

Minutes

Overview and Scrutiny Committee

Held at:	Council Chamber - Civic Centre, Folkestone
Date	Tuesday, 19 February 2019
Present	Councillors Miss Susan Carey, Peter Gane (Chairman), Clive Goddard, Mrs Claire Jeffrey, Mrs Mary Lawes, Len Laws (In place of Ian Meyers), Michael Lyons, Russell Tillson and Mrs Rodica Wheeler
Apologies for Absence	Councillor Ms Janet Holben and Councillor Ian Meyers
Officers Present:	Kate Clark (Committee Services Officer), Cheryl Ireland (Chief Accountant), Andy Jarrett* (Chief Strategic Development Officer), Sue Lewis (Committee Services Officer), Tim Madden (Corporate Director - Customer, Support and Specialist Services), Charlotte Spendley (Assistant Director) and Lee Walker (Group Accountant) (*present for minute item 167 only)
Others Present:	Councillor Alan Ewart-James

165. **Declarations of Interest**

There were no declarations of interest.

166. **Minutes**

The minutes of the meeting held on 29 January 2019 were submitted, approved and signed by the Chairman.

167. **Biggins Wood - Acceptance of Grant**

Report C/18/70 recommended the acceptance of the grant offered by the Government under its Accelerated Construction Programme for work to the site.

Proposed by Councillor Clive Goddard
Seconded by Councillor Michael Lyons and

RESOLVED:

To receive and note Report C/18/70.

(Voting: For 8; Against 0; Abstentions 1)

168. Housing Revenue Account Revenue and Capital Original Budget 2019/20

Report C/18/73 set out the Housing Revenue Account Revenue and Capital Budget for 2019/20 and proposed a decrease in weekly rents and an increase in service charges for 2019/20.

Depreciation costs were highlighted and the move away from Major Repairs Allowance to true depreciation costs.

Contract specifications - outsourcing and external support needed with specific funding to procure the right technical specification for works required.

Proposed by Councillor Michael Lyons
Seconded by Councillor Miss Susan Carey and

RESOLVED:
To receive and note Report C/18/73.

(Voting: For 9; Against 0; Abstentions 0)

169. Treasury Management Strategy Statement 2019/20

Report C/18/71 set out the proposed strategy for treasury management for 2019/20 and included the Treasury Management Indicators.

A summary of key points was presented by Mr Lee Walker (Group Accountant – Capital and Treasury). The summary is attached to these minutes.

Members asked for an explanation of Capital Financing Requirements which indicates the level of borrowing required to meet the capital investment plans.

Although embedded derivatives are mentioned in the report, these are not used at present.

Proposed by Councillor Mrs Rodica Wheeler
Seconded by Councillor Russell Tillson and

RESOLVED:
To receive and note Report C/18/71

(Voting: For 8; Against 0; Abstentions 1)

170. Capital Strategy 2019/20

Report C/18/75 set out the council's proposed strategy in relation to capital expenditure, financing and treasury management in 2019/20 to be approved by Full Council.

Under capital expenditure it was explained that a cost saving for temporary accommodation by purchasing property to alleviate B & B costs is underway.

Increased figures shown in Table 1 and Table 2 for 2021/22 are due to the proposed Princes Parade development with input from Capital Receipts and Own Resources.

Proposed by Councillor Michael Lyons
Seconded by Councillor Russell Tillson and

RESOLVED:
To received and note Report C/18/75.

(Voting: For 8; Against 1; Abstentions 0)

171. General Fund Budget and Council Tax 2019/20

Report C/18/74 recommended and set out the General Fund budget and council tax requirement for 2019/20, it included that part of the local tax covering the district and parish services.

Members were advised that the figure quoted in Recommendation 3 of the report had changed from £12,605,380 to £12,598,350.

With regard to Final Budget Changes point (viii) it was noted that reprioritisation funding for Area Officer posts had initially been met from the Transformation budget. This would subsequently be embedded into the Council's base budget from 2019/20.

Proposed by Councillor Michael Lyons
Seconded by Councillor Miss Susan Carey and

RESOLVED:
To receive and note report C/18/74.

(Voting: For 8; Against 0; Abstentions 1)

172. Update to the General Fund Medium Term Capital Programme and Budget Monitoring 2018/19

Report C/18/72 updated the General Fund Medium Term Capital Programme for the five year period ending 31 March 2024. The report provided a projected outturn for the General Fund capital programme in 2018/19, based on expenditure to 30 November 2018. 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. This report also set out both the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2019/20 to be approved by full Council.

Members attention was drawn to Section 2 and Appendix 1 of the report. Major changes can be attributed to the proposed Princes Parade development and leisure centre.

Proposed by Councillor Clive Goddard
Seconded by Councillor Russell Tillson and

RESOLVED:

To receive and note report C/18/72.

(Voting: For 8; Against 1; Abstentions 0)

CABINET REPORT C/18/71 – 20 FEBRUARY 2019

TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS) 2019/20

Summary of key points for Overview and Scrutiny Committee on 19 February 2019

1. Introduction

- Requirement for Cabinet to approve a TMSS before the start of each financial year
- TMSS based on spending plans in current budget cycle

2. Economic Outlook (Section 2 – Arlingclose View)

- The main influence on the UK economy remains the uncertainty surrounding the exit from the European Union
- UK growth prospects appear to be weaker, in part linked to the uncertainty over Brexit
- CPI inflation is around 2% and broadly in line with the Bank of England forecast. Commodity prices, in particular oil prices, continue to have a significant bearing on inflation
- The Bank base rate is forecast to rise from 0.75% to 1.25% during 2019-20 although Brexit concerns mean there are significant downside risks to this actually happening. Longer term borrowing rates are expected to remain broadly unchanged from current levels but subject to periods of short term volatility.
- Further detail in Appendix 1

3. Borrowing & Investment Position (Section 3)

- Table at 3.1 shows the council's underlying borrowing need (Capital Financing Requirement) is forecast to rise through to 2022 to £93.4m reflecting the council's capital investment plans for both the General Fund and HRA
- No new borrowing is expected to be required in 2019/20 to meet the increase in the CFR as it forecast there will be sufficient cash resources available to meet this (internal borrowing)
- However, from 2020/21 it is expected that new (external) borrowing will be required to meet the increase in the CFR from the council's capital investment programme

4. Borrowing Strategy (Section 4)

- Reiterates the message from section 3 that although the CFR will rise in 2019/20 no new borrowing is forecast to be required as this can be met from existing cash resources (internal borrowing)

- The borrowing strategy itself for 2019/20, including the sources of funding available to the council, remains unchanged from that currently in place

5. Investment Strategy (Section 5)

- Broadly unchanged from the current approved strategy
- Priority remains security then liquidity of cash invested before yield
- Low interest rate environment continues to erode some capital value over time so the strategy proposes to continue with £15m of strategic investments providing above inflation returns to help mitigate this
- Propose to continue to follow Arlingclose's recommended asset classes, counterparty list and credit quality information when making investment decisions and monitoring the portfolio.

6. Financial Implications (Section 8)

- Welcome news that the net cost of interest to the General Fund in 2019/20 is forecast to reduce by £200k compared to the 2018/19 estimate, mainly due to the additional yields expected from the £10m invested in diversified income funds (part of the £15m in strategic investments) during the past year.

Prepared by:

Lee Walker (Group Accountant – Capital & Treasury)