Folkestone & Hythe District Council

Agenda

Meeting: **Cabinet**
Date: **20 January 2021**
Time: **5.00 pm**
Place: **Zoom - remote meeting**

To: **All members of the Cabinet**

All Councillors for information

The committee will consider the matters, listed below, at the date and time shown above. The meeting will be open to the press and public and streamed live at bit.ly/YouTubeMeetings

1. **Apologies for Absence**

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

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

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

3. **Minutes (Pages 7 - 12)**

   To consider and approve, as a correct record, the minutes of the meeting held on 9 December 2020.

4. **Romney Marsh Coordinator Post Funding (Pages 13 - 18)**

   This report seeks Cabinet agreement to jointly fund the Romney Marsh Partnership Coordinator's post for three years from 1 April 2021 and to seek the remainder of the funding from the Nuclear Decommissioning

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, 12 January 2021

Authority (NDA)/Magnox Socio-economic Fund.

5. **Treasury Management Strategy Statement 2021/22 and Treasury Management Monitoring Report 2020/21 (Pages 19 - 48)**

This report sets out the proposed strategy for treasury management for 2021/22 including Treasury Management Indicators. The report also provides an update on the council's treasury management activities that have taken place during 2020/21 against the agreed strategy for the year.

6. **HRA Budget Monitoring Quarter 3 (Pages 49 - 58)**

This monitoring report provides a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme based on net expenditure to 30 November 2020.

7. **General Fund Revenue Budget Monitoring - 3rd quarter 2020/21 (Pages 59 - 68)**

This monitoring report provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 30 November 2020.

8. **Update to the General Fund Medium Term Capital Programme and Budget Monitoring 2020/21 (Pages 69 - 88)**

This report updates the General Fund Medium Term Capital Programme for the five year period ending 31 March 2026. The report provides an updated projected outturn for the General Fund capital programme in 2020/21, based on expenditure to 30 November 2020. 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.

9. **Housing Revenue Account Revenue and Capital Budget 2021/22 (Pages 89 - 102)**

This report sets out the Housing Revenue Account Revenue and Capital Budget for 2021/22 and proposes an increase in weekly rents and an increase in service charges for 2021/22.

10. **Draft General Fund budget 21/22 (Pages 103 - 168)**

This report sets out the Council's Draft General Fund budget for 2021/22.

11. **Private Sector Housing Enforcement and Civil Penalty Policy (Pages 169 - 224)**

The Council currently has a generic enforcement policy which sets out the basic objectives and principles for each enforcement team. Since the Housing and Planning Act 2016 came into force, there have been many additions to the powers and duties of the Private Sector Housing Team, for which a more detailed policy is required.

This new policy amalgamates the principles from the current overarching policy with the new elements required including:-

- a civil penalties policy for specified housing offences
- a statement of principles for penalties associated with smoke and carbon monoxide alarm regulations (which was approved by the Council in 2016)
- a new penalties framework for breach of the minimum energy efficiency standards
- A statement about using the proposed civil penalties policy for offences committed under the new electrical safety regulations 2020.

12. **Infrastructure Funding Statement (Pages 225 - 262)**

In accordance with the latest revisions made via the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019), from December 2020 local authorities must publish an Infrastructure Funding Statement (IFS). The IFS document provides a summary of all financial and non-financial developer contributions relating to Section 106 Legal Agreements (S106) and the Community Infrastructure Levy (CIL) within Folkestone & Hythe District for a given financial year. This report seeks approval of the IFS, and identifies the infrastructure needs, the total cost of this infrastructure, anticipated funding from developer contributions, and the choices the authority has made about how these contributions will be used.

13. **Customer Access point and New Civic Offices (Pages 263 - 304)**

The paper considers in principle decisions relating to: (1) developing a Customer Access Point within Folkestone Town Centre; and (2) developing a more detailed plan for the relocation of reduced office space in a modern, sustainable civic suite facility within the district.

14. **Otterpool park - Business plan (Pages 305 - 466)**

This report seeks approval of the strategic business plan for Otterpool Park Limited Liability Partnership (LLP), being the Council's delivery vehicle for the Otterpool Park Garden Town. The Business Plan, drawn up by the Board of the LLP and appended to this report, sets out the intended activities and requests the release of monies necessary to achieve the objectives in the Business Plan. It also sets out the details of a proposed strategic land agreement between the Council and LLP, the associated funding arrangements, suggests certain amendments to the Members' Agreement and outlines future actions in respect of corporate oversight and assurance of the project.

15. **Exclusion of the Public**

To exclude the public for the following item of business on the grounds that it is likely to disclose exempt information, as defined in

paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 –

‘Information relating to the financial or business affairs of any particular person (including the authority holding that information). “Financial or business affairs” includes contemplated as well as current activities.’

Part 2 – Exempt Information Item

16. **Otterpool Park - Business Plan (Phase 1 Financial Plan) (Pages 467 - 480)**

Declarations of Interest

Disclosable Pecuniary Interest (DPI)

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

Other Significant Interest (OSI)

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

Voluntary Announcement of Other Interests (VAOI)

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

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

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Folkestone & Hythe District Council

Minutes

Cabinet

Held at:	Zoom - remote meeting
Date	Wednesday, 9 December 2020
Present	Councillors John Collier, Ray Field, David Godfrey, Mrs Jennifer Hollingsbee (Vice-Chair), David Monk (Chairman), Stuart Peall, Tim Prater, Lesley Whybrow and David Wimble
Apologies for Absence	None
Officers Present:	Andy Blaszkowicz (Director of Housing and Operations), Kate Clark (Case Officer - Committee Services), Ewan Green (Director of Place), Adrian Hammond (Housing Lead Specialist), Andrew Hatcher (Revenues and Benefits Strategic Manager), Cheryl Ireland (Chief Financial Services Officer), Amandeep Khroud (Assistant Director), Susan Priest (Chief Executive), Andrew Rush (Regulatory Services & Corporate Contracts Lead Specialist), Charlotte Spendley (Director of Corporate Services), Lee Walker (Capital and Treasury Senior Specialist) and Jemma West (Committee Service Specialist)
Others Present:	Councillor Patricia Rolfe

NOTE: All decisions are subject to call-in arrangements. The deadline for call-in is Friday 18 December at 5pm. Decisions not called in may be implemented on Monday 21 December 2020.

54. **Declarations of Interest**

There were no declarations of interest at the meeting.

55. **Minutes**

The minutes of the meeting held on 11 November 2020 were submitted, approved and signed by the Chairman.

56. **Oportunitas Progress report 2020/21**

The report provided an update from the Board of Oportunitas Ltd ("the company") on its financial outturn for the financial year ending 31 March 2020 and on activities undertaken so far during the 2020/21 financial year, including a financial statement for the period from 1 April 2020 to 31 October 2020, in-line with the requirement contained in the Shareholder's Agreement between the company and the Council. The Chairman of Oportunitas was available at the meeting of Cabinet to present the report and to address any questions.

Proposed by Councillor Monk,
Seconded by Councillor Wimble; and

RESOLVED:

1. **That report C/20/57 be received and noted.**
2. **That the Full Statement of Accounts and Directors' Report for the financial year ending 31 March 2020, be noted.**
3. **That the Financial update covering the period 1 April 2020 to 31 October 2020 be noted.**

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

REASON FOR DECISION:
Cabinet was asked to agree the recommendations because Oportunitas Ltd ("the company") is required to provide regular updates to Cabinet as set out in the Shareholder's Agreement between the company and the Council.

57. **Additional Council Tax Support for Kent County Council Care Leavers**

The report outlined the proposal to support individuals who have left the care of Kent County Council, who live in the Folkestone & Hythe District with Council Tax until the age of 25.

Proposed by Councillor Prater,
Seconded by Councillor Whybrow; and

RESOLVED:

1. **That report C/20/56 be received and noted.**
2. **That the proposed change to the Council's Financial Support scheme be agreed.**

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

REASONS FOR DECISION:
Following a motion to Full Council on 25 October 2020, Cabinet were asked to consider proposals to amend the Council's Financial Support Scheme to include additional support for Kent County Council care leavers aged 22 to 25.

58. **Budget Strategy 2021/22**

The Budget Strategy set out the guidelines for preparing the 2021/22 Budget. It supports the Corporate Plan and aligns with the direction and objectives of the Medium Term Financial Strategy (MTFS).

The Budget Strategy takes account of current and future financial issues, sets out the underlying assumptions and initial budget-setting proposals and provides a timetable for delivering a balanced budget in 2021/22.

Proposed by Councillor Monk,
Seconded by Councillor Peall; and

RESOLVED:
1. **That report C/20/59 be received and noted.**
2. **That the Budget Strategy for 2021/22 set out in the report be approved.**
3. **That the General Fund revenue growth & savings proposals for 2021/22 (Appendix 2) be approved.**
4. **That the General Fund capital growth proposals for 2021/22 (Appendix 3) be approved.**
5. **That the proposed timetable for preparing 2021/22 budgets (Appendix 4) be approved.**

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

REASONS FOR DECISION:
Cabinet was asked to agree the recommendations because:
(i) The Budget Strategy provides the framework for compiling the detailed 2021/22 budgets;

(ii) The Budget Strategy will support the delivery of the MTFS; and
(iii) The council's constitution requires approval of such a Strategy at least two months in advance of final budget approval.

59. **Fees & Charges 2021/22**

The report focused on the proposed fees and charges for 2021/22 which will contribute towards meeting the council's 2021/22 budget objectives and Medium Term Financial Strategy.

The Council's Fees and Charges Policy was revised and agreed by Cabinet on 15 November 2017 (Report C/17/54).

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

RESOLVED:
1. **That report C/20/58 be received and noted.**
2. **That the following be approved:**

(i) The 2021/22 fees and charges which are set at the discretion of the council for the General Fund and Housing Revenue Account, as outlined in Appendix 2;
(ii) The parking charges in Appendix 3;
(iii) The statutory charges subject to discretionary charges in Appendix 4.

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

REASONS FOR DECISION:
Cabinet agreed the recommendations because the fees and charges are essential to support the delivery of the MTFS and Budget Strategy.

60. **Draft Homelessness Prevention Strategy 2020/25- Consultation Responses**

The report set out the responses received during the public consultation for the draft Homelessness Prevention Strategy 2020/25. The 8 week period of consultation ended on 2nd October. Subject to the proposed amendments in the report, it is recommended that the Strategy be adopted by the Council.

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

RESOLVED:
1. **That report C/20/54 be received and noted.**
2. **That the consultation responses received and the proposed amendments to the draft strategy set out in section 2.2 of the report be noted.**
3. **That the draft Homelessness Prevention Strategy be formally adopted by the Council, subject to the amendments set out in the report.**

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

REASONS FOR DECISION:
a) The Homelessness prevention Strategy is the Council's key tool for planning how the Council and its partners intend to respond to homelessness and related issues in the district.
b) The Homelessness Act 2002, requires all local housing authorities to produce an effective homelessness strategy for their area.

61. **Exclusion of the Public**

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

RESOLVED:

That the public be excluded for the following item of business on the grounds that it is likely to disclose exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 –

'Information relating to the financial or business affairs of any particular person (including the authority holding that information). "Financial or business affairs" includes contemplated as well as current activities.'

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

62. **Waste Project 2021 - Joint working agreement with Dover District Council**

The current Joint Working Agreement for the Waste Service with DDC ends in January 2021. It is proposed that the joint working arrangements continue as they have proved successful and effective in the management of the waste contract. DDC have drafted a new agreement for the next contract period largely based on the existing agreement.

Proposed by Councillor Peall,
Seconded by Councillor Godfrey; and

RESOLVED:
1. **That report C/20/55 be received and noted.**
2. **That the continued delegation of the management of the waste services function to DDC under Section 101 of the Local Government Act 1972 on the terms outlined in the new draft Joint Working Agreement be approved.**
3. **That the delegation be approved to start from 16 January 2021 and to continue for the eight year period of the new Waste, Recycling & Street Cleansing Contract.**
4. **That the Director of Place be authorised to conclude the completion of the new Joint Working Agreement.**

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

REASONS FOR DECISION:
The current Joint Working Agreement ends in January 2021. A new agreement is required to continue the operation of the joint Waste Team and the joint management of the Waste Contract.

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This Report will be made public on 12 January 2020

Agenda Item 4

Folkestone & Hythe District Council

Report Number **C/20/60**

To:	**Cabinet**
Date:	**20 January 2021**
Status:	**Key Decision**
Responsible Officer:	**Katharine Harvey, Chief Economic Development Officer**
Cabinet Member:	**Councillor David Wimble, Cabinet Member for the District Economy**

SUBJECT: Romney Marsh Partnership coordinator post funding

SUMMARY: This report seeks Cabinet agreement to jointly fund the Romney Marsh Partnership coordinator post for three years from 1 April 2021 and to seek the remainder of the funding from the Nuclear Decommissioning Authority (NDA)/Magnox Socio-economic Fund.

REASONS FOR RECOMMENDATIONS:
Cabinet is asked to agree to this funding contribution as the RMP coordinators post is crucial to the success of the Romney Marsh Partnership, including applications to the NDA/Magnox Socio-economic Fund and to the delivery of projects in this part of the district.

RECOMMENDATIONS:

1. **Agree to contribute 50% of the costs for the Romney Marsh Partnership coordinator post for three years from April 2021 which is £30,000 per annum and £90,000 over the three year period.**
2. **Agree to the submission of an application to the NDA/Magnox Socio-economic Fund for 50% of the cost of the RMP Coordinator post for three years.**
3. **Agree to the Council continuing to host the RMP coordinator post on behalf of the Romney Marsh Partnership.**

1. BACKGROUND

1.1 The NDA/Magnox Socio-economic Fund is available to the communities in the Romney Marsh area to mitigate the impact of the decommissioning of the Dungeness A Nuclear power station, which commenced in 2006.

1.2 Advice on funding applications is provided by Magnox locally and they have been involved in all steps of the process to develop the application associated with this report.

1.3 The nature of these funding applications requires FHDC Cabinet approval for submission.

2. ROMNEY MARSH PARTNERSHIP (RMP) COORDINATOR

2.1 The RMP is an economic development partnership formed in 2012 to mitigate the impacts of decommissioning the Magnox Dungeness nuclear power station. RMP is chaired by Cllr. Patricia Rolfe and current partners include the local authorities of Folkestone & Hythe, Ashford, Rother, Kent and East Sussex, along with representatives from the NDA, Magnox, EDF and the Dungeness Site Stakeholders' Group, the Marsh Academy and Romney Resource Centre, London Ashford Airport, Kent Invicta Chamber of Commerce, Action with Communities in Rural Kent and the Rye Partnership.

2.2 The Council hosts the Romney Marsh Partnership (RMP) coordinator post on the RMP's behalf and the post is based in the Economic Development team, line managed by the Chief Economic Development Officer. In addition to servicing the RMP's meetings, the post holder has had a project coordination and an implementation role, liaising with partners that are project leads for projects set out in the RMP Economic Delivery Plan.

2.3 The Romney Marsh Partnership (including the coordinator post) was initially funded for three years from 30th November 2013 through contributions from:-

- Magnox £120,000 (£40,000 per annum over 3 years)
- Folkestone & Hythe District Council £15,000 (single payment in 2013/14)
- Ashford Borough Council £5,000 (single payment in 2013/14)

2.4 A second successful application was made in 2016 for the post to continue for another three years from January 2017 with agreed funding contributions from:

- Magnox £60,000 (£20,000 per annum over 3 years)
- Folkestone & Hythe District Council £30,000 (£10,000 per annum over 3 years)
- Ashford Borough Council £15,000 (single payment in 2017/18)
- Rother District Council £7,500 (single payment in 2017/18)
- East Sussex County Council £7,500 (single payment in 2017/18)

2.5 The most recent contract for the RMP coordinator post ended 31st December 2019. However, due to some budget underspend because the post was unfilled for a period of time, CLT agreed to the contract firstly being extended to 31st March 2020 (CLT 19/143) and subsequently to 31st March 2021 (CLT 20/022).

2.6 The question of the continuation of the coordinators post for another three year period from 1st April 2021 has been considered by the RMP Board and all partners have indicated a desire for the post to continue and for further funding to be sought. This was underpinned by the NDA's formal support of the role in the recently updated NDA Socio-Economic Impact Strategy 2020 which states "*The main ongoing commitment from Magnox and the NDA is to continue support of the Romney Marsh Partnership, including the funding of a coordinator post.*" It goes on to say:

“Supporting the Romney Marsh Partnership is the NDA’s main priority at Dungeness A”.

2.7 There are a number of opportunities for the Romney Marsh over the next three years, which increases the importance of the coordinator’s role. This will enable the area to maximise funding opportunities from the Magnox socio-economic fund. Some additional benefits are also set out below.

1) **Accelerated/Continuous decommissioning -** Earlier this year the NDA completed its review of its Magnox reactor decommissioning strategy (SO42) which is the way in which nuclear power stations are to be decommissioned. Rather than decommissioning plants entering into a long period of ‘care and maintenance’ with few workers on site, the NDA it is now adopting a site specific approach which will result in some sites having decommissioning being brought forward. Although it had been hoped that Dungeness A would be the first stations for this new process, it was announced during the summer that Trawsfyndd is to be the lead site for this continuous decommissioning. Nevertheless, indications are that a similar approach will be adopted at Dungeness A and this could present opportunities for some of the existing workforce to be retained on site and for new job opportunities for the local workforce, if they have the necessary skills. The RMP, supported by the Coordinator, will be key to bringing partners together to identify projects that will realise such opportunities.

2) **New nuclear opportunities.** Increasing the pace of the decommissioning of Dungeness A could bring forward alternative uses for the site at an earlier stage. This could include the potential for a new nuclear power station (such as for a Small Modular Reactor). The Coordinator could lead on this for the district to bring forward this opportunity.

2.8 The most significant reason why the Council should fund this role is that communications with the NDA suggests that there continues to be significant opportunities for Magnox socio-economic funding for the area, in view of the priority of the area for funding. As previously highlighted, the NDA’s local social and economic impact strategy identifies the main ongoing commitment from Magnox and the NDA at Dungeness as being to continue support of the Romney Marsh Partnership, including the funding of a coordinator post.

2.9 In addition following a recent review of the funding by the government audit committee, they are looking to fund forward larger projects that will have a more significant positive impact on the local economy. As an identified priority area, this presents a real opportunity for the Romney Marsh to potentially benefit from significant funding. Having a resource through the coordinator to lead on this will be crucial for success.

2.10 Although all the existing partners support the continuation of the RMP coordinator’s role in principle, Rother and Ashford districts and East Sussex County Council who previously contributed funding, have indicated that due to financial constraints they can no longer provide this for the next three year period. However, there is a potential opportunity to seek funding towards this post from Kent County Council and this is currently being explored.

2.11 To reflect the fact that funding from the local area partners towards the post (if the request to KCC is not successful) will only be provided by Folkestone & Hythe district, it is proposed that the coordinator focused more on the delivery of projects in the Folkestone & Hythe area, than elsewhere in the area. While the coordinator would continue to liaise and monitor projects delivered by other partners elsewhere in the Marsh, the role in the Folkestone & Hythe area would be to:

- Work with partners to develop projects, including identifying and securing partner contributions
- Lead on writing and submitting project applications to the NDA/Magnox socio-economic fund
- Lead on the implementation and delivery of approved projects

2.12 In view of the more skilled requirements of the new role, it is envisaged that this will be on a par with the senior economic development officer posts currently within the Economic Development team. However, this will be subject to the job description being reviewed by the council's job evaluation panel.

2.13 The implications of a higher grade role envisaged for the RMP coordinator post are that this will increase the required contribution towards the post from both FHDC and the Magnox Socio-economic Fund. However, the benefits are that the higher level skills associated with this role will help to ensure that delivery happens and that opportunities for funding from the Magnox Socio-economic Fund are fully exploited. It will also help to ensure continuity of the post, which has previously had much staff turnover.

2.14 It is therefore recommended that the Council agrees to this additional contribution as:

(1) There is opportunity for considerable funding from the NDA/Magnox through their Socio-economic fund. However, to be successful it is important to be able to demonstrate partnership working so it is therefore in the council's interest to support the continuance of the RMP and encourage the participation of all the local authorities.
(2) The coordinator postholder will support the RMP Chair and under the Terms of Reference for the Partnership the Chair is an FHDC Councillor. The current Chair is Cllr Patricia Rolfe.
(3) The coordinator postholder will focus solely on bringing forward and delivering projects in the Folkestone & Hythe District area of the Romney Marsh, although will report on and monitor other projects that come forward and are led by other partners elsewhere in the Romney Marsh area.

2.15 Consequently, there is a requirement for F&H District Council's contribution towards this post to be £30,000 per annum for three years to 31 March 2024. This is currently unbudgeted but there is scope to fund this resource from ED reserves.

3. RISK MANAGEMENT ISSUES

3.1 Risk management issues are as follows:-

Perceived risk	Seriousness	Likelihood	Preventative action
Magnox funding approval is not secured for the continuation of the RMP coordinator post.	High – the ability of the RMP to continue its work would be severely hampered.	Low	The application for funding has been developed with Magnox and has received their verbal support at RMP meetings and NDA/Magnox support is

			explicit in their socio-economic strategies.
FHDC does not agree an increased financial contribution towards the RMP coordinator post	High – the ability to lever funding from the NDA/Magnox Socio-economic fund to deliver projects in the FHDC area of the Romney Marsh will be severely impacted and opportunities potentially lost.	Low	Cabinet agrees to the recommendations in this report

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

Legal Officer's Comments (NM)

4.1 There are no legal implications arising directly from the report

Finance Officer's Comments (DH)

4.2 The proposed continuation of the Romney Marsh Partnership project for a further 3 years would total approximately £180k. This would be made up from a council contribution of £90k (£30K per year for 3 years) plus the expected £90k income from Magnox which has not been applied for as yet, reassurance needed that this will be agreed by Magnox so the total is not funded wholly by FHDC.

4.3 This post is currently unbudgeted but there are monies available in the ED reserve if required.

Communications Officer's Comments (KA)

4.4 There are no direct communications implications arising from this report.

HR Officer's Comments (AS)

4.5 If FHDC is increasing the contribution towards the role this will need to be included within the salary budgeting process. In addition, a full new job description will need to be written and evaluated in order to assess the grading and salary of the role.

5. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Katharine Harvey – Chief Economic Development Officer
Telephone: 01303 853287
Email: katharine.harvey@folkestone-hythe.gov.uk

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Agenda Item 5

This Report will be made public on 12 January 2021

Report Number **C/20/64**

To: Cabinet
Date: 20 January 2021
Status: Key Decision
Head of Service: Charlotte Spendley - Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

Subject: **TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22 AND TREASURY MANAGEMENT MONITORING REPORT 2020/21**

SUMMARY: This report sets out the proposed strategy for treasury management for 2021/22 including Treasury Management Indicators. The report also provides an update on the council's treasury management activities that have taken place during 2020/21 against the agreed strategy for the year.

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

a) The Council must have regard to CIPFA's Code of Practice for Treasury Management in the Public Services when carrying out its duties under Part 1 of the Local Government Act 2003, including approving an annual Treasury Management Strategy Statement in advance of the financial year.
b) The Council's Financial Procedure Rules require an annual plan and strategy for treasury management to be approved in advance of the financial year.
c) Both the CIPFA Code of Practice on Treasury Management and the Council's Financial Procedure Rules require Members to receive a report on the Council's treasury management activities during the year.

RECOMMENDATIONS:

1. **To receive and note Report C/20/64.**
2. **To approve the strategy for treasury management in 2021/22 set out in the report is adopted.**
3. **To approve the Treasury Management Indicators for 2021/22 set out in the report.**

1. INTRODUCTION

1.1 Treasury management is the management of the authority's cash flows, borrowing and investments, and the associated risks. The authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the authority's treasury management strategy and its prudent financial management.

1.2 This report is in two main sections.

i) Section A – Treasury Management Monitoring Report 2020/21

This provides an update on the council's treasury management activities that have taken place during 2020/21 against the agreed strategy for the year up to 30 November 2020. It also considers any significant issues which may impact upon the treasury management function for the remainder of the current financial year.

ii) Section B – Treasury Management Strategy Statement 2021/22

This sets out the proposed strategy for treasury management for 2021/22, including Treasury Management Indicators.

1.3 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 2017 Edition* (the CIPFA Code). The Code requires the authority to approve both a treasury management strategy before the start of each financial year and, as a minimum, a mid-year treasury management monitoring report on its activities against the agreed strategy for the current 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 the each financial year.

1.4 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy which Cabinet is due to consider on 24 February 2021 ahead of it being submitted to full Council for approval on the same day.

2. ECONOMIC BACKGROUND AND PROSPECT FOR INTEREST RATES

2.1 Economic Background

2.1.1 The economic background is dominated by the unprecedented impact of the Covid-19 pandemic. The key issues affecting the UK economy in particular are:

i) GDP fell by a record 19.8% in quarter 2 of 2020 as the impact of the lockdown bit hard on all sectors of the UK economy. The Office of Budget Responsibility (OBR) forecast GDP will fall by 11.3% for the calendar year of 2020 before seeing growth in 2021 and 2022 of 5.5%

and 6.6% respectively. This will broadly return GDP to its pre-pandemic position and then continue with more moderate growth in future years.

ii) The headline rate of UK Consumer Price Inflation (CPI) was 0.5% at September 2020, up from 0.2% in August 2020. Inflation is expected to remain close to 0.5% during this winter before rising quite sharply towards the BoE's target of 2% during next year as the effects of low energy process and the VAT reductions from 2020 unwind.

iii) The official unemployment rate has increased from its historic low of 3.8% at the end of 2019 to 4.5% at October 2020. The OBR forecast this to rise to 7.5% by the spring of 2021 with about 2.6 million people out of work. Total pay, after inflation, fell by 0.8% in the year to the August 2020. Both these factors will impact on household spending and will be a drag on growth.

iv) The BoE's Monetary Policy Committee (MPC) unanimously maintained the Bank Rate at 0.1% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The MPC have made no mention of the potential for negative interest rates but a number of commentators are forecasting this will happen during 2021.

v) Like the UK, the US and Eurozone economies both suffered from severe contraction during 2020. However both these economies appear to be recovering more quickly than the UK. Again, these economies have received huge support from their central banks and it seems likely that their interest rates will remain unchanged during 2021 at or close to 0%.

vi) Some uncertainty remains about the impact to the domestic economy of the trade deal currently being negotiated for the UK's exit from the EU due to come into force from 1st January 2021.

2.2 Credit Outlook

2.2.1 Although uncertainly around Covid-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

2.2.2 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

2.2.3 Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

2.3 Interest Rate Forecast

2.3.1 The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

2.3.2 Equity markets have saw significant falls at the height of the pandemic with the FTSE 100 losing about 30% of its value compared to the start of the year. However, measures implemented by central banks and governments and the recent news of vaccines being available to tackle Covid-19 have seen equity markets rally during the year. By the end of November 2020 the FTSE 100 had recovered about half of its value since its low point in the spring.

2.3.3 Gilt yields, which the Public Works Loans Board (PWLB) use to set its interest rates for loans to local authorities, are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The 10-year gilt yield has been around 0.2% since April 2020 with the 20-year gilt between 0.6% and 0.7% over the same period, although subject to periods of some volatility. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the period to March 2022. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events. A more detailed interest rate forecast provided by Arlingclose is attached at 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 of 0.1%, and that new long-term loans will be borrowed at an average rate of 1.25%.

SECTION A – TREASURY MANAGEMENT MONITORING REPORT 2020/21

3 BACKGROUND AND SUMMARY POSITION

3.1 Cabinet approved the Treasury Management Strategy Statement for 2020/21, including treasury management indicators, on 22 January 2020 (minute 65 refers). The Capital Strategy for 2020/21 covering capital expenditure and financing, treasury management and non-treasury investments was due to be considered by Cabinet on 19 March 2020 and Council on 25 March 2020. However, the first national lockdown prevented this from happening and an officer decision to approve the Capital Strategy was taken by the Director of Corporate Services on 27 March 2020 (Decision Number 19/034 refers).

3.2 On 31 March 2020, the authority had net borrowing of £60.6m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing

Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.20 Actual £m
General Fund CFR	70.0
HRA CFR	47.4
Total CFR	**117.4**
Less: Usable reserves	(53.5)
Less: Working capital	(3.3)
Net borrowing	**60.6**

3.3 The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 30 November 2020 and the change since the 31 March 2020 is show in table 2 below.

Table 2: Treasury Management Summary

	31.3.20 Balance £m	**Net Movement £m**	**30.11.20 Balance £m**	**30.11.20 Rate %**
Long-term borrowing	58.5	-	58.5	3.36
Short-term borrowing	31.8	(10.0)	21.8	1.07
Total borrowing	**90.3**	**(10.0)**	**80.3**	**2.74**
Long-term investments	(14.1)	(0.7)	(14.8)	4.19
Short-term investments	(3.5)	3.5	-	-
Cash and cash equivalents	(12.1)	(4.9)	(17.0)	0.02
Total investments	**(29.7)**	**(2.1)**	**(31.8)**	**1.96**
Net borrowing	**60.6**	**(12.1)**	**48.5**	

3.4 The council's underlying borrowing requirement is expected to increase over the current financial year. However, as table 2 above shows, there has been a temporary reduction in the council's net borrowing to the 30 November of £12m. The following three main factors have contributed to this net reduction in borrowing:

i) Higher than anticipated usable reserves at 31 March 2020

ii) Delays to the council's General Fund capital expenditure programme for 2020/21 to be met from prudential borrowing

iii) Short-term net positive cash flow from both Council Tax receipts and government grants in response to the coronavirus pandemic

4. BORROWING STRATEGY AND ACTIVITY 2020/21

4.1 At 30 November 2020, the Authority held £80.3m of loans, a reduction of £10m compared to 31 March 2020, as part of its strategy for funding previous and current years' capital programmes. Following the introduction of the Housing Revenue Account (HRA) Self-Financing regime in 2012 the authority operates a two pool debt approach allocating its loans between the General Fund and HRA. The borrowing position at 30 November 2020 compared to 31 March 2020 is shown in table 3 below. A list of the individual loans borrowed at 30 November 2020 is shown in appendix 2 to this report.

Table 3: Borrowing Position – Two Pool Debt Approach

	31.3.20 Balance £m	**2020/21 Movement £m**	**30.11.20 Balance £m**	**30.11.20 Rate %**
General Fund				
Public Works Loan Board	7.2	-	7.2	4.69%
Local Authorities (long-term)	5.0	-	5.0	1.60%
Local Authorities (short-term	30.5	(10.0)	20.5	1.13%
Total General Fund borrowing	42.7	(10.0)	32.7	2.00%
Housing Revenue Account Public Works Loan Board	47.6	-	47.6	3.25%
Total HRA borrowing	47.6	-	47.6	3.25%
Total borrowing	**90.3**	**(10.0)**	**80.3**	**2.74%**

4.2 The weighted average maturity of the overall loans portfolio at 30 November 2020 was 8.2 years.

4.3 Changes to the Public Works Loan Board Lending Arrangements

4.3.1 Following a consultation exercise earlier in 2020, HM Treasury introduced revised lending arrangements for loans made by the PWLB to local authorities which came into force from 26 November 2020. In summary, the main reason for the review of the borrowing arrangements was government concerns about the increasing amount of local authority borrowing being incurred on the purchase of investment assets primarily for yield rather than service delivery requirements.

4.3.2 The new PWLB lending arrangements now require local authorities to provide more detailed information about their capital expenditure plans over a rolling three year period to prevent borrowing be used for acquiring investment assets primarily for yield. There will also be additional checks made during the application process to ensure the borrowing is for acceptable purposes. The PWLB define these acceptable purposes as:

- Service delivery
- Housing
- Regeneration
- Preventative action (i.e interventions for community assets not already owned by the local authority)
- Refinancing of existing borrowing (including replacing internal borrowing)

4.3.3 Typically investment assets bought primarily for yield would have one or more of the following characteristics:

- Buying land or existing buildings to let out at market rent
- Buying land or buildings that continue to be operated on a commercial basis without any additional investment or modification
- Buying land or buildings other than housing which generate income and are intended to be held indefinitely rather than the achievement of some meaningful trigger such as the completion of land assembly

4.3.4 It is important to note the changes to the lending arrangements are prospective rather than retrospective.

4.3.5 As part of the changes to their lending arrangements, the PWLB announced an immediate reduction in the interest rate charged on new loans made to local authorities of 1%. This means the PWLB Certainty Rate, the typical interest rate on new loans, is set at 80 basis points (0.8%) above the prevailing gilt rate for the relevant duration. So, for example, the interest rate on a ten year maturity loan from the PWLB changed on 26 November 2020 from a relatively expensive 2.35% to a much more attractive 1.35%.

4.4 Borrowing Activity in 2020/21

4.4.1 The authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the authority's long-term plans change being a secondary objective.

4.4.2 In meeting these objectives £10m of short term loans borrowed from other local authorities have been repaid so far in 2020/21 and met from surplus cash balances, outlined in section 3 above. There are a further £21m in loan maturities due over the remainder of 2020/21. In anticipation of these loan maturities, three new loans have been agreed in advance (forward deals), all with other local authorities. These forward deals are for durations of between 20 and 24 months at interest rates averaging about 0.60%. The interest rates on these forward deals compare favorably even against the new cheaper PWLB loan rates, being about 0.2% cheaper allowing for dealing costs. Further information of the three forward deals is included as part of appendix 2 to this report.

4.4.3 The need for further borrowing over the remainder of the current financial year will continue to be closely monitored in conjuction with Arlingclose.

5 INVESTMENTS

5.1 The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the period to 30 November 2020, the authority's investment balance has ranged between £22.6m and £63.6m due to timing differences between income and expenditure. The average investment balance held to 30 November 2020 was £30.7m. The investment position during the period to 30 November 2020 is shown in table 4 below. A list of the individual investments held at 30 November 2020 is shown in appendix 3 to this report.

Table 4: Investment Position

	31.3.20 Balance £m	Net Movement £m	30.11.20 Balance £m	Average Return
Banks & building societies (unsecured)	0.2	-	0.2	0.01%
Covered bonds (secured)	3.5	(3.5)	-	1.03%
Money Market Funds	11.9	4.9	16.8	0.17%
Property Pooled Fund	5.3	(0.2)	5.1	4.20%
Multi-Asset Income Funds	8.8	0.9	9.7	4.50%
Total investments	**29.7**	**2.1**	**31.8**	**2.16%**

5.2 The weighted average maturity of the investment portfolio at 30 November 2020 was 11 days.

5.3 Both the CIPFA Code and government guidance require 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.

5.4 On 1 April 2020 the Authority received £28.8m in central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. This was temporarily invested in short-dated, liquid instruments such as Money Market Funds and H.M. Treasury's Debt Management Account Deposit Facility (DMADF). Approximately £25.3m was disbursed by the end of September of which about £21.5m was paid out in April. Further central government funding of about £4.4m to support local businesses through the second national lockdown was received on 16 November 2020 and payments commenced from this on 24 November 2020.

5.5 The council is meeting its investment objectives and strategy for 2020/21. As previously outlined in sections 3 and 4 of this report, the council has been able to use short term liquid cash to meet its underlying borrowing need through internal borrowing, reducing its exposure to credit risk. Secondly, the return from the strategic investments in pooled funds have continued to provide cash returns in excess of inflation. The performance of these pooled funds is considered in more detail below.

5.6 The level of cash available for short term investments has been higher than originally anticipated for 2020/21, as outlined in section 3 above. At the same time interest rates on short term deposits have fallen over the period from around 0.7% to less than 0.1%. The interest rate available from the H.M. Treasury for its DMADF deposit account has become negative during the year, ranging between -0.01% and -0.11% for investment durations up to 4 months. It is expected the level of surplus cash for investments will reduce quite significantly over the remainder of the current financial year as Council Tax and Business Rates income collected by instalments tails off from January 2021.

5.7 Externally Managed Pooled Funds

5.7.1 The council has £15m invested in externally managed multi-asset and commercial property pooled funds, representing the authority's forecast minimum level of cash reserves and balances over the medium term. These pooled funds aim to provide returns in excess of inflation and, over time, provide the opportunity for some limited capital growth. The sudden economic impact of the pandemic had a negative impact on the value of these funds at 31 March 2020 and this was reported to Cabinet on 21 October 2020 in the Treasury Management Outturn Report for 2019-20 (Report C/19/39).

5.7.2 Table 5 below provides a summary of the pooled funds showing the changes in their unrealised capital values and actual dividend returns from 1 April 2019 to 30 November 2020.

Table 5 – Pooled Funds Summary

Fund	Value at 01/04/19	Value at 31/03/20	Value 30/11/20	Valuation change 2020/21	Dividend Return 2019/20	Dividend Return YTD 2020/21
	£m	£m	£m	£m	£'000	%
CCLA Local Authority Property Fund	5.52	5.32	5.10	(0.22)	4.37%	4.20%

CCLA Diversified Income Fund	1.97	1.80	1.89	0.09	3.22%	3.82%
Aegon Diversified Monthly Income Fund	3.52	2.96	3.42	0.46	4.89%	4.71%
Ninety-One Diversified Income Fund	3.52	3.19	3.48	0.29	4.17%	4.38%
UBS Multi-Asset Income Fund	0.98	0.86	0.93	0.07	4.74%	5.46%
Total	**15.51**	**14.13**	**14.82**	**0.69**	**4.32%**	**4.38%**

5.7.3 Overall, the pooled funds have regained about 50% (£0.7m) of their value at 30 November 2020 compared to that at 1 April 2019. The multi-asset pooled funds have regained about 75% of their value and this is largely due to the recovery in equity markets where this class of asset typical accounts for about one third of the investment portfolio. The CCLA Local Authority Property Fund has seen a further small reduction in its capital value so far this year reflecting the continued economic impact of the pandemic on UK commercial property prices.

5.7.4 The dividend yields across the pooled funds in percentage terms, based on the net asset value of the units in the funds, are broadly unchanged from those received last year. However, the cash value of the dividends may be around 10% lower in total over the year compared to 2019/20 because of the reduction in the net asset value of the units in the funds. Nevertheless, the cash returns from the pooled funds remains significantly above inflation, helping to meet the council's investment objectives.

5.7.5 Trading in the CCLA Local Authority Property Fund was suspended from March 2020 until September 2020 due to the economic impact of the pandemic. This position was repeated with all UK commercial property funds. However, since the CCLA fund resumed trading it is encouraging to note there have been net investments made in it of £35m by other UK local authorities.

6. FINANCIAL SUMMARY

6.1 The projected outturn for the net cost of treasury management to the General Fund in 2020/21 is summarised in table 6 below:

Table 6: Financial Summary

	2020/21 Original Estimate	2020/21 Projection	Variance
	£'000	£'000	£'000
Interest on all Borrowing	1,945	2,210	265
Less Capitalised Interest	-	(265)	(265)
Related HRA Charge	(1,547)	(1,547)	-

General Fund Borrowing Cost	**398**	**398**	**-**
Investment Interest	(635)	(557)	78
HRA Element	50	38	(12)
General Fund Investment Income	**(585)**	**(519)**	**66**
Net General Fund Borrowing Cost	**(187)**	**(121)**	**66**

6.2 The projected increase in the net borrowing cost is due to lower than anticipated investment returns owing to the economic impact of the pandemic. In particular the projected returns from the pooled fund investments are lower than originally estimated, outlined in section 5.6 above.

7 NON-TREASURY INVESTMENTS

7.1 Although not classed as treasury management activities, the 2017 CIPFA Code and the MHCLG Investment Guidance requires the authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. This includes the authority's investment in its wholly owned subsidiary company, Oportunitas Limited. These are summarised in table 7 below:

Table 7: Non-Treasury Investments

Investment Type	Value 31/03/20 £m	Value 30/11/20 £m	Income 2020/21 £'000	Rate of Return %
Investment Property				
Otterpool Property	55.9	59.1	66	0.11
Offices	17.0	17.0	892	5.25
Commercial Land	0.8	0.8	-	-
Commercial Units	1.6	1.6	130	8.19
Agricultural Land	-	-	-	-
Assets Under Construction	0.6	0.6	-	-
Total Investment Property	**75.9**	**79.1**	**1,088**	**1.38**
Subsidiary Company				
Oportunitas loan	4.3	4.3	210	3.16
Oportunitas equity	1.3	2.3	0	0
Total Subsidiary	**5.6**	**6.6**	**210**	**3.16**
Total	**81.5**	**85.7**	**1,298**	**1.51**

7.2 Ordinarily the rate of return on non-treasury investment assets would be expected to be higher than that earned on treasury investments reflecting the additional risks to the council of holding such investments. This is demonstrated with the return on the commercial units and Oportunitas. However the return on the investment property portfolio for 2020/21 is significantly distorted because of the land acquisition taking place for the Otterpool Park project in particular. The council anticipates receiving rental streams from some of the property being acquired in the short to medium term.

SECTION B – TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

8. THE COUNCIL'S FORECAST BORROWING AND INVESTMENT POSITION

8.1 The forecast borrowing and treasury investment positions are shown in the balance sheet analysis in table 8 below.

Table 8: Balance Sheet Summary and Forecast

	31.3.20 Actual £m	**31.3.21 Estimate £m**	**31.3.22 Forecast £m**	**31.3.23 Forecast £m**	**31.3.24 Forecast £m**
General Fund CFR	11.0	15.4	17.6	20.8	17.2
HRA CFR	47.4	47.4	52.8	63.0	72.3
Investments CFR	59.0	65.5	80.3	101.3	123.3
Total CFR	**117.4**	**128.3**	**150.7**	**185.1**	**212.8**
Less: External borrowing	(90.3)	(78.9)	(77.7)	(47.2)	(43.2)
Internal borrowing	**27.1**	**49.4**	**73.0**	**137.9**	**169.6**
Less: Usable reserves	(53.5)	(42.0)	(26.2)	(22.1)	(21.1)
Less: Working capital	(3.3)	(14.0)	(4.0)	(4.0)	(4.0)
Treasury Investments (-) or / New Borrowing (+)	**(29.7)**	**(6.6)**	**42.8**	**111.8**	**144.5**

8.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

8.3 The movement in table 8 is based on the projected outturn for the current financial year, the draft revenue and capital budgets being proposed for 2021/22, the proposed Medium Term Capital Progamme, the HRA Business Plan and information taken from the latest approved Medium Term Financial Strategy for 2022/23 and 2023/24. The authority has an increasing CFR arising from its planned capital investment and will therefore be required to borrow up to £145m over the forecast period.

8.4 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 8 shows that the authority expects to comply with this recommendation during 2021/22.

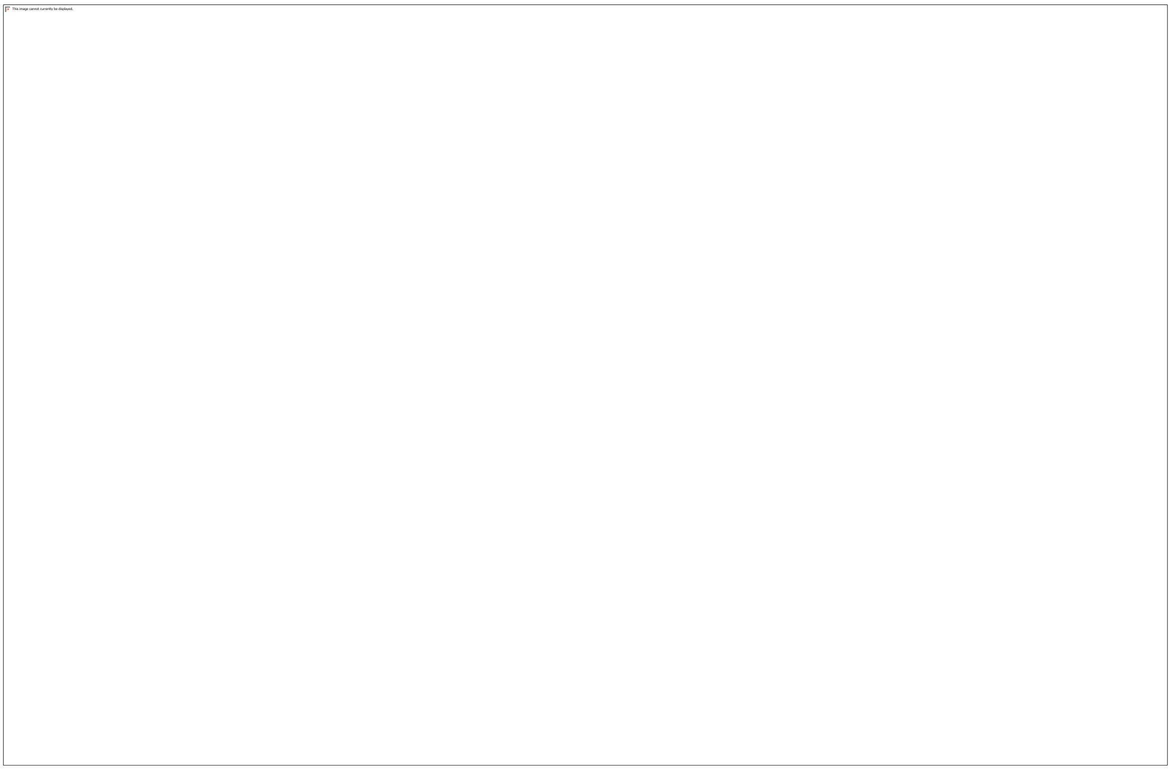
8.5 Liability Benchmark

8.5.1 To compare the Council'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 8 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.

Table 9: Liability benchmark

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
CFR	117.4	128.3	150.7	185.1	212.8
Less: Usable reserves	(53.5)	(42.0)	(26.2)	(22.1)	(21.1)
Less: Working capital	(3.3)	(14.0)	(4.0)	(4.0)	(4.0)
Plus: Minimum investments	15.0	15.0	15.0	15.0	15.0
Liability Benchmark	**75.6**	**87.3**	**135.5**	**174.0**	**202.7**

8.5.2 Following on from the medium-term forecasts in table 9 above, the long-term liability benchmark assumes further capital expenditure funded by borrowing after 31 March 2024 for Otterpool Park and the HRA new build programme, minimum revenue provision on new capital expenditure based on asset life (except for Otterpool Park which assumes the borrowing to be repaid over 15 years), and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below:



9. BORROWING STRATEGY

9.1 The authority currently holds £80.3 million of loans as part of its strategy for funding previous years' capital programmes. The current loans are shown in appendix 2 to this report. The balance sheet forecast in table 8 shows that the authority expects to borrow up to £42.8m in 2021/22. The authority may however borrow to pre-fund future years' requirements, providing this does not exceed the proposed authorised limit for borrowing of £191 million for 2021/22. 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 2021/22 report to Cabinet at its meeting on 24 February 2021 before going to full Council for approval on the same day.

9.2 Objectives

9.2.1 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.

9.3 Strategy

9.3.1 Given the significant reductions to public expenditure and 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. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

9.3.2 By doing so, the authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of both internal and 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 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

9.3.3 The authority has previously raised all of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it a relatively expensive options. However, following the government’s response to the HM Treasury’s consultation on the PWLB lending arrangements, PWLB rates were reduced by 1% from 26 November 2020 making these loans much more attractive again. In addition to the PWLB, the authority will consider borrowing long-term loans from 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.

9.3.4 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.

9.3.5 In addition, the authority may borrow further short-term loans to cover unplanned cash flow shortages.

9.4 Sources of Borrowing

9.4.1 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- 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
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

9.4.2 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

9.5 Short-term and Variable Rate Loans

9.5.1 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 below).

9.6 Debt Rescheduling

9.6.1 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.

10 TREASURY INVESTMENT STRATEGY

10.1 The authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2020/21 until 30 November, the authority's investment balance has ranged between £22.6 and £63.6 million with the average being £30.7 million. The average investment balance held is expected to reduce to around £25 million in the coming year as the council uses 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). The authority has about £15m invested in a range of professionally managed pooled property and diversified income funds. These are seen as longer term strategic investments which aim to provide returns in excess of inflation and have the potential for some limited capital growth, thereby helping to protect the value of the authority's cash reserves. Maintaining these pooled funds is seen as an important part of the authority's proposed investment strategy for 2021/22. The authority's current investment portfolio is shown in appendix 3 tot his report.

10.2 Objectives

10.2.1 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.

10.2.2 **Negative Interest Rates -** The Covid-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

10.3 Strategy

10.3.1 Given the increasing risk and very low returns from short-term unsecured bank investments, the authority aims to continue with its current strategy to diversify into more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £22m that is available for longer-term investment. A significant but reducing proportion of the authority's surplus cash is currently invested in money market funds in particular, although this is likely to reduce further in 2021/22 as a result of the capital expenditure plans. Given the council's increasing borrowing need for 2021/22 and beyond the maximum duration for new investments is proposed to be set at 5 years.

10.4 Business Models

10.4.1 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.

10.5 Approved Counterparties

10.5.1 The authority may invest its surplus funds with any of the counterparty types in table 10 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 10: Approved Investment Counterparties and Limits for New Investments effective from 1 April 2021

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	5 years	Unlimited	n/a
Local authorities & other government entities	5 years	£5m	Unlimited
Secured investments *	5 years	£5m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	£6m
Registered providers (unsecured) *	5 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
Other investments *	5 years	£3m	£9m

This table must be read in conjunction with the notes below

10.5.2 ***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.

10.5.3 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.

10.5.4 **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 5 years.

10.5.5 **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.

10.5.6 **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.

10.5.7 **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.

10.5.8 **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.

10.5.9 **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.

10.5.10 **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.

10.5.11 **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.

10.5.12 **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.

10.6 Risk Assessment and Credit Ratings

10.6.1 Credit ratings are obtained and monitored by the authority's treasury advisers, 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.

10.6.2 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.

10.7 Other Information on the Security of Investments

10.7.1 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.

10.7.2 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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.

10.8 Investment Limits

10.8.1 The authority's revenue reserves available to cover investment losses are forecast to be £18 million 31 March 2021. 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.

10.8.2 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.

10.8.3 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 11: 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

10.9 Liquidity Management

10.9.1 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.

10.9.2 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.

11. TREASURY MANAGEMENT INDICATORS

11.1 The authority measures and manages its exposures to treasury management risks using indicators and those proposed for 2021/22 are outlined below for approval. The latest position for the indicators in 2020/21 against the existing approved target is also shown below. The Director of Corporate Services confirms the Council has complied with the approved indicators for 2020/21 to 30 November 2020.

11.2 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.

	2020/21 Target	30.11.20 Actual	2021/22 Target
Portfolio average credit rating	A	AA-	A

11.3 **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.

	2020/21 Target	30.11.20 Actual	2021/22 Target
Total cash available within 3 months	£5m	£16.9m	£5m

11.4 **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:

	2020/21 Limit	30.11.20 Actual	2021/22 Limit
Upper limit on one year revenue impact of a 1% **rise** in interest rates	£290,000	£80,000	£164,000
Upper limit on one year revenue impact of a 1% **fall** in interest rates	(£310,000)	(£122,000)	(£185,000)

11.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The indicator also incorporates the impact of new borrowing forecast to support the authority's capital expenditure plans over the next 12 months.

11.6 **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:

	30.11.20 Actual	2021/22 Upper	2021/22 Lower
Under 12 months	12.1%	30%	0%
12 months and within 24 months	3.5%	40%	0%
24 months and within 5 years	5.0%	50%	0%
5 years and within 10 years	11.1%	80%	0%
10 years and above	12.9%	100%	0%

11.7 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

11.8 **Principal Sums Invested for Periods Longer than 364 days -** 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 limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£15m	£5m	£5m

12. OTHER ITEMS

12.1 The CIPFA Code requires the authority to include the following in its Treasury Management Strategy.

12.2 Policy on Use of Financial Derivatives

12.2.1 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).

12.2.2 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.

12.2.3 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.

12.2.4 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.

12.3 Policy on Apportioning Interest to the HRA

12.3.1 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 investments, adjusted for credit risk. This policy will continue for 2021/22.

12.4 Markets in Financial Instruments Directive

12.4.1 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 Director of Corporate Services believes this to be the most appropriate status.

13. FINANCIAL IMPLICATIONS

13.1 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:

£'000	2020/21 Estimate	2021/22 Estimate	Variance 2020/21 to 2021/22
Revenue Budgets	£'000	£'000	£'000
Interest on Borrowing	1,945	**2,705**	760
Less Capitalised Interest	-	**(581)**	(581)
HRA Element	(1,547)	**(1,573)**	(26)
GF Borrowing Cost	398	**551**	153
Investment income	(635)	**(535)**	100
HRA Element	50	**50**	-
GF Investment income	(585)	**(485)**	100
Net Cost (GF)	(187)	**66**	253

13.2 The main reasons for the projected net increase in the General Fund borrowing cost of £253k in 2021/22 compared to 2020/21 are:

		£'000
i)	Interest on existing and planned capital expenditure being met from prudential borrowing	153
ii)	Reduction in investment income on pooled funds due to the continued economic impact of the Covid-19 pandemic	100
	Total increase	**253**

14. OTHER OPTIONS CONSIDERED

14.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director for Corporate Services, having consulted the Cabinet Member for Finance, 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
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

15 RISK MANAGEMENT ISSUES

15.1 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.

15.2 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.
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.

16 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

16.1 Legal Officer's Comments (NM)

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.

16.2 Finance Officer's Comments (LW)

The report has been prepared by Finance and the relevant financial implications are contained within it.

16.3 Diversities and Equalities Implications (DA)

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA

17. CONTACT OFFICER AND BACKGROUND DOCUMENTS

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

Lee Walker – Capital and Treasury Senior Specialist
Tel: 01303 853593 Email: lee.walker@folkestone-hythe.gov.uk

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

Arlingclose's Half Year Treasury Management Monitoring Report Template 2020/21
Arlingclose's Treasury Management Strategy Statement Template 2021/22
Appendicies
Appendix 1 – Arlingclose Interest Rate Forecast at November 2020
Appendix 2 – Borrowing portfolio at 30 November 2020
Appendix 3 – Investment portfolio at 30 November 2020

Appendix 1 – Arlingclose Interest Rate Forecast November 2020

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.05	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.15	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
10yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.30	0.30	0.35	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.55	0.55	0.55
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
20yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.70	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30
50yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.60	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.80%
PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix 2 – Borrowing Portfolio at 30 November 2020

Folkestone and Hythe District Council Itemised Borrowing at 30 November 2020

Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 30/11/2020	Interest Rate
					£	%
Public Works Loan Board	430141	Fixed	09/11/1973	01/11/2033	3,776	11.38
Public Works Loan Board	480111	Fixed	14/10/1997	31/03/2023	1,000,000	6.63
Public Works Loan Board	488942	Fixed	12/08/2004	07/08/2034	2,000,000	4.80
Public Works Loan Board	492233	Fixed	28/09/2006	15/03/2054	2,000,000	4.05
Public Works Loan Board	493698	Fixed	10/08/2007	07/08/2055	2,500,000	4.55
Public Works Loan Board	493914	Fixed	10/09/2007	07/02/2053	2,500,000	4.55
Public Works Loan Board	494027	Fixed	31/10/2007	15/03/2044	2,000,000	4.65
Public Works Loan Board	494028	Fixed	31/10/2007	15/03/2045	2,000,000	4.65
Public Works Loan Board	494029	Fixed	31/10/2007	15/03/2046	2,141,190	4.65
Public Works Loan Board	500536	Fixed	28/03/2012	28/03/2023	4,000,000	2.56
Public Works Loan Board	500537	Fixed	28/03/2012	28/03/2031	4,010,000	3.26
Public Works Loan Board	500538	Fixed	28/03/2012	28/03/2028	4,000,000	3.08
Public Works Loan Board	500540	Fixed	28/03/2012	28/03/2025	4,000,000	2.82
Public Works Loan Board	500541	Fixed	28/03/2012	28/03/2029	4,000,000	3.15
Public Works Loan Board	500542	Fixed	28/03/2012	28/03/2030	4,000,000	3.21
Public Works Loan Board	500543	Fixed	28/03/2012	28/03/2027	4,000,000	3.01
Public Works Loan Board	500544	Fixed	28/03/2012	28/03/2021	1,300,000	2.21
Public Works Loan Board	500545	Fixed	28/03/2012	28/03/2022	1,300,000	2.40
Public Works Loan Board	500546	Fixed	28/03/2012	28/03/2024	4,000,000	2.70
Public Works Loan Board	500548	Fixed	28/03/2012	28/03/2026	4,000,000	2.92
Total - Public Works Loan Board					**54,754,966**	
London Borough of Havering		Fixed	03/02/2020	01/02/2021	5,000,000	1.00
London Borough of Barking and Dagenham		Fixed	31/01/2020	31/01/2022	5,000,000	1.60
Greater London Authority		Fixed	31/01/2020	29/01/2021	10,000,000	1.00
Milton Keynes Council		Fixed	25/03/2020	25/03/2021	5,000,000	1.65
Folkestone Town Council	n/a	Variable - 2 day call notice	Various May 2018	n/a	500,000	0.00
Total - Borrowing at 30/11/2020					**80,254,966**	

Borrowing Agreed in Advance (Forward Deals) as at 30/11/2020

Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal	Interest Rate
London Borough of Wandsworth		Fixed	29/01/2021	31/01/2023	10,000,000	0.60
Durham County Council		Fixed	01/02/2021	03/10/2022	5,000,000	0.55
Leicester City Council		Fixed	01/03/2021	01/03/2023	5,000,000	0.65
Total Borrowing Agreed in Advance					**20,000,000**	

Appendix 3 – Investment Portfolio at 30 November 2020

Category and Counterparty	Amount or Value £	Terms	Interest Rate or Yield %
Banks & Building Societies (unsecured)			
NatWest - Business Reserve	220,000	No notice instant access	0.01
Money Market Funds			
Aberdeen Standard MMF	4,950,000	No notice instant access	0.04
Goldman Sachs MMF	1,980,000	No notice instant access	0.01
Legal & General MMF	4,790,000	No notice instant access	0.01
Federated MMF	5,000,000	No notice instant access	0.01
Other Pooled Funds			
Commercial Property Funds			
CCLA Property Fund	5,099,118		4.45
Multi-Asset Income Funds			
CCLA Diversified Income Fund	1,885,563		3.46
UBS Multi-Asset Income Fund	934,299		5.42
Aegon Asset Management Diversified Monthly Income Fund	3,420,349		4.17
Ninety-One Diversified Income Fund	3,478,142		4.30
Total Investments	**31,757,471**		1.96

This Report will be made public on 12 January 2021

Folkestone & Hythe District Council

Report Number **C/21/61**

To:	**Cabinet**
Date:	**20 January 2021**
Status:	**Non-Key Decision**
Head of Service:	**Charlotte Spendley, Director of Corporate Services**
Cabinet Members:	**Councillor David Monk, Leader of the Council and Councillor David Godfrey, Housing, Transport and Special Projects**

SUBJECT: **HRA Budget Monitoring Quarter 3**

SUMMARY: This monitoring report provides a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme based on net expenditure to 30 November 2020.

REASONS FOR RECOMMENDATIONS:
Cabinet is asked to agree the recommendations set out below because 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 and be informed of the final 2020/21 position.

RECOMMENDATIONS:
1. **To receive and note Report C/20/61.**

1. INTRODUCTION

1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2020/21

1.2 The projections are based on actual expenditure and income to 30 November 2020. Some caution therefore needs to be exercised when interpreting the results, however, a thorough budget monitoring exercise has been carried out.

2. HOUSING REVENUE ACCOUNT REVENUE 2020/21 (see Appendix 1)

2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2020/21.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(16,358)	(15,529)	829
Expenditure	11,271	11,795	524
HRA Share of Corporate Costs	175	175	0
Net Cost of HRA Services	(4,912)	(3,559)	1,353
Interest Payable/Receivable etc	1,472	1,509	37
HRA Surplus/Deficit	(3,440)	(2,050)	1,390
Revenue Contribution to Capital	6,805	3,216	(3,589)
Decrease/(Increase) to HRA Reserve	3,365	1,166	(2,199)

2.2 The table shows that overall at quarter 3 there is a projected decrease in net expenditure of £2.2m on the HRA.

The main reasons for this are as follows:-

	£'000
Decrease in revenue contribution to capital (see 2.3 below)	(3,589)
Decrease in rental income (see 2.4 below)	829
Increase in repairs & maintenance expenditure (see 2.5 below)	150
Anticipated costs of new housing structure (see 2.6 below)	324
Other variances	87
Total net projected Housing Revenue Account decrease	**(2,199)**

2.3 The decrease in revenue contribution to capital mainly relates to re-profiling of the new build and acquisition programme with anticipated schemes being delayed to 2021/22 as well as an increased use of the Major Repairs Reserve relieving pressure on the HRA reserve.

2.4 The decrease in rental income largely relates to a projected 5% reduction in income due to Covid-19. This is based on a review of latest data and assumptions and is indicative only as the actual impact is still unknown at this stage due to uncertainties around how the second lockdown and introduction of the tiered restriction system will affect rent recovery. Data will continue to be monitored closely and the projection updated as more information becomes available. There is also currently a high level of void garages which is resulting in reduced income.

2.5 The increase in repairs and maintenance expenditure relates to £135k increased void repairs which have not been affected by access restrictions and £110k additional asbestos removal costs due to the quantity and complexity in removal. These increased costs are being partially offset by a reduction in window servicing of (£100k).

2.6 The new housing management service commenced on 1st October and the staffing structure is now in place. The estimate of additional costs for the new structure in 2020/21 is £324k, this will continue to be monitored as the year progresses and the service embeds.

2.7 Overall, the HRA reserve at 31 March 2021 is expected to be £11.3m compared with £9.1m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2020/21 (see Appendix 2)

3.1 The latest budget for the HRA capital programme in 2020/21 is £13.8m and the projected outturn for the year is £8.4m, an underspend of £5.3m.

3.2 The reasons for the decrease in expenditure are as follows:-

	£'000
Enhanced Capital Programme (see 3.3 below)	(3,500)
New Builds/Acquisitions (see 3.4 below)	(2,179)
Kitchen Replacements (see 3.5 below)	(281)
Disabled Adaptations (see 3.5 below)	(162)
Heating Improvements (see 3.5 below)	(149)
Fire Protection Works (see 3.6 below)	550
Re-roofing (see 3.6 below)	332
EKH Single System (see 3.7 below)	130
Other minor variances	(56)
Total decrease against Original Budget	**(5,315)**

3.3 The decrease in the enhanced capital programme expenditure relates to the programme being delayed in 2020/21, therefore, it is due to commence in 2021/22 following the results of stock condition surveys to be carried out in the coming months.

3.4 The decrease in new build/acquisition expenditure relates to the re-profiling of the High View scheme which has not progressed as quickly as anticipated and is now expected to commence in 2021/22.

The Council will be pursuing two further new build acquisition opportunities, which combined will deliver 14 units for affordable rent and 2 units for shared ownership purchase. The sites are at Radnor Park Road, Folkestone (14 units for rent) and Mill Farm, Hawkinge (2 units for shared ownership purchase). The opportunities have been fully tested against the requirements of the Housing Revenue Account Business Plan. The Mill Farm units will complete in early 2021, with the Radnor Park Road units completing in the second half of 2022.

3.5 Due to Covid-19 and lockdown restrictions these areas of the Capital programme have seen a reduction in works completed as access to properties and social distancing are enforced. Scaled down services have resumed in some areas following the easing of lockdown measures depending on available access to complete the works, but works are not anticipated to return to planned levels and so underspends are anticipated.

3.6 Fire protection works in communal and external areas and re-roofing works have continued during Covid-19 lockdown and additional works have been identified which can be completed during 2020/21 and will require further budget.

3.7 The indicative one-off capital cost of transitioning the EKH Single System to FHDC as part of bringing the housing service back in-house is £130k.

3.7 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2020/21. The variation shown below corresponds to the figure in section 3.1, above.

2020/21 HRA	**1-4-1 Capital Receipts**	**Revenue Contribution**	**Major Repairs Reserve**	**Total**
	£'000	£'000	£'000	£'000
Projected Outturn	1,301	3,216	3,923	8,440
Approved	1,425	6,805	5,525	13,755
Variation	(124)	(3,589)	(1,602)	(5,315)

4. CONCLUSION

4.1 The HRA revenue outturn projection for 2020/21 forecasts £2.2m lower expenditure than the latest approved budget.

4.2 The HRA capital outturn projection for 2020/21 forecasts £5.3m lower expenditure than the latest approved budget.

4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2020/21 reflects the position based on actual expenditure and forecasts at 30 November 2020.

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
The latest projection of the outturn could be materially different to the actual year end position.	Medium	Medium	Areas at greater risk of variances are being closely monitored and an update will be made to Cabinet if appropriate when this report is considered to allow action to taken.
Capital receipts (including right to buy sales) not materialising	Medium	Low	The capital programme uses realised capital receipts only.
Insufficient capacity to manage delayed expenditure along with new year programme	Medium	Medium	The 2020/21 to 2021/22 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2020/21 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2021/22 and beyond.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 **Legal Specialist's Comments** (NE)

There are no legal implications arising from this report.

6.2 **Finance Specialist's Comments** (LW)

This report has been prepared by Financial Services. There are therefore no further comments to add.

6.3 **Diversities and Equalities Implications** (DA)

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Cheryl Ireland, Chief Financial Services Officer
Tel: 01303 853213 Email:cheryl.ireland@folkestone-hythe.gov.uk

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

Budget projection working papers

Appendices:
Appendix 1 Housing Revenue Account revenue budget monitoring report at 30 November 2020
Appendix 2 Housing Revenue Account capital budget monitoring report at 30 November 2020

Appendix 1

HOUSING PORTFOLIO	ORIGINAL APPROVED BUDGET £000	LATEST APPROVED BUDGET £000	PROJECTED OUTTURN £000	VARIANCE £000	REASON
INCOME					
Dwelling rents	14,954	14,954	14,208	746	Estimated impact on rental income due to Covid-19 (5% loss)
Non-dwelling rents	342	342	304	38	Due to a high level of void garages
Charges for services and facilities	1,010	1,010	965	45	Estimated impact on income due to Covid-19
Contributions from general fund	52	52	52	0	
Total Income	16,358	16,358	15,529	829	
EXPENDITURE					
Repairs and maintenance	3,787	3,787	3,937	150	£135k increase in void repairs which have not been affected by lockdowns, £110k additional asbestos removal costs as a result of the quantity & complexity in removal, (£100k) reduction in window servicing based on spend to date.
Supervision and management	4,748	4,748	5,072	324	Estimated part year costs of new housing structure
Rents, rates and taxes	22	22	22	0	
Depreciation charges of fixed assets	2,565	2,565	2,565	0	
Debt management expenses	0	0	0	0	
Bad debts provision	150	150	200	50	Increase based on estimated impact of Covid-19 on arrears
Total Expenditure	11,271	11,271	11,795	524	
Net	**(5,087)**	**(5,087)**	**(3,734)**	**1,353**	
HRA Share of Corporate and Democratic Costs	175	175	175	0	
Net Cost of HRA Services	**(4,912)**	**(4,912)**	**(3,559)**	**1,353**	
Interest payable	1,547	1,547	1,547	0	
Interest and investment income	(75)	(75)	(38)	37	Fall in interest rate
Premiums and discounts	0	0	0	0	
(SURPLUS)/DEFICIT	**(3,440)**	**(3,440)**	**(2,050)**	**1,390**	
MOVEMENTS IN HRA BALANCE FOR 2018/19					
Repayment of debt	0	0	0	0	
Revenue contribution to capital	6,805	6,805	3,216	(3,589)	Increased use of major repairs reserve and underspend on capital programme
Surplus/deficit for the year	(3,440)	(3,440)	(2,050)	1,390	
Increase/Decrease in Net Movement in HRA Balance	**3,365**	**3,365**	**1,166**	**(2,199)**	
HRA Reserve balance brought forward	(12,482)	(12,482)	(12,482)	0	
HRA Reserve balance carried forward	**(9,117)**	**(9,117)**	**(11,316)**	**(2,199)**	

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PORTFOLIO AND SCHEMES	LATEST APPROVED BUDGET	PROJECTED OUTTURN	VARIANCE	COMMENTS
HOUSING PORTFOLIO	**£'000**	**£000**	**£000**	
1. Planned Improvements				
Windows & Doors	250	340	90	Since transition additional resource has been supplied by Wrekin Windows allowing extra works to be completed
Re-roofing	350	682	332	Both flat and pitched roofing programmes have progressed well having not been affected by Covid-19 but this programme is exposing a large amount of roofing works required
Replacement Double Glazing Units	0	0	0	
Heating Improvements	649	500	(149)	Access to property issues during lockdown resulted in a reduction in works which have gradully improved as lockdown restrictions have eased
Kitchen Replacements	411	130	(281)	First quarter of the year was lost due to Covid-19 lockdown and remobilisation since Mears crews have returned from furlough has been slow. Surveys are also showing replacements are not required.
Bathroom Improvements	174	100	(74)	First quarter of the year lost due to Covid-19 lockdown and remobilisation since Mears crews have returned from furlough has been slow but works have recommenced on site where possible.
Voids Capital Works	300	300	0	
Disabled Adaptations	450	288	(162)	This is the most vulnerable group that were impacted by self-isolation and shielding restrictions so works were paused during lockdown and have recommenced where possible.
Sheltered Scheme upgrades	80	55	(25)	
Rewiring	485	550	65	Increased projection as works include carrying out CAT 1 & 2 whilst on site in addition to smoke/heat detectors
Contract Specification	31	10	(21)	
Lift Replacement	60	30	(30)	
Thermal Insulation	10	10	0	
Fire Protection Works	50	600	550	Communal and external works have continued. Additional works relating to fire alarms to blocks £300k and fire risk assessment works £250k have been identified. Propose to utilise available budget from areas with an underspend.
Impairment of Assets	0	0	0	
Enhanced Capital Programme	3,500	0	(3,500)	No spend anticipated against this budget during 20/21. Re-start of enhanced Capital programme to commence 21/22 following results of stock condition surveys.
	6,799	3,595	(3,204)	
2. Major Schemes				
External Enveloping *	350	308	(42)	
Garages Improvements	30	10	(20)	
Treatment Works	10	10	0	
Broadmead Road	0	0	0	
	390	328	(62)	
3. Environmental Improvements				
Environmental Works	25	25	0	
New Paths	15	15	0	
Play Areas	10	10	0	
	50	50	0	
4. Other Schemes				
New Builds/Acquisitions	6,515	4,337	(2,179)	7 acquisitions have been made so far this year with another potential 13 to be purchased and work is planned to commence on Biggins Wood. Works on High View have not progressed as quickly as anticipated and are anticipated to be delayed until 2021/22
EKH Single System	0	130	130	Anticipated costs of transitioning the EKH single system to FHDC
Cash Incentive Scheme	0	0	0	
	6,515	4,467	(2,049)	
TOTAL	**13,755**	**8,440**	**(5,315)**	
FUNDING				
Major Repairs Reserve	5,525	3,923	(1,602)	
Revenue Contribution	6,805	3,216	(3,589)	
Section 106	0	0	0	
1-4-1 Capital Receipts	1,425	1,301	(124)	
TOTAL FUNDING	**13,755**	**8,440**	**(5,315)**	

* This includes all items of the property structure that is external, such as roof, chimneys, gutters, fascias, eaves and repointing.

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This Report will be made public on 12 January 2021

Report Number **C/20/63**

To:	**Cabinet**
Date:	**20 January 2021**
Status:	**Non-Key Decision**
Head of Service:	**Charlotte Spendley – Director of Corporate Services**
Cabinet Member:	**Councillor David Monk - Cabinet Member for Finance**

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 3RD QUARTER 2020/21

SUMMARY: This monitoring report provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 30 November 2020.

REASONS FOR RECOMMENDATIONS:
Cabinet is asked to agree the recommendations set out below because it needs to be informed of the council's General Fund revenue budget position and take appropriate action to deal with any variance from the approved budget.

RECOMMENDATIONS:
1. **To receive and note Report C/20/63.**

1. INTRODUCTION AND BACKGROUND

1.1 This report updates Cabinet on the likely projected outturn on the General Fund revenue budget, based on data received as at 30 November 2020.

1.2 General Fund projections are made against the latest approved estimate and approved virements within year to 30 November 2020.

2. GENERAL FUND REVENUE 2020/21 - PROJECTED OUTTURN

2.1 The Quarter 3 projected outturn for service areas shows a forecast of £20,025k against the latest approved budget of £20,802k resulting in a variance of £777k (projected underspend).

2.2 When taking into account other entries such as Earmarked Reserves, Other Service Grants and Business Rates Income, the total projected outturn is a projected underspend of £506k.

2.3 The following table summarises the latest projected outturn position across the Service Units:

General Fund Net Cost of Services	**Latest Approved Budget**	**Projected Outturn**	**Variance**
	£'000	**£'000**	**£'000**
Finance, Strategy & Corporate Services	6,598	4,840	-1,758
Human Resources	767	704	-63
Governance & Law	2,390	2,510	120
Leadership Support	960	1,001	41
Place	5,291	5,475	184
Economic Development	1,033	1,130	97
Planning	509	84	-425
Operations	1,190	1,701	511
Strategic Development	1,143	1,808	665
Housing	1,211	738	-473
Transition & Transformation	34	34	0
Sub-Total – Heads of Services	**21,126**	**20,025**	**-1,101**
Unallocated Net Employee Costs	-324	0	324
Total – Heads of Service	**20,802**	**20,025**	**-777**

2.4 The main variations are shown and explained in more detail below.

	£'000
Finance, Strategy & Corporate Services	
Housing Benefit/Rent Rebates – increase in payments	280
Council Tax Collection – decrease in income	387
Covid-19 grants received	-2,622
Council Tax Benefits – Covid-19 grant received	-177
Council Tax Reduction Scheme – additional grant	-129
Revenues & Benefits – DWP grant	136
Corporate Priorities	345
Place	
Hythe Swimming Pool – decrease in income	260
Local Land Charges – decrease in income	45
Recycling & Waste – additional income	-95
Economic Development	
Re-Opening of High Streets	107
Planning	
Development Control – additional income from Planning Performance Agreements	-130
Development Control – additional income	-150
Building Control – decrease in income	35
Operations	
On Street Parking – decrease in income	80
Off Street Parking – decrease in income	325
Commercial Properties – rent reduction	275
Community Parks & Open Spaces	-100
Strategic Development	
Otterpool Park	764
Housing	
Homelessness – increase in Housing Benefit income	-160
Savings identified in 2020/21	-500
Other small variations	247
Total – Heads of Service	**-777**

Finance, Strategy & Corporate Services

Housing Benefit/Rent Rebates – the projected net overspend on Housing Benefits mainly relates to the under recovery of overpayments on rent allowances and a projected increase in rent allowance payments which is partly off-set by a decrease in Rent Rebates payments.

Council Tax Collection – due to the Courts being closed so far this financial year there will be a reduction in the Council Tax collection income relating to court costs.

Covid-19 grant – due to the Covid-19 pandemic the Council has received emergency funding grants and covers a wide variety of costs. These include the purchase of Personal Protective Equipment (PPE), the set-up of Community Hubs, any impact on homelessness, the loss of income from parking and Hythe Swimming Pool and to help re-open the High Streets safely. The grant aims to offset these cost pressures however, these will occur within various other service areas.

Council Tax Benefits – due to Covid-19 the Council has received a grant specifically for council tax hardship and is being used to give all Council Tax Reduction Scheme (CTRS) claimants an additional £150 discount. This grant is partially offsetting some of the loss of council tax income shown under 2.5 below against the Demand on the Collection Fund.

Council Tax Reduction Scheme – the increase in income relates to grants being received from Kent County Council (KCC) in respect of additional Support Grant and Empty Homes Incentive Fund.

Revenues & Benefits - the decrease in income relates to grants being received from Department for Work & Pensions (DWP) being lower than originally anticipated.

Corporate Priorities – As part of the 2019/20 Qtr 3 budget monitoring report that went to Cabinet in January 2020 it was agreed to utilise up to £400k of the projected underspend to provide interim capacity for the delivery of Corporate Priorities. In order to be met from the available resources the funds are to be spent only on one off items and will not have any recurring financial impact. Additionally this allocation will only be used in the pursuit of agreed corporate priorities and was agreed to be allocated to an Earmarked Reserve for use during 2020/21, however some items will be used in 2021/22.

The initiatives and projects currently proposed to be utilised in 2020/21 are as follows:

	£'000
COVID-19 Community Hub response	120
Heritage enhancements	40
Park enhancements (including additional bin capacity and H&S equipment improvements)	60
Specialist support for FOI team	10
EiP Core Strategy legal advice	45
Development of new ED Strategy	50
Additional CLLD capacity	12
Sandgate Rd Car Park – additional security measures	8
	345

Place
Hythe Swimming Pool – the reduction in income relates to the closure of the pool due to Covid-19. This will continue to be monitored closely depending on when the pool re-opens and is likely to change as we go through the financial year and as the current situation develops.

Local Land Charges – there is a reduction in income received relating to official land charge fees which is partly off-set by a decrease in land registry fee expenditure paid to KCC.

Recycling & Waste – the increase in income relates to the continuing increase in the garden waste collection subscriptions in 2020/21.

Economic Development
Re-Opening of High Streets – due to Covid-19 the Council has received a grant specifically for the safe re-opening of the High Streets within the District after the initial lockdown period, and is shown above under Covid-19 grant. The expenditure relating to this is for new equipment, signage, printing and posters.

Planning
Development Control – following the successful introduction of Planning Performance Agreements additional income is projected to be received in 2020/21.

Planning Application Fees – there is a projected over recovery of income based on previous years outturn and current trends in this financial year.

Building Control – there is projected to be a decrease in income within 2020/21 for building regulation fees.

Operations
Car Parking - income projections for both on-street and off-street parking are projected to decrease significantly in 2020/21.
This will continue to be monitored closely and is likely to change as we go through the financial year and as the current situation regarding Covid-19 develops.

Commercial Properties – there is projected to be a loss of rental income throughout the financial year. This will continue to be monitored closely and is likely to change as we go through the financial year and as the current situation regarding Covid-19 develops.

Community Parks & Open Spaces – as part of the 2020/21 budget setting process an amount was set aside for the transfer of the play parks to the parish council, in the form of a dowry. There has been a delay in the transfer and has therefore been built into the 2021/22 Budget process.

Strategic Development
Otterpool Park - The masterplanning costs are now classified as capital expenditure and feature in the General Fund Capital programme.

The total cost in 2020/21 for both the Developer and Local Planning Authority is projected to be £1,570k which will be met from the Otterpool Reserve.

Housing
Homelessness – there is an increase in income relating to an increase in Housing Benefit payments and repayments of rents and charges due to an increase in B&B cases during 2020/21.

Savings identified in 2020/21 – Cabinet approved an Update to General Fund Budget 2020/21 report in November which looked to address the projected overspend and the year-end deficit. It proposed to rebalance the 2020/21 budget through reductions in service budgets where the impact could be carefully managed and has a minimal impact on residents.

Transition & Transformation
Transformation Project - The transformation project is currently on target to spend the budget that was approved by Cabinet in March 2018. This was profiled over 2 years with 2019/20 being year 2 and has been re-profiled into 2020/21 and is at present projecting to be on target however, this will be reviewed on an ongoing basis and re-profiled if necessary.

Within the quarter 2 budget monitoring report the costs of the Transformation programme were shown within Revenue and funded by Capital however, a temporary statutory provision allows local authorities incurring revenue expenditure for staff transformation programmes and other similar initiatives generating ongoing savings to be met from capital receipts received from the disposal of surplus assets. However these costs are required to be classified as capital expenditure for accounting purposes. The Council expects to incur about £1m in costs for its Transformation programme in the current financial year to be met from qualifying capital receipts and this is now incorporated into the quarter 3 General Fund capital programme report also on this agenda.

2.5 Further variances below the heads of service total are shown below.

Interest Payable & Similar Charges
The projected overspend of £112k relates to an increase in the contribution of bad debt provision. This is consistent with the 2019/20 outturn position and allows for a slight increased impact in this financial year.

Interest and Investment Income
A decrease of £115k investment interest is projected to be received mainly due to a slightly lower interest rate being received than originally anticipated.
Other Non-Service related Government Grants
There is projected to be additional grant received of (£5,646k) which reflects net changes to Section 31 (s31) grant received from Ministry of Housing, Communities & Local Government (MHCLG) in relation to the expanded retail discount in response to Covid-19 which is to be fully funded by s31 grant. This increase in grant income off-sets the reduction in Business Rates income.

Capital Financed from Revenue
In line with the latest projected outturn position on the General Fund Capital Budget Monitoring report, the projected revenue funding of capital expenditure for 2020/21 is now £3,122k, an increase of £1,443k compared to the budget.

The main reasons for this increase is the approved additional funding of £2,340k to meet the cost of purchasing the former Debenhams store, partly offset by the reprofiling of £1,000k towards the redevelopment of land at Biggins Wood which has been delayed until 2021/22.

Movement in Earmarked Reserves
The projected movement on Earmarked Reserves of (£2,372k) is largely due to the release of (£2,470k) for the purchase of the former Debenhams store with other net movements of £98k.

Reserve	Balance at 1/4/2020 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2021 £'000
Earmarked					
Business Rates	5,699	-4,426	-4,300	126	1,399
Leisure Reserve	497	-100	50	150	547
Carry Forwards	681	-159	-159	0	522
VET Reserve	257	-50	126	176	383
Invest to Save	366	-366	-366	0	0
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,360	-18	-18	0	2,342
Corporate Initiatives	998	-136	-694	-558	304
IFRS Reserve	30	-23	-23	0	7
Otterpool Park Garden Town	1,570	-735	-1,570	-835	0
Economic Development	4,384	-2,239	-2,974	-735	1,410
Community Led Housing	418	-52	-52	0	366
Lydd Airport	9	0	0	0	9
Homelessness Prevention	401	0	137	137	538
High Street Regeneration	3,000	-468	-1,208	-740	1,792
Climate Change	0	5,000	4,907	-93	4,907
Total Earmarked Reserves	**20,682**	**-3,772**	**-6,144**	**-2,372**	**14,538**

Business Rates Income
Business Rates income has decreased by £5,901k compared to budget. This relates to a reduction in business rates income due to the additional reliefs awarded as part of the expanded retail discount announced by the Government in response to Covid-19 which is compensated by the increase in s31 grant and an increase in the provision for bad debts based on the estimated impact on the collection rate during the year.

Demand on the Collection Fund
The reduction in Council Tax income of £776k relates to additional reliefs awarded as a result of Covid-19 and the estimated impact on the collection rate during the year.

2.6 With the above variances added to the service areas favourable variance of £777k, the overall position for the general fund shows a projected underspend of £506k.

3. CONCLUSIONS

3.1 The projected outturn shown for the General Fund revenue account for 2020/21 reflects the position based on actual expenditure and forecasts at 30 November 2020.

4. RISK MANAGEMENT ISSUES

4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
MTFS becomes out of date	High	Low	The MTFS is reviewed annually through the budget process
Assumptions may be inaccurate	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 **Legal Officer's Comments** (NM)
There are no legal implications arising directly out of this report.

5.2 **Finance Officer's Comments** (LH)
This report has been prepared by Financial Services. There are therefore no further comments to add.

5.3 **Diversities and Equalities Implications**
The report does not cover a new service/policy or a revision of an existing service/policy and therefore does not require an Equity Impact Assessment.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

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

Budget projection working papers.

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Agenda Item 8

This Report will be made public on 12 January 2021

Folkestone & Hythe District Council

Report Number **C/20/65**

To:	**Cabinet**
Date:	**20 January 2021**
Status:	**Key Decision**
Head of Service:	**Charlotte Spendley - Director of Corporate Services**
Cabinet Member:	**Councillor David Monk – Leader and Portfolio Holder for Finance**

SUBJECT: UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME AND BUDGET MONITORING 2020/21

SUMMARY: This report updates the General Fund Medium Term Capital Programme for the five year period ending 31 March 2026. The report provides an updated projected outturn for the General Fund capital programme in 2020/21, based on expenditure to 30 November 2020. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process.

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

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

RECOMMENDATIONS:

1. **To receive and note report C/20/65.**
2. **To seek Council's approval to the updated General Fund Medium Term Capital Programme as set out in appendix 2 to this report.**

1. INTRODUCTION AND BACKGROUND

1.1 In line with the council's approved Budget Strategy for 2021/22, this report updates the General Fund Medium Term Capital Programme (MTCP) for the five year period ending 31 March 2026. The report;-

i) provides the latest projection, as at 30 November 2020, of the planned expenditure in 2020/21 for the existing General Fund capital programme and explanations of the variances compared to the latest approved budget,

ii) reviews and updates the existing approved Medium Term Capital Programme and incorporates the capital investment proposals agreed by Cabinet during the budget process for 2021/22,

iii) introduces proposed new schemes and initiatives identified during the budget process but yet to be considered by Cabinet,

iv) provides details of those existing capital schemes proposed to be extended by one year into 2025/26,

v) 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 2021/22.

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 24 February 2021 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. CAPITAL PROGRAMME 2020/21 – PROJECTED OUTTURN

2.1 The planned expenditure on all General Fund capital schemes in 2020/21, based on expenditure to 30 November 2020, is anticipated to be £20,873,000 a reduction of £26,860,000 compared to the approved budget of £47,733,000. Full details are shown in **appendix 1**. The following table summarises the position across the Council's service units and also outlines the impact on the capital resources required to fund the expenditure:

General Fund Capital Programme Q3 2020/21	Latest Budget 2020/21	Projection 2020/21	Variance Budget to Projection
	£'000	**£'000**	**£'000**
Service Units			
Operations	9,022	1,781	(7,241)
Corporate Services	5,666	2,106	(3,560)
Housing	1,959	1,010	(949)
Transformation & Transition	4,066	2,599	(1,467)
Place	27,020	13,377	(13,643)
Total Capital Expenditure	**47,733**	**20,873**	**(26,860)**
Capital Funding			
Capital Grants	(6,242)	(1,753)	4,489
External Contributions	(943)	(196)	747
Capital Receipts	(1,741)	(2,010)	(269)
Revenue	(4,133)	(4,226)	(93)
Borrowing	(34,674)	(12,688)	21,986
Total Funding	**(47,733)**	**(20,873)**	**26,860**

2.2 The following table summarises the main reasons for the net reduction in the projected outturn compared to the latest budget:

		Variances – 2020/21 Latest Budget to Projected Outturn		
1		**Reprofiling between 2020/21 and 2021/22**	**£'000**	**£'000**
	i)	Area Officer Vans	(30)	
	ii)	Oportunitas Phase 2 Funding	(3,590)	
	iii)	Greatstone Holiday Lets	(1,849)	
	iv)	Otterpool Park Land and Property Acquisitions	(6,010)	
	v)	Otterpool Park Delivery	(9,662)	
	vi)	Princes Parade Leisure Centre	(2,215)	
	vii)	Coast Protection - Coronation Parade cliff stabilisation works	(800)	
	viii)	Temporary Accommodation	(327)	
	ix)	Corporate Property Development Projects	(161)	
	x)	Biggins Wood Commercial Development	(950)	
	xi)	Public Toilet Enhancement	(200)	
	xii)	Waste Contract Vehicles and Equipment	(1,121)	
				(26,915)
2		**Overspends**		
	i)	Grounds Maintenance Vehicle Replacement Programme	66	
	ii)	PC Replacement Programme	30	
	iii)	Lower Sandgate Rd Beach Huts	43	
	iv)	Enhanced Hythe to Folkestone Beach Management programme (externally funded)	170	
	v)	Royal Military Canal Enhancements	9	
	vi)	Otterpool Park Garden Town Delivery Vehicle	12	

				330
3		**Underspends**		
	i)	Coast Protection, Coronation Parade Folkestone - The rock revetment work originally planned for the scheme is now not expected to take place due to it be uneconomical (externally funded)	(1,569)	
	ii)	Hythe-Folkestone Beach Recharge - Modelling has found it will be more beneficial to continue with an enhanced annual beach management programme (externally funded)	(1,970)	
	iii)	Empty Home Initiatives	(182)	
	iv)	Disabled Facilities Grants - reduction in referrals from the Occupational Therapist service due to staff being redeployed to other priorities at the peak of the COVID-19 crisis	(400)	
	v)	Home Safe Loans - reduction in applications due to the impact of COVID-19	(40)	
	vi)	Former Debenhams Building	(6)	
				(4,167)
4		**Other**		
	i)	Transformation	748	
	ii)	Otterpool Park – Capitalisation of masterplanning costs	3,144	
				3,892
		Total change in overall capital programme for 2020/21		**(26,860)**

2.3 **Transformation Costs** – A temporary statutory provision allows local authorities incurring revenue expenditure for staff transformation programmes and other similar initiatives generating ongoing savings to be met from capital receipts received from the disposal of surplus assets. However these costs are required to be classified as capital expenditure for accounting purposes. The Council expects to incur about £1m in costs for its Transformation programme in the current financial year to be met from qualifying capital receipts and this is now incorporated into the General Fund capital programme. A corresponding adjustment has been made to reduce the General Fund revenue account.

2.4 **Otterpool Park Masterplanning Costs** – Up until 2019/20 the costs incurred on the masterplanning work for the Otterpool Park Garden Town project were required to be treated as revenue expenditure. This was largely because the Council had yet to submit a formal planning application for the site, were still in discussions regarding the land assembly for the proposed scheme and had yet to formulate a clear delivery strategy for the project. However, with the outline planning application for the scheme now submitted, the majority of the land assembly completed and the delivery vehicle established, most of the masterplanning costs incurred for 2020/21 and 2021/22 are required to be treated as capital expenditure. It is projected that £3.144m in capitalised masterplanning costs will be incurred in 2020/21 with a further £0.156m in 2021/22. These costs will be met from a mixture of revenue reserves, borrowing and any further government grant secured towards the masterplanning phase of the project. At this stage the additional borrowing of up to £2.196m for the masterplanning costs is proposed to be adjusted against the Otterpool Park delivery budget over the period of the Medium Term Capital Programme.

2.5 **Waste Contract Vehicles –** Negotiations have taken place between Folkestone and Hythe District Council, Dover District Council and Veolia Environmental Services Limited to agree a mechanism to grant security to the Councils over the vehicles to be met from the approved funding for the new Waste contract (FHDC = £4.052m). It has been agreed that both Councils will purchase the vehicles required for the contract although this will still be arranged through Veolia. The Councils will have legal ownership of vehicles, providing the security both Authorities were seeking, but with Veolia remaining responsible for their operation and full running costs. FHDC will still receive the rebate of about £100k per year over the life of the contract from Veolia by meeting the capital cost of the vehicles through prudential borrowing. The majority of the vehicles being purchased are expected to be spread over the remainder of 2020/21 and into 2021/22.

3. UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME

3.1 The latest projection for the total cost and funding of the General Fund capital programme from 2020/21 to 2025/26 is £148,257,000. Compared to the latest approved budget of £144,260,000 this represents an increase of £3,997,000. Full details are shown in **appendix 2** to this report and the following table summarises the position across the service units and also outlines the impact on the capital resources required to fund the programme:

General Fund Capital Programme	Latest Approved Budget	Latest Projection	Variance
	£'000	**£'000**	**£'000**
Service Units			
Operations	11,759	11,759	0
Corporate Services	6,027	6,152	125
Housing	6,359	8,337	1,978
Transformation & Transition	33,095	33,879	784
Place	87,020	88,130	1,110
Total Capital Expenditure	**144,260**	**148,257**	**3,997**
Capital Funding			
Capital Grants	(9,331)	(13,186)	(3,855)
External Contributions	(7,276)	(2,614)	4,662
Capital Receipts	(23,157)	(26,123)	(2,966)
Revenue	(4,894)	(6,166)	(1,272)
Borrowing	(99,602)	(100,168)	(566)
Total Funding	**(144,260)**	**(148,257)**	**(3,997)**

3.2 The main changes from the approved budget to the latest projection for the medium term programme are summarised below:

		£'000	£'000
1	**Capital investments decisions approved by Cabinet**		
	i) Fisherman's Beach Chalets – Provision of 30 beach chalets at Fisherman's Beach.	75	
	ii) New Beach Huts – Provision of 100 beach huts in various locations.	300	
	iii) Coastal Park Play Equipment – Replace Pirate Ship and undertake urgent repairs.	62	
	iv) Coastal Park Toilet and Concession – Construction of larger purpose built toilet block.	150	
	v) East Cliff Landfill Protection – Work to remediate disused landfill site.	1,200	
	vi) Hawkinge Depot Upgrade – Enhancements to staff welfare facilities.	75	
	vii) Units 1-5 Learoyd Road New Romney – Major refurbishment of units.	200	
			2,062
2	**Existing annual programmes extended by one year to 2025/26**		
	i) Coast Protection – Greatstone Dunes Management and Study met from Environment Agency grant.	15	
	ii) Coast Protection – Hythe to Folkestone Beach Management met from Environment Agency grant.	420	
	iii) Coast Protection – Annual monitoring of Coronation Parade, Folkestone met from Environment Agency grant.	4	
	iv) Lifeline units for customers.	50	
	v) Royal Military Canal – Footpath improvement scheme.	20	
	vi) Replacement technology	95	
	vii) Disabled Facilities Grants, subject to Government funding.	1,000	
	viii) Home Safe Loans met from repaid Decent Homes Loans.	100	
			1,704

3 **Other Changes**

i) Coast Protection – Coronation Parade, Folkestone Coast Protection, Coronation Parade Folkestone – The rock revetment work originally planned for the scheme is now not expected to take place due to it be uneconomical (externally funded)	(1,569)	
ii) Coast Protection Beach Management –The Environment Agency has approved funding for a 5 year programme of works from April 2020 to March 2025	850	
iii) Coast Protection Beach Recharge – Modelling has found it will be more beneficial to continue with an enhanced annual beach management programme above (externally funded).	(1,970)	
iv) Disabled Facilities Grants – Reduction in referrals from the Occupational Therapist service due to staff being redeployed to other priorities at the peak of the COVID-19 crisis.	(400)	
v) Home Safe Loans – Reduction in applications due to the impact of COVID-19.	(40)	
vi) Empty Properties Initiative (KCC) – Loans to landlords.	1,318	
vii) FHDC Transformation – capitalisation of revenue costs.	748	
viii) Replacement Technology – Increased spending due to transition of Housing back to FHDC.	30	
ix) Mountfield Road Business Hub – Mountfield Road Industrial Estate Phase 2 (externally funded)	36	
x) Lower Sandgate Road Beach Huts.	43	
xi) Grounds Maintenance Vehicle and Equipment Replacement Programme.	66	
xii) Otterpool Park – net adjustment between delivery and masterplanning costs	1,104	
xiii) Other small net changes.	15	
		231
Total net increase		**3,997**

3.3 **Joint Empty Properties Initiative with Kent County Council** – Since 2017/18 the Council has jointly funded the ‘No Use Empty’ initiative with KCC to provide interest free loans to the owners of empty properties in the district to meet the cost of works to bring them back into residential use. The loans made are repaid within three years providing the Council with the opportunity to reinvest these in future tranches of the scheme. The proposed MTCP provides for the Council making an annual contribution of £300k to this initiative through to 2025/26 with the cost being met from repaid loans due from previous tranches of this scheme.

3.4 The profiling of the capital programme budget is likely to be subject to some change over the medium term. Notably, the timing and profiling of the Otterpool Park Garden Town and Princes Parade Leisure and Housing schemes are expected to change as the Council's plans for these develop 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.

3.5 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 2021/22 or feature in the Council's approved Medium Term Financial Strategy.

4. IMPACT ON CAPITAL RESOURCES

4.1 The proposed MTCP requires approximately £101m of prudential borrowing to support it with about £81m of this for the Otterpool Park scheme. Ordinarily the investment in Otterpool Park would put a significant pressure on the General Fund budget for additional interest costs. However, the Council is able to capitalise 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 and equity investment in Otterpool Park LLP, the delivery vehicle for the project, will be covered by the interest to be charged on the loan in the first instance.

4.2 Prudential borrowing is also 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	6,436
Oportunitas Phase 2 Funding	5,590
Waste Contract Vehicles Funding	4,052
Greatstone Varne Holiday Lets	1,864
Lower Sandgate Road Beach Huts	540
Temporary Accommodation	527
New Beach Huts	300

Coastal Park Toilets & Concession	150
Fisherman's Beach Chalets	75
Total	**19,534**

*The borrowing for the Princes Parade scheme is to cover an anticipated short term cash flow position due to the timing of capital receipts and S106 contributions planned to fund it.

4.3 The latest position regarding the Council's available capital receipts to fund capital expenditure is shown in the following table:

General Fund Capital Receipts Position Statement	**£'000**
Receipts in hand at 30 November 2020	(10,537)
Less, HRA capital receipts	5,781
General Fund capital receipts in hand	(4,756)
Contingency for urgent or unforeseen capital expenditure	500
Ring-fenced for specific purposes:	78
*Applied to capital expenditure in 2020/21 & 2021/22	3,973
Balance available to support new capital expenditure	**(205)**

*Excludes Princes Parade

4.4 The Princes Parade Leisure and Housing scheme relies on the Council receiving about £20.5m in capital receipts from the sales of serviced land for housing development adjacent to the proposed leisure centre and from the disposal of the existing Hythe Pool site. The planned continued capital investment beyond 2021/22 in the 'No Use Empty' joint initiative with Kent County Council and also the Home Safe Loans scheme are to be met from investing repaid loans from previous tranches of these schemes.

4.5 Additionally, the council's continuing prudent financial management means it is in a position 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 £6.166m committed towards funding the MTCP.

Revenue Resources to Fund the MTCP	**£'000**
Vehicle, Equipment and Technology Reserve	456
Economic Development Reserve	2,784
Business Rates Reserve	733
High Street Regeneration Reserve	690

Climate Change Reserve	40
Otterpool Park Reserve	1,104
General Reserve	359
Total	**6,166**

4.6 This level of capital investment will be a significant draw upon the Council's available reserves and balances and it is unlikely this could be repeated in the future. For this reason it is important that a thorough and robust assessment is undertaken for the new major capital investment proposals to ensure best use of the Council's limited financial resources.

5 CONCLUSIONS

5.1 The MTCP has been reviewed and updated in accordance with the approved budget strategy for 2021/22.

5.2 The revenue consequences of the MTCP are reflected in the Council's General Fund budget and Medium Term Financial Strategy.

5.3 The proposed General Fund MTCP requires a substantial level of prudential borrowing to fund it. The impact to the General Fund of this will be mitigated through a combination of capitalising interest costs where permissible, charging interest to third parties on capital loans met from borrowing and generating additional net revenue streams from capital investments met from borrowing.

5.4 The level of new capital investment in the proposed MTCP will be a significant draw upon on the Council's available reserves and balances and is unlikely to be repeated in the future. Future major capital investment initiatives are likely to require further prudential borrowing to help fund them.

5.5 Cabinet is asked to recommend full Council to approve the changes to the MTCP outlined in this report to reflect the latest projected outturn shown in appendix 2 to this report.

6 RISK MANAGEMENT ISSUES

6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital resources not available to meet the cost of the new projects.	High	Low	Schemes or elements of those schemes relying on future capital receipts or external

			grants and contributions will not commence until an agreed disposal plan or funding agreement is in place.
Cost of new projects may exceed the estimate.	High	Low	Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.
Expenditure planned to be met by grant is ineligible under the terms of the funding agreement	High	Low	Prior to commitments being made the project manager to agree in advance grant eligible expenditure with the funding body.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (NM)

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.

7.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services. There are no further comments to add.

7.3 Diversities and Equalities Implications (DA)

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Lee Walker, Capital and Treasury Senior Specialist
Tel: 01303 853593. e-mail :lee.walker@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:
None

Appendices:
1) General Fund Capital Programme Projected Outturn 2020/21
2) Proposed General Fund MTCP to 2025/26

Appendix 1 - General Fund Capital Programme Projected Outturn 2020/21

GENERAL FUND CAPITAL PROGRAMME PROJECTED OUTTURN 2020/21					
Item	**Scheme**	**Latest Approved Budget**	**Latest Projection**	**Variance**	**Comments**
		£000	**£000**	**£000**	
	Andy Blaszkowicz - Director of Housing & Operations				
1	Vehicle Replacement Programme	0	66	66	Purchase of a new tractor and replacement park keeper waste vehicle. Expenditure in part deferred from 2019/20
2	Coast Protection, Coronation Parade Folkestone	2,389	20	(2,369)	Cliff stabilisation works of £0.8m now expected to be undertaken in 2021/22. The rock revetment work to protect the National Grid's cross-chanel infrstructure will no longer be undertaken as part of this scheme. Scheme fully externally funded.
3	Coastal Protection, Greatstone dune management & study	15	15	0	Annual scheme funded by the Environment Agency
4	Coast Protection, Hythe to Folkestone Beach Management 2015-2020	250	420	170	The Environment Agency has approved funding for a 5 year programme of works from April 2020 to March 2025. Works are planned for the spring and autumn of each year of the programme.
5	General Fund Property - Health and Safety Enhancements	13	13	0	Anticipated to be spent during 2020/21
6	Lifeline Capitalisation	50	50	0	Anticipated to be spent during 2020/21
7	Royal Military Canal Enhancements	20	29	9	£9k delayed expenditure from 2019/20, not part of previously agreed carry forwards.
8	Coronation Parade Annual Monitoring	4	4	0	Annual scheme funded by the Environment Agency
9	Coast Protection, Hythe-Folkestone Beach Recharge Study	1,970	0	(1,970)	Modelling has found there isn't a need for a major beach recharge scheme. More substantial beach management works will deliver the same protection at a reduced cost.
10	Public Toilet Enhancement	200	0	(200)	Scheme delayed to 2021/22, works require detailed surveying and specification.
11	Hawkinge Cemetery Expansion	28	28	0	Scheme completed 2020/21.
12	Area Officer Vans	30	0	(30)	Scheme provisionally re-phased to 2021/22. Looking at electric vehicles but costs and capacity are restrictive.
13	Lower Sandgate Rd Beach Huts	497	540	43	The main reason for the variance is the cost to renovate the 27 existing beach huts was more than originally anticipated
14	Electric Vehicle Charging Points	40	40	0	To provide 15 on-street charging points. Scheme delayed while discussions continue with KCC regarding accessing power supplies from their street lighting columns
15	Greatstone Holiday Lets	1,864	15	(1,849)	Project delayed until 2021/22 whilst costs are negotiated to ensure they remain within budget.
16	Ship Street Site Folkestone	441	441	0	Cabinet approval made in October 2019 to proceed with the purchase of the site, on hold due to delays with the seller being able to proceed with the sale.
17	Biggins Wood Commercial Development	500	0	(500)	Project re-profiled to 2021/22.

Appendix 1 - General Fund Capital Programme Projected Outturn 2020/21

GENERAL FUND CAPITAL PROGRAMME PROJECTED OUTTURN 2020/21					
Item	**Scheme**	**Latest Approved Budget**	**Latest Projection**	**Variance**	**Comments**
18	Biggins Wood Site Land Remediation Works	550	100	(450)	Scheme planned to commence in early 2021 with the majority of the work now profiled for 2021/22.
19	Corporate Property Development Projects	161	0	(161)	Project re-profiled to 2021/22.
	Total - Head of Housing & Operations	**9,022**	**1,781**	**(7,241)**	
	Charlotte Spendley - Director of Corporate Services				
20	PC Replacement Programme	16	46	30	Increased spending due to transition of Housing back to FHDC and additional equipment to support working from home
21	Server Replacement Programme	60	60	0	Anticipated to be spent during 20/21
22	Oportunitas PH 2	5,590	2,000	(3,590)	Expenditure projected to be partly reprofiled to 2021/22 in line with Oportunitas' Business Plan to acquire residential units at the former Royal Victoria Hospital site in Folkestone.
	Total - Head of Corporate Services	**5,666**	**2,106**	**(3,560)**	
	John Holman - Head of Housing				
23	Temporary Accommodation	527	200	(327)	Continuing to look for suitable acquisition opportunities, but these are extremely limited at the current time. Anticipated spend of £200K in the current year as part of a joint initiative with the Next Steps Accommodation Programme (NSAP) with the remaining budget being carried forward to 2021/22.
24	Disabled Facilities Grants	1,000	600	(400)	Projection lower due to a reduction in referrals from the Occupational Therapist service because they were redeployed to other priorities during the peak of the COVID-19 crisis
25	Home Safe Loans	100	60	(40)	Projection lower due to the impact of COVID-19.
26	Empty Home Initatives	332	150	(182)	The number of projects coming forward have been limited during the COVID-19 Pandemic. It is anticipated that only 50% of the annual budget will be spent during 2020/21.
	Total - Head of Housing	**1,959**	**1,010**	**(949)**	

Appendix 1 - General Fund Capital Programme Projected Outturn 2020/21

GENERAL FUND CAPITAL PROGRAMME PROJECTED OUTTURN 2020/21						
Item	**Scheme**	**Latest Approved Budget**		**Latest Projection**	**Variance**	**Comments**
	Ewan Green - Place					
27	Otterpool Park Garden Town Delivery Vehicle Mechanism	0		12	12	Residual expenditure from 2019/20
28	Otterpool Park Land and Property Acquisitions	9,710		3,700	(6,010)	Projection provides for the acquisition of various property and land required to help support the proposed development. £6m is being reprofiled to support further acquisitions anticpated for 2021/22.
29	Otterpool Park Delivery	10,912		1,250	(9,662)	Cabinet approval in May 2020 for the initial funding of Otterpool LLP who will be the delivery vehicle for the Otterpool Park Garden Town development.
30	Otterpool Park - Capitalisation of Masterplanning Costs	0		3,144	3,144	Capitalisation of masterplanning costs required to support the planning application process for the scheme
31	Former Debenhams Building	2,346		2,340	(6)	Purchase completed in May 2020. Variance is a small reduction on fees incurred
32	Waste Contract - Acquisition of Vehicles and Equipment	4,052		2,931	(1,121)	Purchase of vehicles and equipment for the new Waste contract with Veolia partly reprofiled. Purchase will achieve a net annual saving of £100k to the General Fund
	Total - Head of Strategic Development	**27,020**		**13,377**	**(13,643)**	
	Tim Madden - Director of Transformation & Transition					
33	Princes Parade Leisure Centre	2,465		250	(2,215)	Pre-contract fees and works largely reprofiled to 2021/22. Scheme has been on hold while permission was unsuccessfully sought for a Judicial Review regarding the planning permission for the scheme
34	Mountfeild Business Hub	735		735	0	Joint venture with East Kent Spacial Development Company
35	Mountfield Road Industrial Estate Phase 2	614		614	0	Infrastructure and services to 5 hectare site to enable development of employment space for upto 450 jobs. Scheme profiled to delivered by 2021/22 and fully met from SELEP grant funding
36	FHDC Transformation	252		1,000	748	Projected staffing, consultancy and ICT costs for the Council's Transformation Project able to be capitalised under the government's 'Flexible Use of Capital Receipts' statutory guidance.
	Total - Director of Transformation & Trasition	**4,066**		**2,599**	**(1,467)**	
	TOTAL GENERAL FUND CAPITAL PROGRAMME 2020/21	**47,733**		**20,873**	**(26,860)**	

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General Fund Medium Term Capital Programme to 2025/26

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Total Projection 2020/21 - 2025/26	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Andy Blaszkowicz - Operations										
1	Coast Protection - Coronation Parade, Folkestone	2,389	20	800	0	0	0	0	820	(1,569)	The rock revetment work originally planned for the scheme is now not expected to take place due to it be uneconomical (externally funded)
2	Coast Protection - Coronation Parade annual monitoring	20	4	4	4	4	4	4	24	4	Scheme externally funded by the Environment Agency. Scheme extended by one year to 2025/26
3	Coast Protection - Greatstone Dunes Management & Study	75	15	15	15	15	15	15	90	15	Annual programme funded by Environment Agency extended by one year to 2025/26
4	Coast Protection - Hythe to Folkestone Beach Management	1,250	420	420	420	420	420	420	2,520	1,270	The Environment Agency has approved funding for a 5 year programme of works from April 2020 to March 2025. Budget assumes scheme to be extended to 2025/26. Works are planned for the spring and autumn of each year of the programme.
5	Coast Protection - Hythe to Folkestone Beach Recharge	1,970	0	0	0	0	0	0	0	(1,970)	Scheme now replaced with the enhanced Hythe to Folkestone Beach Management programme, above
6	General Fund Property - Health and Safety Enhancements	13	13	0	0	0	0	0	13	0	Partly deferred to 2020/21 and subject to the production and agreement of a Civic Centre 10 year plan
7	Royal Military Canal footpath enhancements	100	29	20	20	20	20	20	129	29	Ongoing 10 year programme of improvements 2016/17-2026/27
8	Hawkinge Cemetery Expansion	28	28	0	0	0	0	0	28	0	Scheme commenced in 2019/20 and due to be completed in 2020/21
9	Area Officer Vans	30	0	30	0	0	0	0	30	0	Delayed and now considering electric vehicles which may require an increase to the budget
10	Lifeline Capitalisation	250	50	50	50	50	50	50	300	50	Annual programme to purchase new/replacement units extended by one year to 2025/26 (£50k)
11	Grounds Maintenance Vehicle and Equipment Replacement Programme	0	66	0	0	0	0	0	66	66	Purchase of a new tractor and replacement park keeper waste vehicle. Expenditure in part deferred from 2019/20
12	Public Toilet Enhancement Programme	400	0	400	0	0	0	0	400	0	Scheme to refurbish the council's public toilets portfolio. Subject to a separate report to Cabinet detailing the scheme.
13	Lower Sandgate Road Beach Huts (FPPG Charity)	497	540	0	0	0	0	0	540	43	The main reason for the variance is the cost to renovate the 27 existing beach huts was more than originally anticipated
14	Parking Services	31	0	16	15	0	0	0	31	0	Budget Growth. Parking Services - replacement of 15 on-street pay and display machines in Folkestone to be spread over a three year period.
15	Corporate Property Development Projects	161	0	161	0	0	0	0	161	0	Unallocated sum to support strategic property initiatives

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Total Projection 2020/21 - 2025/26	Variance Budget to Projection	Comments
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
16	Biggins Wood Site Land Remediation Works	1,700	100	1,600	0	0	0	0	1,700	0	Works to enable commercial and housing developments to proceed funded in part from a Homes England grant of £1.016m agreed in principle
17	Biggins Wood Commercial Development	500	0	500	0	0	0	0	500	0	Contribution towards joint venture to deliver commercial development. Council also contributing the land to the project
18	Ship Street Site Folkestone	441	441	0	0	0	0	0	441	0	Cabinet approval made in October 2019 to proceed with the purchase of the site
19	Greatstone Varne Holiday Lets	1,864	15	1,849	0	0	0	0	1,864	0	Currently in planning phase. Construction phase delayed until 2021/22
20	Electric Vehicle Charging Points	40	40	0	0	0	0	0	40	0	To provide 15 on-street charging points
21	Fisherman's Beach Chalets	0	0	75	0	0	0	0	75	75	Growth - Provision of 30 beach chalets at Fisherman's Beach, Hythe for lease to generate an additional revenue stream of up to £30k pa. Clear high local demand for beach chalets
22	New Beach Huts	0	0	300	0	0	0	0	300	300	Growth - Provision of 100 beach huts in various locations to generate an additional revenue stream to the Council of up to £104k pa. Clear high local demand for beach chalets
23	Coastal Park Play Equipment (FPPG Charity)	0	0	62	0	0	0	0	62	62	Growth - Replace Pirate Ship and undetake urgent repairs to the main tower structure to prevent the closure of the facilities on health and safety grounds
24	Coastal Park Toilet and Concession (FPPG Charity)	0	0	150	0	0	0	0	150	150	Growth - Construction of larger purpose built toilet block with adjoining concession to ease demand on existing facility and provide a new sustainable revenue stream
25	East Cliff Landfill Protection (FPPG Charity)	0	0	1,200	0	0	0	0	1,200	1,200	Growth - Work to remediate disused landfill site causing an environmental hazard to a high profile SSSI site
26	Hawkinge Depot Upgrade	0	0	75	0	0	0	0	75	75	Growth - Enhancements to staff welfare facilities and to provide covered storage to protect equipment from the elements
27	Units 1-5 Learoyd Road New Romney	0	0	200	0	0	0	0	200	200	Growth - Major refurbishment of units to maintain the existing income stream from leasing units to local businesses
	Total - Operations	**11,759**	**1,781**	**7,927**	**524**	**509**	**509**	**509**	**11,759**	**0**	

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Total Projection 2020/21 - 2025/26	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Ewan Green - Place										
28	Waste Contract - Acquisition of Vehicles and Equipment	4,052	2,931	876	0	0	245		4,052	0	Purchase of vehicles and equipment for the new Waste contract with Veolia partly reprofiled. Purchase will achieve a net annual saving of £100k to the General Fund
29	Former Debenhams Building	2,346	2,340	0	0	0	0	0	2,340	(6)	Purchase completed 01/05/2020
30	Otterpool Land and Property Acquitision	9,710	3,700	6,010	0	0	0	0	9,710	0	Land and property assembly to facilitate the Otterpool Park Garden Town development
31	Otterpool Park Delivery	70,912	1,250	5,000	20,822	20,822	20,822	0	68,716	(2,196)	Loan and equity investment in Otterpool LLP to enable the delivery of infrastructure and services for the initial phases of the proposed new Garden Town development
32	Otterpool Park Garden Town Delivery Mechanism	0	12	0	0	0	0	0	12	12	Professional advice to create delivery mechanism for council's involvement with the project.
33	Otterpool Park Masterplanning Costs	0	3,144	156	0	0	0	0	3,300	3,300	Capitalisation of masterplanning costs required to support the planning application process for the scheme
	Total - Place	**87,020**	**13,377**	**12,042**	**20,822**	**20,822**	**21,067**	**0**	**88,130**	**1,110**	
	John Holman - Housing										
34	Empty Properties Initiative (KCC) - Loans to landlords	332	150	300	300	300	300	300	1,650	1,318	The number of projects coming forward have been limited during the Covid 19 Pandemic. It is anticipated that only 50% of the annual budget will be spent during 2020/21. The £300K budget for 2021/22 and future years to be met from repaid loans from previous years.
35	Temporary Accommodation (invest to save)	527	200	327	0	0	0	0	527	0	Continuing to look for suitable acquisition opportunities, but these are extremely limited at the current time. Anticipated spend of £200K in the current year as part of a joint initiative with the Next Steps Accommodation Programme (NSAP) with the remaining budget being carried forward to 2021/22.
36	Disabled Facilities Grant	5,000	600	1,000	1,000	1,000	1,000	1,000	5,600	600	Saving anticipated for 2020/21 due to lower than anticipated demand. Scheme met entirely from Government grant and extended by one year to 2025/26. There is currently no waiting list for applications
37	Home Safe Loans	500	60	100	100	100	100	100	560	60	Scheme extended by one year to 2025/26
	Total - Housing	**6,359**	**1,010**	**1,727**	**1,400**	**1,400**	**1,400**	**1,400**	**8,337**	**1,978**	

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Total Projection 2020/21 - 2025/26	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Charlotte Spendley - Corporate Services										
38	PC Replacement Programme	137	46	16	35	35	35	35	202	65	Increased spending due to transition of Housing back to FHDC & staff working from home. Scheme extended by one year to 2025/26
39	Server Replacement Programme	300	60	60	60	60	60	60	360	60	Provision for an anuual replacement programme over the medium term. Scheme extended by one year to 2025/26
40	Oportunitas Loan and Share Capital Phase 2	5,590	2,000	2,500	1,090	0	0	0	5,590	0	To invest in the company's expansion of its residential property portfolio primarily for the former Royal Victoria Hospital site development.
	Total - Corporate Services	**6,027**	**2,106**	**2,576**	**1,185**	**95**	**95**	**95**	**6,152**	**125**	
	Tim Madden - Transformation & Transition										
41	Princes Parade Leisure & Housing development	28,608	250	17,430	10,928	0	0	0	28,608	0	Preliminary fees reprofiled from 2020/21. Scheme has been on hold while an unsuccessful request to seek a Judicial Review regarding the planning permission for the development was considered
42	FHDC Transformation	252	1,000	0	0	0	0	0	1,000	748	Projected staffing, consultancy and ICT costs for the Council's Transformation Project able to be capitalised under the government's 'Flexible Use of Capital Receipts' statutory guidance.
43	Mountfield Road Industrial Estate Phase 2	3,500	614	2,922	0	0	0	0	3,536	36	Infrastructure and services to 5 hectare site to enable development of employment space for upto 450 jobs. Final SELEP grant award slightly higher than previously anticipated
44	New Business Hub - Mountfield Road Industrial Estate	735	735	0	0	0	0	0	735	0	Joint development with East Kent Spatial Development Company to construct the new facility on the Council's land.
	Total - Transformation & Transition	**33,095**	**2,599**	**20,352**	**10,928**	**0**	**0**	**0**	**33,879**	**784**	
	Total General Fund Medium Term Capital Programme	**144,260**	**20,873**	**44,624**	**34,859**	**22,826**	**23,071**	**2,004**	**148,257**	**3,997**	
45	Government Grant	(9,331)	(1,753)	(5,677)	(1,439)	(1,439)	(1,439)	(1,439)	(13,186)	(3,855)	
46	Other External Contributions	(7,276)	(196)	(1,974)	(444)	0	0	0	(2,614)	4,662	
47	Capital Receipts	(23,157)	(2,010)	(16,213)	(6,700)	(400)	(400)	(400)	(26,123)	(2,966)	
48	Revenue Contributions	(4,894)	(4,226)	(1,280)	(165)	(165)	(165)	(165)	(6,166)	(1,272)	
49	Borrowing	(99,602)	(12,688)	(19,480)	(26,111)	(20,822)	(21,067)	0	(100,168)	(566)	
	Total Funding	**(144,260)**	**(20,873)**	**(44,624)**	**(34,859)**	**(22,826)**	**(23,071)**	**(2,004)**	**(148,257)**	**(3,997)**	

Folkestone & Hythe District Council

This Report will be made public on 12 January 2021

Report Number **C/21/62**

To:	**Cabinet**
Date:	**20 January 2021**
Status:	**Non-Key Decision**
Head of Service:	**Charlotte Spendley, Director of Corporate Services**
Cabinet Members:	**Councillor David Monk, Leader of the Council and Councillor David Godfrey, Housing, Transport and Special Projects**

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL ORIGINAL BUDGET 2021/22

SUMMARY: This report sets out the Housing Revenue Account Revenue and Capital Budget for 2021/22 and proposes an increase in weekly rents and an increase in service charges for 2021/22.

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

RECOMMENDATIONS:
1. **To receive and note Report C/21/62.**
2. **To recommend to Full Council the Housing Revenue Account Budget for 2021/22. (Refer to paragraph 2.1 and Appendix 1)**
3. **To recommend to Full Council the increase in rents of dwellings within the HRA on average by £1.27 per week, representing a 1.5% increase with effect from 5 April 2021 (Refer to paragraph 3.2)**
4. **To recommend to Full Council the increase in service charges. (Refer to section 3.5)**
5. **To approve the Housing Revenue Account Capital Programme budget 2021/22. (Refer to paragraph 4.1 and Appendix 2)**

1. INTRODUCTION

1.1 The Housing Revenue Account (HRA) is a ring-fenced account and is outlined and projected within the HRA Business Plan. The HRA Business Plan determines HRA budget setting, as estimates need to be closely aligned to the model to ensure that the HRA remains financially viable.

1.2 The Reform of Council Housing Finance came into effect from 1 April 2012, and significantly brought an end to the subsidy system where authorities such as Folkestone & Hythe made a contribution to the national pot. Instead, authorities are now part of the self-financing arrangements following a re-distribution of the national housing debt and the abolition of rent restructuring.

1.3 In October 2018, Government announced the removal of the HRA borrowing cap to enable local authorities to build more homes. In light of this and following a review of the financial position within the HRA, there was an opportunity for the Council to expand its New Build Programme to significantly increase the number of new homes in the district. In February 2020 Cabinet approved the updated HRA Business Plan to deliver 1,200 homes by 2034/35. Included within the updated plan was a provision to invest £10m into existing stock through an enhanced capital programme over a three year period up to 2022/23.

1.4 In February 2020, following consultation with tenants and leaseholders, a decision was taken by all four owner Councils to disband EKH and bring the management of housing stock back in-house. The service transitioned to the Council on 1st October 2020 and continues to be embedded, and it is expected that EKH will be wound up by 31st March 2021.

2. HOUSING REVENUE ACCOUNT REVENUE ESTIMATES

2.1 Original Budget 2021/22

The proposed HRA Budget for 2021/22, at Appendix 1, shows a forecast deficit of £4.95m. This is in line with the agreed HRA Business Plan which will continue to fluctuate from year to year, depending on the profile of the stock, size of the new build programme and the resources available. The year-end HRA revenue reserve balance as at 31 March 2022 is expected to be £4.2m as shown at Table 1 below:

Table 1	**£000's**
Original estimate of balance at 31 March 2021	**(9,110)**
Movement from Original to Original budgets	
Reduction in rents and other service charges (see 2.1.2)	535
Increase in general management costs (see 2.1.3)	771
Increase in repairs and maintenance (see 2.1.4)	284
Other net movements	(5)
	1,585
Deficit 2020/21	3,364
Original estimate of balance at 31 March 2022	**(4,160)**

2.1.1 **HRA Revenue budget**

The HRA revenue budgets are reflected in the HRA business plan. The business plan sets out the Council's income and expenditure plans for its landlord service over a 30 year period, including the capital costs of maintaining the decent homes standard and of any additional improvements agreed with tenants.

2.1.2 **Rents**

The dwelling rents have been increased in line with the Rent Standard 2020 of CPI + 1%. This revised policy was announced in February 2019 and allows social landlords to increase rents by CPI plus 1% for a period of five years from 2020.

The reduction in income reflects the anticipated loss of rental income due to the ongoing impact of Covid-19 on the economy. The budget assumes a 5% loss of income based on the latest forecast losses being seen in 2020/21.

2.1.3 **General Management Costs**

In October 2019 tenants and leaseholders were consulted and asked for their views on the future of EKH and the results showed an overwhelming desire to disband EKH and for the council owners to take on its role. In February 2020 all four council owners agreed that the management of council housing stock should be brought back in-house and that a termination to the management agreement with EKH should be negotiated as soon as practicable. The service transitioned back to the council on 1st October 2020 and the new housing management service continues to be embedded and it is expected that EKH will be wound up by 31st March 2021.

The increase in general management costs largely reflects the cost of the new housing structure as shown below:

	£000's
Removal of EKH Management Fee	(2,480)
Removal of Transition budget	(250)
Cost of new Housing structure	3,056
Additional management recharges	197
Total additional costs of new Housing structure	**523**

Further additional general management costs of £100k have been included within the budget for additional ICT costs as a result of increased staff numbers and licences required and additional resources to support the Northgate implementation.

An additional £145k has also been included within the proposed budget to carry out a full stock condition survey across all properties to inform the Asset Management Strategy and future capital programme and HRA Business Plan.

In February 2020 Cabinet agreed to invest £10m into existing housing stock by way of an enhanced capital programme. Work has not yet commenced on this due to the transition of EKH and the planned stock condition surveys will identify required works and enable this programme to get underway.

2.1.4 **Repairs and Maintenance**

The increase in repairs and maintenance is largely due a higher level of works required on void properties and a higher volume of asbestos removal being identified.

2.2 **HRA Reserve Balances**

HRA Reserve – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan. The actual reserve balance on the HRA at the start of 2020/21 was £9.1m, this has increased due to the planned accumulation of balances to help fund the future new build programme.

Table 2 below shows the estimated HRA balances to 31 March 2022.

Table 2	**2020/21**	**2021/22**
	£000's	£000's
Balance as at 1 April	12,475	9,110
Balance as at 31 March	9,110	4,160

The HRA reserve is expected to decrease by £4.2m from the close of 2020/21 and the end of the financial year 2021/22.

The changes with the introduction of Self-Financing have significantly increased the flexibility for the Council to manage the resources and debts within the HRA to best meet the needs of existing and future tenants. The estimated HRA balances, set out in table 2, are above the revised recommended minimum balance, which is £2m.

Major Repair Reserve (MRR) – This reserve is derived from the transfer of the depreciation charge from the revenue account and can be used to fund major repairs for capital expenditure or debt repayment. The Council's Business Plan requires that the reserve is allocated to fund capital expenditure. The proposed HRA capital programme should leave the Major Repairs Reserve with a nil balance. This is in line with the practice adopted by the Council in previous years, of using the Major Repairs Reserve in the year it is received.

3. RENT SETTING GUIDANCE & RENTS

3.1 Rent Policy – National context

In February 2019 the Government introduced a new rent policy to come into effect from 1st April 2020 permitting annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% for a period of five years.

The new policy recognises the need for a stable financial environment to support the delivery of new homes. The government is now looking to the social housing sector to make the best possible use of its resources to help provide the homes that the country needs.

3.2 Rent Increase – Local context

In line with last years approved report, Housing Services will be charging the 'formula rent'[1] when a property is re-let to a new tenant and service charges that fall under utilities will be charged at the 'actual' cost on new lets.

The proposed increase of CPI plus 1% which is 1.5%, in line with Government guidelines, equates to an increase of £1.27 per week or £66.04 per annum. This gives an average rent of £89.17 (over 50 weeks) in 2021/22 (average rent in 2020/21 is £87.81 (over 50 weeks)).

3.3 New Build rents

In line with proposals set out in the Council's current HRA Business Plan, the rents for any new homes will be set at affordable rent levels. Affordable rents are defined as being a maximum of 80% of the prevailing average market rent for the area and should be no more than the prevailing local housing allowance (LHA) rates for the area to ensure that properties remain affordable.

The local housing allowances rates for 2021/22 will not be available until early February 2021. LHA rates have been frozen since 2016, however the Government announced in January 2020 that the freeze has been lifted, meaning that rates will rise by inflation from April 2020. The indicative 2021/22 affordable rents for the Folkestone & Hythe area are as follows:

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[1] *The 'formula rent' is the amount an individual rent can be set at before taking into account the rent restructuring restrictions and maximises the rental income received without penalising any individual.*

Bedsits	£60.88 per week
1 bedroom houses	£88.92 per week
2 bedroom houses	£118.57 per week
3 bedroom houses	£148.21 per week
4 bedroom houses	£173.11 per week

3.4 **Rent Comparisons**

The table below compares Folkestone & Hythe's average weekly rent to that of other authorities in Kent.

Table 3	**Average weekly rent over 52 weeks (2020/21) £**	**Difference between FHDC and other authorities £**
Folkestone & Hythe	85.74	-
Dover	86.97	1.06
Canterbury	92.89	6.98
Thanet	83.05	(2.86)

- Subject to Dover, Canterbury and Thanet's approval at their own Council meetings.

3.5 Service Charges

3.5.1 **General Service Charges**

The general principle for service charges for tenants is that they are set to recover the costs of the service they fund. However, the government also limits increases in service charges to the Consumer Price Index (CPI) plus 1.0% per annum as part of rent setting guidance. The CPI for September 2020 was 0.5%, CPI plus 1.0% is therefore 1.5%. As a result general service charges within the HRA will increase by 1.5% with effect from 5 April 2021.

Local authorities can increase charges above this level where costs are increased that are beyond the authorities' control. Utility charges, such as heating and hot water in sheltered housing schemes are an example where this applies. Proposals for these charges for 2021/22 are set out in 3.5.2 below.

3.5.2 **Heating charges in Sheltered Housing**

Residents in 12 of the Council's sheltered housing schemes have heating and hot water provided to their flats by communal systems. Charges are made for this service based on the floor area of each flat.

As set out within last year's report, over time fuel costs have increased significantly above the rate of inflation, so that the charges raised for this service no longer cover the costs. Therefore, the proposed charges for this service towards the actual cost of providing the service are in line with those agreed last year. This continued move to full cost recovery would result in some tenants facing significant increases and it is therefore proposed to set charges that provide some interim protection against the highest increases.

Following the same approach as previous years it is recommended that the 2021/22 service charges for heating and hot water in sheltered housing schemes should be set at actual cost or 10% increase, subject to the following limits:

- Bedsit flats £23.16 per week (£1,158 per year)
- 1 bed flats £25.82 per week (£1,291 per year)
- 2 bed flats £28.35 per week (£1,417 per year)

4. HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

4.1 Original Budget 2021/22

The proposed HRA Capital Budget for 2021/22, shown in Appendix 2, is £14.5m. Table 4 below shows the movements in the programme from the 2020/21 original budget to the original budget for 2021/22.

Table 4	**£000's**
Original estimate 2020/21	**13,505**
Increases in programme	
Fire Protection Works (see 4.1.1)	650
Re-roofing (see 4.1.1)	450
Doors (see 4.1.1)	290
External Enveloping (see 4.1.1)	230
Enhanced Capital Programme (see 4.1.2)	(1,000)
Other net variances	330
Total increase in expenditure	**950**
Original estimate 2021/22	**14,455**

4.1.1 Decent Homes Standard

The increased budget requirement for Fire Protection Works, Re-roofing, Doors and External Enveloping is to address recommendations and carry out works identified from verified surveys and sample testing to maintain the Decent Homes Standard.

It should be noted that priorities from the ongoing Fire Risk Assessments may identify further works and so an additional budget for this programme may be required during the year. This will be reported via the usual budget monitoring process.

4.1.2 **Enhanced Capital Programme**

A budget provision of £10m was allocated in 2020/21 for investment in existing stock over a three year period up to 2022/23 and the budget was allocated evenly over the three years. None of the £3.5m allocated budget was utilised in 2020/21. This budget has been reduced in 2021/22 to partially offset the increase in the decent homes standard capital programme budgets to carry out identified works.

The revenue budget includes provision for stock condition surveys to be carried out across the entire housing portfolio which will begin in late 2020/21 and conclude in early 2021/22. The results of these surveys will be used to inform the Asset Management Strategy and capital programme. Once the results of these surveys are known the remainder of this budget will be allocated to specific programmes based on the priority of works identified.

4.1.3 **New Build Programme**

The budget required for the new build programme will vary from year-to-year depending on the profile of the programme. This is reflected within the HRA Business Plan which was agreed by Cabinet on 19 February 2020 and stated that 1,200 new homes would be delivered by 2034/35.

Works on the High View and Biggins Wood schemes are due to commence in 2021/22 and the Council will be pursuing further acquisition opportunities, including a site at Radnor Park Road which will provide 14 units for rent which is expected to complete in the latter part of 2021/22.

All of the new build options will be subject to a detailed viability appraisal to ensure they meet the requirements of the HRA Business Plan.

4.2 **HRA Reserve Balances**

HRA Reserve – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan.

The following table shows the required resources to finance the original budget for 2020/21 and original budget for 2021/22 for the HRA capital programme.

Table 6	**Major Repairs Reserve**	**Use of RTB Capital Receipts**	**Revenue Contribution**	**Total**
	£000’s	£000’s	£000’s	£000’s
Original budget 2020/21	5,275	1,425	6,805	13,505
Original budget 2021/22	5,880	2,434	6,757	15,071

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
East Kent Housing management fee variation	Medium	Medium	Officers are ensuring that the rules laid out in the management agreement are followed.
Budget not achieved	High	Low-Medium	Stringent budget monitoring during 2020/21 enabling early corrective action

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 **Legal Comments** (NM)

There are no legal implications arising directly out of this report other than as already stated therein. (Following the coming into force of Schedule 15 of the Localism Act 2011, English local authorities are required to be self-financing in relation to their housing stock, financing their housing stock from their own rents.)

6.2 **Finance Comments** (LW)

All financial effects are included in this report.

6.3 **Diversities and Equalities Implications**

This report is in line with the Council's Diversity and Equality policies.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

This report has been prepared by:

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

None

Appendices:
Appendix 1 - HRA Revenue Budgets

Appendix 2 - HRA Capital Programme

HOUSING SERVICES **ANNUAL ESTIMATES 2021/22**

Actual 2019/20 £	HOUSING REVENUE ACCOUNT	Original 2020/21 £	**Estimate 2021/22 £**	**Change**	**Notes**
	INCOME				
14,854,286	Dwelling rents	14,954,140	**14,415,747**	538,393	(£220k) Std CPI% + 1% increase, £758k estimated 5% loss of rental income due to Covid-19
318,503	Non-dwelling rents	342,380	**342,380**	0	Fees & charges increased but budget is at a sufficient level
978,838	Other charges for services and facilities	1,009,840	**1,012,840**	(3,000)	Supported People fees & charge increased, budget increased
52,200	Contributions from general fund	52,200	**52,200**	0	
16,203,827	**TOTAL INCOME**	16,358,560	**15,823,167**	535,393	
	EXPENDITURE				
3,487,250	Repairs and maintenance	3,786,920	**4,070,920**	284,000	£105k increased Void repairs, £85k increased costs of asbestos removal, £62k additional cost of heating contract, £32k increased cost of lift servicing & repairs
3,576,449	General management *	4,081,900	**4,853,203**	771,303	£576k increased cost of Housing structure, £197k additional recharges to HRA, £145k additional budget for Stock Condition Surveys, £100k for ICT licences & additional staff resources for Northgate implementation, (£250k) removal of EKH transition budget
1,193,329	Special management *	1,036,280	**1,036,280**	0	
19,316	Rents, rates & taxes	21,750	**21,750**	0	
140,313	Increase provision for bad or doubtful debts	150,000	**200,000**	50,000	
	Capital Financing Costs				
5,510,903	Depreciation charges	2,564,670	**2,643,000**	78,330	
827,860	Exceptional Item Impairment	0	**0**		
21,920	Debt management expenses	0	**0**		
14,777,339	**TOTAL EXPENDITURE**	11,641,520	**12,825,153**		
(1,426,487)	**NET COST OF SERVICES**	(4,717,040)	**(2,998,014)**		
1,569,205	Loan charges - Interest	1,546,680	**1,573,000**	26,320	
	Investment Income				
(78,215)	Interest on notional cash balances	(75,000)	**(50,000)**	25,000	
0	Premiums & discounts	0	**0**		
64,504	**NET OPERATING INCOME**	(3,245,360)	**(1,475,014)**	1,770,346	
(3,750,219)	Any other item of income & expenditure	0	**0**		
1,387,326	Revenue Contribution to Capital Expenditure	6,804,820	**6,620,019**	(184,801)	
(13,000)	Pensions Interest costs	(195,000)	**(195,000)**		
(2,311,389)	**TOTAL DEFICIT/SURPLUS(-) FOR YEAR**	3,364,460	**4,950,005**	1,585,545	
10,163,309	Balance as at 1st April	12,474,698	**9,110,238**		
12,474,698	Balance as at 31st March	9,110,238	**4,160,233**		

* General Management - relates to costs for the whole of the housing stock or all tenants such as EKH Management Fee and support costs.
* Special Management - relates to only some of the tenants such as cleaning communal areas of flats and maintenance of open spaces.

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Appendix 2

HOUSING SERVICES ANNUAL ESTIMATES 2021/22

Actual 2019/20 £	HRA CAPITAL PROGRAMME	Original 2020/21 £	Estimate 2021/22 £	Change	Notes
	EXPENDITURE				
	Decent Homes Standard				
260,872	Doors	250,000	**540,000**	290,000	Increased budget requirement to meet aset management programme identified from verified surveys
458,501	Re-roofing	350,000	**800,000**	450,000	Increased budget requirement to replace roofs identified as a priority based on verified surveys and core samples
547,460	Heating Improvements	649,330	**649,330**	0	
239,590	Kitchen Replacement	411,000	**410,000**	(1,000)	
159,521	Bathroom Improvements	173,500	**250,000**	76,500	
172,986	Voids Capital Works	300,000	**300,000**	0	
212,281	External Enveloping	100,000	**330,000**	230,000	Increased budget requirement to carry out various works identified
174,942	Fire Protection Works	50,000	**700,000**	650,000	Increased budget requirement to address recommendations coming from the Fire Risk Assessment survey programme
4,836	Thermal Insulations	10,000	**120,000**	110,000	Cavity wall & loft insulation works
14,340	Contract Specification	30,500	**20,000**	(10,500)	
0	Enhanced Capital Programme	3,500,000	**2,500,000**	(1,000,000)	Reduced to partially offset increased budget requirement against specific programmes above, remaining budget required to address further works identified from stock condition surveys
2,245,331	**Sub-Total**	5,824,330	**6,619,330**	**795,000**	
	Non Decent Homes Standard				
0	Treatment Works	10,000	**10,000**	0	
426,565	Disabled Adaptations	450,000	**450,000**	0	
67,875	Rewiring	485,000	**485,000**	0	
37,900	Sheltered Scheme upgrades	80,000	**80,000**	0	
24,362	Garages Improvements	30,000	**150,000**	120,000	Removal if unsafe/unlettable units & essential repair programme to remaining stock
5,228	Lift Replacements	60,000	**60,000**	0	
561,930	**Sub-Total**	1,115,000	**1,235,000**	**120,000**	
	New Build Programme				
1,913,257	New Builds	6,515,270	**6,515,270**	0	
1,913,257	**Sub-Total**	6,515,270	**6,515,270**	**0**	
	Environment/Estate Improvement				
7,899	Environmental Works	25,000	**25,000**	0	
25,912	New Paths	15,000	**50,000**	35,000	
14,235	Play Areas	10,000	**10,000**	0	
48,046	**Sub-Total**	50,000	**85,000**	**35,000**	
4,768,564	**TOTAL EXPENDITURE**	**13,504,600**	**14,454,600**	**950,000**	
	FINANCING				
2,807,260	Major Repairs Reserve	5,274,800	**5,880,000**	605,200	
573,977	Capital Receipts	1,424,983	**1,954,581**	529,598	
1,387,327	Revenue Contribution	6,804,817	**6,620,019**	(184,798)	
4,768,564	**TOTAL FINANCING**	13,504,600	**14,454,600**	**950,000**	
(0)	**SHORTFALL IN FINANCING**	0	**0**	**0**	

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This report will be made public 12 January 2021

Folkestone & Hythe District Council

Report number **C/20/66**

To:	**Cabinet**
Date:	**20 January 2021**
Status:	**Key Decision**
Head of Service:	**Charlotte Spendley, Director of Corporate Services**
Cabinet Member:	**Councillor David Monk – Leader and Portfolio Holder for Finance**

SUBJECT: DRAFT GENERAL FUND BUDGET 2021/22

SUMMARY: This report sets out the Council's Draft General Fund budget for 2021/22.

REASONS FOR RECOMMENDATIONS:
Cabinet is asked to agree the recommendations set out below because they form part of the budget-setting process which will culminate in Full Council approving the budget and council tax for 2021/22 on 24 February 2021, in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. **To receive and note report C/20/66.**
2. **To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2021/22 budget and council tax recommendations for approval by Full Council in February 2021.**

1. INTRODUCTION AND BACKGROUND

1.1 Council approved the Medium Term Financial Strategy 2021/22 to 2024/25 (MTFS) on 25 November 2020 and Cabinet agreed the Budget Strategy for 2021/22 on 9 December 2020. These reports considered the council's forecast budget position for 2021/22 from a strategic perspective. This report now sets out the detail for the draft General Fund budget, prior to Full Council approving the final budget proposals and the level of council tax at its meeting on 24 February 2021.

1.2 The budget proposals in this report been prepared assuming a 2.0% council tax increase in 2021/22. The final decision will not be confirmed until 24 February 2021. In addition, the following remain to be finalised:

- the forecast for council tax and net business rates income.
- the council tax base position.
- this council's share of Collection Fund balances.
- the Local Government Finance Settlement.

These items will be confirmed in the final budget report.

1.3 The MTFS identified that the Council faced a budget shortfall of £3.5m in 2021/22. The Corporate Leadership Team, Assistant Directors and Chief Officers have reviewed current budget allocations and savings proposals. Unavoidable budget growth of £296k was approved by Cabinet on 9 December. In addition the review of fees & charges and other identified savings resulted in savings of £1.1m being identified through the Budget Strategy process. The draft budget detailed in this report reflects the changes made as a result of these reviews.

2. CONTEXT

2.1 The context and financial climate have previously been set out in the MTFS and Budget Strategy reports. The Council continues to face challenging times and tight financial restraint is expected to continue to be applied across the public sector well over the medium to longer term.

<u>Spending Round</u>

2.1 The government had intended to hold a Spending Review in 2020, covering the period 2021/22 to 2023/24, delayed from 2019 due to political focus on the Transition from the EU. However, with the unprecedented uncertainty of Covid-19 and to prioritise the response to the pandemic, it was announced that a one-year Spending Review would be conducted covering the financial year 2021/22; and that plans for the Spending Review would be kept under review.

<u>Local Government Finance Settlement</u>

2.2 The Provisional Local Government Finance Settlement is anticipated to follow the Spending Review announcement in mid-late December.

3. GENERAL FUND BUDGET 2021/22

3.1 The draft budget for 2021/22 is presented in detail at Appendix 1 compared to the original budget for 2020/21 and the outturn for 2019/20. It includes the Council's contribution to the Folkestone Parks and Pleasure Grounds Charity, the cost of which determines the special expense falling on Folkestone and Sandgate taxpayers.

3.2 The budget estimates are presented on a 'controllable' basis only; all inter service area recharges, capital charges and certain other technical accounting adjustments are excluded. Focus can therefore be on real changes in expenditure and income within a service area.

3.3 Table 1 below sets out a summary of the budget. Appendix 1 provides a more detailed breakdown of the budget across service areas.

Table 1: General Fund Summary

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £
	SUMMARY OF NET EXPENDITURE		
	Service Heads		
5,178,419	Finance, Strategy & Corporate Services	5,823,150	7,320,440
623,766	Human Resources	662,840	655,850
2,743,688	Governance & Law	2,575,720	2,449,910
716,222	Leadership Support	811,110	217,470
4,469,067	Place	5,315,370	6,600,060
597,087	Economic Development	1,012,470	1,304,330
159,408	Planning	531,570	212,940
1,558,923	Operations	1,271,670	2,237,590
1,056,678	Strategic Development	1,258,840	70,490
788,579	Housing	995,710	3,345,600
1,082,557	Transition & Transformation	34,000	0
(1,866,482)	Recharges	(2,000,500)	(5,559,200)
-	Vacancy & Savings Target	65,000	(608,800)
17,107,912	**TOTAL HEAD OF SERVICE NET EXPENDITURE**	**18,356,950**	**18,246,680**
462,151	Internal Drainage Board Levies	474,090	483,570
512,501	Interest Payable and Similar Charges	486,000	739,000
(2,337,467)	Interest and Investment Income	(793,200)	(754,000)
(1,542,739)	New Homes Bonus Grant	(1,422,420)	(836,050)
(2,129,954)	Other non-service related Government Grants	(1,791,910)	(2,269,880)
2,313,103	Town and Parish Council Precepts	2,548,750	2,599,730
14,385,507	TOTAL GENERAL FUND OPERATING NET EXP	17,858,260	18,209,050
4,489,655	Net Transfers to/(from) Earmarked Reserves	(3,613,110)	(2,489,465)
358,436	Minimum Revenue Provision	874,000	886,000
502,225	Capital Expenditure funded from Revenue	1,678,710	1,280,000
19,735,823	TOTAL TO BE MET FROM LOCAL TAXPAYERS	16,797,860	17,885,585
	Transfer to/(from) the Collection Fund	-	-
(3,174,094)	Business Rates Income	(3,753,190)	(3,322,490)
16,561,729	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	13,044,670	14,563,095
(12,592,566)	Council Tax-Demand on Collection Fund	(13,044,670)	(12,935,625)
3,969,163	**(SURPLUS)/DEFICIT FOR YEAR**	**-**	**1,627,470**

Service Budget Changes 2021/22 Compared to 2020/21

3.4 Forecast Head of Service net expenditure has decreased by £110,270 (0.6%):

	Budget £
Original 2020/21 General Fund Budget	18,356,950
Original 2021/22 General Fund Budget	18,246,680
Decrease	**110,270**

4. RESERVES

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy in December 2020 and will be updated to reflect planned use and 2020/21 outturn predictions for inclusion in the final budget reports to Cabinet and Council on 24 February 2021

4.2 Estimates of changes to Earmarked Reserves are shown below:

Reserve	Balance 1/4/2020 £'000	2020/21 Movement £'000	Balance 1/4/2021 £'000	2021/22 Movement £'000	Balance 31/3/2022 £'000
Business Rates	5,699	(4,300)	1,399	-	1,399
Invest to Save	366	(366)	-	-	-
Carry Forwards	681	(159)	522	-	522
IFRS[1] Reserve	31	(23)	8	(2)	6
VET[2] Reserve	257	126	383	(66)	317
New Homes Bonus	2,360	(18)	2,342	(344)	1,998
Corporate Initiatives	998	(694)	304	-	304
Maintenance of Graves	12	-	12	-	12
Leisure	497	50	547	(100)	447
Otterpool Park	1,570	(1,570)	-	-	-
Economic Development	4,384	(2,974)	1,410	(1,134)	276
Community Led Housing	417	(52)	365	(55)	310
Lydd Airport	9	-	9	-	9
Homelessness Prevention	401	137	538	98	636
High Street Regeneration	3,000	(1,208)	1,792	(830)	962
Climate Change	-	4,907	4,907	(56)	4,851
Total	20,682	(6,144)	14,538	(2,489)	12,049

Notes:
[1] IFRS = International Financial Reporting Standards
[2] VET = Vehicles, equipment and technology

5. BUDGET PREPARATION – NEXT STEPS

5.1 The following items remain subject to confirmation:

- Final Local Government Finance Settlement.
- Council Tax Base position
- The council's share of the Collection Fund surplus or deficit.
- Town and parish precepts.
- Business rates income forecast.

5.2 These will be covered in the final budget reports to Cabinet and Council on 24 February 2021, along with details of the special expense charged to Folkestone and Sandgate taxpayers.

6. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

6.1 The Local Government Act 2003 requires the Council's Chief Finance Officer to formally give an opinion on the robustness of the budget and adequacy of reserves.

6.2 The Chief Finance Officer's statement will be presented to Council when it considers the budget for 2021/22 on 24 February 2021; it will set out the assumptions used to arrive at the final budget recommendations.

7. BUDGET CONSULTATION

7.1 The objectives for consultation on the 2021/22 budget proposals will be to:

(i) Engage with key stakeholder groups and local residents;
(ii) Seek feedback on specific budget proposals for 2021/22; and
(iii) Seek feedback on general spending and income generation priorities

7.2 The target audience and communication channels will include:

Group	Channel
Residents	• Council website and social media • Dedicated e-mail address • Option to submit information by post
Business Community	Consultation shared with Folkestone & Hythe Business Advisory Board
Other Community Groups	Consultation to be shared with key stakeholder
Town and Parish Councils.	Direct communication to invite feedback.

7.3 Consultation feedback responses will be summarised and reported to Cabinet in February, along with any feedback received from the Parish Councils who will also be contacted.

8. CONCLUSION

8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2021/22 budget and council tax recommendations for approval by Council in February 2021.

9. RISK MANAGEMENT ISSUES

9.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including impact of the Transition period and ongoing COVID impact	Medium	Medium	Setting of a prudential budget and continuing strong financial control in the Council's decision making.
Budget strategy not achieved.	High	Low-medium	Close control of the budget making process and a prompt and decisive response to addressing budget issues. Stringent budget monitoring and reporting during 2021/22 and future years.
MTFS becomes out of date.	High	Low	The MTFS is reviewed annually through the budget process.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed. Detailed budget has been fully reviewed ahead of proposals made.
Incorrect assessment of Local Government Finance Settlement impact.	High	Low	Current position is based on known information. Position will be updated before February report is presented.

10. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

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

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

10.2 **Finance Officer's Comments** (CS)

The Budget for 2021/22 will be submitted for approval by Cabinet and Full Council in February 2021. This report is the latest stage in the detailed budget process and will be used to inform the preparation of the final budget proposals.

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

The budget report to Council in February 2021 will include an Equality Impact Assessment of the budget recommendations for 2021/22.

11. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Charlotte Spendley, Director of Corporate Services
Tel: 07935 517986
E-mail: charlotte.spendley@folkestone-hythe.gov.uk

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

- Medium Term Financial Strategy 2021/22 to 2024/25
- Budget Strategy 2021/22

Appendices:

Appendix 1 – General Fund Budget Estimates (detail)

GENERAL FUND SUMMARY **Appendix 1**

2019/20 Actual		2020/21 Original Budget	2021/22 Original Budget
		(Based on outturn prices)	
£		£	**£**
	SUMMARY OF NET EXPENDITURE		
	Service Heads		
5,178,419	Finance, Strategy & Corporate Services	5,823,150	7,320,440
623,766	Human Resources	662,840	655,850
2,743,688	Governance & Law	2,575,720	2,449,910
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788,579	Housing	995,710	3,345,600
1,082,557	Transition & Transformation	34,000	-
(1,866,482)	Recharges to non-general fund	(2,000,500)	(5,559,200)
-	Vacancy Target & Savings Target not included in service heads	65,000	(608,800)
17,107,912	**TOTAL HEAD OF SERVICE NET EXPENDITURE**	**18,356,950**	**18,246,680**
462,151	Internal Drainage Board Levies	474,090	483,570
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14,385,507	**TOTAL GENERAL FUND OPERATING NET EXP**	**17,858,260**	**18,209,050**
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502,225	Capital Expenditure funded from Revenue	1,678,710	1,280,000
19,735,822	**TOTAL TO BE MET FROM LOCAL TAXPAYERS**	**16,797,860**	**17,885,585**
(3,174,094)	Business Rates Income	(3,753,190)	(3,322,490)
16,561,729	**TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE**	**13,044,670**	**14,563,095**
(12,592,566)	Council Tax-Demand on Collection Fund	(13,044,670)	(12,935,625)
3,969,163	**(SURPLUS)/DEFICIT FOR YEAR**	**-**	**1,627,470**

Charlotte Spendley
Finance, Strategy & Corporate Services Summary

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
-109	CE28	Family Champions	0	0	0
70,841	EC12	Planning Policy	112,140	112,140	0
67,194	EC14	Otterpool (Local Planning Authority)	0	-17,050	-17,050
0	EC15	Climate Change Fees	0	56,140	56,140
441,125	FD15	Corporate Management-Misc Expenditure	308,760	308,760	0
7,822	FD17	Brexit	0	0	0
-48,220	FD70	Corporate Management–Recharges	-50,000	-50,000	0
1,607,000	FF15	Pensions Back Funding	1,370,000	1,420,000	50,000
90,093	FH18	General Grants	89,500	82,000	-7,500
-161,701	FL05	Business Rates Collection	-172,030	-172,030	0
-318,363	FL20	Council Tax Collection	-412,680	-412,680	0
-22,323	FL21	Council Tax Benefits	-15,000	-15,000	0
-480,964	FL22	Council Tax Reduction Scheme	-273,110	-273,110	0
-355,097	FN01	Housing Benefits	-374,700	-229,700	145,000
195,484	FN02	Rent Rebates	315,720	315,720	0
1,092,781		**Service Total**	**898,600**	**1,125,190**	**226,590**

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
506,772	GA00	Accountancy	930,560	0	-930,560
187,532	GA04	Finance	0	571,980	571,980
318,056	GA05	Corporate Debt	398,840	0	-398,840
71,832	GA07	ICT & Infrastructure	65,920	606,150	540,230
75,552	GA08	Treasury Management	49,540	49,780	240
227,156	GA09	Case Management (Corporate Services)	0	1,824,660	1,824,660
1,022,316	GA20	Revenues & Benefits	1,236,730	528,730	-708,000
340,153	GA22	Systems Development & Projects	351,180	417,090	65,910
192,023	GA54	Printing Services	198,970	201,740	2,770
422,340	GM12	Strategy, Policy & Performance	484,840	661,640	176,800
617,169	GM19	ICT Operations	1,101,170	1,214,780	113,610
104,739	GP00	Internal Audit	106,800	118,700	11,900
4,085,638		**Administration Total**	**4,924,550**	**6,195,250**	**1,270,700**

Charlotte Spendley
Finance, Strategy & Corporate Services Detail

Service

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	EC12		**Planning Policy**			
88,287		1	Supplies & Services	112,140	112,140	0
88,287			**Gross Expenditure**	112,140	112,140	0
-17,446		2	Other Income	0	0	0
70,841			**Net Expenditure**	112,140	112,140	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	EC14		**Otterpool (Local Planning Authority)**			
15,555		1	Employees	0	0	0
199		2	Transport-Related Expenditure	0	0	0
51,439		3	Supplies & Services	0	260	260
67,194			**Gross Expenditure**	0	260	260
0		4	Other Income	0	-17,310	-17,310
67,194			**Net Expenditure**	0	-17,050	-17,050
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		4	Recharge from Otterpool LLP			-17,310
	EC15		**Climate Change Fees**			
0		1	Employees	0	55,280	55,280
0		2	Supplies & Services	0	860	860
0			**Net Expenditure**	0	56,140	56,140
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Budget re-alignment (GM12)			53,680
	FD15		**Corporate Management**			
442,122		1	Supplies & Services	308,790	308,790	0
442,122			**Gross Expenditure**	308,790	308,790	0
-997		2	Other Income	-30	-30	0
441,125			**Net Expenditure**	308,760	308,760	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FD17		**Brexit**			
5,704		1	Employees	0	0	0
2,117		2	Supplies & Services	0	0	0
7,822			**Net Expenditure**	0	0	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FD70		**Corporate Management–Recharges**			
-48,220		1	Other Income	-50,000	-50,000	0
-48,220			**Net Expenditure**	-50,000	-50,000	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FF15		**Pensions Back Funding**			
1,607,000		1	Employees	1,370,000	1,420,000	50,000
1,607,000			**Net Expenditure**	1,370,000	1,420,000	50,000
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	MTFS adjustment			50,000

	FH18		**General Grants**			
90,093		1	Supplies & Services	89,500	82,000	-7,500
90,093			**Net Expenditure**	89,500	82,000	-7,500
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Permanent virement (CE38)			-7,500
	FL05		**Business Rates Collection**			
0		1	Supplies & Services	2,900	2,900	0
0			**Gross Expenditure**	2,900	2,900	0
-161,701		2	Other Income	-174,930	-174,930	0
-161,701			**Net Expenditure**	-172,030	-172,030	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FL20		**Council Tax Collection**			
0		1	Supplies & Services	2,320	2,320	0
0			**Gross Expenditure**	2,320	2,320	0
-318,363		2	Other Income	-415,000	-415,000	0
-318,363			**Net Expenditure**	-412,680	-412,680	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FL21		**Council Tax Benefits**			
-22,323		1	Transfer Payments	-15,000	-15,000	0
-22,323			**Net Expenditure**	-15,000	-15,000	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FL22		**Council Tax Reduction Scheme**			
0		1	Employees	100	100	0
11,568		2	Supplies & Services	0	0	0
11,568			**Gross Expenditure**	100	100	0
-492,532		3	Other Income	-273,210	-273,210	0
-480,964			**Net Expenditure**	-273,110	-273,110	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FN01		**Housing Benefits**			
19,597		1	Supplies & Services	11,000	11,000	0
21,540,848		2	Transfer Payments	23,549,820	23,694,820	145,000
21,560,445			**Gross Expenditure**	23,560,820	23,705,820	145,000
-21,915,542		3	Other Income	-23,935,520	-23,935,520	0
-355,097			**Net Expenditure**	-374,700	-229,700	145,000
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		2	MTFS adjustment - assumed increase in Rent Allowance payments			145,000
	FN02		**Rent Rebates**			
8,723,931		1	Transfer Payments	9,136,230	9,136,230	0
8,723,931			**Gross Expenditure**	9,136,230	9,136,230	0
-8,528,447		2	Other Income	-8,820,510	-8,820,510	0
195,484			**Net Expenditure**	315,720	315,720	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			

Administration

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA00		**Accountancy**			
458,078		1	Employees	801,920	0	-801,920
2,810		2	Transport-Related Expenditure	2,100	0	-2,100
38,289		3	Supplies & Services	125,180	0	-125,180
14,670		4	Third Party Payments	23,360	0	-23,360
513,846			**Gross Expenditure**	952,560	0	-952,560
-7,074		5	Other Income	-22,000	0	22,000
506,772			**Net Expenditure**	930,560	0	-930,560

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-5	Restructure of Establishment incl. Transformation (GA06, GA04 & GA09)	-930,560

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA04		**Finance**			
156,876		1	Employees	0	558,260	558,260
1,488		2	Transport-Related Expenditure	0	3,250	3,250
38,011		3	Supplies & Services	0	53,590	53,590
3,260		4	Third Party Payments	0	0	0
199,635			**Gross Expenditure**	0	615,100	615,100
-12,103		5	Other Income	0	-43,120	-43,120
187,532			**Net Expenditure**	0	571,980	571,980

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-5	Restructure of Establishment incl. Transformation (GA00)	564,930
1	Employee Costs including Increments and Pension	50,170
5	Restructure of Establishment incl. Transformation (GA00)	-17,500
5	Recharge from Otterpool LLP	-26,220

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA05		**Corporate Debt**			
293,037		1	Employees	354,510	0	-354,510
4,261		2	Transport-Related Expenditure	3,250	0	-3,250
21,433		3	Supplies & Services	27,550	0	-27,550
8,550		4	Third Party Payments	13,530	0	-13,530
327,281			**Gross Expenditure**	398,840	0	-398,840
-9,225		5	Other Income	0	0	0
318,056			**Net Expenditure**	398,840	0	-398,840

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-5	Restructure of Establishment incl. Transformation (GA04 & GA09)	-398,840

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA07		**ICT & Infrastructure**			
69,868		1	Employees	64,520	609,830	545,310
629		2	Transport-Related Expenditure	0	0	0
1,334		3	Supplies & Services	1,400	6,320	4,920
71,832			**Gross Expenditure**	65,920	616,150	550,230
0		4	Other Income	0	-10,000	-10,000
71,832			**Net Expenditure**	65,920	606,150	540,230

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Restructure of Establishment incl. Transformation (GA09 & GA22)	497,220
1	Introduction of new Housing Structure	40,650
1	Employee Costs including Increments and Pension	5,640
4	Recharge from Otterpool LLP	-10,000

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA08		**Treasury Management**			
75,552		1	Supplies & Services	49,540	49,780	240
75,552			**Net Expenditure**	49,540	49,780	240

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GA09	**Case Management (Corporate Services)**			
219,934	1	Employees	0	1,738,200	1,738,200
300	2	Transport-Related Expenditure	0	2,030	2,030
2,322	3	Supplies & Services	0	88,830	88,830
8,600	4	Third Party Payments	0	0	0
231,156		**Gross Expenditure**	0	1,829,060	1,829,060
-4,000	5	Other Income	0	-4,400	-4,400
227,156		**Net Expenditure**	0	1,824,660	1,824,660

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-5	Restructure of Establishment incl. Transformation (GA00, GA05, GL52, GL53, GA20)	1,593,815
1	Introduction of new Housing Structure	197,450
1	Employee Costs including Increments and Pension	45,395
3	MTFS adjustment	-12,000

	GA20	**Revenues & Benefits**			
906,404	1	Employees	949,660	391,880	-557,780
11,140	2	Transport-Related Expenditure	10,200	10,200	0
117,409	3	Supplies & Services	130,440	127,210	-3,230
138,698	4	Third Party Payments	146,990	0	-146,990
1,173,651		**Gross Expenditure**	1,237,290	529,290	-708,000
-151,336	5	Other Income	-560	-560	0
1,022,316		**Net Expenditure**	1,236,730	528,730	-708,000

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Restructure of Establishment incl. Transformation (GA09)	-576,390
1	Employee Costs including Increments and Pension	18,610
4	Change in Outsourced Contract Recharges	-146,990

	GA22	**Systems Development & Projects**			
313,963	1	Employees	322,860	401,100	78,240
2,104	2	Transport-Related Expenditure	400	300	-100
14,305	3	Supplies & Services	18,080	15,690	-2,390
9,780	4	Third Party Payments	9,840	0	-9,840
340,153		**Net Expenditure**	351,180	417,090	65,910

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	37,560
1	Restructure of Establishment incl. Transformation (GA07 & GM37)	35,020
4	Change in Outsourced Contract Recharges	-9,840

	GA54	**Printing Services**			
132,282	1	Employees	137,010	145,340	8,330
113	2	Transport-Related Expenditure	750	750	0
73,711	3	Supplies & Services	75,260	74,620	-640
4,890	4	Third Party Payments	4,920	0	-4,920
210,996		**Gross Expenditure**	217,940	220,710	2,770
-18,973	5	Other Income	-18,970	-18,970	0
192,023		**Net Expenditure**	198,970	201,740	2,770

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	8,330

	GM12	**Strategy, Policy & Performance**			
401,363		1 Employees	474,550	654,270	179,720
1,370		2 Transport-Related Expenditure	1,220	1,220	0
12,655		3 Supplies & Services	9,070	8,350	-720
8,951		4 Third Party Payments	0	0	0
424,340		**Gross Expenditure**	484,840	663,840	179,000
-2,000		5 Other Income	0	-2,200	-2,200
422,340		**Net Expenditure**	484,840	661,640	176,800
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1 Introduction of new Housing Structure			79,140
		1 Restructure of Establishment incl. Transformation (GL21)			121,550
		1 Budget re-alignment (EC15)			-53,680
		1 Employee Costs including Increments and Pension			32,130
	GM19	**ICT Operations**			
2,954		1 Employees	0	0	0
659,596		2 Supplies & Services	1,145,250	1,258,860	113,610
662,550		**Gross Expenditure**	1,145,250	1,258,860	113,610
-45,381		3 Other Income	-44,080	-44,080	0
617,169		**Net Expenditure**	1,101,170	1,214,780	113,610
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		2 Approved Budget Strategy Growth			140,260
		2 Approved Budget Strategy Savings			-29,000
	GP00	**Internal Audit**			
104,739		1 Third Party Payments	106,800	118,700	11,900
104,739		**Net Expenditure**	106,800	118,700	11,900
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1 Increased Audit fees			11,900

Andrina Smith
Human Resources Summary

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
17,961	FD16	Corporate Training	24,000	20,000	-4,000
17,961		**Service Total**	**24,000**	**20,000**	**-4,000**

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
509,927	GL45	Organisational Development	553,750	500,720	-53,030
28,600	GL61	Transformation Project - Legal Expenses	0	0	0
-236	GM02	Pay Review Project	0	0	0
50,651	GM07	Payroll	51,320	49,850	-1,470
-93,155	GM08	Human Resources (Corporate Training)	-46,850	-58,840	-11,990
110,017	GM09	Human Resources (Central Costs)	80,620	69,620	-11,000
0	GM10	Central Training Budget	0	74,500	74,500
605,805		**Administration Total**	**638,840**	**635,850**	**-2,990**

Andrina Smith
Human Resources Detail

Service

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	FD16		**Corporate Training**			
18,111		1	Employees	24,000	20,000	-4,000
-50		2	Supplies & Services	0	0	0
18,061			**Gross Expenditure**	24,000	20,000	-4,000
-100		3	Other Income	0	0	0
17,961			**Net Expenditure**	24,000	20,000	-4,000

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

Administration

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GL45		**Organisational Development**			
446,162		1	Employees	495,930	463,820	-32,110
2,192		2	Transport-Related Expenditure	1,300	1,300	0
48,133		3	Supplies & Services	46,680	45,470	-1,210
13,440		4	Third Party Payments	9,840	0	-9,840
509,927			**Gross Expenditure**	553,750	510,590	-43,160
0		5	Other Income	0	-9,870	-9,870
509,927			**Net Expenditure**	553,750	500,720	-53,030
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Employee Costs including Increments and Pension			30,000
		1	Restructure of Establishment incl. Transformation			-62,900
		4	Change in Outsourced Contract Recharges			-9,840
		5	Recharge from Otterpool LLP			-9,870
	GL61		**Transformation Project - Legal Expenses**			
28,600		1	Employees	0	0	0
28,600			**Net Expenditure**	0	0	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	GM02		**Pay Review Project**			
-1,449		1	Employees	0	0	0
4		2	Supplies & Services	0	0	0
1,210		3	Third Party Payments	0	0	0
-236			**Net Expenditure**	0	0	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	GM07		**Payroll**			
48,771		1	Premises-Related Expenditure	49,350	49,850	500
1,880		2	Supplies & Services	1,970	0	-1,970
50,651			**Net Expenditure**	51,320	49,850	-1,470
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	GM08		**Human Resources (Corporate Training)**			
42,057		1	Employees	53,150	41,160	-11,990
42,057			**Gross Expenditure**	53,150	41,160	-11,990
-135,212		2	Other Income	-100,000	-100,000	0
-93,155			**Net Expenditure**	-46,850	-58,840	-11,990
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Approved Budget Strategy Savings			-12,000
	GM09		**Human Resources (Central Costs)**			
95,861		1	Employees	58,220	50,220	-8,000
17,277		2	Supplies & Services	22,400	19,400	-3,000
113,138			**Gross Expenditure**	80,620	69,620	-11,000
-3,121		3	Other Income	0	0	0
110,017			**Net Expenditure**	80,620	69,620	-11,000
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Approved Budget Strategy Savings			-8,000

	GM10		**Central Training Budget**			
0		1	Employees	0	74,500	74,500
0			**Net Expenditure**	0	74,500	74,500

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Centralisation of service training budgets	94,500
1	Approved Budget Strategy Savings	-20,000

Amandeep Khroud
Governance & Law Summary

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
-19,930	DA12	Street Naming & Numbering	-15,820	-15,820	0
732,996	EA01	Leas Cliff Hall	754,200	762,080	7,880
395,433	FE05	Members Allowances & Expenses	396,910	362,870	-34,040
23,548	FE15	Dem Rep & Man-Misc Expenditure	20,270	20,270	0
12,902	FE20	Civic Ceremonials	15,040	14,920	-120
-111,314	FE70	Democratic Representation-Recharges	-120,000	-120,000	0
88,722	FH03	Registration of Electors	80,270	80,420	150
164,469	FH04	Conducting Elections	48,000	48,000	0
1,286,826		**Service Total**	**1,178,870**	**1,152,740**	**-26,130**

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
75,083	GA03	Client Side Unit	83,090	85,890	2,800
100,287	GA10	Procurement	93,990	100,600	6,610
2,138	GA11	Centralised Equipment	2,000	2,000	0
6,318	GA24	Corporate Consumables - Floors 1 & 2	3,500	3,500	0
218,525	GL00	Legal Services	272,340	272,400	60
112,687	GL41	Asst Director for Governance and Law	124,800	133,930	9,130
194,130	GL51	Democratic Services & Elections	111,160	203,250	92,090
81,263	GL52	Committee Services	125,460	0	-125,460
62,091	GL53	FOI & Info Governance Team	87,820	0	-87,820
28,989	GM14	Waste Contract	0	0	0
217,218	GM34	Waste Contract Management	209,210	214,290	5,080
314,496	GM37	Communications	236,790	234,160	-2,630
1,413,223		**Administration Total**	**1,350,160**	**1,250,020**	**-100,140**

Holding

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
43,638	GX02	Civic Centre - Cleaning Contract	46,690	47,150	460
43,638		**Holding Total**	**46,690**	**47,150**	**460**

Amandeep Khroud
Governance & Law Services Detail

Service

2019/20 Actual	Code			2020/21 Original Budget	2021/22 Original Budget	Variances
	DA12		**Street Naming & Numbering**			
-19,930		1	Other Income	-15,820	-15,820	0
-19,930			**Net Expenditure**	-15,820	-15,820	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	EA01		**Leas Cliff Hall**			
732,996		1	Third Party Payments	754,200	762,080	7,880
732,996			**Net Expenditure**	754,200	762,080	7,880
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Contract Inflation			7,880
	FE05		**Members Allowances & Expenses**			
9,484		1	Employees	16,750	10,000	-6,750
8,828		2	Transport-Related Expenditure	7,000	7,000	0
341,081		3	Supplies & Services	347,340	345,870	-1,470
36,660		4	Third Party Payments	25,820	0	-25,820
396,054			**Gross Expenditure**	396,910	362,870	-34,040
-620		5	Other Income	0	0	0
395,433			**Net Expenditure**	396,910	362,870	-34,040
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Approved Budget Strategy Savings			-6,000
		4	Change in Outsourced Contract Recharges			-25,820
	FE15		**Dem Rep & Man-Misc Expenditure**			
23,548		1	Supplies & Services	20,270	20,270	0
23,548			**Net Expenditure**	20,270	20,270	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FE20		**Civic Ceremonials**			
5,284		1	Employees	5,000	5,000	0
2,573		2	Transport-Related Expenditure	3,130	3,020	-110
5,046		3	Supplies & Services	6,910	6,900	-10
12,902			**Net Expenditure**	15,040	14,920	-120
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FE70		**Democratic Representation-Recharges**			
-111,314		1	Other Income	-120,000	-120,000	0
-111,314			**Net Expenditure**	-120,000	-120,000	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	FH03		**Registration of Electors**			
71,448		1	Employees	53,000	53,000	0
18,852		2	Supplies & Services	28,770	28,920	150
90,300			**Gross Expenditure**	81,770	81,920	150
-1,578		3	Other Income	-1,500	-1,500	0
88,722			**Net Expenditure**	80,270	80,420	150
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			

	FH04		**Conducting Elections**			
1		1	Employees	0	0	0
128		2	Premises-Related Expenditure	0	0	0
164,341		3	Supplies & Services	48,000	48,000	0
164,469			**Net Expenditure**	48,000	48,000	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

Administration

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA03		**Client Side Unit**			
72,374		1	Employees	76,060	81,610	5,550
126		2	Transport-Related Expenditure	610	610	0
1,393		3	Supplies & Services	3,960	3,670	-290
1,210		4	Third Party Payments	2,460	0	-2,460
75,103			**Gross Expenditure**	83,090	85,890	2,800
-20		5	Other Income	0	0	0
75,083			**Net Expenditure**	83,090	85,890	2,800
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Employee Costs including Increments and Pension			5,550
	GA10		**Procurement**			
107,956		1	Employees	101,830	110,460	8,630
367		2	Transport-Related Expenditure	150	200	50
3,549		3	Supplies & Services	3,590	3,980	390
2,450		4	Third Party Payments	2,460	0	-2,460
114,322			**Gross Expenditure**	108,030	114,640	6,610
-14,036		5	Other Income	-14,040	-14,040	0
100,287			**Net Expenditure**	93,990	100,600	6,610
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Restructure of Establishment incl. Transformation (GA09)			-37,400
		1	Restructure of Establishment incl. Transformation			42,000
	GA11		**Centralised Equipment**			
2,138		1	Supplies & Services	2,000	2,000	0
2,138			**Net Expenditure**	2,000	2,000	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	GA24		**Corporate Consumables - Floors 1 & 2**			
6,318		1	Supplies & Services	3,500	3,500	0
6,318			**Net Expenditure**	3,500	3,500	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	GL00		**Legal Services**			
208,273		1	Employees	256,240	278,650	22,410
1,510		2	Transport-Related Expenditure	2,000	2,000	0
48,793		3	Supplies & Services	51,000	41,980	-9,020
6,120		4	Third Party Payments	5,900	0	-5,900
264,696			**Gross Expenditure**	315,140	322,630	7,490
-46,171		5	Other Income	-42,800	-50,230	-7,430
218,525			**Net Expenditure**	272,340	272,400	60
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Employee Costs including Increments and Pension			22,410
		3	Approved Budget Strategy Savings			-8,500
		4	Change in Outsourced Contract Recharges			-5,900
		5	Recharge from Otterpool LLP			-2,530
		5	Recharge from Oportunitas			-4,600

	GL41		**Asst Director for Governance and Law**			
109,194		1	Employees	120,920	131,560	10,640
30		2	Transport-Related Expenditure	500	500	0
2,253		3	Supplies & Services	2,150	1,870	-280
1,210		4	Third Party Payments	1,230	0	-1,230
112,687			**Net Expenditure**	124,800	133,930	9,130

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	10,640

	GL51		**Democratic Services & Elections**			
177,803		1	Employees	101,930	197,030	95,100
752		2	Transport-Related Expenditure	780	1,250	470
11,905		3	Supplies & Services	4,760	4,970	210
3,670		4	Third Party Payments	3,690	0	-3,690
194,130			**Net Expenditure**	111,160	203,250	92,090

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Restructure of Establishment incl. Transformation (GL52 & GL53)	89,760
1	Employee Costs including Increments and Pension	8,450

	GL52		**Committee Services**			
73,781		1	Employees	116,770	0	-116,770
286		2	Transport-Related Expenditure	400	0	-400
4,757		3	Supplies & Services	4,600	0	-4,600
2,440		4	Third Party Payments	3,690	0	-3,690
81,263			**Net Expenditure**	125,460	0	-125,460

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-4	Restructure of Establishment incl. Transformation (GA09 & GL51)	-125,460

	GL53		**FOI & Info Governance Team**			
57,627		1	Employees	81,670	0	-81,670
0		2	Transport-Related Expenditure	500	0	-500
2,024		3	Supplies & Services	1,710	0	-1,710
2,440		4	Third Party Payments	3,940	0	-3,940
62,091			**Net Expenditure**	87,820	0	-87,820

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-4	Restructure of Establishment incl. Transformation (GA09 & GL51)	-87,820

	GM14		**Waste Contract**			
28,989		1	Supplies & Services	0	0	0
28,989			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GM34		**Waste Contract Management**			
141,963		1	Employees	148,560	159,190	10,630
5,045		2	Transport-Related Expenditure	3,200	3,200	0
5,321		3	Supplies & Services	7,530	6,900	-630
64,890		4	Third Party Payments	49,920	45,000	-4,920
217,218			**Net Expenditure**	209,210	214,290	5,080

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	10,630

	GM37		**Communications**			
231,004		1	Employees	204,850	210,380	5,530
197		2	Transport-Related Expenditure	200	200	0
87,569		3	Supplies & Services	34,850	34,070	-780
6,120		4	Third Party Payments	7,380	0	-7,380
324,890			**Gross Expenditure**	247,280	244,650	-2,630
-10,395		5	Other Income	-10,490	-10,490	0
314,496			**Net Expenditure**	236,790	234,160	-2,630

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

1	Introduction of new Housing Structure	20,320
1	Restructure of Establishment incl. Transformation (GA22)	-11,930
1	Employee Costs including Increments and Pension	8,300
4	Change in Outsourced Contract Recharges	-7,380

Holding

2019/20 Actual £				**2020/21 Original Budget £**	**2021/22 Original Budget £**	**Variances £**
	GX02		**Civic Centre - Cleaning Contract**			
34,399		1	Premises-Related Expenditure	39,290	39,750	460
9,239		2	Supplies & Services	7,400	7,400	0
43,638			**Net Expenditure**	46,690	47,150	460

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

Trudi Simpson
Leadership Support Summary

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
3,232	FD19	Covid-19	0	-690,050	-690,050
3,232		**Service Total**	**0**	**-690,050**	**-690,050**

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
43,991	GA06	Director of Corporate Services	0	139,070	139,070
-383	GB00	Corporate Centre	0	0	0
140,619	GL05	Director of Development	144,640	16,140	-128,500
141,035	GM00	Director of Transition & Transformation	148,450	160,100	11,650
169,975	GM01	Head of Paid Service	182,930	195,510	12,580
0	GM05	Director of Place	100,000	145,030	45,030
102,495	GM38	Leadership and PA Support	113,130	110,260	-2,870
115,258	GM39	Director of Housing & Operations	121,960	141,410	19,450
712,990		**Administration Total**	**811,110**	**907,520**	**96,410**

Trudi Simpson
Leadership Support Detail

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	FD19	**Covid-19**			
33,541	1	Premises-Related Expenditure	0	0	0
35,428	2	Supplies & Services	0	0	0
68,969		**Gross Expenditure**	0	0	0
-65,737	3	Other Income	0	-690,050	-690,050
3,232		**Net Expenditure**	0	-690,050	-690,050

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

3	Covid grant (MHCLG)	-690,050

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA06	**Director of Corporate Services**			
43,238	1	Employees	0	144,230	144,230
291	2	Transport-Related Expenditure	0	200	200
63	3	Supplies & Services	0	2,050	2,050
400	4	Third Party Payments	0	0	0
43,991		**Gross Expenditure**	0	146,480	146,480
0	5	Other Income	0	-7,410	-7,410
43,991		**Net Expenditure**	0	139,070	139,070
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	1-4	Restructure of Establishment incl. Transformation (GA00)			146,480
	5	Recharge from Otterpool LLP			-7,410
	GL05	**Director of Development**			
136,006	1	Employees	143,190	156,490	13,300
532	2	Transport-Related Expenditure	500	250	-250
2,870	3	Supplies & Services	2,950	2,490	-460
1,210	4	Third Party Payments	0	0	0
140,619		**Gross Expenditure**	146,640	159,230	12,590
0	5	Other Income	-2,000	-143,090	-141,090
140,619		**Net Expenditure**	144,640	16,140	-128,500
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	1	Employee Costs including Increments and Pension			13,300
	5	Recharge from Otterpool LLP			-143,090
	GM00	**Director of Transition & Transformation**			
136,496	1	Employees	143,490	156,790	13,300
827	2	Transport-Related Expenditure	50	100	50
2,801	3	Supplies & Services	3,680	3,210	-470
1,210	4	Third Party Payments	1,230	0	-1,230
141,335		**Gross Expenditure**	148,450	160,100	11,650
-300	5	Other Income	0	0	0
141,035		**Net Expenditure**	148,450	160,100	11,650
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	1	Employee Costs including Increments and Pension			13,300
	GM01	**Head of Paid Service**			
160,239	1	Employees	178,010	191,900	13,890
1,274	2	Transport-Related Expenditure	300	100	-200
7,252	3	Supplies & Services	3,890	3,510	-380
1,210	4	Third Party Payments	1,230	0	-1,230
169,975		**Gross Expenditure**	183,430	195,510	12,080
0	5	Other Income	-500	0	500
169,975		**Net Expenditure**	182,930	195,510	12,580
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	1	Employee Costs including Increments and Pension			13,890
	GM05	**Director of Place**			
0	1	Employees	100,000	143,370	43,370
0	2	Supplies & Services	0	1,660	1,660
0		**Net Expenditure**	100,000	145,030	45,030
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	1	Employee Costs including Increments and Pension			43,370

	GM38		**Leadership and PA Support**			
91,571		1	Employees	100,170	105,230	5,060
30		2	Transport-Related Expenditure	500	250	-250
6,004		3	Supplies & Services	6,080	4,780	-1,300
4,890		4	Third Party Payments	7,380	0	-7,380
102,495			**Gross Expenditure**	114,130	110,260	-3,870
0		5	Other Income	-1,000	0	1,000
102,495			**Net Expenditure**	113,130	110,260	-2,870

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	5,060
4	Change in Outsourced Contract Recharges	-7,380

	GM39		**Director of Housing & Operations**			
115,838		1	Employees	120,470	143,760	23,290
55		2	Transport-Related Expenditure	0	0	0
2,155		3	Supplies & Services	2,260	2,050	-210
1,210		4	Third Party Payments	1,230	0	-1,230
119,258			**Gross Expenditure**	123,960	145,810	21,850
-4,000		5	Other Income	-2,000	-4,400	-2,400
115,258			**Net Expenditure**	121,960	141,410	19,450

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	23,290

Ewan Green
Place Summary

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
-151,292	BE57	Licensing	-144,420	-148,520	-4,100
-2,015	BE58	Caravan Sites	-3,060	-3,060	0
17,069	BF53	Crime and Disorder	20,850	25,220	4,370
164,347	BG50	Food Safety, Health and Safety etc	228,680	250,580	21,900
28,589	BG51	Pollution Reduction	59,370	51,870	-7,500
7,830	BG52	Pest Control	10,000	10,000	0
16,338	BG53	Unauthorised Encampments	18,000	18,000	0
977,509	CE10	Household Waste Collection	1,201,740	1,300,500	98,760
-122,668	CE11	Recycling and Waste	144,850	604,890	460,040
-158,339	CE20	Cemeteries	-144,720	-147,610	-2,890
1,909	CE25	Burials	2,000	2,000	0
48,934	CE31	Hythe Swimming Pool	13,380	119,060	105,680
10,841	CE51	Dog Control	6,980	6,980	0
-787	CE54	Litter & Fouling Enforcement	5,500	5,500	0
-111,576	CE58	Hackney Carriage Licensing	-90,700	-104,000	-13,300
999,277	CE60	Cleansing	1,176,170	1,437,830	261,660
1,000	ED15	Community Chest	0	0	0
85,585	ED40	Members Ward Allowance	90,000	90,000	0
43,247	ED41	Community Grants	50,060	45,460	-4,600
17,850	EE20	Sports Development Initiatives	19,850	19,850	0
150,000	EE25	Folkestone Sports Centre	150,000	150,000	0
22,275	ER02	Tall Ships Project	25,000	25,000	0
-117,807	FH57	Local Land Charges	-164,120	-165,800	-1,680
1,928,116		**Service Total**	**2,675,410**	**3,593,750**	**918,340**

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
848,089	GA23	Case Management (Place)	786,460	1,232,780	446,320
128	GA56	New Romney One Stop	120	0	-120
98,029	GA60	Civic Wardens	93,380	78,140	-15,240
805,729	GA62	Customer Services	917,000	837,770	-79,230
188,943	GL21	Community Safety	200,220	0	-200,220
289,450	GM36	Environmental Protection	310,380	465,630	155,250
147,894	GM44	Licensing	191,210	194,900	3,690
162,691	GM50	Area Officers	141,190	197,090	55,900
2,540,951		**Administration Total**	**2,639,960**	**3,006,310**	**366,350**

Ewan Green
Place Detail

Service

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	BE57		**Licensing**			
5,033		1	Premises-Related Expenditure	6,800	6,800	0
187		2	Transport-Related Expenditure	0	0	0
8,466		3	Supplies & Services	1,600	1,600	0
2,580		4	Third Party Payments	2,000	2,000	0
16,266			**Gross Expenditure**	10,400	10,400	0
-167,558		5	Other Income	-154,820	-158,920	-4,100
-151,292			**Net Expenditure**	-144,420	-148,520	-4,100
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	BE58		**Caravan Sites**			
-2,015		1	Other Income	-3,060	-3,060	0
-2,015			**Net Expenditure**	-3,060	-3,060	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	BF53		**Crime and Disorder**			
0		1	Transport-Related Expenditure	0	2,150	2,150
62,163		2	Supplies & Services	49,860	54,960	5,100
62,163			**Gross Expenditure**	49,860	57,110	7,250
-45,094		3	Other Income	-29,010	-31,890	-2,880
17,069			**Net Expenditure**	20,850	25,220	4,370
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	BG50		**Food Safety, Health and Safety etc**			
154,828		1	Employees	213,400	245,320	31,920
5,016		2	Transport-Related Expenditure	5,700	5,200	-500
3,996		3	Supplies & Services	4,820	3,680	-1,140
4,870		4	Third Party Payments	7,380	0	-7,380
168,710			**Gross Expenditure**	231,300	254,200	22,900
-4,363		5	Other Income	-2,620	-3,620	-1,000
164,347			**Net Expenditure**	228,680	250,580	21,900
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Employee Costs including Increments and Pension			-12,480
		1	Approved Budget Strategy Growth			44,400
		4	Change in Outsourced Contract Recharges			-7,380
	BG51		**Pollution Reduction**			
51,160		1	Supplies & Services	68,390	68,390	0
51,160			**Gross Expenditure**	68,390	68,390	0
-22,571		2	Other Income	-9,020	-16,520	-7,500
28,589			**Net Expenditure**	59,370	51,870	-7,500
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		2	Approved Budget Strategy Savings			-7,500
	BG52		**Pest Control**			
7,830		1	Premises-Related Expenditure	10,000	10,000	0
7,830			**Net Expenditure**	10,000	10,000	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	BG53		**Unauthorised Encampments**			
16,338		1	Supplies & Services	18,000	18,000	0
16,338			**Net Expenditure**	18,000	18,000	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	CE10	**Household Waste Collection**			
220,195	1	Premises-Related Expenditure	0	0	0
99,137	2	Supplies & Services	133,560	133,550	-10
1,046,234	3	Third Party Payments	1,206,760	1,476,630	269,870
1,365,566		**Gross Expenditure**	1,340,320	1,610,180	269,860
-388,057	4	Other Income	-138,580	-309,680	-171,100
977,509		**Net Expenditure**	1,201,740	1,300,500	98,760
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	3	Change in Outsourced Contract Recharges			269,870
	4	Approved Budget Strategy Savings			-170,000
	CE11	**Recycling and Waste**			
20,938	1	Supplies & Services	23,120	23,230	110
1,319,807	2	Third Party Payments	1,522,320	1,862,770	340,450
1,340,745		**Gross Expenditure**	1,545,440	1,886,000	340,560
-1,463,413	3	Other Income	-1,400,590	-1,281,110	119,480
-122,668		**Net Expenditure**	144,850	604,890	460,040
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	2	Change in Outsourced Contract Recharges			340,450
	3	Approved Budget Strategy Savings			-90,000
	3	Approved Fees & Charges			-15,000
	3	MTFS adjustment - lower income from KCC			223,000
	CE20	**Cemeteries**			
256	1	Supplies & Services	350	360	10
256		**Gross Expenditure**	350	360	10
-158,595	2	Other Income	-145,070	-147,970	-2,900
-158,339		**Net Expenditure**	-144,720	-147,610	-2,890
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	CE25	**Burials**			
14,226	1	Supplies & Services	3,000	3,000	0
14,226		**Gross Expenditure**	3,000	3,000	0
-12,317	2	Other Income	-1,000	-1,000	0
1,909		**Net Expenditure**	2,000	2,000	0
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	CE31	**Hythe Swimming Pool**			
256,789	1	Employees	243,000	250,330	7,330
34,438	2	Supplies & Services	40,160	48,370	8,210
31,210	3	Third Party Payments	32,460	0	-32,460
322,437		**Gross Expenditure**	315,620	298,700	-16,920
-273,503	4	Other Income	-302,240	-179,640	122,600
48,934		**Net Expenditure**	13,380	119,060	105,680
		Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	1	Employee Costs including Increments and Pension			8,830
	2	Approved Budget Strategy Growth			10,000
	3	Approved Budget Strategy Savings			-30,000
	4	MTFS adjustment - anticpated lower income			125,000

	CE51		**Dog Control**			
2,792		1	Transport-Related Expenditure	1,820	1,820	0
11,308		2	Supplies & Services	10,060	10,060	0
14,100			**Gross Expenditure**	11,880	11,880	0
-3,259		3	Other Income	-4,900	-4,900	0
10,841			**Net Expenditure**	6,980	6,980	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	CE54		**Litter & Fouling Enforcement**			
1,333		1	Supplies & Services	7,500	7,500	0
1,333			**Gross Expenditure**	7,500	7,500	0
-2,120		2	Other Income	-2,000	-2,000	0
-787			**Net Expenditure**	5,500	5,500	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	CE58		**Hackney Carriage Licensing**			
22,611		1	Supplies & Services	21,870	21,870	0
22,611			**Gross Expenditure**	21,870	21,870	0
-134,187		2	Other Income	-112,570	-125,870	-13,300
-111,576			**Net Expenditure**	-90,700	-104,000	-13,300
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		2	Approved Fees & Charges			-13,300
	CE60		**Cleansing**			
14,328		1	Supplies & Services	17,000	17,000	0
1,014,310		2	Third Party Payments	1,170,020	1,431,680	261,660
1,028,638			**Gross Expenditure**	1,187,020	1,448,680	261,660
-29,361		3	Other Income	-10,850	-10,850	0
999,277			**Net Expenditure**	1,176,170	1,437,830	261,660
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		2	Change in Outsourced Contract Recharges			261,660
	ED15		**Community Chest**			
1,000			Supplies & Services	0	0	0
1,000			**Net Expenditure**	0	0	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	ED40		**Members Ward Allowance**			
85,585		1	Supplies & Services	90,000	90,000	0
85,585			**Net Expenditure**	90,000	90,000	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	ED41		**Community Grants**			
15		1	Employees	0	0	0
43,232		2	Supplies & Services	50,060	45,460	-4,600
43,247			**Net Expenditure**	50,060	45,460	-4,600
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	EE20		**Sports Development Initiatives**			
17,850		1	Supplies & Services	19,850	19,850	0
17,850			**Net Expenditure**	19,850	19,850	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			

	EE25		**Folkestone Sports Centre**			
150,000		1	Supplies & Services	150,000	150,000	0
150,000			**Net Expenditure**	150,000	150,000	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	ER02		**Tall Ships Project**			
23,463		1	Supplies & Services	25,000	25,000	0
23,463			**Gross Expenditure**	25,000	25,000	0
-1,188		2	Other Income	0	0	0
22,275			**Net Expenditure**	25,000	25,000	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	FH57		**Local Land Charges**			
31,573		1	Supplies & Services	50,880	50,800	-80
31,573			**Gross Expenditure**	50,880	50,800	-80
-149,380		2	Other Income	-215,000	-216,600	-1,600
-117,807			**Net Expenditure**	-164,120	-165,800	-1,680

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

Administration

2019/20 Actual £	Code			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA23		**Case Management (Place)**			
792,011		1	Employees	735,660	1,217,150	481,490
154		2	Transport-Related Expenditure	200	200	0
21,538		3	Supplies & Services	18,630	15,430	-3,200
34,386		4	Third Party Payments	31,970	0	-31,970
848,089			**Net Expenditure**	786,460	1,232,780	446,320

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Introduction of new Housing Structure	279,000
1	Employee Costs including Increments and Pension	39,000
1	Restructure of Establishment incl. Transformation (GM20)	53,810
1	Restructure of Establishment incl. Transformation	109,680
4	Change in Outsourced Contract Recharges	-31,970

2019/20 Actual £	Code			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA56		**New Romney One Stop**			
128		1	Supplies & Services	120	0	-120
128			**Net Expenditure**	120	0	-120

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

2019/20 Actual £	Code			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA60		**Civic Wardens**			
88,965		1	Employees	82,140	72,510	-9,630
43		2	Transport-Related Expenditure	150	150	0
7,124		3	Supplies & Services	9,030	8,340	-690
4,890		4	Third Party Payments	4,920	0	-4,920
101,023			**Gross Expenditure**	96,240	81,000	-15,240
-2,994		5	Other Income	-2,860	-2,860	0
98,029			**Net Expenditure**	93,380	78,140	-15,240

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Restructure of Establishment incl. Transformation	-12,130
4	Change in Outsourced Contract Recharges	-4,920

2019/20 Actual £	Code			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GA62		**Customer Services**			
748,896		1	Employees	829,870	803,550	-26,320
197		2	Transport-Related Expenditure	600	400	-200
28,920		3	Supplies & Services	37,930	30,740	-7,190
56,140		4	Third Party Payments	78,020	32,500	-45,520
834,153			**Gross Expenditure**	946,420	867,190	-79,230
-28,424		5	Other Income	-29,420	-29,420	0
805,729			**Net Expenditure**	917,000	837,770	-79,230

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	54,020
1	Restructure of Establishment incl. Transformation	-72,360
1	Approved Budget Strategy Savings	-10,000
3	Approved Budget Strategy Savings	-5,600
4	Change in Outsourced Contract Recharges	-40,520
4	Approved Budget Strategy Savings	-5,000

2019/20 Actual £	Code			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GL21		**Community Safety**			
166,894		1	Employees	170,870	0	-170,870
4,625		2	Transport-Related Expenditure	6,760	0	-6,760
13,763		3	Supplies & Services	15,210	0	-15,210
3,660		4	Third Party Payments	7,380	0	-7,380
188,943			**Net Expenditure**	200,220	0	-200,220

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-4	Restructure of Establishment incl. Transformation (GM12, GM36 & GM50)	-200,220

	GM36	**Environmental Protection**			
263,155	1	Employees	281,160	441,270	160,110
5,113	2	Transport-Related Expenditure	3,700	5,950	2,250
12,920	3	Supplies & Services	16,980	18,480	1,500
8,550	4	Third Party Payments	8,610	0	-8,610
289,738		**Gross Expenditure**	310,450	465,700	155,250
-289	5	Other Income	-70	-70	0
289,450		**Net Expenditure**	310,380	465,630	155,250

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	26,630
1	Approved Budget Strategy Growth - new posts	88,310
1	Restructure of Establishment incl. Transformation (GL21)	46,610
4	Change in Outsourced Contract Recharges	-8,610

	GM44	**Licensing**			
138,781	1	Employees	181,580	189,880	8,300
2,621	2	Transport-Related Expenditure	3,000	3,000	0
2,832	3	Supplies & Services	2,940	2,020	-920
3,660	4	Third Party Payments	3,690	0	-3,690
147,894		**Net Expenditure**	191,210	194,900	3,690

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	16,920
1	Restructure of Establishment incl. Transformation	-38,530
1	Approved Budget Strategy Growth - new post	36,800

	GM50	**Area Officers**			
126,097	1	Employees	126,340	182,040	55,700
23,464	2	Transport-Related Expenditure	7,100	7,210	110
8,240	3	Supplies & Services	7,750	7,840	90
4,890	4	Third Party Payments	0	0	0
162,691		**Net Expenditure**	141,190	197,090	55,900

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Restructure of Establishment incl. Transformation (GL21)	40,000
1	Employee Costs including Increments and Pension	15,000

Katharine Harvey
Economic Development Summary

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
118,172	ED10	Regen & Economic Development	282,330	249,350	-32,980
38,916	ED12	Rural Regeneration Initiatives	31,980	-8,120	-40,100
9,171	ED13	European Initiatives	0	0	0
0	ED14	High Street Innovation Fund	468,410	830,380	361,970
46,038	ED16	Folkestone CLLD	21,940	17,320	-4,620
71,786	ED54	Corporate Investment Initiatives	0	0	0
81,076	ED55	Town Centre Regeneration Initatives	0	0	0
25,000	EE23	Folkestone Airshow	0	0	0
40,355	ES05	Environmental Initiatives	40,360	40,360	0
430,522		**Service Total**	**845,020**	**1,129,290**	**284,270**

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
166,565	GM30	Regeneration & Economic Development	167,450	175,040	7,590
166,565		**Administration Total**	**167,450**	**175,040**	**7,590**

Katharine Harvey
Economic Development Detail

2019/20 Actual £			Service	2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	ED10		**Regen & Economic Development**			
238		1	Transport-Related Expenditure	0	0	0
117,934		2	Supplies & Services	282,330	249,350	-32,980
118,172			**Net Expenditure**	282,330	249,350	-32,980
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		2	MTFS adjustment			-13,000
		2	Approved Budget Strategy Savings			-20,000
	ED12		**Rural Regeneration Initiatives**			
36,321		1	Employees	37,490	0	-37,490
944		2	Transport-Related Expenditure	1,500	500	-1,000
17,108		3	Supplies & Services	11,760	11,380	-380
1,210		4	Third Party Payments	1,230	0	-1,230
55,583			**Gross Expenditure**	51,980	11,880	-40,100
-16,667		5	Other Income	-20,000	-20,000	0
38,916			**Net Expenditure**	31,980	-8,120	-40,100
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Restructure of Establishment incl. Transformation			-37,490
	ED13		**European Initiatives**			
9,171		1	Supplies & Services	0	0	0
9,171			**Net Expenditure**	0	0	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	ED14		**High Street Innovation Fund**			
0		1	Employees	0	30,250	30,250
0		2	Supplies & Services	468,410	800,130	331,720
0			**Net Expenditure**	468,410	830,380	361,970
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Employee Costs including Increments and Pension			30,250
		2	MTFS adjustment			331,720
	ED16		**Folkestone CLLD**			
65,395		1	Employees	100,890	96,580	-4,310
251		2	Transport-Related Expenditure	200	200	0
3,607		3	Supplies & Services	6,440	6,130	-310
69,253			**Gross Expenditure**	107,530	102,910	-4,620
-23,215		4	Other Income	-85,590	-85,590	0
46,038			**Net Expenditure**	21,940	17,320	-4,620
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			

	ED17		**CLLD ESF Projects**			
78,302		1	Supplies & Services	0	0	0
78,302			**Gross Expenditure**	0	0	0
-78,302		2	Other Income	0	0	0
0			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	ED18		**CLLD ERDF Projects**			
29,122		1	Supplies & Services	0	0	0
29,122			**Gross Expenditure**	0	0	0
-29,122		2	Other Income	0	0	0
0			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	ED54		**Corporate Investment Initiatives**			
2,640		1	Employees	0	0	0
69,146		2	Supplies & Services	0	0	0
71,786			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	ED55		**Town Centre Regeneration Initatives**			
246		1	Transport-Related Expenditure	0	0	0
80,829		2	Supplies & Services	0	0	0
81,076			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	EE23		**Folkestone Airshow**			
25,000		1	Supplies & Services	0	0	0
25,000			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	ES05		**Environmental Initiatives**			
40,360		1	Supplies & Services	40,360	40,360	0
40,360			**Gross Expenditure**	40,360	40,360	0
-5		2	Other Income	0	0	0
40,355			**Net Expenditure**	40,360	40,360	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

Administration

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GM30		**Regeneration & Economic Development**			
156,531		1	Employees	157,540	169,560	12,020
3,295		2	Transport-Related Expenditure	3,000	2,500	-500
3,079		3	Supplies & Services	3,220	2,980	-240
3,660		4	Third Party Payments	3,690	0	-3,690
166,565			**Net Expenditure**	167,450	175,040	7,590

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	12,020

Llywelyn Lloyd
Planning Summary

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
		Service			
-247,349	DA10	Building Control	-299,260	-291,660	7,600
-988,172	DA11	Development Control	-789,090	-942,790	-153,700
-1,235,521		**Service Total**	**-1,088,350**	**-1,234,450**	**-146,100**
		Administration			
1,151,693	GM20	Development Management	1,293,150	1,189,930	-103,220
243,236	GM21	Building Control	326,770	257,460	-69,310
1,394,929		**Administration Total**	**1,619,920**	**1,447,390**	**-172,530**

Llywelyn Lloyd
Planning Detail

Service

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
	DA10		**Building Control**			
3,751		1	Supplies & Services	1,680	1,680	0
3,751			**Gross Expenditure**	1,680	1,680	0
-251,100		2	Other Income	-300,940	-293,340	7,600
-247,349			**Net Expenditure**	-299,260	-291,660	7,600
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		2	Approved Budget Strategy Growth			10,000
	DA11		**Development Control**			
0		1	Transport-Related Expenditure	500	0	-500
112,711		2	Supplies & Services	109,210	109,210	0
1,210		3	Third Party Payments	0	0	0
113,921			**Gross Expenditure**	109,710	109,210	-500
-1,102,093		4	Other Income	-898,800	-1,052,000	-153,200
-988,172			**Net Expenditure**	-789,090	-942,790	-153,700
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		4	Approved Fees & Charges			-11,200
		4	Approved Budget Strategy Growth			15,000
		4	Approved Budget Strategy Savings			-157,000

Administration

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GM20		**Development Management**			
1,085,698		1	Employees	1,116,190	1,148,500	32,310
15,590		2	Transport-Related Expenditure	15,520	13,520	-2,000
35,959		3	Supplies & Services	137,010	35,450	-101,560
17,110		4	Third Party Payments	31,970	0	-31,970
1,154,357			**Gross Expenditure**	1,300,690	1,197,470	-103,220
-2,664		5	Other Income	-7,540	-7,540	0
1,151,693			**Net Expenditure**	1,293,150	1,189,930	-103,220

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	MTFS adjustment - reduction in temporary staff costs	-75,000
1	Restructure of Establishment incl. Transformation (GA23)	53,810
1	Employee Costs including Increments and Pension	59,800
3	MTFS adjustment - reduction in professional fees	-100,000
4	Change in Outsourced Contract Recharges	-31,970

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GM21		**Building Control**			
224,808		1	Employees	304,410	242,310	-62,100
4,179		2	Transport-Related Expenditure	2,100	2,100	0
9,795		3	Supplies & Services	16,440	14,150	-2,290
4,870		4	Third Party Payments	4,920	0	-4,920
243,652			**Gross Expenditure**	327,870	258,560	-69,310
-417		5	Other Income	-1,100	-1,100	0
243,236			**Net Expenditure**	326,770	257,460	-69,310

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Restructure of Establishment incl. Transformation	-76,000
1	Employee Costs including Increments and Pension	10,420

Andy Blaszkowicz
Operations Summary

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
3,430	CE02	Street Furniture	20,040	15,040	-5,000
8,860	CE03	Passenger Shelters	17,550	10,050	-7,500
102,475	CE04	Street Lighting	71,300	71,300	0
-271,379	CE30	Outdoor Sports and Recreation	-27,220	-27,220	0
-14,596	CE33/ CE34	RMC-Ecology&Habitat MTCE(HLF)	-12,750	-12,420	330
1,771	CE36	Royal Military Canal Drainage Functions	8,440	5,440	-3,000
20,775	CE37	RMC - Bridge Painting	22,480	22,480	0
713,267	CE38	Community Parks & Open Spaces	883,320	947,670	64,350
-1,166,503	CE40	Off-Street Parking	-1,246,620	-955,040	291,580
-258,585	CE45	On-Street Parking Enforcement	-240,600	-122,040	118,560
37,117	CE52	Public Conveniences	33,400	33,400	0
-7,243	CE55	Communities - Events	0	0	0
24,165	CE99	Other Environmental Services	40,100	34,100	-6,000
-232,624	CG55	Sewerage Services	0	0	0
-161,434	CG80	Coast Protection	-163,590	-155,690	7,900
-35,101	CG85	Shoreline Management	-32,980	-33,280	-300
11,216	CG90	Flood Defence & Land Drainage	14,650	14,650	0
3,325	EA11	Leas Bandstand	3,200	3,200	0
-7,033	EA12	Hythe Beach Chalets	-7,980	-7,980	0
-18,200	EB02	Mountfield Industrial Estate	-91,030	-91,030	0
16,495	FH25	Emergency Planning	21,800	18,600	-3,200
-181,783	HH51	Lifeline Facilities	-161,380	-154,570	6,810
-1,411,584		**Service Total**	**-847,870**	**-383,340**	**464,530**

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
188,390	GM18	Maintenance Officers	222,880	231,790	8,910
112,416	GM23	Parking Services	118,350	121,890	3,540
85,416	GM25	Grounds Maintenance Contract Management	87,080	0	-87,080
230,684	GM31	Engineering and Buildings	253,990	297,550	43,560
166,924	GM32	Estates and Assets	206,030	205,440	-590
783,830		**Administration Total**	**888,330**	**856,670**	**-31,660**

Holding

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
1,222,714	GE01	Grounds Maintenance	1,303,410	1,414,690	111,280
207,182	GE05	Charity Areas	217,920	224,530	6,610
65,270	GE06	Royal Military Canal	77,780	79,930	2,150
114,551	GE07	Toilet Cleaning	141,200	145,640	4,440
1,553	GE08	Pump Maintenance Crew	1,410	4,200	2,790
115,409	GX00	Civic Centre	122,240	137,090	14,850
1,349	GX05	Hawkinge Depot	3,090	2,220	-870
114,175	GX10	Public Toilets	111,940	109,990	-1,950
19,703	GX20	Parks & Open Spaces Buildings	10,840	10,840	0
10,536	GX21	Royal Military Canal Buildings	6,050	6,050	0
99	GX22	Hythe Beach Huts	130	130	0
631	GX23	Bandstand	2,420	2,410	-10
15,025	GX24	Sports & Recreation Buildings	24,630	19,610	-5,020
51,688	GX25	Charity Parks & Open Spaces	33,930	35,440	1,510
121,440	GX27	Hythe Swimming Pool	118,220	133,180	14,960
223,227	GX30	Car Parks	228,370	217,110	-11,260
96,848	GX40	Prog Planned Maintenance	107,000	91,000	-16,000
40,871	GX50	Depots & Cemetery Buildings	39,420	43,410	3,990
0	GX52	Mountfield Road Depot	390	190	-200
-243,482	GX53	Misc Corporate Property	-232,860	-264,080	-31,220
297	GX54	Christchurch Tower	310	310	0
1,431	GX60	Mountfield Industrial Estate	3,800	2,910	-890
0	GX65	Debenhams Site	0	152,250	152,250
0	GX80	Misc Otterpool Property	0	16,030	16,030
-12,441	GX81	Connect 38	-1,096,530	-841,920	254,610
18,600	GX82	Westenhanger Castle	0	0	0
0	GX83	Memorial Arch	6,000	21,000	15,000
0	GX89	Misc Agricultural Property	100	100	0
2,186,677		**Holding Total**	**1,231,210**	**1,764,260**	**533,050**

Andy Blaszkowicz
Operations Detail

Service

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	CE02		**Street Furniture**			
3,430		1	Supplies & Services	20,040	15,040	-5,000
3,430			**Net Expenditure**	20,040	15,040	-5,000
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Approved Budget Strategy Savings			-5,000
	CE03		**Passenger Shelters**			
8,793		1	Premises-Related Expenditure	17,550	10,050	-7,500
67		2	Supplies & Services	0	0	0
8,860			**Net Expenditure**	17,550	10,050	-7,500
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Approved Budget Strategy Savings			-7,500
	CE04		**Street Lighting**			
46,655		1	Premises-Related Expenditure	35,000	35,000	0
55,820		2	Supplies & Services	36,300	36,300	0
102,475			**Net Expenditure**	71,300	71,300	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	CE30		**Outdoor Sports and Recreation**			
7,500		1	Supplies & Services	7,500	7,500	0
7,500			**Gross Expenditure**	7,500	7,500	0
-278,879		2	Other Income	-34,720	-34,720	0
-271,379			**Net Expenditure**	-27,220	-27,220	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	CE33/ CE34		**RMC-Ecology&Habitat MTCE(HLF)**			
240		1	Employees	240	240	0
1,014		2	Supplies & Services	170	500	330
1,254			**Gross Expenditure**	410	740	330
-15,850		3	Other Income	-13,160	-13,160	0
-14,596			**Net Expenditure**	-12,750	-12,420	330
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			

	CE36		**Royal Military Canal Drainage Functions**			
8,255		1	Premises-Related Expenditure	8,440	5,440	-3,000
8,255			**Gross Expenditure**	8,440	5,440	-3,000
-6,484		2	Other Income	0	0	0
1,771			**Net Expenditure**	8,440	5,440	-3,000

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	CE37		**RMC - Bridge Painting**			
20,775		1	Premises-Related Expenditure	22,480	22,480	0
20,775			**Net Expenditure**	22,480	22,480	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	CE38		**Community Parks & Open Spaces**			
475,541		1	Supplies & Services	598,820	606,320	7,500
220,390		2	Third Party Payments	254,210	311,060	56,850
52,200		3	Contributions to Provisions	52,200	52,200	0
748,131			**Gross Expenditure**	905,230	969,580	64,350
-34,864		4	Other Income	-21,910	-21,910	0
713,267			**Net Expenditure**	883,320	947,670	64,350

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Permanent virement (FH18)	7,500
2	Change in Outsourced Contract Recharges	56,850

	CE40		**Off-Street Parking**			
66,486		1	Premises-Related Expenditure	27,560	27,590	30
76,169		2	Supplies & Services	84,300	74,330	-9,970
99,784		3	Third Party Payments	101,670	109,190	7,520
242,440			**Gross Expenditure**	213,530	211,110	-2,420
-1,408,943		4	Other Income	-1,460,150	-1,166,150	294,000
-1,166,503			**Net Expenditure**	-1,246,620	-955,040	291,580

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

2	Approved Budget Strategy Savings	-10,000
3	Change in Outsourced Contract Recharges	7,520
4	MTFS adjustment - anticpated lower income	294,000

	CE45		**On-Street Parking Enforcement**			
34,799		1	Premises-Related Expenditure	39,400	31,400	-8,000
94,383		2	Supplies & Services	99,790	71,330	-28,460
326,898		3	Third Party Payments	323,210	334,600	11,390
456,079			**Gross Expenditure**	462,400	437,330	-25,070
-714,665		4	Other Income	-703,000	-559,370	143,630
-258,585			**Net Expenditure**	-240,600	-122,040	118,560

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Approved Budget Strategy Savings	-8,000
2	Approved Budget Strategy Savings	-28,500
3	Change in Outsourced Contract Recharges	11,390
4	MTFS adjustment - anticpated lower income	147,630
4	Approved Budget Strategy Savings	-4,000

CE52 **Public Conveniences**

42,305		1	Supplies & Services	42,150	42,150	0
42,305			**Gross Expenditure**	42,150	42,150	0
-5,188		2	Other Income	-8,750	-8,750	0
37,117			**Net Expenditure**	33,400	33,400	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	CE55		**Communities - Events**			
2		1	Transport-Related Expenditure	0	0	0
305		2	Supplies & Services	0	0	0
307			**Gross Expenditure**	0	0	0
-7,550		3	Other Income	0	0	0
-7,243			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	CE99		**Other Environmental Services**			
178		1	Employees	0	0	0
276		2	Premises-Related Expenditure	0	0	0
72		3	Transport-Related Expenditure	100	100	0
23,639		4	Supplies & Services	40,000	34,000	-6,000
24,165			**Net Expenditure**	40,100	34,100	-6,000

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

4	Approved Budget Strategy Savings	-6,000

	CG55		**Sewerage Services**			
-232,624		1	Other Income	0	0	0
-232,624			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	CG80		**Coast Protection**			
43,865		1	Premises-Related Expenditure	32,470	32,470	0
383		2	Supplies & Services	500	500	0
64,034		3	Third Party Payments	19,000	19,000	0
108,282			**Gross Expenditure**	51,970	51,970	0
-269,716		4	Other Income	-215,560	-207,660	7,900
-161,434			**Net Expenditure**	-163,590	-155,690	7,900

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

4	Approved Budget Strategy Growth	7,900

	CG85		**Shoreline Management**			
5,745		1	Premises-Related Expenditure	9,010	9,010	0
5,745			**Gross Expenditure**	9,010	9,010	0
-40,846		2	Other Income	-41,990	-42,290	-300
-35,101			**Net Expenditure**	-32,980	-33,280	-300

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	CG90		**Flood Defence & Land Drainage**			
10,037		1	Premises-Related Expenditure	12,330	12,330	0
1,179		2	Supplies & Services	2,320	2,320	0
11,216			**Net Expenditure**	14,650	14,650	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	EA11		**Leas Bandstand**			
9,325		1	Supplies & Services	9,200	9,200	0
9,325			**Gross Expenditure**	9,200	9,200	0
-6,000		2	Other Income	-6,000	-6,000	0
3,325			**Net Expenditure**	3,200	3,200	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	EA12		**Hythe Beach Chalets**			
-7,033		1	Other Income	-7,980	-7,980	0
-7,033			**Net Expenditure**	-7,980	-7,980	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	EB02		**Mountfield Industrial Estate**			
-18,200		1	Other Income	-91,030	-91,030	0
-18,200			**Net Expenditure**	-91,030	-91,030	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	FH25		**Emergency Planning**			
16,495		1	Supplies & Services	21,800	18,600	-3,200
16,495			**Net Expenditure**	21,800	18,600	-3,200

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	HH51		**Lifeline Facilities**			
561,724		1	Employees	591,060	645,900	54,840
15,711		2	Transport-Related Expenditure	10,220	10,940	720
146,835		3	Supplies & Services	129,860	128,150	-1,710
7,330		4	Third Party Payments	9,840	0	-9,840
731,600			**Gross Expenditure**	740,980	784,990	44,010
-913,383		5	Other Income	-902,360	-939,560	-37,200
-181,783			**Net Expenditure**	-161,380	-154,570	6,810

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	37,000
1	Restructure of Establishment incl. Transformation	17,000
4	Change in Outsourced Contract Recharges	-9,840
5	Approved Budget Strategy Savings	-30,000
5	Approved Fees & Charges	-7,200

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GM18		**Maintenance Officers**			
150,832		1	Employees	164,680	178,540	13,860
501		2	Premises-Related Expenditure	0	0	0
10,829		3	Transport-Related Expenditure	12,100	11,880	-220
70,469		4	Supplies & Services	90,450	88,180	-2,270
7,330		5	Third Party Payments	2,460	0	-2,460
239,960			**Gross Expenditure**	269,690	278,600	8,910
-51,570		6	Other Income	-46,810	-46,810	0
188,390			**Net Expenditure**	222,880	231,790	8,910
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Employee Costs including Increments and Pension			13,860
	GM23		**Parking Services**			
102,715		1	Employees	107,190	113,550	6,360
1,414		2	Transport-Related Expenditure	1,650	1,650	0
5,837		3	Supplies & Services	7,050	6,690	-360
2,450		4	Third Party Payments	2,460	0	-2,460
112,416			**Net Expenditure**	118,350	121,890	3,540
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Employee Costs including Increments and Pension			6,360
	GM25		**Grounds Maintenance Contract Management**			
77,207		1	Employees	79,430	0	-79,430
4,151		2	Transport-Related Expenditure	3,500	0	-3,500
1,608		3	Supplies & Services	1,690	0	-1,690
2,450		4	Third Party Payments	2,460	0	-2,460
85,416			**Net Expenditure**	87,080	0	-87,080
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1-4	Budget re-alignment (GE01)			-87,080
	GM31		**Engineering and Buildings**			
206,257		1	Employees	205,780	275,960	70,180
5,223		2	Transport-Related Expenditure	5,300	5,300	0
14,314		3	Supplies & Services	37,990	16,290	-21,700
4,890		4	Third Party Payments	4,920	0	-4,920
230,684			**Net Expenditure**	253,990	297,550	43,560
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Restructure of Establishment incl. Transformation			70,000
		3	Approved Budget Strategy Savings			-20,000

	GM32	**Estates and Assets**			
152,323	1	Employees	194,330	209,140	14,810
1,797	2	Transport-Related Expenditure	2,100	2,300	200
9,754	3	Supplies & Services	4,680	4,000	-680
3,660	4	Third Party Payments	4,920	0	-4,920
167,534		**Gross Expenditure**	206,030	215,440	9,410
-610	5	Other Income	0	-10,000	-10,000
166,924		**Net Expenditure**	206,030	205,440	-590

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	14,810
5	Recharge from Otterpool LLP	-10,000

Holding

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GE01		**Grounds Maintenance**			
977,289		1	Employees	1,114,420	1,249,250	134,830
75,535		2	Premises-Related Expenditure	65,780	65,780	0
149,820		3	Transport-Related Expenditure	133,740	134,370	630
171,880		4	Supplies & Services	181,870	171,190	-10,680
6,120		5	Third Party Payments	12,300	0	-12,300
1,380,644			**Gross Expenditure**	1,508,110	1,620,590	112,480
-157,930		6	Other Income	-204,700	-205,900	-1,200
1,222,714			**Net Expenditure**	1,303,410	1,414,690	111,280

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	48,220
1-5	Budget re-alignment (GM25)	87,080
4	Adjustment to Centrally Determined Costs	-10,680
5	Change in Outsourced Contract Recharges	-14,760

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GE05		**Charity Areas**			
188,877		1	Employees	197,970	204,570	6,600
67		2	Premises-Related Expenditure	0	0	0
6,674		3	Transport-Related Expenditure	7,710	7,710	0
11,564		4	Supplies & Services	12,240	12,250	10
207,182			**Net Expenditure**	217,920	224,530	6,610

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	6,600

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GE06		**Royal Military Canal**			
45,219		1	Employees	55,710	56,910	1,200
3,655		2	Premises-Related Expenditure	5,000	5,000	0
4,976		3	Transport-Related Expenditure	4,550	4,550	0
11,420		4	Supplies & Services	12,520	13,470	950
65,270			**Net Expenditure**	77,780	79,930	2,150

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GE07		**Toilet Cleaning**			
71,561		1	Employees	77,770	82,970	5,200
17,218		2	Premises-Related Expenditure	17,250	17,250	0
6,266		3	Transport-Related Expenditure	9,270	9,050	-220
19,506		4	Supplies & Services	36,910	36,370	-540
114,551			**Net Expenditure**	141,200	145,640	4,440

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	5,200

	GE08		**Pump Maintenance Crew**			
44,064		1	Employees	40,650	42,900	2,250
12,627		2	Transport-Related Expenditure	10,600	11,150	550
40,553		3	Supplies & Services	42,760	42,750	-10
97,243			**Gross Expenditure**	94,010	96,800	2,790
-95,690		4	Other Income	-92,600	-92,600	0
1,553			**Net Expenditure**	1,410	4,200	2,790

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX00		**Civic Centre**			
248,304		1	Premises-Related Expenditure	253,780	268,610	14,830
1,257		2	Supplies & Services	1,000	1,020	20
6,326		3	Third Party Payments	3,460	3,460	0
255,887			**Gross Expenditure**	258,240	273,090	14,850
-140,478		4	Other Income	-136,000	-136,000	0
115,409			**Net Expenditure**	122,240	137,090	14,850

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	MTFS adjustment	25,000
1	Approved Budget Strategy Savings	-10,000

	GX05		**Hawkinge Depot**			
1,349		1	Premises-Related Expenditure	2,690	1,820	-870
0		2	Supplies & Services	400	400	0
1,349			**Net Expenditure**	3,090	2,220	-870

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX10		**Public Toilets**			
114,175		1	Premises-Related Expenditure	111,940	109,990	-1,950
114,175			**Net Expenditure**	111,940	109,990	-1,950

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX20		**Parks & Open Spaces Buildings**			
19,780		1	Premises-Related Expenditure	10,720	10,720	0
116		2	Supplies & Services	120	120	0
19,895			**Gross Expenditure**	10,840	10,840	0
-192		3	Other Income	0	0	0
19,703			**Net Expenditure**	10,840	10,840	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX21		**Royal Military Canal Buildings**			
10,536		1	Premises-Related Expenditure	6,050	6,050	0
10,536			**Net Expenditure**	6,050	6,050	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX22		**Hythe Beach Huts**			
127		1	Premises-Related Expenditure	130	130	0
127			**Gross Expenditure**	130	130	0
-28		2	Other Income	0	0	0
99			**Net Expenditure**	130	130	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX23		**Bandstand**			
631		1	Premises-Related Expenditure	2,420	2,410	-10
631			**Net Expenditure**	2,420	2,410	-10

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX24		**Sports & Recreation Buildings**			
15,025		1	Premises-Related Expenditure	24,600	19,580	-5,020
15,025			**Gross Expenditure**	24,600	19,580	-5,020
0		2	Other Income	30	30	0
15,025			**Net Expenditure**	24,630	19,610	-5,020

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1 Approved Budget Strategy Savings -5,000

	GX25		**Charity Parks & Open Spaces**			
51,188		1	Premises-Related Expenditure	33,430	35,440	2,010
500		2	Supplies & Services	500	0	-500
51,688			**Net Expenditure**	33,930	35,440	1,510

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX27		**Hythe Swimming Pool**			
123,355		1	Premises-Related Expenditure	118,220	133,180	14,960
123,355			**Gross Expenditure**	118,220	133,180	14,960
-1,915		2	Other Income	0	0	0
121,440			**Net Expenditure**	118,220	133,180	14,960

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1 MTFS adjustment 15,000

	GX30		**Car Parks**			
229,312		1	Premises-Related Expenditure	227,840	216,970	-10,870
1,540		2	Supplies & Services	530	140	-390
230,852			**Gross Expenditure**	228,370	217,110	-11,260
-7,626		3	Other Income	0	0	0
223,227			**Net Expenditure**	228,370	217,110	-11,260

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1 Approved Budget Strategy Savings -12,000

	GX40	**Prog Planned Maintenance**			
96,848	1	Premises-Related Expenditure	107,000	91,000	-16,000
96,848		**Net Expenditure**	107,000	91,000	-16,000

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Approved Budget Strategy Savings	-16,000

	GX50	**Depots & Cemetery Buildings**			
43,196	1	Premises-Related Expenditure	39,420	43,410	3,990
43,196		**Gross Expenditure**	39,420	43,410	3,990
-2,325	2	Other Income	0	0	0
40,871		**Net Expenditure**	39,420	43,410	3,990

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX52	**Mountfield Road Depot**			
0	1	Premises-Related Expenditure	190	190	0
0	2	Supplies & Services	200	0	-200
0		**Net Expenditure**	390	190	-200

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX53	**Misc Corporate Property**			
17,544	1	Premises-Related Expenditure	46,760	38,540	-8,220
2,163	2	Supplies & Services	10,150	7,150	-3,000
19,707		**Gross Expenditure**	56,910	45,690	-11,220
-263,189	3	Other Income	-289,770	-309,770	-20,000
-243,482		**Net Expenditure**	-232,860	-264,080	-31,220

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Approved Budget Strategy Savings	-5,000
3	Approved Budget Strategy Savings	-20,000

	GX54	**Christchurch Tower**			
297	1	Premises-Related Expenditure	310	310	0
297		**Net Expenditure**	310	310	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX60	**Mountfield Industrial Estate**			
1,431	1	Premises-Related Expenditure	3,700	2,910	-790
0	2	Supplies & Services	100	0	-100
1,431		**Net Expenditure**	3,800	2,910	-890

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX65	**Debenhams Site**			
0	1	Premises-Related Expenditure	0	152,250	152,250
0		**Net Expenditure**	0	152,250	152,250

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	MTFS adjustment -annual Business Rates	152,250

	GX80		**Misc Otterpool Property**			
27,521		1	Premises-Related Expenditure	0	16,030	16,030
102,692		2	Supplies & Services	0	0	0
130,213			**Gross Expenditure**	0	16,030	16,030
-130,213		3	Other Income	0	0	0
0			**Net Expenditure**	0	16,030	16,030

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	MTFS adjustment	16,030

	GX81		**Connect 38**			
17,849		1	Employees	0	0	0
19,494		2	Premises-Related Expenditure	20,470	20,080	-390
141,911		3	Supplies & Services	42,000	42,000	0
179,254			**Gross Expenditure**	62,470	62,080	-390
-191,695		4	Other Income	-1,159,000	-904,000	255,000
-12,441			**Net Expenditure**	-1,096,530	-841,920	254,610

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

4	MTFS adjustment	255,000

	GX82		**Westenhanger Castle**			
18,600		1	Premises-Related Expenditure	0	0	0
18,600			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	GX83		**Memorial Arch**			
0		1	Premises-Related Expenditure	6,000	21,000	15,000
0			**Net Expenditure**	6,000	21,000	15,000

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Approved Budget Strategy Growth	15,000

	GX89		**Misc Agricultural Property**			
0		1	Premises-Related Expenditure	100	100	0
0			**Net Expenditure**	100	100	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

Andy Jarrett
Strategic Development Summary

Service

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
592,685	ED00	Otterpool - Developer	804,000	42,780	-761,220
19	ED02	Princess Parade Planning Project	0	0	0
-213	ED11	Misc Regeneration Initiatives	0	0	0
16,733	ED50	Strategic Projects	30,000	30,000	0
1,130	ED52	Greatstone Coast Drive Project	0	0	0
11,579	ED53	Hawkinge Fernfiled Lane Project	0	0	0
621,934		**Service Total**	**834,000**	**72,780**	**-761,220**

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
187,477	GM33	Projects	189,260	0	-189,260
130,159	GM40	Strategic Development Projects	103,990	0	-103,990
117,108	GM48	Land Owner Projects	131,590	-2,290	-133,880
434,744		**Administration Total**	**424,840**	**-2,290**	**-427,130**

Andy Jarrett
Strategic Development Detail

	ED00		**Otterpool - Developer**			
82,892		1	Employees	111,480	176,290	64,810
350		2	Premises-Related Expenditure	0	0	0
6,610		3	Transport-Related Expenditure	0	0	0
1,021,231		4	Supplies & Services	690,060	260	-689,800
2,450		5	Third Party Payments	2,460	-2,460	-4,920
1,113,533			**Gross Expenditure**	804,000	174,090	-629,910
-520,848		6	Other Income	0	-131,310	-131,310
592,685			**Net Expenditure**	804,000	42,780	-761,220

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Restructure of Establishment incl. Transformation	58,000
1	Pension	7,000
4	MTFS adjustment	-689,800
6	Recharge from Otterpool LLP	-131,310

	ED11		**Misc Regeneration Initiatives**			
-213		1	Employees	0	0	0
-213			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	ED50		**Strategic Projects**			
16,733		1	Supplies & Services	30,000	30,000	0
16,733			**Net Expenditure**	30,000	30,000	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	ED52		**Greatstone Coast Drive Project**			
1,130		1	Supplies & Services	0	0	0
1,130			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	ED53		**Hawkinge Fernfiled Lane Project**			
7,405		1	Premises-Related Expenditure	0	0	0
4,174		2	Supplies & Services	0	0	0
11,579			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

Administration

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GM33	**Projects**			
177,155	1	Employees	184,750	0	-184,750
1,923	2	Transport-Related Expenditure	800	0	-800
4,739	3	Supplies & Services	3,750	0	-3,750
3,660	4	Third Party Payments	2,460	0	-2,460
187,477		**Gross Expenditure**	191,760	0	-191,760
0	5	Other Income	-2,500	0	2,500
187,477		**Net Expenditure**	189,260	0	-189,260

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Introduction of new Housing Structure (GH02 & GH05)	-189,260

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GM40	**Strategic Development Projects**			
124,184	1	Employees	100,310	133,870	33,560
2,029	2	Transport-Related Expenditure	0	0	0
2,736	3	Supplies & Services	2,450	2,170	-280
1,210	4	Third Party Payments	1,230	0	-1,230
130,159		**Gross Expenditure**	103,990	136,040	32,050
0	5	Other Income	0	-136,040	-136,040
130,159		**Net Expenditure**	103,990	0	-103,990

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	7,050
1	Budget re-alignment (GM48)	20,510
5	Recharge from Otterpool LLP	-136,040

2019/20 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GM48	**Land Owner Projects**			
110,237	1	Employees	124,570	120,990	-3,580
2,362	2	Transport-Related Expenditure	1,500	1,500	0
2,059	3	Supplies & Services	1,830	1,770	-60
2,450	4	Third Party Payments	3,690	0	-3,690
117,108		**Gross Expenditure**	131,590	124,260	-7,330
0	5	Other Income	0	-126,550	-126,550
117,108		**Net Expenditure**	131,590	-2,290	-133,880

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	5,000
1	Restructure of Establishment incl. Transformation	36,000
1	Budget re-alignment (GM40)	-20,510
1	Introduction of new Housing Structure (GH05)	-27,000
5	Recharge from Otterpool LLP	-126,550

John Holman
Housing Summary

Service

2019/20 Actual £	Code		2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
-9,906	HE10	Housing Standards	-560	-560	0
4,096	HH11	Housing Strategy	3,500	3,500	0
-140,078	HH21	Homelessness	47,150	47,150	0
0	HH22	Homelessness (Grant Funded Exp)	0	-98,000	-98,000
30,657	HH25	FHDC Temporary Accommodation	50,000	38,000	-12,000
-141,368	HH40	Renovation Grants	0	0	0
44,550	HH42	Care and Repair Scheme	44,550	44,550	0
187,187	HH48	Other Housing Improvement Services	100,000	100,000	0
0	HX02	Rent Deposits	1,000	1,000	0
-24,862		**Service Total**	**245,640**	**135,640**	**-110,000**

Administration

2019/20 Actual £	Code		2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
0	GH01	Assets and Development	0	106,040	106,040
0	GH02	HRA Regeneration & Development	0	220,590	220,590
0	GH03	Compliance	0	231,180	231,180
0	GH04	Repairs	0	289,310	289,310
0	GH05	Assets & Major Works	0	283,650	283,650
0	GH06	Housing Operations	0	76,810	76,810
0	GH07	Neighbourhood Management	0	569,560	569,560
0	GH08	Leasehold Management	0	63,900	63,900
0	GH09	Supported Housing	0	379,680	379,680
0	GH10	Regulations Specialists	0	35,910	35,910
364,801	GH58	Housing Options	339,720	336,030	-3,690
44,036	GH61	Social Lettings Agency	44,860	49,230	4,370
143,352	GH62	Housing Strategy & Support	183,670	188,800	5,130
89,865	GM03	Assistant Director - Housing	0	154,280	154,280
171,386	GM29	Private Sector Housing	181,820	224,990	43,170
813,441		**Administration Total**	**750,070**	**3,209,960**	**2,459,890**

John Holman
Housing Detail

2019/20 Actual £			Service	2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	HE10		**Housing Standards**			
0		1	Supplies & Services	1,000	1,000	0
0			**Gross Expenditure**	1,000	1,000	0
-9,906		2	Other Income	-1,560	-1,560	0
-9,906			**Net Expenditure**	-560	-560	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	HH11		**Housing Strategy**			
2,535		1	Premises-Related Expenditure	1,000	1,000	0
1,561		2	Supplies & Services	2,500	2,500	0
4,096			**Net Expenditure**	3,500	3,500	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
	HH21		**Homelessness**			
253		1	Transport-Related Expenditure	300	300	0
544,703		2	Supplies & Services	445,330	309,450	-135,880
40,580		3	Third Party Payments	42,400	42,400	0
585,537			**Gross Expenditure**	488,030	352,150	-135,880
-725,615		4	Other Income	-440,880	-305,000	135,880
-140,078			**Net Expenditure**	47,150	47,150	0
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		2	Budget re-alignment - creation of Homelessness grant funded (HH22)			-135,880
		4	Budget re-alignment - creation of Homelessness grant funded (HH22)			135,880
	HH22		**Homelessness (Grant Funded Exp)**			
0		1	Employees	0	193,510	193,510
0		2	Transport-Related Expenditure	0	4,030	4,030
0		3	Supplies & Services	0	218,460	218,460
0			**Gross Expenditure**	0	416,000	416,000
0		4	Other Income	0	-514,000	-514,000
0			**Net Expenditure**	0	-98,000	-98,000
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Budget re-alignment - creation of Homelessness grant funded (HH21)			135,880
		1	Creation of Homelessness grant funded expenditure			57,630
		3	Creation of Homelessness grant funded expenditure			218,460
		4	Homelessness grant (MHCLG)			-514,000
	HH25		**FHDC Temporary Accommodation**			
13,895		1	Premises-Related Expenditure	50,000	32,000	-18,000
16,762		2	Supplies & Services	0	6,000	6,000
30,657			**Net Expenditure**	50,000	38,000	-12,000
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Approved Budget Strategy Savings			-12,000

	HH40		**Renovation Grants**			
1,035,921		1	Supplies & Services	1,000,000	1,000,000	0
1,035,921			**Gross Expenditure**	1,000,000	1,000,000	0
-1,177,289		2	Other Income	-1,000,000	-1,000,000	0
-141,368			**Net Expenditure**	0	0	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	HH42		**Care and Repair Scheme**			
44,550		1	Supplies & Services	44,550	44,550	0
44,550			**Net Expenditure**	44,550	44,550	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	HH48		**Other Housing Improvement Services**			
275,681		1	Supplies & Services	100,000	100,000	0
275,681			**Gross Expenditure**	100,000	100,000	0
-88,494		2	Other Income	0	0	0
187,187			**Net Expenditure**	100,000	100,000	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

	HX02		**Rent Deposits**			
0		1	Supplies & Services	1,700	1,700	0
0			**Net Expenditure**	1,000	1,000	0

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

Administration

2019/20 Actual £				2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GH01		**Assets and Development**			
0		1	Employees	0	104,010	104,010
0		2	Supplies & Services	0	2,030	2,030
0			**Net Expenditure**	0	106,040	106,040
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1-2	Introduction of new Housing Structure			106,040
	GH02		**HRA Regeneration & Development**			
0		1	Employees	0	212,860	212,860
0		2	Supplies & Services	0	7,730	7,730
0			**Gross Expenditure**	0	220,590	220,590
0		3	Other Income	0	0	0
0			**Net Expenditure**	0	220,590	220,590
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1-3	Introduction of new Housing Structure			220,590
	GH03		**Compliance**			
0		1	Employees	0	219,590	219,590
0		2	Supplies & Services	0	11,590	11,590
0			**Net Expenditure**	0	231,180	231,180
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1-2	Introduction of new Housing Structure			231,180
	GH04		**Repairs**			
0		1	Employees	0	274,810	274,810
0		2	Transport-Related Expenditure	0	7,200	7,200
0		3	Supplies & Services	0	7,300	7,300
0			**Net Expenditure**	0	289,310	289,310
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1-3	Introduction of new Housing Structure			289,310
	GH05		**Assets & Major Works**			
0		1	Employees	0	270,520	270,520
0		2	Transport-Related Expenditure	0	4,850	4,850
0		3	Supplies & Services	0	8,280	8,280
0			**Net Expenditure**	0	283,650	283,650
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1-3	Introduction of new Housing Structure			283,650
	GH06		**Housing Operations**			
0		1	Employees	0	73,960	73,960
0		2	Supplies & Services	0	2,850	2,850
0			**Net Expenditure**	0	76,810	76,810
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1-2	Introduction of new Housing Structure			76,810

	GH07	**Neighbourhood Management**			
0	1	Employees	0	486,960	486,960
0	2	Transport-Related Expenditure	0	13,200	13,200
0	3	Supplies & Services	0	69,400	69,400
0		**Net Expenditure**	0	569,560	569,560

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-3	Introduction of new Housing Structure	569,560

	GH08	**Leasehold Management**			
0	1	Employees	0	62,540	62,540
0	2	Supplies & Services	0	1,360	1,360
0		**Net Expenditure**	0	63,900	63,900

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-2	Introduction of new Housing Structure	63,900

	GH09	**Supported Housing**			
0	1	Employees	0	354,600	354,600
0	2	Transport-Related Expenditure	0	15,600	15,600
0	3	Supplies & Services	0	9,480	9,480
0		**Net Expenditure**	0	379,680	379,680

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-3	Introduction of new Housing Structure	379,680

	GH10	**Regulations Specialists**			
0	1	Employees	0	35,630	35,630
0	2	Supplies & Services	0	280	280
0		**Net Expenditure**	0	35,910	35,910

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1-2	Introduction of new Housing Structure	35,910

	GH58	**Housing Options**			
455,747	1	Employees	521,510	322,450	-199,060
14,300	2	Transport-Related Expenditure	10,020	8,020	-2,000
12,214	3	Supplies & Services	9,210	5,560	-3,650
15,890	4	Third Party Payments	11,070	0	-11,070
498,151		**Gross Expenditure**	551,810	336,030	-215,780
-133,350	5	Other Income	-212,090	0	212,090
364,801		**Net Expenditure**	339,720	336,030	-3,690

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Transfer of Homelessness grant funded expenditure (HH22)	-199,060
4	Transfer of Homelessness grant funded expenditure (HH22)	-11,070
5	Transfer of grant received funding expenditure (HH22)	212,090

	GH61	**Social Lettings Agency**			
38,329	1	Employees	39,590	45,080	5,490
3,699	2	Transport-Related Expenditure	3,200	3,500	300
798	3	Supplies & Services	840	650	-190
1,210	4	Third Party Payments	1,230	0	-1,230
44,036		**Net Expenditure**	44,860	49,230	4,370

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Employee Costs including Increments and Pension	5,490

	GH62		**Housing Strategy & Support**			
133,060		1	Employees	170,310	178,720	8,410
1,958		2	Transport-Related Expenditure	2,680	2,680	0
5,884		3	Supplies & Services	6,990	7,400	410
2,450		4	Third Party Payments	3,690	0	-3,690
143,352			**Net Expenditure**	183,670	188,800	5,130
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Employee Costs including Increments and Pension			8,410

	GM03		**Assistant Director - Housing**			
86,395		1	Employees	0	151,660	151,660
67		2	Transport-Related Expenditure	0	250	250
2,194		3	Supplies & Services	0	2,370	2,370
1,210		4	Third Party Payments	0	0	0
89,865			**Net Expenditure**	0	154,280	154,280
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1-4	Introduction of new Housing Structure			154,280

	GM29		**Private Sector Housing**			
158,715		1	Employees	163,900	214,750	50,850
5,195		2	Transport-Related Expenditure	6,600	6,100	-500
40,741		3	Supplies & Services	5,170	4,140	-1,030
4,890		4	Third Party Payments	6,150	0	-6,150
209,540			**Gross Expenditure**	181,820	224,990	43,170
-38,154		5	Other Income	0	0	0
171,386			**Net Expenditure**	181,820	224,990	43,170
			Key Variances from Original Budget 2020/21 to Original Budget 2021/22			
		1	Restructure of Establishment incl. Transformation			39,670
		1	Employee Costs including Increments and Pension			11,180
		4	Change in Outsourced Contract Recharges			-6,150

Tim Madden
Transition & Transformation Summary

Administration

2020/21 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
1,082,557	GL60	Transformation Project	34,000	0	-34,000
1,082,557		**Administration Total**	**34,000**	**0**	**-34,000**

Tim Madden
Transition & Transformation Detail

Administration

2020/21 Actual £			2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	GL60	**Transformation Project**			
166,603	1	Employees	34,000	0	-34,000
122,240	2	Premises-Related Expenditure	0	0	0
793,714	3	Supplies & Services	0	0	0
1,082,557		**Net Expenditure**	34,000	0	-34,000

Key Variances from Original Budget 2020/21 to Original Budget 2021/22

1	Restructure of Establishment incl. Transformation	-34,000

This Report will be made public on 12 January 2020

Folkestone & Hythe District Council

Report Number **C/20/67**

To:	**Cabinet**
Date:	**20th January 2021**
Status:	**Key Decision**
Responsible Officer:	**Andy Blaszkowicz, Director- Housing and Operations**
Cabinet Member:	**Cllr David Godfrey, Portfolio Holder for Housing, Transport and Special Projects**

SUBJECT: **PRIVATE SECTOR HOUSING ENFORCEMENT AND CIVIL PENALTY POLICY**

SUMMARY: The Council currently has a generic enforcement policy which sets out the basic objectives and principles for each enforcement team. Since the Housing and Planning Act 2016 came into force, there have been many additions to the powers and duties of the Private Sector Housing Team, for which a more detailed policy is required.

This new policy amalgamates the principles from the current overarching policy with the new elements required including:-

- a civil penalties policy for specified housing offences
- a statement of principles for penalties associated with smoke and carbon monoxide alarm regulations (which was approved by the Council in 2016)
- a new penalties framework for breach of the minimum energy efficiency standards
- A statement about using the proposed civil penalties policy for offences committed under the new electrical safety regulations 2020.

REASONS FOR RECOMMENDATIONS:

1) The council uses a wide range of statutory powers to ensure that those responsible for residential premises take the actions needed to prevent harm from occurring to occupants and visitors. For fairness and transparency, it is important that the council sets out how it conducts itself by publishing an enforcement policy. This is a requirement of the Enforcement Concordat and the Regulators' Code.

2) Section 126 and Schedule 9 of the Housing and Planning Act 2016 amended the Housing Act 2004 to allow financial penalties to be imposed by local housing authorities as an alternative to prosecution for certain housing offences. Financial penalties of up to £30,000 may be imposed under

section 249A of the Housing Act 2004. Local housing authorities are required to develop and document a policy which sets out when it should prosecute and when it should impose a financial penalty, and the level of financial penalty it should impose in each case.

RECOMMENDATIONS:

1. **To receive and note report C/20/67.**
2. **To approve the principles set out in the enforcement policy and penalties policies in Appendix 3 and Annex 1 of the policy.**
3. **To agree to the statement of principles approved in 2016 (appendix 2) to be incorporated into this policy document (unchanged).**
4. **To agree to use the civil penalties policy for determining levels of fine for offences under the new electrical safety regulations.**
5. **To delegate authority to the Assistant Director of Housing, in consultation with the Cabinet Member for Housing, Transport and Special Projects, to approve minor amendments to the policy when any minor changes or additions in legislation occur.**

1.0 BACKGROUND

1.1 The Council's current Corporate Enforcement Policy is a document which is overarching and covers the general principles of enforcement for all of the teams who have enforcement duties. The current policy will still be relevant to the PSH team. However, a more detailed policy for PSH enforcement is required in order to set out how we will deal with criminal landlords and to describe the new types of housing enforcement powers and duties we have been given since the publication of the general policy.

1.2 The Housing & Planning Act 2016 has brought in more powers and duties to enable us to tackle what the government term "Rogue Landlords". This includes the power to charge civil penalties as an alternative to prosecution. Since this Act came into force, further regulations have been made and in view of these changes we now need to review our enforcement policy to ensure it is fully fit for purpose.

1.3 The Smoke and Carbon Monoxide Alarm Statement of Principles in Appendix 2 was approved by the Council in 2016 and it is proposed that no changes are made to this statement of principles but that it is brought into the full policy document as an appendix. The levels of fines for offences under these regulations are set by the government and we only have the discretion to charge a reduced penalty where we feel it is appropriate to do so. The framework was formulated in consultation with all of the other Kent Local authorities in order to provide consistency across Kent.

1.4 The penalties imposed for breaching the minimum energy efficiency standards (which fully came into force in April 2020) are set at a statutory maximum but with leniency built in for first time offenders and those who pay the fine early (see Appendix 3 in the policy). These again were devised after consultation with all Kent Local Authorities and follow the consensus in order to provide consistency for the landlords who have multiple district property portfolios.

1.5 The Electrical Safety Regulations came into force in July 2020 for new specified tenancies and April 2021 for all existing specified tenancies. It will be an offence to let a property that does not have a satisfactory electrical safety certificate in place. The government have given guidance on setting penalties for offences under these regulations and suggest the use of the civil penalties policies for other specified housing offences. It is therefore proposed that the council will determine the level of fine for these offences using the proposed civil penalty policy at Annex 1 to the Enforcement Policy.

1.6 As determined by the legislation, the income received from any penalty charges imposed must be ring-fenced for housing enforcement activities only.

1.7 The main message of the Enforcement Policy is that enforcement is the last resort. The PSH team take pride in engaging with landlords in a positive way and achieving remedial works through informal dialogue and building good working relationships. The number of properties improved in recent years is testament to this approach being successful. In 2019/20 the PSH team improved 199 homes through liaising and negotiating with landlords. Since 2016 we have only taken one prosecution and have two prosecutions pending. The policy sets out the enforcement measures we will use where necessary to tackle criminal ("rogue") landlords.

1.8 The civil penalties policy at Annex 1 is similar to several other Kent Local Authorities' Policies in order to provide consistency across the county and to ensure that we adopt best practice.

2.0 CONSULTATION

2.1 The policy has been subject to an eight week informal consultation. The document was published on our website and invited comments and suggestions via a "survey monkey" questionnaire. The Policy was also sent to Landlord Associations (iHowze and National Residential Landlords Association) and the local Citizens' Advice Bureau. Unfortunately no responses were received from these to date. The comments from the online survey were minimal but the results are below. Only four members of the public responded to the survey monkey. Two of the responses were anonymous, so we are unable to seek clarification regarding their answers.

Comment	Answer
A suggestion of giving mental health support to tenants.	No Action required. Although not mentioned in the policy, officers will always signpost to other organisations for assistance other than with housing conditions. This includes mental health support where needed. This forms part of an officer's training and protocol they employ when investigating poor housing conditions.
An anonymous comment regarding always siding with the landlord.	No Action required. There is no evidence of this and the PSH team remain neutral when dealing with housing conditions complaints. They will always endeavor to work with the landlord and only use enforcement action where the landlord either refuses to engage or is not doing remedial work in a timely manner.
An anonymous comment about landlords lying for financial gain and a specific mention of a friend who is living in poor housing conditions.	No action required. As the comment was anonymous and without specific detail the PSH team cannot investigate these allegations further.

3.0 OPTIONS

Option 1	To adopt and implement the Private Sector Housing Policy and to allow minor amendments in consultation with the Assistant Director of Housing and the Portfolio Holder for Housing, Transport and Special Projects.
Option 2	To not adopt the policy – if this option is chosen we cannot operate effectively and charge penalties and deal rogue landlords in a methodical and transparent way.

4. RISK MANAGEMENT ISSUES

4.1 The risk management issues are as follows.

Perceived risk	Seriousness	Likelihood	Preventative action
Not adopting the policy would cause criticism in the event of attempting to enforce penalty charges without a clear method of determining their level. Any appeal may be upheld as a result, meaning that the council would not be able to enforce the penalty charge.	Medium	High	Adopt the policy so that enforcement can be evidenced as measured and considered in a methodical, reasonable and transparent way.

5.0 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (NE)

The Housing and Planning Act 2016 introduced a new financial penalty regime which took effect from 6 April 2017. This enables the Council to impose a civil penalty up to £30,000.

The legal basis for these powers is contained in section 126 and Schedule 9 of the Housing and Planning Act 2016, which allows financial penalties to be given as an alternative to prosecution.

The maximum penalty is £30,000. The amount of penalty is to be determined by the local housing authority in each case. In determining an appropriate level of penalty, local housing authorities should have regard to:-

- Severity of the offence;
- Culpability and track record of the offender;
- The harm caused to the tenant;
- Punishment of the offender;
- Deter the offender from repeating the offence;
- Deter others from committing similar offences;
- Remove any financial benefit the offender may have obtained as a result of committing the offence;

The procedure for imposing a civil penalty is set out at Schedule 13A of the Housing Act 2004.

A civil penalty can be imposed as an alternative to prosecution. The legislation does not permit local authorities to impose a civil penalty and prosecute for the same offence.

A civil penalty can be issued as an alternative to prosecution for each separate breach of the House in Multiple Occupation Management Regulations.

When looking at imposing a civil penalty the council must have in mind the same criminal standard of proof is required as for prosecution. Therefore, the council must satisfy itself that if the case were to be prosecuted in the Magistrates' Court, there would be a realistic prospect of conviction.

Local authorities are expected to develop and document their own policy on when to prosecute and when to issue a civil penalty and should decide which option it wishes to pursue on a case-by-case basis in line with that policy.

Failure to have an up to date Private Sector Housing Enforcement Policy is likely to attract criticism and have an adverse effect on the reputation of the Council.

5.2 Finance Officer's Comments (SB)

As stated at item 1.7, the main message of the report is that enforcement is the last resort; positive engagement and dialogue with landlords is the most effective way of maintaining adherence to the regulations. However, the updated penalty charge schedule and enforcement powers for the PSH officers will hopefully be a further deterrent for landlords that fail to meet the required housing standards. Currently prosecutions are rare, therefore increased penalty charge income, which should be ring-fenced for housing enforcement activities only, may not be of significant value in the immediate future. For future budget preparation exercises estimated income will need to be considered and the revised penalty charges added to the published Fees and Charges schedule.

5.3 Diversities and Equalities Implications

Persons from vulnerable groups can sometimes have limited housing choices. In particular, families with young children, older persons and those with a disability can find themselves in poor quality privately rented accommodation. Consequently, the council's enforcement activities often involves safeguarding the health, safety and welfare of persons with the protected characteristics of age and disability. Therefore, the enhanced enforcement capabilities provided by financial penalties will help to minimise disadvantage and contribute to the needs of many residents with protected characteristics.

6.0 CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Kerry Petts, Private Sector Housing Team Leader
Telephone: 01303 853520
Email: Kerry.petts@folkestone-hythe.gov.uk

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

Appendices: Appendix 1: The Private Sector Housing Enforcement Policy (including the Civil Penalties Policy)

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Folkestone and Hythe District Council

Private Sector Housing Enforcement Policy

2021

Contents **Page No.**

1.0 Introduction

1.1 The Private Sector Housing Enforcement Policy contains information on how the enforcement tools, provided by the Housing Act 2004, the Housing and Planning Act 2016 and other general legislation, can be used fairly and consistently to achieve improvement to housing, health and the environment within the District.

1.2 The primary function of the Private Sector Housing (PSH) Team is to protect the health and safety of residents within the district through ensuring that they have safe and decent housing to live in.

1.3 Enforcement means action carried out in the exercise of statutory powers or duties. This is not limited to formal enforcement action such as prosecution or the issue of notices, but includes inspecting premises for the purpose of checking compliance with regulations and the provision of advice to aid compliance.

1.4 We recognise that most people and most businesses want to comply with the law. We will therefore take care to help them meet their obligations by giving advice in the first instance where possible.

2.0 The Team's objectives

- To monitor and improve standards and reduce the risks to health and safety within homes in the Private Sector.

- To improve energy efficiency in the home and help to tackle fuel poverty.

- To help bring empty homes back into use.

- To license Houses in Multiple Occupation under the mandatory HMO licensing scheme.

- To work closely with private sector landlords to help them achieve and maintain good standards within private rented accommodation.

- To assist and take enforcement action where necessary in the cleansing and clearing of filthy and/or verminous residential premises.

- To ensure that residential properties are compliant with fire safety legislation and provide adequate protection and warning in the event of a fire.

3.0 Powers and duties

3.1 The principle pieces of legislation used by the Private Sector Housing team are the Housing Act 2004 and the Housing and Planning Act 2016. However, there are circumstances where other pieces of legislation may be more appropriate in dealing with the problem. In some cases, a combination of the enforcement tools are used. Also over the last 5 years or so there have been many specific regulations covering specific aspects such as smoke and carbon monoxide alarms, electrical safety, and energy efficiency.

3.2 The officers of the Private Sector Housing Team are authorised to exercise executive functions through delegation in accordance with the Council's constitution. Each officer's delegation of powers can be viewed upon request. Delegation level is in accordance with qualifications and levels of experience of each officer.

3.3 Section 239 of the Housing Act 2004 states that a person authorised by the local authority may enter the premises in question at any reasonable time, for the purpose of carrying out a survey or examination of the premises. Before entering the premises in exercise of this power, the authorised person must give at least 24 hours notice of his intention to do so, to the owner (if known) and the occupier (if any). No inspection will take place without reason. Each officer within the team is authorised under section 239.

3.4 Where the Council needs to enter a property for the purpose of ascertaining whether an offence has been committed in relation to HMO licensing or HMO management, prior notice of entry does not need to be given. The Council can enter the property at any reasonable time.

3.5 If access is refused or if the giving of prior notification would defeat the purpose of entry the authorised officer can apply to the Justice of the Peace for a warrant to enter.

3.6 A person who obstructs a relevant person in the performance of their duties commits an offence and is liable on summary conviction to a fine not exceeding level 4 on the standard scale.

3.7 The Housing Health and Safety Rating System

The Housing Act 2004 prescribes the methodology by which a residential premises must be assessed. This is called the Housing Health and Safety Rating System (HHSRS). The aim of the HHSRS is to identify deficiencies which may lead to a hazard. Each hazard is assessed and given a score and band. The bands determine whether it is a category 1 or category 2 hazard. There are 29 different types of hazard which can be assessed (a full list of these can be found in Appendix 1).

3.8 The Act places a mandatory duty on the Council to take action where category 1 hazards are present. If category 2 hazards are identified, the Council has a discretionary power to take action to deal with these.

4.0 Eligibility for service

4.1 The following situations may lead the Council to withdraw the service or not provide the service:

- Where a complainant has not taken reasonable steps to resolve the problem prior to contacting the council. e.g. liaising with their landlord.

- Where service requests are anonymous.

- Where tenants of their own free will move out of the property shortly after requesting service and before we can arrange a visit.

- Where tenants unreasonably or repeatedly fail to allow entry to the council's staff, the landlord, landlord's agent or builder, making it difficult to arrange or carry out the required works.

4.2 Service requests will receive a response within an appropriate timescale but the council's involvement will not automatically lead to legal proceedings.

4.3 Due to levels of service requests being extremely high, the PSH team operate a waiting list system. All non-urgent enquiries (i.e. situations that are not likely to cause immediate risk of serious harm) will be given a priority level and the service request will be placed on a waiting list. Priority is given based on seriousness of potential health effects of deficiencies reported. The customer will receive a letter explaining that there is a waiting list and that they will be expected to wait for their complaint to be investigated further. They will be encouraged to try and resolve the issues themselves by liaising with their landlord in the meantime. Any services requests deemed to be imminently dangerous will be visited within 24 hours.

4.4 Service requests from Leaseholders

The PSH team often receive complaints from leaseholders requesting assistance in taking action against other leaseholders or freeholders. PSH team assistance will be limited to;

- Contraventions of the Management Regulations (this may necessitate action being taken against the leaseholder themselves).

- Category 1 and high category 2 hazards where the leasehold flat is tenanted.

- Statutory nuisances (as defined by the Environmental Protection Act 1990).

- Lack of or defective means of escape in case of fire or fire precautions in certain types of building.

4.5 In all other situations the leaseholder will be re-directed to the Leasehold Advisory Service info@lease-advice.org.uk or to contact a solicitor who specialises in leasehold law.

5.0 Investigation of complaints and proactive work

5.1 When a member of the public makes a complaint about the conditions within their property, an officer from the PSH team will react to the complaint by visiting and carrying out an inspection. This may or may not result in any of the types of action set out in section 8 below.

5.2 The PSH Team carry out proactive work alongside reacting to complaints. This includes Temporary accommodation inspections (for the Housing Options Team), Immigration inspections (for which we charge a fee), planned multi-agency action days, targeted energy efficiency work, proactive project work through dataset interrogation and the Landlord Forum events run jointly with Dover District Council or the Folkestone & Hythe Housing Options Team. The team also give advice to landlords about all aspects of complying with housing standards and managing their properties.

5.3 Temporary Accommodation Inspections

The Housing Options Team lease properties from private landlords to provide temporary accommodation to homeless people. Where a tenant is due to move into a privately rented property an HHSRS trained member of the Housing Options Team will initially visit and assess the property. If hazards are identified which need a second opinion or further action to be taken the PSH team will then carry out an inspection.

5.4 The tenant would not be prevented from moving in to the property unless the hazards would cause an imminent risk of serious harm.

5.5 The landlord will be required to remedy any deficiencies which cause category 1 and/or high category 2 hazards. If the landlord fails to do this within a reasonable period of time, an enforcement notice may be served.

5.6 Immigration inspections

The Private Sector Housing team offer a service (chargeable by fee) to persons wishing to sponsor a person from another country to come and stay in the United Kingdom. As part of the visa application, the High

Commission Office require a letter or report from the Local Housing Authority to confirm that the accommodation the applicant wishes to stay in is suitable for the number of persons living there and that it is free from hazards.

5.7 Any hazards found within the property would need to be remedied before a report can be issued to the visa applicant. This would involve contacting the owner of the property and asking for remedial works to be carried out. Enforcement notices may therefore be served if the responsible person fails to carry out the required remedial works.

5.8 Planned Multi-Agency Action Days

From time to time the PSH team will take part in planned and targeted multi- agency action days. Other agencies likely to be taking part would include the Kent Fire and Rescue Service, Kent Police, UK Border Agency, Trading Standards, Environmental Health, the Planning Enforcement Team, Housing Benefits Fraud Investigation, and other Community Safety Unit partners.

5.9 Any street or area targeted would be chosen because of an accumulation of intelligence from the relevant partners, which would suggest particular concentrations of problems in that area. For example this may relate to poor housing conditions, street cleansing issues, unusually high incidences of fire in a concentrated area, anti-social behaviour or high levels of crime.

5.10 The operation would consist of officers from each partner agency visiting door to door in a team in the specified area and where access is allowed, inspecting the premises and talking to the occupants to offer assistance and give advice where necessary. The PSH team can offer advice on housing problems and investigate any deficiencies through the normal procedure at a later date. Information gathered during these exercises can be used to inform where the PSH team need to target their resources and re-visits can be scheduled accordingly where assistance is required. If any category 1 hazards presenting an imminent risk of serious harm are found during an action day, emergency enforcement powers may be used on that day.

5.11 Landlord Forums

The team organises a Landlord Forum in conjunction with Dover District Council and Landlord Associations, which is held at Dover or Folkestone & Hythe offices on an alternating basis. The meetings are designed to give landlords information and raise awareness of important or new issues, by inviting guest speakers from various organisations and setting up stalls with posters and leaflets to give further information and advice. The PSH team also give support to the Housing Option Team’s landlord events.

6.0 Our General Approach to Enforcement

6.1 We commit to good principles of enforcement which are in compliance with the statutory powers and all other relevant legislation including the Police and Criminal Evidence Act 1984, the Criminal Procedure and Investigations Act 1996, the Human Rights Act 1998, the Freedom of Information Act 2000, the Regulation of Investigatory Powers Act 2000, the General Data Protection Regulations (GDPR) 2018 and in accordance with any formal procedures and codes of practice made under the legislation in so far as they relate to our enforcement powers and responsibility.

6.2 The Council regards enforcement as encompassing all the actions that can be taken to achieve compliance with a statutory requirement. It has a staged approach to enforcement wherever possible to ensure solutions are initially sought through education, co-operation and agreement. Where this is not successful there will be cases where formal action will be necessary, which may ultimately lead to prosecution, penalty charges or other summary action.

6.3 PSH officers take a consistent approach to enforcement and only deviate from standard procedures where there is good reason.

6.4 It is important that property owners feel able to seek our advice and assistance without fear of inviting unnecessary or unwarranted enforcement action against themselves.

6.5 However, there may be circumstances, such as when there is an imminent risk to health, in which it may be necessary to take formal action in the first instance.

6.6 To avoid our resources being wasted on action that no one wants or needs us to take, we will only progress a case beyond the informal stage where there is clear benefit to the occupier or to neighbouring occupiers or to the public at large in doing so.

6.7 We will only take prosecutions in cases or serve financial penalties where it is in the public interest to do so and in accordance with the associated guidance and policies. We ensure that we have regard to the anticipated effects of the resulting publicity.

6.8 Works will only be required to be carried out if the cost and disruption caused by carrying out the works is in proportion to the harm arising from the hazard.

6.9 Before considering taking any action in tenanted properties, we will usually require the tenant to have contacted their Landlord. This applies to both private and housing association tenants. Legislation covering landlord and tenant issues requires that tenants notify their landlords of any problems with the property. Landlords can only carry out their repairing obligations once they are made aware of any problems. Any copies of correspondence between the tenant and landlord should be provided to officers upon request.

6.10 Tenants will be expected to keep officers informed of any contact they have with their landlord (or landlords agent, builder etc) that may have an effect on what action the Council takes.

7.0 Enforcement Concordat and the Regulator's Compliance Code

7.1 The Council is signed up to the Enforcement Concordat and in general any enforcement action will be taken in line with the concordat document. The main principles of the concordat are openness, proportionality and consistency.

7.2 This enforcement policy helps to promote efficient and effective approaches to regulatory inspection and enforcement, which improve regulatory outcomes without imposing unnecessary burdens. This is in accordance with the Regulator's Compliance Code. In certain instances, we may conclude that a provision in the code is either not relevant or is outweighed by another provision. The Council will ensure that a decision to depart from the code will be properly reasoned, documented and based on material evidence.

8.0 Types of action and when appropriate to take action

8.1 In general, the following types of action will be taken, but any action taken will always depend on the circumstances of the individual case. The person requesting our help will be informed when our involvement has been concluded and given the reason(s) for this.

Action	Circumstance
No action	Complaints or allegations of housing conditions or statutory nuisances are unsubstantiated. Formal action is inappropriate in the circumstances.
Verbal advice	There is insufficient evidence of breaches of legislation. Immediate action is taken by the responsible person to comply with failures.
Informal letter	There is insufficient evidence of breaches of legislation. Immediate action is taken by the responsible person to comply with failures. Past history of dealing with the relevant parties allows confidence that informal action will achieve

	compliance. Conditions are not serious enough to justify formal action straight away. To notify the responsible person that action is required prior to taking formal action.
Formal notices	There are significant failures of statutory requirements. There is a lack of confidence in the individual or management particularly in the willingness to respond to an informal approach. There is obstruction or assault. There is a history of non-compliance or informal action has not secured compliance. The Council is required to serve a statutory notice. The defect presents an imminent risk to health.
Works in Default – Emergency remedial action	There is an imminent risk to health and safety to the public. Prosecution would not adequately protect the public interest. The responsible person is unable or unwilling to take remedial action immediately.
Works in Default – non compliance with a notice	The Council may choose to carry out works required by a notice if they have not been completed within the permitted time. This may be taken in conjunction with or followed by a prosecution.
Revocation of HMO licences	Licence holder or Manager is no longer a 'fit and proper person'. The premises concerned ceases to be an HMO.
Formal Caution	A formal caution will be considered for less serious offences where to person committing the offence agrees to accept a caution.
Prosecution	There is sufficient and reliable evidence that an offence has been committed. There is a realistic prospect of conviction and the prosecution is in the public interest.
Rent Repayment Orders	Made by the first tier tribunal and grant to either tenant or local authority (where benefits have been used to

	pay rent). The Housing and Planning Act 2016 extended the range of offences that these can be awarded for.
Proceeds of Crime	Power under the Proceeds of Crime Act 2002 will be considered in appropriate cases with the Head of Legal and the relevant Director
Civil Penalties	Annex 1 to this policy sets out the decision making process regarding whether to use a civil penalty and at what level it should be charged
Penalty Charge Notices	The Redress Schemes for letting agency work and property management work (requirement to belong to a scheme etc.)(England)Order 2014 – the penalty charge for non-compliance will normally be £5,000 but on representation this charge may be reduced or even quashed. The Smoke and Carbon Monoxide (England) Regulations 2015 – penalty charges of up to £5,000 for non-compliance – see the council's Statement of principles on charging contained within Appendix 2 Policy. The Minimum energy Efficiency Standards Regulations – penalty charges of up to £5000. See appendix 3.
Banning Orders	The council may apply for a banning order at first tier tribunal. A list of Banning Order offences can be found in the Housing and Planning Act 2016 (Banning Order) Regulations 2018.
Rogue Landlord Database	The council can enter details of landlords considered to be "rogue" onto the government database. It is available to all Local Authorities to enable them to share information about criminal landlords who operate in multiple areas.

8.2 Where formal action is required officers will provide;

• Clear information and advice to all relevant parties about the reasons for the type of action chosen (for Housing Act formal enforcement, this will be in the form of a section 8 statement accompanying the notice).

• Ensure an opportunity is given to discuss what is required before formal action is taken (unless urgent action is required).

• Advise the relevant parties of the named officer responsible for dealing with their case.

• Give a written explanation of any rights of appeal at the time the notice is served.

• Notify the relevant parties about any financial charge that the Council may apply and seek to recover the charge as part of the enforcement process.

8.3 Types of Enforcement Notices

Action which can be taken under the Housing Act 2004 includes:-

8.3.1 Hazard Awareness Notice – This is used when a hazard has been identified but is not necessarily serious enough to take formal action. It is a way of drawing attention to the need for remedial action. The notice cannot be enforced or appealed against.

8.3.2 Improvement Notice – This is used where reasonable remedial works for a specified period of time or until a specified event occurs.

8.3.3 Prohibition Order – This may prohibit the use of part or all of the premises for some or all purposes or for occupation by a particular number or description of people. This type of action may be appropriate where remedial action is unreasonable or impractical. It can also be used to limit the number of people occupying a dwelling or prohibit the use of the premises by specific groups (e.g. children or the elderly). This can be suspended for a specified period of time or until a specified event occurs.

8.3.4 Emergency Prohibition Order – this type of action is only used where there is at least one category 1 hazard which presents an imminent risk of serious harm and where it is not practical to carry out remedial works. It can prohibit the use of all or part of the property with immediate effect.

8.3.5 Emergency Remedial Action – this type of action is only used where there is a category 1 hazard which is an imminent risk of causing of serious harm. The remedial works to eliminate the immediate risk will be carried out by the Council and the cost of the works will be recovered from the responsible person. Emergency remedial works will only be carried out once all attempts to contact the responsible person have failed or when the responsible person fails to respond immediately.

8.3.6 Demolition Order – this can only be served where category 1 hazards exist (but not for listed buildings). When deciding whether to use this type of action the views of all interested parties, the availability of accommodation, and the possible use of the cleared site must be taken into account.

8.3.7 Clearance Area – All of the residential buildings within a declared clearance area must have at least one category 1 hazard. The availability of the accommodation and the potential use of the cleared site must be considered.

8.4 Other legislation

The PSH team can use various other pieces of legislation if the Housing Act 2004 is not appropriate or does not sufficiently deal with the problem. This includes:-

8.4.1 Environmental Protection Act 1990 – Notices can be served under section 80 if there is a statutory nuisance at the premises. The premises must be deemed prejudicial to health or a nuisance.

8.4.2 Building Act 1984 – There are a few provisions under this act, which include:-

- Section 59/60 can be used to deal with defective drainage

- Section 64/65 is used where sanitary conveniences are insufficient or are in need of replacement and are considered to be prejudicial to health or a nuisance

- Section 76 can be used where the property is so defective as to be prejudicial to health. This notice tells the responsible person of the Council's intention to remedy the problem (like works in default).

8.4.3 Public Health Act 1936

- Section 45 is used where there are defective sanitary conveniences due to repair and/or cleansing ability. They must be in such a state as to be prejudicial to health or a nuisance.

- Section 84 is used to cleanse and disinfect a property and remove and destroy vermin.

8.4.4 Public Health Act 1961 – section 17 can be used to repair any drain, private sewer, water closet, waste pipe or soil pipe (where the cost of works in default are £250 or less).

8.4.5 Local Government (Miscellaneous Provisions) Act 1976

- Section 16 is used to formally request information about a property and who are the interested parties.

- Section 33 can be used to re-instate service supplies (such as water, electricity or gas) where they have been disconnected in a domestic property.

8.4.6 Prevention of Damage by Pests Act 1949 – section 4 can be used to deal with harbourage of pests

8.4.7 The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 – this means that, since 1 April 2018, private landlords may not let domestic properties on new tenancies to new or existing tenants if the Energy Efficiency Certificate (EPC) rating is F or G (unless an exemption applies).

- From 1 April 2020 the prohibition on letting F and G properties will extend to all relevant properties, even where there has been no change in tenancy.
- If a local authority believes a landlord has failed to fulfil their obligations under the MEES Regulations, they can serve the landlord with a compliance notice. If a breach is confirmed, the landlord may receive a financial penalty. See Appendix 3 for more details of levels of penalty likely to be imposed.

8.4.8 The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 – there is a penalty charge of up to £5,000 for not having a smoke alarm on every level of a premises used as a private rented dwelling and for not having a Carbon monoxide alarm fitted in rented dwellings where there are solid fuel appliances. The council has published a statement of principles regarding its fine structure. See Appendix 2 for more details.

8.4.9 The Redress Schemes for letting agency work and property management work (requirement to belong to a scheme etc.) (England) Order 2014 – the penalty charge for non-compliance will normally be £5,000 but on representation this charge may be reduced or even quashed. This decision would be made in consultation with the council's legal team and the relevant director.

8.5 The Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020 – from 1 July 2020, all new private tenancies in England will need to ensure that electrical installations are inspected and tested by a qualified person before the tenancy begins. The landlord will then need to ensure that the installation is inspected and tested at least every five years – and more often if the most recent safety report requires it.

- For existing tenancies, an electrical safety test will need to be carried out by 1 April 2021, with regular tests following this as outlined above.

- Local authorities can impose a financial penalty of up to £30,000 for a breach of the regulations. The existing financial penalties policy at Annex 1 will be used to determine the level of penalty.

9.0 HMOs and HMO licensing

9.1 What is an HMO?

In order to determine whether a property is an HMO, the following four tests must be applied.

- **The Standard Test** – Any building which consists of one or more units of accommodation which are not self-contained and where two or more households share one or more basic amenities, or where the accommodation is lacking basic amenities.

- **The Self-contained flat Test** – Any part of a building which is a self-contained flat, which consists of one or more units of accommodation, in which two or more households share one or more basic amenities or where the accommodation is lacking in basic amenities.

- **The Converted Building Test** – Any building which has been converted and contains one or more units of accommodation, which are not self-contained (whether or not the building also consists of some self-contained units).

- **Certain converted Blocks of Flats** – Any building which has been converted and consists of self-contained flats only, and it does not comply with appropriate building standards (e.g. Building Regulations 1991) and less than two thirds of the flats are owner-occupied (i.e. more than one third are on short tenancies).

9.2 HMOs requiring a Mandatory licence

From 1st October 2018 HMO licences are required for all HMOs of any storey height that are occupied by five or more persons, who form two or more households and share facilities (such as kitchens, living rooms and bathrooms).

OR

Purpose built flats where there are up to two flats in the block and one or both of the flats are occupied by 5 or more persons in 2 or more separate households. This will apply regardless of whether the block is above or below commercial premises. This will bring certain flats above shops on high streets within mandatory licensing as well as small blocks of flats which are not connected to commercial premises.

9.3 Exemptions

- Any properties managed by a public sector body
- Student accommodation which is managed or controlled by an educational establishment
- Buildings occupied by religious communities
- Buildings occupied by owners (long leaseholders or freeholders)
- Buildings occupied by two persons (who form two households)

9.5 The property will be inspected fully at some time within the five year licence period. This may be carried out during the licence application processing stage (if a visit is necessary to verify certain details). Otherwise the visit will be carried out as and when resources allow, within the five year period.

9.6 Penalties

- A person commits an offence if he manages or is in control of an HMO which should be licensed but does not have one or if he allows the property to be occupied by more than the agreed number of households or persons authorised in the licence conditions. Prosecution can result in unlimited fines and court costs or instead of prosecuting, the council can issue penalty charges of up to £30,000.
- Rent re-payment orders – if a person has committed the offence of operating as an HMO without having an HMO licence, the Council or the tenants can apply for a rent repayment order. The First Tier tribunal (FTT) can award the order, which requires the appropriate person to repay all rents, periodical payments and housing benefits for the period up to a licence being issued. The order would state the amount to be repaid.
- Termination of Tenancies – Landlords will <u>not</u> be able to issue any section 21 notices under the Housing Act 1988 (termination

of a shorthold tenancy and possession of the property), whilst a licensable HMO is unlicensed.

9.7 Licence Fees and review of fees

Folkestone and Hythe District Council has determined the fees for HMO licence applications in accordance with Section 63(3) of the Act. The fees have been set taking into account the level of work required by an officer to process the licence application. The fees will be reviewed annually to reflect any rise in costs incurred in this process.

9.8 Selective and Additional licensing

The Council may introduce Selective or Additional Licensing Schemes if there is a need to deal with a specific problem area, low housing demand, poor housing conditions or anti-social behaviour.

9.9 HMO Management Regulations

The Management of Houses in Multiple Occupation (England) Regulations 2006 place certain duties on the manager and occupiers of all kinds of HMO with the exception of 'Certain converted blocks of flats' otherwise known as 'Section 257 HMOs' (section 257 Housing Act 2004 defines certain converted blocks of flats).

9.10 The Licensing and Management of Houses in Multiple Occupation (Additional Provisions) (England) Regulations 2007 place similar duties as in the above mentioned management regulations on the managers and occupiers of 'certain converted blocks of flats' (257 HMOs).

9.11 Penalties

A person who fails to comply with these Regulations commits an offence under section 234(3) of the Act, punishable by unlimited fine or a penalty charge of up to £30,000.

9.12 Where an offence is suspected in an HMO, the PSH officer will bring the Management Regulations and their suspected breach to the attention of the responsible persons first. If an opportunity to comply has not been actively taken by the responsible person and the failure continues, a prosecution case will be taken or penalty charge will be issued, as the responsible person would then be knowingly contravening these regulations.

9.13 Folkestone and Hythe District HMO Amenity Guidelines

The Council has a set of guidelines for amenity standards in HMOs. These set out what is expected in relation to the number and positioning of kitchens and bathrooms, the sizing of bedrooms, bed-sitting areas and living areas, guidance on testing of electrical and gas installations, furniture safety and fire precautions. These guidelines are reviewed at appropriate intervals. Owners of HMOs should have regard to these guidelines, copies of which can be obtained from the PSH team.

9.14 Fire safety in HMOs and the Fire Safety Protocol

The Housing Act 2004 (Section 10) places a duty on Councils to consult with the Local Fire Authority where they intend to take action to remedy a fire safety hazard found in any HMO or common parts of a building containing one or more flats.

9.15 The PSH team have developed a close working relationship with the Kent Fire and Rescue Service's (KFRS) Fire Safety Officers. A working protocol is in place to ensure that both the KFRS and PSH team are aware of who should take the lead within specified properties.

9.16 The introduction of the Housing Act 2004 (the PSH team's primary piece of legislation) and the Regulatory Reform (Fire Safety) Order 2005 (KFRS primary legislation) imposed similar duties on the two statutory authorities to enforce certain fire safety provisions within housing. The protocol helps to promote efficient use of resources, identify specific areas for inspection and enforcement and allow for appropriate monitoring and reviewing arrangements. It also provides for urgent or complex requests for assistance from either party.

9.17 Fire safety guidance

Both the PSH team and KFRS refer to the LACORS (Local Authorities Co-ordinators of Regulatory Services) guidance document on fire precautions called 'Housing – Fire Safety, Guidance on fire safety provisions for certain types of existing housing' which was published in July 2008. This guidance can be used by landlords to help them understand what is required in relation to fire safety risk assessment in their properties.

9.18 When an officer from the PSH team is considering what advice to give or action to take in relation to a fire hazard within an HMO (or a single dwelling), they will always refer to this document for guidance (or any guidance written to supersede this document in future). The officer will only deviate from the recommended guidance where there is a sound reason for doing so and in agreement with a fire safety officer and the PSH team leader.

10.0 Empty Homes

10.1 What is an Empty Home?

A property which has been empty (un-occupied) for six months or more is considered to be a long term empty home. Central government encourages Councils to take action to bring empty homes back into use and use their powers under the Housing Act 2004 as well as other legislation to achieve this.

10.2 Bringing empty properties back into use not only prevents the negative impact on the neighbourhood but also reduces the need to build more new homes. The re-use of existing buildings is generally more environmentally sustainable than building new homes. Bringing empty homes back into use can act as a catalyst for wider regeneration by building confidence in the housing market.

10.3 How will the PSH team tackle empty homes?

The PSH team will identify properties within the district which are empty and take steps to bring them back into use.

10.4 The Housing Act 2004 (section 237) allows the Council to use information provided for the purpose of Council Tax to identify properties that are registered as empty. All processing of personal data will be in accordance with the Council's data protection policy and the rights of data subjects contained in the General Data Protection Regulations 2018.

10.5 An officer from the PSH team will contact the owners of empty properties and offer advice and support to those wishing to bring the property back into use. Advice on any available government funded loans (Empty Homes Loans through the Kent wide 'No Use Empty' campaign) will be given where appropriate.

10.9 If the owner does not want to bring the property back into use, enforcement action will be considered. There are a range of powers that can be used, but these will only be used when all other avenues have been exhausted and for those properties which are dangerous and pose a threat to the public, or are most in need by those unable to access the housing market, or have the biggest impact of the surrounding neighbourhood. The action taken will be proportional to the circumstances of each individual case and the extent and impact of empty homes in the district at the time.

10.10 In addition to the standard powers under the Housing act 2004, the Council can take the following types of enforcement action:-

- **Empty Dwelling Management Orders (EDMOs)** – which enable the Council to take control of and manage a property which has been empty for some time. There are conditions which must apply before an EDMO can be sought. These include that the dwelling has been empty for at least six months, that there is no reasonable prospect of the dwelling becoming occupied in the near future, that there is a reasonable prospect of the dwelling becoming occupied once the EDMO is made and that the Council has complied with its duties in seeking an EDMO. Interim and Final EDMOs can be made by approval from the First–tier Tribunal. Interim EDMOs are usually for a maximum of 12 months and Final EDMOs can be made for up to 7 years.

The Council would only consider making an EDMO as a last resort when all other actions have failed and after considering whether financial costs associated with maintaining the property can be recovered through the rent. A decision to apply for an EDMO would be taken through Cabinet first.

- **Local Government (Miscellaneous Provisions) Act 1982** – Section 29 allows the Council to secure a property that is open to access

- **Buildings Act 1984** – Sections 77 and 78 require an owner to make a property safe or allow emergency action to make it safe

- **Town and Country Planning Act 1990** – section 215 enables the Council to take action to address unsightly external appearance of a property

- **Housing Act 1985** – Section 265 enables the Council to demolish a property that cannot be repaired (i.e. derelict properties)

- **Building Act 1984 -** Section 79 enables the Council to take action to deal with ruinous and dilapidated buildings that unsightly in external appearance and are seriously detrimental to the amenity of the area.

- **Enforced sale procedure** – the Council can force the sale of a property via auction to enable costs incurred during dealing with an empty property to be recovered. When works are carried out in default of a notice a legal charge for the cost of the work is added to the title of the property (at Land Registry). The Council can then make an application to the Land Registry to enforce the sale of the property under the Law of Property Act 1925.

- **Compulsory Purchase Orders (CPOs)** – The Council has the power under the Housing Act 1985 to apply to compulsorily purchase empty homes. This option may be pursued where owners are reluctant to take action to bring their property back into use, where an owner cannot be traced, or where a property has been empty for a long time and is causing a danger or nuisance to the public. A compulsory purchase order will only be sought as a last resort or where other actions have failed. The CPO procedure is very lengthy especially if objections are received.

11.0 Publicity

11.1 Publicity will normally be sought in the following cases:-

• The offence is widespread in the area and coverage will assist in securing compliance by others

• To draw attention to particularly serious hazards

• The offence is serious and/or was committed wilfully and the Council wishes to draw attention to their willingness to take a hard line in such cases

• Coverage is in the public interest

• A press release will also be issued about convictions where it is considered that publicity will bring in benefits by promoting compliance with those statutory requirements.

12.0 Covid 19 working practises

12.1 The government have produced guidance in relation to working practices during the covid 19 pandemic. Although not termed as statutory guidance, the council will follow the advice contained within it or any amended version of it.

12.2 The guidance sets out how and when the council should conduct investigations and inspections and how to approach taking enforcement action when there is likely to be a shortage of contractors to carry out work or the occupants are not allowing access to the property due to their own health concerns or because they are self-isolating or shielding.

12.3 During covid 19 periods of lockdown, internal inspections will only be carried out where the reported issues are deemed to be imminently dangerous and would cause serious harm to the occupants. Where possible, video calling or photographs taken by the tenant will be used to make an assessment instead. Where internal inspections must take place, the occupants will be advised of the inspection procedure prior to the visit, and the occupants will be questioned on their state of health with regard to covid 19 at the point of making the appointment to visit and on the doorstep before entering the property. If there are occupants within the household who have symptoms or who are self-isolating due to being in contact with someone who has covid 19, the visit will be rearranged to a time after the self-isolation period has ended or video calling/photograph methods will be attempted instead.

All staff will wear appropriate PPE and follow government covid 19 guidance for visiting people's homes.

12.4 Enforcement action which is non-urgent or not legally required may be delayed until restrictions ease. Legal notices served under the Housing Act 2004 may, if the notice provides for this, be suspended for a period due to difficulties in completing the works. Work in default may be deferred. Other forms of enforcement action may be considered for the most serious hazards, e.g. a Prohibition Order covering part of a property may be used instead of Emergency Remedial Action. Steps may be taken to isolate or contain rather than remedy hazardous conditions

12.5 We will work closely with landlords and tenants to ensure standards in rented properties are maintained. We may consider contacting landlords and using communications and marketing to emphasise the importance of keeping properties free from hazardous conditions, but also reassure them that a pragmatic, risk-based and common-sense approach will be used when enforcement decisions are taken.

12.6 Electrical and Gas Safety - Both regulations are clear on the issue of compliance. With regards to the Electrical Safety Regulations, a landlord would not be in breach of the duty to comply with a remedial notice if the landlord can show they have taken all reasonable steps to comply. With regards to a landlord's duties under the Gas Safety Regulations, a landlord would not be liable for an offence if the landlord can show they have taken all reasonable steps to prevent the contravention. A landlord could show reasonable steps by keeping copies of all communications they have had with their tenants and with electricians as they tried to arrange the work, including any replies they have had. Landlords may also want to provide other evidence they have that the installation, appliance or flue is in a good condition while they attempt to arrange works. This could include the servicing record and previous landlord gas safety check record.

12.7 In regard to Mandatory HMO licensing we will contact landlords who are waiting for licences to be determined to explain potential delays. We will take individual landlords' circumstances into account where licence fee payments may have been delayed due to the current situation. We will prioritise high-risk licensable properties if this is necessary to protect vulnerable tenants and target imminent risks to health. We will take a pragmatic and common-sense approach to enforcement action.

Appendix 1 - List of Hazards which can be assessed using the Housing Health and Safety Rating System (HHSRS)

1) Damp and Mould Growth
2) Excess Cold
3) Excess Heat
4) Asbestos (and MMF)
5) Biocides
6) Carbon Monoxide and fuel combustion products
7) Lead
8) Radiation
9) Uncombusted fuel gas
10) Volatile Organic Compounds
11) Crowding and Space
12) Entry by Intruders
13) Lighting
14) Noise
15) Domestic Hygiene, Pests and Refuse
16) Food Safety
17) Personal Hygiene, Sanitation and Drainage
18) Water Supply
19) Falls associated with baths
20) Falls on level surfaces
21) Falling on stairs
22) Falling between levels
23) Electrical Hazards
24) Fire
25) Flames and Hot Surfaces
26) Collision and Entrapment
27) Explosions
28) Position and Operability of amenities
29) Structural collapse and falling elements

Appendix 2

Statement of principles for determining financial penalties

The Smoke and Carbon Monoxide Alarm (England) Regulations 2015

1.0 Introduction

1.1 This statement sets out the principles that Shepway District Council (the Council) will apply in exercising its powers to require a relevant landlord (landlord) to pay a financial penalty.

2.0 Purpose of the Statement of Principles

2.1 The Council is required under these Regulations to prepare and publish a statement of principles and it must follow this guide when deciding on the amount of a penalty charge.

2.2 The Council may revise its statement of principles at any time, but where it does so, it must publish a revised statement.

2.3 When deciding on the amount for the penalty charge, the Council will have regard to the statement of principles published at the time when the breach in question occurred.

3.0 The legal framework

3.1 The powers come from the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 (the Regulations), being a Statutory Instrument (2015 No 1693) which came into force on 1 October 2015.

3.2 The Regulations place a duty on landlords, which include freeholders or leaseholders who have created a tenancy, lease, licence, sub-lease or sub-licence. The Regulations exclude registered providers of social housing.

3.3 The duty requires that landlords ensure that:

- a smoke alarm is installed on each storey of premises where there is living accommodation
- a carbon monoxide alarm is installed in any room of a premises used as living accommodation, which contains a solid fuel burning appliance.

AND for tenancies starting from 1 October 2015

- that checks are made by the landlord, or someone acting on his behalf, that the alarm(s) is/are in proper working order on the day the tenancy starts.

3.4 Where the Council believes that a landlord is in breach of one or more of the above duties, the Council must serve a remedial notice on the landlord. The remedial notice is a notice served under Regulation 5 of these Regulations.

3.5 If the landlord then fails to take the remedial action specified in the notice within the specified timescale, the Council can require a landlord to pay a penalty charge. The power to charge a penalty arises from Regulation 8 of these Regulations

3.6 A landlord will not be considered to be in breach of their duty to comply with the remedial notice, if they can demonstrate they have taken all reasonable steps to comply. This can be done by making written representations to the Council at the address given at the bottom of this document within 28 days of when the remedial notice is served.

3.7 Folkestone & Hythe District Council <u>will</u> impose a penalty charge where it is satisfied, on the balance of probabilities, that the landlord has not complied with the action specified in the remedial notice within the required timescale.

4.0 The purpose of imposing a financial penalty

4.1 The purpose of the Council exercising its regulatory powers is to protect the interests of the public.

4.2 The aims of financial penalties on landlords are to:

- Lower the risk to tenant's health and safety
- Reimburse the costs incurred by the Council in arranging remedial action in default of the landlord
- Change the behaviour of the landlord and aim to prevent future non-compliance
- Penalise the landlord for not installing alarms after being required to do so, under notice
- Eliminate financial gain or benefit from non-compliance with the regulations.
- Be proportionate to potential harm outcomes, the nature of the breach, and the cost benefit to comply with these legal requirements.

5.0 Criteria for the imposition of a financial penalty

5.1 A failure to comply with the requirements of a remedial notice allows the Council to require payment of a penalty charge.

5.2 In considering the imposition of a penalty, the authority will look at the evidence concerning the breach of the requirement of the notice. This could be obtained from a property inspection, or from information provided by the tenant or agent that no remedial action had been undertaken.

5.3 For example, landlords can demonstrate compliance with the Regulations by supplying dated photographs of alarms, together with installation records or confirmation by the tenant that a system is in proper working order.

5.4 Landlords need to take steps to demonstrate that they have met the testing at the start of the tenancy requirements. Examples of how this can be achieved are by tenants signing an inventory form and that they were tested and were in working order at the start of the tenancy. Tenancy agreements can specify the frequency that a tenant should test the alarm to ensure it is in proper working order.

5.5 In deciding whether it would be appropriate to impose a penalty, the authority will take full account of the particular facts and circumstances of the breach under consideration.

5.6 A financial penalty charge will be considered appropriate if the Council is satisfied, on the balance of probabilities that the landlord who had been served with remedial notice under Regulation 5 had failed to take the remedial action specified in the notice within the time period specified.

6.0 Criteria for determining the amount of a financial penalty

6.1 The Regulations state the amount of the penalty charge must not exceed £5,000.

6.2 The penalty charge comprises two parts, a punitive element for failure to comply with the absolute requirement to comply with a remedial notice and a cost element relating to the investigative costs, officer time, administration and any remedial works arranged and carried out by the Council's contractors.

6.3 The penalty charge is payable within 28 days beginning with the day on which the penalty charge notice is served.

6.4 The Council has discretion to offer an early payment reduction if a landlord pays the penalty charge within 14 days beginning with the day the penalty charge notice is served.

6.5 The charges are as follows:

	Penalty Charge	Early payment reduction (50%) if paid within 14 days
1st breach	£2500	£1250
Subsequent breaches	£5000	£2500

7.0 Procedural matters for Penalty Charge Notices

7.1 The Regulations impose a number of procedural steps which must be taken before the Council can impose a requirement on a landlord to pay a penalty charge.

7.2 When the Council is satisfied that the landlord has failed to comply with the requirements of the remedial notice, all penalty charge notices will be served within 6 weeks.

7.3 Where a review is requested within 28 days from when the penalty charge notice is served, the council will consider any representations made by the landlord. All representations are to be sent to the address at the bottom of this document. The Council will notify the landlord of its decision by notice, which will be either to confirm, vary or withdraw the penalty charge notice.

7.4 A landlord who has requested a review of a penalty charge notice and has been served with a notice confirming or varying the penalty charge notice, may appeal to the First-tier Tribunal against the Council's decision. Appeals should be made within 28 days from the notice served of the Council's decision on review.

7.5 If the penalty charge notice is not paid, then recovery of the penalty charge will be by an order of the court and proceedings for recovery will commence after 30 days from the date when the penalty charge notice is served.

7.6 However, in cases where a landlord has requested a review of the penalty charge notice, recovery will not commence until after 28 days from the date of the notice served giving the Council's decision to vary or confirm the penalty charge notice. Where landlords make an appeal to the First-tier Tribunal, recovery will commence after 28 days from when the appeal is finally determined or withdrawn.

8.0 Remedial Action taken in default of the landlord

8.1 Where the Council is satisfied that a landlord has not complied with a specification described in the remedial notice in the required timescale and consent is given by the occupier, the Council will arrange for remedial works to be undertaken in default of the landlord. This work in default will be undertaken within 28 days of the Council being satisfied of the breach. In these circumstances, battery operated alarms will be installed as a quick and immediate response.

8.2 Smoke Alarms – In order to comply with these Regulations, smoke alarms will be installed at every storey of residential accommodation.

This may provide only a temporary solution as the property may be high risk because of:

- its mode of occupancy such as a house in multiple occupation or building converted into one or more flats,
- having an unsafe internal layout where fire escape routes pass through living rooms or kitchens, or
- is 3 or more storeys high.

8.3 A full fire risk assessment will subsequently be undertaken, with regards to the Housing Health and Safety Rating System and LACORS Housing - fire safety guidance. This will consider the adequacy of the type and coverage of the smoke alarm system, fire escape routes including escape windows and fire separation measures such as fire doors and protected walls and ceilings. Any further works required to address serious fire safety hazards in residential property, that are not undertaken though informal agreement, will be enforced using the Housing Act 2004, in accordance with the Council's Enforcement Policy.

8.4 Carbon Monoxide Alarms – In order to comply with these Regulations, a carbon monoxide alarm will be installed in every room containing a solid fuel combusting appliance. This includes where useable open fire places are present.

9.0 Contractors used for Works in Default

9.1 The Council will obtain three quotes from local handyperson services to ensure value for money. The alarms required to be installed through works in default of a remedial notice will be provided and installed by the Handy Person Service. All handypersons will be authorised in writing by the Council to carry out this work on the Council's behalf. A copy of the invoice for carrying out works can be obtained by the landlord upon request to the address below.

9.2 All communications for representations made against the Remedial Notice (regulation 5) or the Penalty Charge Notice (regulation 8) are to be sent to:

Private Sector Housing
Folkestone & Hythe District Council
Civic Centre
Castle Hill Avenue
Folkestone
Kent
CT20 2QY Or by email to: privatesector.housing@folkestone-hythe.gov.uk

Appeals against a decision by the Council to confirm or vary a penalty charge notice can be made to the First Tier Tribunal.

Appendix 3 - Penalties Policy for non-compliance with the Minimum Energy Efficiency Standards

1.0 Introduction

1.1 The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the Regulations) are designed to tackle the least energy-efficient properties in England and Wales – those rated F or G on their Energy Performance Certificate (EPC). The Regulations establish a minimum standard for both domestic and non-domestic privately rented property, effecting new tenancies from 1 April 2018.

1.2 The Department for Business Energy and Industrial Strategy have produced guidance published in 2017 and updated in June 2018; *Guidance for landlords and Local Authorities on the minimum level of energy efficiency required to let domestic property under the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015.* The council have had regard to this guidance in formulating this policy.

2.0 Purpose of this policy

2.1 In accordance with Regulation 33 and 34 Local Authorities are responsible for enforcing the minimum level of energy provisions within their area. The purpose of this policy is to describe how officers of Folkestone & Hythe District Council will enforce the Regulations.

2.2 In the first instance the council will informally notify Landlords who rent properties with an EPC of F or G that they do not meet the minimum energy efficiency standard. The Council will offer advice on how the standards can be met and request Landlords to register an exemption if appropriate.

2.3 Landlords will be given an appropriate time to make the necessary changes but will be warned that if they continue to be in breach after the time given, an investigation will follow and formal enforcement action will be considered.

2.4 The council may in circumstances where a landlord has a history of not complying with housing related regulatory requirements, decide to take formal action without giving an informal opportunity for the landlord to comply.

2.5 The Council has discretion to serve Compliance Notices to request information from the landlord that will help them to decide whether there has been a breach. The council will serve Compliance Notices where the additional information is required. The Council will consider serving Penalty Notices where a landlord fails to comply with the Compliance Notice.

2.5 The Council will check the National PRS Exemptions Register and if it believes a landlord has registered false or misleading information it will consider serving a financial penalty.

2.6 If offences under these regulations are committed the Council will, where appropriate, serve a Penalty Notice. This policy is a framework for officers to follow in how to determine the appropriate penalty.

2.7 Under regulation 39 the Local Authority may publish some details of the landlord's breach on a publicly accessible part of the PRS Exemptions Register. The council will place the information on the register at the appropriate time, for a minimum of 12 months.

2.8 The Landlord has the right to ask for a Penalty Notice to be reviewed under Regulation 42. Any request for review must be submitted to the Council within one calendar month of the Penalty Notice being served. Requests for review after the prescribed time will be considered at the Council's discretion

3.0 Framework of Penalties for non-compliance with the Minimum Energy Efficiency Standards.

Breaching the ban on letting a property with an F or G rating for less than 3 months (statutory maximum £2000)	
First offence - £1000 (or £750 if paid within 21 days)	All other offences - £2000 (or £1500 if paid within 21 days)

Breaching the ban on letting a property with an F or G rating for more than three months (Statutory maximum: £4,000)	
First offence: £2,000 (or £1,500 if paid within 21 days)	All other offences: £4,000 (or £3,000 if paid within 21 days)

Registering false or misleading information on the PRS Exemptions Register (Statutory maximum: £1,000)	
First offence: £500 (or £375 if paid within 21 days)	All other offences: £1,000 (or £750 if paid within 21 days)

Failing to provide information to the council demanded by a Compliance Notice (statutory maximum £2,000)	
First offence: £1,000 (or £750 if paid within 21 days)	All other offences: £2,000 (or £1,500 if paid within 21 days)

Annex 1

Civil Penalties Policy

Contents

1.0 Introduction

1.1 Section 126 and Schedule 9 of the Housing and Planning Act 2016 ("the 2016 Act") amended the Housing Act 2004 ("the 2004 Act") to allow financial penalties to be imposed by local housing authorities as an alternative to prosecution for certain housing offences.

1.2 Under section 249A of the 2004 Act, a local housing authority may now impose a financial penalty on a person if satisfied, beyond reasonable doubt that the person's conduct amounts to a "relevant housing offence".

1.3 The relevant housing offences are offences under the 2004 Act, namely:

- Failing to comply with an Improvement Notice (section 30);
- Failing to licence a house in multiple occupation ("HMO") under Part 2 (section 72(1));
- Knowingly permitting the over-occupation of an HMO licensed under Part 2 (section 72(2));
- Failing to comply with the condition of an HMO licence issued under Part 2 (section (72(3));
- Failing to licence a house subject to selective licensing under Part 3 (section 95(1));
- Failing to comply with the condition of a selective licence issued under Part 3 (section (95(2));
- Failing to comply with the condition of a selective licence issued under Part 3 (section (95(2));
- Failing to comply with HMO management regulations (section 234(3));
- Failing to comply with the Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020.

1.4 A person who commits any of the above-mentioned offences without reasonable excuse is liable on summary conviction to a fine of any amount in the Magistrates' Court. A financial penalty imposed by a local housing authority as an alternative must not exceed £30,000.

1.5 Breaches of banning orders

The 2016 Act also introduced banning orders under Chapter 2 of Part 2. A local housing authority may apply to a First-tier Tribunal for a banning order against a person who has been convicted of a "banning order offence". A banning order offence is an offence set out in The Housing and Planning Act 2016 (Banning Order Offences) Regulations

2018 (SI 2018/216). A range of offences under 14 Acts of Parliament are listed, including those listed above as relevant housing offences.

1.6 A banning order made by a First-tier Tribunal may prohibit a person from engaging in one or more of the following activities:

- Letting housing;
- Engaging in letting agency work;
- Engaging in property management work

1.7 A person who breaches a banning order commits an offence under section 21(1) of the 2016 Act and is liable on summary conviction to imprisonment, or to a fine, or to both. However, a local housing authority may instead impose a financial penalty under section 23 of the 2016 Act of an amount not exceeding £30,000.

1.8 A local authority cannot both prosecute and impose a financial penalty in respect of the same offence. It must decide which course of action is most appropriate.

1.9 The same criminal standard of proof is required for a financial penalty as for a prosecution. Before taking formal action, a local housing authority must therefore be satisfied that if the case were to be prosecuted in the Magistrates' Court, there would be a realistic prospect of conviction.

1.10 In exercising their functions in respect of financial penalties, local housing authorities must have regard to any statutory guidance issued under section 23(10) and Schedules 1 and 9 of the 2016 Act. The Ministry of Housing, Communities & Local Government issued such statutory guidance in April 2018, namely: *Civil penalties under the Housing and Planning Act 2016 - Guidance for Local Housing Authorities.*

1.11 The guidance requires local housing authorities to develop and document a policy which sets out when it should prosecute and when it should impose a financial penalty; and the level of financial penalty it should impose in each case.

1.12 The guidance states that local housing authorities should consider the following factors to help ensure that any financial penalty is set at an appropriate level:

- Severity of the offence;
- Culpability and track record of the offender;
- The harm caused to the tenant (actual and potential);

- Punishment of the offender (the penalty should be proportionate to the offence and have a real economic impact);
- Deter the offender from repeating the offence;
- Deter others from committing similar offences;
- Remove any financial benefit the offender may have obtained as a result of committing the offence.

1.13 This policy sets out how Folkestone and Hythe District Council ("the council") will impose financial penalties in accordance with relevant legislation and statutory guidance.

1.14 This policy takes effect from 21st January 2021 and applies to all relevant offences ("relevant housing offences" and breaches of banning orders) committed on or after this date.

2.0 When a financial penalty is to be imposed

2.1 The Government announced the introduction of financial penalties for relevant housing offences with a press release entitled: "*Tougher measures to target rogue landlords - New rules will help crackdown on rogue landlords that flout the rules and improve safety and affordability for renters."* The Government is obviously keen to see more enforcement action taken against the small minority of rogue landlords who neglect their responsibilities.

2.2 Significantly, these new powers allow local housing authorities to retain the income received from financial penalties to fund private sector housing enforcement activities. This is clearly intended to help local housing authorities take more enforcement action.

2.3 The council will use the new powers robustly whenever it is appropriate to do so.

2.4 Each offence will be assessed on a case-by-case basis. However, the starting position is that the council will seek to impose a financial penalty for a relevant offence, unless there are circumstances relating to the offence that advocate pursuing a criminal prosecution instead.

2.5 The Council may choose to prosecute for a relevant offence if it is of a particularly serious nature. The imposition of a financial penalty in accordance with the policy set out below may not constitute a sanction of sufficient severity in relation to some offences, as the policy has prescribed ranges and is further restricted by the statutory maximum of £30,000. If the council is of the opinion that an offence is of such serious nature that it warrants a more significant financial sanction than that which could be imposed by this policy, it will normally seek to prosecute the offender(s).

2.6 The breach of a banning order under the 2016 Act is a serious offence, and the council will give careful consideration to the option of prosecution in such cases, as the courts have the power to impose a prison sentence as a punishment.

2.7 Prosecution may also be an appropriate course of action when an offender has committed the same offence on more than one occasion in the past. Preventing reoffending is an important consideration and a successful prosecution resulting in a criminal record might be a more significant deterrent in some circumstances.

2.8 Wider public awareness may also be a key consideration. Prosecutions are held in the public domain and can be publicised by the council and local media. Such publicity in respect of an offender may be in the public interest in certain circumstances. Naming and shaming also helps to deter others from committing similar offences. If an offender is subject to a financial penalty, their personal information will not be available in the public domain.

2.9 There may be other situations in which prosecution may be the most appropriate sanction. Accordingly, the council will carefully review the merits of prosecution for every offence before making a final decision as to an appropriate sanction.

3.0 Determining the starting point for a financial penalty

3.1 A financial penalty may be of any amount up to the statutory maximum of £30,000. However, local housing authorities are expected to reserve the higher amounts for the worst offenders and take a logical and proportionate approach to setting the level of financial penalties more generally. The overarching principle is that the more serious the offence, the higher the penalty should be. The penalty for each offence must therefore be determined on a case-by-case basis.

3.2 Having due regard to the statutory guidance published by Government, the council has developed the Table of Financial Penalties set out below. The table specifies a range of starting points from £1,000 to £30,000. The starting point is determined by the severity of the offence, which is based on an assessment of the following factors:

- Culpability
- Track record
- Portfolio size
- Risk of Harm

3.3 The following paragraphs set out how each determinant is assessed.

3.4 Culpability is a key factor in determining the severity of an offence. Therefore, the level of any penalty will initially be set by calculating the culpability category, which then determines the culpability premium. There are four culpability categories, namely:

- Very high
- High
- Medium
- Low

3.5 Very High – This category applies to offences where the offender has deliberately breached or flagrantly disregarded the law. This category is subject to a 100% culpability premium.

3.6 High – This category applies to offences where the offender had foresight of a potential offence, but through wilful blindness, decided not to take appropriate and/or timely action. This category is subject to an 80% culpability premium.

3.7 Medium – This category applies to offences committed through an act or omission that a person exercising reasonable care would not commit. Any person or other legal entity operating as a landlord or agent in the private rented sector is running a business and is expected to be aware of their legal obligations. This category is subject to a 60% culpability premium.

3.8 Low – This category applies to offences where there was a fault on the part of the offender, but significant efforts had been made to secure compliance with the law, but those efforts were not sufficient. This category may also apply to situations where there was no warning of a potential offence. This is category is subject to a 40% culpability premium.

3.9 The council would expect a good landlord or agent to have very little contact with the council's Private Sector Housing Team, other than for advice or for licensing obligations. They would be expected to maintain their properties in a good and safe condition and keep up-to-date and comply with all relevant legal requirements. Unfortunately, there are some landlords and agents who are subject to enforcement action owing to their failure to maintain their properties in an acceptable condition.

3.10 The second step in determining the amount of financial penalty relates to the offender’s track record. A historically non-compliant landlord or agent should be subject to a more significant penalty on the basis that they have yet to change their behaviour. A penalty amount adjustment relating to the offender’s track record is therefore appropriate. This should help deter repeat offending.

3.11 The council will review all relevant records to identify any previous evidence of legislative failings. However, only evidence relating to the five years immediately prior to the offence date will be taken into account. The evidence reviewed will include:

- Any previous convictions for housing related offences;
- Whether previously subject to a financial penalty for a housing related contravention;
- Whether previously subject to, or associated with, statutory enforcement action (e.g. Improvement Notice, Emergency Prohibition Order, etc.); and
- The number of genuine housing condition complaints received in respect of properties associated with the offender.

3.12 Following the review, the offender's track record will be classed as one of the following categories:

- Significant;
- Some;
- None or negligible.

3.13 Significant - Where there is evidence of multiple enforcement interventions by the council's Private Sector Housing Team, together with evidence of non-compliance, the significant category will be used. In most cases, this category will also be used for any offender who has been successfully prosecuted for a housing offence or been subject to a housing related-financial penalty.

3.14 Some - This category will be used where the offender is associated with more evidence than would normally be expected of a good landlord or agent having regard to the size and nature of their portfolio. There is likely to be evidence of statutory enforcement action.

3.15 None or negligible - This category will be used if, following a review of the council's records, there is no relevant evidence associated with the offender. Any unsubstantiated housing condition complaints will be disregarded. The council may also exercise its discretion to disregard any evidence where the issues were minor in nature and there was no reluctance on the part of the landlord or agent to resolve the issues within reasonable timescales.

3.16 The descriptor "Negligible" has been included to allow for a fair and reasonable review of evidence in respect of landlords and agents with larger portfolios. Therefore, if the evidence is negligible having regard to the size of the portfolio in Folkestone and Hythe, this category will be used.

3.17 Portfolio size - The size of an offender's portfolio will be taken into account when determining the amount of financial penalty. While all landlords and agents are expected to be aware of their legal obligations, the larger the business is, the more proficient and professional the landlord or agent should be. Furthermore, offenders with a larger portfolio will have more assets and a higher rental income and as such the penalty should have regard to their ability to pay.

3.18 Taking into account the size of the offender's portfolio helps ensure that the penalty is set at a high enough level to have a real economic impact, such that it serves as an appropriate punishment as well as a deterrent.

3.19 The third step in determining the amount of financial penalty requires the council to allocate a portfolio size. There are four size categories which relate to the number of units of accommodation the offender has ownership of, responsibility for, or association with. The size categories are:

- One unit of accommodation;
- Two to four units of accommodation;
- Five to 19 units of accommodation;
- 20 or more units of accommodation.

3.20 A unit of accommodation is a single dwelling house, a flat (whether self-contained or not) or a room or bedsit within a house in multiple occupation ("HMO").

3.21 The common parts of a building containing one or more flats will also be counted as one unit of accommodation for the purposes of determining the portfolio size, if the landlord or agent concerned is only responsible for the common parts and not for any flats within the building. If the landlord or agent concerned is responsible for one or more flats within the building, the common parts will be disregarded.

3.22 Some offenders own properties directly; some are directors of companies which own property. It is also not uncommon for an offender to be strongly associated with the management of a rented property, but actual ownership, for whatever reason, is in the name of a husband, wife or partner. All units of accommodation that are clearly associated with the offender will be taken into account when determining the portfolio size.

3.23 The council will determine which category to place the offender in using the information it already holds and any information it can reasonably obtain in making the assessment.

3.24 If the council cannot ascertain any information as to whether the offender has any other properties, an assumption will be made, with the default position being two to four units of accommodation. However, if an agent is the offender, it will be assumed that they are responsible for 20 or more units of accommodation.

3.25 Risk of Harm - The fourth step in determining the amount of financial penalty concerns the risk of harm associated with the offence. The nature of the exposure to a harmful occurrence is an important factor when considering the severity of an offence.

3.26 The council will make an assessment of the risk of harm by having regard to the seriousness of the harm risked as well as the likelihood of that harm occurring. The offence will be placed into one of the following four categories:

- Level 1
- Level 2
- Level 3
- Level 4.

3.27 To assist in determining the level of risk, potential harm outcomes are classified as serious, severe or extreme and the likelihood classified as low, medium or high.

3.28 Level 1 - This category will be used when the risk of harm does not fall within the Level 2, Level 3 or Level 4 categories. Any offence associated with the operation of an unlicensed premises under the HMO and selective licensing regimes will usually fall into this category if there is no particular risk of harm associated with the condition or management of the property concerned.

3.29 Level 2 - The use of this category may infer that the offence was associated with an extreme harm outcome, but the likelihood of a harmful event occurring was low. This category may be used when the risk of harm related to a severe harm outcome and the likelihood of a harmful event occurring was medium. This category may also be used when the risk of harm related to a serious harm outcome and the likelihood of a harmful event occurring was high.

3.30 Level 3 - The use of this category may infer that the offence was associated with an extreme harm outcome and the likelihood of a harmful event occurring was medium. This category may also be used when the risk of harm related to a severe harm outcome and the likelihood of a harmful event occurring was high.

3.31 Level 4 - The use of this category will usually infer that the offence was associated with an extreme harm outcome and the likelihood of a harmful event occurring was high.

3.32 Table of Financial Penalties - Having made the four-step assessment described above, the council will determine the starting point for the financial penalty using the Table of Financial Penalties set out on the next page.

Table of Financial Penalties

Culpability	Track Record	Portfolio Size	Risk of Harm			
			Level 1	Level 2	Level 3	Level 4
Very High (100% Premium)	Significant	1	£7,500	£10,000	£12,500	£20,000
		2 to 4	£10,000	£12,500	£15,000	£22,500
		5 to 19	£15,000	£17,500	£20,000	£27,500
		20 +	£17,500	£20,000	£22,500	£30,000
	Some	1	£5,000	£7,500	£10,000	£17,500
		2 to 4	£7,500	£10,000	£12,500	£20,000
		5 to 19	£12,500	£15,000	£17,500	£25,000
		20 +	£15,000	£17,500	£20,000	£27,500
	None or negligible	1	£2,500	£5,000	£7,500	£15,000
		2 to 4	£5,000	£7,500	£10,000	£17,500
		5 to 19	£10,000	£12,500	£15,000	£22,500
		20 +	£12,500	£15,000	£17,500	£25,000
High (80% Premium)	Significant	1	£6,000	£8,000	£10,000	£16,000
		2 to 4	£8,000	£10,000	£12,000	£18,000
		5 to 19	£12,000	£14,000	£16,000	£22,000
		20 +	£14,000	£16,000	£18,000	£24,000
	Some	1	£4,000	£6,000	£8,000	£14,000
		2 to 4	£6,000	£8,000	£10,000	£16,000
		5 to 19	£10,000	£12,000	£14,000	£20,000
		20 +	£12,000	£14,000	£16,000	£22,000
	None or negligible	1	£2,000	£4,000	£6,000	£12,000
		2 to 4	£4,000	£6,000	£8,000	£14,000
		5 to 19	£8,000	£10,000	£12,000	£18,000
		20 +	£10,000	£12,000	£14,000	£20,000
Medium (60% Premium)	Significant	1	£4,500	£6,000	£7,500	£12,000
		2 to 4	£6,000	£7,500	£9,000	£13,500
		5 to 19	£9,000	£10,500	£12,000	£16,500
		20 +	£10,500	£12,000	£13,500	£18,000
	Some	1	£3,000	£4,500	£6,000	£10,500
		2 to 4	£4,500	£6,000	£7,500	£12,000
		5 to 19	£7,500	£9,000	£10,500	£15,000
		20 +	£9,000	£10,500	£12,000	£16,500
	None or negligible	1	£1,500	£3,000	£4,500	£9,000
		2 to 4	£3,000	£4,500	£6,000	£10,500
		5 to 19	£6,000	£7,500	£9,000	£13,500
		20 +	£7,500	£9,000	£10,500	£15,000
Low (40% Premium)	Significant	1	£3,000	£4,000	£5,000	£8,000
		2 to 4	£4,000	£5,000	£6,000	£9,000
		5 to 19	£6,000	£7,000	£8,000	£11,000
		20 +	£7,000	£8,000	£9,000	£12,000
	Some	1	£2,000	£3,000	£4,000	£7,000
		2 to 4	£3,000	£4,000	£5,000	£8,000
		5 to 19	£5,000	£6,000	£7,000	£10,000
		20 +	£6,000	£7,000	£8,000	£11,000
	None or negligible	1	£1,000	£2,000	£3,000	£6,000
		2 to 4	£2,000	£3,000	£4,000	£7,000
		5 to 19	£4,000	£5,000	£6,000	£9,000
		20 +	£5,000	£6,000	£7,000	£10,000

4.0 Determining whether adjustment of the financial penalty is appropriate

4.1 The level of financial penalty should, in a fair and proportionate way, meet the objectives of punishment, deterrence and the removal of gain. As such, the council will, once the starting point has been determined, review the proposed financial penalty and consider whether there are any other mitigating or aggravating factors that should be taken into account when setting the amount of financial penalty. If there are none, no adjustment will be made to the starting point identified by the Table of Financial Penalties.

4.2 Some examples of mitigating and aggravating factors are given below. However, the list is not exhaustive, and the council may take into account any factor deemed to be relevant.

4.3 Hardship (Landlord) - If at this stage of the process, the council is aware of the offender's personal situation and financial position, and is of the view that there are exceptional circumstances, it may be appropriate to reduce the amount of financial penalty.

4.4 Hardship (Tenant) - If, owing to the imposition of a financial penalty on a landlord, the tenant will - through no fault of their own - experience hardship, the council may consider reducing the amount of financial penalty, but only in exceptional circumstances.

4.5 Previous offences - While the Table of Financial Penalties takes into account the offender's track record, there may be circumstances in which the nature of previous offences require a more robust approach to punishment.

4.6 For example, if a historically non-compliant landlord persists in operating unlicensed premises, the starting point may not be sufficiently high enough in certain circumstances. Such circumstances could include when there are no significant hazards associated with the unlicensed premises. If a *Significant* track record category is already in use for a certain offender, repeated offences where the *Culpability* is very high would be restricted owing to the *Risk of Harm* categorisation. However, the repeated offences would be demonstrating a complete disregard for the law. Therefore, for any repeated offence so restricted, the council may consider increasing the amount of financial penalty.

4.7 Scale of Exposure - The greater number of people exposed to the risk of harm, the more significant the offence. While the Table of Financial Penalties takes into account the risk of harm, it does not take into account the number of persons exposed to that harm. Accordingly, if the number of persons exposed is higher than average, the council may consider increasing the amount of financial penalty.

4.8 A risk of harm associated with a typical family unit would not usually necessitate an increase. However, if the risk of harm was in an HMO or the common parts of a building occupied by numerous persons, an increase in the amount of financial penalty may be appropriate.

4.9 Actual Harm - If actual harm has occurred, the council may consider increasing the amount of financial penalty. If the harm outcome is of a serious nature, it is likely the council will seek to review the financial penalty upwards.

4.10 Adjustment range - The adjustment range will be limited to an amount equal to 50% of the starting point. The maximum 50% variance may be above or below the initial starting point. For example, if the starting point is £9,000, the maximum 50% variance is £4,500. As such, the financial penalty could be reduced to an amount not lower than £4,500 or increased to an amount not greater than £13,500.

4.11 The council will not, under any circumstances, vary the financial penalty by more than 50%, and is restricted by the statutory maximum of £30,000.

4.12 Decision making - If the council decides to vary the proposed financial penalty away from the starting point identified in the Table of Financial Penalties, it will make a record of its decision and notify the offender of the reasons for that decision.

4.13 To ensure fairness and transparency, the decision to vary a financial penalty will be subject to review by a senior manager of the council. In the first instance, the variation will be proposed by the Private Sector Housing Team Leader. The proposal will be reviewed by the Lead Specialist for Housing, or an officer of similar or higher seniority, and a final decision made by that senior manager. From time to time, the job titles of officers are altered by the council and any reference to the Private Sector Housing Team Leader or the Lead Specialist for Housing may be deemed to include a reference to any future equivalent post.

5.0 Right to make representations

5.1 Notice of Intent - Before imposing a financial penalty, the council must first give the offender notice of its intention to impose such a penalty. This type of notice is known as a “Notice of Intent”.

5.2 The Notice of Intent must be served within six months of the offence date. However, if the offence is ongoing, the Notice of Intent may be served at any time while the conduct is continuing. If the conduct stops, the Notice of Intent must be served within six months of the date the conduct ceased.

5.3 For example, if a person fails to licence an HMO subject to mandatory licensing without reasonable excuse, the council may at any time while the HMO remains unlicensed, serve a Notice of Intent. If such a person makes a valid licence application, the council will still have the option to serve a Notice of Intent, but if it chooses to do so, it must serve the Notice of Intent within six months of the date the valid licence application was made.

5.4 The Notice of Intent must set out:

- The amount of the proposed financial penalty;
- The reasons for proposing to impose the financial penalty, and
- Information about the right to make representations.

5.5 Any person served with a Notice of Intent may make written representations to the council about the proposal to impose a financial penalty. Any representations must be made within 28 days of the date the Notice of Intent was served. Written representations may be made in respect of any matter.

5.6 The offender may wish to submit information as to their financial position. If the council was aware of the financial position of the offender before serving the Notice of Intent, the council may have already made adjustments to the proposed financial penalty. However, this may not be the case and offenders are advised to use the 28-day period for submitting written representations to make the council aware of their financial situation, particularly if they would have difficulties in paying the proposed financial penalty.

5.7 It is important to note that any person who supplies information to the council that is false or misleading, whether knowingly or recklessly, in connection with any proposed financial penalty, commits an offence and is liable on summary conviction in the Magistrates' Court to an unlimited fine.

5.8 The council will carefully review any written representations received during the 28-day period before taking any further action. There is no statutory timeframe for the review process, but the council will seek to make a decision as to its proposed course of action as soon as possible.

5.9 The council will take one of the following courses of action:

- Withdraw the proposal to impose a financial penalty;
- Impose a financial penalty of an amount lower than that proposed in the Notice of Intent;
- Impose the financial penalty proposed in the Notice of Intent;
- Propose to impose a financial penalty of an amount higher than that specified in the Notice of Intent.

5.10 If the council decides to withdraw the proposal to impose a financial penalty, it will confirm its decision in writing. If the council decides to impose a financial penalty of a lower or equal amount to that proposed in the Notice of Intent, it will serve a Final Notice.

5.11 If the offender has provided written representations that increase the severity of the offence committed, the council may seek to impose a higher financial penalty. If the council decides to take that course of action, it will withdraw the original Notice of Intent and serve a revised Notice of Intent proposing an increased financial penalty. The offender would then receive an additional 28 days in which to make further written representations.

5.12 A reduction in the amount of financial penalty to be imposed may arise from the council altering the starting point on the Table of Financial Penalties.

5.13 Whether the council decides to alter the starting point or not following any written representations, the council will not reduce the financial penalty by more than 50% of the finalised starting point.

5.14 If the council decides not to alter the starting point after its review of any written representations received, and it has already used its discretion to make the maximum 50% reduction from that starting point prior to serving the Notice of Intent, no further reduction will be made.

5.15 To ensure fairness and transparency, every decision to impose a financial penalty will be subject to review by a senior manager of the council. In the first instance, the imposition of a financial penalty will be proposed by the Private Sector Housing Team Leader, who will provide an assessment of any written representations received. The proposal will be reviewed by the Lead Specialist for Housing, or an officer of similar or higher seniority, and a final decision made by that senior manager.

6.0 Final Notice and right of appeal

6.1 If the council decides to impose a financial penalty following its review of any written representations received, it will serve a “Final Notice” on the offender.

6.2 The Final Notice will set out:

- The amount of the financial penalty
- The reasons for imposing the penalty
- Information about how to pay the penalty
- The period for payment of the penalty
- Information about rights of appeal
- The consequences of failure to comply with the notice.

6.3 The period in which a financial penalty must be paid has been determined by statute. All financial penalties must be paid within 28 days of the date for the Final Notice being served.

6.4 A person on whom a Final Notice has been served may appeal to the First-Tier Tribunal against the decision to impose the financial penalty or the amount of the financial penalty.

6.5 Appeals should be made within 28 days of the date of the Final Notice being served.

6.6 Once an appeal has been lodged, the Final Notice is suspended until the appeal has been finally determined or withdrawn.

6.7 The First-tier Tribunal have the power to confirm, vary (reduce or increase), or cancel the Final Notice. If the First-tier Tribunal decides to increase the financial penalty, it may only do so up to the statutory maximum of £30,000.

6.8 As of 21st January 2021, the address and contact details of the First-tier Tribunal (Southern Region) were:

First-tier Tribunal - (Property Chamber) Residential Property
Havant Justice Centre
The Court House
Elmleigh Road
Havant
Hampshire PO9 2AL

Email: rpsouthern@justice.gov.uk | Tel: 01243 779 394 | Fax: 0870 7395 900

6.9 The address of the First-tier Tribunal changes from time to time, but the latest address will be detailed on any Final Notice served and can be found at:

https://www.gov.uk/courts-tribunals/first-tier-tribunal-property-chamber

7.0 Reduction for early acceptance of guilt

7.1 As with criminal prosecutions, the council is of the opinion that an early acceptance of guilt is in the public interest. It saves public time and money.

7.2 An offender can demonstrate an early acceptance of guilt by paying the financial penalty within 21 days of the date the Final Notice was served. If cleared payment is made within this time period, the offender can benefit from a 25% reduction in the amount of financial penalty payable.

7.3 A Final Notice will set out the finalised financial penalty amount determined having regard to this policy and an amount equal to 75% of that sum, which would be accepted if received within the 21-day period.

7.4 If the council is required to defend its decision at the First-tier Tribunal, there will inevitably be additional costs in officer time and expenses. As such, no reduction is available for cases subject to an appeal to the First-tier Tribunal. If an offender makes an early payment at the reduced rate, but then decides to appeal at a later date, the council will seek the full finalised amount during the appeal proceedings.

8.0 Unpaid financial penalties

8.1 The council will take robust action to recover any financial penalty (or part thereof) not paid within 28 days of the date the Final Notice was served.

8.2 An application for an order of the County Court will be made in respect of all unpaid financial penalties. A certificate signed by the Chief Finance Officer of the council stating that the financial penalty (or part thereof) has not been paid will be accepted by the court as conclusive evidence of that fact, in accordance with Paragraph 11 of Schedule 13A to the 2004 Act (relevant housing offences) and Paragraph 11 of Schedule 1 to the 2016 Act (breaches of banning orders).

8.3 In taking court action, the council would seek to recover interest and any court expenses incurred, in addition to claiming the full amount of unpaid financial penalty.

8.4 If an offender does not comply with an order of the court, the council will make an application to enforce the judgement. The type of enforcement action pursued would depend on the circumstances of the case and the amount owed. The most likely types of enforcement action are shown below.

8.5 Court Bailiffs - A court bailiff will ask for payment. If the debt is not paid, the bailiff will visit the offender’s home or business address to establish whether anything can be seized and sold to pay the outstanding debt.

8.6 Charging order (Order of sale) - the council can apply to place a charging order on any property owned by the offender. If a debt remains outstanding after a charging order has been registered, the council can make an application for an order of sale. The property would then be subject to an enforced sale and the proceeds used to settle the debt owed to the council.

8.7 Attachment to earnings order - If the offender is in paid employment, the council can apply to the court for an attachment to earnings order. Such an order would require the offender’s employer to make salary deductions. Amounts would be deducted regularly at the direction of the court until the debt owed to the council has been fully discharged.

9.0 Multiple offences

9.1 When considering imposing more than one financial penalty on an offender as a consequence of that offender committing more than one offence, the council will carefully consider whether the cumulative financial penalty would be just and proportionate in the circumstances having regard to the offending behaviour as a whole.

9.2 Taking into account the principle of totality ensures that the cumulative effect of any sanctions imposed by the council does not constitute an unjust and disproportionate punishment.

9.3 Determining a just and proportionate punishment - The council will initially determine the amount of financial penalty that should be imposed in respect of each offence having regard to this policy. The council will then add up the financial penalties and make an assessment as to whether the cumulative total is just and proportionate.

9.4 If the council considers the cumulative total to be just and proportionate, it will normally impose a financial penalty for each offence.

9.5 However, if the council considers the cumulative total to be unjust and disproportionate, it will take one or both of the following actions to ensure that the cumulative total is reduced to an amount that does constitute a just and proportionate punishment.

9.6 Reduction of financial penalty - The council may use its discretion to reduce the amount of a financial penalty at the review and adjustment stage, irrespective of whether or not there are other mitigating or aggravating factors. Any reduction would be similarly limited to an amount equal to 50% of the starting point identified in the Table of Financial Penalties. The additional reduction may be applied to one or more of the offences under consideration.

9.7 Decision not to impose a financial penalty - The council may use its discretion to not impose a financial penalty in respect of every offence under consideration. If the council decides to take this course of action, the offence or offences disregarded will usually be of a lower severity.

9.8 Rent Repayment Orders – In consideration of totality, the council will also take into account any proposal to pursue a Rent Repayment Order in respect of the same behaviour.

10.0 Help and Advice

10.1 If you would like further advice or clarification, the Private Sector Housing Team can help. Please ring us on 01303 853660 and speak to one of our officers. We can also be contacted by email on: privatesector.housing@folkestone-hythe.gov.uk

Alternatively, you can write to us at:

Private Sector Housing
Folkestone and Hythe District Council
Civic Centre
Castle Hill Avenue
Folkestone
Kent
CT20 2QY

11.0 Making a complaint

11.1 The Private Sector Housing Team aims to provide the best possible service. However, if you are not happy with the service you receive you can make a formal complaint.

11.2 More information about how to make a formal complaint can be found on the council's website at: www.folkestone-hythe.gov.uk. Alternatively, you can call, email or write to us: Telephone: 01303 853660. Email: complaints@folkestone-hythe.gov.uk

Address: Complaints, Folkestone and Hythe District Council, Civic Centre, Castle Hill Avenue, Folkestone, Kent, CT20 2QY.

11.3 If, after having gone through the council's formal complaints process, you believe that the council has not handled your complaint properly, you have the right to request an independent investigation by the Local Government and Social Care Ombudsman. The Ombudsman Service will review your complaint and decide if it is appropriate to carry out an investigation. The service is free of charge.

11.4 You can make a complaint by phone or online at:

The Local Government and Social Care Ombudsman
Telephone: 0300 061 0614
Website: www.lgo.org.uk.

This Report will be made public on 12 January 2021

Report Number **C/20/68**

To:	**Cabinet**
Date:	**20 January 2021**
Status:	**Key Decision**
Responsible Officer:	**Charlotte Spendley – Director Corporate Services**
Cabinet Member:	**David Wimble - Cabinet Member for the District Economy**

SUBJECT: **Infrastructure Funding Statement**

SUMMARY:

In accordance with the latest revisions made via the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019)[1], from December 2020 local authorities must publish an Infrastructure Funding Statement (IFS). The IFS document provides a summary of all financial and non-financial developer contributions relating to Section 106 Legal Agreements (S106) and the Community Infrastructure Levy (CIL) within Folkestone & Hythe District for a given financial year. This report seeks approval of the IFS, and identifies the infrastructure needs, the total cost of this infrastructure, anticipated funding from developer contributions, and the choices the authority has made about how these contributions will be used.

REASONS FOR RECOMMENDATIONS

To replace the Regulations 123 List which has been deleted by legislation and replace with the Infrastructure Funding Statement in accordance with the regulations.

RECOMMENDATIONS:
1. **To receive and note report C/20/68.**
2. **To agree that the Council accepts the proposed Infrastructure Funding Statement contained in Appendix 1, which is to have immediate effect and be published externally no later than 31st December 2020**

[1] http://www.legislation.gov.uk/ukdsi/2019/9780111187449

1. Introduction

1.1 In accordance with the latest revisions made via the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019), from December 2020 local authorities must publish an Infrastructure Funding Statement (IFS), and information should be drawn from this. A copy of the IFS is presented in **Appendix 1.**

1.2 Accordingly, the IFS is to provide a summary of all financial and non-financial developer contributions relating to Section 106 Legal Agreements (S106) and the Community Infrastructure Levy (CIL) within Folkestone & Hythe District for a given financial year.

1.3 The IFS should also identify infrastructure needs, the total cost of this infrastructure, anticipated funding from developer contributions, and the choices the authority has made about how these contributions will be used.

2. Preparing an Infrastructure Funding Statement

2.1 The Planning Policy Guidance (PPG) on Infrastructure Funding Statements provides guidance on the contents of statements, as follows:

> *"Infrastructure funding statements must set out:*
>
> - *A report relating to the previous financial year on the Community Infrastructure Levy;*
> - *A report relating to the previous financial year on section 106 planning obligations;*
> - *A report on the infrastructure projects or types of infrastructure that the authority intends to fund wholly or partly by the levy (excluding the neighbourhood portion).*
>
> *The infrastructure funding statement must set out the amount of levy or planning obligation expenditure where funds have been allocated. Allocated means a decision has been made by the local authority to commit funds to a particular item of infrastructure or project."*

2.2 Associated reporting is set out within the body of the IFS.

3. Scheme prioritization through reference to the Infrastructure Funding Statement

3.1 The District Council formally adopted a Community Infrastructure Levy Governance Framework at Cabinet on 24th June 2020, and Cabinet report C/20/12 and its associated appendices refer.

3.2 The purpose of having a governance framework in place is to ensure the deployment of CIL income follows clear and appropriate processes. Decisions to be taken by the District Council on spend of CIL receipts from the strategic pot would be taken in accordance with the IFS priorities and through the involvement/discussions between the Planning Policy team which leads on preparation of the IFS and one of the following Directors, depending on the directorate area where a particular project falls:

- Director of Place
- Direction of Housing and Operations
- Director of Corporate Services

3.3 The District Council has set out a comprehensive list of infrastructure schemes to be delivered across the District within a corresponding Infrastructure Schedule that is appended to the IFS (Appendix 2 refers). Inclusion of any individual project within the schedule does not guarantee that support via CIL shall be forthcoming. Indeed, a number of referenced schemes will be fully-funded via S106.

3.4 The content of the Infrastructure Schedule presented in Appendix 2 has been drawn from the Infrastructure Delivery Plans (IDPs) prepared as part of the evidence base for the Places and Policies Local Plan and the Core Strategy Review respectively. Both IDP documents were produced following extensive discussion and collaboration with stakeholders, strategic infrastructure providers and the County Council throughout the period 2017 to 2019. As such, information drawn from the IDPs for inclusion within the Infrastructure Schedule remains both current and relevant. However, it is important to note that the IFS and its supporting documentation are dynamic and will be subject to annual review and updating, as required.

3.5 Member views on the content of the IFS and Infrastructure Schedule are welcomed, to include recommendations for the setting of priority projects.

3.6 The 2020 IFS document does not set any priorities on project spend.

4. Conclusion

4.1 The district council has prepared its first Infrastructure Funding Statement, and meets the requirements of the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 for local authorities to publish information on the infrastructure funding they receive through Section 106 and CIL.

4.2 It should be noted that, at the time of writing this statement, the Government is consulting on proposals for radical reform of the planning system, as set out in the Planning White Paper ‘Planning for the Future’ (MHCLG, August 2020). These changes may therefore need to be reflected in future updates of this document.

5. Reporting officer

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Appendices

Appendix 1. Folkestone & Hythe District Council Draft Infrastructure Funding Statement (November 2020)

Appendix 2. Draft Infrastructure Schedule (November 2020)

INFRASTRUCTURE FUNDING STATEMENT

DECEMBER 2020

1. Introduction

1.1 In accordance with the latest revisions made via the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019[1], from December 2020 local authorities must publish an Infrastructure Funding Statement (IFS), and information should be drawn from this. Accordingly, the IFS is to provide a summary of all financial and non-financial developer contributions relating to Section 106 Legal Agreements (S106) and the Community Infrastructure Levy (CIL) within Folkestone & Hythe District for a given financial year.

1.2 The IFS should also identify infrastructure needs, the total cost of this infrastructure, anticipated funding from developer contributions, and the choices the authority has made about how these contributions will be used.

1.3 Other noteworthy changes to be introduced by the revision to the regulation is summarised as follows:

- Removal of the restriction on pooling more than 5 planning obligations towards a single piece of infrastructure.
- Deletion of the Regulation 123 List
- Allowing authorities to choose to pool funding from different routes to fund the same infrastructure provided that authorities set out in their infrastructure funding statements which infrastructure they expect to fund through the levy and through planning obligations.

2. Preparing an Infrastructure Funding Statement

2.1 The guidance[2] advises that when preparing infrastructure funding statements, authorities should consider known and expected infrastructure costs taking into account other possible sources of funding to meet those costs. This process will help the charging authority to identify the infrastructure funding gap and a levy funding target. The Planning Policy Guidance (PPG) recognises some of the challenges surrounding the identification of infrastructure funding, noting that:

> *"It is recognised that there will be uncertainty in pinpointing other infrastructure funding sources, particularly beyond the short term. Charging authorities should focus on providing evidence of an aggregate funding gap that demonstrates the need to put in place the levy.*
>
> *Any significant funding gap should be considered sufficient evidence of the desirability of CIL funding, where other funding sources are not confirmed. The Community Infrastructure Levy examination should not re-open infrastructure planning issues that have already been considered in putting in place a sound relevant plan.*

[1] http://www.legislation.gov.uk/ukdsi/2019/9780111187449
[2] Paragraph: 017 Reference ID: 25 017 20190901 Revision date: 01 09 2019

Authorities may have existing 'regulation 123 lists' dating from before the Community Infrastructure Levy regulations were amended in September 2019. These lists remain useful as important evidence to inform plan making and the preparation of charging schedules. By no later than 31 December 2020, authorities will replace these lists with infrastructure funding statements."

2.2 Funding for the delivery of infrastructure will be sought by the Council from multiple sources over a number of years. Developer contributions can be provided in several ways:

- Through planning conditions – to make development acceptable that would otherwise be unacceptable.
- Through planning obligations in the form of Section 106 agreements – where it is not possible to address unacceptable impacts through a planning condition.
- Through the Community Infrastructure (CIL) – a fixed charge levied on new development to fund infrastructure.

2.3 It is generally expected that Developer Contributions: CIL and Planning Obligation (Section 106) will only provide a contribution to funding the infrastructure costs. Alongside this funding there are mainstream sources of funding available to support delivery including sources of funding for education, transport, health and utilities infrastructure. Funding can also be used from the town and parish council CIL pots.

2.4 The PPG on Infrastructure Funding Statements[3] provides guidance on the contents of statements, as follows:

"Infrastructure funding statements must set out:

- *A report relating to the previous financial year on the Community Infrastructure Levy;*
- *A report relating to the previous financial year on section 106 planning obligations;*
- *A report on the infrastructure projects or types of infrastructure that the authority intends to fund wholly or partly by the levy (excluding the neighbourhood portion).*

The infrastructure funding statement must set out the amount of levy or planning obligation expenditure where funds have been allocated. Allocated means a decision has been made by the local authority to commit funds to a particular item of infrastructure or project."

[3] Paragraph: 176 Reference ID: 25 176 20190901 Revision date: 01 09 2019

3. A report relating to the previous financial year on the Community Infrastructure Levy

3.1 The reporting on the previous financial year is for the period 1 April 2019 to 31 March 2020 (note this is different to the tax year which runs from 6 April to 5 April).

3.2 It is noteworthy that the District Council has been reporting on S106 contributions and CIL receipts collected for a previous financial year to the Planning and Licensing Committee as an agenda item, so as to ensure the recommendations of the audit report are met and that information relating to the collection and allocation of S106 legal agreements is publicly available.

3.3 Previous reporting can be found under items of the Planning and Licensing Committee as follows:

- DCL/17/31 dated 23rd January 2018, with the following included as appendices:
  - Appendix 1: Contributions Required By Section 106 Agreements 2015/17
  - Appendix 2: Community Infrastructure Levy (CIL) Annual Monitoring Report 2016/17.

- DCL/18/33 dated 26th February 2019, with the following included as appendices:
  - Appendix 1 – Table of S106 Financial Contributions

3.4 Table 3.1 provides details of CIL receipts (payments) collected during the reporting period 1 April 2019 to 31 March 2020. Table 3.2 provides information on the total CIL receipts by Town and Parish Council area since August 2016 and corresponding transfer of CIL receipts (as of 31st March 2020).

Table 3.1. CIL receipts (payments) collected during the reporting period 1 April 2019 to 31 March 2020

Site name	Planning ref	Total CIL liability	Total CIL received	Outstanding liability	CIL neighbourhood proportion	Town/Parish Council
33 Newlands St Marys Bay Romn ey Marsh Ken t TN29 0EY	Y17/0150/SH	£9,050	£9,050	£0	£2,262.50	St Mary in the Marsh

Land Adjoining 143 Queens Road Littlestone Kent	Y18/0524/FH	£6,892.20	£6,892.20	£0	£1,033.83	New Romney Town Council
Land Opposite Dorland New Romney Kent	Y18/0327/SH	£35,390.90	£35,390.90	£0	£5,308.64	New Romney Town Council
Great Field Farm Misling Lane Stelling Minnis Canterbury Kent	Y17/1512/SH	£12,581	£12,581	£0	£1,887.15	Elmsted Parish Council
Land Adjoining Steynes Madeira Road Littlestone Kent	Y17/0127/SH	£19,800	£0	£19,800	£2,970 (once received)	New Romney Town Council
Land adjoining Telephone Exchange, Barnhurst Lane, Hawkinge	Y16/0628/SH	£23,750	£23,750	£0	£3,562.50	Hawkinge Town Council
Land Adjoining 17 Hillcrest Road, Hythe, Kent	Y18/0215/SH	£59,590.65	£59,590.65	£0	£8,938.60	Hythe Town Council
Stonegate Farmers, Stone Street 96 St Leonards Road, Hythe	Y15/1292/SH	£118,458.58	£118,458.58	£0	£17,768.79	Elmsted Parish Council
96 St Leonards Road, Hythe	Y17/0866/SH	£28,444	£28,444	£0	£4,266.60	Hythe Town Council
Land rear 162 High Street, Hythe	Y17/0971/SH	£54,600	£54,600	£0	£8,190	Hythe Town Council
74 High street New Romney	Y17/0312/SH	£39,600	£39,600	£0	£5,940	New Romney Town Council

	Total	£408,157	£388,357	£19,800	£59,159	n/a

3.5 In line with the Regulations, 15% of CIL receipts (capped at £100 per Council tax dwelling per annum in the parish area) will be transferred to Town and Parish Councils twice a year, where development has occurred in their area, rising to 25% of CIL receipts (without any cap) for Town and Parish Councils that have made Neighbourhood Plans. St Mary in the Marsh Parish is the only area within the district that has an adopted, or ‘made’, Neighbourhood Plan. At the time of writing, there are no additional Neighbourhood Plans being prepared by Town or Parish Councils). The cap that applies of £100 per Council tax dwelling per annum has only had implications on the payment to be made to Elmstead Parish Council in the 2019/20 financial year. Because of the small population of the parished area (141 properties in total) the annual CIL payment for 2019/20 could not exceed £14,100. The 15% allocation for 2019/20 would amount to a transfer of £19,655.94 if there were no cap in place. Because of the cap the residual amount of £5,555.94 is transferred into the strategic pot.

Table 3.2. Total CIL receipts by Town and Parish Council area since August 2016 and corresponding transfer of CIL receipts (as of 31st March 2020)

Parish/Town Council	Amount owed from CIL receipts currently held on account	Amount transferred as of 31st March 2020	Date of transfer	Number of Council Tax properties as of 31st March 2020	Notes
Acrise Parish				75	
Brenzett Parish				179	
Brookland Parish				206	
Burmarsh Parish				133	
Dymchurch Parish	£701.77	£0		1737	
Elham Parish				688	
Elmsted Parish	£14,100	£0		141	Payments relate to Y15/1292/SH and Y17/1512/SH. Both payments were made to F&HDC in 2019/20. There are 141 Council Tax properties in Elmste0d parish, and so the neighbourhood allocation in the 2019/20 financial year is limited to £14,100, equivalent to £100 per existing Council Tax dwelling.
Folkestone Town	£6,321.30	£6,321.30	Single payment made on 14th July 2020	22332	The single payment made on 14th July included the sum of £2313.75, which relates to a CIL payment made to F&HDC after 31 March 2020. The reporting on this row relates to payments up to 31 March 2020

Parish/Town Council	Amount owed from CIL receipts currently held on account	Amount transferred as of 31st March 2020	Date of transfer	Number of Council Tax properties as of 31st March 2020	Notes
					A further payment of £13,376.25 was made in September 2020, and will be reported in the 2021 IFS As such Folkestone Town Council have received total monies of £22,011.30 as of September 2020
Hawkinge Town	£5,018.10	£0		3323	
Hythe Town	£57,674.50	£48,735.90	Single payment made on 25th February 2020	7693	
Ivychurch Parish				102	
Lydd Town				3103	
Lyminge Parish				1273	
Lympne Parish				652	
Monks Horton Parish				50	
New Romney Town	£12,282.47	£12,282.47	Single payment made on 17th July 2020	3407	
Newchurch Parish				138	
Newington Parish				164	
Old Romney Parish				97	
Paddlesworth Parish				15	
Postling Parish				94	
Saltwood Parish				392	
Sandgate Parish				2441	
Sellindge Parish				757	
Snargate Parish				60	
St Mary in the Marsh Parish	£2,933.75	£0		1462	
Stanford Parish				166	
Stelling Minnis Parish				253	
Stowting Parish				103	
Swingfield Parish				532	
Total	**£99,03189**	**£67,339.67**			

CIL Spending Protocol

3.6 The Council is responsible for making the final decision on the allocation of funding raised through CIL. The District Council formally adopted a Community Infrastructure Levy Governance Framework at Cabinet on 24th June 2020, and Cabinet report C/20/12 and its associated appendices refer. The purpose of having a governance framework in place is to ensure the deployment of CIL income follows clear and appropriate processes.

3.7 The District Council acknowledges the crucial role played by the County Council in the delivery of key strategic infrastructure. Indeed, charging authorities must consult and should collaborate with the County Council in setting the levy and should work closely with them in setting priorities for how the levy will be spent in 2-tier areas. Collaborative working between County Councils and charging authorities is especially important in relation to the preparation of infrastructure funding statements (see Schedule 2 introduced by the 2019 Regulations) bearing in mind the potential impact on the use of highway agreements by the County Council and the timely delivery of schools.

3.8 Under the proposed governance arrangements the District Council is pledging to assign 35% of CIL receipts from the strategic pot to Kent County Council in order to enable KCC to spend this proportion of the receipts in accordance with agreed priorities for infrastructure delivery within Folkestone & Hythe district.

3.9 A requirement of the proposed governance arrangements is that the County Council's priority infrastructure schemes shall be recorded within the District's Infrastructure Funding Statement (IFS); the associated spend of CIL receipts by the County Council must be in accordance with the prioritisation of CIL funds. This ensures full transparency for the deployment/investment of CIL receipts.

3.10 CIL collected will be used to provide infrastructure to support growth within the District. Of this:

- 5% will be used to provide a dedicated resource for the annual monitoring and management required by the CIL regulations
- Either 15% or 25% of receipts accruing from development within their Parish will be allocated to the relevant Parish or Town Council. On the basis that St Mary-in-the-Marsh is the only area with an adopted Neighbourhood Plan - and recognising that the quantum of development expected to come forward in this parish area is very limited - the neighbourhood apportionment is principally 15%
- Remaining CIL monies will be allocated by the Council and/or County Council for investment in infrastructure for the District, in accordance with this Spending Protocol. A proportion of the strategic pot, 35% (i.e. applying a ratio of 35:80 from the 80% under the strategic pot) will be passed across to Kent County Council in accordance with the approved Governance arrangements.

3.11 A breakdown of the CIL receipts by the corresponding pots is presented in Table 3.3.

Table 3.3. Breakdown of CIL receipts by percentage split as of 31 March 2020

Total CIL receipts received	5% administration	Neighbourhood allocation	Strategic pot	
£689,428.80	£34,471.44	£99,031.89	£555,925.47	
			F&HDC (45/80)	KCC (35/80)
			£312,708.07	£243,213.45

Notes

Under the agreed governance arrangements KCC shall receive a proportionate share (35%) of the strategic pot

Scheme prioritisation through reference to the Infrastructure Funding Statement

3.12 As part of the CIL spending protocol agreed by Cabinet in June 2020, decisions to be taken by the District Council on spend of CIL receipts from the strategic pot would be taken in accordance with the IFS priorities and through the involvement/discussions between the Planning Policy team which leads on preparation of the IFS and one of the following Directors, depending on the directorate area where a particular project falls:

- Director of Place
- Director of Housing and Operations
- Director of Corporate Services

3.13 The District Council has set out a comprehensive list of infrastructure schemes to be delivered across the District within a corresponding Infrastructure Schedule. Inclusion within the schedule does not guarantee that support via CIL shall be forthcoming. Indeed, a number of referenced schemes will be fully funded via S106.

3.14 In terms of reporting, it is proposed that a Cabinet statement is prepared every 6 months to provide an update on CIL receipts received and expenditure.

Profiling future CIL receipts

3.15 A further £2.5m of CIL receipts are expected from development which has been granted planning permission, but the consent has not yet been implemented to trigger the CIL payment. Up to a further £7m is expected from sites that are allocated within the Places and Policies Local Plan (PPLP), which was adopted on 16 September 2020. A number of sites within the PPLP have already been granted planning consent and are coming forward to implementation.

3.16 These figures are broad estimates based on an average floor area for new dwellings, and affordable housing in accordance with the prevailing policy requirement. CIL receipts will be affected by a number of other factors, which are more difficult to forecast, such as pace of development, CIL relief for self-build dwellings and windfall development.

4. A report relating to the previous financial year on the S106 planning obligations

4.1 The basis for collecting S106 developer contributions is policy SS5 of the adopted Core Strategy Local Plan, as well as other policies within the Local Plan relating to requirements for open and play space provision. The aim of S106 contributions is to mitigate the impact of development on local services such as local schools and social care facilities etc. and to ensure that, where provision is not made on site off site mitigation is provided. S106 contributions for these services can only be sought.

4.2 Importantly in the context of infrastructure funding and delivery, the removal of regulation 123 takes away not only pooling restrictions, but also the restriction on seeking S106 contributions to infrastructure on the infrastructure list.

4.3 Table 4.1 below shows the total amount of S106 money held by the Council on 31 March 2020. Table 4.2 details monies held at 31 March 2020 due to be transferred to the local CCG in future. Table 4.3 provides a further breakdown of monies held at 31 March 2020 due to be transferred to Kent County Council.

4.4 When S106 money is available, i.e. is held on account by the District Council following receipt of payment from a developer, and that money is required for a project, the party seeking a transfer payment (e.g. KCC in the case of a school expansion) is required to contact the Development Control Manager and clearly set out details of the project, its S106 justification, responsibilities for governance on spend and associated programming for delivery for S106 monies to be released. This is to ensure monies are spent in accordance with the specific legal agreements in a controlled project management environment.

Table 4.1 – Total S106 monies held by the F&HDC at 31 March 2020

Planning reference number	Balance 30/03/2020	Total KCC	Other 3rd Parties	FHDC Affordable Housing	FHDC Open Space	FHDC Other	Total
Y03/0903/SH	£68,641	0	0	0	£20,000	£48,641	£68,641
Y07/1566/SH	£81,307	0	£81,307	0	0	0	£81,307
Y09/0627/SH	£16,845	0	0	0	0	£16,845	£16,845
Y10/0898/SH	£969,682	0	0	£969,682	0	0	£969,682

Y11/0284/SH	£8,093	0	£8,093	0	0	0	£8,093
Y11/0812/SH	£2,800	0	0	0	£2,800	0	£2,800
Y11/1156/SH	£7,076	0	0	0	£7,076	0	£7,076
Y13/0172/SH	£117,745	0	0	0	£8,327	£109,418	£117,745
Y13/0595/SH (Y12/055/SH)	£5,000	0	0	0	£5,000	0	£5,000
Y13/1206/SH	£102,658	£12,658	0	£90,000	0	0	£102,658
Y14/0300/SH	£2,000	£2,000 *	0	0	0	0	£2,000
Y10/0698/SH & Y15/0806/SH	£61,421	0	0	0	£21,022	£40,399	£61,421
Y15/0467/SH	£77,716	0	0	£77,716	0	0	£77,716
Y15/0581/SH	£135,903	0	0	£135,903	0	0	£135,903
Y15/0164/SH	£557,313	£136,794 *	£70,471	0	£168,607	£181,439	£557,313
Y15/0751/SH	£55,951	0	0	0	0	£55,951	£55,951
Y17/1377/SH	£147,500	0	0	0	0	£147,500	£147,500
Total	**£2,417,650**	**£151,452**	**£159,871**	**£1,273,619**	**£232,832**	**£600,193**	**£2,417,650**

*Denotes that payments have been transferred to the receiving body post the reporting period, i.e. after 31 March 2020. This will be reflected in the 2021 IFS

4.5 Of the £2,417,650 held on account by F&HDC as of 31st March 2020, some £2,106,644 is to be spent on services that are delivered by the District Council.

4.6 Concerning the sum held on account that is to be transferred to third parties (amounting to £159,871 as of 31st March 2020), with the exception of the sum of £8,093 secured against planning permission Y11/0284/SH, the balance relates to healthcare contributions. Monies held on account by F&HDC to fund improved healthcare services are presented in Table 4.2. These contributions have been identified to support the delivery of a healthcare hub on land adjacent to the Marsh Academy, Station Road, New Romney. At the time of writing, this proposal has not proceeded to a formal planning application, although it's understood there's a justified business case to proceed to application stage in due course.

Table 4.2 – Monies held at 31 March 2020 due to be transferred to the CCG in future

Planning reference number	NHS contribution	Proposed project
Y07/1566/SH	£81,307	New surgery in New Romney
Y15/0164/SH	£70,471	New surgery in New Romney
Total	£151,778	

4.7 In respect of the £8,093 secured against planning permission Y11/0284/SH, this money is being drawn-down annually to fund a programme of ecological survey work to monitor the Emerald Moth habitat proximate to the scheme of residential development at Fisherman's beach. The final amount of £2,583 is to be paid to Natural England in 2021/22, after which the full drawdown will have taken place.

4.8 Of the £151,452 held on account as of 31st March 2020 to be transferred to KCC, two payments relating to applications Y14/0300/SH (£2,000) and Y15/0164/SH (£136,794) have been transferred to KCC post the reporting period ending 31st March 2020. Corresponding information is presented in Table 4.3.

Table 4.3 – Monies held at 31 March 2020 due to be transferred to KCC

Planning reference number	KCC Social Care	KCC Libraries	KCC Education	KCC Community Learning	KCC Youth	KCC Other?	Total KCC
Y13/1206/SH	£376.74	£1,704.55	£10,198.26	£378.81	0.00	0.00	£12,658.36
Y15/0164/SH			£136,794 *				£136,794*
Y14/0300/SH						£2,000 * Travel Plan monitoring fee	£2,000*

*Denotes that payments have been transferred to the receiving body post the reporting period, i.e. after 31 March 2020. This will be reflected in the 2021 IFS

5. A report on the infrastructure projects or types of infrastructure that the authority intends to fund wholly or partly by the levy (excluding the neighbourhood portion).

5.1 Through the preparation of an Infrastructure Schedule (separate document refers) this IFS identifies the infrastructure projects or types of infrastructure which Folkestone & Hythe District intends will be, or may be, wholly or partly funded by the Community Infrastructure Levy; whilst indicating other sources of funding that can be pooled to fund the same infrastructure projects shown. The content of the Infrastructure Schedule has been drawn from the Infrastructure Delivery Plans

(IDPs) prepared as part of the evidence base for the Places and Policies Local Plan and the Core Strategy Review respectively. Both IDP documents were produced following extensive discussion and collaboration with stakeholders, strategic infrastructure providers and the County Council throughout the period 2017 to 2019. As such, information drawn from the IDPs for inclusion within the Infrastructure Schedule remains both current and relevant.

5.2 Inclusion of any individual project within the schedule does not guarantee that support via CIL shall be forthcoming. Indeed, a number of referenced schemes will be fully-funded via S106.

5.3 However, it is important to note that the IFS and its supporting documentation are dynamic and will be subject to annual review and updating, as required. Member views on the content of the IFS and Infrastructure Schedule are welcomed, to include recommendations for the setting of priority projects.

5.4 The 2020 IFS document does not set any priorities on project spend.

6. Conclusion

6.1 This document is the council's first Infrastructure Funding Statement, and meets the requirements of the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 for local authorities to publish information on the infrastructure funding they receive through Section 106 and CIL.

6.2 It should be noted that, at the time of writing this statement, the Government is consulting on proposals for radical reform of the planning system, as set out in the Planning White Paper 'Planning for the Future' (MHCLG, August 2020).

6.3 The Planning White Paper includes proposals for the reform of the current system of developer contributions. If implemented as proposed, these reforms would see the scrapping of Section 106 agreements and the Community Infrastructure Levy and their replacement by a new consolidated Infrastructure Levy. This would be charged as a fixed proportion of the development value of a site, determined through a nationally-set rate.

6.4 These changes may therefore need to be reflected in future updates of this document.

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INFRASTRUCTURE SCHEDULE

Each project is prioritised as follows:

- Critical: physical constraint to growth- development cannot come forward without it.
- Essential: development cannot come forward in a sustainable/acceptable way without it.
- Important: development can come forward but some sustainability goals will need to be compromised and some adverse impacts accepted.

TRANSPORT

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021 - 2026)	Phase 3 (2027 - 2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Highways	New Romney A259/B2071 junction	Critical	Not directly, but is associated with planning consent granted on 'Broad Location' sites				KCC	£289,000	Funded	No	No
	Highways	A20/A261/Stone Street junction	Essential	Former Lympne Airfield site. The scheme is also associated with planning consent granted at Nickolls Quarry (S106 collected by KCC) and Link Park				KCC	TBC in the context of capacity requirements to serve the Garden Settlement (the cost will be in excess of £3 m)	Funded for minor works (£330,000), but more significant upgrade proposed	TBC	No
	Highways	Cheriton High Street A20/spur towards M20 J12	Critical	Works to be completed in December 2020 in association with the Shorncliffe Garrison site				Taylor Wimpey	£600,000	Funded	No	No

	Highways	Alkham Valley Road/A20 off slip/A20 on slip	Important	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				Highways England	TBC	Not funded	TBC	Yes, in part
	Highways	M20 J11 as part of access proposals to serve Otterpool Park Garden Settlement	Critical	Specifically required to unlock growth at Otterpool Park Garden Settlement				Highways England	TBC	Developer funded	No (expected to be fully funded)	No
	Highways	Off-site highway schemes required to be delivered in support of growth at Otterpool Park Garden Settlement	Critical	Specifically required to unlock growth at Otterpool Park Garden Settlement				Highways England & KCC Highways and Transportation	TBC	Developer funded	TBC (to be costed)	No
	Highways	A260 / Alkham Valley Road	Important	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				KCC	TBC	Not funded	TBC	Yes, in part
	Highways	A2034 Cherry Garden Avenue / Cherry Garden Lane	Important	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				KCC	TBC	Not funded	TBC	Yes, at least in part
	Highways	A2034 Cheriton Road / A2034	Essential	Not specifically needed to unlock PPLP				KCC	TBC	Part funded £50,000 (index linked)	TBC	Yes, at least in part

		Cherry Garden Avenue		sites, but growing traffic pressure from background growth The Folkestone Seafront strategic site is required to make a proportionate contribution								
	Highways	New Street / Foresters Way / Shellons Street / Dover Road	Importan t	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				KCC	TBC	Not funded Could be considered as part of Town Centre study	TBC	Yes, at least in part
	Highways	Station Road / A259 East Street / A259 Prospect Road	Importan t	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				KCC	TBC	Not funded	TBC	Yes, at least in part
	Highways	A260 Spitfire Way / White Horse Hill / A260 / A20 slip roads	Importan t	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				Highways England	TBC	Not funded	TBC	Yes, at least in part
	Highways	Spitfire Way / Canterbury Road / A260	Importan t	Not specifically needed to unlock PPLP sites, but growing traffic pressure from				KCC	TBC	Not funded	TBC	Yes, at least in part

				background growth								
	Highways	A2034 / A20 / A259 / M20 on slip / M20 off slip (Castle Hill interchange)	Importan t	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				KCC	TBC	Not funded	TBC	Yes, at least in part
	Highways	A259 Black Bull Road / A259 Churchill Avenue / A260	Importan t	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				KCC	TBC	Not funded Could be considered as part of Town Centre study	TBC	Yes, at least in part
	Highways	A2033 Sandgate Road / Castle Hill Avenue / Clifton Gardens / Langhorne Gardens	Importan t	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				KCC	TBC	Not funded Could be considered as part of Town Centre study	TBC	Yes, at least in part
	Highways	Aldington Road / Lympne Hill	Importan t	Not specifically needed to unlock PPLP sites, but growing traffic pressure from background growth				KCC	TBC	Not funded	TBC	Yes, at least in part
	Highways/pedestria n /cycling	Folkestone Town Centre	Importan t	Linked to town centre regeneration work. No direct link in PPLP but contributions could be sought				KCC/FHDC	TBC	Not funded	TBC	Yes, at least in part

				at planning application stage								
	Pedestrian access	Coastal Park HLF project	Important	No directly, but would improve access to residents and visitors to Folkestone and Sandgate				Folkestone & Hythe DC	£598,569	Part funded from Heritage Lottery Fund	Believed to be £131,869	Yes
	Pedestrian access	Cockreed Lane to Rolfe Lane pedestrian improvements, New Romney	Essential	Not directly, as funding was secured against the Marsh Potato site but the provision has been redrafted in light of the 'Broad Location' sites				KCC	£73,575	Funded	No	No
	PROW	Lyminge to Etchinghill improvement	Important	Proposed site allocations at Lyminge and Etchinghill				KCC	TBC	S106/CIL	TBC	Yes
	Cycling	Royal Military Canal greenway scheme	Important	No direct link with PPLP sites, but the project would provide a key component of a strategic cycle route				Folkestone & Hythe DC	£500,000	CIL	£500,000	Yes
	Cycling	Harvey Grammar to Folkestone Seafront cycle scheme	Important	No direct link with PPLP sites, but the project would provide a key component of a cycle network within Folkestone	To be completed by April 2018			KCC	£0	Completed in summer 2018	No	No

	Cycling	Folkestone West railway station secure cycle parking	Important	No direct link with PPLP sites, but the project would provide a key component of a cycle network within Folkestone	To be delivered in the next 18 months			Southeastern	£90,000	£66,000 from DfT Cycle Rail fund and £24,000 from CIL – this scheme has been completed	No	Yes, CIL funding to be used
	Cycling	Folkestone Central Rail Station to Cheriton cycle scheme	Important	No direct link with PPLP and CSR sites, although of direct benefit to Otterpool Park. The project would provide a key component of a cycle network within Folkestone	To be delivered in the next 12 months			KCC	TBC	Expected to be fully funded via Tranche 2 of the Active Travel Fund. Timescales to be confirmed by KCC	No	No
	Cycling	Folkestone to Lydd - the Dymchurch missing link	Important	No direct link with PPLP and/or CSR sites, but the project would provide the final section of the Cinque Ports cycleway	To be delivered in the next 12 months			KCC	TBC	Expected to be fully funded via Tranche 2 of the Active Travel Fund. Timescales to be confirmed by KCC	No	No
	Public transport	Bus network enhancements (associated with major sites)	Critical	No direct link with PPLP sites, but linked with planning consent at the Shorncliffe Garrison New bus route form Hythe to Folkestone West Rail Station				Stagecoach	£880,000	Funded to “kick start” service enhancements	No	No

				Diverted bus route 71/72/73 from Church Road to Royal Military Avenue, North Road and Pond Hill Lane Long-term improvements to bus route 77 operating along Royal Military Avenue and North Road								
	Public transport	Bus service enhancement (Sellindge)	Essential	No direct link with PPLP sites, but linked with planning consent at land adjacent to the surgery, Sellindge				Stagecoach	£30,000	To fund an extension to existing services	No	No
	Public transport	Travel plan and cycle voucher contributions (New	Essential	No direct link with PPLP sites, but linked with planning consent at New Romney broad location				Stagecoach and local cycle provider	£136,000	Funded To fund the purchase of bicycles by new residents and up to 3 months' travel by public transport per household	No	No
	PROW	Improvements to public footpaths HF38 and HBX11 to Cheriton High Street and public footpath	Essential	Not specifically. Contributions secured against Shorncliffe Garrison site				KCC	£55,000	Funded	No	No

		HF55 to Newington										
	Footway	Upgrade existing footpath linking Church Road and Cheriton High Street	Essential	Not specifically. Contributions secured against Shorncliffe Garrison site				KCC	£25,000	Funded	No	No
	Cycle routes	Improvement to cycle routes in the vicinity of the Shorncliffe Garrison site	Essential	Not specifically. Contributions secured against Shorncliffe Garrison site				KCC	£25,000	Funded	No	No

Total indicative cost (a number of schemes are TBC) = £6,212,144
Total funding gap =£3,301,869

*The actual funding gap will exceed this amount, as a number of schemes have not been costed at this time

EDUCATION

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021-2026)	Phase 3 (2027-2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Primary education	Relocation and Expansion of Seabrook CEPS by 1/2FE	Important	No direct link with PPLP sites				KCC	£4,500,000	Part funded	£3,500,000	No
	Primary education	Expansion of St Nicholas CEPS to 2FE	Important					KCC	£200,000	Funded	None	No
	Primary education	Expansion of Greatstone PS to 2FE	Important					KCC	£350,000	Funded	None	No
	Primary education	Palmarsh Primary 0.5FE expansion to 1FE	Important					KCC	£2,200,000	Part funded	£900,000	No
	Primary education	Palmarsh Primary 0.5FE	Important					KCC	£800,000	Not funded	£800,000	No

		expansion to 1.5FE										
	Primary education	Folkestone West - New 2FE Primary School	Critical					KCC	£7,200,000	Part funded	£1,070,000	No
	Primary education	Expansion of Churchill PS (Hawkinge) by 1FE	Important					KCC	£2,800,000	Not funded	£2,800,000	No
	Primary education	0.5FE expansion of Sellindge Primary to 1FE (3 classes plus ancillary facilities)	Critical	Sellindge broad location (policy CSD9)	2020			KCC	£836,000	Funded	None	No
	Primary education	0.5FE expansion of Sellindge Primary to 1.5FE	Critical	Sellindge broad location (policy CSD9)				KCC	TBC	Funded	None (assuming S106 is collected in full from all sites forming broad location)	No
	Secondary education	Secondary 4FE	Important	Various				KCC	£13,000,000	Not funded	£13,000,000	Yes
	Secondary education	Turner Free School	Important	Various	2018			ESFA	TBC	Funded to 4FE	None	No
	Higher and Further Education	East Kent College - Folkestone Campus - New Campus Frontage	Important	None specifically. Will contribute significantly to town centre regeneration, and provide an improved higher and further education offer for the District				East Kent College	£8,000,000	Part funded	£5,400,000	Yes

Total indicative cost (does not include Turner) = £39,886,000
Total funding gap = £27,470,000
Only one project is cited as being a potential CIL project, which is the provision of a new 4FE secondary school

OPEN SPACE AND PLAY SPACE

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021-2026)	Phase 3 (2027-2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Play space	Cheriton Recreation Ground	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	East Cliff/Jock's Pitch	Critical	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	TBC	Not funded	TBC	Yes
	Play space	Coastal Park	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	Canterbury Road	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	Brabner Close	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	Princes Parade (Royal Military Canal)	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	Payers Park	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes

	Play space	Upper Radnor	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	Lower Radnor Park Play Area	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	Brockhill Country Park	Important	Not specifically needed to unlock PPLP sites				KCC	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	Dymchurch Recreation Ground	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				Dymchurch Parish Council	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	Fairfield Recreation Ground	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				New Romney Town Council	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	The Greens	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				New Romney Town Council	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	The Rype	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				Lydd Town Council	Assume £50,000 but further details needed	Not funded	TBC	Yes
	Play space	The Green	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				Hythe Town Council	Assume £50,000 but further details needed	Not funded	TBC	Yes
										£20,000 on transfer of		

	Open space	Village Green, land adjacent to the surgery, Sellindge	Critical	To be delivered as part of the Taylor Wimpey scheme				Sellindge parish council	£626,320	the Village Green and Phase 1 Open Space to Sellindge PC; £150,000 prior to 75% occupation; £456,320 six months after final occupation	No	No
	Open space	The Warren	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume greater than the £200,000 secured from Folkestone Seafront?	Part funded £200,000 (index-linked) from Folkestone Seafront	TBC	Yes, in part
	Open space	M20 Screen	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes, in part
	Open space	Folkestone West	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes, in part
	Open space	Rhodes Minnis Recreation Ground	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes, in part
	Open space	Strombers Lane	Important	Not specifically needed to unlock PPLP sites, but				FHDC	Assume £50,000 but further	Not funded	TBC	Yes, in part

				contributions may be sought					details needed			
	Open space	Underwood	Important	Not specifically needed to unlock PPLP sites, but contributions may be sought				FHDC	Assume £50,000 but further details needed	Not funded	TBC	Yes, in part
	Open space	Shorncliffe	Important	Committed development with planned play area provision at Shorncliffe Garrison. Classification to be fully confirmed.				To be confirmed once installed. (should be FHDC)		Funded	n/a	n/a

Total indicative cost = £2,626,320
Total funding gap = £1,350,000

*the funding gap assumes a project cost of £50,000 per site for each identified open space and play space, expect where details are provided

ENERGY

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021-2026)	Phase 3 (2027-2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Electricity	Stanford 33/11kV – Retrofit 11kV Switchgear	Essential	To support development generally				UKPN	TBC	Funded	None	No
	Electricity	Smeeth 33/11kV Reinforcement	Essential	To support development generally				UKPN	TBC	Funded	None	No
	Electricity	Romney Warren 33/11kV Reinforcement	Essential	To support development generally				UKPN	TBC	Funded	None	No
	Electricity	New secondary sub-station on sites yielding 50	Essential	To support development generally				UKPN	£50,000 per site based on 2015 prices	UKPN/ Developer (so funded)	None	No

		dwellings or more		Assessment undertaken on a site-by-site basis								

WATER & FLOODING DEFENCES

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021-2026)	Phase 3 (2027-2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Water Supply	Denge reservoir reinforcement	Essential	New Romney & Littlestone proposed allocations				Affinity Water	TBC	Funded (by developer)	No	No
	Water supply	Saltwood reservoir reinforcement	Essential (Monitor)	Saltwood and Hythe site allocations may require significant infrastructure reinforcements dependent on location of developments				Affinity Water	TBC	Funded	No	No
	Flood defence	Denge Beach Management 2016-21	Important					Environment Agency	£1.47 m	Funded	No	No
	Flood defence	Hythe to Folkestone Beach Management 2015 - 2020	Important	Folkestone and Hythe sites				Folkestone & Hythe DC	£950,000	Funded	No	No
	Flood defence	Greatstone Dunes Management	Important					Folkestone & Hythe DC	£75,000	Funded	No	No
	Flood defence	Hythe to Folkestone Beach Management 2020 - 2025	Important	Folkestone and Hythe sites				Folkestone & Hythe DC	£1.333 m	Funded	No	No
	Flood defence	Hythe to Folkestone Beach Recharge	Important	Folkestone and Hythe sites				Folkestone & Hythe DC	£5.035 m	Funded	No	No

	Flood defence	Hythe Flood Alleviation Scheme	Important	Hythe sites				Kent CC	£500,000	Funded	No	No
	Flood defence	FCEP4 - Hythe Ranges Scheme	Essential	Hythe sites				Environment Agency	£19.91 m	Funded	No	No
	Flood defence	Romney Sands Coastal Defences	Important	New Romney and coastal sites				Environment Agency	£312,500	Funded	No	No
	Flood defence	Lydd Ranges Schemes	Essential	Lydd sites				Environment Agency	£21.25 m	Funded	No	No
	Flood defence	Littlestone Beach Recharge 2020-21	Essential					Environment Agency	£1.2 m	Funded	No	No
	Flood defence	Nailbourne Options Investigation	Important					Environment Agency	£2.5 m	No	£2.083 m	Yes, if needed in part
	Flood defence	Romney Marsh Living Landscape Project	Important					Environment Agency	£40,000	Funded	No	No
Total indicative cost = £54,575,500 Total funding gap = £2,083,000												

HEALTH & SOCIAL CARE

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021-2026)	Phase 3 (2027-2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Adult Social Care	Assistive technology in Shepway	Important	No direct link	Ongoing			KCC	£150,000	Funded, to include £24,302 from S106	None	No
	General provision (New surgery)	New 1,650 sq m healthcare 'hub' at New Romney to address deficiency	Essential	S106 contributions from site allocations in New Romney				KCC (as landowner)/ NHS (South Kent Coast CCG as provider)	Circa £9 million	Circa £150,000 secured via S106 £1.52m secured via	TBC – it might be fully funded.	Yes, if needed in part

										STP fund (NHS) KCC as landowner is keen to promote the site and retain ownership		
	General provision (New combined GP surgery)	New combined GP surgery to address premise issues in Folkestone	Important	No direct link								
	General provision (New surgery)	New Shorncliffe branch health/care centre	Critical	No direct link as the Shorncliffe Garrison site is subject to an allocation in the Core Strategy (2013)				Developer/ NHS	£858,600	Funded (direct provision)	None	No
	General provision	Expansion of Oaklands Surgery, Hythe	Critical	Direct link with PPLP sites St Saviours, Smiths Medical and Land at Station Road. S106 monies (£60,000) already secured against– Saltwood Care Centre Pending S106 for St Saviours will seek a minimum of £36,000 (based on scheme submitted in outline)				NHS	£250,000	At least part funded by secured S106. Possibly fully funded via S106	TBC	No

				Smiths Medical – TBC – 80 dwellings (likely mainly 3 bedroom houses) Land at Station Road – 30 dwellings (3 and 4 beds) Foxwood – TBC – 150 dwellings (mix of 2-4 beds)								
	General Provision	Improvement/ Re-provision of surgeries in central Folkestone. Potential to be linked to the Folkestone town centre regeneration scheme	Important Strategically necessary	No direct link in PPLP but contributions could be sought at planning application stage				NHS	Up to £6m	Part funded	A proportion of £6m depending on the funding model	Yes
Total indicative cost = £16,256,000 Total funding gap = £9,000,000												

WASTE AND RECYCLING

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021-2026)	Phase 3 (2027-2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Local Waste Collection	No specific projects identified at this stage. Reviewed on an annual basis.	Important	All development	Ongoing as required			FHDC/Biffa	Unknown	FHDC/Biffa contract funded through Council Tax and KCC	None	No

								Enabling Payment		
	Waste disposal	New Waste Transfer Station – to be located in East Kent	Important	None	Ongoing as required	KCC and Waste Contractors	Assumed to be at least £7m	Unknown	Unknown	TBC
Total indicative cost = £7,000,000 Total funding gap = up to £7,000,000										

COMMUNITY FACILITIES

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021-2026)	Phase 3 (2027-2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Libraries	Library Services at Folkestone Library	Important	None	Ongoing			KCC	£183,569	Part funded	£75,429	No
	Libraries	Library Services at Cheriton Library	Important	None	Ongoing			KCC	£117,004	Part funded	£107,104	No
	Libraries	Shepway theoretical library refurbishment and replenishing bookstock	Important	None	Ongoing			KCC	£502,130	Part funded	£100,426	No
	Police	Potential expansion of custody cells and necessary equipment	Important	None	Ongoing			Kent Police	£504,218	None	£504,218	Yes
	Youth Provision	Hythe Youth Club	Important	None	Ongoing			KCC	£49,118	Funded	None	No
	Youth Provision	Shepway Youth Service	Important	None	Ongoing			KCC	£204,244	Part funded	£98,304	No
Total indicative cost = £1,560,283												

Total funding gap = £885,481

LEISURE FACILITIES

ID	Infrastructure type	Project	Priority	Interdependence with PPLP &/or CSR	Phase 1 (2016-2020)	Phase 2 (2021-2026)	Phase 3 (2027-2037)	Delivery body	Indicative cost	Funding position	Expected funding gap	Potential CIL project
	Leisure centre	Replacement leisure centre to Hythe Pool	Important	Yes, subject to site implementation	Ongoing as required			FHDC	Unknown	Part funded through secured S106, capital receipts and CIL	TBC	Yes

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This Report will be made public on 12 January 2021

Folkestone & Hythe District Council

Report Number: **C/20/70**

To:	**Cabinet**
Date:	**20 January 2021**
Status:	**Non Key Decision**
Director:	**Tim Madden, Transformation and Transition**
Cabinet Member:	**Councillor David Monk, Leader of the Council**

SUBJECT: **Customer Access Point and New Civic Offices**

SUMMARY: The paper considers in principle decisions relating to: (1) developing a Customer Access Point within Folkestone Town Centre; and (2) developing a more detailed plan for the relocation of reduced office space in a modern, sustainable civic suite facility within the district.

REASONS FOR RECOMMENDATION:

Cabinet is asked to agree the recommendations set out below:

(a) So that the Council can consider its future service delivery and working practices in light of the recent pandemic and changes that has brought.
(b) To agree in principle so that further work on the detail of the proposals can be developed so the Cabinet can take an informed decision on the future of its civic suite during 2021.

RECOMMENDATIONS:

Cabinet is asked:

1. To consider report C/20/70;
2. To agree the strategic principles as set out in paragraph 3.2 in relation to future service provision;
3. To agree that officers, in consultation with the Portfolio Holder for Digital Transformation, continue to undertake further work to identify a customer access point in Folkestone and to bring detailed proposals back to Cabinet for approval during 2021;
4. To agree to that officers, in consultation with the Leader of the Council, commence further work to produce a detailed proposal for the future relocation of the civic offices for Cabinet consideration in due course;
5. To agree an indicative budget of up to £250,000 to undertake the development and feasibility works for the Customer Access Point and the relocation of the Civic Centre to be funded from reserves and built into the 2021/22 budget.

1. Introduction

1.1 The report sets out the background to the proposals and the impact on society and how it operates as the result of recent changes and the pandemic. This provides the opportunity for the Council to take a longer term strategic view as to its location and also how services are delivered. These events make it an appropriate timing to consider the longer term options.

1.2 The nature of our world has undertaken huge changes during 2020. The global pandemic has fundamentally changed how the public sector operates both with regard to its customers but also for those who work within the sector – changes that are also being experienced across the whole economy and differing sectors across the country. Whilst at some point it is likely there will be a return to a degree of "normality", it is unlikely that society or the workplace will be the same again.

1.3 In many respects, the pandemic has accelerated existing trends and challenges within society. The development of the digitally enabled society, the increasing use of technology to easily access services and commodities, the recognition of the climate emergency and a change in the way people lead their lives all suggest that this is an opportune time to consider how best to arrange and future-proof delivery of our public services.

1.4 Additionally changing patterns in the workplace, greater agility and acceptance of flexibility in how people work, combined with the exponential growth in working from home results in shorter travel time with lower costs, and a significantly reduced need for a central fixed cost office base, meaning that a rethink as to the future workplace is timely. In addition, the ageing nature of the current civic centre facility with increasing maintenance costs make this an opportune time for such a review to consider the best way to operate in the future.

2 Background

2.1 The Council has been undertaking a digital journey since 2016 when a significant degree of automation was introduced to the revenues and benefits service. The Transformation Programme (started 2018) has continued this work with a focus on digital delivery which reflects developments in society whereby customers expect ease of access to services at a time which suits them. The development of smart technology and increased access in a number of different environments has driven many of the changes in the way the council works.

2.2 Prior to the pandemic, the Council had already introduced more agile working and the introduction (in 2019) of Skype for Business had laid the foundations for a different way of working. In many respects, the pandemic has accelerated existing trends and challenges within society. The development of the digitally enabled society, the increasing use of technology to easily and safely access services and commodities, the recognition of the climate emergency and a change in the way people lead their lives all suggest that this is an opportune time to consider how to best arrange our services for the future.

2.3 Alongside this, there is now a greater customer expectation of being able to access services at any time of the day via digital means and this journey continues with the introduction of more self-serve and the My Account function but it is important that the Council recognizes and responds to these in thinking how it provides services in the future. Recent uptake of My Account has been very positive (with 6,192 accounts registered as at 31st December 2020) and all signs suggest increasing uptake is set to continue.

2.4 During the pandemic the increase in home and agile working has been significant to respond to the new environment. Staff have adapted to this new environment and there has been no material impact on customer services standards with the latest Customer Services Excellence assessment during 2020 actually awarding an additional 3 compliance plus standards. Staff have also been able to take advantage of the additional HMRC tax allowance of £312 per annum for working from home to help offset any additional costs which may be incurred.

2.5 The Council also declared a climate emergency during 2019. The reduction in travel demands brought about by the change in working patterns for the pandemic has reduced council-related mileage by an approximate **24,000 miles per week** (based on assumptions as to individuals' behaviours – see * below) in terms of travelling to and from the civic offices, and has seen a 55% reduction in the number of business mileage claimed for the first 3 months of the financial year 20/21 compared to the previous year. This is a financial reduction of £6,809 for that period. There is a significant environmental and financial benefit of this and it is estimated that this equates to a **reduction of 7,835 kg CO2 per week**. Equally, the current civic offices are not environmentally friendly and require significant repairs and investment (c£2.9 million over the next 10 years) and are unlikely ever to achieve significant reduction in carbon output.

2.6 There is therefore an opportunity to consider a clearer strategic approach and demonstrate environmental civic leadership in developing an environmentally sustainable attitude to our operations. This could include working remotely from home as a regular feature for those job roles where this is possible, alongside a dedicated Access Point for those customers in need of support that cannot transact digitally with the council, and the creation of a modern civic suite which is reduced in size and more efficient and suitable for the longer term.

* calculation based on estimates of staff commuting mileage, assuming no car use within 1.5 miles of Civic Offices and 4 days per week attendance, excluding grounds maintenance and a mix of vehicle use split 50% large cars and 50% medium / small cars. Carbon calculation based on BEIS conversion factors.

3 Proposal

3.1 At its meeting of 6 October 2020, the Overview and Scrutiny Committee considered the following proposal:

   (i) to look at establishing an accessible customer access point in Folkestone as the highest populated area of the district; and
   (ii) to relocate a reduced floor space of civic offices to develop a modern, sustainable and flexible facility.

3.2 In considering the proposal, the following **strategic objectives** are considered to be important when looking at the options:

- To deliver on the council's commitment to reduce its estate and operations to zero net carbon by 2030;
- To ensure services are appropriately delivered and to maximise the use of technology and on line means to provide access to those services;
- To recognise that some parts of the community are unable to access services through these means and to have an appropriately located access point for those who may be digitally excluded;
- To ensure that any new facilities maximise the opportunity to be sustainable and offer net zero carbon or better;
- To optimise the use of public transport for accessing those facilities;
- To redesign and relocate the civic suite so that it more appropriately provides access for the whole district;
- To develop a new centre which represents modern working trends and minimises home to work travelling impacts and costs;
- To optimise a joint facility with partners to provide economies of scale, efficiencies etc.; and
- To provide the potential for joint community use in order to maximise the use of the asset.

3.3 The proposal is to establish a Customer Access Point within Folkestone. The reasons behind this are:

- Central Folkestone is the most populous centre in the district. In locating this here, it will facilitate access for those who either cannot or have difficulty accessing digital services;
- A central location in the town centre is more favourable than the current civic site in that it is closer to public transport links and local footfall to associated public amenities;
- By being in the town centre, this can encourage increased footfall into that area thereby stimulating localized regeneration activity;
- It can be part of the overall Place Plan for Folkestone and provide part of a more vibrant mix of community facilities moving forward;
- Investing in the town centre is explicit support for the town and conveys a focal point and sense of confidence to other potential investors;
- Being in a town centre location offers the opportunity to engage closely with other public sector partners to provide a complementary range of services, that are sometimes offered to the same customers; and
- A district council Access Point will be clearly differentiated from the services and activities of Folkestone Town Council.

The initial proposal is to lease premises within the town centre. This will allow the Council to test and develop the facility and will also give flexibilities as the Place Plan for Folkestone is developed and further investment secured. It also provides the possibility of working closely with partners and this is an option which is being actively explored with, for example, DWP should this proposal proceed.

3.4 The intention of this paper is to seek cabinet agreement to proceed with developing a customer access point at pace, including the potential for working with partners, and to bring a report back to Cabinet with detailed proposals during 2021.

3.5 If it is also agreed that a reduced footprint of civic offices could be relocated to more modern sustainable facilities, our Customer Access Point *could* remain within the current premises until that move. However this is not seen as being the best option in the short term due to the rationale covered in para 3.3 above, and the advantages that come from showing civic leadership with clear investment and activity within the town centre.

3.6 The second major consideration for cabinet is the proposed relocation and reduction of the Civic Offices. A preliminary business and financial case has been explored and this is discussed below, and in Appendix A. However, there are a number of key issues facing the use of the building moving forward that influence decision-making:

- The current building is ageing and in need of ongoing repairs above the normal running costs totaling c£2.9 million over the next 10 years;
- Even when considering these costs and off-setting with rental income from tenants, c£146k per annum (c£1.46m over 10 years) will still be required for maintenance and repair costs with no significant improvement in our operational carbon output / performance;
- Because of the age and construction of the building, it is not an environmentally efficient building. Even with significant investment it is unlikely to be able to be adapted to meet current standards or achieve the stated ambition of members;
- The changes in working practices and the way in which agile working has positively been embraced by staff, as described above, means that the requirement for office space is significantly reduced. It is expected that agile working will become the norm for those with job roles that can work remotely, with only occasional visits to the offices;
- These changes question the appropriateness of the existing building layout for the purposes of effectively and safely administering local services;
- The ongoing running costs of the existing building can be reduced significantly through a modern, purpose built facility which is more appropriately sized and has greater sustainability credentials; and
- The location of the current civic offices is arguably in an increasingly residential area, with high housing demand. Initial consideration as a housing site appears potentially acceptable from a planning perspective although the full panning process would need to be followed and would be subject to consideration by the LPA.

In light of the above consideration has been given as to the potential for relocating the civic offices to a modern, fit for purpose sustainable venue.

3.7 As would be expected, such a project has a number of complexities which will need to be fully explored. It is important to note that these will be further investigated as the detailed work is undertaken, should cabinet agree in principle to the proposals contained within this report.

3.8 Regarding the exact location of any potential replacement of the district council civic offices, this has not yet been determined however the working assumption is that these would be based at Otterpool Park. There are a number of reasons for making this assumption:

- Otterpool Park is a new development. This would provide an opportunity to design a purpose-built facility together with the infrastructure to support this, including transport links, ecology, road and parking provision;
- This means there is an opportunity to design and occupy a carbon efficient building showing clear civic leadership investing in support of the development of a new low carbon town;
- As part of the first stage of development at Otterpool Park it can demonstrate active leadership to incentivise and provide confidence to the development industry, thereby significantly and very positively impacting on the overall success of the development;
- Financially there is an advantage as the Council owns the land;
- There is an existing public transport facility which will be developed and enhanced as the Otterpool Park project progresses;
- As a key civic building for the whole district, it would differentiate itself from being purely Folkestone based (which already has democratic representation through Folkestone Town Council);
- Should there be local government re-organisation in the future and a move to larger democratic units of governance, the facility is ideally placed to be 'gifted' to a successor local governing body, at this stage expected to be a new town council for Otterpool Park in line with Garden Town principles that are shaping the development; and
- It presents an opportunity to develop a facility which, in addition to the needs of the council, can also provide a flexible community focal point with the scope to incorporate other partners if there is sufficient interest.

The assumptions above are included as part of the business case. It should be noted that even if agreed, any move would not be likely to happen until 2023/24 at the earliest. Tenants of the existing civic offices have lease terms that all terminate, or have break points, that would support this timeframe. Strategic level discussions have started with tenants who remain positive and engaged with our proposals. If supported by cabinet these discussions will continue with a view to exploring shared accommodation options in the new build facility.

3.9 One of the key considerations in looking at the Otterpool Park location is the ability to properly consider and design an effective transport solution. This will look at the current rail facility, the potential for public transport and how this interacts with the rest of the district to ensure it is sustainable longer term.

3.10 The process will be subject to consultation as firmer proposals are developed. A general email query line has been included in the autumn edition of Your District Today and although there has been no response through this medium there has been some response through Facebook posts which can be summarised as:

- It’s a foregone conclusion – already decided etc.
- New building should be in walking distance of central Folkestone / suggestion of Debenhams.
- Council shouldn’t be spending big sums of money on project at this time / move is a cost-cutting exercise.
- Talk about the future of the Civic Centre site, e.g. luxury flats.
- Request for historic documents / archive to be preserved.

However, further consultation will be undertaken as a scheme is developed and a firm proposal is produced.

3.11 In order to understand our employees’ reactions to the proposal of relocating the civic centre, a staff survey was carried out between 26 October and 13 November 2020 with a targeted questionnaire plus space for free-type responses. From an employee base of 400, a total of 251 responses to the survey were received which is 63%. A summary of the key responses is set out below:

- 80% of staff agree or strongly agree that relocating for the reasons set out is a good idea;
- Being environmentally friendly is the most important thing to people personally, but also important to them professionally;
- Having flexible team space is important to people personally and professionally;
- Ample parking is very important to people personally and for their job roles;
- 84% of staff currently drive to work;
- Staff want a bright, quiet, spacious environment with an ambient temperature all year round; and
- The main gripes re the current Civic Centre are air-con/heating and parking.

A more detailed summary is attached at Appendix A.

It should also be noted that separate surveys were held in May and August asking staff as to their views on working from home and the office/home balance. In summary the feedback was:

- May 2020: 71% of staff thought a good balance would be 40% of working time spent in the office or less with 45% saying 20% or less would be reasonable

- Aug 2020: 88% of staff thought a good balance would be 40% of working time spent in the office or less with 72% saying 20% or less would be reasonable.

3.12 The survey also went into a significant amount of detail regarding staff priorities which will be considered and it is intended to form staff focus groups if the project is supported in principle. There are a number of associated employment issues, such as consultation on base location of staff, implications if home working is adopted on a more permanent basis, policy relating to staff travel which will need to be addressed. These will be considered through the Council's Managing Organisational Change procedures and also by the Chief Executive with the input of the council's Chief HR Officer. Personnel Committee will also be updated regularly if the proposals in this report are supported.

4. Strategic Business Case

4.1 In order to consider the overall proposal, a high level business case was undertaken in order to test the feasibility of the proposal. It is important to note that this is a strategic and high level feasibility assessment to test if this is a financially viable opportunity. In the event of the project gaining cabinet support at this stage, further detailed work will be undertaken to firm up proposals which will return to cabinet in due course.

4.2 The council commissioned Gen2 to undertake a high level feasibility study on relocating the civic offices. The nature of the proposal was to have a sustainable high specification shared office for up to 50 people, in an agile working style environment, with 2 meetings rooms and a high specification council chamber with quality, retractable seating and comprehensive audio visual and recording equipment. This chamber has been costed for a flexible use solution.

4.3 It should be noted that the high level review is indicative as an example of what could be the case rather than a detailed statement, however the key points identified from the high level review were:

- That the existing site of the Civic Offices has the potential for a significant capital receipt;
- This capital receipt would be sufficient to fund building a new Civic Suite at Otterpool Park to a high environmental standard (see below); and
- There is the opportunity for a significant reduction in running costs of the new suite.

4.4 The work provided a range of costs together with differing environmental standards. The assessment used for this is the BREEAM standard which is a common assessment undertaken by independent licensed assessors using scientifically-based sustainability metrics and indices which cover a range of environmental issues. The full analysis of the different standards is enclosed in the attached report at Appendix B and a summary of the total costs for "very good" BREEAM standard is set out in the table below:

Table 1: Cost of new civic offices at the "very good" BREEAM standard

- Very Good – A high standard and sustainable build quality within the top 25% of new non-domestic buildings within the UK – ongoing operational costs for this option have been provided in section 6.

	Lower Limit		Most Likely		Upper Limit	
Total Cost	£	2,250,000	£	2,646,926	£	3,044,000
£/m2 GIFA	£	3,000	£	3,529	£	4,059

The reason for comparing the "very good" standard is that most new build civic buildings currently adopt this standard. There are different options with different cost and operational implications which are set out in the attached report at Appendix B.

4.5 The review also considered the running and operational costs of the new building compared to the current civic offices. It identified ongoing revenue savings of approximately £200,000 per annum (after including the assessment of the Customer Access Point). It should be noted that some of the current running cost is offset by tenants within the civic offices which has not been assumed for the new civic suite at this stage.

4.6 The paper also looks at the potential capital receipt of the current civic offices site if this were to be marketed with planning permission for homes. This indicates a receipt of between £5.162 million (best case) and £3.070 million (worst case) with a mid-case scenario giving a receipt of £4.172 million. Whilst these are indicative figures, the headline business case gives evidence that the project is financially viable based on the assumptions as set out in the report and the capital receipt can be potentially used to fund the building of a new civic suite.

4.7 Should the council's ambition be to achieve higher environmental standards, further investigations will be undertaken with government departments to secure additional funding to look to provide an exemplar public sector building.

5. Next Steps

5.1 The above report sets out the proposal and a high level financial analysis which suggests that, at an indicative level, the proposals can be funded through the sale of the current civic offices with the benefit of planning, and will provide a number of non-financial and environmental benefits also. If agreed, the next steps will be to carry out detailed work and appraisals for both the Customer Access Point and the replacement civic suite. The additional work will cover detailed further exploratory work, detailed surveys, a more detailed costed proposal, preparation for planning work and any legal costs as may be required. It is estimated that a sum of £250,000 will suffice for these purposes and this is included as a recommendation to this report.

5.2 The intention if agreed is to look to establish the Customer Access Point during 2021/22 within Folkestone Town Centre following final decision, and to bring a more detailed proposal back to Cabinet on relocating the civic offices at Otterpool Park towards the end of 2021/22 with a view to establishing a capital budget for 2022/23 to commence the works.

6. Risks

6.1 Initial work from this piece of work has identified the following key risks. If the project is agreed, then further assessment will be made based on the detailed work to be completed.

Perceived Risk	Seriousness	Likelihood	Preventative Action
Costs of proposed project are excessive	High	Medium	Initial work indicates this will not be the case. However more detailed work will need to be undertaken before fully committing to the civic relocation
Potential legal obstacles	High	High	There has been a covenant identified at the current civic offices site. Discussions are being undertaken to resolve this with initial discussions considering the matter favourably.
Resistance from staff eroding staff morale	High	Medium	Initial staff surveys have indicated a willingness to accept change. Ongoing work with staff and their involvement to help shape the project will be ongoing throughout the project.
Environmental benefits from operational changes not secured	Medium	Medium	The environmental considerations will be included from initial design stage and will be carefully monitored as the project proceeds.
Planning delays in delivering phase 1 activities at Otterpool Park	High	Medium	The Otterpool Park project is being closely managed with resources made available for its progression.
Economic impacts on prices and future forecasts	High	Medium	These will be monitored as the project develops as will developments in green technology which could provide future benefits

Planning permission not granted for the civic offices site	High	Low	Early discussion with the LPA indicates this site would appear to be appropriate and more formal advice will be taken as the project develops

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (NM)

There are no legal implications arising directly from this report.

7.2 Finance Officer's Comments (TM)

The financial implications are set out in the report. Whilst there may be further implications as the project proceeds, it is estimated that a more detailed appraisal for Cabinets consideration will be in the region of £250,000. This will be funded from reserves and will be built into the 2021/22 budget for consideration by Cabinet and Council in February.

7.3 Diversity and Equalities Implications (TM)

There will be issues relating to the accessibility of services for the public to the changes outlined. Further consultation will take place as the project is progressed but it is anticipated that access to services will increase through this project and the move to digital services which the council is currently undertaking.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Tim Madden, Director, Transformation and Transition

Tel: 01303 853371 E-mail: tim.madden@folkestone-hythe.gov.uk

Appendices

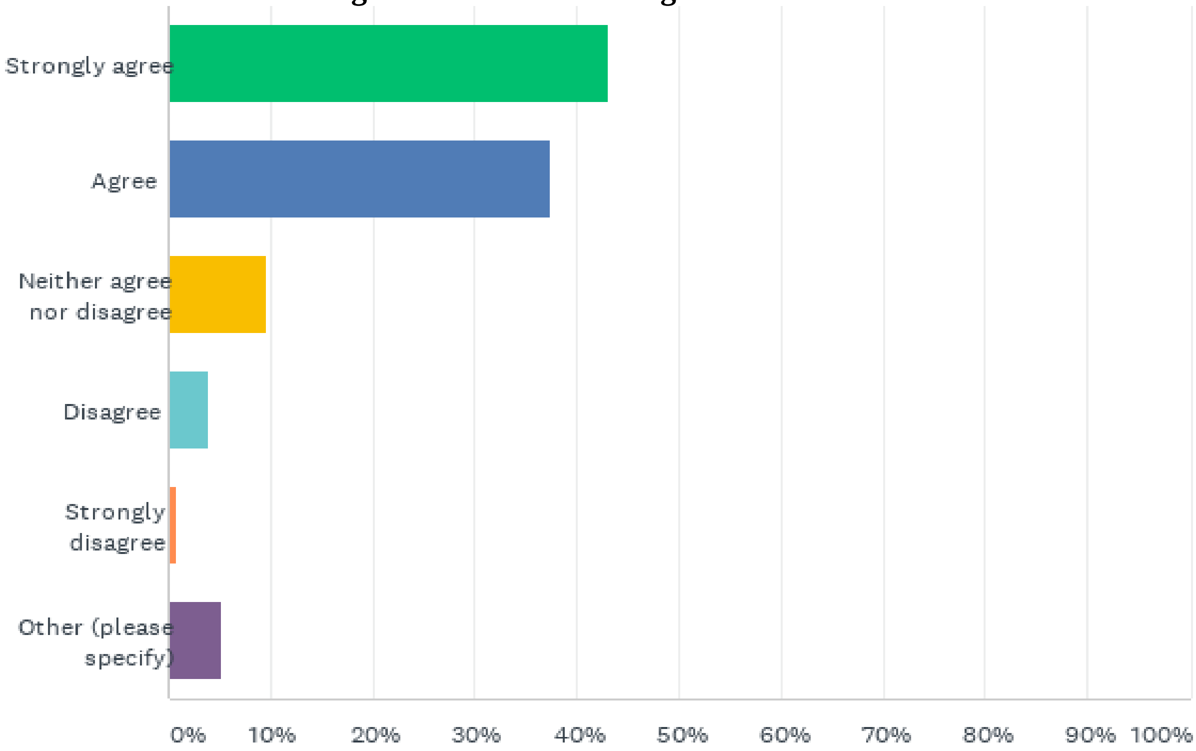
Appendix A – Staff Survey Feedback
Appendix B - Gen2 – Civic Centre Feasibility

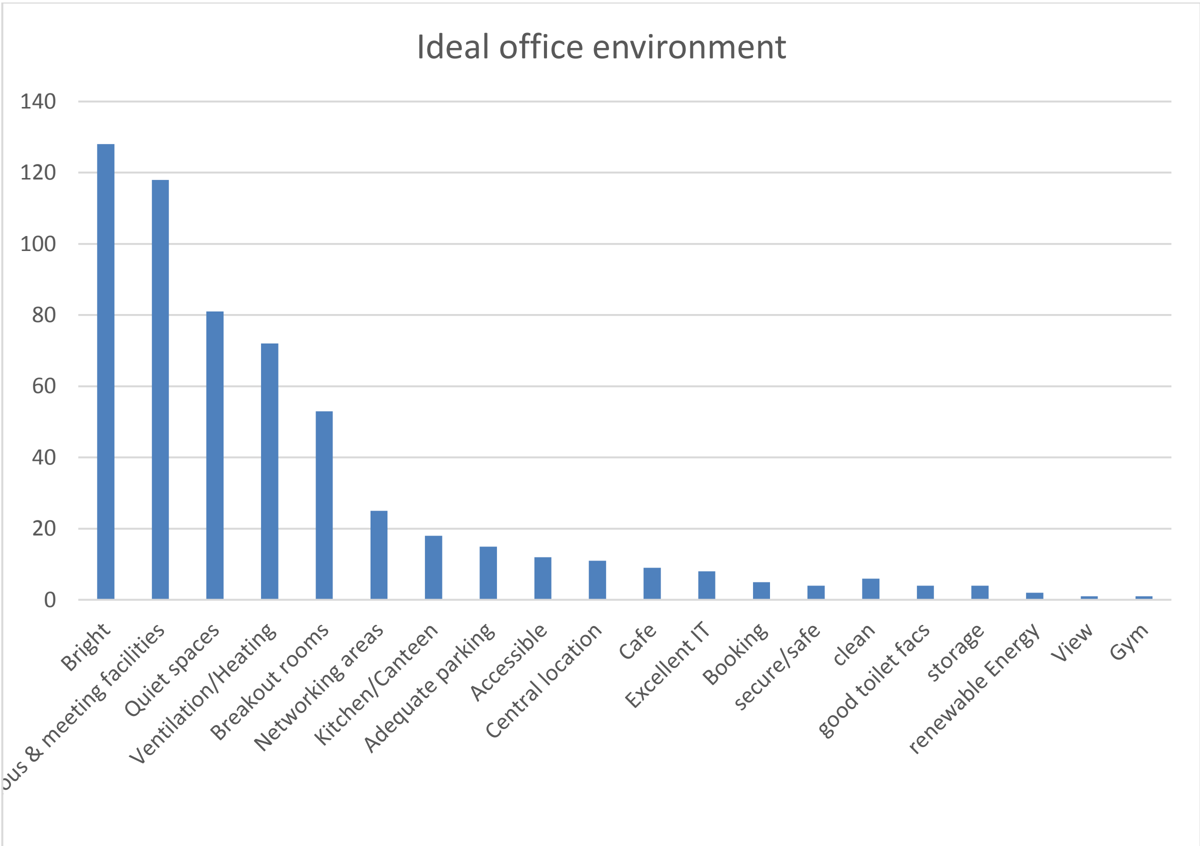
The following background documents have been relied upon in the preparation of this report:
None

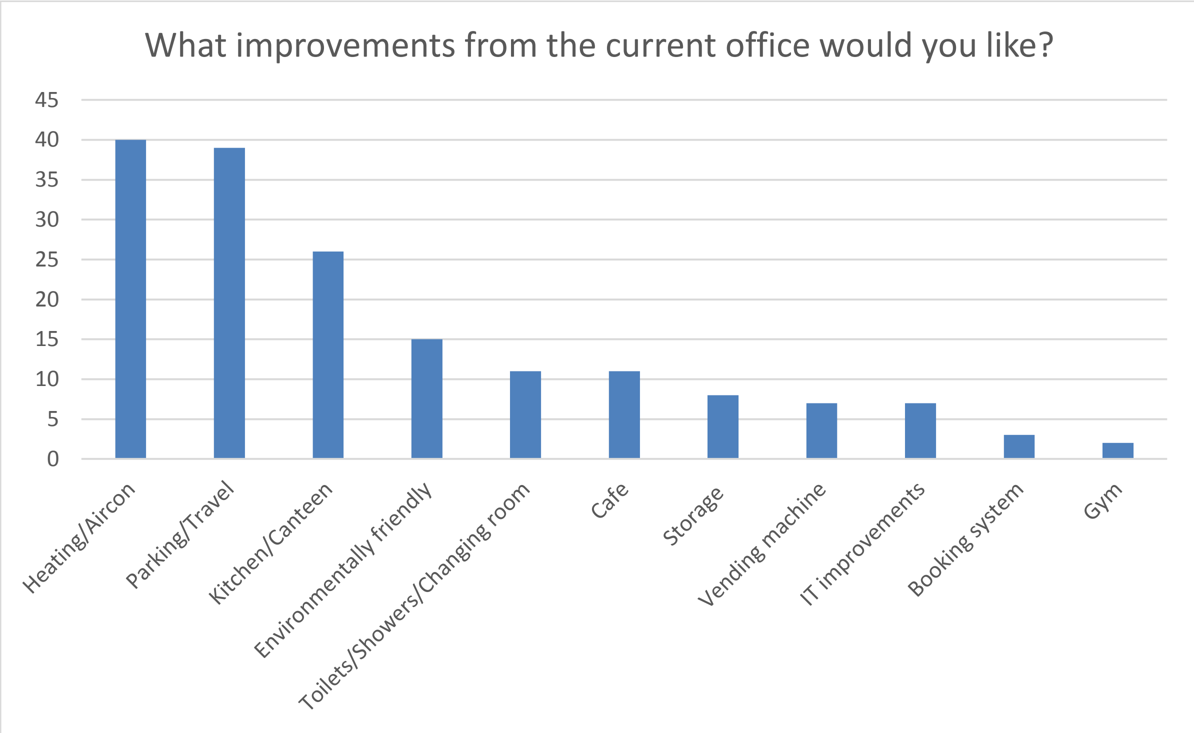
Appendix A

Civic Centre Relocation – staff feedback

Relocating the Civic Centre is a good idea







What's important to you in a new Civic Centre

	Important to me personally	Important for my job role	Important both for me personally and my job role	Not important
Being environmentally friendly	59%	3%	32%	6%
Ample parking	40%	10%	40%	10%
Having flexible team space (such as meeting rooms and break-out areas)	14%	19%	56%	12%
Close to local amenities (such as shops, cafes and restaurants)	49%	3%	13%	36%
Being close to transport hubs (bus stops, train stations etc.)	27%	9%	16%	48%
Reception	11%	25%	15%	49%
Storage facilities	9%	22%	11%	57%
24 hour access	4%	9%	10%	76%

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Folkestone & Hythe District Council

Civic Centre Feasibility

December 2020

gen²

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Document Author:

Name: Hayley Porter- Aslet
Role: Chief Operating Officer

To be reviewed by:

Tim Madden – Director Transformation & Transition

Document Control:

202011_FHDC CC_Feasibility_V3.2

Version	Date	Status	Prepared by	Checked by	Authorised by
3.2	07/01/2021	FINAL ISSUE	Hayley Porter-Aslet	Richard Tapply	Hayley Porter-Aslet

Contents

1.0 Gen² Delivery Team

Gen² Property Ltd solely serve the public sector and have extensive experience of large-scale developments in partnership with local authorities, as well as delivering capital projects within education of circa £188 million per annum on behalf of the Local Authority and the Department for Education. At Gen², we are passionate about improving communities and supporting our public sector partners with their property needs; whether that be releasing capital through asset utilisation and development support; managing capital projects large and small; providing commercial support; or providing total facilities management services and support at the best possible value.

The delivery team within Gen² have significant experience in supporting and delivering enabling developments within the public sector and representing Local Authorities from development negotiations through to delivery and lifecycle care, ensuring that income is maximised whilst supporting the District's regeneration agenda.

It is crucial to us that any developments we manage are not just about providing the capital receipt; as an organisation, we are more focused on, and dedicated to, enhancing the local community and working alongside planners to provide the best community spaces with the interests of the authority and wider community continually at heart.

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2.0 Introduction

Folkestone & Hythe District Council are seeking options for the re-location of its Council Offices and the re-development of the existing site. The existing Civic Centre is a 9-storey building, built in the 1960s. Currently the building is requiring an investment of circa £2.9 million over the next 10 years to keep the building compliant and safe for occupancy.

This report sets out the options available for the redevelopment of the site and the expected return; the cost to re-locate new council offices to an alternative location; the cost of a town centre access gateway; and the ongoing operational savings of a new building compared to the existing arrangements.

COVID-19 has led to a huge cultural shift in the way in which organisations work (both private sector and public sector) and subsequently has left a legacy for agile working. It appears that homeworking and agile working is the future for regular “office” workers. In that we can imagine an office not to be presented as rows of uniformed desks, but as an engaging space for collaborative and interactive working comprised of interacting environments and engaging meeting areas, and not desk confinement or fixed seating.

The demand for increased agile working, coupled with impact of COVID-19, the change or at least short-term adoption of new working practices, has created a window of opportunity. As we eventually approach a new normality, these opportunities need to be seized upon and their benefits maintained. Organisations are now realising the capacity to develop a more flexible space providing both the benefits of the traditional office but with the flexibility to meet new demands of its employees, and wider society as a whole.

With increased home and agile working, comes the heavier reliance on technology for communications and day-to-day working. Technology enables all workers to work from any location, with the same levels of accessibility, telecommunications and customer responsiveness as if they were in the office, and out of this has revealed improved colleague interactions, inspiring innovation and new perspectives.

Fortunately, we have seen a rise of even the more difficult to reach parts of the community now having more technological access, which has served to provide all generations within the community the access to services remotely. This past decade, public engagement has evolved somewhat and is increasingly becoming more virtually interactive, and 2020 has exacerbated this. More industries are utilising technology for more efficient operations and increased space. It is agile working, coupled with advanced technology, that allows for reduced operational building costs and more efficient use of space, allowing for flexibility and adaptability for demands of future change.

The private sector has shown itself to be ahead of the game when it comes to building cost efficiency and agile working and, as a result, has been able to significantly reduce overhead costs through encouraging working from home. But today, unsurprisingly, we have seen a huge increase in demand for asset utilisation and disposals within the public sector, with our Local Authority clients seeking to reduce office space across their estate and opting for alternative uses, whether that be through asset disposal, relocation or reinvestment for income generation or community regeneration.

Recent employee engagement has seen over 80% of council employees wanting to have more flexible working arrangements, achieved through a combination of home working *and* the ability to go to an office and work in an agile way. Therefore, these statistics and findings compliment the demand, and options, for redevelopment and regeneration of the workplace.

We at Gen^2 recognise that Folkestone and Hythe District Council require a central headquarters, to serve the community and provide a pillar to the district as well as enabling a physical space for colleague engagement. Yet how that space operates and how it is utilised can be reconsidered to more align itself with this “new normal”.

A re-location of Folkestone & Hythe District Council’s Civic Centre to an alternative location will ensure reduced operational costs and reduced need for ongoing maintenance and building works, both of which will wholeheartedly have a positive impact on the environment and the council’s carbon footprint. Covid-19 and its restrictions has brought an increased scrutiny on the environment and has urged organisations around the country to reconsider their social and environmental impact. A rethink of operating models, building footprints and an increase of agile working will be a step in the right direction to a more sustainable momentum. A new-build site will allow for a property portfolio bearing less risk for the council, without the need for ongoing major works required for a 9-storey 1960s building *and* with an increased Health & Safety compliance from installations, fittings and materials in line with current building and environmental standards.

The long-term approach of a more flexible working environment will engender operational cost savings, smarter working practices, improved general environmental impact, adaptable public engagement and more innovative approach to the community post-Covid19, in addition to significant regeneration of the existing site in keeping with the council's local plan.

Disposal, or sale and leaseback, of the current civic centre will provide options for Folkestone and Hythe District Council to release capital and invest the return elsewhere across the district and in the community – supporting local regeneration, particularly following the pressures that high streets have faced.

3.0 Options for the Current Site

In order to provide a more detailed and accurate land return, we have produced a high-level scheme of 43 units with a mix of high-end houses and apartments. **<u>This proposal is illustrative only to provide a broad valuation for the site.</u>** The resulting tenure; mix; and density will be produced following extensive consultation.

Eversley Park is a high-end residential development on Coolinge Lane, and Ingles Gardens is a new development currently being built on the former nursery site on the corner of Castle Hill Avenue and Shorncliffe Road.
Both sites have provided comparable evidence to formulate the illustrative development appraisal.

The site is oddly shaped and could be better utilised if developed with the adjacent landowner which we believe to be Radnor Estates. This could also be a useful negotiation point to assist in the removal of the restricted covenant. At some point in the future of the development, there could be an opportunity for the development scheme to include the Department for Work and Pensions site, who appear to also be undergoing a rethink of how their services are delivered.

Summary of site dwellings:

Plots 1 to 16: Castle Hill Avenue is a prominent road in Folkestone, and one of the main roads leading to the town centre. We envisage 6 substantial townhouses to mirror properties opposite. These would, however, be split into 16 premium 3-bed apartments.

Plots 17 to 23: Townhouses, in keeping with those built on Castle Mews, adjacent to the Civic Centre. We envisage these properties would appeal to City Commuters, providing spacious family accommodation.

Plots 24 to 44: Combination of one and two-bed apartments, located in a gated complex, potentially appealing to first-time buyers or those who wish to downsize.

This scheme is a high-level scheme, which incorporates a balanced mix of accommodation. Given the proximity to the town centre, we feel the number of dwellings could be increased and still retain a development that is in keeping with its surroundings and improve the capital receipt from the sale of the land.

This scheme is only indicative to provide a more accurate valuation for the site and its potential use. Other options were considered, but this one proved to be both the most economically advantageous as well as most favourable in terms of regenerating the site, in keeping with the Council's Local Plan.

4. Development Values

Appendix A shows the breakdown of sales values achievable as part of this feasibility, and the mix. The total sales values identified are: £16,599,136.

In terms of the resulting land receipt, the three tables below show the range of three scenarios:

- A top end valuation, which is achievable but leaves little contingency for risks in build and demolition costs;
- The most likely, middle valuation, with an adjustment for risk within the cost breakdown;
- The worst-case scenario valuation, at the bottom end of the range.

Option A - Top end valuation

COSTS				
Cost of Sales (includes Affordable element)	1.75%		£	131,915
Construction per (Sq.ft)	1	£145	£	7,538,015
Build contingency	5%		£	376,901
CIL payment	43	£12,000	£	516,000
Planning, Surveys, Architects fees	1		£	200,000
Finance 5% for 18 months	5%		£	613,945
Developer's Profit	10%		£	753,802
Sub total			£	10,130,578
Stamp Duty and Solicitors fees	5%		£	506,529
Total Costs			£	10,637,107
Grounds Works (Civic Centre demolition)			£	800,000
Land Value			**£**	**5,162,029**

Option B - Middle valuation (Most Likely)

COSTS				
Cost of Sales (includes Affordable element)	1.75%		£	138,284
Construction per (Sq.ft)	1	£152	£	7,901,920
Build contingency	5%		£	395,096
CIL payment	43	£12,000	£	516,000
Planning, Surveys, Architects fees	1		£	200,000
Finance 5% for 18 months	5%		£	641,715
Developer's Profit	15%		£	1,185,288
Sub total			£	10,978,302
Stamp Duty and Solicitors fees	5%		£	548,915
Total Costs			£	11,527,217
Grounds Works (Civic Centre demolition)			£	900,000
Land Value			**£**	**4,171,918**

Option C - Worst Case Scenario Valuation

COSTS				
Cost of Sales (includes Affordable element)	1.75%		£	145,562
Construction (Sq.ft)	1	£160	£	8,317,810
Build contingency	5%		£	415,891
CIL payment	43	12,000	£	516,000
Planning, Surveys, Architects fees	1		£	200,000
Finance 5% for 18 months	5%		£	673,453
Developer's Profit	20%		£	1,663,562
Sub total			£	11,932,277
Stamp Duty and Solicitors fees	5%		£	596,614
Total Costs			£	12,528,891
Grounds Works (Civic Centre demolition)			£	1,000,000
Land Value			**£**	**3,070,245**

Within the calculations, build costs; contingency finance; developer's profit; and demolition costs are key variables, and these determine the differences between the 3 possible valuations.

In order to calculate the valuations, we have used data from several similar schemes as a basis, BCIS benchmark cost data and local valuation data. These costs *do* range so we will ensure due diligence is followed and those costs are reviewed to ensure at-time **relevancy**.

There are other variables and opportunities that could generate an increased return, one of which could be via entering into a joint venture, which would minimise the developers profit element.

5.0 Cost of New Council Offices

Organisations across the country are moving towards more sustainable, and operationally efficient buildings - a relocation to a new build site at an alternative location within the district, could enable the council to play a key part in the district's approach to "going green".

It is important that the following considerations are included in the selection of a new suitable location for the Civic Centre:

- The centre will not be public facing and will be for administrative functions only;
- Digital Connectivity;
- Easily accessible for most staff;
- Requires good transportation links;
- Must be cost effective operationally;
- Have the appropriate amount of space to allow for new build and suitable design function;
- The infrastructure can be developed to support the facility;
- Is in a location suitable for the whole district.

Appendix 2 shows the full detailed cost plan for the new council office options. The costing is based upon a range of specifications with the cost summary options shown below. They are based upon 3 BREEAM ratings of:

- **Very Good –** A high standard and sustainable build quality within the top 25% of all new non-domestic buildings within the UK – ongoing operational costs for this option have been provided in section 6

	Lower Limit	Most Likely	Upper Limit
Total Cost	£ 2,250,000	£ 2,646,926	£ 3,044,000
£/m2 GIFA	£ 3,000	£ 3,529	£ 4,059

- **Excellent –** A BREEAM excellent rating is in the top 10% of all new non-domestic buildings within the UK

	Lower Limit	Most Likely	Upper Limit
Total Cost	£ 2,354,000	£ 2,768,306	£ 3,184,000
£/m2 GIFA	£ 3,139	£ 3,691	£ 4,245

- **Outstanding –** Within the top 1% of all new non-domestic buildings within the UK

	Lower Limit	Most Likely	Upper Limit
Total Cost	£ 3,093,000	£ 3,638,764	£ 4,185,000
£/m2 GIFA	£ 4,124	£ 4,852	£ 5,580

The offices have a high specification shared office area for up to 50 people, in an agile working style environment, with 2 meetings rooms and a high specification council chamber with quality, retractable seating and comprehensive audio visual and recording equipment. This chamber has been costed for a flexible use solution for alternative uses when not in use by council members.

The cost plan does not include any land purchase and, depending on location, this will significantly increase the overall cost for re-location.

6.0 Operational Cost Savings

Based on the data provided (*see Appendix 3*), the annual running costs of the current Civic Centre are circa £305K per annum (not including staffing). In addition to the annualised cost of the capital investment required to meet the immediate improvements this equates to circa £600K per annum.

According to BREEAM and other extensive benchmark data that we hold, the comparative cost for the same cost elements would cost circa £70K per annum for operational running costs (not including staffing).

This generates an **annual saving of £235,000** which, over a 10-year period, equated to overall savings of £2,350,000 plus inflation.

The new building will be far more sustainable and be fuelled by renewable energy sources. This not only provides considerable savings as demonstrated above, but also meets the council's green agenda and sustainability vision.

7.0 Carbon / Environmental Impact

Whilst definitive calculations will not be possible without surveys to the existing site, and a detailed specification to be agreed for the new building, the information provided below is to give an indication on the measures that would be required to ensure the new office provision is carbon neutral, or varying degrees of low carbon.

Based on the net internal area sq ft of 2,098 (or 194m2), and using figures from BSRIA, we can estimate the typical energy usage being:

- 41,710 kWh/annum, or;
- 14,142.6 kg CO2 / annum

In order to ensure the buildings are zero carbon, the following technologies would need to be considered:

Wind

The use of any wind turbine at this development will require the siting of the turbines on suitable masts on the site.

The Government wind speed database indicates average wind speeds of 5.1m/s at 10m above ground level, 5.9m/s at 25m and 6.4m/s at 45m. The BWEA (British Wind Energy Association) recommend an average wind speed in the region of 4-15 m/s for a worthwhile installation. Turbines generally begin generating electricity at wind speeds of 4 m/s, with maximum rated power at 15 m/s. With the expected wind speeds on site, wind generation would achieve the lower end of this threshold. It should be noted that, as the site is likely to be within or near an urban location, the wind flow around the building could be turbulent and affect the performance of the turbine, as well as potential damage to the spindle due to frequent changes in direction with respect to a horizontal axis turbine. A suitable turbine would generally be in the region of a 1.5kW model which would produce on average 3,900 kWh / year in a stable wind environment. A turbine could be seen as unsightly and noisy by nearby residents. Summer flicker from the wind turbines shadow could cause serious issues and would need a thorough survey to assess the implications.

The cost of wind turbines to offset full demand based on estimated usage for building size would be circa: £66,000

Biomass Boilers

Biomass refers to any organic substance that can be processed in order to produce energy - either in a solid matter via dependant resources i.e., process waste such as sawdust, wood cut offs etc. which are used as either wood pellets or chippings, or via dedicated short rotation crops specifically grown to generate biomass fuels. Biomass fuels are an alternative to conventional fossil fuels and are often considered to be near carbon neutral. This is because the growing plant or tree absorbs the same quantity of CO2 in its lifetime as is released upon energy conversion. Biomass heating is a simple and proven technology, widely used throughout mainland Europe. Biomass boilers would generally be used as a lead boiler within a multiple boiler installation; and are fully automated with respect to the fuel input, ignition, and modulation of heat output and ash removal. A disadvantage of the Biomass boiler is the overall size footprint with regards to a comparable gas-fired boiler, due to the automatic feed hopper and requirement for adjacent fuel storage area, together with the disposal of resulting ash and residue deposits. Wood pellets tend to be the preferred fuel for biomass boilers as they reduce the fuel storage requirement and delivery frequency, together with the volume of ash produced. The wood pellets would be delivered via an HGV which would need access to the fuel store for delivery, generally via tipping, however in certain circumstances the pellets can be blown into the store.

In order to ensure compliance with the Clean Air Act, the boiler flue would need to rise to discharge above the highest point of the local developments.

The cost of Biomass Boilers to offset full demand based on estimated usage for building size would be circa: £16,000

Ground Source Heat Pumps

Geothermal systems utilise the reasonably constant and predictable sub-soil temperatures and extract the heat from the ground by the use of ground source heat pumps to convert it into usable heat, generally for space heating. Ground source heat pumps operate most efficiently when providing space heating at a low temperature as in the case of underfloor heating. There are basically 2 methods in extracting the heat from the ground, either via a borehole or via a "slinky" subsoil system. Borehole systems can be either open or closed loop. Open loop boreholes extract energy from ground water located deep below the surface and return water to the ground reservoir.

The boreholes need to be positioned sufficiently distant from each other in order to provide a segregated intake and extract borehole. Closed loop boreholes comprise of a series of vertical boreholes containing pipework loops to extract heat from the ground. A 5-6m spacing is required between the loops which, in restricted site applications, limits the potential performance of the heat pump. The energy that can be extracted varies with the depth of the borehole and the geology of the site. Where foundation piling is used in building construction, closed loop boreholes can be integrated into the piles (energy piles) in order to reduce the costs associated with drilling. A typical 20m energy pile would provide approximately 2kW of heat load and allowing for an energy saving of 3000 kWh / year would provide a CO2 saving of approximately 320 kgCO2 / year based upon a COP of 4.

The slinky subsoil system requires area rather than depth as a polyethylene pipe network acting as a heat exchanger is laid approximately 1.6m below ground to avoid freezing. This requires a relatively large land area to extract a useful amount of energy. The heat demand will determine the area needed for the heat exchanger. They can be a good solution for a large development with large playing fields. The installation of such a system would be viable using the playing fields, although this would be at high cost.

The cost of ground source heat pumps to offset full demand based on estimated usage for building size would be circa: £51,000.

Solar Thermal

Solar energy involves capturing and harnessing directly the free and clean energy of the sun to either heat water passing through solar panels or evacuated tubes, or generate electricity via photovoltaic panels. Solar hot water panels use the solar energy to directly heat water circulating through panels or pipes. A typical 3m^2 solar panel will provide an energy saving of approximately 2,750 kWh / year. Flat panels are traditionally roof-mounted and, for highest efficiencies, should be positioned to face south/southwest, at an incline of approximately 30°, depending on site location. The use of evacuated solar tubes are preferable to the flat plates as they have a greater efficiency, work better in low-light or cloudy conditions and are able to be mounted flat on the roof with the individual tubes tilted towards the sun for optimum performance, resulting in a more stable and less visible installation. The preferred use for the panels / tubes is to supply hot water with seasonal top-up from the main heating system as required.

The cost of solar thermal to offset full demand based on estimated usage for building size would be circa: £53,000

Photo Voltaic

Photovoltaic (PV) panels are able to generate electricity in most daylight conditions; however, as with the solar panels they are at the most efficient when orientated at approximately 30° facing South / Southwest. PV's have the advantage that they are straightforward to install as a standalone installation. To generate 1kW of electricity with a standalone system would require approximately 7m^2 of photovoltaic panelling.

The cost of photovoltaic panels to offset full demand based on estimated usage for building size would be circa: £65,000

Generally, we make a recommendation as to which options to follow, however, in order to achieve a zero carbon building, we would suggest the use of multiple options – a blend of Solar Thermal, Solar PV & Ground / Air Source Heat Pumps would be the recommended and most effective combination.

8.0 Access Gateway in a Town Centre Location

As part of the regeneration of the existing site and the re-location of the core council offices to an alternative location within the District, the proposal is to also maintain a town centre presence in the form of an access gateway. We have identified various examples as part of this feasibility, in key, accessible town centre locations. The annual rents for such properties range from £21,500 (£10.24 per sq.ft) and service charge £3200 (£1.52 per sq.ft) – Total rent £ 24,700 to £12 per sq.ft, and service charge £4.75 per sq.ft. Based on a floor area of 2098 sq ft, the estimated cost would be £35,141.

The above costs are indicative based on market research at the time of writing this report and a more details options appraisal and scoping exercise will be undertaken should feasibility be approved.

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9.0 Summary

This report outlines the anticipated valuations of both the capital receipt to be expected; and the costs of new council offices. These costs have been produced at high level and, should the council wish to proceed, further due diligence and survey work would need to be undertaken to ratify the costs indicated.

It is important to note that this feasibility is not a pure cost generation exercise, but also a plan to improve the council's overall sustainability programme and to continue the excellent regeneration work of the town. The numbers below provide a summary of the "most likely" valuations and also the potential ongoing savings. The costings (whether existing or projected) do not include staffing costs.

Summary of Capital Costs	
Land Receipt (Most Likely Valuation)	£ 4,171,918
New Build Costs (BREEAM Very Good Mist Likely Valuation)	£ 2,646,926
Net Capital Receipt	**£ 1,524,992**
Annual Costs	
Building Running Costs	£ 70,000.00
Annual Rent on Town Centre Gateway (plus costs)	£ 30,000.00
Total	**£100,000.00**

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Appendix 1 – Sales Values

Plot	Beds / Pers	Type	Size Sq. Ft	Number of Units	Total area Sq. Ft	Rate per Sq. Ft	Unit Price	Total Sales
Plots 1-16	3B5P	Flat	1399	16	22,389	310	£433,786	£6,940,569
Plot 17-23	4B7P	HT	1938	7	13,563	340	£658,751	£4,611,259
Plot 24	2B4P	Flat	964	1	964	310	£298,914	£298,914
Plot 25	2B4P	Flat	964	1	964	310	£298,914	£298,914
Plot 26	2B4P	Flat	964	1	964	310	£298,914	£298,914
Plot 27	2B4P	Flat	964	1	964	310	£298,914	£298,914
Plot 28	1B2P	Flat	627	1	627	325	£203,915	£203,915
Plot 29	1B2P	Flat	646	1	646	325	£209,862	£209,862
Plot 30	2B4P	Flat	807	1	807	310	£250,261	£250,261
Plot 31	2B4P	Flat	807	1	807	310	£250,261	£250,261
Plot 32	2B4P	Flat	801	1	801	310	£248,259	£248,259
Plot 33	2B4P	Flat	833	1	833	310	£258,269	£258,269
Plot 34	1B2P	Flat	640	1	640	325	£208,113	£208,113
Plot 35	1B2P	Flat	627	1	627	325	£203,915	£203,915
Plot 36	1B2P	Flat	646	1	646	325	£209,862	£209,862
Plot 37	2B4P	Flat	957	1	957	310	£296,761	£296,761
Plot 38	2B4P	Flat	957	1	957	310	£296,761	£296,761
Plot 39	2B4P	Flat	957	1	957	310	£296,761	£296,761
Plot 40	2B4P	Flat	957	1	957	310	£296,761	£296,761
Plot 41	1B2P	Flat	640	1	640	325	£208,113	£208,113
Plot 42	1B2P	Flat	627	1	627	325	£203,915	£203,915
Plot 43	1B2P	Flat	646	1	646	325	£209,862	£209,862
Total					**51,986**			**£ 16,599,136**

Appendix 2 – Detailed Cost Plan for New Council Offices

Please see attachment

Appendix 3 – Existing Civic Centre Data

Appendix 3.1 – Annual Running Costs (Items in Yellow for use in annual cost summary)

		PREVIOUS YEAR				
		LAST YEAR BUDGET	LAST YEAR OUTTURN	LAST YEAR YTD OUTTURN	FULL YEAR CURRENT BUDGET	
BUILD	BUILDINGS	-£ 400.00	£ 1,277,876.00	-£ 413,221.00	£ -	
GX00	CIVIC CENTRE	£ -	£ 7,369.00	£ 108,407.00	£ -	
1001	BLDINGS/PLANT-REPAIRS MTCE ETC	£ 7,050.00	£ 20,384.00	£ 14,417.00	£ 14,550.00	
1148	CYCLICAL MAINTENANCE	£ 19,600.00	£ 14,449.00	£ 7,915.00	£ 19,600.00	
1204	GAS	£ 18,050.00	£ 15,386.00	£ 6,387.00	£ 13,050.00	
1205	ELECTRICITY	£ 53,220.00	£ 59,485.00	£ 27,350.00	£ 53,220.00	
1402	BUSINESS RATES	£ 137,940.00	£ 123,318.00	£ 123,318.00	£ 137,940.00	
1206	WATER SERVICES	£ 6,490.00	£ 6,774.00	£ 1,751.00	£ 6,490.00	
1501	PREMISES INSURANCES	£ 8,820.00	£ 8,506.00	£ 8,506.00	£ 8,930.00	
2001	EQUIPMENT/FURNITURE - NEW	£ -	£ -	£ 918.00	£ -	
2130	MISC INSURANCES(EXCL PREMISES)	£ 1,070.00	£ 948.00	£ 948.00	£ 1,000.00	
2921	LICENCES	£ -	£ 309.00	£ 155.00	£ -	
2515	CONTRACT-DRY RECYCLABLES	£ 3,460.00	£ 6,326.00	£ 3,676.00	£ 3,460.00	
6011	DEPRECIATION CHARGE	£ 43,330.00	£ 66,933.00	£ -	£ 46,670.00	£ 304,910.00
6012	LOSS ON IMPAIRMENT OF ASSETS	£ -	£ 501,055.00	£ -	£ -	
7204	FINANCE STRATEGY&CORP SERVICES	£ 4,870.00	£ 43,000.00	£ -	£ 39,340.00	
7206	ENV & CORPORATE ASSETS	£ 75,570.00	£ 74,840.00	£ -	£ 80,800.00	
7209	PREMISES RECHARGE	£ 9,060.00	£ 8,300.00	£ -	£ 8,450.00	
7212	GOVERNANCE & LAW	£ 213,860.00	£ 55,720.00	£ -	£ 53,140.00	
9360	MISCELLANEOUS RENTS & RIGHTS	-£ 111,000.00	-£ 140,478.00	-£ 86,933.00	-£ 136,000.00	
8116	RECHARGES TO COST CENTRES ETC	-£ 491,390.00	-£ 847,149.00	£ -	-£ 342,750.00	
8119	HRA RECHARGES	£ -	-£ 2,550.00	£ -	£ -	
7999	INCOME RECHARGES	£ -	-£ 8,190.00	£ -	-£ 7,890.00	

Appendix 3.2 – Capital Works Required over a 10-Year Period

YEAR	TOTAL COST (£)	ITEMS OF WORK INCLUDE:
1	£254,000	Repairs to roofs, electrical installation; refurbishment of Middleburg and Boulogne meeting rooms.
2	£417,000	Renewal of external rendering to plant room, internal refurbishment, air conditioning phase 1, electrical repairs.
3	£387,000	Refurbishment of council chamber, emergency lighting, air conditioning phase 2, electrical renewals.
4	£225,000	External redecoration, refurbishment of lifts, electrical renewals.
5	£234,000	Roof renewals, window renewals phase 1, electrical repairs, internal refurbishment.
6	£252,000	Window renewals phase 2, electrical repairs, internal refurbishment, fencing renewal.
7	£314,000	Ventilation systems, stone cladding repairs, electrical repairs, window renewals phase 3.
8	£348,000	Internal refurbishment, stone cladding repairs, electrical repairs, window renewals phase 4.
9	£241,000	Internal refurbishment, external repairs, window renewals phase 5.
10	£238,000	Internal refurbishment, hard landscaping, window renewals phase 6.
Total	£2,910,000	

SMARTER PROPERTY

Civic Centre Feasibility
New Council Offices

Feasibility Cost Plan Rev 1 DRAFT

GEN² Property Limited

CONTENTS

1.0 SUMMARY

1.1 PROJECT DETAILS

This feasibility cost plan has been prepared for the provision of new council offices as part of the overall feasibility.

1.2 BUDGET ESTIMATE

As a consequence of the completeness of the design and specification at RIBA Stage 1 there remains an element of estimating uncertainty (+/- 15%). Therefore, based on the assumptions made in this report we would expect the total development cost based on BREEAM rating to be:

Very Good - £2,646,926 equating to £3,529/m2 (based on GIFA 750m2); subject to degree of accuracy identified.

Excellent - £2,768,306 equating to £3,691/m2 (based on GIFA 750m2); subject to degree of accuracy identified.

Outstanding - £3,638,764 equating to £4,852/m2 (based on GIFA 750m2); subject to degree of accuracy identified.

The estimate range values identified are inclusive of Building Works, Main Contractor preliminaries, overheads & profit, project related fees, risk allowance and inflation.

1.3 RISK ALLOWANCES

The following risk allowances have been allocated for the three different options based on 20% which is recommended at RIBA Stage 1:

Very Good - £529,385

Excellent - £553,661

Outstanding - £727,753

Feasibility Estimate Range - Excluding Risk Allowance

Very Good

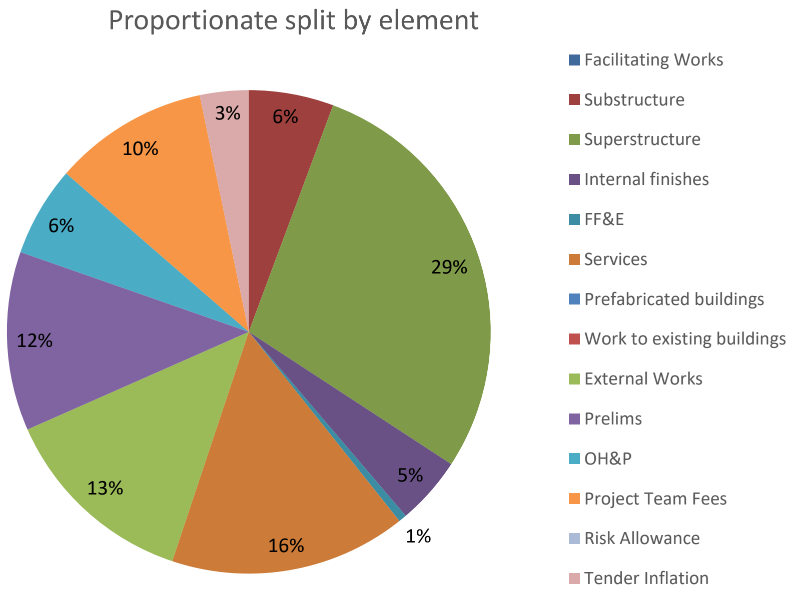
	Lower Limit	Most Likely	Upper Limit
Total Cost	£ 2,250,000	£ 2,646,926	£ 3,044,000
£/m2 GIFA	£ 3,000	£ 3,529	£ 4,059

Excellent

	Lower Limit	Most Likely	Upper Limit
Total Cost	£ 2,354,000	£ 2,768,306	£ 3,184,000
£/m2 GIFA	£ 3,139	£ 3,691	£ 4,245

Outstanding

	Lower Limit	Most Likely	Upper Limit
Total Cost	£ 3,093,000	£ 3,638,764	£ 4,185,000
£/m2 GIFA	£ 4,124	£ 4,852	£ 5,580



2.0 BASIS OF ESTIMATE, ASSUMPTIONS AND EXCLUSIONS

2.1 PREAMBLE

Where anticipated costs have not been established as a result of tendering the work, all figures contained within this estimate are approximate, minor arithmetical discrepancies attributable to the 'rounding' of results are ignored.

Wherever possible, anticipated costs are calculated by the application of unit rates whether published, historical or calculated from first principles, to approximate measured quantities. Otherwise, costs are calculated by the application of composite rates to elemental areas, the use of floor area allowances, or the insertion of lump sum allowances, as appropriate.

A location factor has been applied to the rates and prices used in the preparation of the estimate.

Allowances for Contractor's overheads and profit are included within the rates used to prepare the estimate unless detailed separately.

2.2 MARKET CONDITIONS

Over the next five years (to 1Q2025): New construction output will rise by 16% along with cost increases of 17%. Tender prices will rise by 21%. UK GDP will fall sharply in 2020 as a result of the Covid19 crisis, with a bounce back in 2021 and GDP is then expected to grow by under 3% per annum over the remainder of the forecast period

The annual general inflation rate is likely to be low in 2020, then rising by around 2% to 3% per annum over the remainder of the forecast period with interest rates rising gradually to 1.5% in 2024.

2.3 ASSUMPTIONS

1. All works to be carried out during normal working hours. No allowance has been made for evening, night or weekend working.
2. The estimate assumes the works will be carried out using a main contractor appointed via a design and build procurement route.
3. The estimate assumes the works are let in a single phase under one contract.
4. Poor ground conditions allowing for a piled foundation design solution

2.4 DRAWINGS AND SPECIFICATION

Phase 1 Feasibility DRAFT

2.0 BASIS OF ESTIMATE, ASSUMPTIONS AND EXCLUSIONS

2.5 RISKS, OPPORTUNITES AND ESTIMATING UNCERTAINTY

At this stage a risk and opportunity register has not been prepared for the project. However, for the purpose of this report we have assumed the following:

Design development risk: 10%

Construction risk: 10%

As a consequence of the completeness of the design and specification at RIBA Stage 1 there remains an element of estimating uncertainty (+/- 15%).

2.6 GENERAL EXCLUSIONS

1. VAT;
2. Increases in NI, Taxation and other levies;
3. Land acquisition costs;
4. Employer finance costs;
5. Charges e.g. highway and services adoption charges;
6. Planning fees and planning contributions such as those agreed under section 106 and 278 agreements, and environmental improvement works;
7. Insurances, other than those provided by the Design Team and the Contractor through their normal course of business;

2.6 GENERAL EXCLUSIONS (cont'd)

8. Archaeological fieldwork or other specialist fieldwork if required;
9. Tenants costs / contributions;
10. Other Employer costs, unless specifically provided for in the estimate.

2.7 SPECIFIC EXCLUSIONS

1. IT hardware, software and Audio Visual equipment costs including video production, sound and lighting equipment;
2. Phased or temporary works except where stated or considered as an option;
3. Works beyond the identified site boundary;
4. Unforeseen ground conditions, engineering cost or other abnormals;
5. Removal of hazardous materials and contaminated ground;
6. Works with Ecology;
7. Loose Furniture, Fixtures & Equipment.

3.0 ASSUMED SPECIFICATION / NOTES

	Element	Assumed Specification / Notes
0	Facilitating Works	
		No works required
1	Substructure	
		Assumed piled foundations with beam and block / suspended concrete ground floor
2	Superstructure	
2.1	Frame	Steel frame - Recycled where required
2.2	Upper Floors	N/A
2.3	Roof	Single ply flat hot rolled roof system & sedum roofs where required
2.4	Stairs	N/A
2.5	External walls	Allowance assumed for combination of facing brickwork, cladding and structural glazing
2.6	Windows & External Doors	General allowance assumed
2.7	Internal Walls & Partitions	Timber stud/block/glazed internal partitions throughout
2.8	Internal Doors	General allowance assumed
3	Internal Finishes	
3.1	Wall Finishes	Decoration throughout; with tiling full height to wet areas
3.2	Floor Finishes	General allowance for floor finishes
3.3	Ceiling Finishes	General allowance for ceiling finishes
4	Fittings	
		General allowance assumed
5	Services	
5.1	Sanitary installations	Allowance included for appropriate sanitary installations
5.2	Services Equipment	General allowance assumed
5.3	Disposal installations	General allowance assumed
5.4	Water Installations	General allowance assumed
5.5	Heat Source	General allowance assumed

3.0 ASSUMED SPECIFICATION / NOTES

	Element	Assumed Specification / Notes
5.6	Space Heating & Air Conditioning	General allowance assumed
5.7	Ventilation systems	General allowance assumed
5.8	Electrical Installations	General allowance assumed
5.9	Fuel Installations	General allowance assumed
5.1	Lift & Conveyor	General allowance assumed
5.11	Protective Installations	General allowance assumed
5.12	Communications, Security, Controls	General allowance assumed
5.13	Special Installations	General allowance assumed
5.14	Builders Work In Connection	Allowance of 10%
6	Prefabricated Buildings	
		No works required.
7	Works to Existing Buildings	
		No works required.
8	External Works	
8.1	Site Preparation Works	General allowance assumed
8.2	Roads, Paths & Paving's	General allowance assumed
8.3	Planting	General allowance assumed
8.4	Fencing and gates	General allowance assumed
8.5	Site / Street Furniture	General allowance assumed
8.6	External Drainage	New foul and surface water drainage
8.7	External Services	General allowance assumed for new incoming services
8.8	Minor building works	No works required

4.0 ELEMENTAL COST PLAN ESTIMATE - LEVEL 1

Cost Centre	Group Element / Element	BREEAM Very Good: Total Cost of Element £	BREEAM Very Good: £/m2 of GIFA	BREEAM Excellent: Total Cost of Element £	BREEAM Excellent: £/m2 of GIFA	BREEAM Outstanding: Total Cost of Element £	BREEAM Outstanding: £/m2 of GIFA	Comments / Notes / Assumptions and Exclusions
		GIFA (m2)	750					
	FACILITATING WORKS AND BUILDING WORKS							
0	Facilitating Works	**Incl**	-	**Incl**	-	**Incl**	-	
1	Substructure	150,000	200	150,000	200	150,000	200	
2	Superstructure	755,625	1,008	793,406	1,058	1,110,769	1,481	Uplift to outstanding to include green roofs, rainwater harvesting, glazing requirements and solar shading as required.
3	Internal finishes	120,375	161	126,394	169	151,673	202	
4	Fittings, furnishings and equipment	14,250	19	14,963	20	17,955	24	
5	Services	418,875	559	439,819	586	615,746	821	Uplift to outstanding to include further PV Panels and GSHP
6	Prefabricated buildings and building units	n/a	-	n/a	-	n/a	-	
7	Work to existing buildings	n/a	-	n/a	-	n/a	-	
8	External Works	351,000	468	368,550	491	442,260	590	
	SUB-TOTAL: FACILITATING AND BUILDING WORKS (A)	**1,810,125**	**2,414**	**1,893,131**	**2,524**	**2,488,403**	**3,318**	
9	Main Contractor's Preliminaries (B)	316,772	422	331,298	442	435,470	581	17.50% of building works
	SUB-TOTAL: FACILITATING AND BUILDING WORKS (including main contractor's preliminaries) (C) [C = A + B]	**2,126,897**	**2,836**	**2,224,429**	**2,966**	**2,923,873**	**3,898**	
10	Main Contractor's Overheads and Profit (D)	159,517	213	166,832	222	219,290	292	7.50% of building works including prelims
	TOTAL: BUILDING WORKS ESTIMATE (E) (E = C + D)	**2,286,414**	**3,049**	**2,391,261**	**3,188**	**3,143,163**	**4,191**	
11	Project design team fees (F)	274,370	366	286,951	383	377,180	503	12.00% of building works estimate
12	Other development/project costs (G)	-	-	-	-	-	-	
	TOTAL: PROJECT/DESIGN TEAM FEES AND OTHER DEVELOPMENT/PROJECT COSTS ESTIMATE (H) (H = F + G)	**274,370**	**366**	**286,951**	**383**	**377,180**	**503**	
	BASE COST ESTIMATE (I) (I = E + H)	**2,560,784**	**3,414**	**2,678,213**	**3,571**	**3,520,343**	**4,694**	
13	**TOTAL RISK ALLOWANCE ESTIMATE** (J)	**-**	**-**	**-**	**-**	**-**	**-**	0.00% Excluded - NRM Recommends 20% at Feasibility Stage
	COST LIMIT (excluding inflation) (K) (K = I + J)	**2,560,784**	**3,414**	**2,678,213**	**3,571**	**3,520,343**	**4,694**	
	TOTAL INFLATION ALLOWANCE (L)	**86,143**	**115**	**90,093**	**120**	**118,421**	**158**	3.36% based on Q1 2022
	COST LIMIT (excluding VAT) (M) (M = K + L)	**2,646,926**	**3,529**	**2,768,306**	**3,691**	**3,638,764**	**4,852**	
	TOTAL VAT (N)	**-**	**-**	**-**	**-**	**-**	**-**	
	COST LIMIT (including VAT) (O) (O = M + N)	**2,646,926**	**3,529**	**2,768,306**	**3,691**	**3,638,764**	**4,852**	

This Report will be made public on 12 January 2021

Folkestone & Hythe District Council

Report Number **C/20/69**

To: **Cabinet**
Date: **20 January 2021**
Status: **Key Decision**
Responsible Officer: **Ewan Green, Director - Place**
Cabinet Member: **Councillor David Monk, Leader of the Council**

SUBJECT: **OTTERPOOL PARK BUSINESS PLAN**

SUMMARY: This report seeks approval of the strategic business plan for Otterpool Park Limited Liability Partnership (LLP), being the Council's delivery vehicle for the Otterpool Park Garden Town. The Business Plan, drawn up by the Board of the LLP and appended to this report, sets out the intended activities and requests the release of monies necessary to achieve the objectives in the Business Plan. It also sets out the details of a proposed strategic land agreement between the Council and LLP, the associated funding arrangements, suggests certain amendments to the Members' Agreement and outlines future actions in respect of corporate oversight and assurance of the project.

REASONS FOR RECOMMENDATIONS:
Cabinet is asked to agree the recommendations below so that the Otterpool Park Limited Liability Partnership can proceed to deliver the project.

RECOMMENDATIONS:
1. **To receive and note report C/20/69.**
2. **To approve the Business Plan submitted by the Board of Otterpool Park Limited Liability Partnership and contained in Appendix 1 to this report.**
3. **To note that the Heads of Terms contained in Appendix 6 will form the basis of the Strategic Land Agreement and future funding arrangements.**
4. **To authorise the Director of Place, in consultation with the Leader of the Council and Director of Corporate Services, to agree and complete the Strategic Land Agreement between the Council and LLP in accordance with this report.**
5. **To authorise the Director of Place, in consultation with the Leader of the Council and Director of Corporate Services, to determine whether the pre – conditions and any other conditions in the Strategic Land Agreement have been met in order for the transfer of the land from the Council to the LLP (or to a third party) to be actioned.**
6. **To authorise the Director of Corporate Services, in consultation with the Leader of the Council, to agree and enter into the appropriate funding mechanisms and agreements between the Council and the LLP (on terms**

to be determined after taking appropriate external advice) and to agree that pre - conditions for individual drawdown have been met.

7. **To agree the variations to the Members' Agreement as described in Section 8 of this report.**
8. **To note that an Assurance Framework, as outlined in Section 9 of this report, will be put in place and reported as required.**

1. INTRODUCTION

1.1 Appended to this report (attached as Appendix 1) for the Cabinet’s approval is the proposed strategic Business Plan of Otterpool Park Limited Liability Partnership (the LLP), as put forward by its Board.

1.2 The basis of the Business Plan was first presented to the Overview and Scrutiny Committee on 14 July 2020 (see minute 16 of the meeting of that date). The proposed draft plan was then considered by the Board of the LLP on 13 November 2020 and at a meeting of the members of the LLP on 17 November 2020 (the “members” being the Council and the nominee company). A note of the decisions arising from the LLP Board are included as Appendix 2 and the extract from the minutes of the members meeting setting out their comments is at Appendix 3.

1.3 The outline business plan was further presented to the Overview and Scrutiny Committee for comments on 1 December 2020. An extract of the minutes of the meeting recording the decisions of the Committee at that meeting are contained in Appendix 4. The Task and Finish group mentioned in that minute met on 14 December 2020. The plan has undergone revisions to take into account the observations made in each case.

1.4 Whilst the proposed Business Plan is in the public domain, the financial plan (in the restricted Appendix 5) which underpin its content is commercially sensitive and if members wish to discuss this appendix it is recommended that the public be excluded from the meeting on the basis that exempt information under paragraph 3 of part 1 of schedule 12A Local Government Act 1972 is contained in the appendix. Should members vote to go into private session, then external advisers, BNP Paribas, will be in attendance to address technical questions.

In presenting the Business Plan, the LLP Is requesting that the Council release funding to it, from the 1st April 2021 over the next 5 years, to fund the operation of the LLP, to cover the planning application, further land acquisition as required and for key infrastructure and related investment.

1.5 If approved, funding will be released in tranches and subject to funding agreements to be entered into; these agreements will reflect the arms’ length relationship between the Council and LLP and will protect the Council’s interests as investor and lender.

1.6 The draw-down of funds 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). These agreements will regulate the milestones for draw down, the terms for repayment, security, and all other provisions which it would be prudent to include.

1.7 The LLP will be required to enter into these funding agreements which will be monitored by the Director of Corporate Services.

1.8 Appendix 1 is not a detailed delivery plan as that is an operational matter for the LLP Board and management to deal with. It is a strategic plan which will be updated and reviewed annually (subject to Council approval). It should be considered in the context of the Council's ambition, aims and objectives for Otterpool Park, the financial resources the Council has made available and ultimately whether the Council agrees that the Business Plan enables Otterpool Park to be delivered successfully.

1.9 This report also considers a number of variations to the Members' Agreement which are required to ensure that interactions between the Council and the LLP are effective and facilitate delivery of the project.

2. SUMMARY OF BUSINESS PLAN AND FUNDING REQUIREMENT

2.1 The Business Plan is based on the LLP achieving £190 million of profit over the life of the scheme. Peak debt would be in the order of £65 million when the majority of the strategic infrastructure for the scheme would be in place.

2.2 The Otterpool Park LLP resolved to seek up to £75m from the Council and this was based on the currently available, high level cost assumptions which included a contingency.

2.3 The Council agreed a facility for up to a £100 million funding allocation for the project. To date circa £30m has been spent on land acquisition, planning and specialist reports required to progress the project and, importantly, provide evidence required as part of the local plan examination process. Therefore from the funding decisions that have been made to date £70m remains available.

2.4 The Otterpool Park team has confirmed there will be no detrimental impact on delivery of the project as overall cost certainty will be refined as the project moves into its delivery phases. Further, as the project evolves there will be opportunities to seek additional funding from potential partners such as Homes England in order to bring forward infrastructure and housing investment.

2.5 The Funding Agreements to be put in place to manage the flow of funds from the Council to Otterpool Park LLP over a number of years will therefore be based on a total of up to £70 million and in general terms this will be apportioned as follows:

- £5m working capital to cover the operational costs of the LLP and professional fees both for work associated with the planning application and to prepare plans for the delivery phases of the scheme.

- £65m to develop deliver essential infrastructure and community facilities, in line with the principle of 'infrastructure 1st', and land acquisition.

3. BACKGROUND AND CONTEXT OF THE BUSINESS PLAN

The Council's Ambition, Aims & Objectives

3.1 The Council's aims and objectives for Otterpool Park are set out in a charter which was adopted on 18 October 2017 (see Minute 48 of the Cabinet meeting of that date). The charter is synthesized in the document expressing the Council's ambitions for Otterpool Park (see Appendix 6)**.**

3.2 As stated, the charter aims to ensure that the new garden town is truly sustainable and expands this by focusing on three key elements which underpin this: economic, environmental and social sustainability. All three elements need consideration, not trading one benefit against the other but building in a way that delivers gains across all three.

3.3 In addition to these aspirations, the Council is the local planning authority and is required to facilitate delivery of a minimum of 13,284 additional homes a year over the period 2019/20 to 2036/37 (18 years) to meet the Government's target of 738 new homes a year.

3.4 The Places and Policies Local Plan (as adopted by the Council on 16 September 2020) allocates a number of small and medium-sized sites to meet the target, and remaining development on the strategic sites identified in the 2013 Core Strategy (Folkestone Seafront, Shorncliffe Garrison and the New Romney broad location) will also contribute. However, it is clear that this target cannot be met without a substantial contribution from Otterpool Park, and an allocation for the new garden settlement forms the main focus for development in the emerging Core Strategy Review, which is currently the subject of an examination in public.

The role of the LLP and its relationship with the Council

3.5 The LLP was established on 27 May 2020, (see minute 6 of the Cabinet meeting of that date). By way of reminder, the LLP is a stand-alone corporate vehicle, registered at Companies House, and having two "members", the Council and a nominee company of which the Council is sole shareholder (the latter having no active role).

3.6 The Members' (or Owners') Agreement governs the administration and activities of the LLP, regulating matters including:

- business planning;
- decision-making; and
- funding, treatment of receipts and distribution of profits.

3.7 In particular the Members' (or Owners') Agreement sets out the process for the approval of the LLP's business plan. In short and as a requirement of the Members' (or Owners') Agreement, every 5 years, the LLP submits its proposed business plan to the Council for approval. Within the 5-year period, annual updates will also be prepared and placed before the Council for approval. The scope of these updates will, of course, vary as the scheme progresses through the various stages of delivery.

3.8 The main documents and mechanisms governing the relationship between the Council and the LLP will be:

- The Members' (or Owners') Agreement approved on 27 May 2020;
- A single, overarching Strategic Land Agreement (see paragraph 4.7 of the business plan and below);
- Related agreements governing the transfer of land from the Council to the LLP (or other parties) pursuant to the Strategic Land Agreement;
- Legal instruments in relation to loans / members' equity;
- Loan agreements in relation to funds provided to the LLP by the Council as debt; and
- The Business Plan itself (insofar as it frames the activities that the LLP Board may pursue without automatic reference back to the Council for further approvals).

3.9 The Council's Statutory Officers (Section 151 Officer and Monitoring Officer) will be required to agree these documents.

3.10 Regular meetings (at least quarterly) between the Council and the LLP Board will provide opportunity for dialogue and assessment of progress against the approved Business Plan, including detailed consideration of financial matters and project risks. Attendees at these meetings will be the nominated representatives, which include elected Members and the statutory officers of the Council as agreed by Cabinet (see Minute 6 of Cabinet meeting 27 May 2020).

3.11 The LLP will act as master developer for Otterpool Park. As such, it is envisaged that the LLP will secure planning permissions and put in place infrastructure in order that parcels of land can be sold to housebuilders. This will be the main focus of activity and generator of value, i.e. income to the LLP. Other suitable means of infrastructure delivery and development may present themselves over the course of time and be brought forward for consideration and approval under the evolving Business Plan.

3.12 Although the Council's over-riding purpose is the delivery of the Garden Town, and the resulting community benefits that will bring, the LLP has been established to make a profit as is required by the Limited Liability Partnerships Act 2000. The Act contains a fundamental principle that LLPs may only be used for the carrying on of a lawful business with a view to profit. It has always been the intention that LLP profits will provide funds back to the Council in order to repay the investment and loans made by the Council and to sustain delivery of council priorities and activities across the district. The high level financial position is set out more fully below.

3.13 The processes whereby: (i) funds are provided to the LLP; and (ii) land owned by the Council is transferred either to the LLP, or direct to housebuilders or developers, will be contained in loan/funding agreements and a Strategic Land Agreement respectively, the details of which are set out below.

4. THE BUSINESS PLAN

The Council's Ambition, Aims & Objectives

4.1 The Business Plan includes a draft vision document which sets out the aspirations of the LLP for the development and which captures the essence of the scheme. The vision document draws on a range of Council documents, primarily the Charter for Otterpool Park. The draft of the Business Plan which was presented to the Overview & Scrutiny Committee was prepared by the LLP at the same time as the council's restated ambition and, following recent discussion with the owners at the meeting on 17 November 2020, it now responds more fully to the matters captured.

4.2 The finalised LLP Board vision document will be used, in part, to market Otterpool Park to housebuilders and is designed to distinguish it from other developments.

4.3 The benefits of the project to the Council are recognised and set out in section 3.1 of the business plan and these accurately build upon the aims and objectives set out in the Council's charter.

4.4 The three sustainability principles in "the wheel" (environmental sustainability, economic sustainability and social sustainability) are supported by details in the business plan and represent the balance that needs to be struck across all three elements.

4.5 The infrastructure delivery details in section 4.6 of the business plan set out the various items of infrastructure necessary to make Otterpool Park a sustainable town, including essential social and community infrastructure such as schools and medical facilities. It should be noted however that this work is at an outline stage and that significant further work will be required to confirm the precise funding requirements. At this stage, the scheme does not have planning permission nor has a section 106 agreement been prepared which means that large elements particularly of social infrastructure have yet to be designed and costed. The estimates of infrastructure costs have been produced by the LLP's consultants and are intentionally cautious. Over the next 12 months or so these estimates will be firmed up and indeed some work may have been tendered such that firm prices will be available and the financial modelling can reflect this.

4.6 The plans for community involvement and development appear advanced and are due for more detailed discussion with the owners – see section 6 of the business plan - “Stakeholders”. The expected requirements of the new community are acknowledged and there are plans to ensure that they are met, which is a key part of the overarching Garden Town principles which are endorsed by central government and the Town and Country Planning Association.

4.7 The need for the development to contribute towards the district’s housing requirement is also outlined in the document. If housing was not planned and is not delivered at Otterpool Park other far more constrained areas across the district would be put under immense pressure to accept more housing. The business plan sets out in section 9 how it is intended that planning permission will be obtained including supporting the housing land allocation at the examination in public. Furthermore the team identified in section 5.4 appear resourced to deliver the planning permissions and this will be kept under review.

4.8 Whilst the Council’s ambition, aims and objectives and charter are covered in the business plan, the LLP Board provided a more explicit response to the priorities outlined in the draft Corporate Plan 2021-30: Creating Together Tomorrow.

4.9 The business plan before the Cabinet now sets out the strategic approach to be taken to ensure that the Otterpool Park project will contribute to the key principle of a *Greener Folkestone & Hythe* through the overall creation of a new low carbon town. It should be noted however that it has never been the intention to deliver a zero carbon town in totality. The complexity and challenges of doing so go beyond the stated ambition of the Council at this time. However, the aspiration of the LLP Board and the Council are aligned well to the ambition that the project will include exemplar aspects and developments in this regard.

4.10 In terms of the approach to sustainability the LLP is operating on the basis of what is considered deliverable against the council’s ambition and objectives at this point in time whilst recognising that the project will evolve over 30 years or more. The project has already committed to being gas-free, and is exploring battery storage on site, which is going further than many other developments. The business plan will be reviewed annually, and the approach to low carbon matters would be considered on an ongoing basis as new technologies (e.g. hydrogen power) are tested and made available in the market, and their take-up supported and mainstreamed by partnering organisations.

5. Request for Funds

5.1 The LLP will not have any independent financial capacity to fund its activities, at least in the short term, and will be reliant on the Council for funding. In addition to day to day running costs, the LLP will need to be funded in order to engage a professional team (to enable planning applications and the design and commissioning or infrastructure works e.g. waste water treatment works, highway improvements, improvements to other transport infrastructure).

5.2 Accordingly for the period of the Business Plan being recommended for approval, the LLP will need to be funded by the Council. Consequently, the business plan identifies the funding requirements of the LLP as outlined in section 1. Further detail to the high level figures is provided in the restricted Appendix 5.

5.3 Therefore, in order to implement the Business Plan the Board of the LLP has requested overall funding to be drawn down over the next five years as outlined in Section 2 of this report. This includes an initial £5 million to be used primarily to fund the operating costs of the LLP, along with professional fees both for work associated with the planning application and to prepare plans for the delivery phase of the scheme. When the need arises, for example, to acquire additional land or to fund third party works or costs for instance associated with the delivery of utilities, such requests would be considered at the time by the Director of Corporate Services in consultation with the Leader.

5.4 It should be recalled that on 20 November 2019, minute 69 (2) full Council resolved:-

"To make available an additional one hundred million pounds to be drawn down over a period of up to five years to enable the Otterpool Park project to proceed."

5.5 Following recent refreshed analysis, the view from the Council's external advisers is that the fundamental business case agreed by Council on 20 November 2019 remains sound and remains a solid basis for considering the drawdown of funds to the LLP at this time.

5.6 Since this decision of Council, work has continued on the development of the Business Plan and the associated underpinning documents and modelling. For a project stretching over some 30 years or more, it was always anticipated that economic cycles would be a feature of the assumptions underpinning the financial modelling of the project. Sales values are reported nationally to have increased in that period by approximately 5% and build costs have reduced albeit modestly.

5.7 In view of the current economic context of COVID-19 recovery, it is however entirely possible that next year sales values may flatten or reduce and build costs may increase and this indeed would be a feature periodically throughout the life of this long term project. However, market forces are expected to ensure that the gap between sales and costs remains broadly constant.

5.8 A prudent approach has been taken with regard to the financial modelling. In headline the business plan sets out an approach whereby the LLP acting as a master developer and principally, as stated above, funded through land parcel sales would generate around £190 million of profit over the life of the scheme.

Peak debt would be in the order of £65 million when the majority of the strategic infrastructure for the scheme would be in place.

5.9 The peak debt figure reflects the aspiration of the Council and the LLP to ensure that all key infrastructure is provided prior to the occupation of the 1st home. In addition to infrastructure necessary to meet the usual planning requirements, new facilities such as a primary school, community facility, health facility and major town park would all be provided at a very early stage of the development. This would allow new residents to have access to these from first occupation rather than these facilities being delivered at certain trigger point related to planning condition which is more normal. The clear intention being that new residents would have access to a broad range of facilities at the earliest opportunity rather than such facilities being delivered many years after residents move into their new homes at Otterpool Park.

5.10 In addition to infrastructure necessary to meet standard planning requirements such as a new primary school, community facilities, health facilities and a major new town park would all be provided at a very early stage of the development such that new residence would have access to these from first occupation rather than these facilities being delivered at a trigger point related to planning condition which is more normal. The clear intention being that new residents would have access to a broad range of facilities at the earliest possible opportunity rather than such facilities being delivered many years after residents move into their new homes at Otterpool Park.

5.11 The actual funding mechanism is set out below in Section 7.

6. STRATEGIC LAND AGREEMENT (SLA)

6.1 The Council is either the landowner or prospective landowner of most of the site of the garden town. As set out in the Business Plan the LLP was established in May 2020 with the principal objective of acting as master developer for the delivery of the Otterpool Park project. There needs therefore to be a mechanism for transferring the Council’s land to the LLP so it can come to agreements with housebuilders, developers and infrastructure providers. This is fundamental to the LLP’s ability to implement the Business Plan.

6.2 Again, as set out in the Business Plan, as master developer the LLP will secure planning permissions and put in place infrastructure in order that parcels of land can be transferred. The sale of developable land will be the main generator of income to the LLP. The process whereby land owned by the council is transferred (either to the LLP and from the LLP to housebuilders/developers, or direct to them) will be captured in the SLA (the heads of terms for which are contained in Appendix 6). The purpose of the SLA to regulate that process and (among other things) deal with the pre-conditions that must be met before any land is transferred, the basis on which the land value will be ascertained and recognised, and the timing of transfer.

6.3 The SLA will be flexible in operation, given the various types of land transfer that maybe necessary (including where being transferred to enable infrastructure). It will operate as a framework for “option agreements” whereby the LLP may trigger a land transfer either to itself or a third party. In any case, where land is to be transferred, that would be dependent on the LLP satisfying certain pre-conditions, the nature of which may differ depending on the factors involved. The likely pre-conditions will include:

- title and vacant possession;
- a valuation satisfactory to the Council (to satisfy Section 123 best consideration);
- planning permission;
- an approved phase/scheme business case – which would detail the background to the transfer and the intended purpose and outcomes, as well as a financing strategy for that transfer.

6.4 The pre-condition “business case” would link with how the LLP is to finance the land transfer, either on its own account, by way of further Council loan, or by payment from a third party.

6.5 The actual land transfer will be on an arms’ length basis subject to appropriate transaction documentation, standard conveyancing and due diligence. This may deal with a raft of matters that have a bearing on the intended use of the land (including for example, the arrangements for long term management).

6.6 Any transaction where land is disposed of by the Council will need to be for ‘value’. Under the SLA, that process will be supported by independent valuation advice. Value may be realised in a number of different ways, e.g. upfront payment, deferred consideration, overage, etc. The SLA and transactional documents for land transfer will provide for that process separately from the treatment of development profits/returns under the Members’ (or Owners’) Agreement.

6.7 It is anticipated that the LLP (as master developer) would undertake a large part of any required activity to satisfy the pre-conditions for land being transferred (e.g. the gaining of planning consent, infrastructure delivery, and other enabling works).

6.8 The overarching objective of the SLA in relation to land arrangements is to allow the Council and the LLP to address each phase/scheme of the project in the most efficient manner to achieve the desired development outcomes; this will include tax efficiency.

6.9 It is envisaged that the transactions with housebuilders will be at open market value for land with residential planning permission. As explained above, the difference between the two would then represent the revenue to the LLP which after deducting the costs of running the LLP securing planning permission and putting in place the necessary infrastructure, and financing the Business Plan represents the profits of the LLP which will be distributed to the owners.

6.10 As part of the SLA it is proposed that the LLP manage the site. The land is quite separate from the other land the Council owns and as the LLP's staff will be on - site, it is considered advantageous for the LLP to adopt that role.

6.11 The preceding paragraphs describe the salient features of the SLA. It is recommended that the Director of Place in consultation with Director of Corporate Services and the Assistant Director - Law and Governance be authorised to agree and complete the SLA.

6.12 Once the SLA has been completed, as noted above, the LLP will be able to call on the Council to transfer the land provided certain conditions are met. It is recommended that the Director of Place in consultation with Director of Corporate Services and the Assistant Director - Law and Governance be authorised to determine whether the key conditions (and any other conditions in the SLA) have been met thus allowing the transfer of the land.

7. FINANCE AND FUNDING MECHANISMS

7.1 The LLP is established with a view to making a profit while delivering the Council's objectives. Each year the Board of the LLP will consider whether it can return any profits to its owners, equivalent to declaring a dividend to shareholders. This will discussed with the owners, then reported to the Council for approval. The costs of running the LLP, servicing debt, plus the financial costs of fulfilling the requirements of the Business Plan (including any projected future costs for which the LLP will make provision) will all be taken into account. These costs will then be deducted from the LLP's income which will principally come from land sales. The balance will be available for payment to the owners as a distribution of profit.

7.2 The LLP will be funded through a mixture of equity and debt. The Heads of Terms of the funding arrangements for the LLP are contained in Appendix 6. Equity will be in the form of capital contribution (equivalent to taking shares in a company, and as such making an investment that is at risk). This will be dealt with under the Members' (or Owners') Agreement and the equity recognized in the accounts of the LLP as such.

By contrast, debt will be injected under arms'-length loan agreements entered into between the Council (as lender) and the LLP (as borrower). This debt will be on terms that capture the amount being loaned, the repayment terms (and timing) and interest to be applied. In addition, these loan agreements will provide rights for the Council to inspect accounts and take action where there is a default in repayment (or a significant adverse change in the circumstances of the LLP (as borrower). Moreover, these loans will be secured and rank ahead of the capital contribution (i.e. equity).

7.3 This blend of equity and debt will be determined by agreement with the Council on the advice of Arlingclose (financial consultants) and the loan terms and documentation on the advice of Browne Jacobson LLP (legal consultants). The costs of servicing interest and repaying any loans will be one of the costs deducted from sales receipts prior to calculation of any LLP profits.

7.4 It is intended that there will be loan agreements (e.g. facilities) for distinct projects or lines of expenditure under the Business Plan. Equally, these loan agreements (which may include loans for the LLP to acquire land interests for example) will be on terms which link the drawdown of the money to the fulfillment of certain conditions. These conditions for draw down of cash will vary depending on what the funding is to cover; for example, some may be the pre – conditions in the SLA being met, and others(e.g. in the case of infrastructure) could depend on certain payments being due under the relevant construction contract. The running costs of the LLP will not be subject to particular conditions but will be monitored against the evidence of costs legitimately incurred or to be incurred.

7.5 It is recommended that the Director of Corporate Services be authorised to develop and enter into the appropriate funding mechanisms and agreements on terms to be determined by her after taking appropriate external advice.

8. VARIATIONS TO MEMBERS' AGREEMENT

8.1 It is considered that variations to the Members' Agreement should be made in order to ensure that interactions between the Council and the LLP are effective and facilitate delivery of the project. These are being recommended following a review of the Agreement as the project has evolved, particularly with reference to funding arrangements.

8.2 Some of these are entirely cosmetic, for example certain paragraphs were shown as "Not Used" and it would be timely to remove these.

8.3 Of more significance is clause 5.3 which provides that no interest shall be payable on members' capital contributions (i.e. equity rather than debt). It is recommended that this should be altered to say that interest may be payable on such capital contributions.

8.4 The business plan process described in the Members' Agreement needs to be amended because it currently requires a five year business plan with a "further business plan" each year. The wording should recognise that there will be an annual update to the five-year plan (rather than a fresh plan each year).

8.5 Finally, it is recommended that the notice period for both board and meetings of the LLP's members should be reduced from the current 10 working days to 5; this would bring them into line with the general practice of the Council.

9. ASSURANCE, RISK MANAGEMENT AND GOVERNANCE

Assurance and Risk Management

9.1 Under the proposed arrangements for funding and land draw down (as described in Appendix 6), the Council will enjoy appropriate and necessary safeguards. These will operate as binding contractual obligations on the LLP under the relevant legal agreements entered into, running alongside the rights of the Council as sole owner of the LLP. In particular, these agreements will ensure that funding is only made available for authorised purposes and that land transfers only take place when certain conditions are met. Whilst these contractual arrangements will provide very thorough protections, Council officers will also establish the necessary mechanisms for gaining assurance that the activities of the LLP under these agreements are properly supervised and subject to periodic scrutiny and audit.

9.2 Officers have taken careful note of lessons learned elsewhere and will adopt best practice in how this is carried out. In addition, it is recognised that the Board of the LLP may, at some early point, need to be strengthened to include nominees with relevant financial and infrastructure expertise.

9.3 The LLP will need to adopt a broad range of policies required to ensure that it operates within the legal requirements of company law and good practice. This will include such areas as procurement and other policies to ensure value for money and a detailed reporting regime will need to be put in place (internally by the LLP and as between the LLP and Council).

9.4 In parallel, the Council's monitoring and audit of the activities of the LLP will ensure that there is the necessary degree of democratic oversight (and with the resources to support that in terms of officer time). This scrutiny will necessarily include member involvement, for example, through reporting to the Audit and Governance Committee, alongside the scrutiny to be exercised by the Council as sole owner of the LLP.

Governance

9.5 A principle behind the establishment of the LLP was to enable the necessary agility and operational flexibility to achieve delivery of the Garden Park. It is therefore envisaged that the LLP Board will have a suitable degree of autonomy and operational independence. Nonetheless, the Council will continue to carry out its role as owner of the LLP, as landowner, and as lender; recognising also the entirely separate statutory function of the Council as planning authority. It will be important, not least as part of the assurance and risk management activity described in paragraphs 9.1 – 9.4 above for these different relationships with the LLP to be kept separate and distinct. The Council, as owner, has an interest in the success of the business of the LLP and the delivery of the garden town; it will primarily exercise that function through its approval of the Business Plan (and updates to it), as well as via the decision-making rights it retains under the Members' Agreement (including the composition of and appointment to, the LLP Board).

9.6 As landowner the Council will be able to deal with land transfers under the Strategic Land Agreement. Although necessarily flexible in nature, that agreement will mean that the Council retains an ability at certain times to agree the parameters against which parcels of land may transfer, including for example the timing and land valuation. Where necessary and appropriate, these arrangements may also capture any retained or other rights over land that are required by the Council for the scheme as a whole. Independently of the Members' Agreement and Strategic Land Agreement, the Council will also make decisions as lender and should do so with the perspective of a lender – in other words with a focus on the ability of the LLP to make repayment. Decisions will be made periodically to enter into funding agreements and these will then need to be administered and monitored on an ongoing basis as funding is provided to the LLP.

9.7 These governance arrangements, and the separation of perspectives in particular, will be critical for ensuring the successful delivery of the garden town. This will be achieved through regular oversight, and a focus (within both the LLP and the Council) on strong record-keeping, sound financial management and thorough risk identification and mitigation.

9.8 A governance and assurance framework will be put in place by the Council's Statutory Officers and reported as required.

10. RISK MANAGEMENT ISSUES

10.1 Strategic risk in relation to Otterpool Park is identified in the Corporate Risk Register (which is reported to Audit and Governance Committee), a summary of which is detailed below:

Perceived Risk	Likelihood	Seriousness	Preventative Action
Failure to deliver Otterpool Park development.	Low / Medium	High	Full Council decision to agree funds for project to commence and control of all major landholdings / options achieved. LLP has been established and Directors appointed with broad range of skills applicable to the project. Legal, Financial and Commercial advisors in place to provide support for the Council and LLP. Strategic Land Agreement and Funding Agreements to be put in place.

			Ensure adequate Planning resources and access appropriate specialist advice. Governance and Assurance Framework to be developed. Owner / LLP Board meetings held regularly to monitor progress, finance and risk. Internal Corporate Oversight officers group established including Statutory Officers. Annual refresh of LLP Business Plan to be agreed by the Council.

10.2 Risks in relation to delivery of the Otterpool Park Business Plan are identified by the LLP at strategic and operational level. Consideration of strategic risk is a standing agenda item for the quarterly meeting between the Council (as owner) and the LLP Board. The LLP Business Plan includes an overview of these at Section 12. Quality and Assurance.

11. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

11.1 Legal Officer's Comments

The Council's ability to lawfully establish the LLP has been previously reported and falls under the general power conferred by the Localism Act 2011 as well as the Council's Housing Act powers. The matters addressed in this report (including approval of the LLP's Business Plan) are therefore ancillary to previous decisions of the Council.

In relation to the Strategic Land Agreement, the Council may dispose of land provided it secures best consideration in accordance with Section 123 of the Local Government Act 1972. The agreement to be entered into between the Council and LLP will regulate how best consideration is to be ascertained and that duty satisfied.

The funding arrangements fall within the statutory powers of the Council and will be structured to ensure State aid compliance. The way in which the funding is to be accounted for by the Council is addressed in the report.

11.2 **Finance Officer's Comments**

The financial implications have been outlined within the body of the report. The Council earmarked £100 million of capital resources (to be funded from prudential borrowing) and around £70 million remains available. These funds will be utilised by the LLP in accordance with the proposed Business Plan appended to this report. The allocation made in the current Medium Term Capital programme (MTCP) is considered to be sufficient given the long term nature of this project, but as the Business Plan is updated (in line with the Members Agreement) the MTCP will also be updated. The LLP has no independent source of funding (without the prior consent of the Council) and funding will be provided to the LLP on a facility basis in accordance with the funding agreement which will be developed in line with the appended heads of terms.

The Council has received advice from Arlingclose on suitable debt to equity split; accounting considerations, the Minimum Revenue Provision Strategy; state aid; market funding options and a funding strategy. Further tax, treasury and legal advice will be sought in the development of the funding agreements ahead of any funds being released to the LLP, and in any event they will be funded in accordance with the Business Plan proposed. This advice where appropriate will also inform the development of the Strategic Land Agreement, to ensure the agreements are aligned and provide an appropriate framework between the Council as lender, the Council as land owner, the Council as a corporate body and the LLP.

The development of the assurance framework will give due consideration to the management of financial risk to the Council. The arrangements will seek to learn from the sector, will balance appropriate oversight and governance with enabling the LLP to deliver the Councils ambitions.

The project is a fundamental element of the Councils medium to long term financial plan in being financially sustainable.

11.3 **Diversities and Equalities Implications**

The proposal is for the approval of a business plan which will enable the Council, through its delivery vehicle Otterpool Park LLP, to create an inclusive community which meets the needs of all residents regardless of whether or not they have a protected characteristic. The differing needs of people, including those with different protected characteristics, will be considered during the design and planning stage of the development and kept under review as the project progresses.

12. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Ewan Green, Director of Place
Telephone: 07783659864
Email: ewan.green@folkestone-hythe.gov.uk

Appendices:

Appendix 1: Draft Strategic Business Plan
Appendix 2: Decisions of Otterpool Park LLP Board (13 November 2020)
Appendix 3: Extract from the minutes of the Otterpool Park LLP Members' / Owners' Meeting (17 November 2020)
Appendix 4: Extract from the minutes of the Overview and Scrutiny Committee (1 December 2020)
Appendix 5: Financial Plan (Restricted)
Appendix 6: Council's Ambitions for Otterpool Park;
Appendix 7: Heads of Terms for the Strategic Land Agreement and Funding Agreements.

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

(Note: only documents that have not been published are to be listed here)

"Exempt by virtue of paragraphs 3 and 5 of part 1 of Schedule 12A Local Government Act 1972 (as amended).

OTTERPOOL PARK

COUNTRYSIDE • CONNECTED • CREATIVE

BUSINESS PLAN

December 2020

Folkestone & Hythe District Council

PILLORY BARN

BNP PARIBAS REAL ESTATE

STRUTT & PARKER
BNP PARIBAS GROUP

Contents

1.
Introduction -
By the Chairman

1. Introduction - By the Chairman

Our recently formed Board of Directors is pleased to be presenting this Business Plan which, alongside our vision, is an important step on the journey towards the delivery of Otterpool Park. Our objective for the coming year is to establish ourselves as a locally accountable organisation that will enable the delivery of the Garden Town and support residents, partners and stakeholders to create a 'Garden Community' in a district that is extraordinary.

It's already home to all types of people – from artists to musicians innovators to educators, makers to entrepreneurs; they come together in Folkestone and Hythe to enjoy our countryside and miles of stunning coastline, world-class cultural scene and fantastic connections to Europe and the rest of the UK.

Our aspiration to deliver 10,000 homes, around 9,000 jobs, across a 30-year period makes sense for a place that consistently attracts from London and the wider south-east. When we see the profound effect that the Covid-19 pandemic has had on our day-to-day lives, the concept of a community that has over 50% green space, walkable neighbourhoods, leisure on the doorstep and the very best of modern health and education provision, the opportunity becomes all the more relevant – right now.

Over the coming months, as we move towards presenting Otterpool Park at planning committee, we look forward to building delivery relationships to enable on-the-ground regeneration with a wide range of partners and stakeholders, in both the public and private sectors. We want to work with forward-thinking house builders, developers and investors to build a new community; to bring together all this district has to offer and communicate it far and wide.

Our focus is centred on enabling a people-led Garden Town that not only turbo charges our local economy but delivers a remarkable community for the next generation.

A beautiful Kentish town in the countryside, close to the sea.

Luke Quilter,
Chairman,
Otterpool Park LLP


nursery

2. Background and Context

2. Background and Context

2.1 - BACKGROUND

Otterpool Park is a unique opportunity to meet the challenge of housing need in Folkestone and Hythe, through a properly planned new garden community set in rich countryside. It is ideally located to take advantage of excellent existing connections by road and rail.

In 2015, Folkestone & Hythe District Council (the Council) bought 144 ha of agricultural land at Otterpool Manor Farm as a long-term investment for future development. Shortly after this, the Government announced its Garden Cities, Towns and Villages programme, which provided the stimulus for the Council to advance its ambitions for development and form a partnership with its neighbouring landowner Cozumel Estates Limited, the owner of Folkestone racecourse.

A proposal for a new town of up to 10,000 homes and thousands of new jobs, all in a green setting with 50% green space, was born.

The bid to government for garden community status was successful, and the project continues to be supported by politicians at national, county and district level. The project has attracted £3.4 million of capacity funding from government to support the Council's work to date. The Council has continued to acquire properties and land options, including Westenhanger Castle, a Scheduled Ancient Monument and Listed Building, within the site. Homes England, the government's housing agency, has also invested in land at Otterpool Park to support the proposals.

Work began in 2016 on a masterplan for the area, led by consultants Arcadis and master planners Farrells, resulting in an outline planning application submitted in February 2019. The plans were guided by a set of principles that were agreed at the outset, based on the Garden City Principles. These principles were explored in more detail in the Charter for Otterpool Park, adopted by the Council in 2017. (Cabinet meeting 18 October 2017 minute 48)

More recently, the Council reaffirmed its view of what it wants Otterpool Park to be. This is set out in the document Otterpool Park A New Garden Town in the Folkestone and Hythe District (Appendix 5).

This sets out the Council's ambitions for a sustainable new garden town in the Folkestone and Hythe district:

- **Enhancing the environment:**
  - Minimum of 50% green space
  - Deliver at least 20% biodiversity gains, going beyond the Government target
  - Promoting walking, cycling and public transport
  - Reducing environmental impact
- **Creating strong and healthy communities:**
  - Giving residents a voice
  - Preserving cultural heritage and inspiring the new
  - A diverse range of housing types and tenures
  - Innovative approaches to delivery
- **Creating jobs and building new businesses**
  - Diverse employment opportunities
  - A digital town of the future
  - New town and neighbourhood centres

In parallel, the Council, as the local planning authority, was reviewing its Core Strategy. After a capacity analysis of the district, it concluded that this location was the only viable area for significant growth to meet escalating housing need. It recognised the sensitivity of the landscape – within the setting of the Area of Outstanding Natural Beauty (AONB) and views from the North Downs – and the impact on existing neighbouring communities. In many respects this has been a positive challenge; creating a proposal that is landscape led, creates green space that is accessible to new and existing residents and provides attractive townscape views through well designed streets and buildings. The masterplan also brings new life to heritage assets including Westenhanger Castle and offers a net gain to biodiversity.

2.2 - CONTEXT AND DRIVERS

Housing need: the undersupply of housing nationally is recognised by all political parties, and the need within the Folkestone and Hythe district is no different. The latest government figures for objectively assessed housing need that the district is obligated to plan for continues to increase, now more than doubling current rates of delivery. This need applies to all types of housing but in particular affordable housing and helping younger people onto the housing ladder.

Planning context: historically the district has built a significant proportion of its housing on brownfield sites within existing towns and villages. However, there is now very limited capacity for further growth in Folkestone or Hythe, and while there is some scope for more housing on the Romney Marsh and in some villages, the district is heavily constrained by the AONB and flood plain. Development around junction 11 therefore becomes a natural choice, helped by the fact the junction has plenty of capacity and there is a railway station at Westenhanger.

Economic positioning of the district: East Kent has historically underperformed economically within Kent and nationally. There are now several factors that give an opportunity for the district to punch higher, developing higher value jobs, attracting more visitors and raising values. These factors include the high-speed train service into London; increased attraction of natural assets such as the coast and countryside; good connections to Europe; comparative affordability of houses and the thriving arts and creative scene. Much of the employment space in Folkestone is outdated, or in the case of the creative industries has not got the capacity to expand, so there is latent opportunity to improve skills and provide better quality jobs.

Ageing population: the Folkestone and Hythe area has historically attracted people wishing to retire to the coast and has a shortfall of younger adults.

Financial: as government funding to local authorities becomes less predictable and reduces in real terms, so councils are looking to other sources of income to ensure a stable financial future, including through development portfolios. Over the past five years the Council has bought land or developed proposals on a pipeline of different sites, in many cases delivering new homes through the Housing Revenue Account. Otterpool Park is by far the most ambitious acquisition but with the potential for the greatest long-term income.

2.3 - DRIVERS FOR OTTERPOOL PARK

- Meeting the Council's corporate objective of more homes and more jobs*.
- Planning properly for long-term housing growth.
- Rebalancing the demographic of the district to attract more people of working age, away from the trend of an increasing older population.
- Creating a comprehensively planned community that provides infrastructure in a timely way and a high-quality environment, controlled through land ownership. This will avoid incremental and poorly planned, poorly designed development.
- Creating an environment that enables healthy lifestyles, including neighbourhoods that are walkable, encouraging walking and cycling overuse of the car. Thriving local communities and access to the outdoors has become increasingly important during the Covid-19 pandemic.
- Financial sustainability of the Council, providing a long-term source of income to reinvest in the district and improve services to its residents.

*The Council is currently consulting on the next revision of its corporate plan. One of its priorities is to "deliver a sustainable new development at Otterpool Park."

The importance of working in partnership to deliver a project of this scale cannot be underestimated, including a strong working relationship with the local planning authority. Section 6 sets out the work with stakeholders present and anticipated.

3.
Vision and Purpose

3. Vision and Purpose

Our Vision document for Otterpool Park is included at Appendix 1.

3.1 - BENEFITS TO THE DISTRICT COUNCIL

Development management

The Council is keen to ensure that the development is of a high quality and delivers a wide range of objectives. The LLP is a vehicle able to exert control far beyond what would be possible through the Council's role as local planning authority. This may involve applying control or financially supporting a wide range of aims and objectives, including the following:

- **Homes**

Developing up to 10,000 new homes including:
  - Satisfying local needs, including affordable homes
  - Providing a range of tenures to meet diverse needs
  - Including homes for key workers
  - Providing opportunities for innovative delivery, including self- build and community land trusts
  - Achieving high quality design and sustainable construction

- **Distinctive and high-quality design**
  - Applying guidance through design codes
  - Applying control through deals struck with housebuilders and enforced through licensing arrangements
- **Sustainable transport**
  - Provision of transport hubs to encourage the use of public transport and sustainable vehicles
  - Incentives for the use of electric vehicles and good quality cycle and pedestrian facilities
- **Employment space**
- **Green and blue infrastructure**
- **Energy conservation**
- **Healthy lifestyles**
  - Land uses arranged to encourage walking and cycling, assisted by dedicated cycleways, footpaths and large areas of parkland
  - Contemporary health facilities
  - Indoor and outdoor spaces and activities to improve community development and mental health
- **Improve heritage assets**
- **Creativity**
- **A technology-enabled community**
- **Local Food**
- **Monitoring the success of the town against its objectives and resident/employer satisfaction**

3.2 - LAND VALUE CAPTURE

Financial

Although not the primary reason, one of the reasons for the Council embarking on the Otterpool Park project was to generate a commercial return and thereby improve its overall financial position. The decision was taken in anticipation of the Government reducing its annual support grant to the Council and with an aspiration of making the Council more financially independent.

Initial land purchase costs were justified on the basis that in the long-term there would be benefits to residents across the district. The aspiration is for the Council to benefit from capital receipts in the middle and long-term and to explore the scope for generating sustainable revenue incomes.

The capital receipts will result from the selling of serviced plots to housebuilders. Some receipts will be reinvested in the project and some will be payments to the Council, to enable the repayment of loans to the company and to support improved Council services. Further capital receipts could be generated if the Council wanted to directly develop land for housing or commercial uses.

The revenue receipts could be manifest from a range of sources which could include:

- Income from land and/or buildings through the payment of rent (residential and commercial). The Council could retain the freehold interest in parts of the site and achieve ground rents or it could potentially construct commercial buildings to let.
- The provision of services to the LLP e.g., grounds maintenance.

Each year the Board of the LLP will consider the distribution of profits to its owners; the ability to distribute profits will depend on a variety of factors including the amount of money generated by land sales.

3.3 - DESIGN

Design quality

Several mechanisms were agreed with the LPA early on to ensure good design and placemaking was carried through from early concept through to detailed design and construction. These are:

- The Charter for Otterpool Park, which was approved in October 2017.
- Setting up the Otterpool Park Place Panel.
- Proactive involvement of the LPA, working together with the promoter.
- Preparation of design guidelines as part of the outline planning application.
- Preparation of design codes – a strategic code for the whole site, with detailed codes required by phase.
- A Kentish Contemporary Vernacular design guide aimed at developers that demonstrates how traditional Kent building forms and materials can be reinterpreted.

The LLP will continue to support and invest in these design tools. It recognises the need to review each phase of development to assess its success and where lessons can be learnt, then revise design codes and other strategies accordingly.

4.
Current Position

4. Current Position

4.1 - PLANNING INCLUDING UTILITIES / INFRASTRUCTURE

In order that the key objectives of the Otterpool Park Garden Town can be achieved (for example providing homes, jobs, education and health services and high quality public open spaces), it is firstly necessary to deliver the key infrastructure provision that enables the key elements of the town to be delivered.

As master developer for the Garden Town, the LLP has a key role to play in the delivery of such infrastructure. In order for the LLP to be in a position to deliver this infrastructure it is necessary to develop and deliver a detailed programme of activities based on the following stages, as set out below.

4.2 - SECURING PLANNING PERMISSION

The planning strategy for Otterpool Park is set out in more detail in Section 9 of the Business Plan. However, in summary, in order to allow the key infrastructure to be delivered, it will be necessary for the following to be obtained:

- Adoption of the Folkestone and Hythe Core Strategy Review.
- Approval of the Otterpool Park outline planning application.
- Tier 2 approval, including approval of the Phase 1 masterplan and design code (plus approval of subsequent phases as the scheme proceeds).
- The discharge of pre-commencement and other relevant planning condition.
- The discharging of any S106 or other similar legal obligations.

4.3 - DETAILED TECHNICAL DESIGN AND APPROVAL

- The preparation of detailed technical designs for the key infrastructure provision.
- The obtaining of the necessary technical consents such as building regulations approval or S278 approval for highway-related infrastructure.
- Other approvals such as main rivers consent, listed building consent and approval from the relevant utility companies.

4.4 - LAND OWNERSHIP

- Addressing any land ownership issues required for the delivery of key infrastructure including the acquisition of any required land in accordance with the options agreements between the LLP and third-party landowners.

4.5 - PROCUREMENT

For elements of infrastructure provision, it will be necessary to procure a contractor or operator to deliver the infrastructure. There are number of options available for this such as:

- Procurement of contractor/s to deliver a particular piece of infrastructure based on a design commissioned by the LLP. In such an example the LLP would be responsible for securing the necessary consents.
- Entering into a design and build contract with a contractor, whereby the appointed contractor secures the necessary consent and prepares the detailed design prior to implementation on behalf of the LLP.
- Direct delivery by a third-party operator for example in the case of the Wastewater Treatment works.

4.6 - OTTERPOOL PARK LLP INFRASTRUCTURE DELIVERY

The planning and delivery of infrastructure will be a key function of the LLP in its role as master developer, and a costed infrastructure programme will be prepared and maintained by the LLP. The key focus will be on delivering the infrastructure necessary to provide serviced plots capable of being built out by third-party developers as well as delivering the social and community infrastructure necessary for placemaking and the achievement of the broader objectives of the company. The type of infrastructure that will delivered by the LLP includes:

- Sustainable transport measures including cycle/footpath provision, bus and rail infrastructure and a network of mobility hubs.
- Strategic road network including key junction improvements and other mitigation measures.
- Advanced planting and other green infrastructure, including the strategic park network, sports pitches and neighbourhood level play provision.
- Sustainable urban drainage (SUDS) provision.
- Wastewater Treatment facilities including wastewater recycling provision.
- Utilities provision including potable water and electricity supply and ultra-fast broadband.
- Community infrastructure including primary and secondary schools and a health and wellbeing centre.

The LLP will need to make a long-term commitment to the delivery of strategic infrastructure based on a rolling 5-year infrastructure programme.

4.7 - STRATEGIC LAND AGREEMENT

The foundation of the arrangements between the Council and the LLP is a Strategic Land Agreement ("the SLA"). This is intended to be as flexible as possible to account for the long-term nature of the project.

The SLA provides the LLP with a call option over the Council's land interests at Otterpool Park.

The SLA is flexible on:

- **Timing** – in terms of its overall duration and when the call options are exercised during that contractual term.
- **Subject matter** – in relation to which one or more land interests (in whole or in part) the call option is exercised by the LLP at any one time.
- **Outcome** – in terms of what the LLP exercising its call option in relation to one or more land interests results in i.e., that could be a land transfer to the LLP or a transfer to another third-party nominated by the LLP (e.g., a house builder).
- **Payment** – in terms of both the nature of the consideration and when it is payable (e.g., is it deferred?).

Where the LLP acquires one or more land interests from the Council under the SLA, it will fund those acquisitions either:

(i) pursuant to a debt facility from the Council or from another third-party lender, or

(ii) the land interest/s could be transferred in consideration of loan notes from its Members (Owners) (at the value of the land interest(s) in question) being issued by the LLP to the Council.

Subsequent transfers of land pursuant to the LLP exercising its call options under the SLA will be subject to the satisfaction of certain pre-conditions – e.g., planning permission, viability, funding, site/phase business plans.

4.8 - MANAGEMENT OF THE SITE

Presently the area of the site owned by the Council consists of agricultural land, some residences, the Castle and areas that are unused e.g., the old racecourse stands.

The agricultural land is let on agricultural tenancies and the houses or bungalows that are occupied are rented out on non-secure or assured shorthold tenancies. This ensures that the Council gets a return on its investment.

It is the intention that the Council and the LLP will enter into a licence agreement so that the land is managed by the LLP for a fee. This will enable the LLP to manage the site, ensuring that, amongst other things, it is presented in such a way as to be attractive to developers.

5.
Organisational Form

5. Organisational Form

5.1 - LEGAL FORM AND GOVERNANCE

The Council has formed Otterpool Park Limited Liability Partnership ("the LLP") to act as the master developer for the Project in accordance with this business plan and the agreements it has with the Council, principally the Strategic Land Agreement (see above) and the financing arrangements.

As the master developer the LLP will take responsibility for obtaining planning permission and other consents and for delivering the infrastructure (e.g., community infrastructure, utilities and highways) for the Project. The LLP will also carry out feasibility studies to determine market need.

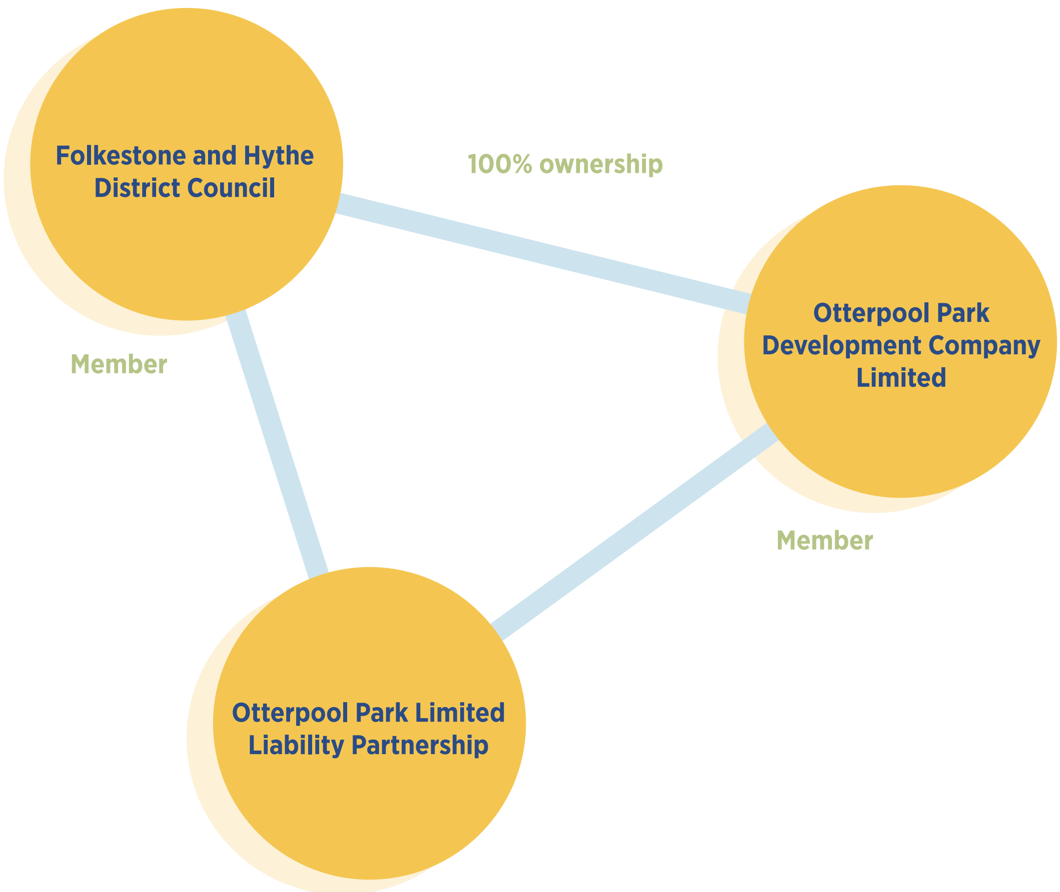
The LLP will market fully serviced land parcels to housebuilders and commercial developers, facilitating the creation of high-quality places.

The LLP, through subsidiaries, will have a continuing role in the physical and social development of the project.

It is not envisaged in the plan that the LLP will (either itself or through a subsidiary) develop land itself, which would require a different set of considerations and decisions. This may change during future plans or indeed during updates of this present plan. In addition, although not related to developing land, it is likely that the community infrastructure will be managed and owned by a subsidiary of the LLP.

Finally, the LLP will create value for its owners in the way it facilitates the development of the project. This is dealt with more fully elsewhere.

The LLP is presently owned by the Council and by the Otterpool Park Development Company Limited ("the Limited Company"). The Limited Company is itself wholly owned by the Council. The ownership structure is shown below.



A Members' (or Owners') Agreement between the Council, the Limited Company and the LLP is the governing document of the LLP. The Members' Agreement sets out the objective of the LLP as:

"To ensure that the Otterpool Park Garden Town, a settlement that will in time consist of 10,000 dwellings is delivered in accordance with the business plan approved from time to time including but without prejudice to the generality of the foregoing generating the required commercial return to the Members."

The LLP's tasks are further shown as:

a) Be the planning applicant for the project delivery.

b) If appropriate, act as the manager of the community infrastructure created as part of the project.

c) Lead and coordinate development activity at the project site, potentially via subsidiary vehicles.

d) Where appropriate, facilitate partnership development arrangements to bring forward housing and employment opportunities at the project site, including joint ventures with other organisations.

e) Where appropriate, hold and manage residential, commercial, agricultural and/or industrial land and buildings at the project site in advance of, during and following project delivery (as applicable).

f) Lead and coordinate the delivery of such infrastructure works as are necessary as part of project delivery.

g) Commission any necessary professional services relating to either the Council's objectives for the project and/or the business objectives of the Delivery Vehicle.

h) Carry out such trading activities as will be identified in the Delivery Vehicle's Business Plan (which will be subject to periodic update/review/approval).

The Members' Agreement also contains the delegation matrix which sets out those matters which need the approval of the Council and are not within the authority of the LLP to make a decision on.

The structure will enable new partners to join the LLP; a decision on whether to and on what terms would rest with the existing members. At present it is the Council's intention that it would retain the majority "share" in the LLP. Any new partner could come from the private or public sector. It is likely that the Council would expect that any new potential partner would bring substantial funding with them.

The governing body of the LLP is a board of nominees or directors. The present Board (details of whom are shown in section 5.4) comprises seven people six of whom are appointed by the Council and one by the Limited Company. One of the directors has been appointed as the chairman of the Board.

The Board has adopted a code of conduct so that conflicts of interest are identified and avoided[1] and has also adopted a procurement policy[2].

The Members of the LLP meet at least quarterly to discuss the affairs of the LLP and the progress towards achieving the objectives in the business plan.

5.2 - THE BUSINESS PLAN PROCESS

The Board will, every five years, approve a business plan. The business plan will have a five-year duration with annual updates. The business plan and its updates will be approved by the Board for submission to the Council in December / January of each year. This will enable any budgetary implications to be considered by the Council for inclusion in the budget for the subsequent financial year.

5.3 - DISTRIBUTION OF SURPLUSES

Each year the Board will meet to decide what proportion of the net profits (if any) should be retained for the working capital reserves of the LLP and for reinvestment in the LLP in accordance with the business plan. The remainder will be distributed to the members in accordance with the proportion each member is entitled to, currently the Council is entitled to 99.9% and the Limited Company 0.1%.

[1] Board decision 15 July 2020 minute 3
[2] Board decision 15 July 2020 minute 4

5.4 - THE TEAM AND RESOURCES

The Board

The LLP is governed by a Board of nominees or directors. The rules for the Board's meetings are contained in the Members' Agreement.
The agendas and minutes of the Board meetings are made public unless there are confidential or sensitive information is being discussed.

The Board meets at least quarterly with other meetings being arranged as and when required.

The Board presently comprises seven directors. Two of the directors are members of the Council, two employees of the Council and three appointed after public advertisement.

Brief biographies of the directors are set out in Appendix 2.

Leadership

Day-to-day leadership of the LLP is provided by John Bunnett and Andy Jarrett. The Board have delegated most day-to-day decisions to them, although John and Andy naturally keep the Board apprised of what is going on.

They also are the primary link between the LLP and the owners – the Council and the Limited Company.

John and Andy are responsible and answerable to the Board for the delivery of the business plan.

Wider team

The resource strategy is to have a blend of internal resource along with a range of interim management, consultants and contractors appointed on a term contract or through partnership arrangements.

The following staff will be appointed on a secondment basis for a term of three years initially:

John Bunnett	Managing Director
Andrew Jarrett	Planning Director
Julia Wallace	Masterplanning and Design Manager
David Shore	Planning Manager
Tess Luetchford	Community Service Delivery Manager
Donna Brace	Project Coordinator

The structure of the team will initially be a relatively flat model, whereby each area of work is assigned to an individual. The coordination of this work will be led by John and Andy depending on the area of work. As the bulk of that work is currently planning, the resource within the team is largely planning expertise and design expertise. Julia and Dave are very experienced and capable planners who are well able to carry forward the outline planning application and the design of the first phase master plan along with support from Andy.

John is leading on the delivery elements of the project and the commercial negotiations both with housebuilders and commercial property organisations along with overseeing the day-to-day running of the business.

Andy's role is to support the Managing Director in the preparation and delivery of the Otterpool Park project. Andy is the lead officer in preparing and managing the planning strategy for the project including managing the delivery budget for the planning strategy. He also manages the planning team.

Julia's role is to project manage the master planning and technical work for Otterpool Park and to provide related professional advice and to oversee a range of workstreams through to delivery of the project on site.

Dave's role is to provide professional advice and project manage town planning and associated technical work for Otterpool Park, for the promoter Otterpool Park LLP. He is also the lead on transport provision for Otterpool Park.

Tess' role is to manage delivery of a range of community buildings and services to meet the needs of the new community at Otterpool Park, including leading on community liaison and community development. The role will involve delivering ambitious social and environmental objectives for the town including health and wellbeing; culture and arts; education and lifelong learning. It will rely on developing strong and constructive working relationships at a senior level with a range of partners in the public and voluntary sector.

Donna's role is to support the project management and administration of the planning and delivery of Otterpool Park. She is also budget holder for the day-to-day running costs of the office and solely responsible for the purchase order and invoice system. She also assists the finance manager with budget management for the project.

Their specialisms are described above. Their role is to ensure that the LLP fulfils the objectives in the business plan.

Recruitment over the plan period

The LLP does not employ anyone at present. This is likely to change over the plan period. A skills audit will be undertaken to identify gaps in the skills necessary to progress the project with a view recruiting to fill the gaps.

Policies and human resources, recruitment and remuneration will be developed for approval by the Board.

Support services

It is intended that the LLP will enter into service level agreements with the Council to provide all or some the following:

- The provision of staff to run the business and carry out the business activities of the LLP
- Legal advice
- Accountancy advice and services
- Accommodation
- Procurement services
- Internal audit services
- Communications and public relations services
- IT services
- Human resources services.

Other services may be added but over the plan period it is likely that some, at least, of these services will be tendered and possibly awarded to third parties.

The LLP has already moved out of the Civic Centre in Folkestone to a dedicated office on the former racecourse under a lease on commercial terms from the Council.

Contracts

The major consulting firm Arcadis has already been appointed on a term contract and is responsible for the delivery of all environmental assessment work. In addition, Arcadis has been appointed to project manage the planning application process which will include representations to, appearance at the local plan enquiry and the preparation of the outline planning application which is currently in process. It is anticipated that this work will run through the early part of 2021 and will conclude at the point at which the outline planning application goes to the Planning and Licensing Committee which is anticipated in the second quarter of 2021. Subsequent phases of planning work will be determined during the course of the first quarter of 2021 and will largely be around the delivery of reserved matters.

Alongside this work, the other major area on which the LLP will concentrate in the forthcoming 24-month period will be the preparation for the delivery of the first phase of the development. This will include the work to open up the area around the town centre and the early phases of residential development, as well as the offsite infrastructure which will include everything from advanced planting to highway and other major built infrastructure development. This is a very substantial area of work and is currently being overseen by a group of specialist consultants with considerable experience in delivering major infrastructure but there is a need for a strong experienced client-side officer to manage these consultants. The LLP is currently exploring two approaches to securing this experience, the first is by way of an interim manager and the second is by way of a full-time appointment and it is anticipated that the choice in this area will be made early in 2021.

Clearly over time the needs of the LLP will change and therefore the resulting resource needs will also change. It is anticipated that resourcing needs will be kept under annual review and any changes to resourcing will be considered as part of the annual review of the business plan.

6.
Stakeholders

6. Stakeholders

6.1 - STAKEHOLDER ENGAGEMENT TO DATE

For all development, early consultation is critical to the planning process, and especially so when the development proposed is at a Garden Town scale. One of the criteria for a successful bid to the Government's Garden Cities, Towns and Villages programme was to be able to demonstrate local support, and this is something the Council took seriously from the inception of the proposed Garden Town.

Early meetings were held with local partners including the Invicta Chamber of Commerce, East Kent College, parish councils, local Business Advisory Board and politicians at local, county and national level before the bid was submitted. Many stakeholders submitted letters of support that were included in the bid, including the local MP. The intention to bid for Garden Town status received unanimous support from Council members at the Council meeting of May 2016. (Minute reference).

Since then, the masterplan and planning application has been the vehicle to engage with a wide range of stakeholders. Use of social media and development of the Otterpool Park website ran alongside a series of drop-in events, workshops and briefings for local residents and stakeholders. The team has held workshops with primary and secondary schools and worked with college and university students. Early engagement allowed proposals to be explained to interested parties, stakeholders and local residents. It was also an opportunity to explore and seek solutions to various issues at an early stage, with the intention of gathering and testing ideas, reducing conflict and raising and resolving problems. Overall, it resulted in a better-quality planning proposal.

The team worked closely with two consultants who were initially appointed to lead on communications and community engagement for the planning application - Property House Marketing and Kevin Murray Associates. The overall strategy was aimed at reaching as wide a demographic as possible – young and old; the working population and those living locally and further afield. The programme of engagement activity is set out in the Statement of Community Engagement within the planning application.

Marketing communications and engagement is now being led by Pillory Barn, who will continue to work with the LLP.

Engagement and collaborative working with the LPA over the Core Strategy Review and planning application continue to be important for such a significant project. Separately the Council also met regularly with a range of local stakeholders, including Kent County Council, parish and town councils, the MP, the Local Enterprise Partnership, local amenity groups and other interested parties. It met with most of the individual households living within the planning application area.

Work with stakeholders to date has been focussed around the master planning work, but as the project moves toward delivery this will need to be broadened out to cover a range of different themes, including health and wellbeing; transport and environmental matters such as heritage and ecology.

The recent appointment of a community services delivery manager will support the development of relationships within the community and the emerging community engagement strategy will reflect immediate and long-term community stakeholder priorities. One priority is establishing a virtual community to bring together the community and local businesses with an opportunity for them to engage on elements of design and other matters.

6.2 - FUTURE STAKEHOLDER ENGAGEMENT

Stakeholder mapping

Stakeholders have changed as the Otterpool Park project has progressed during the past few years. Consequently, the original stakeholder mapping exercise is being refreshed including the theme specific elements mentioned above. This will enable the team to identify audience segments and design targeted engagement strategies for each segment with the assistance of a specialist agency. Stakeholders vary from those with a specialist role in for example health, through to voluntary sector organisations and interested members of the local community who wish to be involved.

One of the core principles of a garden city is around engagement, and the LLP is committed to achieving this.

While some people will only wish to be kept informed rather than participate more actively, the LLP will explore a range of opportunities for working with local stakeholders and existing/ future residents, for example:

- Ongoing work with parish councils on master planning each phase of development.
- Involvement in heritage through community archaeological digs and projects at Westenhanger Castle.
- Working with partners such as White Cliffs Countryside Projects to involve volunteers in environmental improvement projects.
- Community arts projects.
- Ensuring local representation on the governance body responsible for long-term management and maintenance of assets, including green space and community buildings. The potential to establish a town council in future has also been protected.

Otterpool Park will have a significant impact on current and future service planning for the Council itself, and the ongoing working relationship between the LLP and Council officers in planning and delivery of these services (beyond the Local Planning Authority) is important. The team will achieve this through regular meetings with key officers and landowner meetings.

6.3 - COMMUNITY DEVELOPMENT

An important consideration for a new community is how to ensure that new residents feel welcome, supported and can form social bonds within their new community. Forging relationships between existing and new communities is also important. The Otterpool Park team has looked at some examples of good practice and lessons learned from other Garden Towns and this work will continue and inform the community development strategy. It is important that, in addition to identifying and meeting stakeholder aspirations for Otterpool Park to become a vibrant community, we also investigate the potential challenges for a new community for example mental health needs, potential isolation, debt, domestic abuse etc. We will work with stakeholders locally and in third sector organisations and the Council to map challenges and suggest mitigating strategies. We will also explore innovative and creative ways to secure and maintain community engagement for example through events, competitions, dedicated radio/TV channels; social media and the development of a Virtual Community to inform plans and feedback ideas to the Otterpool Park process.

6.4 - STAKEHOLDER COMMUNICATIONS

Communication in the early days of the project was aimed locally, providing local stakeholders and the public with information, giving the opportunity to be involved and responding to concerns and objections. As Otterpool Park moved from an idea to a deliverable new town the strategy for communications has aimed to reach a wider audience regionally and nationally, promoting the site to potential developers, investors and future residents. This continues to be a primary objective, particularly increasing the reach to younger people and London-based businesses around St Pancras.

Pillory Barn has led marketing communications and engagement since 2018 and has successfully helped the team set out the vision of the town; rebrand the Otterpool Park brand, create a new website, run/participate in several events, manage media enquiries and expand the social media reach.

Pillory Barn has prepared a communications strategy for the next 6 months that includes:

- Preparing the Vision document and Investor Prospectus.
- Preparing website content on a range of topics including ecology, housing, transport and Westenhanger castle.
- Expanding the website and digital media footprint.
- Running a consultation event at the time of resubmission of the planning application and communicating this.

In addition, each team member continues to be responsible for communicating with their own contacts within businesses, developers, agencies and community groups.

Other planned events and activities have been put on hold due to Covid-19 restrictions, such as a promotional event close to St Pancras; a presentation at the Kent Construction Expo and a Westenhanger Castle public open day (following a successful event in November 2019).

6.5 - LEARNING FROM ELSEWHERE

With such an ambitious, long-term project, learning about best practice from elsewhere is vitally important, particularly where innovative and forward-thinking ideas are being tested. Study visits have been run since 2016 for Councillors, officers and other partners. Officers have met with a range of different public and private sector colleagues who have been involved with planning and delivering major sites, including other Council-led developments.

Over the next 12 months the team will continue to be involved with the Garden Communities Forum run by Homes England, which offers a range of different learning opportunities. Colleagues in Ashford continue to be generous with their time, sharing lessons learnt from Chilmington Green, in particular on long-term stewardship. Learning will increasingly be focussed on specialist issues as individual projects take shape such as designing and building the health centre and first school. Priorities for learning this year include designing for low carbon development and sustainable transport.

7.
The Market

7. The Market

The Covid-19 global pandemic lockdown has slowed transactions of development land at a time when, year-on-year, development land values are down 3.2% on Q1 2019.

However, as lockdown measures eased off in June 2020 and promoters and housebuilders returned to work from furlough, there were signs of an increase in activity and a desire to ramp up development to make up lost ground. Indeed, some of the falls from 2019, driven by Brexit uncertainty, were recovered by March 2020 only for the market to go through an imposed hiatus.

Confidence has been gained in recent months as sales rates bounced back strongly on the back of pent-up demand with the easing of restrictions on the housing market, particularly around a reduction in Stamp Duty Land Tax (SDLT). But there is a risk that this is partly pent-up demand and that sales rates will fall back as unemployment is predicted to rise during winter 2020.

Throughout lockdown, fewer new sites have been brought to the market than normal, land deals have typically continued to progress, albeit at slower rates, and bid deadlines have been extended along with restructuring of payment profiles. Deferred payment structures are the new norm, and a prevalence of build-licence deals can be expected.

Regional developers, housing associations and the major housebuilders all continue to be active in the land market, buoyed in part by ongoing government intervention. Despite many housebuilders being constrained by lack of staff resources throughout lockdown, appetite for the right type of site hasn't waned. The positivity is dampened, to a degree, by the prospects of further delays in the planning system, slower rates of delivery due to social distancing and rising development costs on the back of labour shortages and supply chain disruption. However, pricing for immediate and strategic land is unlikely to be much reduced due to the imbalance of supply and demand coupled with plans to extend help-to-buy and a mortgage and debt market willing to lend at historically low rates.

Strategic land, by its very nature, is less cashflow heavy and less impacted by short shocks in the otherwise cyclical land market. During the lockdown period, housebuilders and promoters were unable to fill their pipelines, which are integral to share price. As such, there is a willingness to acquire interests in strategic land and the pent-up demand is holding values up. The difficulty, from a transaction perspective, is delays to planning decisions and working through a clogged market with fewer players as a result of furlough and job cuts. Main boards become more risk averse in volatile times and the outlook for development land remains challenging as the UK looks to extract itself in an orderly fashion from the EU whilst coping with regional Covid-19 lockdowns.

Appendix 3 contains the market report compiled by Strutt & Parker in August 2020 and gives an indication of the likely values that will be achieved at Otterpool Park.

8.
Finances

8. Finances

There are a number of funding options available to the Council and the right mix will depend on the peak amount of funding required and the length of time the Council requires the funding for. As the project cashflows become more certain, officers will work with the Council's treasury advisers to decide upon the correct approach.

Historically, the main source of funding for local authorities has been the Public Works Loan Board (PWLB), a central government agency. However, although the PWLB has a very low administrative burden, its current relatively high interest rates and prohibitive repayment terms means that other options should be considered. Some of the borrowing requirement can be covered by short term, variable debt borrowed from other local authorities, however this will require the Council to refinance on a regular basis and unless proper arrangements are put in place will expose the Council to changes in interest rates.

Other funding options may offer more attractive rates of interest, but will come with a higher administrative burden, and in some cases may require the Council to undergo a full credit assessment from prospective lenders. Tradeable debt such as Bills or commercial paper will provide a lower rate of interest and a wide range of lenders but will have a significant set up cost. Direct lending options, such as loans from banks or institutions such as pension funds can represent a secure long-term source of funding but will come with terms and conditions that the Council will need to take external advice on.

The Municipal Bond Agency may offer an alternative to the PWLB via a "club" issue allowing the Council to issue debt with other local authorities. However, the MBA is yet to issue, and requires the Council to borrow in the same maturity as the other authorities in the issue and has guarantee requirements the Council must consider carefully.

There are further options open to the Council which are unlikely to be appropriate for the Otterpool project in its current form. For example, income strips are used to reduce the development risk of a project, but this approach requires the resulting assets to be held long-term, rather than the active management intended by the Council. Similarly, a large public bond issue has the advantage of a low interest rate, but the likely size required, in the hundreds of millions, would not be feasible for this project.

It follows therefore that whichever funding route or combination of funding options the Council chooses to secure, the likely funding route from the Council to the LLP will be by way of a split of equity and loan. Further advice will need to be taken by the Council and the LLP in relation to the split but for financial modelling purposes the assumption at this point has been that approximately 5% would be by way of equity investment and the balance would be a loan. Should the LLP consider it prudent at the time, alternative means of funding either from commercial funders such as banks and/or pension funds may prove an attractive alternative.

In addition, a range of investment could come to the LLP in the form of equity, for example from investment from Homes England or from housebuilders. The working assumption however remains that the LLP will secure funding from the Council and any alternative funding propositions would only be considered should they be more attractive to the LLP than Council funding.

The development has the potential to deliver significant returns to the company. Pace, and timing of these returns will be dependent on a number of decisions around infrastructure investment, and the timing of market cycles. Working assumptions are set out below.

8.1 - SUMMARY OF FINANCIAL PROJECTIONS

Current modelling suggests that over circa 28 years, and across eight phases of development, there will be a return of circa £193,000,000.

Model

The model assumes the landowner, through the LLP, is acting as Master developer i.e., is investing in the infrastructure and enabling works and selling the resultant serviced land parcels to house builders.

Inflation

All costs and revenues are day one, i.e., do not include inflation. This approach has been taken because it is not possible to credibly forecast build cost inflation or house price inflation in the medium to long-term. Past performance would suggest that the house price indices rise faster than the build cost index and fluctuate to a greater extent. Both rise and fall over the economic cycle. Ultimately the spread between these indices over time will define profitability.

'Betterment' has been excluded from the above i.e., not taking into account that buying a house in an established Garden Town with proven infrastructure, established schools and a strong local reputation will be inherently more attractive to a greater number of purchasers than the first phase of houses when the full potential of the town will only be grasped by purchasers with the vision and experience to imagine its potential.

Whilst costs may rise, long-term trends suggest that house prices will rise by more than cost inflations making this assumption conservative.

Even in the absence of house price inflation, evidence from similar schemes suggests that values rise through 'betterment' when a scheme becomes established, making the assumption that this does not happen at Otterpool Park very conservative.

Costs adopted

The Infrastructure costs provided by Arcadis version 2.4 dated 18th July 2018, supplied by Folkestone & Hythe District Council have been adopted. This model is subject to ongoing review both in terms of the quantum of individual costs; and in terms of the requirement of each cost item within a given phase of development.

Additional costs

The model assumes:

- A contingency fund of 5% of the above costs,
- An additional allowance of 10% on all infrastructure costings for professional fees,
- Financing costs of 4.5% on all debt balances,
- All phases stand alone and profits are extracted, not reinvested in the next phase,
- No credit balances produce a return.

Private Housing Land

The model assumes, as detailed on the land strategy, that the parcels of land are sold when fully serviced; the value of these parcels will be determined by a number of variables. These will be individual to the different parcels with housebuilders focussing on different sectors of the market. The model also considers the average assumptions, the most significant of which are:

Value of Private Houses and Flats:

It has been assumed that private accommodation is worth on average in the order of £340 sq ft. This is a conservative assumption in the current market but will require sustained emphasis on placemaking and branding to place the Garden Town in the local and national consciousness prior to land or units becoming available.

Build costs

Assumed housebuilder costs for houses are at £130 sq ft with an additional £7,500 per plot for servicing and assumed £150 sq ft for flat construction.

Profit requirement

It has been assumed that house builders will seek to make a 20% return on capital expended.

Section 106 contributions

The model assumes that developers will be required to provide a Section 106 contribution of £18,500 per private unit in line with the calculations provided by Arcadis.

Affordable Housing Land

In line with planning policy, it is assumed that 22% of units are affordable. Of these 60% are social rent and 40% are intermediate (shared ownership). Given the relatively low affordability thresholds in the district, it is likely that the land for the affordable element of the scheme will not create a land value.

Discussions around affordable housing and viability will define the land receipts if any, and the timing of these across the scheme. The weighting of affordable housing away from less profitable phases could control finance costs.

Commercial Land

There are currently plans to create around 2m sq ft of: employment (B1 and B2) education (D1) retail and related (A1, A2, A3, A4 and A5) community (D1 and D2) hotel (C1) and leisure (D2) space within the town.

These will be a combination of costs included in the Arcadis costings, placemaking investment and revenue generating business land. It is likely that placemaking investment will take place early on with revenue to follow in later phases, but a conservative assumption has been taken that no non-residential land currently creates a land value. This is likely to be subject to a positive revision as plans develop.

Timescale

The timescale and expenditure of the enabling infrastructure will be controlled by the market absorption of the completed units. It has been assumed that the market can absorb 300 units per annum (234 private units). On this basis the 8,500 houses can be delivered over 28 years and assumes:

- Parcels are sold of 150 to 400 plots,
- Five or six differentiated products to be continually available to potential house buyers over all the phases,
- Additional product types are introduced as appropriate in the market, for example age restricted and community build,
- Stronger sales during periods of market growth to compensate for low sales in recessionary periods,
- Careful management of the housing mix to ensure unit types are appropriate for the target end occupier.

Betterment 'placemaking'

Betterment in a parallel model has been allowed for. Betterment, unlike inflation, assumes that houses built in the future are more valuable than houses built today because the environment that they will be built into, i.e., in a flourishing and established Garden Town, will be considered more desirable than the environment the first phase of houses will be delivered into. If it were to be allowed for 10% betterment in land values after circa. 10 years and another 10% after 20 years it would create in the order of an additional £43,000,000 in profit. This would somewhat underplay the degree of betterment seen in other new towns such as Kings Hill near West Malling, Kent.

Tax

The structures for any agreements will be designed to be as "tax efficient" as possible consistent with the achievement of the vision for the project

Conclusion

The current modelling identifies the need for early investment in phase 1 creating a peak capital requirement of £65m in year 2022/23.

9.
Planning Strategy

9. Planning Strategy

The LLP will support the allocation of the site in the Core Strategy Review of the Local Plan at the Examination in Public of that strategy, which has now started.

This section sets out the planning strategy of the LLP in relation to the securing of a site allocation for the Otterpool Park development, within the Council's Core Strategy Review, and the obtaining of the necessary consents, permissions and agreements to allow the scheme to proceed.

9.1 - SUPPORT FOR SITE ALLOCATION IN CORE STRATEGY REVIEW

As stated in the National Planning Policy Framework (NPPF) planning law requires that applications for planning permission are determined in accordance with the development plan, unless material considerations indicate otherwise. At present the principal development plan document for the Folkestone and Hythe district is the Shepway (the former name of the district and the Council) Core Strategy that was adopted by the Council in September 2013.

In spring 2020, the Core Strategy Review (CSR) was submitted to the Planning Inspectorate for examination. This will replace the current Core Strategy. It includes a series of policies (SS6-SS9) that support the principle of development at Otterpool Park for up to 6,375 homes within the plan period (to 2036/37) and ultimately between 8,000 to 10,000 homes.

In July 2020, in response to a number of matters, issues and questions issued by the planning inspectors (appointed by the Secretary of State for Communities and Local Government), the LLP, through its planning consultants Quod, submitted a series of responses and supporting evidence relating to a number of topics and in particular those relating to the supply and delivery of housing and the strategy for the North Downs area, that contains the site-specific policies for Otterpool Park.

A series of public hearing sessions (either virtual or face-to-face) will be held towards the end of 2020. It is important that the LLP is represented at these sessions, through Quod and the broader technical team, and that the appropriate expert witnesses are available to answer questions raised by the Inspectors. Whilst it is ultimately the role of Local Planning Authority to demonstrate that the CSR is both sound and legally compliant, the LLP will also have a significant role to play in demonstrating that a financially viable scheme for Otterpool Park can be delivered that complies with the emerging policies in the CSR and supports the overall timeframe for the delivery of housing across the district.

More specifically it will be necessary for the LLP to demonstrate, as part of the examination process, that the scheme will achieve nitrate neutrality, and therefore not have an adverse impact on the European designated habitat sites at Stodmarsh to the north east of Canterbury, and that sufficient improvements can be made to junctions and roundabouts on the strategic road network to satisfy the requirements of Highways England.

9.2 - NEGOTIATE S106 AGREEMENTS

As previously stated, it will be necessary for the LPP, as part of the process of obtaining outline planning permission, to enter into a S106 legal agreement setting out a range of contributions and other obligations.

Development of the S106 agreement is being progressed as a two-stage process where firstly a detailed heads of terms will agreed between the LLP and the LPA (that can be included as part of the officer's report to the Planning and Licencing Committee) followed by the detailed drafting of the agreement. Initial discussions with the LPA have identified an initial list of topics for the heads of terms to cover that will be subject to further discussion and negotiation:

Transport Infrastructure

- Non-motorised user infrastructure
- Public transport infrastructure
- Highway infrastructure
- Monitoring Governance and Design Quality
- Long-term stewardship
- Securing design quality
- Monitoring

Social and Community Infrastructure

- Affordable housing
- Community facilities
- Education
- Health
- Emergency services
- Retail and employment
- Open space
- Skills and employment
- Heritage and archaeology

Environmental and Utilities

- Waste
- Digital infrastructure
- Water
- Energy
- Biodiversity
- Sustainable design and construction

The traditional approach to the development of a S106 agreement is for the developer to commit to making a series of financial contributions, triggered by different stages in the progress of the scheme. These are made to the appropriate provider such as the local education or health authority.

However, given the role of the LLP as a master developer, consideration is being given to the role the LLP can play in terms of the direct provision of infrastructure and how this should be reflected in the S106 agreement. An example of this might be the commissioning and construction, by the LLP, of the first primary school. This is covered in more detail below.

Given the long-term nature of the Otterpool Park scheme it is considered appropriate to adopt a 'monitor and manage' approach to the provision of infrastructure, for example in the areas of transport and education, whereby the level of demand and the need for infrastructure is monitored on a phase-by-phase basis and the infrastructure strategy and S106 obligations adapted as appropriate and to reflect advances in technology, behaviour etc.

In addition, as the Council has a land interest at Otterpool Park, and the Council is the local planning authority, it may be necessary for a third-party public body, such as Kent County Council, to monitor the implementation of the S106 agreement. Legal advice is being sought in relation to this and the appropriate negotiations will be undertaken.

9.3 - OBTAINING CONSENTS

In order for the Otterpool Park scheme to be delivered it will be necessary to secure a range of planning permissions and other consents over the lifetime of the project. It is therefore important that the LLP develops a clear strategy for the preparation and submission of the necessary applications in order to allow the scheme to progress.

An outline planning application, for a scheme consisting of up to 8,500 homes, was submitted to the Local Planning Authority in February 2019. Following extensive consultation with stakeholders and the local community the scheme is being amended. It is anticipated that a number of documents, including an updated suite of parameter plans and an updated Environmental Statement will be submitted to the local planning authority in early 2021. The amended information will be subject to a further round of stakeholder and public consultation.

Consideration of the planning applications by the Council's Planning and Licencing Committee will be dependent upon the timescale for the adoption of the Core Strategy Review but it is anticipated that this will take place in early Summer 2021. If the application is approved by the Committee it will then be necessary for the LLP and the LPA to agree and finalise a S106 legal agreement, with the aim that this will be completed by Autumn 2021.

Given the scale and complexity of the Otterpool Park development, it is has been agreed that that a three tier approach will be adopted in relation to the securing of detailed planning permission. Such an approach has been employed successfully at other Garden Town developments such as Waterbeach in Cambridgeshire.

The three-tier approach is set out below:

- **Tier 1:**

Outline planning permission granted and S106 agreement completed

- **Tier 2:**

Defines the framework for each phase of the scheme and will include, for example, submission to the LPA of the masterplan and design code. It is anticipated that at this stage it will also be necessary to update other key documentation such as the transport strategy and heritage strategy, on a phase-by-phase basis, as part of the series of tier 2 submissions.

- **Tier 3:**

Consists of the detailed reserved matters applications for the different elements of the scheme. Such applications will be numerous and varied and will include, for example, applications in relation to highway infrastructure, sustainable drainage system (SUDS), educational facilities, town centre public realm, houses and flats, employment uses, wastewater treatment works etc.

In addition to achieving detailed planning permission, through the three-tier approach, it will also be necessary to discharge a range of pre-commencement and other planning conditions, as well as monitoring ongoing compliance. There will also be the requirement to make a variety of contributions and deliver a series of obligations as set out in the S106 agreement.

As well as achieving planning permission for the various components of the scheme it will also be necessary to prepare and submit applications for other types of approval which are likely to include the following:

- Building regulations approval.
- S278 Highways Act 1980 agreement - to make alterations or improvements to a public highway, as part of a planning approval.

- S38 agreement – relating to the adoption of the highways by the highway authority, Kent County Council.
- Scheduled monument consent and listed building consent.
- Main rivers consent – for work within a specified distance of the East Stour River.
- Applications related to the stopping up and diversion of the highway, footpaths, bridleways or byway.
- Various technical approvals related to the provision of utilities such the onsite electricity supply, ultrafast broadband, SUDS and wastewater treatment.

These consents are covered in more detail in Section 10 Infrastructure Strategy.

In considering the scheme as whole there will be a number of consent and approvals that will fall to the LLP, as master developer, and a number that will fall to third-party developers for specific elements of the scheme. As such it will be necessary for the LLP to appoint a series of external consultants in relation to each of the consents and approvals for which they are responsible.

To conclude, the process of obtaining the necessary consents to allow the Otterpool Park scheme to proceed is both complex and ongoing and will involve close liaison between the LLP, the LPA, other public bodies, third-party developers and the local community.

9.4 - ROLE OF THE LLP IN PLANNING

The LLP team will be responsible for preparing and submitting the planning applications and documents associated with tiers 1 and 2, working with a team of planning and technical consultants who will be directly appointed by the LLP. In the main tier 3, reserved matters applications will be the responsibility of the developer unless they related to strategic infrastructure.

The LLP has an important role as the guardian of design quality, ensuring retaining design and development standards are retained for all housing, commercial development, public buildings and public realm. All developers will be expected to support the overall vision and objectives of the project. Procurement of housebuilders and developers will require them to follow the strategic and phased design codes and submit their proposals to the LLP for comment before submitting their applications to the LPA.

Community Services and Culture

Planning and delivery of a new community of this scale offers the opportunity to plan properly for delivery of all facilities that will be needed by the local community and learn from innovative approaches in service provision that can improve the quality of people's lives.

An important consideration is the flexibility to respond to changing needs and technological innovation over the coming decades, and to learn lessons from early phases. Creativity, arts and culture are important parts of the vision and identity of the town and have the potential to educate, improve mental health and enrich the quality of the environment in the town.

Further details on the procurement and construction of community facilities including schools and health centre are set out below under Infrastructure Strategy.

Health and wellbeing

Otterpool Park is committed to providing residents with a Health Centre, delivering high quality primary care and additional community, social and specialist services.

The Public Engagement Agency (PEA) was commissioned to design the first steps for a health and well-being strategy which included stakeholder analysis; key health sector stakeholder interviews and workshop; producing terms of reference for an Otterpool Park Garden Town Health and Wellbeing Steering Group and five associated working groups:

1. Population health
2. Stakeholder engagement and co-design
3. Model options and estates
4. Finance and funding
5. Workforce recruitment, retention and training.

PEA also produced first-steps documentation for the broader health and wellbeing public engagement strategy. Future stakeholder engagement for health and wellbeing will focus on taking these strands of work forward with PEA and other agencies as appropriate. It is also important to recognise that health and wellbeing impacts on and is impacted by many of the other thematic work streams at Otterpool Park including sport and leisure; culture/art/heritage; education and environment, therefore stakeholder engagement needs to integrate across thematic strands wherever possible.

Education and lifelong learning

Provision for up to seven primary schools, 12 nurseries and one secondary school (with a reserved site for a second) has been made at Otterpool Park.

It needs to provide one, possibly two, two or three form entry primary schools by 2025 (depending on Kent County Council analysis of school places requirements) with associated early years learning provision.

The Learning Company (TLC) were engaged to develop first steps for the Otterpool Park education strategy. Following in-depth interviews with key stakeholders they produced the Otterpool Park Education Vision and Strategy in June 2020 and the Otterpool Park Schools Design Guide. Next steps will include deep engagement with education sector and third sector stakeholders to develop plans for the new primary schools and explore the concept of an education campus on site to accommodate future secondary and further education provision.

A wider community stakeholder engagement strategy will be developed to feed into the co-production of a lifelong learning plan for Otterpool Park, ensuring the schools link in to the cultural, business and sports/leisure pathways for the development.

Creative Otterpool

The Council has been working with Creative Folkestone since the early days of the project and have worked together on the cultural vision for the town and the Cultural Strategy.

The aims of this work are to ensure arts and culture are embedded in the design of places and spaces but also services. Also, to create an environment that is attractive to the creative industries but complements rather than competes with the thriving arts scene in Folkestone. Through this work Creative Folkestone was engaged to consult with stakeholders and subsequently produced the Otterpool Creative Action Plan.

The plan outlines a three-year period of audience development and management to reach a wide set of inter-generational participants, in order to co-produce cultural commissions. This may include permanent installations, events and festivals.

Ongoing community engagement will also feed into the overall design of Otterpool Park. The next stage of work during 2020/21 will be to refine and implement the Action Plan. Circumstances have changed due to the challenges of Covid-19, so assumptions about making use of external match funding e.g., from the Arts Council may now be unrealistic. An early community arts project working with existing communities should still be achievable.

Westenhanger Castle

Westenhanger Castle is a scheduled ancient monument and listed building, with a rich heritage going back to medieval times. It is an important asset in setting the character and identity at the heart of Otterpool Park. The Council acquired Westenhanger Castle in 2019.

10.
Infrastructure Strategy

10. Infrastructure Strategy

10.1 - COMMUNITY INFRASTRUCTURE

The following sets out a proposed approach to the delivery of community infrastructure at Otterpool Park, primarily focusing on schools and healthcare facilities and in particular in phase 1 within which sits the town centre.

The LLP has retained the services of Gen 2, a specialist public-sector property and construction consultant with expertise particularly in delivering new schools and the operation of the schools. Gen 2 has a good track record in delivering on time and to budget whilst maintaining a high-quality product with intelligent design to allow for cost-effective management of facilities and other services within the schools.

Gen 2 has also been retained to assist with the design and costings of the initial community buildings within the town centre and again has extensive experience in providing modern cost-effective buildings with the emphasis on design and effective facilities management.

Whilst the LLP is still at a fairly early stage in determining precisely how the schools and the community infrastructure in the town centre will be delivered, the town centre masterplan sets out locations where such buildings could be accommodated and located in such a way as to be operable in a complementary way. They would also bring vibrancy to the town centre and support the commercial operations which we intend to centre around the lake and town square.

The clear intent is to have both the primary school and the flexible community facility in the first phase. The latter could incorporate healthcare provision, along with wider uses for the community and perhaps the opportunity to relocate the Council's offices. It should be noted that the Council has not made a formal decision to relocate its offices nor where any new office would be located.

These community facilities along with a range of commercial leisure uses form the kernel of a town centre which would be usable from the very earliest point in the delivery of the first phase. It would also complement and coexist with the public park which would also open at an early point in phase 1.

School delivery

There are two main ways that the schools at Otterpool Park could be delivered. The first is for the LLP to transfer the school land to KCC who would deliver the schools, including running a competition for an academy operator themselves.

The second option is for the LLP to deliver the schools. This could be in direct partnership with a school operator or in partnership with both KCC and a school operator.

At this stage KCC and the LLP have not yet finalised which option will be used at Otterpool Park – and the approach may differ from school to school.

The approach will be to put in place a timetable of milestones to ensure that the process of land transfer, detailed planning and design, construction and opening is managed to trigger schools opening when needed, in line with housing occupation.

The Section 106 will set out the commitments and obligations of the relevant parties, which will ensure that the schools can and will be delivered to meet the needs of the new residents, but the detailed delivery mechanism for each school can be determined as part of the detailed design and Reserved Matters process.

The LLP will pursue a principle with the provider of the secondary school (and potentially the primary schools) of sharing facilities with the community. This could include indoor and outdoor sports facilities, classrooms for adult education classes etc. The LLP will seek to discuss with the provider how the layout and planning of the school can be designed to incorporate and manage this and/or plan for community use as part of the detailed design process.

Phasing of schools

Construction Phasing

The construction of primary schools may be phased, with one or two forms of entry (FE) built at the start and additional forms of entry added later. For operational reasons, secondary schools would tend to be phased in blocks no smaller than 4FE.

Constructing and opening schools in phases will help to ensure that school buildings are not constructed before they are needed. Expanding schools as demand arises will help to ensure that school places meet the needs of the children living within Otterpool Park, rather than attracting children travelling from elsewhere. Building schools in phases does add to construction cost, so the advantages and disadvantages will be considered.

The school designs may need to be planned with phasing or future expansion in mind so that core facilities are delivered early on (e.g., halls, kitchens and administrative blocks) with later phases predominantly delivering additional classrooms. Campus designs provide the most flexibility and will be considered if appropriate and advantageous. The size of the school will be a key consideration in design – larger schools should be designed with management, safety and effective circulation in mind.

The school design will need to facilitate cost effective phasing that does not significantly disrupt the school's operation, for example:

- Block structures and layouts that allow future construction phases to be isolated from operational areas of the school
- Access arrangements for construction vehicles that are segregated from children's pedestrian routes.
- Construction methods that limit noise, dust and other disruption.
- Approaches that allow construction to be completed over the summer months.

Healthcare

The LLP wants health and wellbeing to be embedded in the approach to design and delivery at Otterpool Park. This includes aiming to provide excellent primary care facilities on-site. It also includes a wide range of other design and management aspects.

The proposals include one large practice, which will be located in the town centre.

Delivering a treatment centre

The NHS is prioritising primary care, care in the community and interventions to help people manage long-term health conditions more effectively at home or with their GP, rather than in hospital.

This approach is intended to relieve pressure on hospitals and treat illnesses early, before it becomes acute and before patients require A&E. This reduces cost and significantly improves patient outcomes and wellbeing.

At Otterpool Park, there is a significant opportunity to provide a GP practice with extended services. The exact model for delivering these services will depend on the strategic plans, objectives and funding available to the Clinical Commissioning Groups (CCGs) at the time of detailed planning permission and delivery.

It is expected that the healthcare offer, whatever model it will take will also include dentists, opticians and pharmacies which will come forward in a mixture of private and NHS settings according to the NHS licencing programme for these facilities.

Treatment centres

Urgent treatment centres are community and primary care facilities that are open at least 12 hours a day, are GP-led, staffed by GPs, nurses and other clinicians, and have some diagnostic facilities. Urgent treatment centres encompass current Walk-in Centres, Minor Injuries Units, GP-led Health Centres and other similar facilities.

They are ideally co-located with primary care facilities including GP extended hours / GP Access Hubs. They may also be co-located with other services including mental health services, community pharmacy, dental, social care and the voluntary sector.

A treatment centre may also include a private, specialist wing which deals with a specific type of care or procedure and serves a wide catchment – for example hip replacements. Such a centre could provide private facilities directly to the public or via NHS commissioning.

10.2 - CONSTRUCTION AND DELIVERY

The LLP expects that the health facilities will need to be phased. Phasing is important to reduce running costs and management liability in the early years. It can also assist with capital cashflow in the years before revenue from the sale of homes builds up.

There are several ways to phase a new health centre. The exact model for Otterpool Park has not been decided at this early stage and will be the subject of discussion and agreement between the LLP, the Council and the CCGs as part of the 106 agreement.

Phasing options include:

- Before c. year three or four years of construction, a GP could operate temporarily from another building (e.g. a community or commercial building) provided that the facilities and setting are appropriate to provide the quality of service and care required.
- A portion of the health centre could be built the early years, with space that is not required for healthcare to be let out on a short-term lease to other retail or commercial uses.
- Delivery of a wider range of additional services (education, training, social care, specialist care) could support the sustainability of the surgery in the early years.

10.3 - PROPOSED APPROACH

In general, the management, flexibility and sustainability of community floor space is more important than size or number of buildings. It is important to work with the community and with public, private and voluntary sector stakeholders to understand community needs and to carefully plan what facilities are needed, who will use them and how they will be funded (and allow for how this could change over time).

At this stage in the process, it is too early to have a detailed understanding of these needs. Therefore, a development specification has been developed which includes a broad allocation of floor space which could be used for community use. Relevant community uses could include:

- A community hall
- Healthcare facility
- A youth centre
- An education centre/training centre/library
- Exhibition space.

The detailed planning process will require the LLP to engage with the Council, KCC, local parish councils and other local stakeholders and future operators to understand need at the time of delivery. The primary objective of the approach at Otterpool Park is to ensure that any community floor space:

- Is flexible to meet a wide range of needs or changing needs over time,
- Is sustainable, with long-term management, maintenance and funding considered and

secured as part of the long-term stewardship of the Garden Town as a whole,

- Does not threaten the sustainability of existing successful community facilities – working with them rather than competing with them,
- Considers opportunities to use existing community capacity (such as successful existing community organisations) to help to get the new facilities started and build on local experience especially in early years.

10.4 - THE COUNCIL'S NEW OFFICE.

The Council is currently examining the feasibility of relocating Council's accommodation from Folkestone to a new purpose-built office campus at Otterpool Park. Whilst still at an early stage of consideration there appear to be merits in providing such a facility both in terms of cost of operation for the Council and the benefit of bringing vibrancy to the new town centre at optical Park. Work will continue on this feasibility in parallel with wider work on Otterpool Park and it is anticipated that an initial decision to take forward from feasibility to a potential design will be taken during the first quarter of 2021.

10.5 - STEWARDSHIP AND GOVERNANCE OF ASSETS

The Council on 18 October 2017 agreed the principles of the long – term stewardship of open spaces and other community assets at Otterpool Park (see minute 47, Cabinet 18 October 2017).

The principles approved are as follows:

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

*SDC refers to Shepway District Council, the former name of the Council.

The intention is that the LLP shall form a community interest company to manage the open spaces and other community assets. The Castle, town centre and employment site will be the subject of separate consideration.

The funding of the community interest company will be through a combination of rent charges and other sources of income.

11.
Land Disposal Strategy

11. Land Disposal Strategy

11.1 - APPOINT AGENT

In terms of maximising sales receipts, the role of BNP Paribas Real Estate (BNPPRE) or other appointed agent/s will encompass the following key tasks over the course of the project:

- Formulate an appropriate marketing strategy on a parcel-by-parcel basis which will evolve to complement the market throughout the duration of future sales periods.
- Create a premium brand for the wider development which is consistent with the design parameters of the overall scheme.
- Oversee the production of comprehensive technical information packs relative for each parcel.
- Advise on early placemaking.
- Negotiate land sales and work alongside the wider legal team to successfully secure the completion of sales within targeted timescales.

11.2 - MARKETING AND SALE OF RESIDENTIAL AND COMMERCIAL LAND

In accordance with the masterplan vision, the following represents a summary of the Otterpool Park garden settlement outline proposals:

- Up to 8,500 new homes across a range of types, sizes and tenures.
- 82,418 sq m of employment (B1 and B2 use class) floor space including commercial business hubs, a commercial business park and a light industrial business park.
- 37,161 sq m of education (D1 use class) floor space including five primary schools, one secondary school as well as nurseries and crèches.
- 28,875 sq m of retail and related (A1, A2, A3, A4 and A5 use class) floor space.
- 20,900 sq m of community (D1 and D2 use class) floor space including a health centre and potential for places of worship, libraries and community centres.
- 7,701 sq m of hotel (C1 use class) floor space.
- 8,250 sq m of leisure (D2 use class) floor space.
- Infrastructure and utilities including a new electrical substation, onsite and off-site gas and potable water network reinforcement and provision of a fibre-to-home broadband network.
- 289.1 ha of green infrastructure (approximately 50% of the application site).
- Blue infrastructure.
- Car, motorcycle and bicycle parking.

The Council has formed Otterpool Park Limited Liability Partnership ("the LLP") to act as the Master developer for the Project. Master developers (MD) can explore a broad range of deal structures when timing individual land parcel disposals, ranging from outright freehold disposals, through to development partnership models, such as promotion, option and joint venture agreements.

The benefit to the LLP of playing the role of MD will be that it can control the wider urban environment, particularly in the context of design, quality and community services and facilities. MDs unlock raw land through:

- Early investment in planning matters and infrastructure delivery such as drainage and mains services upgrades,
- Flood defences and roadworks,
- Public open space,
- Cycle ways,
- Schools and local community centres.

Serviced parcels can then either be sold to housebuilders to construct new homes or alternatively delivered directly by the LLP. BNPPRE would suggest targeting parcel sizes of around 150 to 400 dwellings. From previous experience in similar sites, it is considered that this quantum of opportunity generally proves attractive in encapsulating not only national housebuilder demand, but also some larger local developers.

Some sites, with multiple points of sale, can accommodate up to five competing housebuilder flags at any one time. However, attention must be paid to regulate the number of developers active on site at any one time, both in terms of construction and sales. Through limiting this number, sales values can be maintained with levels less likely to be cannibalised through an oversupply to the market. Added to that, construction management can be more effectively controlled, ensuring high quality housing delivery and overall construction management process.

MDs can either sell serviced land parcels outright, deliver directly or participate in joint ventures or build licence arrangements which in turn will create long-term income streams over the life of a development project. A similar strategy is often adopted by The Crown Estate in their strategic development land disposals.

Deferred land payments have been a consistent feature of land transactions since the Global Financial Crisis (GFC), but other arrangements such as build licences could become increasingly attractive to housebuilders who are sensitive to cash flows and returns on capital employed in the midst of what may be transpiring as another recession in the wake of Covid-19. These types of transactions can be seen by housebuilders as more capital efficient as many are now focused on the delivery and construction of new homes, rather than investing capital speculatively in development land.

In each parcel disposal scenario, targeted developers would be discussed with the LLP in advance of the marketing programme, with the view of drawing up a shortlist of those to approach who would be appropriate partners to maintain the quality of each area.

Unless there is a particular requirement to demonstrate that a broad disposal programme is undertaken in order to achieve best value, it is considered that a targeted approach to a number of key housebuilders could yield better engagement due to the more targeted and personal approach. BNPPRE, for example, has unique access to main Board personnel in each of the main housebuilding companies and often obtain a personal undertaking from the CEO or Managing Director that a particular transaction is in accordance with the relevant acquisition criteria at the time.

When marketing land, a comprehensive technical information pack for the site would be necessary, which would need to be fully understood by all parties in order to answer as many questions as possible and provide a detailed presentation to each interested party. These presentations would be undertaken either on site or at the agent's offices. Site visits would be undertaken with interested parties so that they buy into the concept of the development and understand the content of the information pack at an early stage. This ensures the full attention of the relevant land buyer's team, improves the quality of bids and also reduces the opportunity for buyers to justify a reduction in price before an exchange of contracts. It would also be beneficial to have key members of the technical and planning teams present at these meetings.

<u>Stage 1: Due Diligence</u>
Before launching a parcel to the market, it is important to fully consider the opportunities and constraints present so as they can be appropriately communicated during the marketing process.

Firstly, a detailed planning report should be produced focusing on the anticipated allocation within the Otterpool Masterplan. In addition to clarity from a planning perspective, it will be important to provide a base level of technical detail in order for interested parties to understand the key constraints and to minimise conditionality at the bidding stage. It is important that letters of reliance can be provided for any technical reports.

It is suggested that detailed planning, infrastructure, and technical information is provided to parties during marketing.

Stage 2: Marketing Material
For each parcel sale, a detailed marketing brochure would be assembled, highlighting the opportunity that the site presents whilst encapsulating the site's branding ethos throughout. A brochure allows the opportunity to be easily circulated to the market. The information pack would also be uploaded to an online data room, which also allows activity and downloads to be tracked. This enables the level of due diligence undertaken by parties throughout the marketing process to be assessed. It also allows ease off access for consultant teams.

Stage 3: Marketing Campaign
For each sale, an existing network would initially be approached through targeted phone calls, emails and HTML circulars. The campaign will involve approaching parties directly at an appropriate level, presenting the opportunity first-hand and creating interest through the personal nature of the marketing approach whilst providing an overview as to the scope of the wider Otterpool Park development.

Site inspections would be managed solely through appointment by the appointed agent, allowing the site to be presented in the best possible manner. A marketing period of circa eight weeks per land parcel disposal is expected in order to give prospective purchasers sufficient time to undertake the necessary due diligence, whilst also keeping them focussed with a clear bid deadline. All bidders would need to submit their proposals on the same basis, on the same day so that the agent can compare and contrast the offers.

Parties would then be selected for interview in order to stress test offers and query any outstanding issues. Depending on the level of offers and competition, a second round of bidding may be recommended having reviewed and discussed each proposal with the interested party. Formal recommendations would be made by the agent in terms of the preferred party who offers the most deliverable proposal in terms of timescales and funding structure, as well as the best price.

Stage 4: Legal Process
It would be preferable to have a draft contract and transfer prepared at an early stage in order that there is no delay once a preferred purchaser has been identified.

Following the selection of a preferred party, exchange of contracts will be sought within an agreed timescale.

11.3 - MAKE ASSUMPTIONS ON OUTLETS AND NUMBER OF PRIVATE AND AFFORDABLE HOUSING SOLD MONTHLY PER OUTLET

Clearly, it is difficult to estimate future market trends, particularly for a project with an extended timescale such as Otterpool Park. It would be necessary to adopt a flexible approach to assumptions on sales per outlet in order to reflect market absorption rates at the point of launching each parcel. This said, at the time of writing, current rates of roughly four to six units per outlet, per month are being achieved across the region throughout medium to large new homes schemes.

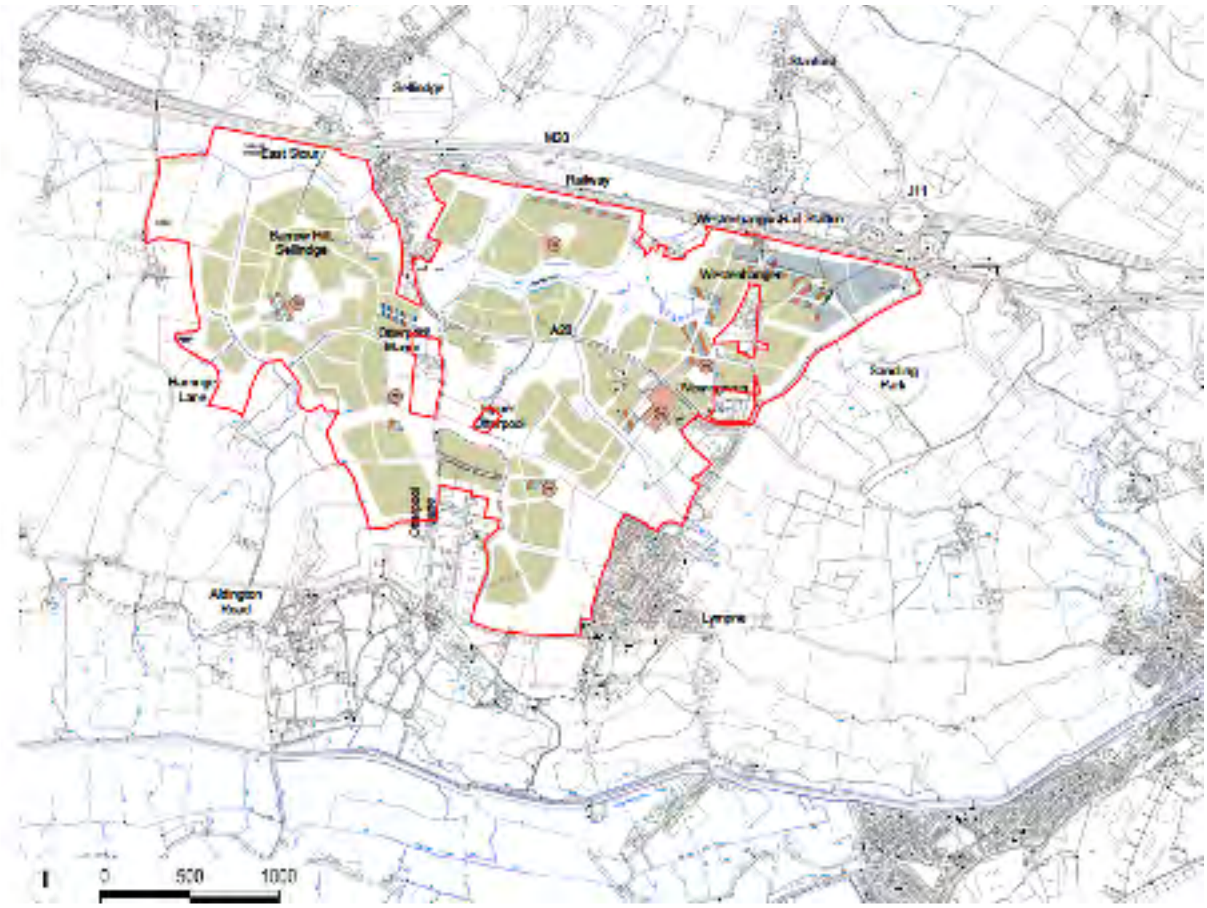
11.4 - IDENTIFY PARCELS TO BE SOLD / PHASING / HAUL ROAD AND SALES ACCESS STRATEGY

The phasing and timing of parcels going forward will be critical to ensuring best value is achieved across all future land sales. With development at Otterpool Park likely to contribute substantially to the delivery of new housing across the region for the foreseeable future, it is imperative that the phasing, timing and quantum of parcel delivery is carefully considered in line with local planning objectives.

The Core Strategy commits FHDC to delivering a minimum of 350 dwellings (Class C3) per annum on average over the plan period (until 2030/31 - inclusive from 2006/7) while seeking to deliver an uplift of 400 dwelling per annum up to 2025/6. This totals approximately 8,000 dwellings by the end of 2025/26 (Policy SS2 of the Core Strategy). Delivering "8,000 dwellings between 2006 and 2026 would result in a rate of house building in line with trends of recent decades" (paragraph 4.47 of the Core Strategy).

BNP Paribas Real Estate or another agent's advice on the phasing strategy and land parcel identification from a marketing perspective would be based on a number of factors including:

- Maximising ultimate land value for the Council via the LLP.
- Promoting the delivery of a range of products and tenures concurrently across the site to ensure a consistent rate of housing delivery.
- Taking into consideration that FHDC plan to manage housing supply through the objective that at least half of new homes by 2026 are three bedrooms (or larger) (Policy CSD2 of the Core Strategy).
- Ensuring the quantum released to the market is carefully managed so there is not an oversupply at any one time,
- Maintaining a policy of a limited number of developers on site at any one time to ensure a smooth and harmonious housing and infrastructure delivery programme.
- In accordance with Parameter Plan OPM(P)1016 L from the application for outline planning consent dated 6th December 2018, residential development areas have been suggested as illustrated in brown in the image below:



To remain aligned with the outline planning application, it is recommended that the LLP refers to agreed Parameter Plans alongside any development timelines seen in the Design and Access statement to educate the collective opinion on phasing strategy. As the statement suggests, careful consideration would need to be paid in order to provide the necessary mix and quantum of development to maintain a strong combined trajectory of housing delivery alongside necessary social and physical infrastructure. Considering these factors will help ensure that each parcel is delivered successfully both individually and in terms of the wider Otterpool Park development.

In accordance with the Design and Access Statement, the phasing plans associated with the outline application have taken into consideration the programme for necessary infrastructure, associated cost and resulting viability assessments for 5-year intervals. As such, each phase must consider the level of infrastructure necessary on a physical and social level to accompany the quantum of development proposed across the wider site.

The outline application identified that the first phases should be focused around two areas in order to establish Otterpool Park and complement all future phasing:

- To the north and east establishing the Town Centre, Westenhanger Castle and Gateway character areas
- To the west in the distinct character area of Otterpool Slopes

It is understood that the LLP will be responsible for undertaking the initial infrastructure works as master developer. This initial phase of works will add value and differentiate the site further. Given the site's distinctive landscape characteristic, it is paramount that primary landscaping works are implemented to promote a sense of place.

Through past experience with schemes of this nature, it should be recognised there will be the requirement to secure early cash receipts to begin the recovered of initial capital investment. Launching the marketing of the first phase(s) of the site shortly after obtaining outline planning consent is recommended, in line with the timing of infrastructure delivery both on a basis necessary for individual parcel delivery and from a strategic point of view considering the wider site.

The indicative phasing will inevitably evolve but it would be necessary to understand the key financial objectives and discuss between the LLP and agent the rate of land sales over the course of the project and how this can be enhanced without adversely affecting land values. With this in mind, to ensure the first phase of development does not prejudice the wider landholding and marketability of subsequent phases, it is recommended that consideration is given to a comprehensive, architecturally led design code. This strategy has been particularly successful at the Kingsmere project in Bicester, for example, and has enhanced design quality and serviced land values.

Whilst at present the site has been divided indicatively into a number of parcels for planning purposes, it may well be that the approach differs slightly if there were perceived to be a requirement for a larger or smaller land parcel at any one point in time, or if indeed the LLP's cash flow requirements were to change over the course of the business plan. In this context, the site is considered to be deliverable in a variety of ways, which can be explored with the wider technical team in due course.

11.5 - IDENTIFY INITIAL LAND RECEIPTS PER PARCEL

Assuming a plan or accommodation schedule is available for each parcel within the submitted planning application documents, BNPPRE or another agent would undertake a development appraisal, considering the sales values per unit and associated development costs. This would be cross referenced against the current financial model which would be updated accordingly, both at time of appraisal and again following disposal, when value is crystallised.

The agent would also undertake research into comparable land transactions within the surrounding areas/similar projects in order to estimate plot sales and prices per acre.

As the scheme has Garden Town and placemaking status, the agent will review and assess the value of each parcel when sold, which will allow all stakeholders to project future land sales throughout the lifetime of the project.

11.6 - AFFORDABLE HOUSING

In accordance with the Planning and Delivery Statement, affordable housing will be distributed through the development in clusters, with their size determined having regard to the location within the development to ensure the new garden settlement develops as a mixed and sustainable community.

It would be worth noting that, during the course of parcel disposals, housebuilders will undergo a competitive Registered Provider tender process when bidding, ensuring value is driven.

11.7 - COMMERCIAL

Recognition for the importance of the commercial and community uses in a scheme such as Otterpool Park is growing after many years in the shadows of the residential elements.

Where traditional neighbourhood centres used to mean only convenience retail, Otterpool Park aims to develop a sustainable shift towards a mix of uses, including residential, workspace, healthcare and other community facilities.

The recent coronavirus pandemic is likely to result in long-term changes in the way we live, work, shop and communicate which will heighten the importance of delivering a desirable mix of uses going forward.

Understanding and establishing levels of demand from different non-residential uses is vital. This task should form a key element of the early stages of the development strategy as it ensures that the town centre and other commercial areas are relevant to the scale of the residential development and is crucial to its long-term success.

Early engagement is also essential to placemaking and creating real lasting social value for the town centre. Often, this will entail bringing together community groups, developers and councils to achieve a consensus about the town centre and finely tuning it to the needs of the local community and wider catchment. We also need to be mindful that, whilst the social benefits of such schemes are easily documented, demonstrating a commercial benefit to investing in the non-residential uses can be challenging in certain situations.

It is important to engage in analysis on determining the best location and layout for the commercial Centres within the wider masterplan. Contradiction can exist in balancing community preferences and commercial viability. Understanding the drivers and influencing factors on the location of non-residential uses is crucial in striking the right equilibrium.

Timing for the delivery of the non-residential uses is an important consideration when strategising. Whilst it may not be financially viable to open some uses when the first residential units are occupiers, activating the non-residential areas on a temporary or "meantime" basis may be important. This is becoming an increasingly important facet of development and as such, the range of meantime uses has grown significantly.

Opening and activating a town and commercial centre from an early stage is beneficial to longer-term placemaking; it provides residents with the built infrastructure from the moment they move in. Rather than allowing people to create patterns in the absence of the town centre, the centre can set the tone for the rest of the development and start to build a community.

It can often be difficult to generate key occupier interest and engagement at an early stage and engagement with local and regional businesses is important during initial stages.

Important to the success of the new town and commercial centre and its attractiveness is its ability to draw people in, creating footfall throughout the day and maximising dwell time and spend. We recognise that there needs to be multiple reasons to be there not just traditional convenience retail. We often advise on the benefits in linking the town centre with schools, nurseries, care homes, doctors' surgery, leisure centre, gyms, collection points and the like.

Non-residential development needs to be designed and built with flexibility in mind, allowing uses to change over time, responding not only to the demands of the local communities which they serve but also the changing landscape of retail and technology. This will ensure the future sustainability of the centre.


nursery

12.
Quality Assurance and Monitoring

12. Quality Assurance and Monitoring

RISK MANAGEMENT

Risk Register Strategic Risk

	Original risk					Mitigated risk					
RISK	PROBABILITY	IMPACT	SCORE	MITIGATION MEASURES	ACTION TAKEN	PROBABILITY	IMPACT	SCORE	Change in risk level	Milestone drop off	RESPONSIBLE OWNER
Project becomes unviable due to unforeseen additional cost, particularly up front infrastructure, required for phase 1	3	5	15	Ongoing update of financial model and infrastructure schedule to monitor changes and assess options.	Infrastructure costs and phasing being reviewed to maximise efficiency of spending.	2	4	8	✓	Outline Planning Application	JB
				Take advice from BNP Paribas and PWC on maximising financial efficiency of the project and pursuing other additional sources of income (eg council housebuilding).	Discussion with Homes England.						
				Be ready to bid for future funding sources from central government, including ongoing discussions with Homes England about funding.	Participation in East Kent Infrastructure Deal negotiations with bid for funding for OP.						
Slowdown of economy due to Covid results in stagnation of housing market and lower property and land values	5	2	10	Viability planning takes long term view and allows for scenarios of lower economic and housing growth. Given early stage of project the immediate impacts are limited, but longer term impacts eg on council borrowing should be planned for.	Discuss with advisors as part of financial risk management	3	2	6	✓	Developer Led - Tier 3 Works (Residential)	JB
Political and reputational risk if Council's financial spend on project is seen to be imprudent or not in best public interest	2	3	6	Set out financial planning in Business Plan		2	3	6	−	Enabling Works - Tier 3	JB/ AJ
No / inadequate funding for infrastructure , and therefore risk of inability to deliver vision/objectives; piecemeal delivery, infrastructure delays and housing delivery not accelerated	3	3	9	Financial model assumes no external funding.	Ensure delivery vehicle tasked with forward delivery of infrastructure. Lobbying Homes England and MHCLG	2	2	4	✓	Outline Planning Application	JB
				Be prepared for bidding opportunities for government and other funds.							
				Review infrastructure programme and delivery rates to ensure realistic.							
Dispute between Board and council Members/ dismantling of LLP	3	4	12	Use shareholder meetings to ensure political direction agreed	regular liaison and review of priorities through business planning	2	4	8	✓	Last Developer signed up	JB/ Board
				Set out objectives clearly at start	legal advice on protecting future of the company						
				Maintain good working relationships with officers and members							
				Presentations to update all members							
Board underperforms or fails to fulfil its duties/ fails to agree	1	3	3	Use recruitment process to ensure right skills are included	Legal advice taken on governance matters and all policies	1	3	3	−	Last Sales Received	JB/Chair of board
Site allocation not supported in Core Strategy Review (CSR) by Inspector or plan found unsound	3	5	15	Take advice on evidence base.	Counsel advice provided	2	5	10	✓	Outline Planning Application	AJ/DS/JW
				Involve PINS early for informal and formal advice on process.							
				Benefits from having a live application to demonstrate intention to deliver.							
Technical constraints and challenges require additional work and time prior to application being determined, including water nutrient issue	4	5	20	Programme for additional work on nutrients being agreed with consultants.	Critical path being reviewed; tier 2 work underway	4	4	16	✓	Outline Planning Application	JW
				focus for programme remains getting to start on site rather than achieving PP.							
Agreement not reached with Homes England over its role as partner and development of its land. Relates to agreeing funding for infrastructure.	3	3	9	Continue discussions with contacts at Homes England on landowner and planning side, reinforcing importance of shared objective of allocation in CSR. Proposal options expected Oct 2020.	Set up meeting with Paul Kitson/ Barry Cummings	2	3	6	✓	Outline Planning Application	JB/AJ
Local government reorganisation, eg formation of a unitary authority	2	3	6	It would take several years to implement, likely to affect later years		2	3	6		Last Developer signed up	JB/AJ

[1] Board decision 15 July 2020 minute 3
[2] Board decision 15 July 2020 minute 4

Appendices

Appendix 1 –
Otterpool Park Vision

Vision

OTTERPOOL PARK
COUNTRYSIDE • CONNECTED • CREATIVE

Welcome

Just over three years ago in 2016 the Government published a prospectus to local authorities asking them to express an interest in providing settlements within their administrative areas.

After carefully considering the potential of a garden settlement in the Folkestone & Hythe District to meet our housing need, we submitted an Expression of Interest to the Government in July of that year, proposing Otterpool Park as a new garden settlement. On 11 November 2016 the Ministry for Homes, Communities and Local Government announced its support for Otterpool Park and our journey to deliver on Ebenezer Howard's garden city movement became a reality.

During the past three years we have achieved a number of milestones; from the publication of our Charter to set out our aspirations for a garden community of the future, successful land assembly, the development of a masterplan and the submission of an outline planning application.

We have advanced the project to a stage where we have now established Otterpool Park LLP, who will take on the role of Master Developer and assume responsibility for the principle of development all the way through to implementation of a new community phased across a 30-year timeline.

We are in a unique position as sole landowners and custodians of Otterpool Park to curate the development at the highest level. We commit to delivering on our promises to our project partners, local people and new members of the Otterpool Park community as it grows over the next three decades.

This is a unique approach to delivering large-scale new homes development and communities and recognises a project of the size and ambition of Otterpool Park; at the heart of this approach is a team who can demonstrate experience of delivering at scale, quality and pace.

Otterpool Park is an exciting opportunity for us to deliver an exemplar garden town, bringing homes across a range of tenures, green spaces, leisure facilities, healthy economy, good quality of life, and major infrastructure improvements.

This document sets out the vision for our garden town, set against the principles for garden communities; it underpins the strong case we have developed for Otterpool Park and starts to lay out our objectives for the site. Stakeholders, businesses and residents have generously informed and influenced the project to date and it is greatly appreciated.

It is now the task of Otterpool Park LLP and its newly appointed board to deliver a once-in-a-generation opportunity to deliver the most exciting new community.

COUNCILLOR DAVID MONK
LEADER, FOLKESTONE & HYTHE
DISTRICT COUNCIL




OUR VISION

Countryside, connected, creative

The plans for Otterpool Park are being led and driven forward by Otterpool Park LLP, to deliver a next generation garden town that will support sustainable living and a healthy economy; provide the best quality of life for existing and future residents; and respond to local landscape and character.

Otterpool Park will offer the very best of a rural and urban lifestyle. Everything that's needed will be there – homes, workspaces, schools, shops, community facilities, spaces for leisure, arts and culture.

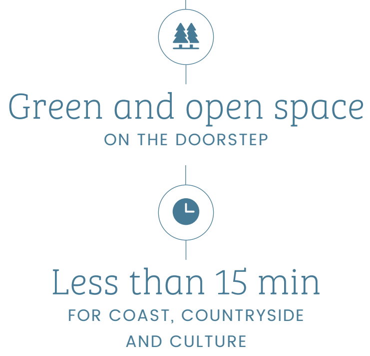
It is well positioned in the heart of the Kent countryside, just a few miles from the coastal towns of Folkestone and Hythe and offers excellent connectivity to London and Europe by road and rail.

Set around the historic Westenhanger Castle and park, Otterpool Park will be a special place respectful of its past and designed for its future.

It will be a healthy and inspirational place to live, work and visit, characterised by large amounts of green space and its strong culture and community.

Otterpool Park will be an attractive location for businesses to succeed and will make the most of its connections to the thriving creative and digital communities in nearby Folkestone.

Over the next 30 years, Otterpool Park will move the garden town concept into a new era, place-making a new community fit for today's lifestyles and relevant for generations to come.



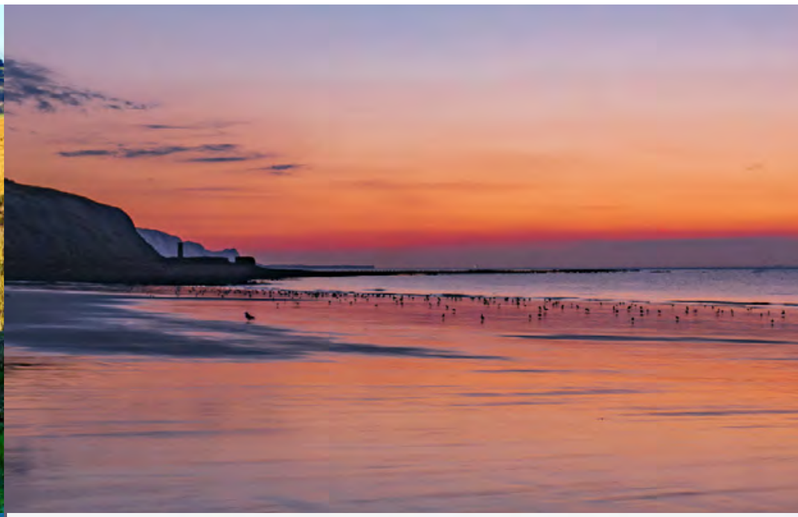
Countryside and coast

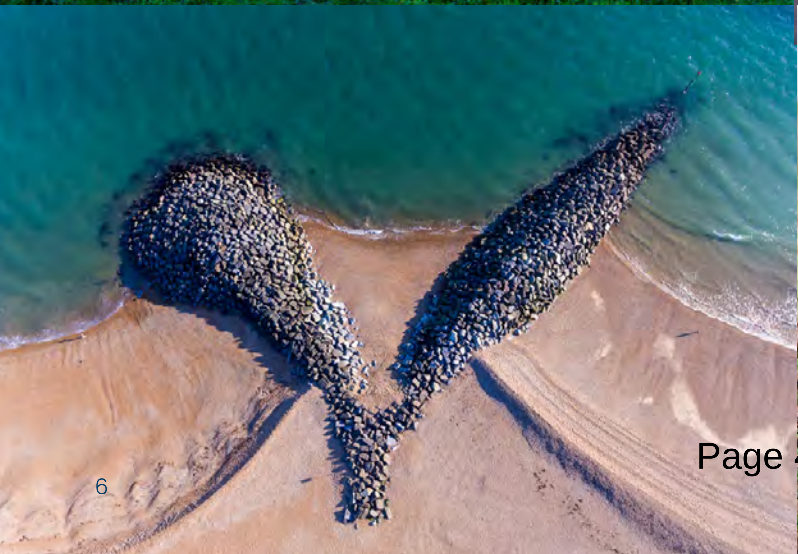
Living and working in Kent, the Garden of England, means enjoying the feeling of fresh air and green, open spaces.

The sea is just minutes away, so you can have the best of coast and country.

Walks and bike rides, nature trails and pond dipping. Or just sitting watching the world go by.

Otterpool Park will offer an exceptional quality of life, whether you prefer action and adventure or quiet and contemplation.





Connected

Get to where you need to be from our strategic location, with plenty of options for how to get about.

54 minutes
FROM LONDON ST PANCRAS

35 minutes
FROM FRANCE BY EUROTUNNEL

LESS THAN
2 hours
FROM PARIS, BY EUROSTAR FROM ASHFORD

FLY FROM
London Ashford Airport, Gatwick or Heathrow

FAST ACCESS TO
M20 and M2

Superfast broadband
MEANS WELL-CONNECTED HOMES, WORKSPACES AND SCHOOLS

Creative soul

As part of a district that champions all things creative, Otterpool Park will be a whole new place inspired by the very best design and influenced by the culture and heritage of the area.

Everyone can find a home here, helping to form a new community with its own identity, values and traditions.

Garden communities explained

A garden city (or garden community) is a holistically planned new settlement which enhances the natural environment and offers high-quality affordable housing and locally accessible work in beautiful, healthy and sociable communities. The garden city principles are an indivisible and interlocking framework for their delivery, and include:

- Land value capture for the benefit of the community.
- Strong vision, leadership and community engagement.
- Community ownership of land and long-term stewardship of assets.
- Mixed-tenure homes and housing types that are genuinely affordable.
- A wide range of local jobs in the Garden City within easy commuting distance of homes.
- Beautifully and imaginatively designed homes with gardens, combining the best of town and country to create healthy communities, and including opportunities to grow food.
- Development that enhances the natural environment, providing a comprehensive green infrastructure network and net biodiversity gains, and that uses zero-carbon and energy-positive technology to ensure climate resilience.
- Strong cultural, recreational and shopping facilities in walkable, vibrant, sociable neighbourhoods.
- Integrated and accessible transport systems, with walking, cycling and public transport designed to be the most attractive forms of local transport.

Visit tcpa.org.uk for more information on garden community principles.

The case for Otterpool Park

Otterpool Park is an opportunity to create an exciting new garden town which, over 30 years…

ADDRESSES THE AREA'S GROWING HOUSING DEMANDS

Creating a mixed, balanced and vibrant community with up to 10,000 homes for everyone – keyworkers, families, older people, vulnerable people. Presented in a variety of styles and sizes, every one of them a beautiful place to live.

USES ITS STRATEGIC CONNECTIVITY AND PROMOTES SUSTAINABLE TRANSPORT

Maximising existing connectivity by rail and road and proximity to Folkestone, London and Europe and developing sustainable transport strategies to promote healthy options for walking, cycling and public transport.

SUPPORTS THE ECONOMY BY PROVIDING JOB OPPORTUNITIES AND WORKSPACES

Delivering around 9,000 job opportunities and up to 127,244sqm of floorspace for businesses to locate, relocate or expand.

SUPPORTS THE CREATIVE AND DIGITAL INDUSTRIES

Expanding capacity for the large concentration of these industries in the local area, attracting and retaining businesses within the district while providing access to housing and social infrastructure.

PROVIDES EVERYTHING ITS COMMUNITY NEEDS AND IS SUSTAINABLE

Incorporating the infrastructure, education, medical, community and leisure facilities required for a sustainable and healthy new community.

IS EXEMPLARY IN EVERY RESPECT AND BECOMES A REFERENCE POINT FOR THE WAY NEW PLACES ARE DESIGNED

Accounting for today's lifestyles and flexible in its nature to adapt to future advancements and ways to live and work, incorporating the very best design, technology and innovation.

Placemaking for Otterpool Park

We envisage a place where a new community grows over several decades. It will be inspired by, integrate and bond with the natural landscape, character and heritage of this special place.

Otterpool Park will be distinctive in its own character, culture, diversity and traditions. That said, it will have strong associations with the countryside and communities around it, in particular aligning with the culture and creativity of nearby Folkestone and Heritage of Hythe.

The new garden town will be enriched with green spaces that create plentiful opportunities to walk, play, explore and socialise.

Residents will be able to put down roots for themselves and their families in characterful, sociable and distinctive neighbourhoods. All facilities are within an easy distance, with plenty of ways to travel further afield.

There are lots of ways to work or run a business at Otterpool Park too, whether from a home office or studio, or in the workspaces available in the town centre.

Otterpool Park will be:

Creative and innovative

Green and blue

Resilient and self-sufficient

Reflective and engaging

Connected and walkable

Healthy and accessible

Biodiverse and sensitive

Diverse and distinct

LUKE QUILTER
CHAIRMAN OTTERPOOL PARK LLP

This vision is an important step on the journey of our newly formed board towards the delivery of Otterpool Park. Our objective for the coming year is to establish ourselves as a locally accountable organisation that will enable the delivery of the Garden Town and support residents, partners and stakeholders to create a 'Garden Community' in a district that is extraordinary.

It's already home to all types of people - from artists to musicians, innovators to educators, makers to entrepreneurs; they come together in Folkestone and Hythe to enjoy our countryside and miles of stunning coastline, a world-class cultural scene and fantastic connections to Europe and the rest of the UK.

Our aspiration to deliver 10,000 homes, around 9,000 jobs, across a 30-year period makes sense for a place that consistently attracts from London and the wider south east. When we see the profound effect that the Covid-19 pandemic has had on our day to day lives, the concept of a community that has over 50% green space, walkable neighbourhoods, leisure on the doorstep and the very best of modern health and education provision, the opportunity becomes all the more relevant - right now.

Over the coming months, as we move towards presenting Otterpool at planning committee, we look forward to building delivery relationships to enable on the ground regeneration with a wide range of partners and stakeholders, in both the public and private sectors. We want to work with forward thinking house builders, developers and investors to build a new community; to bring together all this district has to offer and communicate it far and wide.

Our focus is centred on enabling a people-led Garden Town that not only turbo charges our local economy but delivers a remarkable community for the next generation.

A place that is a beautiful, countryside, Kentish town, close to the sea.

OTTERPOOL PARK

COUNTRYSIDE • CONNECTED • CREATIVE

Appendix 2 – Brief Biographies of the Directors

JENNY HOLLINGSBEE

Jenny has been a District Councillor representing North Downs West Villages for 25 years. She is Cabinet Member for Communities and Deputy Leader. Her responsibilities range from the Voluntary Sector and Health & Wellbeing to Community Safety, Lifeline, Street Homeless and Area Officers.

Jenny has been involved in Community activities all her life Jenny's business experience has been in insurance and stockbroking and for over 20 years, prior to retirement, as a Business Studies and ICT Teacher at The Marsh Academy as well as the Work Experience Co-ordinator.

Jenny is keen to ensure that Folkestone & Hythe District Council is recognised as an innovative pioneering forward thinking local authority delivering the best for its residents in it development of 'Otterpool Park'.

REBECCA SHOOB

Rebecca started her career in the travel industry. She then joined RAND Europe to work on project and event management, primarily in the field of information security. Prior to being elected in 2019, she had worked across different corporate functions, including HR, IT and office management, in both the private and not-for-profit sectors.

Rebecca has had a number of voluntary roles, mainly in advice work and refugee support,. She has a keen interest in food and gardening and is a founder member of Incredible Edible Cheriton which aims to promote growing food for all in an urban environment.

DINAH ROAKE

Dinah has a wide knowledge and varied experience of large scale development and urban regeneration gained working at a senior level in private, public, housing association and third sectors.

Dinah's passion for delivering great places and exemplary sustainable design for people to live, grow and sustain their lives and their communities is supported by her experience and skills. This includes negotiating and securing substantial physical, social and community infrastructure necessary for successful garden cities.

Since 2018 Dinah has been the Director for a community-led housing society in Lewisham, East London.

Dinah's current work is underpinned by design and construction expertise as a qualified architect for over 30 years. She is also an expert member of the British Standards Institute's 'Smart and Sustainable cities and communities' Committee.).

LUKE QUILTER

Co-founder of Sleeping Giant Media and Giant Campus, and CEO of both, Luke Quilter is Kent's multi-award winning digital marketing entrepreneur.

With an excess of 15 years' worth of experience in digital marketing, Luke currently runs three businesses based in Kent and regularly lectures, coaches and teaches his expertise; specialising in search engine optimisation, pay per click advertising, social media, and business start-ups.

SALLYANNE LOGAN

SallyAnne has over twenty years of experience working in the private, voluntary and local government sector on community related projects. In recent years, SallyAnne has been leading the team who have orchestrated and negotiated the creation of a stewardship body for Chilmington Green which is in the borough of Ashford, working for the borough council. She is Chief Executive of the CMO operating under a council-CMO contract. In 2019, SallyAnne was part of a consultancy team working with Homes England to produce a stewardship toolkit for Homes England's own large scale sites. SallyAnne's strength is in working with partners and local people, building consensus and common solutions to meet local need. Her passion is people and building strong communities where local ownership and empowerment is at the heart. It is these attributes, alongside her stewardship experience, where she hopes to add greatest value to Otterpool Park, ensuring local people (existing and new) feel involved, connected and empowered to shape what will be a fabulous place to live, work and play.

JOHN BUNNETT

John is a chartered surveyor with over 30 years development experience gained both in the private and public sector. His early career was spent in developing a range of major schemes across the UK for large multinational organisations. John entered the public sector joining Thanet District Council in 2004 as strategic director for planning, property and environmental services. John was promoted to deputy chief executive in 2007 and in 2009 joined Ashford Borough Council as chief executive. As one of three nationally designated growth areas Ashford had a major regeneration and development program of work which John lead throughout tenure at Ashford. This involved multi-million pound developments in the town centre substantial infrastructure projects such as junction 10 a and strategic leadership for the council on the Chilmington Green development which comprises some circa 6000 homes and 4000 jobs. Following a further two years in the private sector leading residential and other major development John returned to the public sector joining FHDC in 2018 as Corporate Director. The main attraction to this job was the involvement in the Otterpool project. John now leads the professional team at the LLP and has overall responsibility for the delivery of the project.

ANDY JARRETT

Over 40 years professional experience in town planning and regeneration. Director level positions in private and public sectors, leading multi- disciplinary teams, advising on major projects across the country, but mainly in Kent, including the Channel Tunnel, town centre redevelopment and new settlements. Led large scale urban and rural regeneration partnerships with economic, social and environmental agendas. Direct experience of small scale residential development, with one "self-build" under the belt. Locally, held director positions at the Creative Foundation and Shepway Business Centre, a former trustee of Folkestone Sports Centre Trust and a school governor at Pent Valley Technology College.


nursery

Appendix 3 – Otterpool Park, Westenhanger, Kent – Market Report prepared by Strutt & Parker

Otterpool Park, Westenhanger, Kent- Market Report

Prepared for: **Otterpool Park LLP**

Date: 11th August 2020

Prepared by: Tim Mitford-Slade MLE MRICS

George Gibbons

Contents

Report

1. Introduction

1.1 This document has been prepared in order to assist Otterpool Park LLP with an understanding of the current development land market within Kent. This document is attached as an Appendix and is prepare solely for Otterpool Park LLP in in order to assist on how to the deliver the Otterpool Park project within budget. This document is prepared for internal purposes only and no liability whatsoever can be accepted to third parties for the whole or part of its content.

2.1 The planning application states that Otterpool Park is *an opportunity to create a genuinely landscape led garden settlement that integrates with the existing communities as well as the rural surroundings, to provide new homes, employment, retail, social infrastructure, community and leisure facilities. It strives to achieve high levels of sustainability, in a manner that integrates and benefits the wider district.*

1.2 This report sets out our opinion of the Kent development land market, the key stakeholders within the area, and our opinion of exit values for the surrounding areas and competing schemes of Otterpool Park.

2. The UK Development Land Market

2.1 The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has significantly impacted global economies. International travel restrictions as well as restrictions on businesses and individuals’ behaviour and activity have been implemented by most countries across the world. The housing market was effectively shut for seven weeks, having closed on 23rd March. It reopened on the 13th May with house moves and viewings able to resume under social distancing and safety rules in England.

2.2 As lockdown is now easing, the residential development market is starting to recover. Construction on the majority of suspended development sites has restarted across the UK. Productivity per site is now increasing; however, the majority of housebuilders are seeking sufficient confidence in the sales market before commencing with new plots and new sites. The focus of construction has been on completing homes already started and those reserved, so fewer new homes and sites have been started.

2.3 In April, new homes starts fell to just 5,000 across the UK according to NHBC, this is just 5% of the number started the same time last year. By early May, the number of new sites started was 10% of the pre-lockdown average. During the height of lockdown, large housebuilders, i.e. those delivering 500 homes per year, more commonly suspended their sites than other builders. New site started in the UK are illustrated on the graph below:

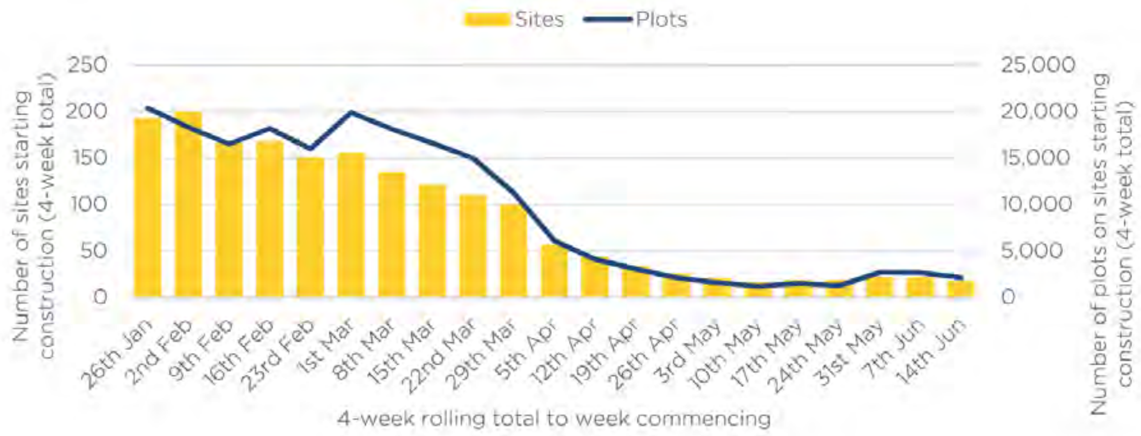


Figure 1: New sites started in the UK (Glenigan)

2.4 Although construction was put on hold, the granting of planning permissions have held up reasonably well. On average 290 sites gained permission per month since mid April, that is 26% below the pre-Covid average, also 1,200 sites with planning consents due to expire before the end of the year have been given an extension to 1st April 2021. The extension of these consents will support the recovery in sites started over the coming year.

2.5 To summarise, in the short term, we will see fewer sites being brought to market as landowners prefer to wait for more clarity. However, cash rich developers may be able to make the most of the reduced competition for sites. In the medium term, changes in the land market will be linked to what happens in the wider housing market. We currently anticipate that residential transactions will be significantly reduced over the next three months, but capital values will be less affected, with falls of -5 to -10%, returning to stronger growth in the medium term. In this scenario, the impact on land values should be limited. However, if house prices fall more sharply or recovery in the housing market is slower due to ongoing economic uncertainty, this may feed through into downward pressure on land values.

3. Kent Development Land Market (Garden Town Market)

3.1 We have identified the following large competing garden town schemes within Kent and the relevant key stakeholders (Otterpool Park is marked using a red star):

- Ebbsfleet Garden City (15,000 units)
- Chilmington Green (5,750)
- Mountfield Park, Canterbury (4,000)
- Borough Green Gardens, Sevenoaks (3,000)
- Highsted Park Garden Village, Sittingbourne (8,000)
- Lenham Garden Community (5,000)

Address: Ebbsfleet Garden City, Ebbsfleet
Dwelling Yield: 15,000
Planning: Under Construction
Developer: Homes England/ Keepmoat Homes/ Redrow

EBBSFLEET GARDEN CITY

Information: Where London meets the Garden of England, on the banks of the River Thames, Ebbsfleet exploits its strategic location to continue the tradition of great placemaking in the UK; combining the best of urban and rural living and building on the ethos and pioneering spirit of Georgian, Victorian and Edwardian planned communities to deliver a new benchmark for 21st century development including up to 15,000 high quality new homes.

Address: Chilmington Green, Ashford
Dwelling Yield: 5,750
Planning: Planning Granted
Developer: Hodson Developments/ Barratt Homes

Information: Chilmington will be a new community of up to 5,750 quality homes, a district centre and community infrastructure. This will create over 1,000 jobs in the next 20 years, coming forward in four main phases with several hundred homes delivered per year.

Address: Mountfield Park, Canterbury
Dwelling Yield: 4,000
Planning: Under Construction
Developer: Corinthian land

Information: An exciting new living experience to the south of Canterbury, Mountfield Park will become one of the largest new communities in South East England with around 4,000 homes. An abundance of local facilities – including schools, shops and a medical centre – glorious green spaces and convenient transport links.

Address: Borough Green Gardens, Sevenoaks
Dwelling Yield: 3,000
Planning: In Planning
Developer: TBC

Information: Borough Green Gardens is set to include approximately 3,000 new homes, including a mixture of tenure types, plus affordable and family sized housing to create a diverse community, a Relief Road; removing up to 900 vehicles movements at morning and evening peaks from driving through Borough Green, Two primary schools; 1 x two-form, 1 x three-form, New employment floorspace; creating hundreds of new jobs, Community and neighbourhood hubs, Doctors surgery, Local shops and Sports centres and playing fields

Address: Highsted Park Garden Village, Sittingbourne
Dwelling Yield: 8,000
Planning: In Planning
Developer: Quinn Estates

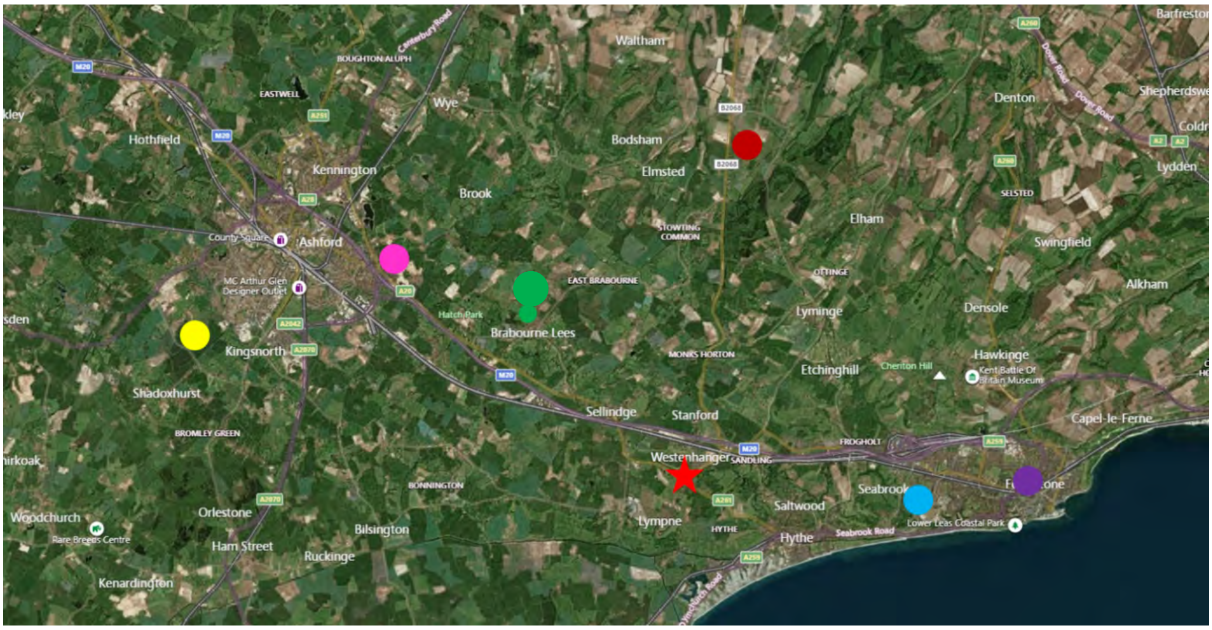
Information: This mixed-use development proposal seeks to deliver a key piece of much needed infrastructure, circa 8,000 dwellings, self-build plots, commercial space, public open space and community facilities in a highly sustainable location in the Swale Borough. The proposed scheme will be set within an attractive landscaped and parkland setting and will provide a high-quality environment.

Address: Lenham Garden Community
Dwelling Yield: 5,000
Planning: In Planning
Developer: Maidstone Borough Council/ Barton Willmore

Information: The large garden village scheme, proposed by Maidstone Borough Council (MBC), would see more than 5,000 houses built to the east of Lenham.

4. Competing Schemes & Key Stakeholders

4.1 We have identified the following live competing schemes and the relevant key stakeholders (Otterpool Park is marked using a red star):



Address: Radstone Gate, Thorn Lane, Stelling Minnis, CT4 6DA
No. of Units: 28
Developer: Pentland Homes
Distance: 5.7 miles

Address: Abbie Fields, Lees Road, Brabourne Lees, Ashford, TN25 6QB
No. of Units: 5
Developer: Piper Homes South East Ltd
Distance: 3.9 miles

Address: Phase B, Ingles Gardens, Folkestone, CT20 2RF
No. of Units: 35
Developer: Murston
Distance: 5.7 miles

Address: Hinxhill Park, Hinxhill Road, Willesborough, Ashford, TN24 0NB
No. of Units: 192
Developer: Bellway Homes
Distance: 6 miles

Address: Barratt Homes at Chilmington, Hedgers Way, Kingsnorth, Ashford, TN23 3GN
No. of Units: 86
Developer: Barratt Homes
Distance: 9 miles

Address: Shorncliffe Gardens, Royal Military Avenue, Folkestone, CT20 3SH
No. of Units: 122
Developer: Taylor Wimpey
Distance: 4.3 miles

5. Market Commentary & Residential Market Sales Evidence

Ashford

5.1 Ashford has seen significant growth in new developments in recent years particularly following the introduction of High Speed rail services in early 2010 which now enable commuters to travel from Ashford International to London St Pancras in a journey time of 37 minutes. This has brought a wealth of new buyers into the local market, principally from South East London on the back of rising house prices in the Capital and the affordability of East Kent with such reduced commuter times. Ashford has long been identified as a growth area by successive Governments and current policy remains to support further growth of the town.

5.2 Ashford Borough Council has been exceptionally proactive in facilitating the wider regeneration of the town centre and brownfield sites around the international station. Indeed, it is these placemaking projects which are one of the key attractions for Ashford and include a new leisure complex anchored by Picturehouse at Elwick Place, a new brewery and destination eating venue from Chapel Down on Victoria Way and a new TV and Film Studio complex with hotel and apartments at New Town Works which was granted planning permission in April 2020. Further developments along Victoria Way include a 275 home development by U+I and Carrington Group and a new 18,500 sq.ft Aldi which was opened in 2019. Victoria Way West is a new development anchored by 635 apartments by Quinn Estate and GRE nearing completion and Quinn Estates have also been instrumental along with George Wilson Holdings in bringing forward the 590,000 sq.ft Ashford Commercial Quarter which now provides the best Grade A office accommodation in this part of Kent.

5.3 However, the majority of demand is domestic and the take up of new stock in the town has been relatively strong despite difficulties in the housing market between 2010 and 2014. During this period house sales dropped and development slowed, the net result being that as market conditions improved in late 2014 onwards the capital value of existing and new build stock in the town has risen steadily.

5.4 Examples of new and recently completed schemes in the market place include the following:

- The Gate by Hodson at Chilmington Green
- Bridgefield by Taylor Wimpey at Cheeseman's Green
- Green Oaks by Crest at Finberry, Sevington
- Repton Park by Taylor Wimpey at Repton Park
- Victoria Quarter by Orbit at Victoria Way
- Town Farm Place by Matthew Homes at Willesborough
- Chestnut Grange by David Wilson Homes at Willesborough
- Conningbrook Lakes by Westerhill Homes at Willesborough
- Oakfields by Orbit at Shadoxhurst

- Lyons Gate by Taylor Wimpey at Aldington
- Saxon Woods by Redrow at Hamstreet
- Watermill Court by Jarvis Homes at Charing
- Kingsbridge by Countryside at Headcorn

5.5 We have made reference to the following comparable transactions in Ashford and the immediate surrounding areas:

- **Finberry and Green Oaks by Crest –**Crest are a well-established housebuilder and their scheme to the south east of Ashford is maturing with increasingly strong values being achieved and provides a range of house types. A sample of recent sales is as follows: **(Average £345 psf, exit rate of 5 units per month)**

Address	Beds	Size Sq.ft	Price	£ psf
Plot 223 Ashton	1	572	£210,000	£367
Plot 378 Thurnham	2	753	£285,000	£378
71 Wagtail Walk	2	753	£265,000	£352
Plot 447 Brook	2	757	£277,500	£367
87 Wagtail Walk	2	764	£270,000	£353
67 Wagtail Walk	2	775	£265,000	£342
Plot 214 Fairfield	3	932	£340,000	£365
77 Wagtail Walk	3	936	£305,000	£326
Plot 243 Farthing	3	936	£320,000	£342
Plot 212 Hawkenbury	2	960	£327,500	£341
Plot 508 Poplar	3	1,017	£365,000	£359
56 Nuthatch Drive	3	1,023	£320,000	£313
Plot 511 Poplar	3	1,038	£365,000	£352
Plot 380 Lilyvale	4	1,287	£425,000	£330
Plot 492 Maple	4	1,323	£480,000	£363
Plot 491 Cedar	4	1,521	£525,000	£345
Plot 540 Mulberry	5	2,026	£600,000	£296

- **Conningbrook Lakes** is a new development currently under construction to the east of Ashford on the outskirts of Willesborough. As the name suggests, this development sits alongside an expanse of open water being a former gravel quarry and is considered to be a superior product in terms of outlook of competing schemes. Recent evidence includes the following: **(Average £363 psf, exit rate of 4 units per month)**

Address	Beds	Size Sq.ft	Price	£ psf
Plot 65	2	811	£299,999	£370
Plot 70	3	953	£360,000	£378
Plot 69	3	1,047	£390,000	£372
Plot 46	4	1,285	£473,000	£368
Plot 47	4	1,554	£533,500	£343
Plot 32	5	1,790	£630,000	£352

- **The Gate at Chilmington Green** is now well advanced in terms of construction and acts as the gateway scheme for the wider Garden Settlement. The first homes have now been occupied and the recent sales and reservations hold the best comparable evidence for sales values in this part of Ashford: **(Average £349 psf, exit rate of 7 units per month)**

Address	Beds	Size Sq.ft	Price	£ psf
Plot 17	2	831	£299,995	£361
Plot 15	3	1,156	£430,000	£372
Plot 19	3	1,156	£410,000	£355
Plot 58	4	1,256	£429,995	£342
Plot 63	4	1,256	£405,000	£322
Plot 14	4	1,531	£518,000	£338
Plot 10	4	1,531	£499,995	£327
Plot 45	3	992	£365,995	£369
Plot 59	3	992	£355,000	£358

Folkestone

5.6 Although Folkestone is not the most highly regarded of the coastal towns in Kent, the effort to regenerate the town centre and surrounds and its links to the High Speed rail network have made it a more recognised residential location, particularly as it offers greater value for money than other more highly regarded coastal towns. Otterpool Park is located close to good travel links, shopping facilities and amenities.

5.7 Folkestone has experienced significant regeneration in recent years, particularly around the harbour and Old Town area. The Harbour Arm has been restored and is popular during the summer months, providing local food and drink outlets, live music and the well regarded Rocksalt restaurant. The seafront benefits from planning consent for the development of a mixed use scheme of up to 1,000 units, including apartments, townhouses, beach houses and commercial space. The former Folkestone Harbour railway station is currently being renovated, and will form part of the wider project of the renovated viaduct, new boardwalk and beach nourishment. Folkestone's Creative Quarter has also transformed the Old Town area over the last decade, now providing a prime visitor attraction with numerous local retailers, arts and crafts, cafes and restaurants. The cumulative effect of the regeneration of Folkestone is having a positive influence on property values, as the town becomes a more attractive location for potential purchasers.

5.8 We have made reference to the following comparable transactions in Folkestone and the immediate surrounding areas:

- **Westbrook Drive, Folkestone** is a housing development constructed in 2017. There have been a number of resales in the years since construction, and some of the initial new build sales fall within the last 24 months. Considering wider political impacts, property price growth has been limited in this period, and as such, we still see it as relevant evidence. The sales here are as follows: **(Average £300 psf, exit rate of 3 units per month)**

Address	Size Sq.ft	Price	£ psf
4, St Marys Walk	1507	£385,000	£255
11, Curzon Avenue	947	£285,000	£301
12, Foster Way	732	£240,000	£328
10 Westbrook Drive	947	£285,000	£301
77, Westbrook Drive	969	£294,995	£304
79, Westbrook Drive	969	£289,745	£299
1, Hayward Gardens	1399	£409,795	£292

- **Shorncliffe Heights, Folkestone** is a housing development by Taylor Wimpey to the west of the traditional built-up area of Folkestone. The units brought to the market over the past 18 months have been predominantly semi-detached and detached units, which can be summarised as follows: **(Average £261 psf, exit rate of 5 units per month)**

Address	Size Sq.ft	Price	£ psf
29, Kunwar Avenue	1324	£310,750	£235
31, Kunwar Avenue	1324	£310,995	£235
25, Kunwar Avenue	1152	£310,750	£270
27, Kunwar Avenue	1152	£314,500	£273
21, Kunwar Avenue	1324	£310,750	£235
23, Kunwar Avenue	1324	£308,500	£233
1, Hayward Gardens	1399	£409,795	£292

2, Dragoon Place,	850	£277,500	£326
4, Dragoon Place	915	£290,000	£317
17, Kunwar Avenue	1442	£330,500	£229
19, Kunwar Avenue	1442	£331,995	£230

- **Trinity Drive, Folkestone** is a scheme constructed in 2017 of similar design to the Westbrook Drive development, in a central location to the north of Folkestone Central station. Three resales have taken place in the previous 24 months, which can be summarised as follows: **(Average £265 psf, exit rate of 3 units per month)**

Address	Size Sq.ft	Price	£ psf
22, Trinity Drive, Folkestone, Kent CT19 5UU	1195	£310,000	£259
28, Trinity Drive, Folkestone, Kent CT19 5UU	1044	£305,000	£292
9, Trinity Drive, Folkestone, Kent CT19 5UU	1711	£430,000	£251
17, Trinity Drive, Folkestone, Kent CT19 5UU	1711	£420,000	£245
28, Trinity Drive, Folkestone, Kent CT19 5UU	1044	£305,000	£292
9, Trinity Drive, Folkestone, Kent CT19 5UU	1711	£430,000	£251

- **Parkside, Folkestone** is a new-build scheme of town houses in a central location north of Folkestone Central train station. They are relatively large for townhouses, although in units of this design a lot of space is usually lost in landings, stairs and hall ways, and as such the value per sqft is traditionally lower. The majority of these units are circa 1,800 sq ft, and sold between October 2018 and May 2019 between £380,000 - £420,000, averaging £224 psf. The capital values give a good benchmark of what can be purchased in the area for this price.

- **Grasslands, Capel le Ferne** is a new development by Jarvis Homes just outside Folkestone. The detached units here range between 1,539 sqft and 1,722, with six sales recorded between April 2019 and October 2019. The prices achieved ranged from £495,000 - £549,000, equating to an average of £310 psf. There were also three terraced units sold in this period, ranging from £285,000 - £305,000. At 1,012 sqft – 1,076 sqft, these averaged £287 psf.

- **Ingles Gardens, Folkestone** is a new scheme by Murston homes. The majority of the units are large semi-detached / terraced dwellings, between 1,422 sqft – 1,671 sqft. These units have been achieving between £420,000 - £455,000, equating to an average of £291 psf. Unit 38, a 2,173 sqft detached dwelling, is Sold STC for £575,000, equivalent to £265 psf.

Canterbury

5.9 Whilst some parts of Kent including Ashford, Maidstone, Medway and Ebbsfleet have seen significant new supply in recent years, Canterbury is somewhat unique in the fact that there have been few if any, major new build residential led development projects in the last 10 years. Ever since Fairview, Bellway and Western Homes developed land around the City Centre at the peak of the market in 2007, Canterbury has suffered a significant drop in the supply of new residential stock. With the introduction of High Speed rail services into the City in 2010, the growth of the three universities and significant increase in population, Canterbury has seen strong price growth on the back of limited supply. This imbalance needs to be addressed and there is now significant pressure on Canterbury City Council to deliver new housing to Canterbury and the surrounding areas.

5.10 Canterbury itself is likely to see a significant increase in the supply of housing in the coming years, particularly in the shape of Mountfield Park which was granted planning permission in December 2016 for up to 4,000 dwellings to the south of the City Centre, close to the A2 junction of the village of Bridge. Aside from Mountfield Park, there are 1,000 new units planned by way of strategic allocation at Sturry and Broad Oak to the east of the City as well as up to 500 new homes planned to the south of the City centre at the former Howe Army Barracks, with units being marketed by Taylor Wimpey and Thanington Park will feature up to 750 units to the west of Canterbury and was recently launched to the market by Pentland Homes.

5.11 We have made reference to the following comparable transactions in Canterbury and the immediate surrounding areas:

- **Orchard View, Sweechgate** is a housing development located to the northeast of Canterbury, just past Sturry by Wedgewood Homes. This development comprises ten detached homes and three detached bungalows. The sales here are as follows: **(Average £353 psf, exit rate of 4 units per month)**

Address	Size Sq.ft	Price	£ psf
Plot 1	1,334	£455,800	£342
Plot 2	1,334	£438,000	£328
Plot 3	1,506	£495,000	£329
Plot 4	1,506	£484,000	£321
Plot 5	1,506	£495,000	£329
Plot 6	1,679	£500,000	£298
Plot 9	1,797	£600,000	£334
Plot 11	968	£440,000	£455
Plot 12	968	£440,000	£455

- **Polo Field, Canterbury** is an exclusive collection of three, four and five bedroom homes by Millwood Designer Homes situated in a quiet rural location between the village of Littlebourne and the city of Canterbury. The sales here are as follows: **(Average £382 psf, exit rate of 3 units per month)**

Address	Size Sq.ft	Price	£ psf
Plot 7	1,894	£750,000	£396
Plot 13	2,443	£905,000	£370
Plot 18	1,894	£780,000	£412
Plot 15	2,443	£900,000	£368
Plot 16	2,443	£885,000	£362
Plot 9	2,443	£890,000	£364
Plot 17	2,443	£886,000	£363
Plot 2	1,517	£585,000	£386
Plot 6	1,894	£765,000	£404

6. Residential Land Values

6.1 Residential Land Values

6.1.1 We have summarised recent residential land sales within Kent below:

Bellway at Peter's Village, Burham:
- 152 units comprising 80% housing and 20% flats on parcels 1a and 1b;
- All open market dwellings with no affordable housing or Section 106 costs;
- Fully serviced to the boundary;
- Net developable area of 10.326 acres at a density of 14.7/ac;
- Sold to Bellway in late 2015 for £15.625 million;
- Sale price reflects £1.513 million/ac;
- Land sale reflects £102,800 per plot or £95.50 psf.

Bellway and Ashberry at Peter's Village, Wouldham:
- Parcels 2C/D/E/F;
- 228 units with 32% AH (74 units) and no Section 106 costs;
- Fully serviced to the boundary;
- Net developable area of 11.19 acres at a density of 20/ac;
- Exit values £350psf;
- Sold to a JV between Bellway and Ashberry in 2018 for £18.65 million;
- Sale price reflects £1.67 million/ac serviced;
- Land sale reflects £82,000/plot on a serviced basis or £111,500/plot private and £20,000/plot affordable.

Orbit at Peter's Village, Burham:
- 86 units comprising 57% housing and 43% flats on parcels 1c and 1d;

- 43 open market and 43 affordable units at 50% but no Section 106 costs;
- Fully serviced to the boundary;
- Net developable area of 3.34 acres at a density of 25.7/ac;
- Sold to Orbit in 2016 for £5,807,500;
- Sale price reflects £1.739 million/ac but considered high density albeit with 50% affordable housing;
- Overall land sale reflects £80.45 psf but 50% affordable.

Cala at Peter's Village, Wouldham:
- Parcel 1F
- Placed under offer in 2019 at £10.825m
- 142 units with 29 affordable homes (20%) with no S106
- Net developable area of 5.52ac at a density of 26/ac
- High proportion of flats (46%)
- 114,344 sq.ft with exit values of £350psf
- Land sale shows £1.96m/ac but high density and reflects £76,000/plot blended

Bovis at Peter's Village, Wouldham:
- Parcels 2A and 2B;
- Serviced land for 119 units of which 20% is affordable;
- Fully serviced to the boundary with no S106 or abnormals;
- Net developable area of 6.28 acres at a density of 19/ac;
- Total net area 103,175 sq.ft;
- Exit values £350psf;
- Sold to Bovis in early-2019 for £9.9 million at a blended rate of £83,000/plot;
- Sale price reflects £1.575 million/ac for serviced land parcel;
- Land sale reflects £99,000/plot private assuming the AH is £20,000/plot.

Millwood at Cripple Street, Maidstone:
- 36 units comprising 25 open market and 11 affordable units and policy compliant Section 106 costs;
- Sold to Millwood under an option agreement with price agreed at £2,990,000;
- Unserviced land;
- Low density;
- Land sale reflects £83,000 per plot given 30% affordable units and unserviced land parcel;

Former Somerfield Site, Aylesford:
- 96 units with no affordable housing and £47,000 of Section 106 costs;
- Partially serviced brownfield site;
- Net developable area of 5.4 acres at a density of 17.6AC;
- Sold to Michael Schwartz in mid-2015 for £2.5 million for first phase of 24 units;
- Sale price reflects £1.84 million/ac;
- Land sale reflects £104,000 per plot with no affordable housing and partially serviced.

Countryside & Orbit at Maidstone Road, Charing:
- 131 units unserviced but consented on edge of Charing;
- Sold to Orbit and Countryside in 2019 for £9.3m plus £1.7m ransom payment;
- Sale price reflects £84,000/plot blended or £126,000/plot private assuming £20,000/plot Affordable Housing;
- Exit values £345psf;
- Sale price reflects £1.523 million/ac on phased payment basis;

Barratt at Perry Court Farm, Faversham:
- 310 residential dwellings with 30% affordable housing;
- Gross area of 53.79 acres;
- Unserviced farmland;
- Sold for £28 million to Barratt in Summer 2017 inclusive of abnormal costs;
- Local values £320 psf;
- Sale reflects £90,300 per plot on an unserviced and policy compliant basis inclusive of abnormal costs;

Sunningdale at Station Road, Walmer:
- Phase One; 37 units;
- Purchased by Sunningdale House for £3.92m in March 2018;
- Shows £106,000/plot blended
- 16 Affordable units of which 8 apartments will be rented and 8 shared;
- A further £3.92m will be paid in February 2019 for Phase Two; 89 Units;
- £3.36m will be paid for the remaining land attached to 97 units and will be paid by 30 September 2019
- Total package shows 223 units at £11.2m
- Blended package £50,000/plot or £63,000/plot private and £20,000/plot AH
- Local values £275psf

Sunningdale at Ashford Road, High Halden:
- Mix development of 43 dwellings with 40% Affordable Housing
- Purchased by Sunningdale House for £3.172m in August 2019;
- Site area 5.7ac shows gross land price of £555,000/ac and a net price based upon netb developable area of 3.2ac at £1m/ac
- Shows £74,000/plot blended or £109,000/plot private and £20,000/plot AH
- Local values £340psf

Barrett at Allington, Maidstone:
- Mix development of 26.8ac net
- Purchased by Barrett for £34.2m in July 2019 on a subject to planning basis;
- Site area shows gross land price of £1.276m/ac less abnormal costs and S106;
- Minimum land price in the contract shows £840,000/ac unserviced with 25% Affordable Housing;
- Local values £360psf

The land transactions indicate values ranging from £50,00 per plot up to £115,000 on largescale sites of between 100 and 135 dwellings at an average of £84,400 per plot at £1.13m per acre.

6.2 Commercial Land Values

6.2.1 We have summarised recent commercial land sales within Kent below:

Land at Ashford Road, Maidstone:
- Sold Price: £5m;
- 45.18 acres;
- £110,666 per acre;
- June 2020;

Phase 2, Orbital Park, Ashford:

- Sold Price: £1.49m;
- The land parcel extends to 2.79 acres (121,532 sq. ft.). The premises was sold in an open market transaction and planning has been permitted for B1, B2 and B8 units to be built upon the site;
- £534,229 per acre;
- February 2020;

Land at London Road, Gillingham:

- Sold Price: £1.5m;
- The site totals 4 acres with 36,061 sq ft of accommodation within the demise;
- £375,000 per acre;
- December 2019;

Plot 4, Eurolink East Five, Sittingbourne:

- Sold Price: £3.06m;
- The plot measures approximately 3 acres and makes up part of a larger 28 acre development site
- £375,000 per acre;
- December 2019;

The lack of industrial land within the County has pushed land values to levels not seen before. In the primary location of Dartford, land values are now reported to be at £1.5 million per acre. As you move further into the County, away from the M25 values drop to a reported £650,000 per acre in Rochester, while Sittingbourne has achieved £450,000 per acre, representing a 10% increase over the last 6 months. Industrial development land values in East Kent area have remained stable, primarily due to the relative lack of occupational demand, and we would expect a land value of £200,000 to £250,000 per acre at the subject location.

……………………………………

George Gibbons
Graduate Surveyor

Strutt & Parker
2 St Margaret's Street
Canterbury
Kent
CT1 2SL

11th August 2020

Appendix 4 – Glossary

Glossary

The Council – Folkestone and Hythe District Council

The LLP – Otterpool Park Limited Liability Partnership

The District – the district of Folkestone and Hythe

Appendix 5 – Otterpool Park - A New Garden Town in the Folkestone and Hythe district

Otterpool Park

A new garden town in the Folkestone & Hythe district

Introduction

In 2017 we produced a Charter for Otterpool Park that set out in more detail our aspirations for the new garden town. The document built on the high level principles set out in the Expression of Interest submitted to Government in June 2016 and the Sustainability Wheel. The Charter focused on creating a place that is truly sustainable; as the plans for Otterpool Park develop these principles continue to guide our vision and are reflected in our council ambitions below.

We have a clear picture of what we want Otterpool Park to deliver.

A sustainable new garden town

Sustainable development is about maximising the environmental, social and economic benefits that development can bring, enhancing the environment, building strong communities and providing jobs; not trading one benefit against another but building in a way that delivers gains across all three and enables us to invest in communities across the district.

Folkestone & Hythe District Council

Enhancing the environment

A real garden town

The garden town will provide a minimum of 50% green space reflecting existing landscape features and providing three new distinctive destination parks, giving public access to a diverse natural environment. Allotments and orchards will be provided for people to grow their own food, and neighbourhoods will have easy access to playing pitches and play areas.

Creating habitats for wildlife, providing food and adapting to a changing climate

The town will be designed to provide new habitat corridors so that wildlife can move between the town and the wider countryside. The government is introducing a requirement for new development to improve biodiversity by 10% - Otterpool Park will go beyond this and deliver gains of at least 20% across the lifetime of the development. Green spaces, ponds and watercourses can also be used to provide shade, reduce flooding from storms and filter waste water, using natural processes.

Promoting walking, cycling and public transport

Walking, cycling and public transport will be at the heart of the new town, using new technologies to help people plan their journeys and order and share rides. Westenhanger Station will be enhanced to become a new transport hub where travellers can easily switch between the train and buses, bikes or taxis to get to their destinations quickly.

Reducing our environmental impact

Otterpool Park will be designed to deliver the overall ambition of a low-car and low-carbon destination by developing an integrated approach to energy, water, travel and digital planning. New buildings will be designed to minimise energy use and be carbon neutral wherever possible.

Creating strong and healthy communities

Giving residents a voice in how their town is run

The original garden towns gave residents a strong voice in how their neighbourhoods were run and this continues today, more than a century after they were founded. Otterpool Park will be developed and managed in perpetuity with the direct involvement of its residents and businesses; residents will be directly engaged in long-term management and stewardship, fostering a shared sense of ownership and identity.

Preserving cultural heritage and inspiring the new

Westenhanger Castle will be a focal point within a restored parkland and garden setting. This rich cultural heritage will inspire new contemporary design, which in turn will enhance that heritage. Development will be shaped by design codes, which will set out rules about how the town's neighbourhoods, streets, squares and buildings will be laid out.

A diverse range of housing types and tenures

Otterpool Park will deliver up to 10,000 homes across a range of housing densities, types and tenures to provide the right mix of homes for people at all stages of life and for all budgets, including more than 2,200 affordable homes. Plots will also be provided for people who want to build their own homes (known as self-build or custom-build), either working on their own projects or as part of a group with other self-builders to build their own neighbourhoods.

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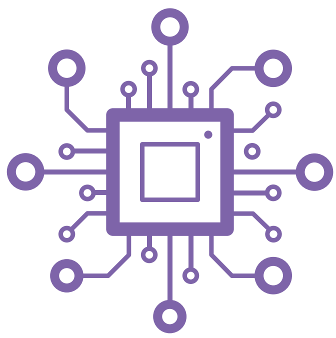
A new medical centre, drawing on the best examples from elsewhere and the latest digital technologies, will provide a 'one-stop shop', including GPs and primary care treatment during the early stages of the town's development, to pioneer new models of care and reduce pressure on hospitals.

Creating jobs and building new businesses

Diverse Employment Opportunities
Otterpool Park will help to grow businesses, both existing and new; an Innovation Centre will be built early on in the town's development, and easy access to London and Europe through High Speed rail links will help businesses access professional services and new markets. Building the garden town also offers opportunities to start new businesses in energy efficient construction and renewable technologies, and for young people to train in the new skills that our economy needs.

New town and neighbourhood centres
While the future of many of our traditional high streets is uncertain, people will still want to meet, exchange ideas, shop, relax and have a meal. New town and neighbourhood centres will be created that will provide flexibility for people to set up shops, cafes, workshops or office spaces on a temporary or longer-term basis, to share space and try out new business ideas.

Secure a digital town of the future
Otterpool Park will support advanced digital technologies, including the emergence of 5G and the IoT (Internet of Things); ultra-fast fibre optic broadband will be expanded to the premises at Otterpool Park to improve connections for new residents and immediate neighbouring communities where there are problems with broadband speeds and connectivity.



Appendix 2

<u>Extract from the minutes of the meeting of the Board of Otterpool Park Limited Liability held on 13 November 2020</u>

11. Draft vision, business plan and strategic land agreement

Report No 8 introduces the draft vision and business plan for the LLP. It seeks to set out the case for investment in the project and provides an indication of the potential financial return and wider benefits of the scheme. It also sets out the proposed strategic land agreement between the LLP and the council.

Decisions:

1: The board approves the draft business plan and vision at respectively appendix 2 and 4 or report 8 and recommends these to the owners of the LLP
2: That the Managing Director in consultation with the chairman be authorised to make minor amendments to the plan in the light of any comments by the owners of the LLP and the council's overview and scrutiny committee.

3: A formal request is made of the owners for funding support in accordance with the business plan.

4: The first tranche of funding is made available from the council to the LLP on the 1st of April 2021 in the sum of £5 million.

5: A further £70 million is made available over the subsequent 3-5 years as required for infrastructure and related investment.

6: That the necessary financial instruments be entered into for the funding to be obtained.

7: That a strategic land agreement as outlined in this report be entered into on terms to be agreed by the Managing Director in consultation with the chairman.

8. That the council be approached with a view to exploring the possibility of entering into a management agreement for the site and that should be the council be willing to enter into an agreement it be on terms to be agreed by the Managing Director in consultation with the chairman.

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Appendix 3

<u>Extract from the minutes of the meeting of the Owners / Members of Otterpool Park Limited Liability Partnership date 17 November 2020</u>

3. Draft business plan

John Bunnett, Managing Director, introduced the draft business plan, emphasising that it is a draft and advised the meeting of 8 recommendations which had been agreed by the Board at their meeting the previous week on 13 November 2020. These are appended to the minutes.

A discussion took place around funding arrangements. This point would be progressed in detail in consultation with the Director of Corporate Services. Although an agreement would not be in place prior to the meeting of the Overview and Scrutiny Committee on 1 December, assurances could be given to members at that meeting that necessary and appropriate financial controls would be in place prior to any draw down of funds, and that a separate Funding Agreement would be in place to support any future draw-down against agreed milestones.

It was noted and agreed that, with regard to the presentation of the business plan at the Overview and Scrutiny Committee meeting on 1 December 2020 and Cabinet on 20 January 2021, the aim was that the report/presentations would be in two parts, one part which could be available in the public domain, and one which would be private, and would require an exclusion to be passed should Members be minded to discuss the commercially sensitive information contained in that second part.

Following discussion about the different agreements that would be in place between the LLP and council, it was agreed that the report to Cabinet in January would include the principles for the Funding Agreement, and for the Strategic Land Agreement, with the detail agreed by the end of March and draw-down of funds. Officers are being supported in the development of these Agreements by external specialist advisers.

It was noted that further discussion was required over the coming months with regard to a mechanism for the on-going management of open space, and how this would be funded, to ensure a high level of management. The Director of Operations & Housing would be involved in these discussions and the matter would be subject to separate decision-making.

With regard to the main business plan, a number of amendments were suggested, relating to the style of the document, and ensuring it aligned more firmly with the council's ambition. It also needed to be made clear that the document was a business plan and not a detailed delivery plan, and that further elaboration on the extensive risk management activities undertaken by the LLP board was included.

The Managing Director advised that it was possible to make more overt references to the ambition, and provide clarity on how this would be delivered, and that the other proposed amendments could also be made prior to the business plan being considered by the Cabinet. The Director of Place undertook to give this detailed written feedback to the LLP.

The Managing Director then gave a presentation which set out each of the six stages of infrastructure and cashflow.

An extensive discussion followed which included the following points:

- Important to acknowledge that financial returns from Otterpool Park will be for use across the district.
- Discussions around the scope and phasing of the medical facility within the development were ongoing.
- Support for the timescales around the business plan, particularly the first phase.
- Sustainability of the development, confirmation of approach being aligned with the wheel outlined in the council’s ambition.

Extract from the minutes of the meeting of the Overview and Scrutiny Committee held on 1 December 2020

33. **Draft Business Plan - Otterpool Park LLP**

The Leader of the Council, in his capacity as Cabinet Member for Otterpool Park, introduced the report which presented the draft proposed business plan of Otterpool Park Limited Liability Partnership for the Committee's consideration.

Prior to the consideration of the report, Councillor Shoob left the meeting and Councillor Keutenius took the Chair. Councillor Mrs Hollingsbee also left the meeting.

The Chairman read out a statement reminding all members that it will not be possible for Officers to discuss commercially sensitive/confidential information during the open session of this meeting, and if members wished to discuss commercially sensitive / confidential information then it was recommended that a vote take place to move into private session.

The Director of Place, as representative of the council, gave a brief introduction and advised that consideration of the Draft Business Plan was a significant milestone in the development and delivery of the project.

The Director of Development, as representative of the LLP, outlined the Business Plan and introduced the Consultants (Tim Mitford-Slade from Strutt and Parker and Victoria Seal from BNP Paribas Real Estate) who were present at the meeting to address any detailed technical questions, should they be asked by members.

The Committee Members commented on various issues including the following:

- With regard to community engagement, how were current communities, such as Lympne, being engaged? This was vital in order for the new community to blend in.
- Under Phase one of the infrastructure, were other incomes being pursued?
- Could the project commit to zero carbon housing as the council could act as a trail blazer.
- Was there a transport strategy, particularly in relation to walking and cycling links?
- The term relating to new schools 'opening and filling up from the bottom' would benefit from clarification.
- There appeared to be inconsistencies between the report (paragraph 3.1.1) and business plan (paragraph 5.2) around enabling the LLP to deliver without further approval being required.

- How did the council arrive at the decision to form the LLP?
- Members asked whether the term ‘shareholders’ should be removed from the plan, given that there were no shareholders?
- What process was in place for the LLP to draw down additional funding?
- Members had control over the council and its processes.
- The project was ambitious and exciting.

The Director of Development and the Leader of the Council both responded to issues raised by Members, and made points including the following:

- Consultation and engagement was resource intensive. Due to the importance placed on the matter, a new member of staff had recently been recruited to provide more capacity to help develop relationships within the local communities. The team were tendering to establish a ‘virtual community’ to bring together the community and local businesses, with an opportunity to engage on different aspects of the project such as design, etc.
- The numbers reflected the assessed need of the development. If there was a need for more funding, other ways to bring in investment would be considered and sought with the necessary approvals being put in place. This could, e.g. include investment from Homes England who had expressed an interest in funding part of the infrastructure.
- The aspiration for zero carbon was there, but at the present time this would incur additional costs and the council’s ambition is to create a low carbon new town, not a zero carbon town.
- The design did respond to the council’s aspiration for environmental sustainability. It was also important to retain the ability of the scheme to be profitable. Other examples of zero carbon housing elsewhere in the country had been subsidised by local authorities. In the industry, there were many different definitions of zero carbon.
- Work continues on the Transport Strategy and this would be submitted in the spring, prior to the consideration of the outline application. The promotion of more walking and cycling, and more use of public transport would be included in the strategy, as well as connectivity to surrounding areas, including Hythe.
- The intention is that the first primary school would be delivered before the first house was occupied. The phrasing around ‘filling from the bottom up’ could be clarified as the draft documents were finalised.
- A range of legal documents govern the relationship between the council and the LLP, and the business plan was also a means by which the LLP would be controlled, which is why the plan would be reviewed annually by members, and would act as an opportunity to reaffirm the activities of the LLP’s business plan. There were also two of the District Councillors appointed as Board Members.
- With regard to the formation of the LLP, the council could have employed a company to act as the delivery vehicle, but creating its own LLP would retain an element of control. Extensive external legal and financial

advice had been sought as reported throughout the year in earlier decision-making reports.

- Although there were no other shareholders of the LLP at this point, it was something that could be considered in the future, for partners to come on board, should that be an appropriate action to progress.
- It was anticipated that over time the LLP would become self-sustaining. The LLP was only authorised to operate within the context of the business plan. Anything outside of the agreement would require an exceptional report. The necessary appendices to the plan were being worked up at present, but would clearly show how the LLP could draw down funding within the agreed range of activities. Members were reassured that there would not be unlimited uncontrolled finance for the LLP.

Proposed by Councillor McConville,
Seconded by Councillor Wing; and

RESOLVED:

That given the importance of this piece of work, a task and finish group be created to work alongside members and officers to get the Business Plan to its best possible version prior to consideration by Cabinet in January 2021.

(Voting figures: 5 for, 1 against, 1 abstention).

Proposed by Councillor Keutenius,
Seconded by Councillor Fuller; and

RESOLVED:
That the report be received and noted.

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

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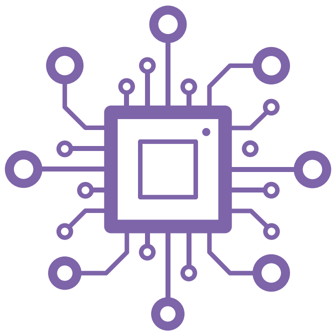

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SUMMARY HEADS OF TERMS
SUBJECT TO CONTRACT

Otterpool Park Garden Town
Delivery Vehicle financing & Strategic Land Agreement
January 2021

<table>
<tr><th>ITEM</th><th>DESCRIPTION</th></tr>
<tr><td colspan="2">KEY TERMS</td></tr>
<tr><td>1. Project</td><td>Otterpool Park Garden Town</td></tr>
<tr><td>2. Council</td><td>The District Council of Folkestone & Hythe

• Sponsor for the Project.
• Landowner of large portions of the Project site.
• Corporate member of the Delivery vehicle, carrying decisive influence over its decision-making and activities.
• Investor in the Delivery Vehicle (see no.5 below).
• Lender to the Delivery Vehicle (see nos. 6 & 7 below).</td></tr>
<tr><td>3. Delivery Vehicle</td><td>Otterpool Park LLP

• The Council's master developer for the Project.
• Option-holder in respect of the Council's land interests at the Project site (see no. 8 below).
• Recipient of Council investment/lending (see nos. 5 – 7 below)</td></tr>
<tr><td colspan="2">DELIVERY VEHICLE FINANCING</td></tr>
<tr><td>4. General</td><td>The Delivery Vehicle's draft Business Plan forecasts an initial funding requirement of up to £70m.

That financing is to be split into two separate funding streams:

• Equity – i.e. capital contributions/equity investment from the Council as member to the Delivery Vehicle (see no.5 below) – being working capital injection to fund the forecasted running costs of the Delivery Vehicle; and

• Debt – i.e. debt funding from the Council as lender to the Delivery Vehicle (see no. 6 below) – to finance the Delivery Vehicle's forecasted capital expenditure.

A separate debt facility (i.e. debt funding from the Council as lender to the Delivery Vehicle) may also be utilised to finance Delivery Vehicle acquisitions of land interests within the Project site (see no. 7 below).</td></tr>
</table>

ITEM	DESCRIPTION
5. Equity funding	The Council (as member) intends to inject equity into the Delivery Vehicle by way of capital contribution.[1] That investment, on State aid compliant terms[2], will be treated as working capital and will finance the Delivery Vehicle's running costs in delivering the Project. That capital contribution will provide the Council with an increased equity position – i.e. the equivalent of a shareholding in a company limited by shares – in the Delivery Vehicle. The profile of that financial position for the Council will be different from the proposed debt funding streams described in nos. 6 & 7 below. The Council's liability as a member of the Delivery Vehicle will be limited to the aggregate amount of its capital contributions, so that potential liability will increase as the Council's capital contributions increase. The Council may apply an interest coupon (payable by the Delivery Vehicle) to the capital contribution. The capital contribution will be governed by the Delivery Vehicle's Members' Agreement. To ensure good governance and financial management, it is anticipated that the proposed capital contribution will be injected by the Council in tranches as required in accordance with the Delivery Vehicle's approved Business Plan. The approval of individual tranches will be governed by a mechanism in the Members' Agreement. The Delivery Vehicle will be required to lodge a request with the Council for injection of a further tranche, accompanied by supporting evidence. Separately, regular reporting on progress made against the current approved Business Plan will also be provided for, so that the Council is provided with appropriate scrutiny of the Delivery Vehicle's activities and can be confident that its investment is being correctly applied.[3] Where approved, individual tranches of Council investment will each be documented by way of corporate resolutions and board minutes. All Council capital contributions in the Delivery Vehicle will be credited to its capital account.
6. Debt funding – capital expenditure	The Council (as lender) intends to put in place arm's length secured debt facilities to finance the Delivery Vehicle's (as borrower) forecasted capital expenditure for the Project. Such a facility, on State aid compliant terms[4], will be for a capped amount of forecasted capital expenditure, the parameters of which will be determined in relation to the Delivery Vehicle's approved Business Plan.

[1] The proposed equity investment will be in addition to any initial tranches of working capital invested by the Council to-date.
[2] To be kept under review pending the outcome of the UK's withdrawal negotiations with the European Union.
[3] Further drafting updates to the Members' Agreement are expected to be agreed by way of variation to provide for the mechanisms. It is expected that those amendments will be finalised at the same time as other legal documents described in these heads of terms.
[4] To be kept under review pending the outcome of the UK's withdrawal negotiations with the European Union.

ITEM	DESCRIPTION
	It is expected that a number of facilities (on similar terms) are likely to be put in place throughout project delivery – e.g. in relation to different phases of the Project. It is expected that any such facility would be put in place shortly after the Delivery Vehicle's Business Plan is approved at relevant junctures. Such facility will be governed by a detailed Facility Agreement. The Delivery Vehicle will draw from the facility in tranches, as required for the Project against approved and documented eligible capital expenditure profiles. Each draw down will be subject to detailed mechanisms, checks and balances provided for in the Facility Agreement. The Facility Agreement will be on market standard arm's length terms. Key provisions will include: • A maximum facility amount. • The "Purpose" of the loan and "Eligible Expenditure" will be clearly defined. • Prescribed form of drawdown request to be prepared and by the Delivery Vehicle prior to each drawdown, countersigned by a quantity surveyor (or equivalent), with supporting evidence, and submitted to the Council (as lender). • A set of representations and warranties (e.g. re insolvency) will be made by the Delivery Vehicle to the Council at the date of entering into the Facility Agreement and at the date of each drawdown. • The facility will be subject to the usual events of default – e.g. non-payment, incorrect representations/warranties. • The Council will be provided with information/scrutiny rights in relation to the Delivery Vehicle's accounts, financial statements and material changes to the Project. These will be in addition to the Council's similar rights as member of the Delivery Vehicle (as referred to in no. 5 above). • The Council will be entitled to collateral warranties where relevant. Other conditions precedent are likely to apply to individual drawdowns. In particular where an area of capital expenditure dovetails with a requirement for the Council transfer one of its land interests in the Project site pursuant to the terms of the Strategic Land Agreement. In those circumstances, the satisfaction of the Business Case Condition under the Strategic Land Agreement in relation to the relevant land interest would be a pre-condition to any drawdown under the facility. The facility will be subject to an availability period and a final repayment date. Detailed repayment terms will be determined in due course prior to a Facility Agreement being entered into, but are likely accord with the cash-flow/returns forecasts for the Project. Mechanisms will be included to provide for mandatory/voluntary repayment in specific circumstances. Interest will be applied to the borrowing. The configuration of the interest provisions is likely to be configured on an elastic/rolled-up basis, again to accord with the cash-flow forecasts for the Project. A facility of this kind (i.e. against a profile of agreed capital expenditure) will be secured by way of a debenture (containing fixed and floating charges) over the Delivery Vehicle's assets. That is distinct from the form of security that would be applied to a debt facility put in place for the acquisition of specified assets (see no. 7 below).

ITEM	DESCRIPTION
7. Debt – land acquisitions	Secured debt facilities may also be utilised to finance Delivery Vehicle acquisitions of land interests within the Project site. Again, the Council would act as lender and the Delivery Vehicle under those arrangements where utilised. Distinct from the debt arrangements described in no. 6 above, a template form of Facility Agreement (configured to apply to specific property acquisitions) will be appended to the Strategic Land Agreement, to be utilised where it is agreed that a Delivery Vehicle acquisition of a land interest in the Project site (either from the Council or from a third party), and supported by a facility arrangement of this kind, would benefit the Project. That template form of facility will be on market standard arm's length terms. Given the targeted nature of the facility, it is likely to be shorter form than the type of Facility Agreement utilised for the debt arrangements described in no. 6 above, but they will share some common mechanisms/provisions including: • A maximum facility amount. • The "Purpose" of the loan will be clearly defined. • A prescribed form of drawdown request to be prepared by the Delivery Vehicle and delivered to the Council. • A set of representations and warranties (e.g. re insolvency) will be made by the Delivery Vehicle to the Council at the date of entering into the Facility Agreement. • The facility will be subject to the usual events of default – e.g. non-payment, incorrect representations/warranties. Other conditions precedent are likely to apply to individual drawdowns, in particular (where such a facility is being utilised to support the acquisition of one of the Council's land interests in the Project Site) the satisfaction of the Business Case Condition under the Strategic Land Agreement. Other conditions precedent specific to property acquisitions will also apply, including title due diligence and property valuation. Interest will be applied to the borrowing. The configuration of the interest provisions is likely to be configured on an elastic/rolled-up basis, again to accord with the cash-flow forecasts for the Project. The facility will be subject to an availability period and a final repayment date. Detailed repayment terms will be determined in due course prior to a Facility Agreement being entered into, but are likely accord with the cash-flow/returns forecasts for the Project. Given the targeted nature of its subject matter, such a facility will be secured by way of a legal charge over the asset being acquired.

<table>
<tr><th>ITEM</th><th>DESCRIPTION</th></tr>
<tr><td colspan="2">STRATEGIC LAND AGREEMENT</td></tr>
<tr><td>8. General</td><td>The Council currently owns a large proportion of the Project site and holds options to purchase further considerable areas of it.

Given the scale and variety of delivery outcomes encompassed within the Project, the land arrangements between the Council (as landowner) and the Delivery Vehicle (as master developer) need to be as flexible as possible. A Strategic Land Agreement entered into between the Council and the Delivery Vehicle is anticipated

The Strategic Land Agreement will provide the Delivery Vehicle with a call option over the Council's land interests in the Project site.

That call option will be flexible as to:

• when and how it is exercised by the Delivery Vehicle – it is anticipated that it will be exercisable on multiple occasions, in relation to different land interest on each occasion as the Project requires; and

• the outcome of the option being exercised – it could trigger a transfer from the Council to (i) the Delivery Vehicle, (ii) a subsidiary of the Delivery Vehicle or (iii) a nominated third party.</td></tr>
<tr><td>9. Exclusivity/ option price</td><td>It is anticipated that the Strategic Land Agreement will effectively provide the Delivery Vehicle (as master developer) with an exclusive position in relation to the development of the Project site.

That exclusivity is likely to attract a value/premium and it is therefore expected that entry into the Strategic Land Agreement will be for consideration, being payment of an option price by the Delivery Vehicle to the Council.

The option price is to be determined by reference to an independent valuer to satisfy the Council's duty to obtain best consideration.</td></tr>
<tr><td>10. Management and maintenance of Project site</td><td>The medium/long term nature of the delivery programme for the Project means that certain land interests within the Project site will not be required by the Delivery Vehicle for development for considerable time following entry into the Strategic Land Agreement.

The Strategic Land Agreement will therefore also govern the respective roles and responsibilities of the Council and the Delivery Vehicle in relation to the management and maintenance of the Project site during the interim period before a transfer of specific land interests is required by the Delivery Vehicle for Project delivery.

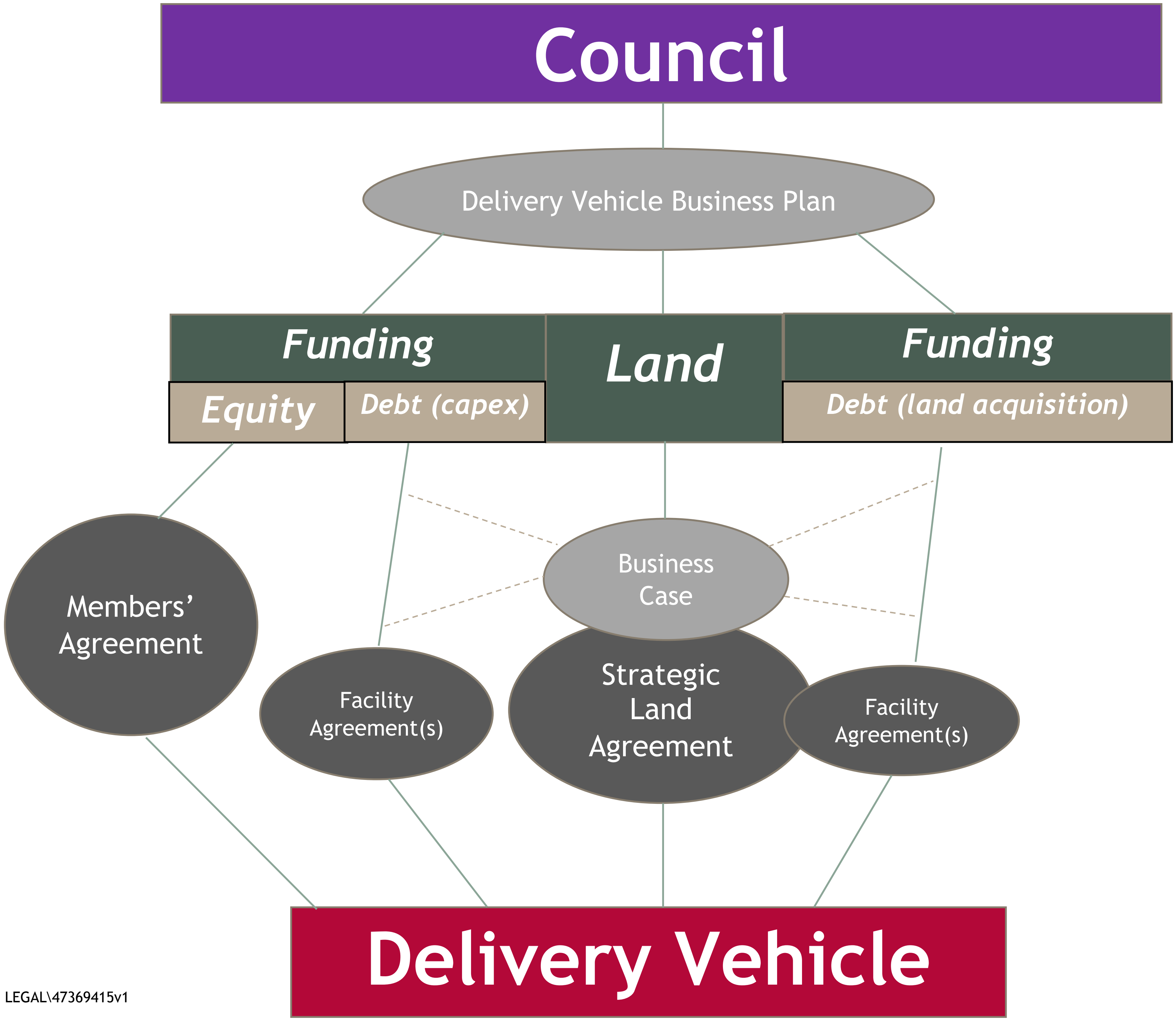
Accordingly, a form or service level agreement will be encompassed within the Strategic Land Agreement to govern the Delivery Vehicle's roles and responsibilities in that capacity.

An access licence will also be included to provide the Delivery Vehicle with necessary access to the Project site for those purposes.</td></tr>
</table>

ITEM	DESCRIPTION
11. Third Party Access	During the interim period before a transfer of specific land interests is required for Project delivery, the Delivery Vehicle will undertake pre-development activity at the Project site. Accordingly, the Strategic Land Agreement will also append a form of access licence to be utilised where the Delivery Vehicle requires the Council to grant access to an appointed third party for the purposes of pre-development activity.
12. Exercise of the option	The Strategic Land Agreement will include mechanisms for how the call option (described in no. 8 above) is to be triggered by the Delivery Vehicle when parts of the Project site are required for Project delivery. That mechanism will incorporate a written notice procedure and will be subject to various pre-conditions (see nos. 13 – 16 below). Those pre-conditions will be capable of waiver by unanimous agreement between the Council and the Delivery Vehicle, as all of them may not always be relevant to a particular transaction. Exercise of the option by the Delivery Vehicle will trigger a property transaction in relation to a part of the Project site, which will be contractually documented. Accordingly, the Strategic Land Agreement will append appropriate forms of transactional documents (e.g. form of building licence, forms of property transfer(s)) to be utilised/finalised where applicable.
13. Pre-condition - *title & vacant possession*	The Delivery Vehicle (and potentially a nominated third party purchaser dependant on the circumstances of the transaction) will need to satisfy themselves as to title and vacant possession of the part of the Project site that is being transferred pursuant to the Strategic Land Agreement.
14. Pre-condition - *planning*	An outline planning permission for the Project is currently being determined. Specific phases of the Project are likely to require further detailed planning consents prior to development, which it may be sensible to arrange prior to land interests being transferred pursuant to the Strategic Land Agreement.
15. Pre-condition *valuation*	In respect of any property transfer pursuant to the Strategic Land Agreement, the Council (as landowner) will need to have regard to its duty to obtain best consideration. Accordingly, all transfers will be subject to a valuation carried out by an independent valuer.
16. Pre-condition – *business case*	Within the parameters of the current approved Business Plan, it is anticipated that a specific detailed business case will be prepared by the Delivery Vehicle, and then agreed with the relevant Council representative(s), in relation to each property transaction entered into pursuant to the Strategic Land Agreement. The content of a business case will be directed by the proposed outcomes for the relevant transaction but, in all circumstances, is likely to address the following: • development outcomes; • projected returns; • funding strategy; and

ITEM	DESCRIPTION
	• risk register. The funding strategy will be a key linkage between the Strategic Land Agreement and the Delivery Vehicle financing arrangements described above. Depending on the particulars of the specific business case, the funding strategy may need to provide for the means by which the Delivery Vehicle is to acquire a particular land interest and/or how other capital expenditure is to be financed. In each case, accordingly, the business case condition will act as a condition precedent to both (i) the property transaction pursuant to the Strategic Land Agreement and (ii) the means by which the Delivery Vehicle is financing the property acquisition and/or other related capital expenditure. Similarly dependant on the relevant particulars at-hand, the business case may also need to provide comfort as to the contractual mechanisms under which the specified development outcomes are to be secured. For example, how will design requirements be imposed on a third-party housebuilder taking a transfer of part of the Project site.
17. Option agreements	A strategy as to how the various land options which the Council is holding in relation to considerable parts of the Project site are to be encompassed within the Strategic Land Agreement (if at all) is to be determined. A number of options may be available to the Council, including: • exercising the options and taking ownership of the relevant land interests; • extending the options; or • assigning the benefit of the options to the Delivery Vehicle. The various options are governed by different terms and there are different implications to each of the strategies above.
TAX	
18. Tax	High-level strategic tax advice will be procured in relation to the transactions and mechanics described in these heads of terms. Nonetheless, tax analysis will remain ongoing throughout Project delivery, with the tax implications of individual financing arrangements and land transactions analysed on a case-by-case basis.
PROJECT RETURNS	
19. Returns	Given the scale and variety of delivery outcomes encompassed within the Project, the proposed arrangements described in these heads of terms have been designed to be flexible and to facilitate a variety of delivery models. Accordingly, Project returns may ultimately be received (and development profits realised) in a number of different ways. It is anticipated that (unless there is a good reason to the contrary) the majority of the Project site in the Council's ownership will be transferred from the Council to the Delivery Vehicle for Project delivery, at the appropriate juncture and subject to the mechanisms in the Strategic Land Agreement (see nos. 8 – 16 above).

ITEM	DESCRIPTION
	For such land interests held by the Delivery Vehicle, any Project returns would be received (and development profits initially realised) in the Delivery Vehicle, or a subsidiary of the Delivery Vehicle, then subsequently distributed to the Council (as member). How the Council (as member) receives its profit share will be a function of the mechanisms in the Members' Agreement and the Business Plan for the Delivery Vehicle. Project returns could be received by the Delivery Vehicle (and development profits realised in the Delivery Vehicle) in a number of different ways. • straight land sale – consideration paid to the Delivery Vehicle could comprise a mixture of deposit, purchase price and overage; • development agreement with a third party developer – the form of consideration paid to the Delivery Vehicle could be similar to a straight land sale or more sophisticated; • self-delivery – either in the Delivery Vehicles or a subsidiary of the Delivery Vehicle – returns/profits ultimately realised via capital receipts (e.g. unit sales) or other revenue streams (e.g. rental income); or • joint venture with a third party – either in the Delivery Vehicle or a subsidiary of the Delivery Vehicle – returns/profits ultimately realised via capital receipts (e.g. unit sales) or other revenue streams (e.g. rental income). An exception to the above would be where, pursuant to the Strategic Land Agreement, the Council is directed by the Delivery Vehicle to transfer a land interest direct to a third party (for tax reasons or otherwise. In that scenario, returns would be directed straight to (and development profits realised by) the Council.



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