be an influencer of change within the district and plans to support local communities, organisations and businesses in the implementation of measures designed to reduce the CO2e footprint to net zero by 2030 of the district as a whole.

5.10.3 This Carbon Action Plan sits within the framework provided by the council's draft Corporate Plan 2021-30, 'Creating Tomorrow Together' that sets out guiding principles and service ambitions that have helped influence the Carbon Action Plan which has been developed alongside it. The purpose of which is to identify an evidence-based pathway to deliver cleaner growth, and specifically, strategies and actions to eliminate poor air quality, reduce fuel poverty and deliver an affordable, clean, and secure energy supply.

5.10.4 Implementing carbon reduction actions and specific targeted measures may have a significant cost as well as many benefits (social, economic, environmental). Sourcing of funding to deliver the Carbon Action Plan objectives for the Council's own estate and to support / encourage the transition across the district will require careful and deliberate targeting of funds.

5.11 The Council's Approach to Environmental, Social and Governance (ESG) Considerations for Investments

5.11.1 ESG considerations specifically, and ethical considerations more generally, are topics of increasing interest within treasury management. Investment guidance, both statutory and from CIPFA, makes clear however that all investment must adopt the principals of security, liquidity, yield, and that ESG issues, although important, must play a subordinate role to those priorities.

5.11.2 Historically, the council has not included ethical criteria when determining its investment criteria. The investment environment can be very fast moving, so there is a need to ensure that any investment criteria are objective, such as credit ratings. It is difficult to gain an objective assessment of the ethical standing of a potential counterparty, particularly to a tight timescale.

5.11.3 Ethical considerations are difficult to evaluate objectively and would also need to be applied to the counterparty list after taking into account security and liquidity issues. The council's current counterparty list is, due to the high credit quality criteria used by the council, very small, and therefore does not encompass solely those organisations which promote themselves as ethical. Cash deposits with banks and money market funds are more difficult to apply ESG and ethical criteria against because the underlying assets are simply those of appropriate financial institutions, although they will have their own ESG policies in place. However, pooled funds and other structured investment products use defined asset classes, such as equities, bonds, and property, providing greater objectivity for ESG and ethical investment considerations.

5.11.4 Furthermore, the council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values. This would include avoiding direct investment in institutions with links to:

- Human rights abuse (e.g. child labour, political oppression);
- Environmentally harmful activities (e.g. pollutions, destruction of habitat, fossil fuels);
- Socially harmful activities (e.g. tobacco, gambling).

5.11.5 A small, but growing, number of financial institutions are promoting ESG products and Arlingclose Treasury Management Advisers are currently looking at how these can be incorporated into its creditworthiness assessment service. This is still very much an evolving area and should any investment in ESG products be undertaken by the Council, this would require to be within the approved counterparty and creditworthiness criteria, and with regard to the views of our treasury advisors on any proposals.

5.11.6 ESG criteria attached to investments can include a range of different factors depending on the region where their core activities take place and the commercial sector they occupy. The following are criteria that the Fitch Rating Agency takes into consideration:

- **Environmental Category:** Emissions and Air Quality; Energy and Waste Management; Waste and Hazardous Material; Exposure to Environmental Impact;
- **Social Category:** Human Rights; Community Relations; Customer Welfare; Labour Relations; Employee Wellbeing; Exposure to Social Impacts;
- **Governance Category:** Management Structure; Governance Structure; Group Structure; Financial Transparency.

5.11.7 The Council does invest in pooled fund and therefore does not fully have influence over the activities of companies that part-ownership might provide. However, as an investor the council can take the following approach:

a. For direct investments, the Council will seek to ensure that counterparties (excluding the UK Government and other UK Local Authorities) have 'Responsible Investment Policies or Environmental, Social and Governance (ESG) policies' in place prior to investing.
b. For indirect investments, the council will seek to ensure that any fund managers used have their own responsible investment policies or have signed up to widely recognised policies such as the United Nations Principles for Responsible Investment.
c. The Council recognises that it has no control or influence over where its counterparties themselves lend money or invest once an investment has been made by the Council.

5.11.8 The investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt SLY principles – security, liquidity, and yield: ethical issues must play a subordinate role to those priorities. Arlingclose continue to investigate ways to incorporate these factors into their creditworthiness assessment service, but with a lack of consistency, as well as coverage, they will continue to review the options and will update the Council as progress is made.

6. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

6.1 The authority measures and manages its exposures to treasury management risks using indicators and those proposed for 2024/25 are outlined below for approval. The latest position for the indicators in 2023/24 against the existing approved target is also shown below.

6.2 **Security -** The authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2023/24 Target	**31/12/2023 Actual**	**2024/25 Target**
Portfolio average credit rating	A	A+	A

6.3 **Liquidity -** The authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	2023/24 Target	**31/12/2023 Actual**	**2024/25 Target**
Total cash available within 3 months	£5m	£8.1m	£5m

6.4 **Interest Rate Exposures** - This indicator is set to control the authority's exposure to interest rate risk. The upper limits of a 1% rise or fall in interest rates will be:

	2023/24 Target	**31/12/2023 Actual**	**2024/25 Target**
Upper limit on one year revenue impact of a 1% **rise** in interest rates	£191,000	£190,000	£180,000
Upper limit on one year revenue impact of a 1% **fall** in interest rates	(£191,000)	(£190,000)	(£180,000)

6.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. The change in the limits for 2024/25 are consistent with the authority's projected borrowing required for the year.

6.6 **Maturity Structure of Borrowing -** This indicator is set to control the authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	31/12/23 Actual	2024/25 Upper	2024/25 Lower
Under 12 months	21.0%	30%	0%
12 months and within 24 months	6.7%	40%	0%
24 months and within 5 years	7.7%	50%	0%
5 years and within 10 years	3.9%	80%	0%
10 years and above	12.1%	100%	0%

6.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The borrowing is measured against the authority's authorised borrowing limit.

6.8 **Long-term Treasury Management Investments -** The purpose of this indicator is to control the authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price Risk Indicator	2024/25	2025/26	2026/27	No Fixed Date
Limit on principal invested beyond year end	£15m	£5m	£5m	£20m

6.9 Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

7. OTHER ITEMS

7.1 The CIPFA Code requires the authority to include the following in its Treasury Management Strategy.

7.2 Policy on Use of Financial Derivatives

7.2.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

7.2.2 The authority will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.2.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

7.2.4 In line with the CIPFA Code, the authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7.3 Policy on Apportioning Interest to the HRA

7.3.1 On 1st April 2012, the authority notionally split each of its existing long-term loans into General Fund and HRA pools. Since then, new long-term loans borrowed are assigned in their entirety to one pool or the other (General Fund or HRA). Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) are charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) result in a notional cash balance which may be positive or negative. This balance is measured over the financial year and interest transferred between the General Fund and HRA at the authority's average interest rate on treasury investments excluding strategic pooled funds, adjusted for credit risk if a net investment balance and the authority's average rate of borrowing if a net borrowing balance. This policy will continue for 2024/25.

7.4 Markets in Financial Instruments Directive

7.4.1 The authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the authority's treasury management activities, the Interim Director Governance and Finance believes this to be the most appropriate status.

8. FINANCIAL IMPLICATIONS

8.1 The net revenue cost of the council's treasury management borrowing, and investment activity based on information at budget setting time is estimated to be:

Description	2023/24 Estimate	2024/25 Estimate	Variance
Revenue Budgets	£'000	£'000	£'000
Interest on Borrowing	6,348	7,246	898
Less Capitalised Interest	(1,889)	(2,781)	(892)
HRA Element	(1,907)	(1,661)	246
GF Borrowing Cost	**2,552**	**2,804**	**252**
Investment income	(1,162)	(1,338)	(176)
HRA Element	311	219	(92)
GF Investment income	**(851)**	**(1,119)**	**(268)**
Net Cost (GF)	**1,701**	**1,685**	**(16)**

8.2 The main reasons for the projected net reduction in the General Fund borrowing cost of £16k in 2024/25 compared to 2023/24 are:

		£'000
i)	Impact of higher interest rates on net GF borrowing costs	252
ii)	Impact of higher interest rates on treasury management investments	(268)
Net reduction		**(16)**

9. OTHER OPTIONS CONSIDERED

9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Interim Director Governance and Finance, having consulted the Cabinet Member for Finance and Governance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Alternative	Impact on income and expenditure	Impact on risk management
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

10. RISK MANAGEMENT ISSUES

10.1 Inherently, treasury management is concerned with the management of risk, e.g. interest rate risk, market risk, credit risk and liquidity risk. The strategies in this Report are developed to minimise the impact of risk changes whilst at the same time providing a framework for the council to reduce its net interest costs.

10.2 Specific risks to be addressed are as follows:

PERCEIVED RISK	SERIOUSNESS	LIKELIHOOD	PREVENTATIVE ACTION
Interest Rate Risk (rates moving significantly different to expectations)	High	Medium	With an increasing borrowing requirement rising interest rates would be detrimental. The council would need to consider taking out fixed borrowing to help mitigate this risk and/or use further internal borrowing if resources are available. Falling interest rates would be broadly beneficial to the council given the increasing borrowing requirement.
Market Risk (adverse market fluctuations affect value of investment capital)	Medium	Low	A limit is placed on the value of principal exposed to changes in market value.
Credit Risk (risk to repayment of Capital)	High	Medium	The council's investment criteria restricts counterparties to those of the highest quality and security.
Liquidity Risk (risk that cash will not be available when needed)	Medium	Medium	Council's investment portfolio structured to reflect future liquidity needs. Temporary borrowing is also available to meet short term liquidity issues.

PERCEIVED RISK	SERIOUSNESS	LIKELIHOOD	PREVENTATIVE ACTION
Changes to the Capital Programme and/or revenue streams	High	Medium	Cash flows are calculated monthly and regular projections are made to identify changes to the council's funding requirements. Prudential borrowing to support capital expenditure can be used for schemes expected to provide a financial benefit to the council. There may be some slippage in capital expenditure between years and the impact will be monitored.

11. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

11.1 Legal Officer's Comments (AK)

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

11.2 Finance Officer's Comments (DL)

The report has been prepared by Finance and the relevant financial implications are contained within it.

11.3 Diversities and Equalities Implications (DL)

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

11.4 Climate Change Implications (xx)

There are no direct climate change implications arising from this report. However, the report outlines Environment, Social and Governance (ESG) investment considerations required as part of the revised CIPFA Treasury Management Code. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. Where practical, when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon.

11.5 Communications and Engagement Implications (xx)

12. CONTACT OFFICER AND BACKGROUND DOCUMENTS

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

Dani Loxton – Senior Finance Specialist (Capital and Treasury)
Tel: 01303 853583 Email: daniella.loxton@folkestone-hythe.gov.uk

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

Arlingclose's Treasury Management Strategy Statement Template 2024/25

Appendices
Appendix 1 – Arlingclose Interest Rate Forecast at December 2023
Appendix 2 – Borrowing portfolio at 31 December 2023
Appendix 3 – Investment portfolio at 31 December 2023

Appendix 1 – Arlingclose Economic & Interest Rate Forecast – December 2023

Underlying assumptions:

i) UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.

ii) The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.

iii) Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.

iv) Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.

v) Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.

vi) Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.

vii) Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.

viii) There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Interest Rate Forecast:

i) The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.

ii) The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early mid-2026.

iii) The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.

iv) Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

Interest Rate Forecast

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix 2 – Treasury Management Loans Borrowed at 31 December 2023

Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 31/12/2023	Interest Rate	Broker Name	Long Term	Short Term
					£	%			
Public Works Loan Board	430141	Annuity	09/11/1973	01/11/2033	3,313.59	11.38		3,313.59	
Public Works Loan Board	488942	Fixed	12/08/2004	07/08/2034	2,000,000.00	4.80		2,000,000.00	
Public Works Loan Board	492233	Fixed	28/09/2006	15/03/2054	2,000,000.00	4.05		2,000,000.00	
Public Works Loan Board	493698	Fixed	10/08/2007	07/08/2055	2,500,000.00	4.55		2,500,000.00	
Public Works Loan Board	493914	Fixed	10/09/2007	07/02/2053	2,500,000.00	4.55		2,500,000.00	
Public Works Loan Board	494027	Fixed	31/10/2007	15/03/2044	2,000,000.00	4.65		2,000,000.00	
Public Works Loan Board	494028	Fixed	31/10/2007	15/03/2045	2,000,000.00	4.65		2,000,000.00	
Public Works Loan Board	494029	Fixed	31/10/2007	15/03/2046	2,141,190.00	4.65		2,141,190.00	
Public Works Loan Board	500537	Fixed	28/03/2012	28/03/2031	4,010,000.00	3.26		4,010,000.00	
Public Works Loan Board	500538	Fixed	28/03/2012	28/03/2028	4,000,000.00	3.08		4,000,000.00	
Public Works Loan Board	500540	Fixed	28/03/2012	28/03/2025	4,000,000.00	2.82		4,000,000.00	
Public Works Loan Board	500541	Fixed	28/03/2012	28/03/2029	4,000,000.00	3.15		4,000,000.00	
Public Works Loan Board	500542	Fixed	28/03/2012	28/03/2030	4,000,000.00	3.21		4,000,000.00	
Public Works Loan Board	500543	Fixed	28/03/2012	28/03/2027	4,000,000.00	3.01		4,000,000.00	
Public Works Loan Board	500546	Fixed	28/03/2012	28/03/2024	4,000,000.00	2.70		0.00	4,000,000.00
Public Works Loan Board	500548	Fixed	28/03/2012	28/03/2026	4,000,000.00	2.92		4,000,000.00	
Public Works Loan Board	602621	Fixed	28/02/2023	28/02/2024	10,000,000.00	4.54		0.00	10,000,000.00
Public Works Loan Board	609700	Fixed	27/03/2023	27/03/2035	10,000,000.00	3.93		10,000,000.00	
Total - Public Works Loan Board					**67,154,503.59**				
Leicester City Council	3092	Fixed	31/01/2022	31/01/2024	5,000,000.00	0.40	ICAP		5,000,000.00
Leicester City Council	3095	Fixed	22/03/2022	22/03/2024	5,000,000.00	1.25	ICAP		5,000,000.00
Cornwall Council	3097	Fixed	14/10/2022	14/10/2025	5,000,000.00	5.00	Imperial Treasury	5,000,000.00	
Leicester City Council	3098	Fixed	14/10/2022	14/10/2025	5,000,000.00	5.00	Imperial Treasury	5,000,000.00	
West Midlands Combined Authority	3099	Fixed	31/01/2023	30/01/2024	5,000,000.00	4.00	Imperial Treasury		5,000,000.00
Lichfield District Council	3101	Fixed	09/03/2023	07/03/2024	2,000,000.00	4.40	ICAP		2,000,000.00
East Sussex County Council	3102	Fixed	21/03/2023	19/03/2024	5,000,000.00	4.50	Imperial Treasury		5,000,000.00
North Somerset Council	3105	Fixed	09/03/2023	07/03/2024	3,000,000.00	4.70	ICAP		3,000,000.00
Merseyside Fire & Rescue Authority	3106	Fixed	30/11/2023	31/05/2024	2,000,000.00	5.60	ICAP		2,000,000.00
Salford City Council	3107	Fixed	05/12/2023	05/06/2024	2,000,000.00	5.60	ICAP		2,000,000.00
Folkestone Town Council	n/a	Variable - 2 day call notice	Various May 2018	n/a	500,000.00	5.00			500,000.00
Total - Borrowing at 31/12/2023					**106,654,503.59**			63,154,503.59	43,500,000.00

Appendix 3 – Treasury Management Investment Portfolio at 31 December 2023

Category and Counterparty	Amount or Value £	Terms	Indicative Interest Rate or Yield %
Money Market Funds			
Northern Trust MMF	4,535,000	No notice instant access	5.34
Federated MMF	5,000,000	No notice instant access	5.38
Aberdeen Standard MMF	1,380,000	No notice instant access	5.29
Goldman Sachs MMF	25,000	No notice instant access	5.24
Other Pooled Funds			
Commercial Property Funds			
CCLA Property Fund	5,073,352	No specified maturity date	4.71
Multi-Asset Income Funds			
CCLA Diversified Income Fund	1,923,483	No specified maturity date	2.74
UBS Multi-Asset Income Fund	758,417	No specified maturity date	5.05
Aegon Asset Management Diversified Monthly Income Fund	3,185,262	No specified maturity date	6.59
Ninety-One Diversified Income Fund	3,153,515	No specified maturity date	4.32
Total Investments	**25,034,029**		**5.04**

APPENDIX 6

INVESTMENT STRATEGY 2024/25

1. INTRODUCTION

1.1 The Investment Strategy is a requirement of the Department for Levelling Up and Housing and Communities (DLUHC) *Statutory Guidance on Local Government Investments.* The DLUHC Guidance also requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications of *The Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services* which both complement it.

1.2 The authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

1.3 The main purpose of the strategy is to identify the level of the Council's service and commercial investments and to set risk management parameters around these. It is based on the authority's existing and planned service-related and commercial investments and is consistent with the General Fund Medium Term Capital Programme due to be approved by full Council on 22 February 2023.

1.4 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

1.5 The statutory guidance defines investments as "all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios." The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

1.6 During 2020 the Council created the Otterpool Park Limited Liability Partnership (LLP) as a wholly owned subsidiary to deliver the Otterpool Park development. Otterpool Park will provide up to 10,000 much needed new homes over a 30 year period, creating significant economic benefits to the district. The Council, as principal land owner, also expects to gain a financial return from its investment in the development.

1.7 Cabinet approved the latest business plan for the LLP on 26 January 2022 (minute 74 refers). This requires the Council to make an investment of up to £119m for working capital and land acquisitions into the LLP through a combination of equity, in the form of a capital contribution, and loan funding and work is currently taking place to determine the optimum mix for this. For the purposes of this strategy, it has been assumed that funding will be 10% equity and 90% loan. The loans will be advanced at a premium of 3% over the cost of borrowing to the Council. Over time the Council expects to receive returns on its equity investment in the LLP largely generated from the sales of land to housing developers and this will be governed by the terms of the Members' Agreement.

1.8 On 18 October 2023, Cabinet considered a report providing an update on Otterpool Park detailing the outcomes of the governance, finance, and management reviews to ensure the successful continuation of the key project of the Council. Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision.

2. TREASURY MANAGEMENT INVESTMENTS

2.1 The authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the CIPFA. The balance of treasury management investments is expected to fluctuate between about £15m and £30m during the 2024/25 financial year.

2.2 **Contribution:** The contribution that these investments make to the objectives of the authority is to support effective treasury management activities. These investments also contribute an income stream to support the General Fund budget position annually.

2.3 **Further details:** Full details of the authority's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the

Treasury Management Strategy Statement (TMSS), due to be approved by Cabinet on 31 January 2024 as part of the budget process for 2024/25.

3. SERVICE INVESTMENTS: LOANS

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

Table 1 – Example of Loans Made for Service Investments

Organisation	Relationship	Purpose	Service Objective
Oportunitas Ltd	Housing and Regeneration subsidiary company	Primarily for the acquisition of residential property for rent	Provision of good quality homes for rent Generate additional revenue stream for the General Fund
Folkestone Parks and Pleasure Grounds Charity	Council is the trustee	Refurbishment and replacement of Beach Huts	Improve the appearance of the district and to improve the financial resilience of the Charity through additional income generated
Local property owners	Jointly funded empty homes initiative with Kent County Council	Interest free loans to property owners to bring empty properties across the district back in to residential use	Bringing empty residential properties back into use and the provision of additional good quality homes
Otterpool Park LLP	Otterpool Park Delivery Vehicle subsidiary company	Delivery of the Otterpool Park Garden Town development	Provision of new homes, generate economic benefits and provide a financial return to the Council

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

Table 2 - Loans for service purposes

Category of borrower	31.3.2024 (Forecast)			2024/25
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Approved Limit £m
Subsidiary – Oportunitas Ltd	6.7	(0.1)	6.6	**6.6**
Subsidiary – Otterpool Park LLP	18.6	(1.2)	17.4	**69.3**
FPPG Charity	0.4	-	0.4	**0.4**
Local residents/landlords (Housing)	2.4	-	2.4	**3.1**
TOTAL	**28.1**	**(1.3)**	**26.8**	**79.4**

3.3 The approved limits for 2024/25 not only include the estimated amounts to be lent in the year but also provide for any accrued interest, future loan commitments within the loan agreement and the repayment of principal expected to be received.

3.4 The proposed loan limit in 2024/25 for Oportunitas Limited, the Council's wholly owned housing and regeneration company, includes the additional loan of £2.47m approved by full Council on 28 February 2018. This loan is expected to fully be utilised during 2023/24 in line with the latest approved business plan for the company.

3.5 The proposed loan limit for Otterpool Park LLP assumes the Council will provide loan funding of up to 90% from the budget provided for the Otterpool Park delivery within the Medium Term Capital Programme. Expert legal advice has been commissioned to ensure the loan to the LLP provides the Council with the optimum level of security to mitigate against the risk of default.

3.6 Accounting standards require the authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. No loss allowance has been made for the loans made to local property owners as the majority of these have been secured against property with a low risk of default. However, the authority is required to keep the position under review and the figures for loans in the

Council's statement of accounts will continue to be shown net of any loss allowance made if applicable. The authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.7 **Risk assessment:** The authority assesses the risk of loss before entering into and whilst holding service loans. This includes:

3.7.1 Ensuring the authority has the legal power to make the loan to the entity in the first place.

3.7.2 Assessing loan applications against the type of market the entity is operating and competing in:

i) Loans to the Council's subsidiary company, charities where it is the trustee, joint ventures or external service providers require a business case and, possibly, business model to be prepared in advance. This needs to demonstrate the entity's long term financially viability, its ability to meet the loan repayment terms and also the internal governance arrangements in place to support their operations. The entity also needs to demonstrate how it will evolve over time against both market conditions and its customer needs. The entity needs to identify any ongoing or future investment requirements to support it over the term of the loan. The authority's loan agreement may require the entity to provide regular performance information to enable an assessment to be made of their ability to continue to meet its terms and conditions. Unless otherwise agreed, loans made are secured against the property or other assets of the entity to help mitigate the risk of default.

ii) Loans to local property owners for housing improvements schemes are made in accordance with the criteria of the specific scheme agreed by the Council. All previous and existing housing improvement schemes offer interest free loans (soft loans) with the requirement that the principal sum is repaid to the authority at an agreed trigger point such as after an agreed period of time or when the property is eventually sold. Loans are secured as a charge against the property to help mitigate the risk of default.

3.7.3 External advisors can be used to support the authority in assessing investment opportunities and preparing loan agreements. This can include advising on investment options appraisal, business plan or case submissions, relevant commercial lending terms, compliance for State Aid, taxation and other statutory issues and reporting obligations for the borrower.

3.7.4 The authority has established procurement and contract management procedures to appoint and monitor the performance of external advisors it uses. This can involve; -

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

3.7.5 Credit ratings are not currently applicable as part of the assessment process for checking the financial status of entities or individuals who apply for a loan. This may alter if the nature and scope of loans made was to change in the future.

3.7.6 The authority may require other sources of information to help assess the suitability of the entity requesting a loan such as financial accounts or a bank reference.

4. SERVICE INVESTMENTS: SHARES AND OTHER EQUITY

4.1 The authority has invested in share equity for Oportunitas Limited and Otterpool Park LLP. In the future the authority may also acquire shares in either other subsidiaries companies it may choose to establish or joint venture companies it decides to enter into to help deliver its major corporate investment initiatives.

4.2 **Contribution Oportunitas Limited:** The authority's investment in the shares of Oportunitas supports its operational trading activities including its acquisition of residential property to increase the supply of good quality housing for rent to local people. No dividend return is expected in the medium term from this investment, however the authority's overall investment in Oportunitas provides an additional revenue stream to the General Fund.

4.3 **Contribution Otterpool Park LLP:** The authority's equity investment in Otterpool Park LLP, as a capital contribution through the Members' Agreement, support its operational activities to act as the Master Developer for the proposed scheme. The LLP's main income stream will be from selling serviced parcels of land to housing developers and this will provide the opportunity to make a return to the Council. No capital receipts or contributions from the development have been anticipated for the period of the latest Medium Term Financial Strategy (MTFS) to 2027/28.

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

Table 3 - Shares and Capital contributions held for service purposes.

Category of company	31.3.2024 (Forecast)			2024/25
	Amounts invested £m	**Gains or losses £m**	**Value in accounts £m**	**Approved Limit £m**
Subsidiary – Oportunitas Ltd	4.9	(4.9)	-	**4.9**
Subsidiary – Otterpool Park LLP	2.4	(1.0)	1.4	**7.5**
TOTAL	7.3	(5.9)	1.4	**12.4**

4.5 The approved limit for 2024/25 includes;

i) the cash value of the Council's share equity investment in Oportunitas Limited, and

ii) the proposed equity in Otterpool Park LLP being a maximum of 10% of the agreed total equity and loan funding package profiled for the period to 31 March 2024, outlined in section one, above.

4.6 **Risk assessment:** The authority assesses the risk of loss before entering into and whilst holding shares of its subsidiaries or joint ventures. This includes:

4.6.1 Ensuring the authority has the legal power to acquire the share capital or make the equity investment in the entity in the first place.

4.6.2 Preparing a long term business case and business model for the company identifying the level, structure and time scale of the investment required to enable it to become financially viable and sustainable and provide the authority with an appropriate financial return.

4.6.3 Requiring the company to develop and maintain a business plan outlining how it will meet the objectives of the authority as shareholder including identifying associated risks, including market conditions, and measures to mitigate these.

4.6.4 Requiring the company in the event it was to cease trading or become insolvent to dispose of its assets and transfer the net receipt to the authority or transfer the assets to the control of the authority itself, to help mitigate the risk of financial loss.

4.6.5 Using external advisers if required to support the authority in preparing its business planning and modelling to support the creation and development of the company and also structure the shareholder agreement.

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

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

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

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

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

5. COMMERCIAL INVESTMENTS: PROPERTY

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

i) Residential property and minor parcels of land to support the proposed Otterpool Park Garden Town development of up to 10,000 new homes over an approximate 30 year period. The major land holdings of Otterpool Farm and the former Folkestone Racecourse site have both been reclassified as Property, Plant and Equipment – Surplus Assets from 2020/21 as they are no longer viewed as being held solely for their investment return. Both sites will equally contribute towards the housing development and the wider community aspects of the Otterpool Park Garden Town development. Similarly, Westenhanger Castle, which while part of the Garden Town development, is planned to be used for its community benefit rather than a direct financial return and is not classified as an Investment Asset.

ii) Land for other commercial and residential development

iii) Commercial and light industrial units for local businesses providing employment opportunities and the authority with a net rental stream.

iv) The Connect 38 office accommodation in Ashford to provide the authority with an additional net revenue stream.

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

Table 4 - Property held for investment purposes.

	31/03/2024 (Forecast)			31/03/2025 (Projection)		
Property Type	**Actual Purchase Cost**	**Accrued Gains (Losses)**	**Value in Accounts**	**Actual Purchase Cost**	**Accrued Gains (Losses)**	**Value in Accounts**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Commercial and Light Industrial (existing)	1.3	1.3	2.6	1.3	1.3	2.6
Other Land	2.9	(0.9)	2.0	2.9	(0.9)	2.0
Otterpool land and property	10.2	0.2	10.4	10.2	0.2	10.4
Connect 38 Offices	17.9	(0.4)	17.5	17.9	(0.4)	17.5
Total	**32.3**	**0.2**	**32.5**	**32.3**	**0.2**	**32.5**

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

5.3 All land and property classified as Investment Assets is required to be measured at its market value as at 31 March each year for inclusion in the authority's Statement of Accounts. At the time of writing, no information was available regarding potential changes in the market value of these assets as at 31 March 2024 meaning, where appropriate, they are shown at either their value as at 31 March 2023 (subject to Audit of Statement of Accounts) or purchase cost if planned to be acquired or constructed in 2023/24 or 2024/25 in table 4, above. Similarly, the accrued gains and losses only reflect those recorded at 31 March 2023.

5.4 **Security:** In accordance with government guidance, the authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. However, it is recognised the authority is acquiring land and property for development reasons and therefore its existing use value as an investment asset may be significantly lower than its future potential value.

5.5 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2023/24 year end accounts preparation and audit process value these properties below their purchase cost and there is no reasonable prospect of this being reversed as a result of the authority's investment plans, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

5.6 **Risk assessment:** The authority assesses the risk of loss before entering into and whilst holding property investments by preparing a business case to support the proposed investment. This includes:

5.6.1 Assessing the current and expected future market demand and need for relevant property by reference to local, regional, or national data, including rental and occupancy levels.

5.6.2 Assessing the current and expected future market competition for the type of property being considered.

5.6.3 Identifying the relevant legal power the authority is using to undertake the purchase and whether or not it may need to purchase and operate it through a separate entity such as a company or joint venture.

5.6.4 Identifying how the authority can recover or dispose of its interest in the property without financial loss.

5.6.5 Undertaking a whole-life financial assessment for the proposed scheme to identify any on-going investment that may be required.

5.6.6 Using specialist external advisors such as, valuers, surveyors, property agents, solicitors and taxation and other finance specialists to help evaluate the proposed investment if required.

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

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

5.6.8 Using credit checks if required to assess the financial strength of third parties the authority could be exposed to, for instance where the authority proposes to purchase an investment property which has existing commercial tenants. Credit ratings are not applicable as part of the assessment process for property investment.

5.6.9 The authority has established a proactive risk management culture within the organisation, including all key projects being required to consider risks, as well as quarterly monitoring and reporting of key corporate risks which includes, at times, key investment plans such as the delivery of Otterpool.

5.7 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions.

5.8 The authority's commercial and light industrial units' portfolio is viewed as a long term commitment providing valuable local jobs and supporting the local economy. Any decision to dispose of existing units would need to be balanced against providing alternative employment opportunities, continuing to support the local economy as well as the direct financial impact to the authority.

5.9 Where property is held for future development reasons the authority will identify how it intends to recover or access the cost of its capital investment as part of any proposal for the specific development.

6. PROPORTIONALITY

6.1 The current MTFS does include property and service investment income as part of its projections from schemes and initiatives already in place or agreed. The

MTFS anticipates accrued interest from the capital funding being made available to Otterpool Park LLP but excludes the benefit from any potential capital gains or other new revenue streams from the proposed Otterpool Park development. However, the MTFS is over the medium term (2025/26 to 2027/28) in a deficit position of about £2.8m and the authority is continuing to explore investments to support the closure of this gap. As the authority's wider investment plans continue to develop further consideration will be given to its approach to proportionality in respect of investment income to gross service expenditure. Table 5 below shows the extent to which the service delivery objects of the authority is dependent on achieving the expected net return from its investments over the life of the MTFS.

Table 5 - Proportionality of Investments

	2022/23 Actual £m	**2023/24 Forecast £m**	**2024/25 Budget £m**	**2025/26 Budget £m**	**2026/27 Budget £m**
Gross service expenditure	100.3	102.5	104.8	106.7	108.8
Net investment income to General Fund	2.6	4.1	5.2	6.0	7.1
Proportion	2.6%	4.0%	5.0%	5.7%	6.6%

7. ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

7.1 In line with statutory guidance and the CIPFA Treasury Management Code, the proposed TMSS 2024/25 includes an Environmental, Social and Governance (ESG) Policy for the authority's treasury investments. When investing in banks and funds, the authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

7.2 For service investments the authority has committed to reducing its own carbon footprint to a net zero target by 2030 and will take the opportunity to be an influencer of change within the district and plans to support local communities, organisations and businesses in the implementation of measures designed to reduce the CO_2e footprint to net zero by 2030 of the district as a whole.

7.3 This Carbon Action Plan sits within the framework provided by the council's draft Corporate Plan 2021-30, 'Creating Tomorrow Together' that sets out guiding principles and service ambitions that have helped influence the Carbon Action Plan which has been developed alongside it. The purpose of which is to identify an evidence-based pathway to deliver cleaner growth, and specifically, strategies and actions to eliminate poor air quality, reduce fuel poverty and deliver an affordable, clean, and secure energy supply.

7.4 Implementing carbon reduction actions and specific targeted measures may have a significant cost as well as many benefits (social, economic, environmental). Sourcing of funding to deliver the Carbon Action Plan objectives for the Council's own estate and to support / encourage the transition across the district will require careful and deliberate targeting of funds.

8. CAPACITY, SKILLS, AND CULTURE

8.1 Elected members and statutory officers:

8.1.1 All members have previously been provided with training on treasury management and investments by the authority's Treasury Management advisors (Arlingclose Ltd). It is planned to provide further training on this subject later in 2024 and will encompass all members and not just those on the relevant committees. Training is also held on specific issues for nominated councillors (such as on Investment Appraisals) and there are ongoing briefings for individual members with specific responsibilities such as the Finance Portfolio holder, the Chair of the Audit and Governance Committee and the Group Leaders of the political parties represented on the Council. All members have a wide exposure to investment decisions and are able to interrogate officers either formally or informally.

8.2 Commercial deals:

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

8.3 Corporate governance:

8.3.1 The authority has a clearly articulated corporate plan and associated values which have recently been refreshed as part its transformation programme. It also has a long standing practice of regular and transparent decisions in relation to investments held for both treasury management purposes and for investment purposes. The governance structure includes scrutiny of certain decisions, including those relating to the Council's budget-setting process, through the Overview and Scrutiny Committee or its Finance and Performance Scrutiny

Sub-Committee prior to these being considered by Cabinet. Any new investment decisions need to be approved by Full Council with a full explanation of the benefits, opportunities and risks associated with any proposal. The ongoing performance of investments is regularly reported back to Members and is subject to ongoing review and monitoring.

9. INVESTMENT INDICATORS

9.1 The authority proposes to set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

9.2 **Total risk exposure:** The first indicator shows the authority's total exposure to potential investment losses. This includes amounts the authority is contractually committed to lend but have yet to be drawn down and guarantees it has issued over third party loans.

Table 6 - Total investment exposure

Total investment exposure	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.2025 Forecast £m
Treasury management investments	24.3	15.0	15.0
Service investments: Loans	15.9	25.9	33.9
Service investments: Shares	0.5	1.4	2.2
Commercial investments: Property	29.6	32.5	32.5
TOTAL INVESTMENTS	70.3	74.8	83.6
Commitments to lend	63.0	52.8	44.2
TOTAL EXPOSURE	**133.3**	**127.6**	**127.8**

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

Table 7 - Investments funded by external borrowing.

Investments funded by borrowing	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.2025 Forecast £m
Service investments: Loans	7.4	15.1	20.3
Service investments: Shares	4.4	5.4	5.9
Commercial investments: Property	23.7	24.2	23.8
TOTAL FUNDED BY EXTERNAL BORROWING	**35.5**	**44.7**	**50.0**

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

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

Investments net rate of return	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	3.0%	4.8%	4.5%
Service investments: Loans	2.3%	2.4%	2.8%
Service investments: Shares	(1.7)%*	(6.9%)*	(6.8%)*
Commercial investments:			
Otterpool Land and Property	(1.2)%	(5.7%)*	(5.0%)*
Connect 38 Offices	1.1%*	0.9%*	0.4%*
Other Commercial & Light Industrial Property	6.4%*	5.0%*	5.5%*
ALL INVESTMENTS	**1.3%**	**1.2%**	**1.3%**

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

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

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APPENDIX 7

COUNCIL TAX RESOLUTION 2024/25

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

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

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

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

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

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

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

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

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

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

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

2024/25	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Folkestone	256.50	299.25	342.00	384.75	470.25	555.75	641.25	769.50

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

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

Major Preceptors	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Kent County Council	1,073.88	1,252.86	1,431.84	1,610.82	1,968.78	2,326.74	2,684.70	3,221.64
Kent Police Crime Commissioner	170.77	199.23	227.69	256.15	313.07	369.99	426.92	512.30
Kent Fire and Rescue	59.94	69.93	79.92	89.91	109.89	129.87	149.85	179.82

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

2024/25	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Folkestone	1,561.09	1,821.27	2,081.45	2,341.63	2,861.99	3,382.35	3,902.72	4,683.26

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

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

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

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

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

1. **BASIC AMOUNT OF TAX**

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

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

a)	Basic amount of tax **Recommendation 3(d)**		£369.94
b)	Special Expenses	£642,580	
c)	Parish Precepts	£2,993,850.39	
d)	Special Items **Recommendation 2(e)**	£3,636,430	
e)	Divided by Tax Base	40,466.09	(£89.86)
f)	Basic Amount of Tax for Areas with no Special Items **Recommendation 2(f)** See Appendix 4 for individual parishes		£280.08

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

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

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

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

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

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APPENDIX 8

ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

Introduction

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

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

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

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

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

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

Background

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

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

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

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

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

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

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

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

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

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

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

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

Robustness of the Estimates

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

<u>The MTFS</u>

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

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

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

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

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

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

<u>Development of Budgets</u>

For the 2024/25 budget, the Council utilised a budgeting approach known as **Priority Based Budgeting (PBB).** Having carried out a self-assessment of the Council current budget setting processes, the Council identified a new approach to budget setting that would ensure that the Council have a Priority Based Budgeting (PBB) approach, which allocates scarce budget resources to the areas of service that are of highest priorities and delivers the outcomes the Council want to achieve for local people under the new administration.

The model seeks to ensure that budgets are set and that service areas are resourced to deliver on their priority areas, with any budget savings being made in areas that are considered lower priority. The PBB approach allows the Budget Manager, Chief

Officers, Directors, and Elected Members through various budget meetings including the Star Chamber to have the opportunity to provide an input and be involved in setting the priorities, strategy, and direction at the outset of the budget setting process.

The draft budget package prepared by officers considered savings from both corporate reviews as well as departmental proposals, but all should reflect the agreed priorities and focus on the use of resources. This also ensure that members have an opportunity to review the draft budget package and make changes before it is formally submitted to Council. Members would still make the final decisions on budgets as is the case now but with a focus on delivery of priorities and outcomes rather than the detail of every individual proposal.

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

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

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

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

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

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

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

The main General Fund capital projects with expenditure planned for 2024/25 include Folkestone – A Brighter Future project (£16.5m) largely met from the Council's successful Levelling Up Funding Bid, Private Sector Housing Improvement initiatives (£1.4m), Rural England Prosperity Fund capital grants scheme (£0.4m) and UK Shared Prosperity Fund capital grants scheme (£0.35m).

The proposed medium term capital programme to 2027/28 includes £10m (profiled over 2025/26 and 2026/27) for the second phase of Folkestone – A Brighter Future project (FOLCA 2) and £26m (profiled from 2025/26) for the provision of a new leisure centre in the district, both of which are key future priorities for the Council.

The main capital investment projects for 2024/25 include further expenditure on the Otterpool Park Garden Town Development (£7.5m) and the completion of the Coastal Drive Seafront Development scheme at Littlestone (£0.7m). The authority's plans to create the Otterpool Park Garden Town Development are now at an advanced stage. Otterpool Park (OP) will provide up to 10,000 much needed new homes over a 30-year period, creating significant economic benefits to the district. The authority, as principal land owner, also expects to gain a financial return from its investment in the Otterpool Park development for the purpose of supporting the delivery of future council services to residents across the district, in addition to the significant placemaking activities at OP itself.

The authority has created the Otterpool Park Limited Liability Partnership (LLP) as a wholly owned subsidiary to deliver the project. The Council has previously agreed making an investment of up to £119m (Land Acquisition £44m and Working Capital £75m) in the LLP through a combination of approximately 10% equity, through a capital contribution, and 90% loan funding, although these proportions may fluctuate at different stages of the project.

On 18 October 2023, Cabinet considered a report providing an update on Otterpool Park detailing the outcomes of the governance, finance, and management reviews to ensure the successful continuation of the key project of the Council. Cabinet resolved that the Council explores third-party investment (public and/or private sector) on a joint venture basis, reporting the outcome to Cabinet for further consideration and decision. The broad principles on which this should be based are proposed as:

- A Joint Venture (JV) between the Council and third party on a strategic, site-wide basis.
- The JV partner to demonstrate a track record of facilitating development at scale, and a commitment to delivering the vision for Otterpool Park.

- The JV partner to share the role, risk, and responsibility as Master Developer for the whole site.
- The Council retaining a significant stake - preferably 51% control.
- The JV partner makes a financial contribution to costs already incurred by the Council.
- The JV agreement to release an early capital repayment to the Council.
- Future profit / returns to be on a shared ‘risk and reward’ basis; and
- Delivery and financial risk to the Council mitigated to an acceptable level of tolerance.

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

The Budget Strategy process identified –

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

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

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

<u>Mitigating Risks</u>

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

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

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

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

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

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

Adequacy of Reserves

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

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

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

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

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

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

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

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

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

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

Conclusions

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

Statements of the Section s151 Officer

Section 151 Officer - Statement on the Robustness of the Budget.

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

Section 151 Officer - Statement on the Adequacy of Reserves

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

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

Appendix 9

2024/25 Budget Consultation Responses

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

2. The objectives for consultation on the 2024/25 budget proposals were to:
   (i) Engage with key stakeholder groups and local residents;
   (ii) Seek feedback on specific budget proposals for 2024/25; and
   (iii) Seek feedback on general spending and income generation priorities.

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

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

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

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

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

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

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

Appendix 10

SUBJECT: BUDGET STRATEGY 2024/25

1. INTRODUCTION

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

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

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

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

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

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

2. CONTEXT FOR THE BUDGET STRATEGY 2024/25

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

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

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

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

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

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

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

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

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

3. CURRENT FINANCIAL POSITION - UPDATE

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

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

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

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

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

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

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

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

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

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

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

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

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

4. GOVERNMENT SPENDING PLANS – UPDATES

4.1 <u>Government Spending Reviews – SR21</u>

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

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

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

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

4.4 Furthermore, there were no announcements in the review about Local Government funding reforms (Fair Funding Review or Business Rates Retention changes) and it is anticipated that these have now been pushed back to at least 2025/26, if not later. Latest updates (as at November 2023) suggest that the Fair Funding Review is being modelled for 2025/26 with a view to implementation in 2026/27, therefore the longer term funding picture for Local Government continues to remain unknown and is uncertain. Again, this makes financial planning in the long term more of a challenge.

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

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

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

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

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

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

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

5.2 The Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP, delivered the 2023 Autumn Statement on 22nd November 2023. As well as the usual updates on the state of public finances and the performance of the economy, the Chancellor organised his policies into five key areas: reducing debt; cutting tax and rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world-class education.

5.3 There were a few positives to take from the Autumn Statement with new planning reforms and the unfreezing of the local housing allowance both announced. There was also the further geographic rollout of existing policy with four new devolution deals and the extension of the Investment Zones in both time and money. This was coupled with some additional regeneration funding in the form of Levelling Up monies and £50 million for regeneration projects.

5.4 However, these announcements do not fully address the deep-set financial and operational challenges facing local government. Therefore, the Local

Government Finance Settlement will send far greater reverberations across the sector.

5.5 Key 2023 Autumn Statement Headlines

- There was no new funding for adult or children's social care or any general local government funding for 2024-25, beyond what was announced last year.
- Resource Departmental Expenditure Limit (DEL) budgets will increase by 1.0% in real terms over the medium term to 2028-29, which actually implies real terms cuts for 'unprotected departments' like the Local Government DEL.
- Local Housing Allowance rates will be raised to a level covering 30% of local market rents.
- Local Authority Housing Fund to be extended with a third round worth £450m to deliver new housing units and temporary accommodation for Afghan refugees.
- Local planning authorities to receive £32m to tackle planning backlogs.
- There are plans to allow local authorities to be able to fully recover the cost of planning fees for major planning applications if decisions are made within certain timelines.
- Additional UK-wide funding of £120m for homelessness prevention in 2024-25.
- The standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen for a fourth consecutive year.
- The 75% Retail, Hospitality and Leisure (RHL) business rates relief scheme will be extended to 2024-25.
- Local authorities will be fully compensated for the loss of income because of these two measures and will receive new burdens funding for administrative and IT costs.
- Reforms to the Local Government Pension Scheme (LGPS), including confirmation of guidance that will implement a 10% allocation ambition for investments in private equity, and establish a March 2025 deadline for the accelerated consolidation of LGPS assets into pools.

5.6 Based on initial analysis of the statement, FHDC will still need to make over £638,000 of savings in 2024-25, as part of an estimated £4.61 million funding gap over the next four years. FHDC has worked hard to protect its budgets, but there is no painless way to make savings on the scale required. Any low hanging fruit and general efficiencies are gone through the Priority Based Budgeting. Various Councils plan to use their reserves to balance budgets over the next four years. This is not sustainable.

5.7 Regarding local taxes, FHDC continues to argue that neither council tax (still reliant on property values from 1991) nor business rates (an increasingly burdensome tax for bricks and mortar business) are fit for purpose.

5.8 It is anticipated at this stage, that the Provisional Local Government Settlement will still be announced in December as usual and not delayed.

This settlement announcement advises all Councils of their key Spending Funding Assessment (SFA) numbers for the next financial year. A final Local Government Settlement is published in late January to confirm final numbers.

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

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

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

6.0 2024/25 FINANCIAL FORECAST – LATEST POSITION

Medium Term Financial Strategy (MTFS)

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

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

3.3 Due to all of the financial and economic pressures outlined above, the current MTFS forecast shows a cumulative funding gap of £4.61m over the lifetime of this MTFS. The table below shows the cumulative deficit over the period of the MTFS.

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

Financial Forecast	**2024/25** **£000**	**2025/26** **£000**	**2026/27** **£000**	**2027/28** **£000**

Deficit / (Surplus)	638	634	1,120	2,217
Cumulative Deficit	**-**	**1,271**	**2,392**	**4,609**

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

7.0 BUDGET ASSUMPTIONS

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

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

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

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

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

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

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

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

MTFS Expenditure and Income Assumptions 2024/25

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

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

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

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

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

Reserves update

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

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

3.7 The Council holds a range of Reserves for a variety of reasons. The actual number and value fluctuate over the year as monies are spent on projects, new money is received from funders (most often from Government but not exclusively) and new reserves are created to respond to changing financial pressures. The Reserves are held as funding for specific projects, against known or potential expenditure or to meet future costs or allow for service developments and to allow value for money improvements.

3.8 A review of the Council reserve will be taking place in 2024/25 to consider the forecast use of reserves and to ensure that the Council retains a prudent level of reserves over the medium term. The review would cover a number of stages:

- To understand the spending plans regarding the current reserves over the next few years.
- Consider what level of general balances that FHDC should hold, based on a risk assessment.
- Identifying those reserves that are ringfenced as they have specific grant objectives to deliver.
- Considering what strategic earmarked reserves FHDC should hold.

8.0 2024/25 BUDGET PROPOSALS TO REDUCE THE GAP

8.1 For the 2024/25 budget, the Council utilised a budgeting approach known as **Priority Based Budgeting (PBB).** Having carried out a self-assessment of the Council current budget setting processes, the Council identified a new approach to budget setting that would ensure that the Council have a Priority Based Budgeting (PBB) approach, which allocates scarce budget resources to the areas of service that are of highest priorities and delivers the outcomes the Council want to achieve for local people under the new administration.

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

8.3 The PBB approach allows the Budget Manager, Chief Officers, Directors, and Elected Members through various budget meetings including the Star Chamber to have the opportunity to provide an input and be involved in setting the priorities, strategy, and direction at the outset of the budget setting process.

8.4 The draft budget package prepared by officers consider savings from both corporate reviews as well as departmental proposals, but all should reflect the agreed priorities and focus on the use of resources. This also ensure that members have an opportunity to review the draft budget package and make changes before it is formally submitted to Council. Members would still make the final decisions on budgets as is the case now but with a focus on delivery of priorities and outcomes rather than the detail of every individual proposal.

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

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

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

In-year savings:

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

Re-focusing of Priorities:

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

Strategic Investments:

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

Reserves:

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

Maximise Opportunities:

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

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

Review of Corporate Action Plan

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

Review of 'Lessons Learnt' from Transformation

Review of Strategic Projects

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

Review of Earmarked Reserves

Identification of potential asset disposals

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

Re-evaluation of service demands and structures

Identification of alternative opportunities

Revenue Budget Growth required for 2024/25

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

Budget Savings and Efficiencies 2024/25

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

Fees and Charges 2024/25

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

Forecast Budget Deficit 2024/25 – updated for growth/PBB savings/income

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

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

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

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

9 HOUSING REVENUE ACCOUNT (HRA)

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

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

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

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

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

10 CAPITAL PROGRAMME

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

10.2 The latest General Fund Programme, shown in Appendix 3, amounts to around £108.6m of investment over five years. The current Capital Investment Strategy was reported to Cabinet in February 2022, and it sets out a framework for funding and investment decisions in respect of capital assets, in the context of the Council vision and priorities and available financial resources. The Capital Investment Strategy demonstrates that the Council take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability, and affordability.

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

Service Area and Scheme	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Operations	8,018	808	109	109	89	
Governance, & Law	27	-	-	-	-	-
Otterpool Park Garden Town	10,287	7,500	13,000	13,000	13,000	9,750
Place	2,875	17,498	8,668	5,500	500	12,500
Housing	1,630	1,400	1,400	1,400	1,400	0
Corporate Services	1,449	365	365	115	115	55
Total Capital Programme	**24,286**	**27,571**	**23,542**	**20,124**	**15,104**	**22,305**
Capital Funding						
Government Grant	(5,946)	(18,195)	(3,256)	(1,519)	(1,519)	(1,000)
Other External Contributions	(406)	(297)	-	-	-	-
Capital Receipts	(2,823)	(1,129)	(1,231)	(400)	(400)	0
Revenue Contributions	(2,223)	(205)	(1,055)	(205)	(185)	(55)
Borrowing	(12,888)	(7,745)	(18,000)	(18,000)	(13,000)	(21,250)
Total Funding	**(24,286)**	**(27,571)**	**(23,542)**	**(20,124)**	**(15,104)**	**(22,305)**

10.4 Any new capital scheme to be included in the programme will need to contribute to the objectives set out in section 1.3 of this report. New General Fund capital scheme proposals of £37.0m covering between 2024/25 – 2028/29 are shown in Appendix 3 to this report. In summary, £37.0m proposed capital growth will be funded from government grant, capital receipts and prudential borrowing. The new capital projects include the following-

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

10.5 Capital Receipts – the existing MTFS states that a minimum of £500k in capital receipts must be retained as a contingency to meet urgent or unforeseen capital expenditure. The council's general policy is that only capital receipts received should be earmarked to fund capital projects. The only departure from this is ring-fencing the use of future repaid decent homes loans and home safe loans receipts to be reinvested in further private sector housing improvement loans. The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

Capital Receipts Position Statement	**£'000**
Balance at 31/03/2024	(9,549)
Less HRA capital receipts	3,804

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

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

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

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

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

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

11 THE BUDGET TIMETABLE

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

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

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

12 BUDGET CONSULTATION

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

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

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

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

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

Discretionary Fees and Charges 2024/25

APPENDIX 2

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

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

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

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

Discretionary Fees and Charges 2024/25

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

Discretionary Fees and Charges 2024/25		VAT KEY	OS	Outside the scope of VAT		APPENDIX 2
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Service	Further Information	VAT Category	Approved charges for 2023/24 Net of VAT if applicable	Approved charges for 2023/24 with VAT if applicable	Proposed charges for 2024/25 Net of VAT if applicable	Proposed charges for 2024/25 with VAT if applicable
			£	£	£	£
Private Lifeline Charges						
Equipment subject to VAT but client has option to complete VAT exemption form.						
Smart Hub (lifeline unit with GSM)	per week	S	4.50	5.40	4.50	5.40
Lifeline unit (per week)	per week	S	3.58	4.30	3.58	4.30
Bogus caller alarm		S	n/a	n/a	n/a	n/a
CO2 fall & flood detector	Quarterly charge	S	34.83	41.80	34.83	41.80
Neo falls detector	per week	S	0.00	0.00	0.00	0.00
GPS Footprint	per week	S	5.33	6.40	5.33	6.40
Universal sensor	Quarterly charge	S	17.75	21.30	17.75	21.30
Epilepsy sensor	per week	S	6.75	8.10	6.75	8.10
Pull cord		S	n/a	n/a	n/a	n/a
Property exit sensor		S	2.17	2.60	2.17	2.60
Bed occupancy sensor	Quarterly	S	83.25	99.90	83.25	99.90
Bed sensory pad	per week	S	1.50	1.80	1.50	1.80
PR / fault visits		S	40.00	48.00	40.00	48.00
Safe socket		S	31.00	37.20	31.00	37.20
Smoke detectors	per week	S	2.33	2.80	2.33	2.80
Telephone extension lead		S	6.17	7.40	6.17	7.40
Electrical extension lead		S	11.00	13.20	11.00	13.20
Pendant		S	72.50	87.00	72.50	87.00
Pendant rental	per week	S	n/a	n/a	n/a	n/a
Replacement pendant (used)		S	40.00	48.00	40.00	48.00
Lost units (replacements)		S	139.00	166.80	139.00	166.80
GSM (mobile phone lifeline)	per week	S	n/a	n/a	n/a	n/a
Care assist	per week	S	3.33	4.00	3.33	4.00
Care assist for existing clients with faulty line		S	44.42	53.30	44.42	53.30
Replacement power supply	per unit	S	n/a	n/a	n/a	n/a
Big button phone	per unit	S	20.00	24.00	20.00	24.00
Minuet pendants	per unit	S	85.00	102.00	85.00	102.00
ADSL filters	Unit price +10%	S	5.17	6.20	5.17	6.20
Installation charge		S	40.00	48.00	40.00	48.00
Out of area installation charge		S	69.50	83.40	69.50	83.40
RSL monitoring income shown as an hourly rate		S	n/a	n/a	n/a	n/a
Wristband set up charge		S	35.00	42.00	35.00	42.00
Wristbands (per annum)		S	20.00	24.00	20.00	24.00
Telehealth monitoring		S	n/a	n/a	n/a	n/a
Warm Homes		S	n/a	n/a	n/a	n/a
Lone Worker scheme set-up	per person	S	5.50	6.60	5.50	6.60
Lone Worker scheme part-time	per week	S	0.92	1.10	0.92	1.10
Lone Worker scheme full-time	per week	S	1.17	1.40	1.17	1.40
Data holding and contract holding	per week	S	n/a	n/a	n/a	n/a
Donated Units (per week)	As per supporting people grant	S	2.25	2.70	2.25	2.70
Daily Check Calls	per quarter	S	14.75	17.70	14.75	17.70
Daily Check Calls	per annum	S	58.92	70.70	58.92	70.70

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

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

Discretionary Fees and Charges 2024/25

APPENDIX 2

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

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

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

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

Discretionary Fees and Charges 2024/25		VAT KEY	OS	Outside the scope of VAT		APPENDIX 2
			S	Standard Rated		
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Service	Further Information	VAT Category	Approved charges for 2023/24 Net of VAT if applicable	Approved charges for 2023/24 with VAT if applicable	Proposed charges for 2024/25 Net of VAT if applicable	Proposed charges for 2024/25 with VAT if applicable
			£	£	£	£
Worming (dependant on size of the dog)		OS	10.00 to 14.00	10.00 to 14.00	10.00 to 18.00	10.00 to 18.00
Vaccination charge		OS	32.00	32.00	35.00	35.00

Discretionary Fees and Charges 2024/25

APPENDIX 2

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

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

Discretionary Fees and Charges 2024/25

APPENDIX 2

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

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

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

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

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

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

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

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

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

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

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