



Agenda

Meeting: **Cabinet**
Date: **26 January 2022**
Time: **5.00 pm**
Place: **Council Chamber - Civic Centre Folkestone**

To: **All members of the Cabinet**

All Councillors for information

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

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

Although social distancing rules have been relaxed, for the safety of the public, elected members and staff, we will continue to seat members of the public approximately one metre apart. This means that there will be 13 seats available for members of the public, which will be reserved for those speaking or participating at the meeting. The remaining available seats will be given on a first come, first served basis.

All attendees at meetings are kindly asked to wear face coverings, unless they are addressing the meeting.

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);

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Email: committee@folkestone-hythe.gov.uk or download from our
website
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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 15 December 2021.

4. **General Fund Capital Programme Budget Monitoring 2021/22 (Pages 13 - 24)**

This monitoring report provides an updated projection of the current financial position for the General Fund capital programme profiled for 2021/22, based on expenditure to 30 November 2021, and identifies variances compared to the latest approved budget.

5. **General Fund Revenue Budget Monitoring - 3rd Quarter 2021/22 (Pages 25 - 32)**

Monitoring report C/21/65 provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 30 November 2021.

6. **HRA Budget Monitoring Quarter 3 (Pages 33 - 42)**

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 2021.

7. **Draft Housing Revenue Account Revenue and Capital Original Budget 2022/23 (Pages 43 - 56)**

This report sets out the Housing Revenue Account Revenue and Capital Budget for 2022/23 and proposes an increase in weekly rents and an increase in service charges for 2022/23.

8. **Detailed Draft General Fund Budget 2022/23 (Pages 57 - 108)**

This report sets out the Council's Draft General Fund budget for 2022/23.

9. **Treasury Management Strategy Statement for 2022/23 and Treasury Management Monitoring Report 2021/22 (Pages 109 - 142)**

This report sets out the proposed strategy for treasury management for 2022/23 including Treasury Management Prudential Indicators. The report also provides an update on the council's treasury management activities that have taken place during 2021/22 against the agreed strategy for the year.

10. **Folkestone and Hythe District Discretionary Covid-19 Additional Relief Fund (Pages 143 - 146)**

This report sets out proposals for how Folkestone & Hythe District Council

will use government funding awarded through Covid-19 Additional Relief Fund (CARF).

11. **Oportunitas Progress Report 2021/22 - To 30 November 2021 (Pages 147 - 176)**

This report provides an update from the Board of Oportunitas Ltd (“the company”) on activities undertaken so far during the 2021/22 financial year, including a projected outturn for the profit and loss account for the period to 31 March 2022 compared to the original forecast. The report also outlines the company’s audited Statement of Accounts for the financial year ending 31 March 2021. This report is in-line with the requirement contained in the Shareholder’s Agreement between the company and the Council. The chairman of Oportunitas will be available at the meeting of Cabinet to present the report and to address any questions.

12. **Infrastructure Funding Statement 2021 (Pages 177 - 202)**

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. **Equality and Diversity Annual Report 2020-21 (Pages 203 - 252)**

The Equality Act 2010 places a statutory duty on the council to prepare and publish information annually to demonstrate compliance with the Public Sector Equality Duty. The draft Equality & Diversity Annual Report is therefore presented for consideration and approval prior to publication.

14. **Housing Asset Management Strategy (Pages 253 - 290)**

The Housing Asset Management Strategy (HAMS) is the primary document in a library of housing strategies that provide direction for the future maintenance, improvement and development of the council’s housing stock along with its small commercial portfolio and other non HRA properties the housing service has responsibility for.

The strategy has been considered by the Overview and Scrutiny Committee, the Strategic Tenants Panel, along with a wider consultative group of tenants. Where appropriate amendments have been made to the HAMS (attached at Appendix A) with the changes detailed in this report.

15. **Otterpool Park LLP Draft Updated Business Plan (Pages 291 - 426)**

This report presents the first annual update of the strategic business plan for Otterpool Park Limited Liability Partnership (LLP). The draft updated plan provides commentary on progress achieved to date and sets out the priorities and key milestones for the LLP over the next 12-18 month period. The report is presented to Cabinet for agreement.

16. **Princes Parade (Pages 427 - 472)**

The provision of a new leisure centre, housing and public open space at Princes Parade has previously been approved by Cabinet. This report gives an update on the status of the project, recommends appointment of the leisure centre operator and build contractor and seeks approval for financial capital and revenue provision to complete the project.

17. **Update on the development of the Highview site (Pages 473 - 480)**

Cabinet approved the acquisition of the former Highview School site in Folkestone in April 2017 (minute number 79 applies). The site will enable the development of 30 affordable Council homes for affordable rent and shared ownership purchase. To enable the new homes to be as energy efficient as possible and meet the necessary standards to be zero carbon in use, the current viability assessment for the development shows that the development repayment period is likely to exceed the current agreed timescale of 30 years set out in the current HRA Business Plan. Cabinet approved the Council's current Housing Revenue Account Business Plan at its meeting on 23 March 2016 (minute number 80).

Should Members wish to discuss the commercially sensitive matters set out in appendix 1, the agenda will progress to agenda item 19.

18. **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

19. **Update on the development of the Highview site (exempt appendix to report) (Pages 481 - 482)**

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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Minutes

Cabinet

Held at:	Council Chamber - Civic Centre Folkestone
Date	Wednesday, 15 December 2021
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:	Kate Clark (Case Officer - Committee Services), Alastair Clifford (Chief Officer - Operations), Ellen Joyce (Democratic Services Trainee), Sue Lewis (Committee Services Officer), Susan Priest (Chief Executive), Jo Robinson (Senior Corporate Debt Officer), Andrew Rush (Regulatory Services & Corporate Contracts Lead Specialist) and Charlotte Spendley (Director of Corporate Services)
Others Present:	None

NOTE: All decisions are subject to call-in arrangements. The deadline for call-in is Friday 24 December 2021 at 5pm. Decisions not called in may be implemented on Wednesday 29 December 2021.

54. **Declarations of Interest**

Councillor Lesley Whybrow made a voluntary announcement as her husband is a member of Hythe Town Council. This related to Agenda Item 8 (Hythe Town Council Grounds Maintenance Contract Tender), Councillor Whybrow remained in the meeting and voted on this item.

Councillor Tim Prater made a declaration of significant interest in that he is a member of Hythe Town Council. He left the meeting prior to the presentation of Agenda Item 8.

55. **Minutes**

The minutes of the meeting held on 24 November 2021 were submitted, approved and signed by the Leader.

56. **Budget Strategy 2022/23**

The Budget Strategy set out the guidelines for preparing the 2022/23 Budget. It supports the Corporate Plan and aligns with the direction and objectives of the Medium Term Financial Strategy (MTFS).

The Budget Strategy took account of current and future financial issues, set out the underlying assumptions and initial budget-setting proposals and provided a timetable for delivering a balanced budget in 2022/23.

Councillor Prater raised a point with regard to Council car parking pay and display machines. He proposed that an amount of funding is added to the 2022/23 Capital Programme Growth Proposals to enable contactless payment facilities for car parking in the district. Councillor Field supported this and proposed that over the short, medium and long term, other methods of payment could be explored, such as ANPR.

Proposed by Councillor John Collier
Seconded by Councillor David Godfrey; and

Resolved:

1. **To receive and note report C/21/54.**
2. **To recommend to Full Council the adoption of the Budget Strategy for 2022/23 set out in this report.**
3. **To approve the General Fund revenue growth & savings proposals for 2022/23 (Appendix 2).**
4. **To approve the General Fund capital growth proposals for 2022/23 (Appendix 3).**
5. **To agree the proposed timetable for preparing 2022/23 budgets (Appendix 4).**
6. **To agree the proposed arrangements for consultation.**

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

Proposed by Councillor Tim Prater
Seconded by Councillor Ray Field; and

Resolved:

That £60,000 is allocated to the 2022/23 Capital Programme Growth Proposals to upgrade payment options for car parking in the district in the context of a short, medium and long term strategy.

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

Reason for Decision: Cabinet was asked to agree the recommendations set out because:

- (i) The Budget Strategy provides the framework for compiling the detailed 2022/23 budgets;
- (ii) The Budget Strategy will support the delivery of the MTFS; and

- (iii) The Budget Strategy enables the publication of initial proposals, timescales and provides details of the arrangements for consultation as required by the constitution.

57. Fees & Charges 2022/23

The report focussed on the proposed fees and charges for 2022/23 which will contribute towards meeting the council's 2022/23 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).

Councillor Prater sought clarification under the Discretionary Fees and Charges 2022/23 with regard to Town Centre Commercial Booking, in that there is a need to be explicit that this charge is not applicable to charities. He proposed an amendment in that Hythe Swimming Pool Off Peak charge is reinstated as he thought it was unreasonable for swimmers at off peak times to be charged at the standard rate.

Officers provided members with usage figures for Hythe Swimming Pool pre and post pandemic and commented that there would only be a small impact to income if off peak charges remained for 2022/23.

Councillor Prater turned to parking charges at Castle Road and Wilberforce Road in Sandgate and proposed that the increase in charges for up to two hours is reduced to £1.20. This proposal was not seconded.

Proposed by Councillor Tim Prater
Seconded by Councillor Lesley Whybrow; and

Resolved:

That the off-peak fee for swimming at Hythe Swimming Pool is reinstated under Discretionary Fees and Charges 2022/23.

(Voting: For 6; Against 0; Abstentions 3)

Proposed by Councillor David Monk
Seconded by Councillor Mrs Jenny Hollingsbee; and

Resolved:

- 1. To receive and note report C/21/55.**
- 2. To approve:**
 - (i) The 2022/23 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: For 8; Against 0; Abstentions 1)

Reason for Decision:

Cabinet agreed the recommendations set out because the fees and charges are essential to support the delivery of the MTFs and Budget Strategy.

58. Discretionary Rate Relief Policy review

The report was seeking approval from Cabinet to bring the Discretionary Rate Relief policy up to date and insert information on Section 44a partially occupied relief.

Proposed by Councillor David Monk

Seconded by Councillor Stuart Peall; and

Resolved:

- 1. To receive and note report C/21/58.**
- 2. To agree the revised Discretionary Rate Relief Policy.**

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

Reason for Decision:

Cabinet was asked to approve the recommendations.

59. Update to the Contaminated Land Strategy

The council has a duty under Part 2A of the Environmental Protection Act 1990 to manage contaminated land within the district. The council is expected for this purpose to prepare a Contaminated Land Strategy. The strategy must cover a number of objectives notably how contaminated land is identified, risk assessed and remediated if required. Legally, only land where contamination is assessed as a significant risk is considered under the strategy. Land where contamination is present is routinely considered under the Planning Regime for new developments. There have been no major changes to legislation or statutory guidance since the strategy was last reviewed in 2017. The latest version of the strategy was a general update on progress since the last review.

During discussion of this item Councillor Whybrow requested that the council web page for the strategy be updated to explain that the Contaminated Land Strategy only considers sites where contamination is considered a significant risk and that sites affected by contamination are generally considered within the planning system for new developments.

Proposed by Councillor Stuart Peall

Seconded by Councillor John Collier; and

Resolved:

- 1. To receive and note report C/21/53.**
- 2. To approve the new strategy for the period 2021 to 2026.**

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

Reason for Decision:

It is a statutory requirement of the council to have a Contaminated Land Strategy. The current strategy needs to be reviewed and updated.

Councillor Tim Prater left the meeting prior to the presentation and conclusion of the following item.

60. Hythe Town Council Grounds Maintenance Contract Tender

The report gave an overview of Hythe Town Council's Grounds Maintenance Contract and sought permission to submit a tender for this work, and if successful enter into contract for the 5 year period.

Proposed by Councillor John Collier
Seconded by Councillor Stuart Peall; and

Resolved:

- 1. To receive and note report C/21/57.**
- 2. To approve that Officers submit a tender for the contract as per the detail set out in the report.**
- 3. To approve that delegated authority is provided to the Director of Housing and Operations to enter into contract if our bid is successful and conclude the contractual arrangements.**

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

Reason for Decision:

The Council currently undertakes the grounds maintenance contract on behalf of Hythe Town Council. The contract works well within the teams operating area and specialties providing a small surplus that helps to offset the labour and revenue costs of the Council's grounds maintenance service.

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Agenda Item 4

Folkestone
& Hythe



District Council

This Report will be made public on 18 January 2022

Report Number **C/21/60**

To: Cabinet
Date: 26 January 2022
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader and Portfolio Holder for Finance

SUBJECT: GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2021/22

SUMMARY: This monitoring report provides an updated projection of the current financial position for the General Fund capital programme profiled for 2021/22, based on expenditure to 30 November 2021, and identifies variances compared to the latest approved budget.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because it needs to be kept informed of the General Fund capital programme position and take appropriate action to deal with any variance from the approved budget.

RECOMMENDATIONS:

1. To receive and note report C/21/60.

1. INTRODUCTION AND BACKGROUND

- 1.1 As part of the council's normal budget monitoring process this report updates Cabinet on the current position for the General Fund capital programme profiled for 2021/22, based on expenditure to 30 November 2021, compared to the latest approved budget. Specifically, this report;-
- i) identifies variances on planned capital expenditure for 2021/22 and explanations of these differences, and
 - ii) considers the impact any changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 Cabinet is reminded that Full Council approves a rolling five year General Fund Medium Term Capital Programme (MTCP) annually as part of the overall budget process. This monitoring report considers the latest projected expenditure for 2021/22 against the profiled budget for the year. Cabinet considered an initial projected outturn position for the General Fund capital programme in 2021/22 on 24 November 2021 (minute 51 refers).
- 1.3 On 24 November 2021 Full Council approved further changes to the MTCP for (i) £400k for works to the Connect 38 building, (ii) up to £408k for the Biggins Wood Development and (iii) £745k for Street Lighting works (minute 50 refers).
- 1.4 The projections shown in the report may, in some cases, be subject to further change which will be reported to Cabinet as part of the on-going budget monitoring process.
- 1.5 An update to the MTCP for the five year period ending 31 March 2027 is planned to be made to Cabinet and Full Council on 23 February 2022. The MTCP update is expected to include the latest position for the Princes Parade scheme. It may also be necessary to consider the allocation of the approved capital budgets between the Otterpool Land Acquisition and Otterpool Further Investment (funding of the LLP Delivery Vehicle) schemes to reflect the most appropriate and effective way of delivering the overall objectives for the Otterpool Park development.

2. CAPITAL PROGRAMME 2021/22 – PROJECTED OUTTURN

- 2.1 The planned expenditure on all General Fund capital schemes in 2021/22, based on expenditure to 30 November 2021, is anticipated to be £20,279,000 a reduction of £29,548,000 compared to the approved budget of £49,827,000. 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 2021/22	Latest Budget 2021/22	Projection 2021/22	Variance Budget to Projection
	£'000	£'000	£'000
Service Units			
Operations	10,083	1,632	(8,451)
Corporate Services	2,496	1,416	(1,080)
Housing	1,927	1,587	(340)
Transformation & Transition	21,327	6,123	(15,204)
Economic Development Place	0	625	625
	13,994	8,896	(5,098)
Total Capital Expenditure	49,827	20,279	(29,548)
Capital Funding			
Capital Grants	(6,479)	(7,652)	(1,173)
External Contributions	(2,142)	(369)	1,773
Capital Receipts	(17,019)	(884)	16,135
Revenue	(2,290)	(747)	1,543
Borrowing	(21,897)	(10,627)	11,270
Total Funding	(49,827)	(20,279)	29,548

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

1	Reprofiling between 2021/22 and 2022/23	£'000	£'000
i)	Ship Street Site Folkestone	(111)	
ii)	Land at Otterpool	(2,382)	
iii)	Otterpool Further Investment	(3,500)	
iv)	Otterpool Park Masterplanning Costs	805	
v)	Otterpool Park Delivery Costs	90	
vi)	Biggins Wood Site Land Remediation Works	(2,560)	
vii)	District Street Lights	(745)	
viii)	Coast Drive Seafront Development	(893)	
ix)	East Cliff Landfill Protection (FPPG Charity)	(1,170)	
x)	Coast Protection, Coronation Parade Folkestone	(730)	
xi)	Public Toilet Enhancement	(197)	
xii)	Princes Parade Leisure Centre	(15,540)	
xiii)	Mountfield Business Hub	336	
xiv)	Connect 38 CAT A Works	(240)	

xv)	Oportunitas Phase 2 Funding	(1,080)	
xvi)	Greatstone Holiday Lets Scheme (Varne)	(1,847)	
			<u>(29,764)</u>
2	Reclassification between capital and revenue		
i)	Community Led Local Development ERDF Capital Projects (externally funded)	625	
			<u>625</u>
3	Overspends		
i)	Lower Sandgate Road Beach Huts (FPPG Charity)	27	
ii)	Home Safe Loans	60	
iii)	Other small overspends	1	
			<u>88</u>
4	Underspends		
i)	General Fund Property - Health and Safety Enhancements saving	(10)	
ii)	Coast Protection Beach Management – Budget adjusted to reflect the grant awarded by the Environment Agency for a 5 year programme of works from April 2020 to March 2025	(77)	
iii)	Royal Military Canal footpath enhancements saving	(10)	
iv)	Disabled Facilities Grants - Occupational Therapist Service recommenced their home assessment visits part way through the year	(400)	
			<u>(497)</u>
	Total change in overall capital programme for 2021/22		<u>(29,548)</u>

2.3 As the variance analysis in the table above shows, there is a significant projected reprofiling of budgets from 2021/22 to 2022/23 and beyond. Notably, £15.54m of planned expenditure for the Princes Parade Leisure Scheme is to be reprofiled. Typically property related capital schemes are more difficult to project accurately in terms of the timing of expenditure due to external factors such as planning, legal and procurement. However, it is important to remember that the council controls its capital expenditure against the sums approved within the MTCP rather than the profiled amounts for each year.

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

3.1 One of the key principles underlying the council's Medium Term Financial Strategy is the capital programme is funded from available or realised capital resources and that new borrowing should only be used where it is prudent and affordable. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no

commitment is made against these until the funding is confirmed. The 2021/22 projected outturn for the General Fund capital programme conforms to this key principle.

- 3.2 As summarised in section 2 of this report, the council's projected capital expenditure for 2021/22 requires a significant level of borrowing to support it. The capital schemes in 2021/22 planned to be supported by borrowing are:

	£'000
i) Otterpool Park acquisitions	3,942
ii) Otterpool Park Delivery Vehicle	90
iii) Otterpool Further Investment	1,500
iv) Otterpool Park Masterplanning Costs	1,800
v) Veolia Waste Contract	1,484
vi) Oportunitas Phase 2 funding	1,340
vii) Temporary Accommodation	274
ix) Lower Sandgate Road Beach Huts (Charity)	47
x) Coastal Park Toilet and Concession (Charity)	150
Total	10,627

- 3.3 The borrowing required is consistent with the council's approved Capital Strategy for 2021/22.
- 3.4 The latest position regarding the council's available capital receipts to fund capital expenditure, including proposed capital growth for 2022/23 consider by Cabinet on 15 December 2021 (minute 56 refers), is shown in the following table:

Capital Receipts Position Statement	£'000
Total receipts in hand at 30 November 2021	(10,145)
Less:	
Committed towards General Fund capital expenditure	3,509
Committed towards HRA capital expenditure	5,669
Ring-fenced for specific purposes	78
Contingency for urgent or unforeseen capital expenditure	500
Balance available to support new GF capital expenditure	(389)

4. CONCLUSIONS

- 4.1 The projected outturn shown for the General Fund capital programme for 2021/22 reflects the position based on actual expenditure and forecasts at 30 November 2021. The projected outturn will be reviewed, updated and reported to Cabinet as part of the budget monitoring process for 2021/22.

5 RISK MANAGEMENT ISSUES

5.1 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	Capital receipts required have already been realised for the majority of the programme. Schemes subject to future capital resources will only commence once these are realised. Schemes supported by grant funding will only commence once fully approved and committed by the relevant body. Prudential borrowing is only used for capital schemes expected to generate a net revenue benefit and/or future capital receipts
Cost of new projects may exceed the estimate	High	High	A review of existing approved capital schemes is being undertaken as part of the next update to the MTCP to assess the impact of current inflationary pressures affecting construction and engineering sector. Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NM)

There are no legal implications arising directly out of this report.

6.2 Finance Officer's Comments (LW)

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

6.3 Communication Officer's Comments (JW)

There are no communication issues arising directly from this report

6.4 Diversities and Equalities Implications (LW)

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

6.5 Climate Change Implications (AT) [*Pilot reporting period*]

There are no climate change implications arising directly from this report. The report is a monitoring report that provides an initial position against the latest approved budget. It updates Cabinet on this position following decisions taken at Cabinet and Full Council. Climate change implications of the various projects referenced in the report will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making process.

7. 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:

Appendix 1 – General Fund Capital Programme 2021/22 Projected Outturn

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APPENDIX 1 - GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME 2021/22

by Head Of Service

Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
		£000	£000	£000	
	<u>Andy Blaszkwicz - Director of Housing & Operations</u>				
1	General Fund Property - Health and Safety Enhancements	13	3	(10)	Saving.
2	Lifeline Capitalisation	50	50	0	On target.
3	Royal Military Canal Enhancements	20	10	(10)	Saving on planned work.
4	Biggins Wood Site Land Remediation Works	2,760	200	(2,560)	The Council has been awarded a grant of £1.016m towards this scheme. Work is planned to commence in the Spring of 2022 with the majority of the budget now profiled for 2022/23.
5	Greatstone Holiday Lets (Varne)	1,847	0	(1,847)	Scheme on hold to consider planning issues.
6	Lower Sandgate Road Beach Huts (Loan to FPPG Charity)	20	47	27	The main reason for the variance is the cost to renovate the 27 existing beach huts was more than originally anticipated. Additional loan funding to be met by FPPG Charity.
7	On Street P & D Machines	12	13	1	Replacement of 15 on-street pay and display machines in Folkestone.
8	Electric Vehicles Charging Points	40	40	0	Project is on hold pending KCC to grant permission to use their lamp columns. Decision expected by the end of the calendar year.
9	Coast Drive Seafront Development	893	0	(893)	Scheme reprofiled to 2022/23.
10	Coastal Park Play Equipment (FPPG Charity)	62	62	0	Projected to budget.
11	Coastal Park Toilet and Concession (FPPG Charity)	150	150	0	Projected to budget.
12	East Cliff Landfill Protection (FPPG Charity)	1,200	30	(1,170)	Investigation works taking place with the majority of the work now profiled for 2022/23.
13	Hawkinge Depot Upgrade	75	75	0	Projected to budget
14	Units 1-5 Learoyd Road New Romney	200	200	0	Work anticipated to start in early 2022 with units being available for re-letting around mid-2022. Therefore, it is possible that some of the spend will be in the 2022/23 financial year.

Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
15	Connect 38 CAT A Works	400	160	(240)	First phase of works complete, second phase expected to be completed next financial year. Funded from an external contribution agreed as part of the original acquisition.
16	District Street Lights	745	0	(745)	Upgrade all district street lights reprofiled to 22/23.
17	Coast Protection, Coronation Parade Folkestone	760	30	(730)	Awaiting monitoring results, once received the design/tender process can commence. Likely that the main project expenditure will be incurred during 2022/23. Funded by the Environment Agency
18	Coastal Protection, Greatstone dune management & study	15	15	0	Works continue year on year to stabilise the sand dunes with the installation of fencing and grasses which provided excellent flood defence for the area. Funded by the Environment Agency and an external contribution
19	Beach Management 2020-2021	420	343	(77)	Budget adjusted to reflect the grant awarded by the Environment Agency to meet the cost of works to maintain the beach levels between Hythe and Folkestone.
20	Coronation Parade Annual Monitoring	4	4	0	Ongoing monitoring of Coronation Parade system in order to protect the reinforcing steel within the structure as it provides an essential sea defence to cliff face and properties above. Funded by the Environment Agency.
21	Public Toilet Enhancement	397	200	(197)	Scheme partly reprofiled to 2022/23.
	Total - Director of Housing & Operations	10,083	1,632	(8,451)	
	<u>Ewan Green - Director of Place</u>				
22	Land at Otterpool	6,324	3,942	(2,382)	Further land acquisitions are being explored, however timing of expenditure is uncertain. Budget reprofiled to 2022/23
23	Otterpool Park Delivery Costs	0	90	90	Further consultancy advice to support the delivery process met from the overall reprofiled Otterpool Park capital budget
24	Otterpool Further Investment	5,000	1,500	(3,500)	Funding for Otterpool LLP to deliver the development reprofiled to 2022/23
25	Otterpool Park Masterplanning Costs	995	1,800	805	Masterplanning costs previously agreed to be met by the Council met from the overall reprofiled Otterpool Park capital budget
26	Veolia Waste Contract	1,484	1,484	0	Planned acquisition of vehicles to support the waste contract achieving an ongoing annual revenue saving against the contract.
27	Ship Street Site Folkestone	161	50	(111)	The redevelopment of site is being progressed from initial feasibility stage to market testing with a the intent to secure a development partner for the Council. This will take place over the period to June 2022.

Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
28	Area Officer Vans	30	30	0	Looking at electric vehicles but costs and capacity are restrictive.
	Total - Director of Place	13,994	8,896	(5,098)	
	<u>Charlotte Spendley - Director of Corporate Services</u>				
29	PC Replacement Programme	16	16	0	On target.
30	Server Replacement Programme	60	60	0	On target.
31	Oportunitas Phase 2 Funding	2,420	1,340	(1,080)	To invest in the company's expansion of its residential property portfolio primarily for the former Royal Victoria Hospital site development. Phase A completed October 2021. Phase B projected completion Autumn 2022.
	Total - Director of Corporate Services	2,496	1,416	(1,080)	
	<u>Katharine Harvey - Head of Economic Development</u>				
32	CLLD ERDF Captital Projects	0	625	625	Folkestone Community Works classified as capital expenditure and met from Government Grant.
	Total - Head of Economic Development	0	625	625	
	<u>John Holman - Head of Housing</u>				
33	Temporary Accommodation	527	527	0	Acquisition and refurbishment of properties to provide temporary accommodation for homeless households. Officers are currently seeking further suitable acquisition opportunities to complete during 2021/22.
34	Disabled Facilities Grants	1,000	600	(400)	KCC Occupational Therapist Service was held due to Covid restrictions but spend now increasing. DFGs are funded through Government Grant.
35	Home Safe Loans	100	160	60	Council loans to vulnerable home owners on low incomes, to enable them to carry out urgent improvement to their homes. Additional expenditure can be met from DFG grant not required for 2021/22
36	Empty Home Initiatives	300	300	0	Initiative on target to bring empty properties back into use.
	Total - Head of Housing	1,927	1,587	(340)	

Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
	Tim Madden - Director of Transition & Transformation				
37	Princes Parade Leisure Centre	17,540	2,000	(15,540)	Main contract not due to commence until early 2022, majority of the budget reprofiled to 2022/23.
38	Mountfield Road Employment Land	3,490	3,490	0	On target.
39	Mountfeild Business Hub	297	633	336	Budget adjustment for capital grant received.
	Total - Director of Transition & Transformation	21,327	6,123	(15,204)	
	TOTAL GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME	49,827	20,279	(29,548)	

This Report will be made
public on 18 January
2022

Report Number **C/21/65**

To: Cabinet
Date: 26 January 2022
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 2021/22

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 2021.

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/21/65.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund Revenue budget for 2021/22.
- 1.2 The projections are made against the latest approved budget and based on data received as at 30 November 2021. This is an update to the position reported in November presenting the 3rd quarter projections.

2. GENERAL FUND REVENUE 2021/22 - PROJECTED OUTTURN

- 2.1 The Quarter 3 projected outturn for service areas shows a forecast of £24,983k against the latest approved budget of £23,805k resulting in a variance of £1,178k (projected overspend). It should be noted that this projection includes £836k of service expenditure which is to be funded from reserves largely from 20/21 carry forwards to support the net cost of services.
- 2.2 When taking into account other entries such as Earmarked Reserves, Other Service Grants and Collection Fund Income, the total projected outturn is a projected overspend of £1,178k.
- 2.3 The following table summarises the latest projected outturn position:

General Fund Net Cost of Services	Latest Approved Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Finance, Strategy & Corporate Services	6,285	7,164	879
Human Resources	560	653	93
Governance & Law	2,452	2,588	136
Leadership Support	908	896	(12)
Place	6,627	6,279	(348)
Economic Development	1,340	1,638	298
Planning	185	340	155
Operations	2,647	2,290	(357)
Strategic Development	55	118	(63)
Housing	3,355	3,017	(338)
Sub-Total – Heads of Services	24,414	24,983	569
Unallocated Net Employee Costs	(609)	-	609
Total – Heads of Service	23,805	24,983	1,178
Internal Drainage Board Levies	484	484	-
Interest Payable and Similar Charges	739	583	(156)
Interest and Investment Income	(754)	(920)	(166)
New Homes Bonus Grant	(836)	(836)	-
Other Non-Service Related Government Grants	(1,971)	(3,856)	(1,885)
Town and Parish Council Precepts	2,594	2,594	-
Minimum Revenue Provision	886	1,211	325
Capital Expenditure Financed from Revenue	1,280	747	(533)
Net Revenue Expenditure before Use of Reserves	26,227	24,990	(1,237)
Net Transfer to/from(-) Earmarked Reserves	(2,989)	(9,809)	(6,820)

Total to be met by Taxpayers	23,238	15,181	(8,057)
Transfer to/from(-) the Collection Fund	67	67	-
Business Rates Income	(3,905)	5,499	9,404
Demand on the Collection Fund	(13,128)	(13,297)	(169)
Surplus (-)/Deficit for the year	6,272	7,450	1,178

2.4 The main variances are shown below:

	£'000
Service expenditure to be funded from reserves:	
Covid Funding expenditure (carried forward from 2020/21)	260
Corporate Priorities spend (carried forward from 2020/21)	164
Corporate Investment Initiatives (carried forward from 2020/21)	157
High Street Innovation Fund (carried forward from 2020/21)	155
Strategic Delivery Team – salary costs	100
Services:	
Council Tax Collection – decrease in income	300
Housing Benefits / Rent rebates – net impact of reduction in payments	96
Decrease in Local Land charges income	48
Decrease in Hackney Carriage income	44
Increase in Cemeteries income	(41)
Development Control – reduction in income	133
Additional IT/Mobile phone and online transaction costs	174
Car Parking – increased income	(137)
Increase in Operational estate rental income	(150)
Additional Otterpool property utilities costs	70
Reduction in income Lifeline	47
Business rates reductions in Operational estate costs	(132)
Net movements in homelessness	(179)
Other Items (below the Net Cost of Services):	
Movement in Earmarked Reserves	(1,373)
Interest & Investment Income	(166)
Interest Payable & Similar Charges	(156)
Demand on Collection Fund	(169)
Business Rates Income	1,635
Other net variances	298
Total net projected General Fund Reserve decrease	1,178

2.5 Explanations for the main variances are detailed below:

Service expenditure to be funded from reserves

Covid Funding Expenditure - The Council received grants in 2020/21 specifically for Test & Trace, Council Tax Hardship and Compliance & Enforcement in relation to the pandemic. Unspent funding was transferred to earmarked reserves at the end of the year and is expected to be fully utilised in 2021/22.

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. The unspent funding at the end of 2020/21 was allocated to an earmarked reserve and the remaining initiatives and projects anticipated to be implemented this year are:

	£'000
Heritage enhancements	39
Pesticide motion	30
Park enhancements (including H&S equipment improvements)	20
Development of new ED Strategy	50
Additional CLLD capacity	12
Lifeline Strategy	13
Total	164

Corporate Investment Initiatives – Consultancy work on Folkestone Town Centre initiatives, including FOLCA. Expenditure is funded from the Economic Development reserve.

High Street Innovation Fund – Anticipated spend on High Street projects this financial year which was delayed from 2020/21 due to the pandemic. Expenditure is funded from the High Streets Regeneration reserve.

Strategic Delivery Team - Projected part year staffing costs for the new Strategic Delivery Team approved by Cabinet in September 2021 (C/21/32) to deliver the Council's Corporate Plan. Expenditure is to be funded from earmarked reserves.

Services

Council Tax Collection – Reduction in court costs income due to reduced court hearings this year as they reopen following the pandemic.

Housing Benefits / Rent Rebates – a reduction in rent allowance payments is projected due to reduced housing benefit caseload, with a related reduction in anticipated subsidy, however there remains a cost to the council due to overpayments, which will be sought to be recovered. Additionally the value of rent rebates is anticipated to increase, largely to be offset by subsidy.

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.

Hackney Carriage licensing –a decrease in income is projected due to limited new applications being made.

Development Control – decreased income projected for planning application fees based on current volume of applications.

Additional IT/Mobile phone and online transaction costs – Additional costs including further mobile devices £18k; Staff Hub £49k; Skype to Teams transition costs £34k; increased online transaction costs £21k

Car Parking – Parking income is now recovering following the pandemic, however the projected increase has reduced slightly from the Quarter 2 position but increases in income are expected for off street parking charges, parking fines, and on street residents parking permits.

Waste – The net increase in the annual contract cost has arisen due to the new contractual arrangements. The net position is reflective of both the financing cost of the waste vehicles and additional contractual costs (which were lower as a result of the decision to purchase the fleet vehicles).

Additional Otterpool Park property utilities and business rates not anticipated at budget setting, offset by reductions and refunds on Operational assets business rates (including public conveniences).

Homelessness – Additional grant funding utilised in year for both homelessness and Domestic Abuse and Ex Offender services resources. Additional rent payments, and increase in housing benefit payments also contributing to variance.

Other Items (below the Net Cost of Services)

Movement in Earmarked Reserves - The key movements are (£736k) assumed use of monies carried forward from 2020/21, (£466k) budgeted contributions to reserves for Council Tax grants removed as funds received in 2020/21 and (£100k) use of reserves to fund the new Strategic Development Team to deliver the Council's Corporate Plan.

The latest forecast Earmarked Reserves position is shown in the table below:

Reserve	Balance at 1/4/2021 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2022 £'000
Earmarked					
Business Rates	2,722	225	(821)	(1,046)	1,901
Leisure Reserve	547	(100)	(100)	0	447
Carry Forwards	691	(126)	(219)	(93)	472
VET Reserve	283	(66)	34	100	317
Invest to Save	0	0	0	0	0
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,342	(344)	(344)	0	1,998
Corporate Initiatives	598	(349)	(529)	(180)	69
IFRS Reserve	8	(2)	(3)	(1)	5
Otterpool Park Garden Town	0	0	0	0	0
Economic Development	1,991	(1,134)	(237)	897	1,754
Community Led Housing	365	(55)	(55)	0	310
Lydd Airport	9	0	0	0	9
Homelessness Prevention	488	98	98	0	586
High Street Regeneration	2,070	(830)	(1,016)	(186)	1,054
Climate Change	4,946	(306)	(416)	(110)	4,530
Covid Recovery	6,501	0	(6,201)	(6,201)	300
Total Earmarked Reserves	23,573	(2,989)	(9,809)	(6,820)	13,764

Interest Payable & Similar Charges - Lower interest payable resulting from lower interest rates secured and reduced borrowing due to delays in planned capital expenditure.

Interest and Investment Income - Increased interest and investment income receivable resulting from higher returns from pooled investment funds and anticipated interest due from the Otterpool loan.

Demand on the Collection Fund - Additional Council Tax income is projected based on current collection rates.

Business Rates Income – A reduction in Business Rates income is projected based on current collection rates. Additionally Dungeness B Power Station had submitted an appeal, which the VOA issued a decision notice on, notifying the Council of their decision in December 2021. The appeal has resulted in the rateable value for the Power Station being reduced significantly, backdating the decision to November 2019, with a further reduction taking effect from June 2021. There is no route of challenge for the council on this decision and as a result the Quarter 3 budget monitoring position includes a draft estimated impact of £1.33m following the VOA's decision and subsequent refund.

3. CONCLUSIONS

- 3.1 The projected outturn shown for the General Fund Revenue account for 2021/22 reflects the position based on actual expenditure and forecasts at 30 November 2021 and projects an overspend of £1,178k. The most

significant movements from Quarter 2 is the Power Station business rates appeal affecting the position by £1.33m.

As we move towards the year end, budgets will be monitored closely and members will be advised of funds to be drawn from either the earmarked or general reserve to cover any year end deficit.

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 and in detail 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 with best intelligence to inform monitoring activities.

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 (CI)

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.

5.4 Climate Change Implications (OF)

As this report deals entirely with financial matters, there is no climate change impact.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Cheryl Ireland, Chief Financial Services Officer

Telephone: 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.

Agenda Item 6

Folkestone
& Hythe



District Council

This Report will be made public on 18 January 2022

Report Number **C/21/62**

To: Cabinet
Date: 26 January 2022
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 2021.

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 2021/22 position.

RECOMMENDATIONS:

1. To receive and note Report C/21/62.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2021/22.
- 1.2 The projections are based on actual expenditure and income to 30 November 2021. Some caution therefore needs to be exercised when interpreting the results due to the early stage of the financial year, however, a thorough budget monitoring exercise has been carried out.

2. HOUSING REVENUE ACCOUNT REVENUE 2021/22 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2021/22.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(15,830)	(16,513)	(683)
Expenditure	12,607	12,791	184
HRA Share of Corporate Costs	175	175	0
Net Cost of HRA Services	(3,048)	(3,547)	(499)
Interest Payable/Receivable etc	1,523	1,516	(7)
HRA Surplus/Deficit	(1,525)	(2,031)	(506)
Revenue Contribution to Capital	5,938	3,209	(2,729)
Decrease/(Increase) to HRA Reserve	4,413	1,178	(3,235)

- 2.2 The table shows that overall at quarter 3 there is a projected decrease in net expenditure of £3.2m on the HRA.

The main reasons for this are as follows:-

	£'000
Decrease in revenue contribution to capital (see 2.3 below)	(2,729)
Increase in rental income (see 2.4 below)	(683)
Other variances	177
Total net projected Housing Revenue Account increase	<u>(3,235)</u>

- 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 2022/23 (see 3.3).
- 2.4 The increase in rental income largely relates to a projected 5% reduction in income anticipated due to Covid-19 at budget setting which has not materialised with collection rates better than anticipated.

There is also currently a high level of void garages which is resulting in reduced income. There are currently 336 void garages, however a considerable amount of work has been carried out on the garages in recent

month's with a project shortly to commence focused upon improvements and enhanced maintenance of the garage stock.

- 2.5 Overall, the HRA reserve at 31 March 2022 is expected to be £10.8m compared with £7.6m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2021/22 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2021/22 is £14.4m and the projected outturn for the year is £9.9m, an underspend of £4.5m.

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

	£'000
New Builds/Acquisitions (see 3.3 below)	(4,354)
Other variances	(116)
Total decrease against Original Budget	<u>(4,470)</u>

- 3.3 The decrease in new build/acquisition expenditure relates to the re-profiling of the Highview scheme which has not progressed as quickly as anticipated and is now expected to commence in 2022/23. This is due to redesigning the scheme to deliver homes that are as close as possible to zero carbon in use. The team have been exploring new technology and construction methods to deliver a flagship scheme for the HRA following the Council declaring a climate emergency.

- 3.4 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2021/22. The variation shown below corresponds to the figure in section 3.1, above.

2021/22 HRA	1-4-1 Capital Receipts	Revenue Contribution	Major Repairs Reserve	Total
£'000				
Projected Outturn	867	3,209	5,914	9,990
Approved	2,608	5,938	5,914	14,460
Variation	(1,741)	(2,729)	0	(4,470)

4. CONCLUSION

- 4.1 The HRA revenue outturn projection for 2021/22 forecasts £3.2m lower expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2021/22 forecasts £4.5m lower expenditure than the latest approved budget.

4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2021/22 reflects the position based on actual expenditure and forecasts at 30 November 2021.

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 2021/22 to 2022/23 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2021/22 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2022/23 and beyond.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Specialist's Comments (NM)

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.

6.4 **Climate Change Implications (OF)**

There are no climate change implications arising from this report.

Consideration should be given to ensure that houses are built, repaired and upgraded using materials and techniques that are suitable to our changing climate.

7. **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 31 August 2021

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 31 August 2021

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HOUSING PORTFOLIO	LATEST APPROVED BUDGET £000	PROJECTED OUTTURN £000	VARIANCE £000	REASON
INCOME				
Dwelling rents	14,416	15,210	-794	Projection for Dwelling rents increased by £794k to reflect current actuals
Non-dwelling rents	342	285	57	Projections decreased for Garages to reflect actuals to date
Charges for services and facilities	1,020	966	54	Projection for water/sewerage charges to Leaseholders reduced
Contributions from general fund	52	52	0	
Total Income	15,830	16,513	-683	
EXPENDITURE				
Repairs and maintenance	4,071	4,005	-66	Projections amended: Reduced spending on window servicing (£100k), fire alarms (£45k), scaffolding (£16.5k), TV aerials (£10k), offset by additional Disrepair (compensation) payments £42k, increased Pump Station to reflect ytd actuals £32k, clearances £18k and electrical maintenance contract costs higher than budgeted £14k
Supervision and management	5,650	5,900	250	Projections amended: Increase in Utility bills for Independent Living properties £102k, additional costs for Independent Living & Stock Condition Surveys £70k, additional Northgate modules £45k, costs of project team working on Northgate System £18.5k, increase in Council Tax £13.5k, unbudgeted waste water charge for Glenlee Gardens £5.5k, increase in Lifeline Emergency repair service £4.5k & reduction in Court costs and Mediation (£9k)
Rents, rates and taxes	22	22	0	
Depreciation charges of fixed assets	2,643	2,643	0	
Debt management expenses	21	21	0	
Bad debts provision	200	200	0	
Total Expenditure	12,607	12,791	184	
Net	-3,223	-3,722	-499	
HRA Share of Corporate and Democratic Costs	175	175	0	
Net Cost of HRA Services	-3,048	-3,547	-499	
Interest payable	1,573	1,521	-52	
Interest and investment income	-50	-5	45	Due to reduction in interest rates
Premiums and discounts	0	0	0	
(SURPLUS)/DEFICIT	-1,525	-2,031	-506	
MOVEMENTS IN HRA BALANCE FOR 2021/22				
Repayment of debt	0	0	0	
Revenue contribution to capital	5,938	3,209	-2,729	
Surplus/deficit for the year	-1,525	-2,031	-506	
Increase/Decrease in Net Movement in HRA Balance	4,413	1,178	-3,235	
HRA Reserve balance brought forward	-12,037	-12,037	0	
HRA Reserve balance carried forward	-7,624	-10,859	-3,235	

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PORTFOLIO AND SCHEMES	LATEST APPROVED BUDGET	PROJECTED OUTTURN	VARIANCE	COMMENTS
HOUSING PORTFOLIO	£'000	£000	£000	
1. Planned Improvements				
Windows & Doors	540	540	0	
Re-roofing	800	800	0	
Replacement Double Glazing Units	0	0	0	
Heating Improvements	649	649	0	
Kitchen Replacements	410	410	0	
Bathroom Improvements	250	250	0	
Voids Capital Works	300	150	-150	The projection has been reduced as there was an over accrual in 20/21 that is effectively reducing the appearance of the actual spend this year.
Disabled Adaptations	450	450	0	
Sheltered Scheme upgrades	80	80	0	
Rewiring	485	485	0	
Contract Specification	20	20	0	
Lift Replacement	60	30	-30	Additional cost for finalisation of works at Philippa House
Thermal Insulation	120	120	0	
Fire Protection Works	700	700	0	
Impairment of Assets	0	0	0	
Enhanced Capital Programme	2,500	2,500	0	
	7,364	7,184	-180	
2. Major Schemes				
External Enveloping *	330	330	0	
Garages Improvements	150	150	0	
Treatment Works	10	10	0	
	490	490	0	
3. Environmental Improvements				
Environmental Works	25	25	0	
New Paths	50	50	0	
Play Areas	10	10	0	
	85	85	0	
4. Other Schemes				
New Builds/Acquisitions	6,521	2,167	-4,354	Budget reprofiled due to rephasing of Highview
EKH Single System	0	64	64	Additional capital cost of Northgate system
Cash Incentive Scheme	0	0	0	
	6,521	2,231	-4,290	
TOTAL	14,460	9,990	-4,470	
FUNDING				
Major Repairs Reserve	5,914	5,914	0	
Revenue Contribution	5,938	3,209	-2,729	
Section 106	-	-	0	
1-4-1 Capital Receipts	2,608	867	-1,741	
TOTAL FUNDING	14,460	9,990	-4,470	

* 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 18 January 2022

Report Number **C/21/66**

To: Cabinet
Date: 26 January 2022
Status: 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: DRAFT HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL ORIGINAL BUDGET 2022/23

SUMMARY: This report sets out the Housing Revenue Account Revenue and Capital Budget for 2022/23 and proposes an increase in weekly rents and an increase in service charges for 2022/23.

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/21/66.
2. To recommend to Full Council the Housing Revenue Account Budget for 2022/23. (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 £3.52 per week, representing a 4.1% increase with effect from 4 April 2022 (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 2022/23. (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.

2. HOUSING REVENUE ACCOUNT REVENUE ESTIMATES

2.1 Original Budget 2022/23

The proposed HRA Budget for 2022/23, at Appendix 1, shows a forecast deficit of £3.9m. 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 2023 is expected to be £3.0m as shown at Table 1 below:

Table 1	£000's
Original estimate of balance at 31 March 2022	(6,939)
Movement from Original 2021/22 to Original budgets 2022/23	
Increase in rents and other service charges (see 2.1.2)	(1,428)
Reduction in special management costs (see 2.1.4)	(558)
Reduction in depreciation charges	(244)
Increase in general management costs (see 2.1.3)	998
Other net movements	23
	(1,209)
Deficit 2021/22	5,098
Original estimate of balance at 31 March 2023	(3,050)

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% using the September 2021 CPI. This revised policy was announced by government in February 2019 and allows social landlords to increase rents by CPI plus 1% for a period of five years from 2020. This is in line with the approach taken in 2021/22.

2.1.3 General Management Costs

The increase in general management costs is largely due to the reallocation of recharges from special management costs (which has seen a compensatory reduction of £701k). The budget also proposes an increase of £141k for consultancy costs for 2022/23 for a number of projects including Kitewell & Woodland Cottages, Lifeline next generation implementation and Zero Net Carbon initiatives.

2.1.4 Special Management Costs

The reduction in special management costs of (£558k) is largely due to the reallocation of recharges to general management costs of (£701k), an increase in both utility costs £108k and supplies and services £30k.

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 2021/22 was £12.0m, 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 2023.

<i>Table 2</i>	2021/22	2022/23
	£000's	£000's
Balance as at 1 April	12,037	6,939
Balance as at 31 March	6,939	3,050

The HRA reserve is expected to decrease by £3.9m from the close of 2021/22 and the end of the financial year 2022/23.

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% (September 2021 CPI 3.1%) which is 4.1%, in line with Government guidelines, equates to an increase of £3.52 per week or £183.04 per annum. This gives an average rent of £92.82 (over 50 weeks) in 2022/23 (average rent in 2021/22 is £89.17 (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

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.

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 2022/23 will not be available until early February 2022. The Government announced in January 2020 that rates will rise by inflation from April 2020. The indicative 2022/23 affordable rents for the Folkestone & Hythe area are as follows:

Bedsits	£67.01 per week
1 bedroom houses	£103.21 per week
2 bedroom houses	£136.43 per week
3 bedroom houses	£177.95 per week
4 bedroom houses	£213.54 per week

3.4 Rent Comparisons

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

<i>Table 3</i>	Average weekly rent over 52 weeks (2022/23) £	Difference between FHDC and other authorities £
Folkestone & Hythe	89.25	-
Dover	90.54	1.29
Canterbury	96.70	7.45
Thanet	86.45	(2.80)

- 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 2021 was 3.1%, CPI plus 1.0% is therefore 4.1%. As a result general service charges within the HRA will increase by 4.1% with effect from 4 April 2022.

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 2022/23 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 2022/23 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 £25.47 per week (£1,273 per year)
- 1 bed flats £28.40 per week (£1,420 per year)
- 2 bed flats £31.18 per week (£1,559 per year)

4. HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

4.1 Original Budget 2022/23

The proposed HRA Capital Budget for 2022/23, shown in Appendix 2, is £14.7m. Table 4 below shows the movements in the programme from the 2021/22 original budget to the original budget for 2022/23.

<i>Table 4</i>	£000's
Original estimate 2021/22	14,460
Changes in programme	
Carbon Reduction Improvements (see 4.1.1)	1,330
Ross House (see 4.1.2)	900
Door/Block Entry (see 4.1.2)	409
Bathroom Improvements (see 4.1.2)	194
Windows/Doors (see 4.1.2)	192
Kitchen Replacement (see 4.1.2)	170
Enhanced Capital Programme	(2,500)
New Builds (see 4.1.3)	(799)
Other net variances	341
Total increase in expenditure	237
Original estimate 2022/23	14,697

4.1.1 Carbon Reduction Improvements

The proposed 2022/23 budget for Carbon Reduction Improvements is derived from the Stock Condition Survey. There is also an allowance of £834k which relates to the Council's contribution to our Social Decarbonisation bid, a decision on this bid has not yet been made by government but if successful the grant funding will be £1.7m against a project cost of £2.5m.

4.1.2 Decent Homes Standard

The increased budget requirement is to address recommendations and carry out works identified from verified surveys from the Rapleys Stock Condition Survey and sample testing to maintain the Decent Homes Standard.

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 scheme are now due to commence in 2022/23 as there have been delays to this scheme commencing in 2021/22, therefore, £4m will be requested as a carry forward for this scheme in 2021/22.

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 2021/22 and original budget for 2022/23 for the HRA capital programme.

	Major Repairs Reserve	Use of RTB Capital Receipts	Use of Other HRA Capital Receipts	Revenue Contribution	Total
	£000's	£000's	£000's	£000's	£000's
Original budget 2021/22	5,880	1,956	0	6,624	14,460
Original budget 2022/23	2,399	2,289	3,384	6,625	14,697

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital programme does not reflect work required	Medium	Low	The budgets have been drafted following a comprehensive stock condition survey to identify works required
Spending profile and budget are unaligned	High	Low-Medium	Stringent budget monitoring during the financial year will enable early corrective action

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:

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

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

None

Appendices:

Appendix 1 - HRA Revenue Budgets

Appendix 2 - HRA Capital Programme

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Appendix 1

HOUSING SERVICES

Actual 2020/21 £	<u>HOUSING REVENUE ACCOUNT</u>	Original 2021/22 £	Draft 22/23 Budget £	Change	Notes
	INCOME				
14,944,128	Dwelling rents	14,415,750	15,817,040	1,401,290	CPI + 1% increase
279,139	Non-dwelling rents	342,380	342,380	0	
1,048,989	Other charges for services and facilities	1,020,200	1,047,020	26,820	Increase of RPI + 0.5%
52,200	Contributions from general fund	52,200	52,200	0	
16,324,456	TOTAL INCOME	15,830,530	17,258,640	1,428,110	
	EXPENDITURE				
3,826,666	Repairs and maintenance	4,070,920	4,091,260	20,340	Increase in pump station repairs
8,504,591	General management *	3,767,570	4,765,930	998,360	Realignment / increase in GF recharges & increase in consultancy costs
1,943,264	Special management *	2,252,240	1,693,920	-558,320	Realignment in GF recharges
21,071	Rents, rates & taxes	21,750	21,750	0	
95,063	Increase provision for bad or doubtful debts	200,000	100,000	-100,000	
	<u>Capital Financing Costs</u>				
6,886,853	Depreciation charges	2,643,000	2,398,700	-244,300	
1,828,248	Exceptional Item Impairment	0	0	0	
24,940	Debt management expenses	21,310	23,400	2,090	
23,130,695	TOTAL EXPENDITURE	12,976,790	13,094,960	118,170	
6,806,239	NET COST OF SERVICES	-2,853,740	-4,163,680	-1,309,940	
1,546,681	Loan charges - Interest	1,573,000	1,633,000	60,000	
	<u>Investment Income</u>				
-18,392	Interest on notional cash balances	-50,000	-11,310	38,690	
0	Premiums & discounts	0	0	0	
8,334,527	NET OPERATING INCOME	-1,330,740	-2,541,990	-1,211,250	
-6,132,657	Any other item of income & expenditure	0			
2,965,932	Revenue Contribution to Capital Expenditure	6,623,883	6,625,550	1,667	
-4,730,000	Pensions Interest costs	-195,000	-195,000	0	
437,802	TOTAL DEFICIT/SURPLUS(-) FOR YEAR	5,098,143	3,888,560	-1,209,583	
12,474,698	Balance as at 1st April	12,036,896	6,938,753		
12,036,896	Balance as at 31st March	6,938,753	3,050,193		

* General Management - relates to costs for the whole of the housing stock or all tenants 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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HOUSING SERVICES

Actual 2020/21 £	HRA CAPITAL PROGRAMME	Original 2021/22 £	Draft 22/23 Budget £	Change	Notes
	EXPENDITURE				
	Decent Homes Standard				
302,405	Windows/Doors	540,000	732,350	192,350	Increased budget requirement from Rapleys Stock Condition Survey
699,782	Re-roofing	800,000	799,640	-360	
529,903	Heating Replacements	649,330	649,330	0	
119,655	Kitchen Replacement	410,000	579,600	169,600	Increased budget requirement from Rapleys Stock Condition Survey
134,848	Bathroom Improvements	250,000	444,250	194,250	Increased budget requirement from Rapleys Stock Condition Survey
428,816	Voids Capital Works	300,000	300,000	0	
331,653	External Enveloping	330,000	392,440	62,440	
0	Smoke/CO/Heat detectors	0	38,080	38,080	
0	Door/block entry	0	409,000	409,000	Increased budget requirement from Rapleys Stock Condition Survey
484,700	Fire Protection Works	700,000	800,000	100,000	Increased budget requirement from Rapleys Stock Condition Survey
10,450	Carbon Reduction Improvements	120,000	1,449,900	1,329,900	Includes Wave 1 of Social Decarbonisation bid (1/3 of project cost contribution £834k)
6,555	Contract Specification	20,000	0	-20,000	Budget not required as any consultancy costs should be shown in Revenue
0	Communal Areas	0	104,060	104,060	
0	Ross House	0	900,000	900,000	Retro-fit works to be completed
0	Enhanced Capital Programme	2,500,000	0	-2,500,000	Enhanced Capital budget realigned over Carbon Reduction measures and Ross House scheme
3,048,766	Sub-Total	6,619,330	7,598,650	979,320	
	Non Decent Homes Standard				
2,503	Treatment Works	10,000	110,000	100,000	Additional to Rapley's report - work is required to Moore Close £74k
334,506	Disabled Adaptations	450,000	450,000	0	
502,060	Rewiring	485,000	437,200	-47,800	
66,669	Sheltered Scheme upgrades	80,000	80,000	0	
-9,362	Garages Improvements	150,000	150,000	0	
20,000	Lift Replacements	60,000	60,000	0	
916,376	Sub-Total	1,235,000	1,287,200	52,200	
	New Build Programme				
3,988,123	New Builds	6,520,790	5,721,500	-799,290	Draft budget includes c/fwd of £4m relating to unspent Highview 21/22 budget, Highview £5.5m, Shepway Close £1m, Radnor Park £1.6m & Acquisitions £1.4m
3,988,123	Sub-Total	6,520,790	5,721,500	-799,290	
	Environment/Estate Improvement				
3,470	Environmental Works	25,000	29,500	4,500	
11,198	New Paths	50,000	50,000	0	
14,235	Play Areas	10,000	10,000	0	
28,903	Sub-Total	85,000	89,500	4,500	
7,982,169	TOTAL IMPROVEMENTS TO HRA STOCK	14,460,120	14,696,850	236,730	
	OTHER SCHEMES				
145,342	EKH Single System	0	0	0	
0	Cash Incentive Scheme	0	0	0	
8,127,511	TOTAL EXPENDITURE	14,460,120	14,696,850	236,730	
	FINANCING				
3,965,142	Major Repairs Reserve	5,880,000	2,398,700	-3,481,300	
1,141,636	1-4-1 Capital Receipts	1,956,237	2,288,600	332,363	
54,801	HRA Other Capital Receipts	0	3,384,000	3,384,000	
2,965,932	Revenue Contribution	6,623,883	6,625,550	1,667	
8,127,511	TOTAL FINANCING	14,460,120	14,696,850	236,730	
0	SHORTFALL IN FINANCING	0	0	0	

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This report will be made
public 18 January 2022

Report number **C/21/67**

To: Cabinet
Date: 26 January 2022
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 2022/23

SUMMARY: This report sets out the Council's Draft General Fund budget for 2022/23.

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 2022/23 on 23 February 2022, in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note report C/21/67.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2022/23 budget and council tax recommendations for approval by Full Council in February 2022.

1. INTRODUCTION AND BACKGROUND

- 1.1 Council approved the Medium Term Financial Strategy 2022/23 to 2025/26 (MTFS) on 24 November 2021 and Cabinet agreed the Budget Strategy for 2022/23 on 15 December 2021. These reports considered the council's forecast budget position for 2022/23 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 23 February 2022.
- 1.2 The budget proposals in this report been prepared assuming a 2.0% council tax increase in 2022/23. The final decision will not be confirmed until 23 February 2022. 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 £1.6m in 2022/23. The Corporate Leadership Team, Assistant Directors and Chief Officers have reviewed current budget allocations and savings proposals. Unavoidable budget growth of £444k was approved by Cabinet on 15 December. In addition the review of fees & charges and other identified savings resulted in savings of £1.047m 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.

Local Government Finance Settlement

- 2.2 The Provisional Local Government Finance Settlement was announced on 16 December. This was a one year settlement proposal for 2022/23 with further details on proposed funding reform to follow during early 2022.
- 2.3 The settlement confirmed the referendum limits for Council Tax at 2% (or £5 for district and fire authorities where this exceeds the 2%). No referendum limits will apply for town and parish councils. The settlement also confirmed that New Homes Bonus will be 'rolled over' for a further year, confirming allocations and the final legacy payment honoured. The lower tier services grant was also 'rolled over' with £111m being made available nationally.

3. GENERAL FUND BUDGET 2022/23

- 3.1 The draft budget for 2022/23 is presented in detail at Appendix 1 compared to the original budget for 2021/22. It includes the draft position for 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

	2021/22	2022/23
	Original	Original
	Budget	Budget
	(Based on outturn prices)	
	£	£
SUMMARY OF NET EXPENDITURE		
Service Heads		
Finance, Strategy & Corporate Services	6,148,800	7,657,250
Human Resources	655,850	626,780
Governance & Law	2,449,910	2,589,890
Leadership Support	907,520	1,004,220
Place	6,600,060	6,254,240
Economic Development	1,304,330	762,030
Planning	212,940	137,020
Operations	2,487,590	1,358,450
Strategic Development	70,490	39,670
Housing	3,345,600	3,342,840
Transition & Transformation	-	-
Recharges	(5,559,000)	(5,613,000)
Vacancy& savings target	(608,800)	(224,000)
TOTAL HEAD OF SERVICE NET EXPENDITURE	18,015,290	17,935,390
Internal Drainage Board Levies	483,570	493,241
Interest Payable and Similar Charges	739,000	801,000
Interest and Investment Income	(754,000)	(1,320,000)
Council Tax Freeze Grant	-	-
New Homes Bonus Grant	(836,050)	(744,272)
Other non-service related Government Grants	(1,971,230)	(1,763,462)
Town and Parish Council Precepts	2,594,250	2,646,132
TOTAL GENERAL FUND OPERATING NET EXP	18,270,830	18,048,029
Net Transfers to/(from) Earmarked Reserves	(2,760,260)	(3,526,170)
Minimum Revenue Provision	886,000	1,667,000
Capital Expenditure funded from Revenue	1,280,000	2,363,000
TOTAL TO BE MET FROM LOCAL TAXPAYERS	17,676,570	18,551,859
Transfer to/(from) the Collection Fund	67,290	-
Business Rates Income	(3,905,100)	(3,943,223)
TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	13,838,760	14,608,636
Council Tax-Demand on Collection Fund	(13,128,210)	(13,494,053)
(SURPLUS)/DEFICIT FOR YEAR	710,550	1,114,583

Service Budget Changes 2022/23 Compared to 2021/22

3.4 Forecast Head of Service net expenditure has decreased by £79,900 (0.44%):

	Budget
	£
Original 2021/22 General Fund Budget	18,015,290
Original 2022/23 General Fund Budget	17,935,390
Decrease	<u>79,900</u>

4. RESERVES

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy in December 2021 and will be updated to reflect planned use and 2021/22 outturn predictions for inclusion in the final budget reports to Cabinet and Council on 23 February 2022

4.2 Estimates of changes to Earmarked Reserves are shown below:

Description of Reserve	Balance 1/4/21 £000	Forecast Balance 31/3/22 £000
General Reserve	3,822	4,333
Earmarked Reserves:		
Business rates	2,723	1,901
Carry forwards	691	472
IFRS	8	5
Vehicles, equipment and technology	283	317
New Homes Bonus initiatives	2,341	1,998
Corporate initiatives	598	69
Maintenance of Graves	12	12
Leisure	547	447
Otterpool Park	-	-
Economic Development	1,991	1,754
Community Led Housing	365	310
Lydd Airport	9	9
Homelessness Prevention	488	586
High Street Regeneration	2,070	1,054
Climate Change	4,946	4,530
Covid Recovery	6,501	300
Total Earmarked Reserves	<u>23,573</u>	<u>13,764</u>
Total General Fund Reserves	27,395	18,097

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 23 February 2022, 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 2022/23 on 23 February 2022; 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 2022/23 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2022/23; and
 - (iii) Seek feedback on general spending and income generation priorities

- 7.2 The target audience and communication channels will include:

Group	Channel
Residents	<ul style="list-style-type: none">• 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.

8. CONCLUSION

- 8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2022/23 budget and council tax recommendations for approval by Council in February 2022.

9. RISK MANAGEMENT ISSUES

- 9.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including ongoing impact of COVID	Medium	Low-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 2022/23 and future years.
MTFS becomes out of date.	High	Low	The MTFS is fully 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 2022/23 will be submitted for approval by Cabinet and Full Council in February. 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 2022 will include an Equality Impact Assessment of the budget recommendations for 2022/23.

10.4 Climate Change implications (OF)

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

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 2022/23 to 2025/26
- Budget Strategy 2022/23

Appendices:

Appendix 1 – General Fund Budget Estimates (detail)

Charlotte Spendley
Finance, Strategy & Corporate Services Summary

		<u>Service</u>		
2020/21		2021/22	2022/23	Original to
Actual		Original	Original	Original
£		Budget	Budget	Variance
£		£	£	£
125,583	EC12	112,140	112,140	0
1,200	EC13	0	0	0
273,557	EC14	-17,050	-17,160	-110
62,670	EC15	56,140	69,550	13,410
735,123	FD15	308,760	308,770	10
5,975	FD17	0	0	0
-768,048	FD19	-847,050	0	847,050
-48,935	FD70	-50,000	-50,000	0
1,217,000	FF15	1,420,000	1,470,000	50,000
-163,274	FF16	0	114,650	114,650
81,999	FH18	82,000	82,000	0
-244,284	FL05	-172,030	-172,030	0
59,236	FL20	-412,680	-412,680	0
-4,825	FL21	-15,000	-15,000	0
-521,886	FL22	-597,700	-597,700	0
-47,467	FN01	-229,700	-229,700	0
187,303	FN02	315,720	315,720	0
950,928	Service Total	-46,450	978,560	1,025,010

		<u>Administration</u>		
2020/21		2021/22	2022/23	Original to
Actual		Original	Original	Original
£		Budget	Budget	Variance
£		£	£	£
-7,783	GA00	0	0	0
444,849	GA04	571,980	636,120	64,140
-3,019	GA05	0	0	0
539,682	GA07	606,150	641,870	35,720
77,176	GA08	49,780	50,150	370
1,618,330	GA09	1,824,660	1,899,610	74,950
813,608	GA20	528,730	527,920	-810
443,826	GA22	417,090	485,730	68,640
217,944	GA54	201,740	207,350	5,610
596,488	GM12	661,640	679,490	17,850
1,222,543	GM19	1,214,780	1,331,750	116,970
106,828	GP00	118,700	118,700	0
6,070,471	Administration Total	6,195,250	6,578,690	383,440

Charlotte Spendley
Finance, Strategy & Corporate Services Detail

		<u>Service</u>		
2020/21		2021/22	2022/23	Variations
Actual		Original	Original	£
£		Budget	Budget	£
£		£	£	£
	EC12			
125,583	Planning Policy	112,140	112,140	0
125,583	Supplies & Services	112,140	112,140	0
0	Gross Expenditure	0	0	0
125,583	Other Income	112,140	112,140	0
	Net Expenditure			

EC14 Otterpool (Local Planning Authority)			
125,547	Employees	0	0
148,009	Supplies & Services	260	150
<u>273,557</u>	Gross Expenditure	<u>260</u>	<u>150</u>
0	Other Income	-17,310	-17,310
<u>273,557</u>	Net Expenditure	<u>-17,050</u>	<u>-17,160</u>
EC15 Climate Change			
62,201	1 Employees	55,280	69,050
469	Supplies & Services	860	500
<u>62,670</u>	Gross Expenditure	<u>56,140</u>	<u>69,550</u>
0	Other Income	0	0
<u>62,670</u>	Net Expenditure	<u>56,140</u>	<u>69,550</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Budget re-alignment		13,770
FD15 Corporate Management			
737,594	Supplies & Services	308,790	308,800
<u>737,594</u>	Gross Expenditure	<u>308,790</u>	<u>308,800</u>
-2,471	Other Income	-30	-30
<u>735,123</u>	Net Expenditure	<u>308,760</u>	<u>308,770</u>
FD19 Covid-19			
19,061	Employees	0	0
280,681	1 Supplies & Services	80,000	0
<u>299,742</u>	Gross Expenditure	<u>80,000</u>	<u>0</u>
-1,067,789	2 Other Income	-927,050	0
<u>-768,048</u>	Net Expenditure	<u>-847,050</u>	<u>847,050</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment		-80,000
	2 MTFS adjustment		927,000
FD70 Corporate Management–Recharges			
-48,935	Other Income	-50,000	-50,000
<u>-48,935</u>	Net Expenditure	<u>-50,000</u>	<u>-50,000</u>
FF15 Pensions Back Funding			
1,217,000	1 Employees	1,420,000	1,470,000
<u>1,217,000</u>	Gross Expenditure	<u>1,420,000</u>	<u>1,470,000</u>
0	Other Income	0	0
<u>1,217,000</u>	Net Expenditure	<u>1,420,000</u>	<u>1,470,000</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment		50,000
FF16 Non-Distributed Costs			
-163,274	1 Employees	0	114,650
<u>-163,274</u>	Gross Expenditure	<u>0</u>	<u>114,650</u>
0	Other Income	0	0
<u>-163,274</u>	Net Expenditure	<u>0</u>	<u>114,650</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment		114,650

FH18	General Grants			
143,520	Supplies & Services	82,000	82,000	0
<u>143,520</u>	Gross Expenditure	<u>82,000</u>	<u>82,000</u>	<u>0</u>
-61,521	Other Income	0	0	0
<u>81,999</u>	Net Expenditure	<u>82,000</u>	<u>82,000</u>	<u>0</u>
FL05	Business Rates Collection			
4,395,821	Supplies & Services	2,900	2,900	0
<u>4,395,821</u>	Gross Expenditure	<u>2,900</u>	<u>2,900</u>	<u>0</u>
-4,640,105	Other Income	-174,930	-174,930	0
<u>-244,284</u>	Net Expenditure	<u>-172,030</u>	<u>-172,030</u>	<u>0</u>
FL20	Council Tax Collection			
0	Supplies & Services	2,320	2,320	0
<u>0</u>	Gross Expenditure	<u>2,320</u>	<u>2,320</u>	<u>0</u>
59,236	Other Income	-415,000	-415,000	0
<u>59,236</u>	Net Expenditure	<u>-412,680</u>	<u>-412,680</u>	<u>0</u>
FL21	Council Tax Benefits			
1,142,138	Transfer Payments	-15,000	-15,000	0
<u>1,142,138</u>	Gross Expenditure	<u>-15,000</u>	<u>-15,000</u>	<u>0</u>
-1,146,963	Other Income	0	0	0
<u>-4,825</u>	Net Expenditure	<u>-15,000</u>	<u>-15,000</u>	<u>0</u>
FL22	Council Tax Reduction Scheme			
0	Employees	100	100	0
31,268	Supplies & Services	0	0	0
<u>31,268</u>	Gross Expenditure	<u>100</u>	<u>100</u>	<u>0</u>
-553,154	Other Income	-597,800	-597,800	0
<u>-521,886</u>	Net Expenditure	<u>-597,700</u>	<u>-597,700</u>	<u>0</u>
FN01	Housing Benefits			
12,000	Supplies & Services	11,000	11,000	0
<u>20,975,838</u>	Transfer Payments	<u>23,694,820</u>	<u>23,694,820</u>	<u>0</u>
20,987,838	Gross Expenditure	23,705,820	23,705,820	0
<u>-21,035,305</u>	Other Income	<u>-23,935,520</u>	<u>-23,935,520</u>	<u>0</u>
<u>-47,467</u>	Net Expenditure	<u>-229,700</u>	<u>-229,700</u>	<u>0</u>
FN02	Rent Rebates			
8,393,746	Transfer Payments	9,136,230	9,136,230	0
<u>8,393,746</u>	Gross Expenditure	<u>9,136,230</u>	<u>9,136,230</u>	<u>0</u>
-8,206,443	Other Income	-8,820,510	-8,820,510	0
<u>187,303</u>	Net Expenditure	<u>315,720</u>	<u>315,720</u>	<u>0</u>

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GA04 Finance			
649,551	1 Employees	558,260	624,880	66,620
99	Transport-Related Expenditure	3,250	2,050	-1,200
59,997	2 Supplies & Services	53,590	44,590	-9,000
<u>709,648</u>	Gross Expenditure	<u>615,100</u>	<u>671,520</u>	<u>56,420</u>
-264,799	3 Other Income	-43,120	-35,400	7,720
<u>444,849</u>	Net Expenditure	<u>571,980</u>	<u>636,120</u>	<u>64,140</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth	50,000
1 Employee Costs including Increments and Pension	17,000
2 Approved Budget Strategy Savings	-7,000
2 Adjustment to Centrally Determined Costs	-2,000
3 Recharge to Otterpool LLP	10,320

	GA07 ICT Admin			
535,393	1 Employees	609,830	645,740	35,910
12	Transport-Related Expenditure	0	2,500	2,500
7,277	Supplies & Services	6,320	3,630	-2,690
<u>542,682</u>	Gross Expenditure	<u>616,150</u>	<u>651,870</u>	<u>35,720</u>
-3,000	Other Income	-10,000	-10,000	0
<u>539,682</u>	Net Expenditure	<u>606,150</u>	<u>641,870</u>	<u>35,720</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	25,000
1 Agreed new post (outside of Growth exercise)	10,600

	GA08 Treasury Management			
541	Employees	0	0	0
76,635	Supplies & Services	49,780	50,150	370
<u>77,176</u>	Gross Expenditure	<u>49,780</u>	<u>50,150</u>	<u>370</u>
0	Other Income	0	0	0
<u>77,176</u>	Net Expenditure	<u>49,780</u>	<u>50,150</u>	<u>370</u>

	GA09 Case Management (Corporate Services)			
1,598,234	1 Employees	1,738,200	1,817,100	78,900
6,325	2 Transport-Related Expenditure	2,030	10,530	8,500
20,731	3 Supplies & Services	88,830	75,480	-13,350
<u>1,625,290</u>	Gross Expenditure	<u>1,829,060</u>	<u>1,903,110</u>	<u>74,050</u>
-6,961	Other Income	-4,400	-3,500	900
<u>1,618,330</u>	Net Expenditure	<u>1,824,660</u>	<u>1,899,610</u>	<u>74,950</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	46,660
1 Restructure of Establishment incl. Transformation (From GL45)	32,240
2 Adjustment to Centrally Determined Costs	8,500
3 Approved Budget Strategy Savings	-7,000
3 Adjustment to Centrally Determined Costs	-6,500

	GA20	Revenues & Benefits			
804,611		1 Employees	391,880	400,600	8,720
336		Premises-Related Expenditure	0	0	0
4,284		2 Transport-Related Expenditure	10,200	3,200	-7,000
<u>126,423</u>		Supplies & Services	<u>127,210</u>	<u>124,680</u>	<u>-2,530</u>
935,654		Gross Expenditure	<u>529,290</u>	<u>528,480</u>	<u>-810</u>
-122,046		Other Income	-560	-560	0
<u>813,608</u>		Net Expenditure	<u>528,730</u>	<u>527,920</u>	<u>-810</u>

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

1 Employee Costs including Increments and Pension	8,700
2 Adjustment to Centrally Determined Costs	-7,000

	GA22	Business Support - Systems			
433,008		Employees	401,100	467,590	66,490
3,208		Transport-Related Expenditure	300	200	-100
<u>7,609</u>		Supplies & Services	<u>15,690</u>	<u>17,940</u>	<u>2,250</u>
443,826		Gross Expenditure	<u>417,090</u>	<u>485,730</u>	<u>68,640</u>
0		Other Income	0	0	0
<u>443,826</u>		Net Expenditure	<u>417,090</u>	<u>485,730</u>	<u>68,640</u>

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

1 Agreed new post (Transformation change)	49,000
1 Employee Costs including Increments and Pension	17,000

	GA54	Printing Services			
173,765		Employees	145,340	147,220	1,880
0		Transport-Related Expenditure	750	550	-200
<u>53,665</u>		1 Supplies & Services	<u>74,620</u>	<u>59,580</u>	<u>-15,040</u>
227,431		Gross Expenditure	<u>220,710</u>	<u>207,350</u>	<u>-13,360</u>
-9,486		2 Other Income	-18,970	0	18,970
<u>217,944</u>		Net Expenditure	<u>201,740</u>	<u>207,350</u>	<u>5,610</u>

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

1 Change to Postage recharge	-15,000
2 MTFS adjustment	18,970

	GM12	Strategy, Policy & Performance			
638,490		1 Employees	654,270	678,840	24,570
45		Transport-Related Expenditure	1,220	320	-900
<u>3,914</u>		Supplies & Services	<u>8,350</u>	<u>5,330</u>	<u>-3,020</u>
642,448		Gross Expenditure	<u>663,840</u>	<u>684,490</u>	<u>20,650</u>
-45,960		Other Income	-2,200	-5,000	-2,800
<u>596,488</u>		Net Expenditure	<u>661,640</u>	<u>679,490</u>	<u>17,850</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	24,500
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	GM19	ICT Operations			
1,244,583		1 Supplies & Services	1,258,860	1,331,750	72,890
<u>1,244,583</u>		Gross Expenditure	<u>1,258,860</u>	<u>1,331,750</u>	<u>72,890</u>
-22,040		2 Other Income	-44,080	0	44,080
<u>1,222,543</u>		Net Expenditure	<u>1,214,780</u>	<u>1,331,750</u>	<u>116,970</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth	122,000
1 Approved Budget Strategy Savings	-11,000
1 Contract Inflation	5,500
1 MTFS adjustment	-52,500
1 Adjustment to Centrally Determined Costs	9,000
2 MTFS adjustment	44,000

	GP00	Internal Audit			
	106,828	Third Party Payments	118,700	118,700	0
	<u>106,828</u>	Gross Expenditure	<u>118,700</u>	<u>118,700</u>	<u>0</u>
	0	Other Income	0	0	0
	<u>106,828</u>	Net Expenditure	<u>118,700</u>	<u>118,700</u>	<u>0</u>

**Andrina Smith
Human Resources Summary**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
11,125	FD16 Corporate Training	20,000	16,000	-4,000
11,125	Service Total	20,000	16,000	-4,000

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
640,731	GL45 Organisational Development	500,720	484,370	-16,350
2,790	GM02 Pay Review Project	0	0	0
50,615	GM07 Payroll	49,850	51,140	1,290
-91,595	GM08 Human Resources (Corporate Training)	-58,840	-61,850	-3,010
74,314	GM09 Human Resources (Central Costs)	69,620	74,620	5,000
54,739	GM10 Central Training Budget	74,500	62,500	-12,000
731,594	Administration Total	635,850	610,780	-25,070

**Andrina Smith
Human Resources Detail**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
11,125	FD16 Corporate Training	20,000	16,000	-4,000
11,125	Employees	20,000	16,000	-4,000
0	Other Income	0	0	0
11,125	Net Expenditure	20,000	16,000	-4,000

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GL45 Organisational Development			
585,863	1 Employees	463,820	444,050	-19,770
64	Transport-Related Expenditure	1,300	400	-900
54,804	Supplies & Services	45,470	41,190	-4,280
<u>640,731</u>	Gross Expenditure	<u>510,590</u>	<u>485,640</u>	<u>-24,950</u>
0	2 Other Income	-9,870	-1,270	8,600
<u>640,731</u>	Net Expenditure	<u>500,720</u>	<u>484,370</u>	<u>-16,350</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Restructure of Establishment incl. Transformation (To GA09)			-32,240
	1 Employee Costs including Increments and Pension			12,500
	2 Recharge to Otterpool LLP			8,600
	GM07 Payroll			
50,615	Premises-Related Expenditure	49,850	51,140	1,290
<u>50,615</u>	Gross Expenditure	<u>49,850</u>	<u>51,140</u>	<u>1,290</u>
0	Other Income	0	0	0
<u>50,615</u>	Net Expenditure	<u>49,850</u>	<u>51,140</u>	<u>1,290</u>
	GM08 Human Resources (Corporate Training)			
61,624	Employees	41,160	38,150	-3,010
61,624	Gross Expenditure	41,160	38,150	-3,010
-153,219	Other Income	-100,000	-100,000	0
<u>-91,595</u>	Net Expenditure	<u>-58,840</u>	<u>-61,850</u>	<u>-3,010</u>
	GM09 Human Resources (Central Costs)			
46,816	Employees	50,220	50,220	0
31,120	1 Supplies & Services	19,400	24,400	5,000
77,936	Gross Expenditure	69,620	74,620	5,000
-3,622	Other Income	0	0	0
<u>74,314</u>	Net Expenditure	<u>69,620</u>	<u>74,620</u>	<u>5,000</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Growth			5,000
	GM10 Central Training Budget			
54,739	1 Employees	74,500	62,500	-12,000
54,739	Gross Expenditure	74,500	62,500	-12,000
0	Other Income	0	0	0
<u>54,739</u>	Net Expenditure	<u>74,500</u>	<u>62,500</u>	<u>-12,000</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Savings			-12,000

**Amandeep Khroud
Governance & Law Summary**

		<u>Service</u>		
2021/22 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
-16,780	DA12 Street Naming & Numbering	-15,820	-19,000	-3,180
748,163	EA01 Leas Cliff Hall	762,080	781,080	19,000
364,345	FE05 Members Allowances & Expenses	362,870	358,070	-4,800
24,108	FE15 Dem Rep & Man-Misc Expenditure	20,270	20,270	0
2,277	FE20 Civic Ceremonials	14,920	13,560	-1,360
-107,185	FE70 Democratic Representation-Recharges	-120,000	-120,000	0
67,836	FH03 Registration of Electors	80,420	81,260	840
47,638	FH04 Conducting Elections	48,000	40,000	-8,000
1,130,402	Service Total	1,152,740	1,155,240	2,500

		<u>Administration</u>		
2021/22 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
95,241	GA03 Client Side Unit	85,890	95,220	9,330
123,980	GA10 Procurement	100,600	115,690	15,090
0	GA11 Centralised Equipment	2,000	2,000	0
2,002	GA24 Corporate Consumables - Floors 1 & 2	3,500	3,500	0
298,067	GL00 Legal Services	272,400	275,090	2,690
151,188	GL41 Asst Director for Governance and Law	133,930	134,940	1,010
227,629	GL51 Democratic Services & Elections	203,250	238,130	34,880
-1,332	GL52 Committee Services	0	0	0
-926	GL53 FOI & Info Governance Team	0	0	0
33,508	GM14 Waste Contract	0	0	0
248,327	GM34 Waste Contract Management	214,290	218,150	3,860
348,289	GM37 Communications	234,160	303,650	69,490
1,525,972	Administration Total	1,250,020	1,386,370	136,350

		<u>Holding</u>		
2021/22 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
0	FX04 Parliamentary Elections	0	0	0
48,210	GX02 Civic Centre - Cleaning Contract	47,150	48,280	1,130
48,210	Holding Total	47,150	48,280	1,130

**Amandeep Khroud
Governance & Law Services Detail**

		<u>Service</u>		
2021/22 Actual		2021/22 Original Budget	2022/23 Original Budget	Variances
	DA12 Street Naming & Numbering			
0	Supplies & Services	0	0	0
0	Gross Expenditure	0	0	0
-16,780	Other Income	-15,820	-19,000	-3,180
-16,780	Net Expenditure	-15,820	-19,000	-3,180

EA01	Leas Cliff Hall			
748,163	1 Third Party Payments	762,080	781,080	19,000
748,163	Gross Expenditure	762,080	781,080	19,000
0	Other Income	0	0	0
<u>748,163</u>	Net Expenditure	<u>762,080</u>	<u>781,080</u>	<u>19,000</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Contract Inflation				19,000
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FE05	Members Allowances & Expenses			
6,310	Employees	10,000	8,000	-2,000
67	Transport-Related Expenditure	7,000	4,500	-2,500
357,968	Supplies & Services	345,870	345,570	-300
<u>364,345</u>	Gross Expenditure	<u>362,870</u>	<u>358,070</u>	<u>-4,800</u>
0	Other Income	0	0	0
<u>364,345</u>	Net Expenditure	<u>362,870</u>	<u>358,070</u>	<u>-4,800</u>

FE15	Dem Rep & Man-Misc Expenditure			
24,108	Supplies & Services	20,270	20,270	0
<u>24,108</u>	Gross Expenditure	<u>20,270</u>	<u>20,270</u>	<u>0</u>
0	Other Income	0	0	0
<u>24,108</u>	Net Expenditure	<u>20,270</u>	<u>20,270</u>	<u>0</u>

FE20	Civic Ceremonials			
259	Employees	5,000	4,000	-1,000
1,178	Transport-Related Expenditure	3,020	3,400	380
841	Supplies & Services	6,900	6,160	-740
<u>2,277</u>	Gross Expenditure	<u>14,920</u>	<u>13,560</u>	<u>-1,360</u>
0	Other Income	0	0	0
<u>2,277</u>	Net Expenditure	<u>14,920</u>	<u>13,560</u>	<u>-1,360</u>

FE70	Democratic Representation-Recharges			
0		0	0	0
0	Gross Expenditure	0	0	0
-107,185	Other Income	-120,000	-120,000	0
<u>-107,185</u>	Net Expenditure	<u>-120,000</u>	<u>-120,000</u>	<u>0</u>

FH03	Registration of Electors			
58,538	Employees	53,000	53,000	0
19,741	Supplies & Services	28,920	29,760	840
<u>78,278</u>	Gross Expenditure	<u>81,920</u>	<u>82,760</u>	<u>840</u>
-10,443	Other Income	-1,500	-1,500	0
<u>67,836</u>	Net Expenditure	<u>80,420</u>	<u>81,260</u>	<u>840</u>

FH04	Conducting Elections			
60,502	1 Supplies & Services	48,000	40,000	-8,000
<u>60,502</u>	Gross Expenditure	<u>48,000</u>	<u>40,000</u>	<u>-8,000</u>
-12,864	Other Income	0	0	0
<u>47,638</u>	Net Expenditure	<u>48,000</u>	<u>40,000</u>	<u>-8,000</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Permanent virement (to GX24)				-8,000
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Administration

2021/22 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variations £
	GA03 Client Side Unit			
94,605	1 Employees	81,610	91,440	9,830
0	Transport-Related Expenditure	610	610	0
637	Supplies & Services	3,670	3,170	-500
<u>95,242</u>	Gross Expenditure	<u>85,890</u>	<u>95,220</u>	<u>9,330</u>
-1	Other Income	0	0	0
<u>95,241</u>	Net Expenditure	<u>85,890</u>	<u>95,220</u>	<u>9,330</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Employee Costs including Increments and Pension			9,830
	GA10 Procurement			
127,603	Employees	110,460	113,180	2,720
91	Transport-Related Expenditure	200	100	-100
3,303	Supplies & Services	3,980	3,310	-670
<u>130,997</u>	Gross Expenditure	<u>114,640</u>	<u>116,590</u>	<u>1,950</u>
-7,018	1 Other Income	-14,040	-900	13,140
<u>123,980</u>	Net Expenditure	<u>100,600</u>	<u>115,690</u>	<u>15,090</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			14,040
	GA11 Centralised Equipment			
0	Supplies & Services	2,000	2,000	0
<u>0</u>	Gross Expenditure	<u>2,000</u>	<u>2,000</u>	<u>0</u>
0	Other Income	0	0	0
<u>0</u>	Net Expenditure	<u>2,000</u>	<u>2,000</u>	<u>0</u>
	GA24 Corporate Consumables - Floors 1 & 2			
2,002	Supplies & Services	3,500	3,500	0
<u>2,002</u>	Gross Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>
0	Other Income	0	0	0
<u>2,002</u>	Net Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>
	GL00 Legal Services			
298,228	1 Employees	278,650	287,710	9,060
1,658	Transport-Related Expenditure	2,000	700	-1,300
55,726	Supplies & Services	41,980	40,380	-1,600
<u>355,611</u>	Gross Expenditure	<u>322,630</u>	<u>328,790</u>	<u>6,160</u>
-57,544	Other Income	-50,230	-53,700	-3,470
<u>298,067</u>	Net Expenditure	<u>272,400</u>	<u>275,090</u>	<u>2,690</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Employee Costs including Increments and Pension			9,500
	GL41 Asst Director for Governance and Law			
150,165	Employees	131,560	133,360	1,800
0	Transport-Related Expenditure	500	500	0
1,023	Supplies & Services	1,870	1,080	-790
<u>151,188</u>	Gross Expenditure	<u>133,930</u>	<u>134,940</u>	<u>1,010</u>
0	Other Income	0	0	0
<u>151,188</u>	Net Expenditure	<u>133,930</u>	<u>134,940</u>	<u>1,010</u>

GL51 Democratic Services & Elections				
223,161	1 Employees	197,030	232,870	35,840
305	Transport-Related Expenditure	1,250	850	-400
4,164	Supplies & Services	4,970	4,410	-560
<u>227,629</u>	Gross Expenditure	<u>203,250</u>	<u>238,130</u>	<u>34,880</u>
0	Other Income	0	0	0
<u>227,629</u>	Net Expenditure	<u>203,250</u>	<u>238,130</u>	<u>34,880</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Agreed new post (Transformation)	30,600
1 Employee Costs including Increments and Pension	5,000

GL52 Committee Services				
-1,332	Employees	0	0	0
<u>-1,332</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>-1,332</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GL53 FOI & Info Governance Team				
-926	Employees	0	0	0
<u>-926</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>-926</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GM14 Waste Contract				
33,508	Supplies & Services	0	0	0
<u>33,508</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>33,508</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GM34 Waste Contract Management				
182,887	Employees	159,190	163,530	4,340
3,033	Transport-Related Expenditure	3,200	3,700	500
3,133	Supplies & Services	6,900	5,920	-980
59,274	Third Party Payments	45,000	45,000	0
<u>248,327</u>	Gross Expenditure	<u>214,290</u>	<u>218,150</u>	<u>3,860</u>
0	Other Income	0	0	0
<u>248,327</u>	Net Expenditure	<u>214,290</u>	<u>218,150</u>	<u>3,860</u>

GM37 Communications				
304,822	1 Employees	210,380	278,650	68,270
0	Transport-Related Expenditure	200	200	0
47,482	Supplies & Services	34,070	30,800	-3,270
<u>352,303</u>	Gross Expenditure	<u>244,650</u>	<u>309,650</u>	<u>65,000</u>
-4,015	Other Income	-10,490	-6,000	4,490
<u>348,289</u>	Net Expenditure	<u>234,160</u>	<u>303,650</u>	<u>69,490</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Restructure of Establishment incl. Transformation	71,000
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Holding

2021/22 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
GX02 Civic Centre - Cleaning Contract				
43,841	Premises-Related Expenditure	39,750	40,880	1,130
4,369	Supplies & Services	7,400	7,400	0
<u>48,210</u>	Gross Expenditure	<u>47,150</u>	<u>48,280</u>	<u>1,130</u>
0	Other Income	0	0	0
<u>48,210</u>	Net Expenditure	<u>47,150</u>	<u>48,280</u>	<u>1,130</u>

**Trudi Simpson
Leadership Support Summary**

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
169,475	GA06 Director of Corporate Services	139,070	133,640	-5,430
181,283	GL05 Director of Development	16,140	3,070	-13,070
180,498	GM00 Director of Transition & Transformation	160,100	2,870	-157,230
219,275	GM01 Chief Executive	195,510	184,190	-11,320
151,149	GM05 Director of Place	145,030	236,860	91,830
128,756	GM38 Leadership and PA Support	110,260	111,730	1,470
163,922	GM39 Director of Housing & Operations	141,410	331,860	190,450
1,194,358	Administration Total	907,520	1,004,220	96,700

**Trudi Simpson
Leadership Support Detail**

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GA06 Director of Corporate Services			
168,353	Employees	144,230	147,360	3,130
0	Transport-Related Expenditure	200	200	0
1,122	Supplies & Services	2,050	1,180	-870
169,475	Gross Expenditure	146,480	148,740	2,260
0	1 Other Income	-7,410	-15,100	-7,690
169,475	Net Expenditure	139,070	133,640	-5,430
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Recharge to Otterpool LLP			-7,690
	GL05 Director of Development			
179,722	Employees	156,490	152,000	-4,490
64	Transport-Related Expenditure	250	250	0
1,497	Supplies & Services	2,490	2,620	130
181,283	Gross Expenditure	159,230	154,870	-4,360
0	1 Other Income	-143,090	-151,800	-8,710
181,283	Net Expenditure	16,140	3,070	-13,070
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Recharge to Otterpool LLP			-8,710
	GM00 Director of Transition & Transformation			
179,152	1 Employees	156,790	500	-156,290
0	Transport-Related Expenditure	100	100	0
1,346	Supplies & Services	3,210	2,270	-940
180,498	Gross Expenditure	160,100	2,870	-157,230
0	Other Income	0	0	0
180,498	Net Expenditure	160,100	2,870	-157,230
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Realigning of CLT (Transformation)			-156,290

	GM01 Chief Executive			
216,536	Employees	191,900	195,390	3,490
17	Transport-Related Expenditure	100	100	0
<u>2,722</u>	Supplies & Services	<u>3,510</u>	<u>2,360</u>	<u>-1,150</u>
219,275	Gross Expenditure	195,510	197,850	2,340
0	1 Other Income	0	-13,660	-13,660
<u>219,275</u>	Net Expenditure	<u>195,510</u>	<u>184,190</u>	<u>-11,320</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Recharge to Otterpool LLP	-13,660
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	GM05 Director of Place			
150,239	1 Employees	143,370	250,300	106,930
910	Supplies & Services	<u>1,660</u>	<u>960</u>	<u>-700</u>
<u>151,149</u>	Gross Expenditure	145,030	251,260	106,230
0	2 Other Income	0	-14,400	-14,400
<u>151,149</u>	Net Expenditure	<u>145,030</u>	<u>236,860</u>	<u>91,830</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Additional Strategic Projects resource	106,930
2 Recharge to Otterpool LLP	-14,400

	GM38 Leadership and PA Support			
125,038	Employees	105,230	107,640	2,410
0	Transport-Related Expenditure	250	0	-250
<u>3,719</u>	Supplies & Services	<u>4,780</u>	<u>4,090</u>	<u>-690</u>
128,756	Gross Expenditure	110,260	111,730	1,470
0	Other Income	0	0	0
<u>128,756</u>	Net Expenditure	<u>110,260</u>	<u>111,730</u>	<u>1,470</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1

	GM39 Director of Housing & Operations			
166,880	1 Employees	143,760	335,680	191,920
1,122	Supplies & Services	<u>2,050</u>	<u>1,180</u>	<u>-870</u>
<u>168,002</u>	Gross Expenditure	145,810	336,860	191,050
-4,080	Other Income	-4,400	-5,000	-600
<u>163,922</u>	Net Expenditure	<u>141,410</u>	<u>331,860</u>	<u>190,450</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Additional Strategic Projects resource	190,000
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**Ewan Green
Place Summary**

		<u>Service</u>			
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £	
-137,361	BE57	Licensing	-148,520	-154,120	-5,600
-3,015	BE58	Caravan Sites	-3,060	-4,460	-1,400
18,706	BF53	Crime and Disorder	25,220	23,040	-2,180
199,800	BG50	Food Safety, Health and Safety etc	250,580	186,310	-64,270
6,691	BG51	Pollution Reduction	51,870	54,570	2,700
7,830	BG52	Pest Control	10,000	10,000	0
0	BG53	Unauthorised Encampments	18,000	2,000	-16,000
1,225,864	CE10	Household Waste Collection	1,300,500	1,189,920	-110,580
189,436	CE11	Recycling and Waste	604,890	478,540	-126,350
-180,931	CE20	Cemeteries	-147,610	-167,660	-20,050
284	CE25	Burials	2,000	2,000	0
264,126	CE31	Hythe Swimming Pool	119,060	107,340	-11,720
4,321	CE51	Dog Control	6,980	6,980	0
2,259	CE54	Litter & Fouling Enforcement	5,500	3,500	-2,000
-86,019	CE58	Hackney Carriage Licensing	-104,000	-104,000	0
1,183,901	CE60	Cleansing	1,437,830	1,340,230	-97,600
87,674	ED40	Members Ward Allowance	90,000	90,000	0
28,060	ED41	Community Grants	45,460	45,460	0
16,850	EE20	Sports Development Initiatives	19,850	19,850	0
150,000	EE25	Folkestone Sports Centre	150,000	150,000	0
27,500	ER02	Tall Ships Project	25,000	25,000	0
-122,859	FH57	Local Land Charges	-165,800	-173,390	-7,590
<u>2,883,117</u>		Service Total	<u>3,593,750</u>	<u>3,131,110</u>	<u>-462,640</u>
 <u>Administration</u>					
2020/21 Actual £			2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
1,277,043	GA23	Case Management (Place)	1,232,780	1,313,520	80,740
142	GA56	New Romney One Stop	0	0	0
83,676	GA60	Civic Wardens	78,140	81,670	3,530
947,696	GA62	Customer Services	837,770	839,760	1,990
98,003	GL21	Community Safety	0	0	0
453,330	GM36	Environmental Protection	465,630	477,260	11,630
161,644	GM44	Licensing	194,900	198,930	4,030
240,636	GM50	Area Officers	197,090	211,990	14,900
<u>3,262,170</u>		Administration Total	<u>3,006,310</u>	<u>3,123,130</u>	<u>116,820</u>

**Ewan Green
Place Detail**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	BE57	Licensing		
5,115		6,800	6,800	0
187		0	0	0
3,151		1,600	1,600	0
1,960		2,000	2,000	0
<u>10,413</u>		<u>10,400</u>	<u>10,400</u>	<u>0</u>
-147,773	1	-158,920	-164,520	-5,600
<u>-137,361</u>		<u>-148,520</u>	<u>-154,120</u>	<u>-5,600</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1			-5,600
	BE58	Caravan Sites		
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
-3,015		-3,060	-4,460	-1,400
<u>-3,015</u>		<u>-3,060</u>	<u>-4,460</u>	<u>-1,400</u>
	BF53	Crime and Disorder		
0		2,150	1,600	-550
44,081		54,960	53,330	-1,630
<u>44,081</u>		<u>57,110</u>	<u>54,930</u>	<u>-2,180</u>
-25,375		-31,890	-31,890	0
<u>18,706</u>		<u>25,220</u>	<u>23,040</u>	<u>-2,180</u>
	BG50	Food Safety, Health and Safety etc		
196,766	1	245,320	183,200	-62,120
3,561		5,200	4,500	-700
1,943		3,680	2,710	-970
<u>202,270</u>		<u>254,200</u>	<u>190,410</u>	<u>-63,790</u>
-2,470		-3,620	-4,100	-480
<u>199,800</u>		<u>250,580</u>	<u>186,310</u>	<u>-64,270</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1			-53,000
	1			-24,000
	1			10,200
	BG51	Pollution Reduction		
42,572	1	68,390	76,590	8,200
<u>42,572</u>		<u>68,390</u>	<u>76,590</u>	<u>8,200</u>
-35,880	2	-16,520	-22,020	-5,500
<u>6,691</u>		<u>51,870</u>	<u>54,570</u>	<u>2,700</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1			15,000
	1			-6,800
	2			-5,500
	BG52	Pest Control		
7,830		10,000	10,000	0
<u>7,830</u>		<u>10,000</u>	<u>10,000</u>	<u>0</u>
0		0	0	0
<u>7,830</u>		<u>10,000</u>	<u>10,000</u>	<u>0</u>

BG53	Unauthorised Encampments			
0	1 Supplies & Services	18,000	2,000	-16,000
0	Gross Expenditure	18,000	2,000	-16,000
0	Other Income	0	0	0
0	Net Expenditure	18,000	2,000	-16,000

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-16,000
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£	CE10	Household Waste Collection	£	£	£
236,864		Premises-Related Expenditure	0	0	0
160,038		Supplies & Services	133,550	133,630	80
1,237,220	1 Third Party Payments		1,476,630	1,375,970	-100,660
1,634,122	Gross Expenditure		1,610,180	1,509,600	-100,580
-408,258	2 Other Income		-309,680	-319,680	-10,000
1,225,864	Net Expenditure		1,300,500	1,189,920	-110,580

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Change in Outsourced Contract Recharges	-100,660
2 Approved Budget Strategy Savings	-10,000

CE11	Recycling and Waste			
22,417	Supplies & Services	23,230	23,870	640
1,560,788	1 Third Party Payments	1,862,770	1,735,780	-126,990
1,583,205	Gross Expenditure	1,886,000	1,759,650	-126,350
-1,393,769	Other Income	-1,281,110	-1,281,110	0
189,436	Net Expenditure	604,890	478,540	-126,350

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Change in Outsourced Contract Recharges	-126,990
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CE20	Cemeteries			
162	Supplies & Services	360	310	-50
162	Gross Expenditure	360	310	-50
-181,093	1 Other Income	-147,970	-167,970	-20,000
-180,931	Net Expenditure	-147,610	-167,660	-20,050

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-20,000
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CE25	Burials			
28,537	Supplies & Services	3,000	3,000	0
28,537	Gross Expenditure	3,000	3,000	0
-28,253	Other Income	-1,000	-1,000	0
284	Net Expenditure	2,000	2,000	0

CE31	Hythe Swimming Pool			
276,852	1 Employees	250,330	242,840	-7,490
29	Transport-Related Expenditure	0	0	0
13,061	Supplies & Services	48,370	44,140	-4,230
289,942	Gross Expenditure	298,700	286,980	-11,720
-25,816	Other Income	-179,640	-179,640	0
264,126	Net Expenditure	119,060	107,340	-11,720

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	-7,490
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CE51	Dog Control			
3,368	Transport-Related Expenditure	1,820	1,820	0
3,401	Supplies & Services	10,060	10,060	0
<u>6,768</u>	Gross Expenditure	<u>11,880</u>	<u>11,880</u>	<u>0</u>
-2,447	Other Income	-4,900	-4,900	0
<u>4,321</u>	Net Expenditure	<u>6,980</u>	<u>6,980</u>	<u>0</u>
CE54	Litter & Fouling Enforcement			
6,189	Supplies & Services	7,500	7,500	0
<u>6,189</u>	Gross Expenditure	<u>7,500</u>	<u>7,500</u>	<u>0</u>
-3,930	Other Income	-2,000	-4,000	-2,000
<u>2,259</u>	Net Expenditure	<u>5,500</u>	<u>3,500</u>	<u>-2,000</u>
CE58	Hackney Carriage Licensing			
18,870	Supplies & Services	21,870	21,870	0
<u>18,870</u>	Gross Expenditure	<u>21,870</u>	<u>21,870</u>	<u>0</u>
-104,889	Other Income	-125,870	-125,870	0
<u>-86,019</u>	Net Expenditure	<u>-104,000</u>	<u>-104,000</u>	<u>0</u>
CE60	Cleansing			
14,373	Supplies & Services	17,000	17,000	0
1,199,560	1 Third Party Payments	1,431,680	1,334,080	-97,600
<u>1,213,933</u>	Gross Expenditure	<u>1,448,680</u>	<u>1,351,080</u>	<u>-97,600</u>
-30,033	Other Income	-10,850	-10,850	0
<u>1,183,901</u>	Net Expenditure	<u>1,437,830</u>	<u>1,340,230</u>	<u>-97,600</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Change in Outsourced Contract Recharges			-97,600
ED40	Members Ward Allowance			
87,674	Supplies & Services	90,000	90,000	0
<u>87,674</u>	Gross Expenditure	<u>90,000</u>	<u>90,000</u>	<u>0</u>
0	Other Income	0	0	0
<u>87,674</u>	Net Expenditure	<u>90,000</u>	<u>90,000</u>	<u>0</u>
ED41	Community Grants			
28,060	Supplies & Services	45,460	45,460	0
<u>28,060</u>	Gross Expenditure	<u>45,460</u>	<u>45,460</u>	<u>0</u>
0	Other Income	0	0	0
<u>28,060</u>	Net Expenditure	<u>45,460</u>	<u>45,460</u>	<u>0</u>
EE20	Sports Development Initiatives			
16,850	Supplies & Services	19,850	19,850	0
<u>16,850</u>	Gross Expenditure	<u>19,850</u>	<u>19,850</u>	<u>0</u>
0	Other Income	0	0	0
<u>16,850</u>	Net Expenditure	<u>19,850</u>	<u>19,850</u>	<u>0</u>
EE25	Folkestone Sports Centre			
150,000	Supplies & Services	150,000	150,000	0
<u>150,000</u>	Gross Expenditure	<u>150,000</u>	<u>150,000</u>	<u>0</u>
0	Other Income	0	0	0
<u>150,000</u>	Net Expenditure	<u>150,000</u>	<u>150,000</u>	<u>0</u>

ER02	Tall Ships Project			
27,500	Supplies & Services	25,000	25,000	0
27,500	Gross Expenditure	25,000	25,000	0
0	Other Income	0	0	0
27,500	Net Expenditure	25,000	25,000	0

FH57	Local Land Charges			
35,555	1 Supplies & Services	50,800	43,210	-7,590
35,555	Gross Expenditure	50,800	43,210	-7,590
-158,414	Other Income	-216,600	-216,600	0
-122,859	Net Expenditure	-165,800	-173,390	-7,590

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-7,590
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Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
GA23	Case Management (Place)			
1,263,043	1 Employees	1,217,150	1,301,060	83,910
3,400	Transport-Related Expenditure	200	3,000	2,800
10,601	Supplies & Services	15,430	9,460	-5,970
1,277,043	Gross Expenditure	1,232,780	1,313,520	80,740
0	Other Income	0	0	0
1,277,043	Net Expenditure	1,232,780	1,313,520	80,740

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Restructure of Establishment incl. Transformation (from GM20)	33,730
1 Realignment of budgets for Housing staff	23,300
1 Employee Costs including Increments and Pension	26,880

GA60	Civic Wardens			
81,784	Employees	72,510	73,220	710
0	Transport-Related Expenditure	150	50	-100
3,411	Supplies & Services	8,340	8,400	60
85,195	Gross Expenditure	81,000	81,670	670
-1,519	Other Income	-2,860	0	2,860
83,676	Net Expenditure	78,140	81,670	3,530

GA62	Customer Services			
921,204	1 Employees	803,550	791,060	-12,490
3	Transport-Related Expenditure	400	300	-100
19,180	2 Supplies & Services	30,740	20,900	-9,840
21,603	3 Third Party Payments	32,500	27,500	-5,000
961,990	Gross Expenditure	867,190	839,760	-27,430
-14,294	4 Other Income	-29,420	0	29,420
947,696	Net Expenditure	837,770	839,760	1,990

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	-2,300
1 Approved Budget Strategy Savings	-10,400
2 Adjustment to Centrally Determined Costs	-5,200
2 Approved Budget Strategy Savings	-5,000
3 Approved Budget Strategy Savings	-5,000
4 MTFS adjustment	28,420

GM36	Environmental Protection			
434,543	1 Employees	441,270	456,870	15,600
4,134	Transport-Related Expenditure	5,950	5,850	-100
14,825	Supplies & Services	18,480	14,610	-3,870
<u>453,503</u>	Gross Expenditure	<u>465,700</u>	<u>477,330</u>	<u>11,630</u>
-173	Other Income	-70	-70	0
<u>453,330</u>	Net Expenditure	<u>465,630</u>	<u>477,260</u>	<u>11,630</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Employee Costs including Increments and Pension			15,600
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GM44	Licensing			
157,707	Employees	189,880	193,770	3,890
2,833	Transport-Related Expenditure	3,000	4,000	1,000
1,104	Supplies & Services	2,020	1,160	-860
<u>161,644</u>	Gross Expenditure	<u>194,900</u>	<u>198,930</u>	<u>4,030</u>
0	Other Income	0	0	0
<u>161,644</u>	Net Expenditure	<u>194,900</u>	<u>198,930</u>	<u>4,030</u>

GM50	Area Officers			
215,828	Employees	182,040	186,510	4,470
18,544	1 Transport-Related Expenditure	7,210	18,840	11,630
6,264	Supplies & Services	7,840	6,640	-1,200
<u>240,636</u>	Gross Expenditure	<u>197,090</u>	<u>211,990</u>	<u>14,900</u>
0	Other Income	0	0	0
<u>240,636</u>	Net Expenditure	<u>197,090</u>	<u>211,990</u>	<u>14,900</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Approved Budget Strategy Growth			11,500
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**Katharine Harvey
Economic Development Summary**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
93,342	ED10	249,350	99,480	-149,870
44,344	ED12	-8,120	41,760	49,880
4,629	ED13	0	0	0
292,138	ED14	830,380	420,250	-410,130
39,585	ED16	17,320	-9,790	-27,110
60,060	ED54	0	0	0
24,507	ED55	0	0	0
40,355	ES05	40,360	40,360	0
598,960	Service Total	1,129,290	592,060	-537,230

		<u>Administration</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
212,530	GM30	175,040	169,970	-5,070
212,530	Administration Total	175,040	169,970	-5,070

**Katharine Harvey
Economic Development Detail**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Variances
£		£	£	£
	ED10			
	Regen & Economic Development			
93,342	1 Supplies & Services	249,350	99,480	-149,870
437,818	Third Party Payments	0	0	0
531,160	Gross Expenditure	249,350	99,480	-149,870
-437,818	Other Income	0	0	0
93,342	Net Expenditure	249,350	99,480	-149,870
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			-150,000
	ED12			
	Rural Regeneration Initiatives			
18,555	1 Employees	0	50,050	50,050
908	Transport-Related Expenditure	500	500	0
24,882	Supplies & Services	11,380	11,210	-170
44,344	Gross Expenditure	11,880	61,760	49,880
0	Other Income	-20,000	-20,000	0
44,344	Net Expenditure	-8,120	41,760	49,880
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Budget re-alignment			50,050

ED14	High Street Innovation Fund			
21,511	Employees	30,250	32,640	2,390
<u>270,627</u>	1 Supplies & Services	<u>800,130</u>	<u>387,610</u>	<u>-412,520</u>
292,138	Gross Expenditure	<u>830,380</u>	<u>420,250</u>	<u>-410,130</u>
0	Other Income	0	0	0
<u>292,138</u>	Net Expenditure	<u>830,380</u>	<u>420,250</u>	<u>-410,130</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	MTFS adjustment			-412,469
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ED16	Folkestone CLLD			
83,119	1 Employees	96,580	70,150	-26,430
0	Transport-Related Expenditure	200	0	-200
<u>1,429</u>	Supplies & Services	<u>6,130</u>	<u>5,650</u>	<u>-480</u>
84,549	Gross Expenditure	<u>102,910</u>	<u>75,800</u>	<u>-27,110</u>
-44,964	Other Income	-85,590	-85,590	0
<u>39,585</u>	Net Expenditure	<u>17,320</u>	<u>-9,790</u>	<u>-27,110</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Approved Budget Strategy Savings			-26,430
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ED54	Corporate Investment Initiatives			
46,060	Employees	0	0	0
<u>14,000</u>	Supplies & Services	<u>0</u>	<u>0</u>	<u>0</u>
60,060	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>60,060</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

ED55	Town Centre Regeneration Initiatives			
11,635	Premises-Related Expenditure	0	0	0
<u>12,872</u>	Supplies & Services	<u>0</u>	<u>0</u>	<u>0</u>
24,507	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>24,507</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

ES05	Environmental Initiatives			
40,360	Supplies & Services	40,360	40,360	0
<u>40,360</u>	Gross Expenditure	<u>40,360</u>	<u>40,360</u>	<u>0</u>
-5	Other Income	0	0	0
<u>40,355</u>	Net Expenditure	<u>40,360</u>	<u>40,360</u>	<u>0</u>

Administration

2020/21		2021/22	2022/23	
Actual		Original	Original	Variances
£		Budget	Budget	£
		£	£	
GM30	Regeneration & Economic Development			
208,005	Employees	169,560	165,750	-3,810
2,894	Transport-Related Expenditure	2,500	2,500	0
<u>1,632</u>	Supplies & Services	<u>2,980</u>	<u>1,720</u>	<u>-1,260</u>
212,530	Gross Expenditure	<u>175,040</u>	<u>169,970</u>	<u>-5,070</u>
0	Other Income	0	0	0
<u>212,530</u>	Net Expenditure	<u>175,040</u>	<u>169,970</u>	<u>-5,070</u>

**Llywelyn Lloyd
Planning Summary**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
-275,502	DA10 Building Control	-291,660	-291,660	0
-939,230	DA11 Development Control	-942,790	-942,790	0
-1,214,732	Service Total	-1,234,450	-1,234,450	0
<u>Administration</u>				
1,223,579	GM20 Development Management	1,189,930	1,094,750	-95,180
276,884	GM21 Building Control	257,460	276,720	19,260
1,500,463	Administration Total	1,447,390	1,371,470	-75,920

**Llywelyn Lloyd
Planning Detail**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
DA10 Building Control				
111	Supplies & Services	1,680	1,680	0
111	Gross Expenditure	1,680	1,680	0
-275,613	Other Income	-293,340	-293,340	0
-275,502	Net Expenditure	-291,660	-291,660	0
DA11 Development Control				
120,071	Supplies & Services	109,210	109,210	0
120,071	Gross Expenditure	109,210	109,210	0
-1,059,300	Other Income	-1,052,000	-1,052,000	0
-939,230	Net Expenditure	-942,790	-942,790	0

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
GM20 Development Management				
1,159,726	1 Employees	1,148,500	1,061,120	-87,380
7,866	Transport-Related Expenditure	13,520	9,920	-3,600
56,390	Supplies & Services	35,450	31,250	-4,200
1,223,982	Gross Expenditure	1,197,470	1,102,290	-95,180
-402	Other Income	-7,540	-7,540	0
1,223,579	Net Expenditure	1,189,930	1,094,750	-95,180

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Restructure of Establishment incl. Transformation (to GA23)	-31,000
1 Employee Costs including Increments and Pension	19,000
1 Approved Budget Strategy Savings	-75,000

GM21	Building Control			
263,617	1 Employees	242,310	264,460	22,150
3,077	Transport-Related Expenditure	2,100	3,300	1,200
10,211	Supplies & Services	14,150	10,060	-4,090
<u>276,905</u>	Gross Expenditure	<u>258,560</u>	<u>277,820</u>	<u>19,260</u>
-21	Other Income	-1,100	-1,100	0
<u>276,884</u>	Net Expenditure	<u>257,460</u>	<u>276,720</u>	<u>19,260</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
1	Employee Costs including Increments and Pension		22,150

**Andy Blaszkowicz
Operations Summary**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
2,255	CE02 Street Furniture	15,040	12,000	-3,040
5,357	CE03 Passenger Shelters	10,050	8,570	-1,480
74,375	CE04 Street Lighting	71,300	76,500	5,200
-17,037	CE30 Outdoor Sports and Recreation	-27,220	-27,220	0
	CE33/			
-12,687	CE34 RMC-Ecology&Habitat MTCE(HLF)	-12,420	-12,370	50
3,295	CE36 Royal Military Canal Drainage Functions	5,440	5,440	0
0	CE37 RMC - Bridge Painting	22,480	22,480	0
848,842	CE38 Community Parks & Open Spaces	947,670	828,850	-118,820
-791,104	CE40 Off-Street Parking	-955,040	-1,198,430	-243,390
-274,880	CE45 On-Street Parking Enforcement	-122,040	-335,850	-213,810
34,301	CE52 Public Conveniences	33,400	33,400	0
-7,384	CE55 Communities - Events	0	0	0
33,186	CE99 Other Environmental Services	34,100	34,100	0
-188,276	CG80 Coast Protection	-155,690	-166,320	-10,630
-37,404	CG85 Shoreline Management	-33,280	0	33,280
17,135	CG90 Flood Defence & Land Drainage	14,650	0	-14,650
2,192	EA11 Leas Bandstand	3,200	3,210	10
-2,103	EA12 Hythe Beach Chalets	-7,980	-7,980	0
-18,200	EB02 Mountfield Industrial Estate	-91,030	-91,030	0
3,019	FH25 Emergency Planning	18,600	18,600	0
43,615	HH51 Lifeline Facilities	-154,570	-159,660	-5,090
-281,502	Service Total	-383,340	-955,710	-572,370

		<u>Administration</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
282,050	GM18 Maintenance Officers	231,790	234,930	3,140
141,066	GM23 Parking Services	121,890	123,870	1,980
-46	GM25 Grounds Maintenance Contract Management	0	0	0
297,267	GM31 Engineering and Buildings	297,550	382,690	85,140
206,229	GM32 Estates and Assets	205,440	209,260	3,820
926,565	Administration Total	856,670	950,750	94,080

		<u> Holding </u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
1,502,757	GE01	1,414,690	1,473,750	59,060
214,709	GE05	224,530	225,780	1,250
74,563	GE06	79,930	83,750	3,820
117,482	GE07	145,640	170,140	24,500
8,248	GE08	4,200	4,730	530
2,610	GE10	0	0	0
111,123	GX00	387,090	173,660	-213,430
2,121	GX05	2,220	0	-2,220
107,245	GX10	109,990	77,400	-32,590
37,778	GX20	10,840	410	-10,430
6,572	GX21	6,050	6,110	60
77	GX22	130	80	-50
1,631	GX23	2,410	2,460	50
21,200	GX24	19,610	27,820	8,210
39,893	GX25	35,440	43,560	8,120
74,739	GX27	133,180	140,020	6,840
197,479	GX30	217,110	215,790	-1,320
52,712	GX40	91,000	91,000	0
38,467	GX50	43,410	51,070	7,660
145	GX52	190	0	-190
-225,792	GX53	-264,080	-339,380	-75,300
383	GX54	310	400	90
0	GX60	2,910	2,910	0
134,407	GX65	152,250	152,250	0
-63,818	GX80	16,030	-78,420	-94,450
4,097	GX81	-841,920	-1,176,980	-335,060
6,470	GX82	0	0	0
1,854	GX83	21,000	15,000	-6,000
-17,665	GX84	0	0	0
0	GX89	100	100	0
2,451,485	Holding Total	2,014,260	1,363,410	-650,850

**Andy Blaszkowicz
Operations Detail**

		<u> Service </u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	CE02			
	Street Furniture			
2,255	Supplies & Services	15,040	12,000	-3,040
2,255	Gross Expenditure	15,040	12,000	-3,040
0	Other Income	0	0	0
2,255	Net Expenditure	15,040	12,000	-3,040
	CE03			
	Passenger Shelters			
5,357	Premises-Related Expenditure	10,050	8,570	-1,480
5,357	Gross Expenditure	10,050	8,570	-1,480
0	Other Income	0	0	0
5,357	Net Expenditure	10,050	8,570	-1,480

CE04	Street Lighting			
52,362	1 Premises-Related Expenditure	35,000	46,500	11,500
22,014	2 Supplies & Services	36,300	30,000	-6,300
<u>74,375</u>	Gross Expenditure	<u>71,300</u>	<u>76,500</u>	<u>5,200</u>
0	Other Income	0	0	0
<u>74,375</u>	Net Expenditure	<u>71,300</u>	<u>76,500</u>	<u>5,200</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	MTFS adjustment			11,500
2	Approved Budget Strategy Savings			-6,300

CE30	Outdoor Sports and Recreation			
7,500	Supplies & Services	7,500	7,500	0
<u>7,500</u>	Gross Expenditure	<u>7,500</u>	<u>7,500</u>	<u>0</u>
-24,537	Other Income	-34,720	-34,720	0
<u>-17,037</u>	Net Expenditure	<u>-27,220</u>	<u>-27,220</u>	<u>0</u>

CE33/ CE34	RMC-Ecology&Habitat MTCE(HLF)			
240	Employees	240	240	0
519	Supplies & Services	500	550	50
<u>759</u>	Gross Expenditure	<u>740</u>	<u>790</u>	<u>50</u>
-13,445	Other Income	-13,160	-13,160	0
<u>-12,687</u>	Net Expenditure	<u>-12,420</u>	<u>-12,370</u>	<u>50</u>

CE36	Royal Military Canal Drainage Functions			
3,295	Premises-Related Expenditure	5,440	5,440	0
<u>3,295</u>	Gross Expenditure	<u>5,440</u>	<u>5,440</u>	<u>0</u>
0	Other Income	0	0	0
<u>3,295</u>	Net Expenditure	<u>5,440</u>	<u>5,440</u>	<u>0</u>

CE37	RMC - Bridge Painting			
0	Premises-Related Expenditure	22,480	22,480	0
<u>0</u>	Gross Expenditure	<u>22,480</u>	<u>22,480</u>	<u>0</u>
0	Other Income	0	0	0
<u>0</u>	Net Expenditure	<u>22,480</u>	<u>22,480</u>	<u>0</u>

CE38	Community Parks & Open Spaces			
570,089	1 Supplies & Services	606,320	508,710	-97,610
260,620	2 Third Party Payments	311,060	289,850	-21,210
52,200	Contributions to Provisions	52,200	52,200	0
<u>882,909</u>	Gross Expenditure	<u>969,580</u>	<u>850,760</u>	<u>-118,820</u>
-34,067	Other Income	-21,910	-21,910	0
<u>848,842</u>	Net Expenditure	<u>947,670</u>	<u>828,850</u>	<u>-118,820</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Budget re-alignment			-100,000
2	Change in Outsourced Contract Recharges			-21,210

CE40	Off-Street Parking			
96,728	1 Premises-Related Expenditure	27,590	95,070	67,480
63,787	Supplies & Services	74,330	74,130	-200
91,452	Third Party Payments	109,190	108,330	-860
<u>251,967</u>	Gross Expenditure	<u>211,110</u>	<u>277,530</u>	<u>66,420</u>
-1,043,070	2 Other Income	-1,166,150	-1,475,960	-309,810
<u>-791,104</u>	Net Expenditure	<u>-955,040</u>	<u>-1,198,430</u>	<u>-243,390</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth				67,410
2 Approved Budget Strategy Savings				-12,000
2 Approved Budget Strategy Growth				12,000
2 Approved Fees & Charges				-170,000
2 MTFS adjustment				-139,000

CE45	On-Street Parking Enforcement			
29,904	1 Premises-Related Expenditure	31,400	38,500	7,100
71,062	2 Supplies & Services	71,330	94,510	23,180
280,288	Third Party Payments	334,600	338,110	3,510
<u>381,255</u>	Gross Expenditure	<u>437,330</u>	<u>471,120</u>	<u>33,790</u>
-656,135	3 Other Income	-559,370	-806,970	-247,600
<u>-274,880</u>	Net Expenditure	<u>-122,040</u>	<u>-335,850</u>	<u>-213,810</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth				10,100
1 Approved Budget Strategy Savings				-3,000
2 Approved Budget Strategy Growth				22,600
3 MTFS adjustment				-144,000
3 Approved Fees & Charges				-54,000
3 Approved Budget Strategy Savings				-50,000

CE52	Public Conveniences			
39,488	Supplies & Services	42,150	42,150	0
<u>39,488</u>	Gross Expenditure	<u>42,150</u>	<u>42,150</u>	<u>0</u>
-5,187	Other Income	-8,750	-8,750	0
<u>34,301</u>	Net Expenditure	<u>33,400</u>	<u>33,400</u>	<u>0</u>

CE55	Communities - Events			
0	Gross Expenditure	0	0	0
-7,384	Other Income	0	0	0
<u>-7,384</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

CE99	Other Environmental Services			
593	Employees	0	0	0
276	Premises-Related Expenditure	0	0	0
632	Transport-Related Expenditure	100	100	0
31,685	Supplies & Services	34,000	34,000	0
<u>33,186</u>	Gross Expenditure	<u>34,100</u>	<u>34,100</u>	<u>0</u>
0	Other Income	0	0	0
<u>33,186</u>	Net Expenditure	<u>34,100</u>	<u>34,100</u>	<u>0</u>

CG80	Coast Protection			
18,384	1 Premises-Related Expenditure	32,470	53,810	21,340
0	Supplies & Services	500	2,820	2,320
4,868	Third Party Payments	19,000	19,000	0
<u>23,252</u>	Gross Expenditure	<u>51,970</u>	<u>75,630</u>	<u>23,660</u>
-211,527	2 Other Income	-207,660	-241,950	-34,290
<u>-188,276</u>	Net Expenditure	<u>-155,690</u>	<u>-166,320</u>	<u>-10,630</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (from CG90)			12,330
	1 Permanent virement (from CG85)			9,010
	2 Permanent virement (from CG85)			-42,290
	2 Approved Budget Strategy Growth			8,000
CG85	Shoreline Management			
3,442	1 Premises-Related Expenditure	9,010	0	-9,010
<u>3,442</u>	Gross Expenditure	<u>9,010</u>	<u>0</u>	<u>-9,010</u>
-40,846	2 Other Income	-42,290	0	42,290
<u>-37,404</u>	Net Expenditure	<u>-33,280</u>	<u>0</u>	<u>33,280</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (to CG80)			-9,010
	2 Permanent virement (to CG80)			42,290
CG90	Flood Defence & Land Drainage			
16,785	1 Premises-Related Expenditure	12,330	0	-12,330
350	Supplies & Services	2,320	0	-2,320
<u>17,135</u>	Gross Expenditure	<u>14,650</u>	<u>0</u>	<u>-14,650</u>
0	Other Income	0	0	0
<u>17,135</u>	Net Expenditure	<u>14,650</u>	<u>0</u>	<u>-14,650</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (from CG80)			-12,330
EA11	Leas Bandstand			
2,192	Supplies & Services	9,200	9,210	10
<u>2,192</u>	Gross Expenditure	<u>9,200</u>	<u>9,210</u>	<u>10</u>
0	Other Income	-6,000	-6,000	0
<u>2,192</u>	Net Expenditure	<u>3,200</u>	<u>3,210</u>	<u>10</u>
EA12	Hythe Beach Chalets			
0	Gross Expenditure	0	0	0
-2,103	Other Income	-7,980	-7,980	0
<u>-2,103</u>	Net Expenditure	<u>-7,980</u>	<u>-7,980</u>	<u>0</u>
EB02	Mountfield Industrial Estate			
0	Gross Expenditure	0	0	0
-18,200	Other Income	-91,030	-91,030	0
<u>-18,200</u>	Net Expenditure	<u>-91,030</u>	<u>-91,030</u>	<u>0</u>
FH25	Emergency Planning			
3,019	Supplies & Services	18,600	18,600	0
<u>3,019</u>	Gross Expenditure	<u>18,600</u>	<u>18,600</u>	<u>0</u>
0	Other Income	0	0	0
<u>3,019</u>	Net Expenditure	<u>18,600</u>	<u>18,600</u>	<u>0</u>

HH51 Lifeline Facilities				
748,331	1 Employees	645,900	651,240	5,340
9,739	Transport-Related Expenditure	10,940	10,640	-300
148,814	Supplies & Services	128,150	126,020	-2,130
906,884	Gross Expenditure	784,990	787,900	2,910
-863,269	2 Other Income	-939,560	-947,560	-8,000
43,615	Net Expenditure	-154,570	-159,660	-5,090

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	5,340
2 Approved Budget Strategy Savings	-8,000

Administration

2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Variances
£		£	£	£
GM18 Maintenance Officers				
218,681	1 Employees	178,540	193,290	14,750
574	Premises-Related Expenditure	0	0	0
19,231	Transport-Related Expenditure	11,880	11,960	80
108,172	Supplies & Services	88,180	89,490	1,310
346,658	Gross Expenditure	278,600	294,740	16,140
-64,608	Other Income	-46,810	-59,810	-13,000
282,050	Net Expenditure	231,790	234,930	3,140

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	14,750
2 Approved Budget Strategy Savings	-13,000

GM23 Parking Services				
133,804	Employees	113,550	116,270	2,720
1,032	Transport-Related Expenditure	1,650	1,150	-500
6,229	Supplies & Services	6,690	6,450	-240
141,066	Gross Expenditure	121,890	123,870	1,980
0	Other Income	0	0	0
141,066	Net Expenditure	121,890	123,870	1,980

GM25 Grounds Maintenance Contract Management				
-46	Transport-Related Expenditure	0	0	0
-46	Gross Expenditure	0	0	0
0	Other Income	0	0	0
-46	Net Expenditure	0	0	0

GM31 Engineering and Buildings				
278,071	1 Employees	275,960	361,320	85,360
4,915	Transport-Related Expenditure	5,300	5,300	0
14,281	Supplies & Services	16,290	16,070	-220
297,267	Gross Expenditure	297,550	382,690	85,140
0	Other Income	0	0	0
297,267	Net Expenditure	297,550	382,690	85,140

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Permanent Virement (from BG50)	53,000
1 Employee Costs including Increments and Pension	32,000

GM32	Estates and Assets			
196,663	1 Employees	209,140	214,520	5,380
2,656	Transport-Related Expenditure	2,300	3,300	1,000
7,214	Supplies & Services	4,000	1,440	-2,560
<u>206,534</u>	Gross Expenditure	<u>215,440</u>	<u>219,260</u>	<u>3,820</u>
-305	Other Income	-10,000	-10,000	0
<u>206,229</u>	Net Expenditure	<u>205,440</u>	<u>209,260</u>	<u>3,820</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	5,380
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Holding

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GE01			
	Grounds Maintenance			
1,346,125	1 Employees	1,249,250	1,302,030	52,780
60,099	Premises-Related Expenditure	65,780	65,780	0
147,549	Transport-Related Expenditure	134,370	137,710	3,340
151,234	Supplies & Services	171,190	174,130	2,940
<u>1,705,006</u>	Gross Expenditure	<u>1,620,590</u>	<u>1,679,650</u>	<u>59,060</u>
-202,249	Other Income	-205,900	-205,900	0
<u>1,502,757</u>	Net Expenditure	<u>1,414,690</u>	<u>1,473,750</u>	<u>59,060</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Agreed new post	24,500
1 Employee Costs including Increments and Pension	28,000

	GE05			
	Charity Areas			
193,055	Employees	204,570	206,650	2,080
9,628	Transport-Related Expenditure	7,710	7,710	0
12,026	Supplies & Services	12,250	11,420	-830
<u>214,709</u>	Gross Expenditure	<u>224,530</u>	<u>225,780</u>	<u>1,250</u>
0	Other Income	0	0	0
<u>214,709</u>	Net Expenditure	<u>224,530</u>	<u>225,780</u>	<u>1,250</u>

	GE06			
	Royal Military Canal			
52,502	Employees	56,910	60,990	4,080
3,728	Premises-Related Expenditure	5,000	5,000	0
7,153	Transport-Related Expenditure	4,550	4,550	0
11,180	Supplies & Services	13,470	13,210	-260
<u>74,563</u>	Gross Expenditure	<u>79,930</u>	<u>83,750</u>	<u>3,820</u>
0	Other Income	0	0	0
<u>74,563</u>	Net Expenditure	<u>79,930</u>	<u>83,750</u>	<u>3,820</u>

	GE07			
	Toilet Cleaning			
87,344	1 Employees	82,970	107,540	24,570
7,842	Premises-Related Expenditure	17,250	17,250	0
6,843	Transport-Related Expenditure	9,050	9,130	80
15,453	Supplies & Services	36,370	36,220	-150
<u>117,482</u>	Gross Expenditure	<u>145,640</u>	<u>170,140</u>	<u>24,500</u>
0	Other Income	0	0	0
<u>117,482</u>	Net Expenditure	<u>145,640</u>	<u>170,140</u>	<u>24,500</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth	24,050
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GE08	Pump Maintenance Crew			
53,568	Employees	42,900	43,350	450
3,935	Transport-Related Expenditure	11,150	11,190	40
42,729	Supplies & Services	42,750	42,790	40
<u>100,231</u>	Gross Expenditure	<u>96,800</u>	<u>97,330</u>	<u>530</u>
-91,983	Other Income	-92,600	-92,600	0
<u>8,248</u>	Net Expenditure	<u>4,200</u>	<u>4,730</u>	<u>530</u>

GE10	Diesel - Fuel Tank Ross Depot			
2,610	Transport-Related Expenditure	0	0	0
<u>2,610</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>2,610</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GX00	Civic Centre			
230,072	1 Premises-Related Expenditure	268,610	281,130	12,520
5,953	2 Supplies & Services	251,020	1,070	-249,950
3,106	Third Party Payments	3,460	3,460	0
<u>239,131</u>	Gross Expenditure	<u>523,090</u>	<u>285,660</u>	<u>-237,430</u>
-128,007	3 Other Income	-136,000	-112,000	24,000
<u>111,123</u>	Net Expenditure	<u>387,090</u>	<u>173,660</u>	<u>-213,430</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 MTFS adjustment	24,080
1 Approved Budget Strategy Savings	-11,000
2 MTFS adjustment	-250,000
3 Approved Budget Strategy Growth	24,000

GX05	Hawkinge Depot			
2,121	Premises-Related Expenditure	1,820	0	-1,820
0	Supplies & Services	400	0	-400
<u>2,121</u>	Gross Expenditure	<u>2,220</u>	<u>0</u>	<u>-2,220</u>
0	Other Income	0	0	0
<u>2,121</u>	Net Expenditure	<u>2,220</u>	<u>0</u>	<u>-2,220</u>

GX10	Public Toilets			
107,245	1 Premises-Related Expenditure	109,990	77,400	-32,590
<u>107,245</u>	Gross Expenditure	<u>109,990</u>	<u>77,400</u>	<u>-32,590</u>
0	Other Income	0	0	0
<u>107,245</u>	Net Expenditure	<u>109,990</u>	<u>77,400</u>	<u>-32,590</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-34,420
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GX20	Parks & Open Spaces Buildings			
38,543	Premises-Related Expenditure	10,720	12,280	1,560
130	Supplies & Services	120	130	10
<u>38,673</u>	Gross Expenditure	<u>10,840</u>	<u>12,410</u>	<u>1,570</u>
-895	1 Other Income	0	-12,000	-12,000
<u>37,778</u>	Net Expenditure	<u>10,840</u>	<u>410</u>	<u>-10,430</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-12,000
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GX21	Royal Military Canal Buildings			
6,572	Premises-Related Expenditure	6,050	6,110	60
6,572	Gross Expenditure	6,050	6,110	60
0	Other Income	0	0	0
6,572	Net Expenditure	6,050	6,110	60
GX22	Hythe Beach Huts			
77	Premises-Related Expenditure	130	80	-50
77	Gross Expenditure	130	80	-50
0	Other Income	0	0	0
77	Net Expenditure	130	80	-50
GX23	Bandstand			
1,631	Premises-Related Expenditure	2,410	2,460	50
1,631	Gross Expenditure	2,410	2,460	50
0	Other Income	0	0	0
1,631	Net Expenditure	2,410	2,460	50
GX24	Sports & Recreation Buildings			
21,200	1 Premises-Related Expenditure	19,580	27,790	8,210
21,200	Gross Expenditure	19,580	27,790	8,210
0	Other Income	30	30	0
21,200	Net Expenditure	19,610	27,820	8,210
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (from FH04)			8,000
GX25	Charity Parks & Open Spaces			
39,893	1 Premises-Related Expenditure	35,440	43,560	8,120
39,893	Gross Expenditure	35,440	43,560	8,120
0	Other Income	0	0	0
39,893	Net Expenditure	35,440	43,560	8,120
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Growth			10,000
GX27	Hythe Swimming Pool			
74,739	1 Premises-Related Expenditure	133,180	140,020	6,840
74,739	Gross Expenditure	133,180	140,020	6,840
0	Other Income	0	0	0
74,739	Net Expenditure	133,180	140,020	6,840
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			11,520
	1 Approved Budget Strategy Savings			-5,000
GX30	Car Parks			
197,339	Premises-Related Expenditure	216,970	215,640	-1,330
140	Supplies & Services	140	150	10
197,479	Gross Expenditure	217,110	215,790	-1,320
0	Other Income	0	0	0
197,479	Net Expenditure	217,110	215,790	-1,320

GX40	Prog Planned Maintenance			
52,712	Premises-Related Expenditure	91,000	91,000	0
52,712	Gross Expenditure	91,000	91,000	0
0	Other Income	0	0	0
52,712	Net Expenditure	91,000	91,000	0
GX50	Depots & Cemetery Buildings			
39,776	1 Premises-Related Expenditure	43,410	50,670	7,260
0	Supplies & Services	0	400	400
39,776	Gross Expenditure	43,410	51,070	7,660
-1,309	Other Income	0	0	0
38,467	Net Expenditure	43,410	51,070	7,660
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			5,000
GX52	Mountfield Road Depot			
54	Premises-Related Expenditure	190	0	-190
91	Supplies & Services	0	0	0
145	Gross Expenditure	190	0	-190
0	Other Income	0	0	0
145	Net Expenditure	190	0	-190
GX53	Misc Corporate Property			
66,305	Premises-Related Expenditure	38,540	35,240	-3,300
9,030	Supplies & Services	7,150	7,150	0
75,335	Gross Expenditure	45,690	42,390	-3,300
-301,127	1 Other Income	-309,770	-381,770	-72,000
-225,792	Net Expenditure	-264,080	-339,380	-75,300
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			-46,400
	1 Approved Budget Strategy Savings			-25,600
GX54	Christchurch Tower			
383	Premises-Related Expenditure	310	400	90
383	Gross Expenditure	310	400	90
0	Other Income	0	0	0
383	Net Expenditure	310	400	90
GX60	Mountfield Industrial Estate			
0	Premises-Related Expenditure	2,910	2,910	0
0	Gross Expenditure	2,910	2,910	0
0	Other Income	0	0	0
0	Net Expenditure	2,910	2,910	0
GX65	Folca			
127,865	Premises-Related Expenditure	152,250	152,250	0
9,523	Supplies & Services	0	0	0
137,388	Gross Expenditure	152,250	152,250	0
-2,982	Other Income	0	0	0
134,407	Net Expenditure	152,250	152,250	0

GX80	Misc Otterpool Property			
50,926	1 Premises-Related Expenditure	16,030	21,580	5,550
2,878	Transport-Related Expenditure	0	0	0
131,179	Supplies & Services	0	0	0
184,983	Gross Expenditure	16,030	21,580	5,550
-248,801	2 Other Income	0	-100,000	-100,000
-63,818	Net Expenditure	16,030	-78,420	-94,450
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Adjustment to Centrally Determined Costs			5,550
	2 MTFS adjustment			-100,000
GX81	Connect 38			
9,551	Employees	0	0	0
20,971	Premises-Related Expenditure	20,080	22,020	1,940
298,721	Supplies & Services	42,000	42,000	0
329,243	Gross Expenditure	62,080	64,020	1,940
-325,145	1 Other Income	-904,000	-1,241,000	-337,000
4,097	Net Expenditure	-841,920	-1,176,980	-335,060
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			-212,000
	1 Approved Budget Strategy Savings			-125,000
GX82	Westenhanger Castle			
4,695	Premises-Related Expenditure	0	0	0
1,775	Supplies & Services	0	0	0
6,470	Gross Expenditure	0	0	0
0	Other Income	0	0	0
6,470	Net Expenditure	0	0	0
GX83	Memorial Arch			
1,978	1 Premises-Related Expenditure	21,000	15,000	-6,000
1,978	Gross Expenditure	21,000	15,000	-6,000
-125	Other Income	0	0	0
1,854	Net Expenditure	21,000	15,000	-6,000
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Savings			-6,000
GX84	Folkestone Racecourse			
1,815	Premises-Related Expenditure	0	0	0
1,266	Supplies & Services	0	0	0
3,080	Gross Expenditure	0	0	0
-20,746	Other Income	0	0	0
-17,665	Net Expenditure	0	0	0
GX89	Misc Agricultural Property			
0	Premises-Related Expenditure	100	100	0
0	Gross Expenditure	100	100	0
0	Other Income	0	0	0
0	Net Expenditure	100	100	0

Strategic Development Summary

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
434,916	ED00 Otterpool - Developer	42,780	720	-42,060
276	ED50 Strategic Projects	30,000	30,000	0
435,192	Service Total	72,780	30,720	-42,060

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
91,923	GM33 Projects	0	0	0
164,481	GM40 Strategic Development Projects	0	8,950	8,950
159,058	GM48 Land Owner Projects	-2,290	0	2,290
415,462	Administration Total	-2,290	8,950	11,240

Strategic Development Detail

ED00	Otterpool - Developer			
165,147	1 Employees	176,290	255,230	78,940
383	Premises-Related Expenditure	0	0	0
588	Transport-Related Expenditure	0	0	0
268,798	Supplies & Services	260	690	430
0	Third Party Payments	-2,460	0	2,460
434,916	Gross Expenditure	174,090	255,920	81,830
0	2 Other Income	-131,310	-255,200	-123,890
434,916	Net Expenditure	42,780	720	-42,060

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Permanent virement (from GM48)	117,000
1 Budget re-alignment	-48,000
2 Permanent virement (from GM48)	-126,550

ED50	Strategic Projects			
276	Supplies & Services	30,000	30,000	0
276	Gross Expenditure	30,000	30,000	0
0	Other Income	0	0	0
276	Net Expenditure	30,000	30,000	0

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GM33 Projects			
89,126	Employees	0	0	0
223	Transport-Related Expenditure	0	0	0
2,574	Supplies & Services	0	0	0
<u>91,923</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>91,923</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
	GM40 Strategic Development Projects			
163,275	Employees	133,870	137,900	4,030
18	Transport-Related Expenditure	0	0	0
1,188	Supplies & Services	2,170	1,250	-920
<u>164,481</u>	Gross Expenditure	<u>136,040</u>	<u>139,150</u>	<u>3,110</u>
0	1 Other Income	-136,040	-130,200	5,840
<u>164,481</u>	Net Expenditure	<u>0</u>	<u>8,950</u>	<u>8,950</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Recharge to Otterpool LLP			5,840
	GM48 Land Owner Projects			
157,629	1 Employees	120,990	0	-120,990
282	Transport-Related Expenditure	1,500	0	-1,500
1,147	Supplies & Services	1,770	0	-1,770
<u>159,058</u>	Gross Expenditure	<u>124,260</u>	<u>0</u>	<u>-124,260</u>
0	2 Other Income	-126,550	0	126,550
<u>159,058</u>	Net Expenditure	<u>-2,290</u>	<u>0</u>	<u>2,290</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (to ED00)			-117,000
	2 Permanent virement (to ED00)			126,550

**John Holman / Gill Butler
Housing Summary**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
-182	HE10 Housing Standards	-560	-5,660	-5,100
3,500	HH11 Housing Strategy	3,500	3,500	0
-100,448	HH21 Homelessness	47,150	-13,850	-61,000
-70,939	HH22 Homelessness (Grant Funded Exp)	-98,000	-97,260	740
-45,374	HH25 FHDC Temporary Accommodation	38,000	-22,000	-60,000
131	HH31 Registered Social Landlords	0	0	0
-713,753	HH40 Renovation Grants	0	0	0
44,550	HH42 Care and Repair Scheme	44,550	44,550	0
24,346	HH48 Other Housing Improvement Services	100,000	100,000	0
0	HX02 Rent Deposits	1,000	1,000	0
-858,169	Service Total	135,640	10,280	-125,360

		<u>Administration</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
51,339	GH01 Assets and Development	106,040	87,610	-18,430
103,106	GH02 HRA Regeneration & Development	220,590	223,470	2,880
170,146	GH03 Compliance	231,180	242,090	10,910
171,080	GH04 Repairs	289,310	314,970	25,660
188,557	GH05 Assets & Major Works	283,650	321,650	38,000
53,823	GH06 Housing Operations	76,810	79,320	2,510
346,806	GH07 Neighbourhood Management	569,560	613,860	44,300
30,164	GH08 Leasehold Management	63,900	58,930	-4,970
203,220	GH09 Supported Housing	379,680	371,170	-8,510
14,442	GH10 Regulations Specialists	35,910	37,590	1,680
458,650	GH58 Housing Options	336,030	384,000	47,970
54,440	GH61 Social Lettings Agency	49,230	47,410	-1,820
220,882	GH62 Housing Strategy & Support	188,800	190,500	1,700
160,249	GM03 Assistant Director - Housing	154,280	129,010	-25,270
252,344	GM29 Private Sector Housing	224,990	230,980	5,990
2,479,248	Administration Total	3,209,960	3,332,560	122,600

**John Holman/ Gill Butler
Housing Detail**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Variances
£		£	£	£
	HE10 Housing Standards			
2,650	Supplies & Services	1,000	1,000	0
2,650	Gross Expenditure	1,000	1,000	0
-2,832	¹ Other Income	-1,560	-6,660	-5,100
-182	Net Expenditure	-560	-5,660	-5,100

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

¹ Approved Fees & Charges	-5,100
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HH11	Housing Strategy			
1,000	Premises-Related Expenditure	1,000	1,000	0
2,500	Supplies & Services	2,500	2,500	0
<u>3,500</u>	Gross Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>
0	Other Income	0	0	0
<u>3,500</u>	Net Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>

HH21	Homelessness			
0	Transport-Related Expenditure	300	300	0
436,153	1 Supplies & Services	309,450	283,450	-26,000
6,849	2 Third Party Payments	42,400	7,400	-35,000
<u>443,002</u>	Gross Expenditure	<u>352,150</u>	<u>291,150</u>	<u>-61,000</u>
-543,450	Other Income	-305,000	-305,000	0
<u>-100,448</u>	Net Expenditure	<u>47,150</u>	<u>-13,850</u>	<u>-61,000</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-26,000
2 Permanent virement (to GH58)	-35,000

HH22	Homelessness (Grant Funded Exp)			
222,547	Employees	193,510	195,320	1,810
4,180	Transport-Related Expenditure	4,030	4,000	-30
146,674	Supplies & Services	218,460	217,420	-1,040
<u>373,401</u>	Gross Expenditure	<u>416,000</u>	<u>416,740</u>	<u>740</u>
-444,340	Other Income	-514,000	-514,000	0
<u>-70,939</u>	Net Expenditure	<u>-98,000</u>	<u>-97,260</u>	<u>740</u>

HH25	FHDC Temporary Accommodation			
2,962	1 Premises-Related Expenditure	32,000	23,000	-9,000
2,532	Supplies & Services	6,000	5,000	-1,000
<u>5,494</u>	Gross Expenditure	<u>38,000</u>	<u>28,000</u>	<u>-10,000</u>
-50,868	2 Other Income	0	-50,000	-50,000
<u>-45,374</u>	Net Expenditure	<u>38,000</u>	<u>-22,000</u>	<u>-60,000</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-9,000
2 Approved Budget Strategy Savings	-50,000

HH31	Registered Social Landlords			
0	Gross Expenditure	0	0	0
131	Other Income	0	0	0
<u>131</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

HH40	Renovation Grants			
635,871	Supplies & Services	1,000,000	1,000,000	0
<u>635,871</u>	Gross Expenditure	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
-1,349,625	Other Income	-1,000,000	-1,000,000	0
<u>-713,753</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

HH42	Care and Repair Scheme			
44,550	Supplies & Services	44,550	44,550	0
<u>44,550</u>	Gross Expenditure	<u>44,550</u>	<u>44,550</u>	<u>0</u>
0	Other Income	0	0	0
<u>44,550</u>	Net Expenditure	<u>44,550</u>	<u>44,550</u>	<u>0</u>

HH48	Other Housing Improvement Services			
54,324	Supplies & Services	100,000	100,000	0
54,324	Gross Expenditure	100,000	100,000	0
-29,979	Other Income	0	0	0
24,346	Net Expenditure	100,000	100,000	0

HX02	Rent Deposits			
0	Supplies & Services	1,700	1,700	0
0	Gross Expenditure	1,700	1,700	0
0	Other Income	-700	-700	0
0	Net Expenditure	1,000	1,000	0

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GH01			
	Assets and Development			
50,490	1 Employees	104,010	85,600	-18,410
849	Supplies & Services	2,030	2,010	-20
51,339	Gross Expenditure	106,040	87,610	-18,430
0	Other Income	0	0	0
51,339	Net Expenditure	106,040	87,610	-18,430

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Realignment of budgets for Housing staff			-18,000
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	GH02			
	HRA Regeneration & Development			
100,795	Employees	212,860	215,570	2,710
32	Transport-Related Expenditure	0	150	150
2,279	Supplies & Services	7,730	7,750	20
103,106	Gross Expenditure	220,590	223,470	2,880
0	Other Income	0	0	0
103,106	Net Expenditure	220,590	223,470	2,880

	GH03			
	Compliance			
167,150	1 Employees	219,590	228,680	9,090
295	Transport-Related Expenditure	0	2,000	2,000
2,700	Supplies & Services	11,590	11,410	-180
170,146	Gross Expenditure	231,180	242,090	10,910
0	Other Income	0	0	0
170,146	Net Expenditure	231,180	242,090	10,910

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Employee Costs including Increments and Pension			9,000
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	GH04			
	Repairs			
163,020	1 Employees	274,810	300,020	25,210
4,763	Transport-Related Expenditure	7,200	8,000	800
3,297	Supplies & Services	7,300	6,950	-350
171,080	Gross Expenditure	289,310	314,970	25,660
0	Other Income	0	0	0
171,080	Net Expenditure	289,310	314,970	25,660

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Realignment of budgets for Housing staff			25,000
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GH05	Assets & Major Works			
178,783	1 Employees	270,520	306,130	35,610
4,436	Transport-Related Expenditure	4,850	7,500	2,650
5,337	Supplies & Services	8,280	8,020	-260
<u>188,557</u>	Gross Expenditure	<u>283,650</u>	<u>321,650</u>	<u>38,000</u>
0	Other Income	0	0	0
<u>188,557</u>	Net Expenditure	<u>283,650</u>	<u>321,650</u>	<u>38,000</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Realignment of budgets for Housing staff			35,000
GH06	Housing Operations			
52,524	Employees	73,960	76,450	2,490
1,298	Supplies & Services	2,850	2,870	20
<u>53,823</u>	Gross Expenditure	<u>76,810</u>	<u>79,320</u>	<u>2,510</u>
0	Other Income	0	0	0
<u>53,823</u>	Net Expenditure	<u>76,810</u>	<u>79,320</u>	<u>2,510</u>
GH07	Neighbourhood Management			
289,510	1 Employees	486,960	530,170	43,210
7,488	Transport-Related Expenditure	13,200	17,200	4,000
49,808	Supplies & Services	69,400	66,490	-2,910
<u>346,806</u>	Gross Expenditure	<u>569,560</u>	<u>613,860</u>	<u>44,300</u>
0	Other Income	0	0	0
<u>346,806</u>	Net Expenditure	<u>569,560</u>	<u>613,860</u>	<u>44,300</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Employee Costs including Increments and Pension			30,000
	1 Additional caretaker hours - HRA funded			12,000
GH08	Leasehold Management			
28,817	Employees	62,540	57,620	-4,920
1,347	Supplies & Services	1,360	1,310	-50
<u>30,164</u>	Gross Expenditure	<u>63,900</u>	<u>58,930</u>	<u>-4,970</u>
0	Other Income	0	0	0
<u>30,164</u>	Net Expenditure	<u>63,900</u>	<u>58,930</u>	<u>-4,970</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Employee Costs including Increments and Pension			-5,000
GH09	Supported Housing			
190,356	Employees	354,600	347,760	-6,840
7,141	Transport-Related Expenditure	15,600	14,500	-1,100
5,722	Supplies & Services	9,480	8,910	-570
<u>203,220</u>	Gross Expenditure	<u>379,680</u>	<u>371,170</u>	<u>-8,510</u>
0	Other Income	0	0	0
<u>203,220</u>	Net Expenditure	<u>379,680</u>	<u>371,170</u>	<u>-8,510</u>
GH10	Regulations Specialists			
14,442	Employees	35,630	37,310	1,680
0	Supplies & Services	280	280	0
<u>14,442</u>	Gross Expenditure	<u>35,910</u>	<u>37,590</u>	<u>1,680</u>
0	Other Income	0	0	0
<u>14,442</u>	Net Expenditure	<u>35,910</u>	<u>37,590</u>	<u>1,680</u>

GH58 Housing Options				
431,345	1 Employees	322,450	375,930	53,480
9,038	Transport-Related Expenditure	8,020	10,020	2,000
18,267	Supplies & Services	5,560	3,220	-2,340
0	2 Third Party Payments	0	35,000	35,000
458,650	Gross Expenditure	336,030	424,170	88,140
0	3 Other Income	0	-40,170	-40,170
458,650	Net Expenditure	336,030	384,000	47,970

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth	40,170
1 Employee Costs including Increments and Pension	13,000
2 Permanent virement (from HH21)	35,000
3 Approved Budget Strategy Savings	-40,170

GH61 Social Lettings Agency				
53,817	Employees	45,080	46,840	1,760
269	Transport-Related Expenditure	3,500	200	-3,300
354	Supplies & Services	650	370	-280
54,440	Gross Expenditure	49,230	47,410	-1,820
0	Other Income	0	0	0
54,440	Net Expenditure	49,230	47,410	-1,820

GH62 Housing Strategy & Support				
211,645	Employees	178,720	181,040	2,320
2,858	Transport-Related Expenditure	2,680	2,680	0
6,379	Supplies & Services	7,400	6,780	-620
220,882	Gross Expenditure	188,800	190,500	1,700
0	Other Income	0	0	0
220,882	Net Expenditure	188,800	190,500	1,700

GM03 Assistant Director - Housing				
218,815	Employees	151,660	127,340	-24,320
0	Premises-Related Expenditure	0	0	0
173	Transport-Related Expenditure	250	250	0
1,209	Supplies & Services	2,370	1,420	-950
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
220,197	Gross Expenditure	154,280	129,010	-25,270
-59,948	Other Income	0	0	0
160,249	Net Expenditure	154,280	129,010	-25,270

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Change to establishment	-24,000
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GM29 Private Sector Housing				
242,611	1 Employees	214,750	222,520	7,770
5,318	Transport-Related Expenditure	6,100	5,600	-500
4,415	Supplies & Services	4,140	2,860	-1,280
252,344	Gross Expenditure	224,990	230,980	5,990
0	Other Income	0	0	0
252,344	Net Expenditure	224,990	230,980	5,990

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	7,770
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**Tim Madden
Transition & Transformation Summary**

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
31,423	GL60 Transformation Project	0	0	0
31,423	Administration Total	0	0	0

**Tim Madden
Transition & Transformation Detail**

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GL60 Transformation Project			
26,893	Employees	0	0	0
4,529	Supplies & Services	0	0	0
31,423	Gross Expenditure	0	0	0
0	Other Income	0	0	0
31,423	Net Expenditure	0	0	0

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This Report will be made public on 17 January 2022



Report Number **C/21/61**

To: Cabinet
Date: 26 January 2022
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 2022/23 AND TREASURY MANAGEMENT MONITORING REPORT 2021/22

SUMMARY: This report sets out the proposed strategy for treasury management for 2022/23 including Treasury Management Prudential Indicators. The report also provides an update on the council's treasury management activities that have taken place during 2021/22 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/21/61.
2. To approve the strategy for treasury management in 2022/23 set out in the report is adopted.
3. To approve the Treasury Management Prudential Indicators for 2022/23 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 2021/22

This provides an update on the council's treasury management activities that have taken place during 2021/22 against the agreed strategy for the year up to 30 November 2021. 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 2022/23

This sets out the proposed strategy for treasury management for 2022/23, including Treasury Management Prudential 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 a treasury management monitoring report during the 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 23 February 2022 ahead of it being submitted to full Council for approval on the same day.

2 REVISIONS TO THE CIPFA CODES

2.1 In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

2.2 In September 2021 CIPFA issued the revised Codes and Guidance Notes in draft form and opened a consultation process on their proposed changes. In December 2021 CIPFA issued the revised Codes and Guidance Notes. The key changes to the Codes are:

a) **CIPFA Prudential Code**

- i) Local authorities must not borrow (for capital expenditure) to invest for the primary purchase of commercial return
- ii) It is not prudent for local authorities to make any investment or spending decision that will increase its Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority
- iii) Sale of commercial investments to be considered as an alternative to new borrowing for service purposes
- iv) Risks associated with commercial investment should be proportionate to financial capacity to bear losses
- v) Prudential Indicators to be monitored and reported at least quarterly as part of the regular budget monitoring
- vi) New prudential indicator – income from commercial and service investments to net revenue stream

b) **Treasury Management (TM) Code**

- i) Liability benchmark for a minimum of 10 years in chart format mandatory, with material differences between the liability benchmark and actual loans explained
- ii) Long-term investments (including pooled funds) classed as commercial investments unless linked to cash flow
- iii) Environmental, Social and Governance (ESG) issues to be recognised in the authority's treasury management policies and practices
- iv) Pooled funds to be included in the indicator on principal sums maturing beyond the year
- v) Enhanced information requirements to feature in the authority's Treasury Management Policies regarding the knowledge and skills of officers and members with responsibility for the treasury management function
- vi) Quarterly reporting of Treasury Management to Members

2.3 The revised Codes support the recent legislative changes made by the government to prevent local authorities from borrowing for capital expenditure primarily to generate a financial return. As with the legislative changes, the revised Codes are not retrospective, meaning the Council is not directly impacted for its previous capital expenditure decisions.

2.4 Given that local authorities are at advanced stages with their 2022/23 budget setting process, including the preparation of Treasury Management Strategy Statements, CIPFA has acknowledged the timing of the issuing of the revised Codes may cause some problems for local authorities and they have

indicated they will view 2022/23 as a transitional year to embed their new requirements.

- 2.5 **Environmental, Social and Governance (ESG)** – The revised TM Code now includes the following specific reference to ESG considerations relating to credit and counterparty risk management: *‘The organisation’s credit and counterparty policies should set out its policy and practices relating to ESG investment considerations. This is a developing area, and it is not implied that the organisation’s ESG policy will include ESG scoring or other real-time ESG criteria at individual investment level’.*
- 2.6 CIPFA recently indicated that they will be working with the local authority sector during 2022/23 to develop an ESG scoring methodology for treasury management investments to be used in the future. In the meantime CIPFA expect local authorities to have a general regard to their own existing policies for ESG issues, such as Climate Change, for investment decisions.
- 2.7 Following advice from the Council’s treasury adviser, Arlingclose, officers are of the view that, at this stage, to try and overlay ESG considerations which are not supported by tangible or measureable factors could lead to difficulties in making and managing treasury investment decisions. As such ESG considerations are not included within the investment criteria for 2022/23 outlined in section 11 of this report. However, it is a requirement of the CIPFA Code that future Treasury Management Strategies (from 2023/24) include ESG considerations within them.
- 2.8 The Council’s existing Treasury Management Policies and Practices will need to be reviewed and updated to incorporate the revised Treasury Management Code requirements and this is planned to take place during the coming year.

3. ECONOMIC BACKGROUND AND PROSPECT FOR INTEREST RATES

3.1 Economic Background

- 3.1.1 The UK economic background is dominated by the unprecedented impact of the Covid-19 pandemic, rising inflation, the prospect of higher interest rates and the country’s trade position post-Brexit. The key issues affecting the UK economy in particular are:
- i) In December 2021 the Bank of England’s (BoE) Monetary Policy Committee (MPC) responded to rising domestic inflation by increasing the Bank Rate to 0.25% from its record low level of 0.1% and to keep its Quantitative Easing programme at £895 billion. There is now a market expectation the Bank Rate will continue to rise in small steps during 2022 to between 0.5% and 1% during the year to help curb inflation.
 - ii) The headline rate of UK Consumer Price Inflation (CPI) rose to a ten-year high of 5.1% in November 2021, up from 4.2% in October 2021. CPI Inflation is expected to peak around 6% in the early part of 2022 before gradually falling back as the impact of higher energy prices fades and demand slows. However, the transitory factors currently affecting inflation may take longer than expected to unwind and the

BoE's MPC has indicated this may require a further tightening of monetary policy (a rise in interest rates).

- iii) The latest labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose by 75.5%. The BoE MPC expectations are for unemployment and employment to remain close to their current levels.
- iv) Total annual pay growth to October 2021, adjusted for inflation, was 4.9% for the year while regular pay was up 4.3%. In real terms, adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1%. However, these figures should be treated with some caution as they are measured against reduced earnings from 12 months ago during the original lockdown. Uncertainty remains whether or not broad-based increases in wages will continue given the pressures facing businesses.
- v) Gross Domestic Product (GDP) grew by 1.3% in quarter 3 (Q3) of 2021, compared to a gain of 5.5% quarter on quarter in Q2, with the annual rate slowing to 6.6% from 23.6% as the domestic economy adjusted from the worst of the impact of the lockdown in 2020. The UK economy is now estimated to be just 0.8% below its pre-pandemic level. Forecasts from the BoE's December 2021 Monetary Policy Report show growth has been revised down for Q4 to 0.6% from 1% due to the uncertainty to the UK's economy from the new Omicron coronavirus variant. Household spending faces pressures from a combination of higher prices, tax and interest rate rises. These pressures coupled with the impact of the Omicron variant are likely to cause growth to be weak at best over the next year.
- vi) Like the UK, the US and Eurozone economies have both seen GDP growth rapidly improving as they recover from the pandemic and are now experiencing rising inflation. Both economies are now also seeing their growth slowing down. There is some pressure for the European Central Bank to consider raising the base rate from its current level of 0% and the US Fed has indicated they are in favour of increasing their current base rates of between 0% and 0.25% up to 0.75% during 2022.

3.2 Credit Outlook

- 3.2.1 2021 has seen relatively benign credit conditions reflected in the credit default swap (CDS) prices for the larger UK banks remaining low and edging downwards to the pre-pandemic levels. The improved economic outlook in 2021 has helped improve bank profitability and reduce the level of impairments many have made for bad loans. However, the recent ending of government's coronavirus-related support measures for businesses means the full impact on banks may not be known for some time.
- 3.2.2 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable.

3.2.3 Looking forward, the financial institutions on the authority's counterparty list are well capitalised and general credit conditions remain benign. Duration limits for counterparties on the authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

3.3 Interest Rate Forecast

3.3.1 The authority's treasury management adviser, Arlingclose, is forecasting the Bank Rate will rise in Q1 of 2022 to 0.50% to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates. The scale of Arlingclose's rise is slightly more subdued than the current market expectations.

3.3.2 Gilt yields, which the Public Works Loans Board (PWLB) use to set its interest rates for loans to local authorities, increased sharply during the early autumn of 2021 in anticipation of a Bank Rate rise in November 2021. However, yields fell back during November 2021 due to the Base Rate being on hold at that point. Yields are expected to remain broadly at current levels over the medium-term with the 5, 10 and 20 years gilts expected to average around 0.65%, 0.9% and 1.15% respectively. The risks around the short and medium term yields are judged to be initially to the upside but shifts lower later, while for long-term yields the risk is marginally to the upside. As ever, 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.

3.3.3 For the purpose of setting the budget, it has been assumed that new short-term treasury investments will be made at an average rate of 0.1%, and that new long-term loans will be borrowed, where possible from other local authorities, at an average rate of 1.25%.

SECTION A – TREASURY MANAGEMENT MONITORING REPORT 2021/22

4 BACKGROUND AND SUMMARY POSITION

4.1 Cabinet approved the Treasury Management Strategy Statement for 2021/22, including treasury management indicators, on 20 January 2021 (minute 66 refers). As a requirement of CIPFA's 2017 Prudential Code, Full Council approved the Capital Strategy for 2021/22 covering capital expenditure and financing, treasury management and non-treasury investments on 24 February 2021 (minute 26 refers).

4.2 On 31 March 2021, the authority had net borrowing of £60.2m 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

	31.3.21 Actual £m
General Fund CFR	79.5
HRA CFR	47.4
Total CFR	126.9
Less: Usable reserves	(56.3)
Less: Working capital	(10.4)
Net borrowing	60.2

- 4.3 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 2021 and the change since the 31 March 2021 is show in table 2 below.

Table 2: Treasury Management Summary

	31.3.21 Balance £m	Net Movement £m	30.11.21 Balance £m	30.11.21 Rate %
Long-term borrowing	72.2	(5.0)	67.2	2.86
Short-term borrowing	6.8	10.0	16.8	0.86
Total borrowing	79.0	5.0	84.0	2.46
Long-term investments	(15.2)	(0.4)	(15.6)	4.18
Cash and cash equivalents	(3.6)	(15.2)	(18.8)	0.01
Total investments	(18.8)	(15.6)	(34.4)	1.96
Net borrowing	60.2	(10.6)	49.6	

- 4.4 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 2021 of £10.6m. The following three main factors have contributed to this net reduction in borrowing:

- i) Higher than anticipated usable reserves at 31 March 2021
- ii) Delays to the council's General Fund capital expenditure programme for 2021/22 to be met from prudential borrowing
- iii) Short-term net positive cash flow from Council Tax receipts and government grants

5. BORROWING STRATEGY AND ACTIVITY 2021/22

- 5.1 At 30 November 2021, the authority held £84m of loans, an increase of £5m from the position to 31 March 2021, 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 2021 compared to 31 March 2021 is shown in table 3 below. A list of the individual loans borrowed at 30 November 2021 is shown in appendix 2 to this report.

Table 3: Borrowing Position – Two Pool Debt Approach

	31.3.21 Balance £m	2021/22 Movement £m	30.11.21 Balance £m	30.11.21 Rate %
<u>General Fund</u>				
Public Works Loan Board	7.2	-	7.2	4.69%
Local Authorities (long-term)	20.0	(5.0)	15.0	0.62%
Local Authorities (short-term)	5.5	10.0	15.5	0.49%
Total General Fund borrowing	32.7	5.0	37.7	1.44%
<u>Housing Revenue Account</u>				
Public Works Loan Board	46.3	-	46.3	3.28%
Total HRA borrowing	46.3	-	46.3	3.28%
Total borrowing	79.0	5.0	84.0	2.46%

- 5.2 The weighted average maturity of the overall loans portfolio at 30 November 2021 was 7.3 years.

5.3 Public Works Loan Board (PWLB) Lending Arrangements

- 5.3.1 The current PWLB lending arrangements effective from 26 November 2020 prohibit local authorities from borrowing to purchase 'investment assets primarily for yield'. HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. One of the key aspects of the new guidance is capital expenditure incurred or committed to before 26 November 2020 is allowable for borrowing even for an 'investment asset primarily for yield. The guidance also covers the requirement for authorities to regularly submit details of their

capital plans to the Department for Levelling Up, Housing and Communities (DLUHC) and sanctions that can be imposed for non-compliance with it.

5.3.2 The Council is not planning to purchase any new investment assets primarily for yield within the next three years so is able to fully access the PWLB for borrowing.

5.3.3 The PWLB has also recently increased the settlement period for taking up new loans from 3 to 5 working days to provide more time to check borrowing applications made by local authorities for compliance with their arrangements. Additionally, in a move to protect the PWLB from negative interest rates, the minimum interest rate for PWLB loans has been set at 0.01%. These changes are not expected to have any material impact to the Council.

5.4 Borrowing Activity in 2021/22

5.4.1 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.

5.4.2 With short-term interest rates remaining much lower than long-term rates and with a surplus of liquidity continuing in the local authority to local authority market, the authority has considered it to be more cost effective in the near term to use its internal resources to meet the underlying borrowing need in the current financial year. This strategy has enabled the authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

5.4.3 Borrowing activity in the current financial year has been limited to two transactions so far. A one year loan of £5m was taken up on 22 April 2021 from another local authority at an interest rate of 0.1% for liquidity purposes. In anticipation of a £5m loan maturity due on 31 January 2022 a new loan has been agreed in advance for the same date (forward deal). This forward deal is with another local authority for two years at an interest rate of 0.4%, significantly below the equivalent PWLB interest rate of 1.11% when the deal was agreed.

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

6 INVESTMENTS

6.1 The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the period to 30 November 2021, the authority's investment balance has ranged between £18.8m and £41m due to timing differences between income and expenditure. The average investment balance held to 30 November 2021 was £32.8m. The investment position during the period to 30 November 2021 is shown in table 4 below. A list of the individual investments held at 30

November 2021 is shown in appendix 3 to this report.

Table 4: Investment Position

	31.3.21 Balance £m	Net Movement £m	30.11.21 Balance £m	Average Return
Banks & building societies (unsecured)	-	2.9	2.9	0.01%
Money Market Funds	3.6	12.3	15.9	0.01%
Property Pooled Fund	5.3	0.3	5.6	4.32%
Multi-Asset Income Funds	9.9	0.1	10.0	4.19%
Total investments	18.8	15.6	34.4	1.96%

- 6.2 The weighted average maturity of the investment portfolio at 30 November 2021 was 16 days.
- 6.3 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.
- 6.4 Ultra low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out. Deposit rates with H.M. Treasury's Debt Management Account Deposit Facility (DMADF) have also been at almost zero over the period to 30 November 2021.
- 6.5 The council is meeting its investment objectives and strategy for 2021/22. 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.
- 6.6 The level of cash available for short term investments has, on average, been about £8m higher than originally anticipated for 2021/22, as outlined in section 3 above. It is expected the level of surplus cash for short-term 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 2022.

6.7 Externally Managed Pooled Funds

6.7.1 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.

6.7.2 Table 5 below provides a summary of the pooled funds showing the changes in the unrealised capital values and the dividend yield for the current year with the comparative information for the previous year.

Table 5 – Pooled Funds Summary

Fund	Value at 31/03/21	Value 30/11/21	Valuation change	Dividend Yield 2020/21	Dividend Yield 2021/22	Dividend 2021/22
	£m	£m	£m	%	£'000	%
CCLA Local Authority Property Fund	5.28	5.65	0.37	4.35%	157	4.20%
CCLA Diversified Income Fund	1.94	2.07	0.13	3.30%	35	3.82%
Aegon Diversified Monthly Income Fund	3.52	3.52	0.00	4.62%	115	4.71%
Ninety-One Diversified Income Fund	3.51	3.39	(0.12)	3.95%	95	4.38%
UBS Multi-Asset Income Fund	0.95	0.98	0.03	5.14%	33	5.46%
Total	15.20	15.61	0.41	4.23%	435	4.38%

6.7.3 These funds generated an average income return of 4.38% or £435k for the period to 30 November 2021, used to support service expenditure, and unrealised capital growth of about £410k. The continued economic recovery from the pandemic and the prospects for growth has contributed to the overall increase in the capital value of the authority's investments in these funds.

6.7.4 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 medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. The authority is expected to continue to hold its strategic investments in pooled funds for the remainder of the current financial year.

7. FINANCIAL SUMMARY

7.1 The projected outturn for the net cost of treasury management to the General Fund in 2021/22 is summarised in table 6 below:

Table 6: Financial Summary

	2021/22 Original Estimate	2021/22 Projection	Variance
	£'000	£'000	£'000
Interest on all Borrowing	2,705	2,108	(597)
Less Capitalised Interest	(581)	(192)	389
Related HRA Charge	(1,573)	(1,521)	52
General Fund Borrowing Cost	551	395	(156)
Investment Interest	(535)	(610)	(75)
HRA Element	50	5	(45)
General Fund Investment Income	(485)	(605)	(120)
Net General Fund Borrowing Cost	66	(210)	(276)

7.2 The main reasons for the reduction of £276k in the projected net borrowing cost are:-

- | | |
|---|-------|
| | £'000 |
| i) delays to and reprofiling of capital expenditure plans being met from prudential borrowing and greater use of short-term internal borrowing met from cash balances held, and | (208) |
| ii) returns from pooled fund investments being better than originally anticipated | (75) |

7.3 **Compliance with Borrowing and Investment Limits** – The Director of Corporate Services reports that the treasury management activities undertaken in the current financial year to 30 November 2021 complied with the CIPFA Code of Practice for Treasury Management, the council's approved Treasury Management Strategy and its approved borrowing limits. Further information regarding compliance with the specific investment and Treasury indicators is covered in Section B of this report.

8 NON-TREASURY INVESTMENTS

8.1 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 investments in its wholly owned subsidiary companies, Oportunitas Limited and Otterpool Park LLP. These are summarised in table 7 below:

Table 7: Non-Treasury Investments

Investment Type	Value 31/03/21 £m	Value 30/11/21 £m	Net Income (Expenditure) 2021/22 £'000	Rate of Return %
Investment Property				
Otterpool Property	64.9	65.3	(524)	(0.8)
Offices	17.4	17.4	357	2.1
Commercial Land	0.7	0.7	-	-
Commercial Units	1.8	1.8	126	6.9
Retail	2.2	2.2	(84)	(3.8)
Assets Under Construction	0.2	0.2	-	-
Total Investment Property	87.2	87.6	(125)	(0.1)
Subsidiaries				
Oportunitas loan	4.3	4.3	210	4.9
Oportunitas equity	3.5	4.5	0	0
Total Oportunitas	7.8	8.8	210	2.4
Otterpool Park LLP	1.3	1.8	71	5.0
Total Subsidiaries	9.1	10.6	281	2.75
Total Non-Treasury	96.3	98.2	156	0.16

- 8.2 The net income and rate of return excludes the impact of any unrealised property valuation gains or losses. 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 subsidiary companies. However the return on the investment property portfolio for 2021/22 is significantly distorted because of the land acquisitions taking place for the Otterpool Park project in particular. The council is receiving rental streams from some of the Otterpool property in the short to medium term.

SECTION B – TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23

9. THE COUNCIL'S FORECAST BORROWING AND INVESTMENT POSITION

9.1 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

	31.3.21 Actual £m	31.3.22 Estimate £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
General Fund CFR	13.4	14.8	19.2	18.3	13.2
HRA CFR	47.4	47.4	47.4	50.7	57.7
Investments CFR	66.1	71.3	93.7	120.0	141.5
Total CFR	126.9	133.5	160.3	189.0	212.4
Less: External borrowing	(79.0)	(82.2)	(81.4)	(125.6)	(158.0)
Internal borrowing	47.9	51.3	78.9	63.4	54.4
Less: Balance Sheet resources	(66.7)	(52.1)	(34.7)	(31.0)	(30.5)
Treasury Investments (-) or / New Borrowing (+)	(18.8)	(0.8)	44.2	32.4	23.9

9.2 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 Balance Sheet resources available for investment. The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

9.3 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 2022/23, the proposed Medium Term Capital Programme, the HRA Business Plan and information taken from the latest approved Medium Term Financial Strategy for 2023/24 and 2024/25. The authority has an increasing CFR arising from its planned capital investment and will therefore be required to borrow up to a further £104.7m over the forecast period.

9.4 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 2022/23.

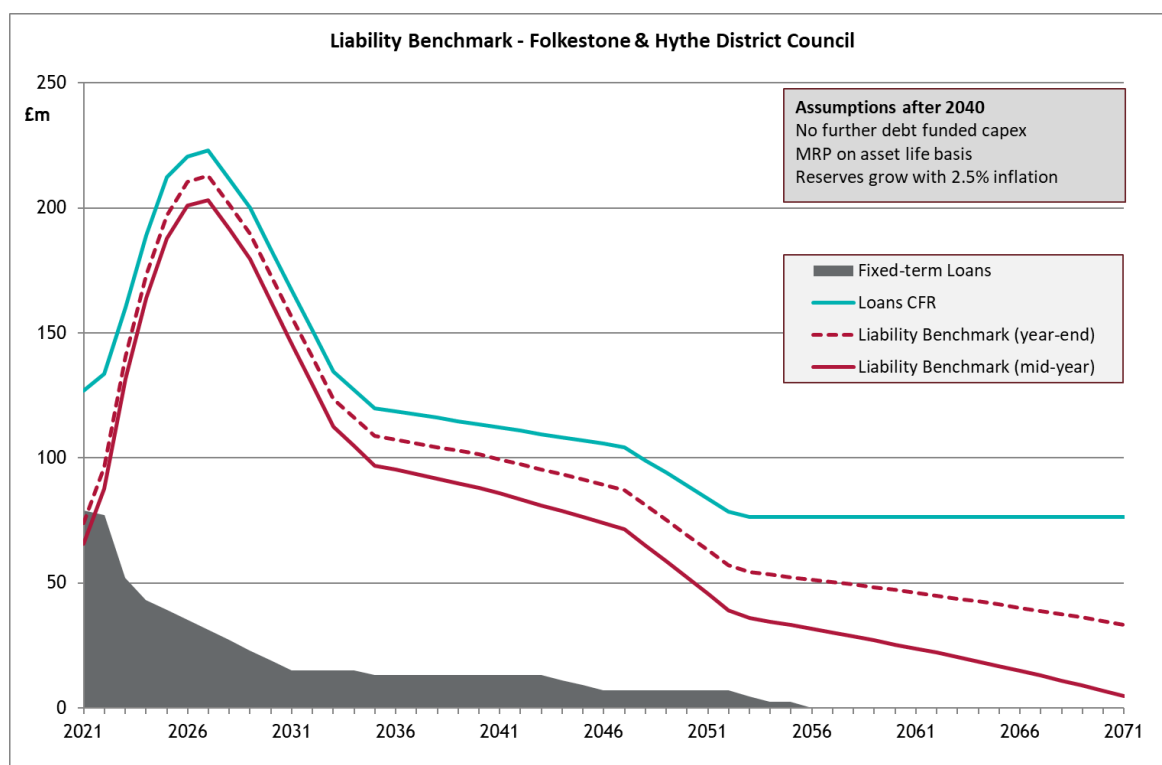
9.5 Liability Benchmark

9.5.1 To compare the authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 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

	31.3.21 Actual £m	31.3.22 Estimate £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
CFR	126.9	133.5	160.3	189.0	212.4
Less: Balance Sheet resources	(66.7)	(52.1)	(34.7)	(31.0)	(30.5)
Net loans requirement	60.2	81.4	125.6	158.0	181.9
Plus: Liquidity allowance	18.8	15.0	15.0	15.0	15.0
Liability Benchmark	79.0	96.4	140.6	173.0	196.9

9.5.2 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 2025 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 majority of the borrowing for the scheme to be repaid by 2035), and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below:



10 BORROWING STRATEGY

10.1 The authority currently holds £84 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 a further £44.2m in 2022/23. The

authority may however borrow to pre-fund future years' requirements, providing this does not exceed the forecast authorised limit for borrowing of £196 million for 2022/23. 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 2022/23 report to Cabinet at its meeting on 23 February 2022 before going to full Council for approval on the same day.

10.2 Objectives

10.2.1 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.

10.3 Strategy

10.3.1 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.

10.3.2 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 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

10.3.3 The authority has previously used the PWLB as its main source of long-term borrowing. However over recent years the authority has borrowed from other local authorities for periods typically up to two years at rates significantly cheaper than the PWLB. The authority will consider borrowing long-term loans from the PWLB as well as other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the authority intends to avoid this activity in order to retain its access to PWLB loans.

10.3.4 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.

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

10.4 Sources of Borrowing

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- 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

10.4.2 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

10.5 Short-term and Variable Rate Loans

10.5.1 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).

10.6 Debt Rescheduling

10.6.1 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.

11 TREASURY INVESTMENT STRATEGY

11.1 The authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2021/22 until 30 November, the authority's investment balance has ranged between £18.8 million and £41 million with the average being £32.8 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's current investment portfolio is shown in appendix 3 to this report.

11.2 Objectives

11.2.1 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.

11.2.2 **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.

11.3 Strategy

11.3.1 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 2022/23. This is especially the case for the estimated £25m that is available for longer-term investment, represented by forecast usable reserves held to 31 March 2025. 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 2022/23 as a result of the capital and revenue expenditure plans. Given the council's increasing borrowing need for 2022/23 and beyond the maximum duration for new investments is proposed to remain at 5 years.

11.3.2 The authority has about £15m of its cash reserves 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 these reserves. Maintaining these pooled funds is seen as an important part of the authority's proposed investment strategy for 2022/23.

11.4 Business Models

11.4.1 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.

11.5 Approved Counterparties

11.5.1 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

11.5.2 ***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.

11.5.3 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.

- 11.5.4 **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.
- 11.5.5 **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.
- 11.5.6 **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.
- 11.5.7 **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.
- 11.5.8 **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.
- 11.5.9 **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.
- 11.5.10 **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.

11.5.11 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.

11.5.12 Operational bank accounts: The authority may incur operational exposures, for example through 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.

11.6 Risk Assessment and Credit Ratings

11.6.1 Credit ratings are obtained and monitored by the authority's treasury adviser, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

11.6.2 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.

11.7 Other Information on the Security of Investments

11.7.1 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.

11.7.2 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.

11.8 Investment Limits

11.8.1 The authority’s revenue reserves available to cover investment losses are forecast to be £18 million 31 March 2022. 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.

11.8.2 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.

11.8.3 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

11.9 Liquidity Management

11.9.1 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.

11.9.2 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.

12 TREASURY MANAGEMENT PRUDENTIAL INDICATORS

12.1 The authority measures and manages its exposures to treasury management risks using indicators and those proposed for 2022/23 are outlined below for approval. The latest position for the indicators in 2020/21 against the existing approved target is also shown below.

12.2 **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.

	2021/22 Target	30/11/2021 Actual	2022/23 Target
Portfolio average credit rating	A	AA-	A

12.3 **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.

	2021/22 Target	30/11/2021 Actual	2022/23 Target
Total cash available within 3 months	£5m	£18.8m	£5m

12.4 **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:

	2021/22 Limit	30/11/2021 Actual	2022/23 Limit
Upper limit on one year revenue impact of a 1% rise in interest rates	£164,000	£41,000	£187,000
Upper limit on one year revenue impact of a 1% fall in interest rates	(£185,000)	(£133,000)	(£245,000)

12.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. The increase in the limits for 2022/23 are consistent with the Council's projected borrowing required for the year.

12.6 **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:

	30/11/21 Actual	2022/23 Upper	2022/23 Lower
Under 12 months	20.0%	30%	0%
12 months and within 24 months	23.8%	40%	0%
24 months and within 5 years	14.3%	50%	0%
5 years and within 10 years	23.8%	80%	0%
10 years and above	18.1%	100%	0%

12.7 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

12.8 **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:

Long-term Treasury Management Investments	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£15m	£5m	£5m
Limit on amounts invested in longer term investments with no fixed maturity date	£25m	£25m	£25m

12.9 The proposed limit for the amounts invested in longer term investments with no fixed maturity date is an increase of £5m over the approved value for 2021/22 and reflects the projected increase in the level of cash reserves to be held over the same period.

13. OTHER ITEMS

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

13.2 Policy on Use of Financial Derivatives

13.2.1 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).

13.2.2 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.

13.2.3 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.

13.2.4 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.

13.3 Policy on Apportioning Interest to the HRA

13.3.1 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 2022/23.

13.4 Markets in Financial Instruments Directive

13.4.1 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.

14. FINANCIAL IMPLICATIONS

14.1 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	2021/22 Estimate	2022/23 Estimate	Variance 2020/21 to 2021/22
Revenue Budgets	£'000	£'000	£'000
Interest on Borrowing	2,705	2,772	67
Less Capitalised Interest	(581)	(529)	52
HRA Element	(1,573)	(1,580)	(7)
GF Borrowing Cost	551	663	112
Investment income	(535)	(610)	(75)
HRA Element	50	5	(45)
GF Investment income	(485)	(605)	(120)
Net Cost (GF)	66	58	(8)

14.2 The main reasons for the projected net reduction in the General Fund borrowing cost of £8k in 2022/23 compared to 2021/22 are:

	£'000
i) Increase in borrowing costs for existing and planned capital expenditure being met from prudential borrowing	119
ii) Increase in investment income on pooled funds	(75)
iii) Net reduction in interest adjustments to the HRA	(52)
Total reduction	<u><u>(8)</u></u>

15. OTHER OPTIONS CONSIDERED

15.1 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

16. RISK MANAGEMENT ISSUES

16.1 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.

16.2 Specific risks to be addressed are as follows:

PERCEIVED RISK	SERIOUSNESS	LIKELIHOOD	PREVENTATIVE ACTION
Interest Rate Risk (rates moving)	High	Medium	With an increasing borrowing requirement rising

significantly different to expectations)			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.
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17 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

17.1 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.

17.2 Finance Officer's Comments (LW)

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

17.3 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

17.4 Climate Change Implications (AT)

There are no direct climate change implications arising from this report. However, the report outlines Environment, Social and Governance (ESG) investment considerations required as part of the revised CIPFA Treasury Management Code.

17.5 Communications Officer's Comments (JW)

There are no particular communications implications arising from this report

18. 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
2021/22

Arlingclose's Treasury Management Strategy Statement Template 2022/23

Appendices

Appendix 1 – Arlingclose Interest Rate Forecast at November 2021

Appendix 2 – Borrowing portfolio at 30 November 2021

Appendix 3 – Investment portfolio at 30 November 2021

Appendix 1 – Arlingclose Interest Rate Forecast December 2021

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market rate													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix 2 – Borrowing Portfolio at 30 November 2021

Folkestone and Hythe District Council Itemised Borrowing at 30 November 2021						
Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 30/11/2021	Interest Rate
					£	%
Public Works Loan Board	430141	Annuity	09/11/1973	01/11/2033	3,709.27	11.38
Public Works Loan Board	480111	Fixed	14/10/1997	31/03/2023	1,000,000.00	6.63
Public Works Loan Board	488942	Fixed	12/08/2004	07/08/2034	2,000,000.00	4.80
Public Works Loan Board	492233	Fixed	28/09/2006	15/03/2054	2,000,000.00	4.05
Public Works Loan Board	493698	Fixed	10/08/2007	07/08/2055	2,500,000.00	4.55
Public Works Loan Board	493914	Fixed	10/09/2007	07/02/2053	2,500,000.00	4.55
Public Works Loan Board	494027	Fixed	31/10/2007	15/03/2044	2,000,000.00	4.65
Public Works Loan Board	494028	Fixed	31/10/2007	15/03/2045	2,000,000.00	4.65
Public Works Loan Board	494029	Fixed	31/10/2007	15/03/2046	2,141,190.00	4.65
Public Works Loan Board	500536	Fixed	28/03/2012	28/03/2023	4,000,000.00	2.56
Public Works Loan Board	500537	Fixed	28/03/2012	28/03/2031	4,010,000.00	3.26
Public Works Loan Board	500538	Fixed	28/03/2012	28/03/2028	4,000,000.00	3.08
Public Works Loan Board	500540	Fixed	28/03/2012	28/03/2025	4,000,000.00	2.82
Public Works Loan Board	500541	Fixed	28/03/2012	28/03/2029	4,000,000.00	3.15
Public Works Loan Board	500542	Fixed	28/03/2012	28/03/2030	4,000,000.00	3.21
Public Works Loan Board	500543	Fixed	28/03/2012	28/03/2027	4,000,000.00	3.01
Public Works Loan Board	500545	Fixed	28/03/2012	28/03/2022	1,300,000.00	2.40
Public Works Loan Board	500546	Fixed	28/03/2012	28/03/2024	4,000,000.00	2.70
Public Works Loan Board	500548	Fixed	28/03/2012	28/03/2026	4,000,000.00	2.92
Total - Public Works Loan Board					53,454,899.27	
London Borough of Barking and Dagenham		Fixed	31/01/2020	31/01/2022	5,000,000.00	1.60
London Borough of Wandsworth		Fixed	29/01/2021	31/01/2023	10,000,000.00	0.60
Durham County Council		Fixed	01/02/2021	03/10/2022	5,000,000.00	0.55
Leicester City Council		Fixed	01/03/2021	01/03/2023	5,000,000.00	0.65
West Yorkshire Combined Authority		Fixed	22/04/2021	19/04/2022	5,000,000.00	0.10
Folkestone Town Council	n/a	Variable - 2 day call notice	Various May 2018	n/a	500,000.00	0.00
Total - Other Loans						
Total - Borrowing at 30/11/2021					83,954,899.27	

Appendix 3 – Investment Portfolio at 30 November 2021

Category and Counterparty	Amount or Value £	Terms	Indicative Interest Rate or Yield %
Banks & Building Societies (unsecured)			
NatWest - Business Reserve	0	No notice instant access	0.01
Money Market Funds			
Aberdeen Standard MMF	3,620,000	No notice instant access	0.01
Other Pooled Funds			
Commercial Property Funds			
CCLA Property Fund	5,282,587	No specified maturity date	4.91
Multi-Asset Income Funds			
CCLA Diversified Income Fund	1,946,036	No specified maturity date	2.35
UBS Multi-Asset Income Fund	949,602	No specified maturity date	3.61
Aegon Asset Management Diversified Monthly Income Fund	3,519,652	No specified maturity date	4.67
Ninety-One Diversified Income Fund	3,506,271	No specified maturity date	2.86
Total Investments	18,824,148		3.21

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This Report will be made public on 18 January 2022



Report Number: **C/21/68**

To: Cabinet
Date: 26 January 2022
Status: Key Decision
Head of Service: Charlotte Spendley, Director – Corporate Services
Cabinet Member: Councillor David Monk, Leader of the Council

SUBJECT: FOLKESTONE & HYTHE DISTRICT
DISCRETIONARY COVID-19 ADDITIONAL RELIEF
FUND

SUMMARY: This report sets out proposals for how Folkestone & Hythe District Council will use government funding awarded through Covid-19 Additional Relief Fund (CARF).

REASONS FOR RECOMMENDATIONS:

Cabinet asked to note the funding and government guidance regarding the new relief and agree the proposed approach to administering the relief.

RECOMMENDATIONS:

Cabinet is asked to:

1. Receive and note report C/21/68.
2. Note the scheme criteria, allocation and parameters for CARF relief provided by the Department for Levelling Up, Housing and Communities.
3. Delegate the decision on the final policy and scheme criteria for the CARF relief scheme to the Leader, with responsibility for Finance.
4. Agree that the final decision to award CARF is delegated to the Leader, in consultation with the Director of Corporate Services.

1.0 INTRODUCTION

- 1.1 On 25 March 2021 the Government announced a new COVID-19 Additional Relief Fund (CARF) of £1.5 billion. The fund will be available to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates, for example the expanded retail discount and nursery discount.
- 1.2 Guidance was received on 15 December 2021.
- 1.3 Folkestone & Hythe District Council has been allocated £1,531,476 in funding for eligible businesses.

2 PARAMETERS SET BY THE DEPARTMENT FOR LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC)

- 2.1 The Government is not changing the legislation relating to the business rates reliefs available to properties. Instead, the Government will, in line with the eligibility criteria (provided within their guidance), reimburse local authorities where relief is granted using discretionary relief powers under section 47 of the Local Government Finance Act 1988. It will be for individual billing authorities, like Folkestone & Hythe District Council, to adopt a local scheme and determine in each individual case whether, having regard to the government guidance and our own local scheme, to grant relief under section 47. The relief is available to reduce chargeable amounts for business rates in respect of 2021/22.
- 2.2 Authorities must not award relief to ratepayers who for the same period of the relief either are, or would have been, eligible for the Extended Retail Discount (covering Retail, Hospitality and Leisure), the Nursery Discount, or the Airport and Ground Operations Support Scheme (AGOSS).
- 2.3 Likewise, local authorities must not award relief to a hereditament for a period when it is unoccupied (other than hereditaments which have become closed temporarily due to the government's advice on COVID-19, which should be treated as occupied for the purposes of this relief).
- 2.4 DLUHC have specified that authorities should direct their support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

3 SCHEME PROPOSAL & CRITERIA

- 3.1 As a result of the short timeframe now available following receipt of the guidance, the method proposed is likely to be fairly common across Kent Authorities. The proposed policy is still being finalised and is anticipated to incorporate the following approach and criteria:
 - Establish all hereditaments that were classed as occupied on 15 December 2021.
 - Deduct all hereditaments which received expanded retail discount or nursery discount.

- Deduct all hereditaments which would have been eligible for expanded retail discount or nursery discount but opted out.
- Deduct all hereditaments that were awarded 100% Small business rates relief or rural rate relief or 80% mandatory relief and a 20% top up.
- Deduct all hereditaments occupied by the local authority, major precepting authorities and local precepting authorities.
- With the remaining data remove hereditaments that would not have been adversely affected by the pandemic i.e. financial services, pharmacies, gas/electricity suppliers etc.
- Calculate the total liability of hereditaments remaining and divide the total allocation amongst these premises. This will give a % that can be applied to each eligible account.

3.2 It is proposed that a small contingency fund is retained for future changes to rateable values or if a hereditament is omitted.

3.3 To avoid unnecessary recovery it would be preferable to apply the % discount to eligible businesses before annual billing.

3.4 Whilst there is no appeal process, ratepayers could request a judicial review.

3.5 The full scheme criteria and policy will be finalised in the coming weeks, with the decision proposed to be delegated to the Leader, with responsibility for Finance.

3.6 It is proposed that the allocation of awards is delegated to the Leader, in consultation with the Director of Corporate Services.

4 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal Officer's Comments – NM

As set out in the report the Council must adopt a local scheme and determine each case in line with government guidance.

4.2 Finance Officer's Comments - CS

The cost of the relief will be offset by the grant received from the government. By awarding relief this in turn helps the collection rate for the Council and other relevant authorities.

4.3 Equalities Officer's Comments – GE

There are no equality and diversity implications directly arising from this report. The funding awarded to the Council from the COVID-19 Additional Relief Fund (CARF) will help support those businesses within district affected by the pandemic that have been previously ineligible for existing support.

4.4 Climate Impact Officer's Comments – OF

There are no Climate Change Implications arising from this report.

4. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer:-

Jo Robinson – Business Rates and Corporate Debt Senior Specialist

Telephone: 01303 853350

Email: jo.robinson@folkestone-hythe.gov.uk



Report Number **C/21/69**

To: Cabinet
Date: 26th January 2022
Status: Non-Key Decision
Director: Andy Blaszkowicz, Corporate Director – Housing & Operations
Cabinet Member: Councillor Monk, Leader of the Council
Oportunitas Chairman: Councillor Patricia Rolfe

SUBJECT: OPORTUNITAS PROGRESS REPORT 2021/22 – To 30th November 2021

SUMMARY: This report provides an update from the Board of Oportunitas Ltd (“the company”) on activities undertaken so far during the 2021/22 financial year, including a projected outturn for the profit and loss account for the period to 31 March 2022 compared to the original forecast. The report also outlines the company’s audited Statement of Accounts for the financial year ending 31 March 2021. This report is in-line with the requirement contained in the Shareholder’s Agreement between the company and the Council. The chairman of Oportunitas will be available at the meeting of Cabinet to present the report and to address any questions.

REASON FOR RECOMMENDATIONS:

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

- a. 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.

RECOMMENDATIONS:

1. To receive and note report C/21/69.
2. To note the Full Statement of Accounts and Directors’ Report for the financial year ending 31 March 2021.
3. To note the latest projected outturn for the Profit and Loss Account of Oportunitas Limited for the financial year ending 31 March 2022.

1. BACKGROUND

- 1.1 The report sets out the company's current progress in 2021/22 in relation to its investments and trading activity and is a requirement of the Shareholder's Agreement between the company and the Council.
- 1.2 The report provides a financial update for the current year including an initial projected outturn for the company's profit and loss account for the financial year ending 31 March 2022 compared to the original forecast for the year which was set as part of the current approved Business Plan. The financial update also provides the latest position regarding the company's expenditure and funding for the acquisition of residential properties at the Royal Victoria Hospital (RVH) site in Folkestone.
- 1.3 The report also sets out the company's audited Statement of Accounts for the financial year ending 31 March 2021 and outlines the changes from the provisional outturn position reported to Cabinet on 23 June 2021 (minute 10 refers).

2 INVESTMENT PORTFOLIO UPDATE

2.1 Property Portfolio

- 2.1.1 The company's current property portfolio consists of 56 residential units and 1 commercial unit is summarised in the table below:

Address	Units	Type
Walter Tull Way, Folkestone	5	2 x 1 bed units 2 x 2 bed units 1 x 3 bed unit
2 Grove Terrace, Dover Road, Folkestone	1	1 x 4 bed unit
15 Grace Hill, Folkestone	5	5 x 1 bed units
15 Grace Hill, Folkestone	1	1 x commercial unit
82 - 84 Leyburne Road, Dover	8	8 x 2 bed units
19 Castle Hill Avenue, Folkestone	10	9 x 1 bed units 1 x 2 bed unit
84 Sidney Street, Folkestone	4	3 x 1 bed units 1 x 2 bed unit
1 Claremont Road, Folkestone	5	5 x 1 bed units
10 Radnor Park Avenue, Folkestone (Royal Victoria Hospital – Phase A)	18	15 x 2 bed units 3 x 1 bed units
Total	57	

- 2.1.2 All properties at the time of writing this report are currently tenanted with the exception of one unit undergoing repairs at Leyburne Road in Dover and one new unit being marketed within Phase A of the Royal Victoria Hospital development in Folkestone. Where vacancies have occurred the company's agents have worked hard to minimise void periods. The company uses Smith Woolley as its main managing agent for the property portfolio. However, two properties at Walter Tull Way are currently being managed by Reeds Rains as it

would not be advantageous for Oportunitas to alter this agreement at this time. Management of all the assets within the company will, however, be kept under regular review.

2.1.3 In the aftermath of compliance issues identified at East Kent Housing for the Council's housing stock, the company introduced a property safety register to document key areas of safety compliance across its property portfolio including, but not limited to, gas, fire, electrical and legionella. The register is continually reviewed with both managing agents and then shared with members of the board on a monthly basis. The November 2021 position of the register identifies no compliance issues within the portfolio.

2.2 Tenant Rental Arrears

2.2.1 At 31 October 2021 the property portfolio has tenant rental arrears of £21,213 for its property portfolio, a reduction of £939 from the value at 31 July 2021 of £22,152 reported to Cabinet on 20 October 2021 (minute 37 refers). In summary, the arrears are summarised as follows:

	Number	Amount (£)
Former tenants	2	8,447
Existing tenants	5	12,766
Total	7	21,213

2.2.2 The company continues to be actively engaged with the managing agent to reduce the arrears for the existing tenants through agreed repayment plans, however, there are two cases where repayment plans have not been adhered to and the company has commenced proceedings against the guarantor of one former tenant to recover their arrears of £7k plus costs and in the case of another tenant with rent arrears of over £8k it may now be necessary to commence eviction action against them. All recovery action for rental arrears is undertaken in accordance with the company's Debt Management Policy.

2.3 Royal Victoria Hospital

2.3.1 The company completed its purchase of Phase A of the Royal Victoria Hospital development comprised of 18 high quality units at the end of October 2021. The site has been subjected to quarterly inspections throughout this phase of the project from an appropriately qualified member of the Council's estates team to document the project's development progress to provide technical assurance and to ensure the company is satisfied with the works before contractual tranche payments are released against an agreed schedule. Progress updates and photos from site inspections have also been presented to board members on a quarterly basis. A further condition survey of the building will be undertaken by a member of the Council's estates team in the summer 2022 with findings reported to the board.

2.3.2 Prior to the building being occupied by tenants, all elected members were invited to attend a site visit in mid-November 2021 hosted by the Chairman of the company, the developer and Smith Woolley to provide the

opportunity for members to have a look at examples of the newly completed units.

- 2.3.3 The 18 units have been marketed through a dedicated website and on social media to generate interest and two open weekends were hosted by Smith Woolley as the managing agent in mid-November 2021. The new units have been positively received within the local market and at the time of writing this report in December 2021, a total of 17 out of 18 units have been occupied at the agreed market rental prices to produce an overall rental yield of 6.7% for the company.
- 2.3.4 The company's focus now turns to the delivery of Phase B of the Royal Victoria Hospital, a newly developed block adjacent to the former hospital building of 19 units comprising of 17 x 2 bedroom and 2 x 1 bedroom apartments now due for completion in Autumn 2022 as opposed to Summer 2022 as stated in the company's current business plan due to construction delays associated with Phase A as a result of the pandemic. This phase of the development, like Phase A is subject to quarterly inspections by a qualified member of the Council's estates team. The latest inspection conducted in December 2021 highlights positive progress is being made with both foundation works and drainage being completed as well as the installation of some services and the first floor concrete columns.
- 2.3.5 To date the company has paid over £3.85 million in deposits and staged payments to the contractor, RVH Folkestone Limited, towards Phases A and B of the development. Further information regarding this is shown in the financial update later in this report.

2.4 84 Leyburne Road – Disposal of Land

- 2.4.1 Following Cabinet agreement in June 2021 to the company's proposal to sell the garage site at 84 Leyburne Road, Dover (Report ref: C/21/12), the agreed sale of the site continues to be progressed by the legal team with further clarification being sought from the buyer's solicitors on the 'right of way' access required to be granted over the company's retained land and how a wall that currently runs over the garage and joins on to the house (84 Leyburne Road) will be separated once the sale completes.

3. FINANCIAL OUTTURN TO 31 MARCH 2021

- 3.1 The company's provisional financial outturn for the year ending 31 March 2021, subject to Audit, was considered by Cabinet on 23 June 2021. The Board considered and approved the company's audited statement of accounts at its meeting on 13 December 2021. A copy of the full Statement of Accounts and Directors' Report for the financial year ending 31 March 2021 is shown in **appendix 1** to this report. The actual Profit and Loss Account and Balance Sheet figures compared to the provisional outturn position are shown in **appendix 2** to this report. The main changes made to the audited outturn compared to the provisional position reported in June are outlined below.

3.1.1 **Profit and Loss Account** – Appendix 2 shows the profit after tax is £269,028, an increase of £82,526 compared to the provisional figure of £186,503. The reasons for this increase are;-

Adjustment	Amount (£)
i) Additional accrued rental income for cash received in April 2021 relating to March 2021	6,123
ii) Minor reduction to creditor accruals at 31 March 2021	188
iii) Adjustment to deferred Corporation Tax liability	76,215
Total adjustment	82,526

3.1.2 The deferred Corporation Tax liability is made against the company's profits resulting from its unrealised valuation gains on its investment property portfolio. A review of this identified a reduction in the tax liability of £76,215. Of this, about £60k related to an adjustment for prior financial years. The Auditor advised this is below the materiality threshold that would require the prior year's accounts to be restated. This means the actual deferred tax on profit for the year is a net credit of £11,054. Allowing for the adjustment, the company's cumulative deferred tax liability with HMRC at 31 March 2021 is £58,674. As no Corporation Tax is due to HMRC at this point there are no direct financial implications to the company from this adjustment.

3.1.3 **Balance Sheet** - Appendix 2 shows the value of the company's net assets is £4,300,940, an increase of £82,526 compared to the provisional outturn figure of £4,218,414. The increase mirrors the adjustment for the company's increase in its profit after tax and is represented in the Profit and Loss Account Reserve shown on the Balance Sheet.

3.1.4 The Auditor advised that the stage payments made towards acquiring of both phases of the Royal Victoria Hospital scheme, totalling £2,502,050 as at 31 March 2021, should be classified as 'Investment Assets Under Construction' rather than shown as a capital debtor on the Balance Sheet. This is because there was a formal contract to acquire being in place at 31 March 2021 rather than the conditional agreement that was applicable at 31 March 2020.

3.2 **Audit Opinion** – It is pleasing to note the Auditor gave an unqualified opinion of the company's accounts for the financial year.

3.3 The full Statement of Accounts has been submitted to Companies House as a matter of public record.

4. FINANCIAL UPDATE FOR 2021/22

- 4.1 The company's latest financial update for 2021/22 was reported to the Board on 13 December 2021 and a copy is shown in appendix 3 to the report. The update shows the latest projected outturn for the profit and loss account compared to both the original forecast and previous projection for the current financial year to 31 March 2022 together with an update on its investment in the RVH scheme.
- 4.2 In summary, the company's profit and loss account is projected to make an operating loss of approximately £60k for the year, an increase of £10k compared to the original forecast operating loss of £49k. The loss is about £20k more than previously projected to the Board on 23 September 2021. In summary, the main reasons for the projected increase in the operating loss are:

Variances 2021/22 Forecast to Projected Outturn		£'000
i)	Rental Income – reduction mainly due to a delay in the completion of phase 1 of the Royal Victoria Hospital (RVH) scheme from August to November 2021	(62)
ii)	Loan Interest – the utilisation of the loan element of the Council's funding to support the acquisition of the RVH scheme has not been required as early as originally anticipated mainly due to the delay to the project	53

- 4.3 It should be noted the profit and loss account excludes any change in unrealised property values. The company's property portfolio will be revalued as at 31 March 2022 ahead of finalising the accounts for the financial year.
- 4.4 The table below summarises the latest position for capital expenditure incurred on the RVH development:

	Phase A	Phase B	Total
	£	£	£
Agreed Sale Price	3,150,000	3,300,000	6,450,000
Paid to date	3,150,000	705,000	3,855,000
Balance	0	2,595,000	2,595,000

- 4.5 Additionally, Stamp Duty Land Tax of £112,500 has been paid on completion of Phase A.
- 4.6 The funding of the capital expenditure incurred to date has been met from the proceeds of the Council's new equity investment in the company. The loan facility of £2.47m from the Council remains available and will be used towards completing the acquisition of the scheme.

- 4.7 The latest projected financial benefit to the Council from the company in 2021/22 compared to the original estimate is shown in the table below:

	Estimate 2021/22 £'000	Projection 2021/22 £'000
Loan interest	267	215
Loan repayments	29	29
Staff costs - reimbursement	25	30
Members Allowances - reimbursement	10	10
Grounds Maintenance recharge	24	12
Total	355	296

- 4.8 The reduction in the benefit to the Council is due to the loan to the company for the RVH scheme not being required as early as originally anticipated.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

- 5.1 **Legal (NM)** – The power for councils to trade their services for cost recovery only has been in force for many years. The power for councils to establish companies to trade for profit is set out in the Localism Act 2011. The company model provides a mechanism for local councils to operate more commercially and generate profit.

Officers have taken specialist legal advice from Bevan Brittan and will continue to work with these external legal advisers as and when the need arises.

- 5.2 **Finance (LW)** – This report has been prepared in conjunction with Financial Services and there are no further comments to add.
- 5.3 **Equalities (GE)** – There are no diversity or equalities implications arising from this report.
- 5.4 **Climate Change (LW)** – There are no climate change implications arising directly from this report.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Lee Walker, Capital & Treasury Senior Specialist
 Telephone: 01303 85 3593
 Email: lee.walker@folkestone-hythe.gov.uk

Email: gavin.edwards@folkestone-hythe.gov.uk

Appendices:

Appendix 1: Oportunitas Ltd Statement of Accounts and Directors' Report for the financial year ending 31 March 2021

Appendix 2: Oportunitas Ltd Actual Profit and Loss Account and Balance Sheet to 31 March 2021 compared to the provisional outturn position

Appendix 3: Oportunitas Ltd Board Meeting 13 December 2021 - Financial Update Report for 2021/22

**Registered number
09038505**

**Oportunitas Limited
Report and Accounts
31 March 2021**

Oportunitas Limited
Report and accounts
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Oportunitas Limited Company Information

Directors

Terence William Mullard
Patricia Spencer Rolfe
Connor Andrew Mcconville
Peter Charles Gane

Auditors

Begbies Chartered Accountants and Registered Auditors
9 Bonhill Street
London
EC2A 4DJ

Bankers

National Westminster Bank
Europa House
49 Sandgate Road
Folkestone
Kent
CT20 1RU

Registered office

Civic Centre
Castle Hill Avenue
Folkestone
Kent
CT20 2QY

Registered number

09038505

Oportunitas Limited**Registered number:****09038505****Directors' Report**

The directors present their report and accounts for the year ended 31 March 2021.

Principal activities

Oportunitas Ltd was incorporated in May 2014, commenced its operations in November 2014 and is a wholly owned subsidiary of Folkestone and Hythe District Council providing housing and regeneration services.

Directors

The following persons served as directors during the year:

Terence William Mullard
Patricia Spencer Rolfe
Connor Andrew Mcconville
Peter Charles Gane

Directors' responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Oportunitas Limited
Registered number:
Directors' Report

09038505

Small company provisions

This report has been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to companies subject to the small companies regime.

This report was approved by the board on 13 December 2021 and signed on its behalf.

Patricia Rolfe
Director

Oportunitas Limited
Independent auditor's report
to the member of Oportunitas Limited

Opinion

We have audited the accounts of Oportunitas Limited (the 'company') for the year ended 31 March 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and Notes to the Accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out below, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In accordance with the exemption provided by FRC's Ethical Standard - Provisions Available for Audits of Small Entities, we have prepared and submitted the company's returns to the tax authorities and assisted with the preparation of the accounts.

Conclusions relating to going concern

In auditing the accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the accounts are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the accounts and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Oportunitas Limited
Independent auditor's report
to the member of Oportunitas Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the accounts in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Agreement of the financial statement disclosure to underlying supporting documentation;
- Enquiries and confirmation of directors as to their identification of any non-compliance with laws or regulations, or any actual or potential claims;
- Incorporating unpredictability into the nature, timing and extent of testing;
- Evaluation of the selection and application of accounting policies chosen by the company;
- In relation to the risk of management override of controls, by undertaking procedures to review journal entries, assess accounting estimates and identify and verify transactions outside of the usual course of operations, and evaluating whether there was evidence of any evidence of bias that represented a risk of material misstatements due to fraud;
- An assessment of the company's financial statements to material misstatement, including how fraud might occur, by consider, by considering the key risks impacting the financial statements.

Our audit was designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentation or through collusion.

There are inherent limitations in the audit procedures performed, The further removed instances of noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the accounts is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Oportunitas Limited
Independent auditor's report
to the member of Oportunitas Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Valentine ACA
(Senior Statutory Auditor)

for and on behalf of

Begbies Chartered Accountants and Registered Auditors

Statutory Auditor

..... 2021

9 Bonhill Street

London

EC2A 4DJ

Oportunitas Limited
Profit and Loss Account
for the year ended 31 March 2021

	2021 £	2020 £
Turnover	275,863	284,526
Cost of sales	(12,415)	(17,480)
Gross profit	263,448	267,046
Administrative expenses	(138,487)	(150,988)
Other operating income	342,949	209,993
Operating profit	467,910	326,051
Interest payable	(209,936)	(173,754)
Profit before taxation	257,974	152,297
Tax on profit	11,054	(39,898)
Profit for the financial year	269,028	112,399

Oportunitas Limited
Registered number:
Balance Sheet
as at 31 March 2021

09038505

	Notes	2021 £	2020 £
Fixed assets			
Tangible fixed assets	4	7,697,550	4,852,551
Current assets			
Debtors	5	23,344	1,296,414
Cash at bank		950,516	206,284
		<u>973,860</u>	<u>1,502,698</u>
Creditors: amounts falling due within one year	6	(59,290)	(52,303)
Net current assets		<u>914,570</u>	<u>1,450,395</u>
Total assets less current liabilities		<u>8,612,120</u>	<u>6,302,946</u>
Creditors: amounts falling due after more than one year	7	(4,252,506)	(4,281,306)
Provisions for liabilities		(58,674)	(69,728)
Net assets		<u>4,300,940</u>	<u>1,951,912</u>
Capital and reserves			
Called up share capital		1,995	955
Share premium		3,866,756	1,787,796
Profit and loss account		432,189	163,161
Shareholder's funds		<u>4,300,940</u>	<u>1,951,912</u>

The accounts have been prepared and delivered in accordance with the special provisions applicable to companies subject to the small companies regime. The profit and loss account has not been delivered to the Registrar of Companies.

Patricia Rolfe
Director

Approved by the board on 13 December 2021

Oportunitas Limited
Statement of Changes in Equity
for the year ended 31 March 2021

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2019	300	478,451	50,762	529,513
Profit for the financial year	-	-	112,399	112,399
Shares issued	655	1,309,345	-	1,310,000
At 31 March 2020	<u>955</u>	<u>1,787,796</u>	<u>163,161</u>	<u>1,951,912</u>
At 1 April 2020	955	1,787,796	163,161	1,951,912
Profit for the financial year	-	-	269,028	269,028
Shares issued	1,040	2,078,960	-	2,080,000
At 31 March 2021	<u>1,995</u>	<u>3,866,756</u>	<u>432,189</u>	<u>4,300,940</u>

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2021

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (as applied to small entities by section 1A of the standard).

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of services and the rent of investment property. Turnover from rent of investment property is recognised by reference to the date rents become payable under tenancy agreements.

Investment property

Investment property, which is property held to earn rental income and capital appreciation, is measured using the fair value model and stated at its fair value as at the reporting end date. The surplus or deficit on revaluation is recognised on the profit and loss account.

Assets in the course of construction are included at cost.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference. No current tax liability is recognised in the current or prior year but a deferred tax liability is accrued in respect of investment property revaluations.

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably. The provision carried in the current and prior year account is in respect of deferred tax on property revaluations.

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2021

2 Audit information

The audit report is unqualified.

Senior statutory auditor: Daniel Valentine ACA
 Firm: Begbies Chartered Accountants and Registered Auditors
 Date of audit report: 2021

3 Employees

	2021	2020
	Number	Number
Average number of persons employed by the company	<u>0</u>	<u>0</u>

4 Tangible fixed assets

	Investment	Assets	Total
	Properties	under	
	£	construction	£
		£	
Cost/valuation			
At 1 April 2020	4,852,551	-	4,852,551
Additions	-	2,502,050	2,502,050
Surplus on revaluation	342,949	-	342,949
At 31 March 2021	<u>5,195,500</u>	<u>2,502,050</u>	<u>7,697,550</u>
Depreciation			
At 1 April 2020	-	-	-
Charge for the year	-	-	-
At 31 March 2021	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 March 2021	<u>5,195,500</u>	<u>2,502,050</u>	<u>7,697,550</u>
At 31 March 2020	<u>4,852,551</u>	<u>-</u>	<u>4,852,551</u>
		2021	2020
		£	£
Investment properties at historic cost		<u>6,805,556</u>	<u>4,303,506</u>

The investment properties were valued by Taylor Riley, Chartered Surveyors, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The investment properties have been valued on the basis of open market value and using comparable property data, in accordance with the current RICS Valuation Standards by the Royal Institution of Chartered Surveyors.

In 2020 the company entered into a contract with a property developer to purchase residential accommodation on the site of the former Royal Victoria Hospital, Folkestone. The contracts became unconditional upon receipt of planning permission and all payments to date are included under 'Assets under construction'.

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2021

5 Debtors	2021	2020
	£	£
Trade debtors	3,334	2,205
Royal Victoria deposit	-	1,275,000
Other debtors	20,010	19,209
	23,344	<u>1,296,414</u>

6 Creditors: amounts falling due within one year	2021	2020
	£	£
Other loans	28,800	27,444
Taxation and social security costs	1,235	428
Other creditors	29,255	24,431
	59,290	<u>52,303</u>

7 Creditors: amounts falling due after one year	2021	2020
	£	£
Other loans	4,252,506	<u>4,281,306</u>

8 Loans	2021	2020
	£	£
Creditors include:		
Instalments falling due for payment within one year	28,800	27,444
Instalments falling due for payment in two to five years	130,145	124,019
Instalments falling due for payment after more than five years	4,122,361	4,157,287
	4,281,306	<u>4,308,750</u>
Secured bank loans	<u>4,281,306</u>	<u>4,308,750</u>

Amounts payable to Folkestone and Hythe District Council are secured by fixed and floating charges over the company's properties.

9 Capital commitments	2021	2020
	£	£
Amounts contracted for but not provided in the accounts	3,947,950	<u>5,125,000</u>

10 Related party transactions

The company has taken advantage of the exemption in FRS 102 whereby it has not disclosed transactions with its ultimate parent company. Such transactions were on normal commercial terms as part of the company's ongoing investment and operating activities.

Oportunitas Limited
Notes to the Accounts
for the year ended 31 March 2021

11 Controlling party

For the current and previous year, the company was a wholly owned subsidiary of Folkestone and Hythe District Council.

12 Other information

Oportunitas Limited is a private company limited by shares and incorporated in England. Its registered office is: c/o Folkestone and Hythe District Council, Castle Hill Avenue, Folkestone, CT20 2QY.

Oportunitas Limited
Detailed profit and loss account
for the year ended 31 March 2021

This schedule does not form part of the statutory accounts

	2021	2020
	£	£
Turnover		
Ground maintenance income	15,519	24,451
Rental income	260,344	260,025
Other income	-	50
	<u>275,863</u>	<u>284,526</u>
Cost of sales		
Council's charge for grounds maintenance	<u>12,415</u>	<u>17,480</u>
Administrative expenses		
Employee costs:		
Directors' salaries	9,671	8,924
Staff training and welfare	-	1,464
	<u>9,671</u>	<u>10,388</u>
General administrative expenses:		
Bank charges	37	132
Insurance	15,195	15,518
Software	360	406
Repairs and maintenance	32,302	61,193
Bad debts	10,000	11,374
Sundry expenses	(417)	35
	<u>57,477</u>	<u>88,658</u>
Legal and professional costs:		
Audit fees	6,546	5,922
Consultancy fees	5,289	4,513
Property management fees	19,247	17,507
Council management fees	27,907	24,000
Other legal and professional	12,350	-
	<u>71,339</u>	<u>51,942</u>
	<u>138,487</u>	<u>150,988</u>
Other operating income		
Profit on investment property revaluation	<u>342,949</u>	<u>209,993</u>

Appendix 2 – Oportunitas Profit and Loss Account and Balance Sheet Outturn to Provisional Outturn Comparison for Year Ending 31 March 2021

Post-Audit Profit and Loss Account for Year Ending 31 March 2021

	2019/20	2020/21	2020/21	2020/21
	Outturn £	Provisional Outturn £	Outturn £	Variance £
Housing Rental				
Rental Income	258,701	254,221	260,344	6,123
Rental Expenses	(101,622)	(74,297)	(74,109)	188
Net	<u>157,079</u>	<u>179,924</u>	<u>186,235</u>	<u>6,311</u>
Grounds Maintenance				
Income	24,451	15,519	15,519	0
Expenses	(17,478)	(12,415)	(12,415)	0
Net	<u>6,973</u>	<u>3,104</u>	<u>3,104</u>	<u>0</u>
Overheads				
Directors Remuneration	(8,924)	(9,671)	(9,671)	0
FHDC Officer Support	(24,000)	(27,907)	(27,907)	0
Operating Expenses	(15,069)	(26,801)	(26,801)	0
Total Overheads	<u>(47,993)</u>	<u>(64,379)</u>	<u>(64,379)</u>	<u>0</u>
Loan Interest	<u>(173,754)</u>	<u>(209,936)</u>	<u>(209,936)</u>	<u>0</u>
Loss on Operating Activities	<u>(57,695)</u>	<u>(91,287)</u>	<u>(84,976)</u>	<u>6,311</u>
Unrealised Property Valuation Gains	<u>209,993</u>	<u>342,950</u>	<u>342,950</u>	<u>0</u>
Profit before Tax	<u>152,298</u>	<u>251,663</u>	<u>257,974</u>	<u>6,311</u>
Deferred Tax on Profit	<u>(39,898)</u>	<u>(65,161)</u>	<u>11,054</u>	<u>76,215</u>
Profit after Tax	<u>112,400</u>	<u>186,503</u>	<u>269,028</u>	<u>82,526</u>

Post-Audit Balance Sheet as at 31 March 2021

	31/03/2020	31/03/2021	31/03/2021	
	<i>Outturn</i>	Provisional Outturn	Outturn	Variance
	£	£	£	£
Fixed Assets				
Investment Assets	4,852,551	5,195,500	5,195,500	0
Investment Assets Under Construction	0	0	2,502,050	2,502,050
	<u>4,852,551</u>	<u>5,195,500</u>	7,697,550	<u>2,502,050</u>
Current Assets				
Debtors - RVH Payment in Advance	1,275,000	2,502,050	0	-2,502,050
Debtors - Other	21,414	17,033	23,344	6,311
Bank Account	206,284	950,516	950,516	0
	<u>1,502,698</u>	<u>3,469,599</u>	973,860	<u>-2,495,739</u>
Current Liabilities				
Creditors : Short Term	-24,431	-29,255	-29,255	0
VAT Liability	-428	-1,235	-1,235	0
Loans (principal due within 12 months)	-27,444	-28,800	-28,800	0
	<u>-52,303</u>	<u>-59,290</u>	-59,290	<u>0</u>
Current Assets less Current Liabilities:	<u>1,450,395</u>	<u>3,410,309</u>	914,570	<u>-2,495,739</u>
Total Assets less Current Liabilities:	<u>6,302,946</u>	<u>8,605,809</u>	8,612,120	<u>6,311</u>
Long Term Liabilities				
Creditors : Long Term				
Loans	-4,281,306	-4,252,506	-4,252,506	0
Deferred Corporation Tax	-69,728	-134,889	-58,674	76,215
	<u>-4,351,034</u>	<u>-4,387,395</u>	-4,311,180	<u>76,215</u>
Total Assets less Total Liabilities:	<u>1,951,912</u>	<u>4,218,414</u>	4,300,940	<u>82,526</u>
Capital & Reserves				
Share Capital	955	1,995	1,995	0
Share Premium	1,787,796	3,866,756	3,866,756	0
Profit & Loss Account	163,161	349,663	432,189	82,526
	<u>1,951,912</u>	<u>4,218,414</u>	4,300,940	<u>82,526</u>

Oportunitas Board Meeting 13 December 2021**Oportunitas Limited – Financial Update for 2021/22****Prepared by Lee Walker**

Summary: This paper provides a further update of the company's financial position for the financial year ending 31 March 2022 including the latest projected outturn for its trading activities and summaries the capital expenditure incurred to date on the Royal Victoria Hospital scheme and the funding used towards this.

Recommendations:

The Board note the latest financial position for 2021/22 outlined in this paper.

1. Introduction and Background

- 1.1 This paper provides an update to the Board of the company's financial position for the financial year ending 31 March 2022, based on income and expenditure to 24 November 2021. It provides the latest projected outturn for the company's trading activities compared to both the original forecast and the previous projected outturn reported to the Board on 23 September 2021 and explains the key variances. The paper also summarises the capital expenditure incurred to date on the Royal Victoria Hospital scheme and the funding used towards this. Further updates on the company's projected outturn for the current financial year are planned to be made at future Board meetings over this period.

2. Profit and Loss Account Projected Outturn 2021/22

- 2.1 The table below provides the latest projection of the outturn position of the company's trading activities financial year to 31 March 2022 compared to both the original forecast and the previous projection for the year:

	<i>Outturn</i>	Original Forecast	Previous Projected Outturn	Latest Projected Outturn	Variance Forecast to Projected Outturn
Trading Account	2020/21	2021/22	2021/22	2021/22	
	£	£	£	£	£
Housing Rental					
Rental Income	260,344	405,383	352,931	343,318	(62,065)
Rental Expenses	(74,108)	(135,755)	(110,328)	(120,118)	15,637
Net	186,236	269,628	242,603	223,200	(46,428)
Grounds Maintenance					
Income	15,519	30,000	15,000	15,000	(15,000)
Expenses	(12,415)	(24,000)	(12,000)	(12,000)	12,000
Net	3,104	6,000	3,000	3,000	(3,000)
Overheads					
Directors Remuneration	(9,671)	(9,864)	(9,750)	(9,750)	114
FHDC Officer Support	(27,907)	(24,970)	(30,000)	(30,000)	(5,030)
Operating Expenses	(26,802)	(23,137)	(31,800)	(31,800)	(8,663)
Total Overheads	(64,380)	(57,971)	(71,550)	(71,550)	(13,579)
Loan Interest	(209,936)	(267,457)	(214,689)	(214,689)	52,768
Operating Surplus / (Deficit) for period	(84,976)	(49,800)	(40,636)	(60,039)	(10,239)
Operating Loss b/f	(316,145)	(401,121)	(401,121)	(401,121)	0
Operating Loss c/f	(401,121)	(450,921)	(441,757)	(461,160)	(10,239)

2.2 The projected outturn shows an operating loss of £60k for the year, about £10k more than originally forecast and £19.4k more reported to the Board at its last meeting on 30 September 2021. The main reasons for the increase in the operating lost compared to the original forecast are outlined below:

Variances 2021/22 Forecast to Projected Outturn		£'000
i)	Rental Income – reduction mainly due to a delay in the completion of phase 1 of the Royal Victoria Hospital (RVH) scheme from August to November 2021	(62)
ii)	Housing Rental Expenses – a reduction in projected operating costs for the RVH scheme due to the delay (£6k) and a reduction in the provision for bad debts (£10k) to reflect the provision already made	16
iii)	Grounds Maintenance – capacity to provide this service is now largely limited to tree maintenance work	(3)
iv)	Overheads FHDC Officer Support - increase to support the acquisition of the RVH properties and rent recovery action (£5k).	(5)
v)	Overheads Operating Expenses – additional cost for 50% of loan arrangement fee deferred from 2020/21 (£13k) less saving on interest for a working capital facility not required in 2021/22 (£4k)	(9)
vi)	Loan Interest – the utilisation of the loan element of the Council's funding to support the acquisition of the RVH scheme has not been required as early as originally anticipated mainly due to the delay to the project	53
Total increase in operating loss compared to forecast		10

2.3 The main reasons for the increase in the operating loss of £19.4k compared to the previously reported position are:-

- i) higher than anticipated void periods for property rentals (£10k), and
- ii) an increase in property expenses (£9k) including urgent external repairs required to 19 Castle Hill Avenue (£5k).

2.4 The Board is reminded the company is in negotiations to sell a parcel of land adjacent to 84 Leyburne Road, Dover. A verbal update will be made at the meeting regarding the current position over the proposed sale. At this stage the latest projection excludes the net proceeds from the proposed sale.

2.5 The company's accumulated operating loss is forecast to rise to £461k at 31 March 2022. The Board are reminded that this loss excludes unrealised valuation gains on the company's property portfolio which stands at £757k

after tax at 31 March 2021. A further revaluation of the company's property portfolio will be undertaken at 31 March 2022.

3 Capital Expenditure – Royal Victoria Hospital (RVH) Development

3.5 The table below summarises the latest position for capital expenditure incurred on the RVH development:

	Phase A £	Phase B £	Total £
Agreed Sale Price	3,150,000	3,300,000	6,450,000
Paid to date	3,150,000	705,000	3,279,000
Balance	<u>0</u>	<u>2,595,000</u>	<u>3,171,000</u>

3.6 Additionally, Stamp Duty Land Tax of £112,500 has been paid on completion of Phase A.

3.7 The funding of the capital expenditure incurred to date has been met from the proceeds of the Council's new equity investment in the company. The loan facility of £2.47m from the Council remains available and will be used towards completing the acquisition of the scheme.

This Report will be made public on 18 January 2022



Report Number **C/21/59**

To: Cabinet
Date: 26 January 2022
Status: Key Decision
Responsible Officer: Charlotte Spendley – Director Corporate Services
Cabinet Member: David Wimble - Cabinet Member for the District Economy

SUBJECT: Infrastructure Funding Statement 2021

SUMMARY:

In accordance with the latest revisions made via the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019¹, 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/21/59.**
- 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.**

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 A significant role of the IFS is, therefore, to identify those 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.

3.4 In conjunction with the approved process for scheme prioritization as set out in the District Council's CIL Governance Framework, the District Council has identified the following projects to represent its top priorities:

- Folkestone Town Centre Place Plan projects – to be defined in accordance with the advancement of the Place Plan.
- Princes Parade Leisure Centre and open/play space provision.
- Strategic play areas, as set out in the adopted Play Strategy.

3.5 The District Council shall use as much as the CIL pot assigned under the control of F&HDC as possible to facilitate project delivery, as required. A proportion of future CIL receipts to be collected and controlled by the District Council could be used to repay loans used to support infrastructure, i.e. where the Council has acted to provide forward-funding.

4. Conclusion

4.1 The District Council has prepared its second 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 The Government has consulted on proposals for radical reform of the planning system, as set out in the Planning White Paper 'Planning for the Future' (MHCLG, August 2020). Any subsequent changes in legislation may, therefore, need to be reflected in future updates of this document.

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks to the Council is shown below:

Perceived Risk	Likelihood	Seriousness	Preventative Action
KCC direct their allocation of CIL receipts to fund projects that would not accord with the CIL regulations, which requires that CIL is used to fund 'the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of the area'.	Low	Medium	Maintaining close communication between officers of the District and County is a requirement of the IFS preparation. KCC have generated a list of projects that could be funded using their (KCC's) proportionate CIL receipts, and the District Council is content that KCC would appropriately spend its proportionate CIL receipts in accordance with the CIL Regulations. KCC will publish their infrastructure list within the 2022 IFS

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments

The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 vary the Community Infrastructure Levy Regulations 2010 to include a requirement in Regulation 121A for a local planning authority to publish, no later than 31 December in each calendar year, an infrastructure funding statement. This must comprise a report about planning obligations in relation to the reported year.

The publication of this statement ensures that the Council is complying with its statutory duties.

6.2 Finance Officer's Comments

The data included in the IFS has been prepared in conjunction with Finance.

6.3 Diversities and Equalities Implications

There are no negative equality and diversity implications directly arising from this report. The proposed IFS provides a transparent process to make clear decisions on infrastructure related projects being funded by CIL. These projects could include schemes to assist specific sections of our community, for example improving wheelchair accessibility in public spaces.

6.4 Climate Change

There are no Climate Change Implications arising from this report.

However, any proposal for infrastructure arising from developer's contributions would need to be assessed for climate change implications as applicable.

7.0 Reporting officer

James Hammond
Senior Planning Policy Specialist
T: 01303 853435
E: James.Hammond@folkestone-hythe.gov.uk

Appendices

Appendix 1. Folkestone & Hythe District Council Infrastructure Funding Statement
(December 2021)

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Infrastructure Funding Statement 2020/2021

Folkestone & Hythe District Council

December 2021

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1. Introduction

1.1 Background

- 1.1.1 This report provides information on the monetary (and some non-monetary) contributions sought and received from developers for the provision of infrastructure to support development in Folkestone & Hythe District, and the subsequent use, or intended use, of those contributions by Folkestone & Hythe District Council (F&HDC). It also provides a statement of the infrastructure projects or types of infrastructure which the Council as CIL charging authority intends will be, or may be, wholly or partly funded by CIL. The report covers the financial year 1 April 2020 – 31 March 2021.
- 1.1.2 F&HDC seeks developer contributions from two sources: through the Community Infrastructure Levy (CIL) and also Section 106 agreements (also known as “planning obligations”) with developers accompanying individual planning applications.

1.2 CIL

- 1.2.1 CIL came into force on 6 April 2010 through the Community Infrastructure Levy Regulations 2010 and has been in operation in the district since 1st August 2016. CIL is a set charge, based on the gross internal area floorspace of buildings, on new residential and supermarket development to help fund the infrastructure needed to address the cumulative impact of planned development. Our CIL Charging Schedule, setting out our CIL charging rates, is available on our website.
- 1.2.2 Local planning authorities must use CIL to fund ‘the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of the area’. There is also a Neighbourhood portion of CIL – ‘Local CIL’ – which is similarly able to fund infrastructure but can also fund *‘anything else that is concerned with addressing the demands that development places on an area’*. Under ‘Local CIL’, a CIL charging authority must pass 15% of local CIL receipts to the Parish or Town council for the area where a CIL liable development takes place, rising to 25% if the parish has a Neighbourhood Plan in place. The St Mary in the Marsh Neighbourhood Plan was adopted following a Cabinet meeting on 30 January 2019. F&HDC has prepared a CIL Advice Note for Parish and Town Councils on CIL.

1.3 Planning Obligations

- 1.3.1 Section 106 of the Town and Country Planning Act 1990 enables a local planning authority to enter into a negotiated agreement – a planning obligation - to mitigate the impact of a specific development, to make it acceptable in planning terms. The planning obligation might, for example, require the provision or contribution to a new or improved road, school, health facility or local green infrastructure. Local planning authorities can also seek planning obligations to secure a proportion of affordable housing from residential developments. In some instances, section 106 planning obligations may require payments to be made to parish councils.

2. CIL

2.1 Community Infrastructure Levy Report

- 2.1.1 Total CIL receipts during the reporting year includes any land and infrastructure “payments” received as “In-Kind” CIL payments; any CIL receipts subsequently set aside for CIL administration and ‘Local CIL’ purposes; any CIL surcharges/interest received; and CIL received for any other reason.
- 2.1.2 The District Council has a CIL instalments policy that came into effect in March 2017, which is set out on our website. This allows for CIL to be paid in up to three instalments over a 12-month period, depending on the CIL liability.
- 2.1.3 The CIL Demand Notice, however, sets out the whole sum payable and the instalments required; therefore CIL Demand Notices issued during a particular year do not necessarily equate to the CIL sums likely to be received during that year. In addition, developments can be altered through further planning permissions over time, often resulting in revised Demand Notices needing to be issued. Any such re-issued Notices are not double-counted in this report; if a Demand Notice is issued and then re- issued in the same reporting year, only the re-issued Notice would be included within the figure for CIL invoiced during the year.

2.2 Headline Figures

Item	Amount
CIL invoiced (set out in Demand Notices) in 2020/21	£23,144
CIL receipts received in 2020/21	£318,292.41
CIL receipts that CIL regulations 59E and 59F apply to (funds received and retained for Parish Meetings)	£0
CIL expenditure in 2020/21 (as passed to Parish and Town Councils and CIL Admin)	£113,377.71
CIL retained at end of 2020/21 (from all CIL income received since August 2016 to April 2021, as retained for Strategic CIL, CIL Admin and areas with Parish Meetings)	£845,607.64
Total CIL passed to town and parish councils (as the Neighbourhood component) up to 31 st March 2021	£136,797.27

2.3 CIL infrastructure expenditure in 2020/21

- 2.3.1 As at 31 March 2021, no CIL had been allocated or spent on strategic infrastructure.

2.4 Other CIL expenditure in 2020/21

2.4.1 In 2020/21 the amount of £15,914.62 was spent on CIL administration, representing 5% of the total CIL received in 2020/21.

2.4.2 The District Council passed a proportion of CIL (Neighbourhood or Local CIL) to Parish and Town Councils under CIL regulations 59A and 59B in 2020/21, as set out in the following table:

Parish/Town Council	CIL amount provided
Dymchurch Parish	£701.78
Elmstead Parish	£14,100
Folkestone Town	£22,011.30
Hawkinge Town	£8,489.70
Hythe Town	£8,938.60
New Romney Town	£12,282.47
St Mary in the Marsh Parish	£2,933.75
Total	£69,457.60

2.4.3 In 2020/21 no CIL was passed to external organisations (other than parish/town councils) under CIL regulation 59(4).

2.4.4 In 2020/21, under Regulation 59E, the District Council did not recover any CIL previously paid to a parish or town council.

2.4.5 Officers of the District Council have engaged with Town or Parish Clerks to direct parties to the CIL guidance note dated February 2018. There is also regular dialogue concerning the payment of the Neighbourhood Allocation to qualifying Town and Parish Councils. A presentation on CIL was delivered at the Parish Forum meeting held on the 8th July 2021 by an officer of the Council (Planning Policy Senior Specialist). To date there has been no corresponding spend of the Neighbourhood Allocation by Town or Parish Councils.

2.5 CIL receipts retained (allocated and unallocated)

2.5.1 'Allocated' means CIL sums retained by the reporting authority which have, or knowingly will be, passed to an internal team to fund a specific infrastructure project or infrastructure type. 'Allocated' also includes sums which will knowingly be passed to an external organisation but which are yet to be passed. The CIL Governance Framework allocates 35% CIL receipts to Kent County Council. However, no funds have been passed to this organisation in the report year.

2.5.2 The total amount of CIL receipts, received prior to 2020/21, which had been allocated

(to an infrastructure project or item), but not spent, by the end of 2020/21: £555,925.47. As reported in IFS 2020.

2.5.3 The total amount of CIL receipts, received prior to 2020/21, which had not been allocated (to an infrastructure project or item) by the end of 2020/21: £0

2.5.4 The total amount of CIL receipts, whenever collected including 2020/21, which were allocated (whether allocated prior to or during 2020/21) but not spent during 2020/21: £845,607.64

2.6 CIL receipts retained (regulation 59E and 59F)

2.6.1 No notices were served in accordance with regulation 59E (to recover CIL previously passed to a parish or town council).

2.6.2 CIL receipts received in 2020/21 retained at the end of 2020/21 (other than those to which CIL regulation 59E and 59F applied): £289,682.17

2.6.3 CIL receipts received before 2020/21 retained at the end of 2020/21 (other than those to which CIL regulation 59E and 59F applied): £555,925.47.

2.6.4 CIL receipts received in 2020/21 to which CIL regulation 59E or 59F applied, retained at the end of 2020/21: £28,582.26. Payment of these monies totaling £28,582.26 was made on either 21/04/2021 or 23/04/2021 to the associated Town and Parish Councils and will be reported in the 2022 IFS.

2.6.5 CIL receipts received prior to 2020/21 to which CIL regulation 59E or 59F applied, retained at the end of 2020/21: £0

2.7 The (CIL) Infrastructure List

2.7.1 Regulation 121A(1)(a) requires the infrastructure funding statement to include:

“a statement of the infrastructure projects or types of infrastructure which the charging authority intends will be, or may be, wholly or partly funded by CIL (other than CIL to which regulation 59E or 59F applies) (“the infrastructure list”)”

2.7.2 A significant role of the IFS is, therefore, to identify those 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.

2.7.3 In conjunction with the approved process for scheme prioritization as set out in the District Council’s CIL Governance Framework adopted by Cabinet in June 2020, the District Council has identified the following projects to represent its top priorities:

- Folkestone Town Centre Place Plan projects – to be defined in accordance with the advancement of the Place Plan
- Princes Parade Leisure Centre and open/play space provision

- Strategic Play Areas as set out in the adopted Play Area Strategy

2.7.4 The Council shall use as much as the CIL pot assigned under the control of F&HDC as possible to facilitate project delivery, as required. A proportion of future CIL receipts to be collected and controlled by the District Council could be used to repay loans used to support infrastructure, i.e. where the Council has acted to provide forward-funding.

3. Section 106

3.1 Planning Obligations Report

Relevant Local Plan policies

3.1.1 Core Strategy Policy SS5 specifies the Council will through planning condition or obligation (S106) require new developments to secure improvements towards required infrastructure which are necessary to make the development acceptable.

3.1.2 Core Strategy Policy CSD1 (Balanced Neighborhoods) specifies requirements for affordable housing from new development. S106 agreements are used to secure affordable housing either through on- site provision or (off-site) commuted sum.

Items funded or to be funded by S106 monies

3.1.3 The majority of S106 agreements are used to fund delivery of affordable housing, open space provision (off-site), highways transport and education. The table below identifies the type of items that Section 106 monies have been used to fund during the reporting year, alongside those to be funded by Section 106 monies in the future. It includes information on the status of delivery.

3.2 Headline Figures

Monetary Contributions

Item	Amount
Total money to be provided through planning obligations agreed in 2020/21	£TBC
Total money received through planning obligations (whenever agreed) in 2020/21	£254,866.51
Total money , received through planning obligations (whenever agreed), spent in 2020/21	£320,273 *
Total money , received through planning obligations (whenever agreed), retained at the end of 2020/21 (excluding “commuted sums” for longer term maintenance).	£2,352,243

Total money , received through planning obligations (whenever agreed), retained at the end of 2020/21 as “commuted sums” for longer term maintenance.	£85,020.99
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*includes internal transfers and payments to third parties - refer to Table 3.2

Non-Monetary Contributions

Item	Amount
Total number of affordable housing units to be provided through planning obligations agreed in 2020/21	Affordable Housing team advised circa 50 units. TBC
Total number of affordable housing units which were provided through planning obligations (whenever agreed) in 2020/21	5 units
Total number of school places for pupils to be provided through planning obligations agreed in 2020/21	7 Secondary school places
Total number of school places for pupils which were provided through planning obligations (whenever agreed) in 2020/21	11 Primary school places

3.3 S106 agreements entered into

3.3.1 Table 3.1 details those S106 contributions entered into by F&HDC during the reporting period.

Table 3.1. S106 obligations entered into by F&HDC during the reporting period (1 April 2020 to 31 March 2021) but not yet triggered

Planning Application reference / Scheme	Infrastructure Item	Monies secured in 2020/21 but not triggered
20/0579/FH / The Leas Club, The Leas, Folkestone	Monitoring fee	£2,000

3.4 Section 106 infrastructure expenditure in 2020/21

3.4.1 Table 3.2 below sets out:

- The items of infrastructure on which money received through planning obligations has been spent in 2020/21
- The amount of money received through planning obligations, spent on each item

Table 3.2. S106 monies spent by F&HDC during the reporting period (1 April 2020 to 31 March 2021)

Planning Application reference / Scheme	Infrastructure Item	Monies spent in 2020/21
Y03/0903/SH / Whitworth Court, 28 Page Road, Hawkinge, Kent, CT18 7TP	Open space - 20,000 for Hawkinge Play areas (F&HDC)	£20,000
Y10/0898/SH / Hotel Imperial, Princes Parade, Hythe, Kent, CT21 6AE	Leisure Centre and affordable housing proposal (F&HDC)	£140,416
Y11/0284/SH / The Fishermans Landing Beach, Range Road, Hythe, Kent, CT21 6HG	Flood defence - Shingle Monitoring (F&HDC)	£5,076
Y13/1206/SH / Land Adjoining 143 Queens Road, Littlestone, Kent	Social care - KCC	£376
	Libraries - KCC	£1,704
	Primary education - KCC	£10,198
	Community learning - KCC	£379
Y14/0300/SH / The Stadium, Aldridge Road, Folkestone Kent (Shorncliffe Garrison)	Highways – Travel Plan monitoring - KCC	£2,000
Y14/0300/SH / The Stadium, Aldridge Road, Folkestone Kent (Shorncliffe Garrison)	New play area provision at The Stadium	Direct delivery by developer – transfer to F&HDC
Y14/0300/SH / The Stadium, Aldridge Road, Folkestone Kent (Shorncliffe Garrison)	Highway junction improvement (signalisation) at Cheriton High Street	Direct delivery by developer under S278 with KCC as the local highway authority
Y15/0164/SH / Land Bounded By Cockreed Lane And Rolfe Lane (also Known As Land Opposite Dorland), Cockreed Lane, New Romney, Kent	Libraries - KCC	£2,869
	Community learning - KCC	£1,260
	Adult social care - KCC	£4,414
	Primary Education - KCC	£128,251

Y15/0741/SH / Mill Farm, Mill Lane, Hawkinge, Folkestone, Kent, CT18 7BY	Libraries - KCC	£738
	Primary education - KCC	£2,592

3.5 Section 106 receipts retained (allocated and unallocated)

- 3.5.1 The total amount of money, received through planning obligations prior to 2020/21, which had not been allocated (to an infrastructure project or item) by the end of 2020/21: £0.00.
- 3.5.2 The total amount of money, received under any planning obligation in any year, which had been allocated (to an infrastructure project or type) for spending by the end of 2020/21 but which had not been spent: £2,352,243.
- 3.5.3 Table 3.3 provides a breakdown of S106 monies held by the District Council by general headings to identify what form of infrastructure Section 106 monies will be used to fund in the future.

Table 3.3. Total S106 monies held by F&HDC at 31 March 2021

Planning reference number	Balance 31/03/2021	Total KCC	Other 3rd Parties	FHDC Affordable Housing	FHDC Open Space	FHDC Other	Total
Y03/0903/SH	£48,641	£0	£0	£0	£0	£48,641	£48,641
Y07/1566/SH	£81,307	£0	£81,307	£0	£0	£0	£81,307
Y09/0627/SH	£11,820	£0	£0	£0	£0	£11,820	£11,820
Y09/0627/SH	£5,026	£0	£0	£0	£0	£5,026	£5,026
Y10/0898/SH	£829,266	£0	£0	£818,705	£0	£10,561	£829,266
Y11/0284/SH	£3,017	£0	£0	£0	£0	£3,017	£3,017
Y11/0812/SH	£2,800	£0	£0	£0	£2,800	£0	£2,800
Y11/1156/SH	£24,968	£15,222	£0	£0	£7,209	£2,537	£24,968
Y12/0980/SH	£5,169	£5,169	£0	£0	£0	£0	£5,169
Y13/0172/SH	£117,745	£0	£0	£0	£0	£117,745	£117,745
Y13/0595/SH (y12/055/SH)	£5,000	£0	£0	£0	£5,000	£0	£5,000
Y13/1206/SH	£104,343	£1,769	£0	£102,574	£0	£0	£104,343
Y14/0300/SH	£0	£0	£0	£0	£0	£0	£0
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	£637,622	£156,477	£75,589	£0	£183,107	£222,449	£637,622
Y15/0751/SH	£52,620	£0	£0	£0	£52,620	£0	£52,620
Y17/1377/SH	£147,859	£0	£0	£0	£0	£147,859	£147,859
Total	£2,352,243	£178,637	£156,896	£1,134,898	£271,758	£610,054	£2,352,243

3.5.4 Of the £2,352,243 held on account by F&HDC as of 31st March 2021, some £2,016,710 is to be spent on services that are delivered by the District Council. The total outstanding amount to be transferred to Kent County Council (KCC) as of 31 March 2021 stands at £178,637. It should be noted that S106 monies assigned the reference 'Other 3rd parties' is exclusively for the Kent and Medway CCG. These monies will be released in due course in accordance with the Project Management procedures enacted by Development Management colleagues.

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ANNEX A: The Regulatory Requirements for Infrastructure Funding Statements

The Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019

Regulation 121A states:

(1) Subject to paragraph (2), no later than 31st December in each calendar year a contribution receiving authority must publish a document (“the annual infrastructure funding statement”) which comprises the following—

(a) a statement of the infrastructure projects or types of infrastructure which the charging authority intends will be, or may be, wholly or partly funded by CIL (other than CIL to which regulation 59E or 59F applies) (“the infrastructure list”);

(b) a report about CIL, in relation to the previous financial year (“the reported year”), which includes the matters specified in paragraph 1 of Schedule 2 (“CIL report”);

(c) a report about planning obligations, in relation to the reported year, which includes the matters specified in paragraph 3 of Schedule 2 and may include the matters specified in paragraph 4 of that Schedule (“section 106 report”).

(2) The first annual infrastructure funding statement must be published by 31st December 2020.

(3) A contribution receiving authority must publish each annual infrastructure funding statement on its website.

Community Infrastructure Levy (CIL) Report – Folkestone & Hythe District Council			
	Requirement	Amount	Comment
1	The matters to be included in the CIL report are—		
a	the total value of CIL set out in all demand notices issued in the reported year	£23,144	
b	the total amount of CIL receipts for the reported year;	£318,292.41	
c	the total amount of CIL receipts, collected by the authority, or by another person on its behalf, before the reported year but which have not been allocated;	£0	<p>‘Allocated’ means CIL sums retained by the reporting authority which have, or knowingly will be, passed to an internal team to fund a specific infrastructure project or infrastructure type. ‘Allocated’ also includes sums which will knowingly be passed to an external organisation but which are yet to be passed.</p> <p>Allocation from the strategic pot (i.e. the balance after accounting for administration and the Neighbourhood component) is in accordance with the CIL Governance arrangements adopted in June 2020 (i.e. the current reporting year)</p> <p>Full amount district and county proportion unallocated (figure provided)</p> <p>Full amount of admin and neighbourhood proportion allocated</p>
d	the total amount of CIL receipts, collected by the authority, or by another person on its behalf, before the reported year and which have been allocated in the reported year;	£34,471.45	Admin % collected in previous years that has been allocated in the reported year
		£50,295.98	Neighbourhood proportion collected in previous years allocated in the reported year
e	the total amount of CIL expenditure for the reported year;	£113,377.71	

			Admin – £43,920.11 £69,457.60 was transferred to parish councils during the reported period Actual CIL expenditure during the reported year, regardless of when received, including 'Local CIL' allocations both where spent by the charging authority under CIL regulation 59E and 59F, and where passed to parish/town councils under regulation 59A or 59B, whether subsequently spent or not by that council. Also includes CIL passed to external organisations under regulation 59(4) whether subsequently spent or not; CIL spent on administration of CIL; CIL "expenditure" in regard to any land and infrastructure payment received as "In-Kind" CIL payments from the point any development on the land is commenced or completed, and CIL refunded due to overpayments.
f		the total amount of CIL receipts, whenever collected, which were allocated but not spent during the reported year;	£6,465.97 Amount stated is underspend of admin proportion Note: £28,582.26 retained for parish councils during the reported period but this has not been classed as 'not spent' for the purpose of this statement. Payment of these monies totalling £28,582.26 was made on either 21/04/2021 or 23/04/2021 and will be reported in the 2022 IFS.
g		in relation to CIL expenditure for the reported year, summary details of—	
	i.	the items of infrastructure on which CIL (including land payments) has been spent, and the amount of CIL spent on each item;	Nil
	ii.	the amount of CIL spent on repaying money borrowed, including any interest, with details of the items of infrastructure	Nil

		which that money was used to provide (wholly or in part);		
	iii.	the amount of CIL spent on administrative expenses pursuant to regulation 61, and that amount expressed as a percentage of CIL collected in that year in accordance with that regulation;	£15,914.62 100% of the allocated 5% admin proportion for 2020/21	Note: admin collected in previous years was allocated and spent in the reported year, meaning spend on admin was greater than £15,914.62. The majority was used to support salary for a dedicated CIL officer post.
	h	in relation to CIL receipts, whenever collected, which were allocated but not spent during the reported year, summary details of the items of infrastructure on which CIL (including land payments) has been allocated, and the amount of CIL allocated to each item;	Nil	
	i	the amount of CIL passed to—		
	i.	any parish council under regulation 59A or 59B; and	For the reported year - £69,457.60 Before the reported year - £67,339.67 Total = £136,797.27	As reported in the IFS 2020 Total CIL receipts passed to Town and Parish Councils up until 31 st March 2021
	ii.	any person under regulation 59(4)	Nil	Spending strategy allocates 35% CIL receipts to Kent County Council. However, no funds have been passed to this organisation in the report year. The first payment has been made in the 2021/22 reported year, and will be reflected in the IFS 2022
	j.	summary details of the receipt and expenditure of CIL to which regulation 59E or 59F applied during the reported year including—		
	i.	the total CIL receipts that regulations 59E and 59F applied to;	59E (funds reclaimed from	No funds have been claimed back from parish councils (covered by Reg 59E)

			parish councils) = NIL	
			59F (figure retained for parish meetings) = Nil	
	ii.	the items of infrastructure to which the CIL receipts to which regulations 59E and 59F applied have been allocated or spent, and the amount of expenditure allocated or spent on each item;	Nil	
k		summary details of any notices served in accordance with regulation 59E, including—		
	i.	the total value of CIL receipts requested from each parish council;	Nil	
	ii.	any funds not yet recovered from each parish council at the end of the reported year;	Nil	
l		the total amount of—		
	i.	CIL receipts for the reported year retained at the end of the reported year other than those to which regulation 59E or 59F applied;	Retained neighbourhood proportion £28,582.26 Retained amount in the strategic pot (i.e. F&HDC and KCC) = £254,633.92 Retained admin proportion £6,465.97	Payment of these monies totalling £28,582.26 was made on either 21/04/2021 or 23/04/2021 and will be reported in the 2022 IFS. The payment terms complied with the duty to transfer the CIL income to the relevant town or parish council by 28 April and 28 October in any financial year;

			Total = £289,682.15	
	ii.	CIL receipts from previous years retained at the end of the reported year other than those to which regulation 59E or 59F applied;	Retained Neighbourhood proportion £0 Retained amount in the strategic pot (i.e. F&HDC and KCC) = £555,925.47 Retained admin proportion £0 Total: £555,925.47	As reported in IFS 2020.
	iii.	CIL receipts for the reported year to which regulation 59E or 59F applied retained at the end of the reported year;	59E (funds reclaimed from parish councils) = NIL 59F (figure retained for parish meetings) = Nil	received for parish meetings for the reported year (covered by Reg 59F):
	iv.	CIL receipts from previous years to which regulation 59E or 59F applied retained at the end of the reported year.	59E (funds reclaimed from parish councils) = NIL	

			59F (figure retained for parish meetings) = Nil	
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Section 106 planning obligations

Reporting requirement (Schedule 2, Paragraph 3 and (optional) 4)	Sum/ Details
2 (a). the total amount of money to be provided under any planning obligations which were entered into during the reported year;	£ TBC
2 (b). the total amount of money under any planning obligations which was received during the reported year;	£254,866.51
2 (c). the total amount of money under any planning obligations which was received before the reported year which has not been allocated by the authority;	£1,154,424

Reporting requirement (Schedule 2, Paragraph 3 and (optional) 4)	Sum/ Details
3 (d). summary details of any non-monetary contributions to be provided under planning obligations which were entered into during the reported year, including details of - <ul style="list-style-type: none"> (i) in relation to affordable housing, the total number of units which will be provided; (ii) in relation to educational facilities, the number of school places for pupils which will be provided, and the category of school at which they will be provided; 	<ul style="list-style-type: none"> (i) 50 (ii) 11 Primary school places
3 (e). the total amount of money (received under any planning obligations) which was allocated but not spent during the reported year for funding infrastructure;	£1,102, 810
3 (f). the total amount of money (received under any planning obligations) which was spent by the authority (including transferring it to another party to spend i.e. Kent County Council);	£320,273
3 (g). in relation to monies (received under planning obligations) which were allocated by the authority but not spent during the reported year, summary details of the items of infrastructure on which the money has been allocated, and the amount of allocated to each item;	

Reporting requirement (Schedule 2, Paragraph 3 and (optional) 4)	Sum/ Details
3 (h). in relation to monies (received under planning obligations) which were spent by the authority (Folkestone & Hythe District Council and Kent County Council)	<p>£320,273</p> <p>Refer to Table 3.2 in the main report</p>

This Report will be made public on 18 January 2022



Report Number **C/21/72**

To: Cabinet
Date: 26th January 2022
Status: Non Key Decision
Director: Charlotte Spendley, Director – Corporate Services
Cabinet Member: Councillor Jennifer Hollingsbee – Deputy Leader & Cabinet Member for Communities

SUBJECT: EQUALITY & DIVERSITY ANNUAL REPORT 2020-21

SUMMARY: The Equality Act 2010 places a statutory duty on the council to prepare and publish information annually to demonstrate compliance with the Public Sector Equality Duty. The draft Equality & Diversity Annual Report is therefore presented for consideration and approval prior to publication.

REASONS FOR RECOMMENDATIONS:

The council needs to ensure that it meets the statutory requirements of the Public Sector Equality Duty. The report demonstrates the council's commitment to positively contributing to the advancement of equality and good relations, summarises the activities undertaken in 2020-21 to promote equality, diversity, and inclusion, and highlights the positive measures that have been taken to remove barriers, improve access to services, and increase customer satisfaction.

RECOMMENDATIONS:

1. To receive and note report C/21/72.
2. To consider and approve the draft Equality & Diversity Annual Report outlined in Appendix 1.

1. BACKGROUND

- 1.1 The Equality Act 2010 created a Public Sector Equality Duty. In essence, this duty requires public authorities to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be taken into account when making decisions and reflected in the design of policies and the delivery of services. While compliance is a legal obligation, the duty should be viewed as beneficial for organisations; the aims of better informed public sector decision-making and policy development should lead to services that effectively and appropriately meet diverse user needs and to increased customer satisfaction.
- 1.2 The Public Sector Equality Duty is made up of a general equality duty, which is the overarching requirement of the Public Sector Equality Duty, and 'specific duties', which are designed to ensure public authorities meet the general equality duty.
- 1.3 The general equality duty came into force in April 2011 and states that in the exercise of their functions a public authority must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act;
 - Advance equality of opportunity between people who share protected characteristic and those who do not; and
 - Foster good relations between people who share a relevant protected characteristic and those who do not.

Having due regard for advancing equality involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics;
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people; and
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

Having due regard for fostering good relations involves tackling prejudice and promoting understanding.

The Act states that compliance with the equality duty may involve treating some people more favourably than others.

- 1.4 The Public Sector Equality Duty covers the nine protected characteristics outlined in the Equality Act, which are:
- Age
 - Disability
 - Gender Reassignment
 - Pregnancy and Maternity
 - Race

- Religion or Belief
- Sex
- Sexual Orientation
- Marriage and civil partnership¹.

2. THE ANNUAL EQUALITY & DIVERSITY REPORT

2.1 The 'specific duties' outline a statutory requirement for public authorities to publish information annually to demonstrate compliance with the general equality duty (outlined in paragraph 1.3).

2.2 The current publication is over 12 months old so an updated version is now required.

2.3 This annual report has therefore been updated in order to demonstrate the council's compliance with the general Public Sector Equality Duty and commitment to its principles. The report:

- Provides a range of demographic and socio-economic information. This can be used to understand more about the needs of our local communities and those that may be affected by council services, policies and practices and in order to inform decision-making and policy development.
- Demonstrates how the council has engaged with the community, taken actions to enable better understanding of different customer needs and ways to support them, and considered potential equality and diversity implications prior to making decisions.
- Outlines the activities the council has undertaken over the past year to promote equality, diversity and inclusion amongst its workforce, Members and within the community, and the positive measures that have been taken to remove barriers, improve access to services and increase customer satisfaction.

2.4 The 'specific duties' also outline the requirement for the council to prepare and publish equality objectives that it thinks it should achieve in order to meet the general equality duty every four years. These equality objectives are outlined in the council's current Equality and Diversity Policy (2021-25) and reproduced in section 6 of the Equality & Diversity Annual Report (Appendix 1).

2.5 Once considered and approved by Cabinet, the Equality and Diversity Annual Report will be published on the Equality and Diversity page of the council's website.

3. IMPACT ON CORPORATE STRATEGY AND POLICY DEVELOPMENT

¹ Only the first aim of the general equality duty applies to this characteristic, meaning that public authorities need to have due regard to the need to eliminate unlawful discrimination against someone because of their marriage or civil partnership status in the workplace. The other aims (advancing equality and fostering good relations) do not apply.

- 3.1 A number of actions have taken place in 2020-21 in support of the delivery of the Corporate Plan and these are highlighted in the annual report (Appendix 1). The council has a number of strategies, policies and strategic projects in place to meet the current and anticipated needs of a diverse district and will continue to use this type of information to inform service design, policy development and future decision-making.
- 3.2 The report highlights activities that have taken place in 2020-21 to support different customer needs, to promote equality, diversity and inclusion, and the positive measures that have taken place to remove barriers, improve access to services and increase customer satisfaction. Areas of note include:
- The launch of the Council's new housing service on 1st October 2020 with a vision of putting tenants at the very heart of the service. The housing team have worked during the first six-months to improve tenant engagement through conducting a tenant and leaseholder satisfaction survey to develop an action plan for improvement; working with the Tenant and Leaseholder Board, TPAS (tenant engagement specialists), and tenants, to create a Tenant Engagement Strategy and introducing a variety of tenant communications, including the establishment of a bi-annual tenant newsletter, and harnessing bulk email and text messaging systems to keep tenants informed.
 - The successful retention of the Customer Service Excellence accreditation and being awarded with three additional compliance pluses following assessment in September 2020. The additional compliance pluses were awarded for the following: the work undertaken by the Welfare Team to support customers during the Covid crisis; the adaptation of policies and procedures (and the development of new ones where needed) to make sure customer needs were properly identified; and making sure that all customers knew how to access services during lockdown.
 - Following the creation of a dedicated Welfare Team within the council in 2019 to support customers and signpost them appropriately, the team have undertaken further training during the year with the National Autistic Society. All members of the team have also become Armed Forces Champions and use analytical software to identify people potentially eligible for pension credits, discretionary housing payments and financial support payments for their council tax to help them claim these benefits.
 - The Council won a Silver Award in the Defence Employer Recognition Scheme during the year, and the council submitted a further application for a Gold Award in March 2021, which has since been successful. This means that the council is now recognised with the highest award for its role in employing and supporting persons who serve and protect our country.
 - Working in partnership with Kent Coast Volunteering, the council successfully bid for £70,000 of grant funding from the Armed Forces Covenant Fund Trust and alongside funding from Kent County Council's Combined Members' grant and the district council's own Member Ward Grant funding to establish a new community centre in Cheriton for Ghurka veterans and other members of the local community.

- We have continued to support charities, voluntary and community groups through awarding 154 Ward Grants, provided over £50,000 of funding for community projects through our Local Children’s Partnership Group, and awarded Grant Agreements to organisations that support vulnerable residents and health and wellbeing across the district, including Folkestone Sports Centre Trust and the Citizens Advice Bureau.
- Following the Council’s swift establishment of three community hubs within the district in response to the coronavirus pandemic, the council committed to an additional £35,000 of funding to support the hub model in 2020/21 to provide a range of essential services needed to ensure the health and wellbeing of residents, particularly the most vulnerable. This collaborative effort between the council, volunteers, and charitable organisations has been recognised as an initiative of national importance, with the council receiving a Certificate of Excellence award from iESE, a national not-for-profit social enterprise to transform public services, in March 2021. The Folkestone & Hythe Community Safety Partnership have continued to deliver a range of Police and Crime Commissioner-funded projects during the year to vulnerable and diverse communities across the district. Projects have included working with Urban Pastors to tackle anti-social behaviour, Aspire to support homeless individuals and Kent Police on initiatives to help tackle knife crime within the community.
- The Folkestone Community Works Programme has continued to address issues faced by the most vulnerable in the district by funding projects that are working to improve access to services and opportunities for businesses and residents within the Central and East Folkestone wards. During the year, council-funded projects have provided professional support for residents who decided their route to economic independence was through self-employment, or had a need to supplement their income by creating a ‘table top’ businesses by using a skill or hobby to generate additional income.

4. RISK MANAGEMENT ISSUES

4.1

Perceived risk	Seriousness	Likelihood	Preventative action
Failure to fulfil statutory obligations imposed by Public Sector Equality Duty	High	Low	Preparation and publication of Equality & Diversity Annual Report

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer’s Comments (NM)

Legal implications and the council’s statutory obligations are set out in the body of the report.

5.2 Finance Officer’s Comments (LW)

There are no direct financial implications associated with the report

5.3 Human Resources (RB)

There are no direct Human Resource implications emanating from this report.

5.4 Diversities and Equalities Implications (GE)

The report provides information that may support informed decision making, outlines the council's achievements in advancing equality in 2020-21, and fulfils the council's statutory obligations.

5.5 Communications (JW)

Many of the very positive aspects of the Equality and Diversity report have already been communicated externally. There is, however, a refreshed positive impact to be gained by listing all the elements together whilst communicating the report's publication.

5.6 Climate Change (AT)

No direct impacts arising from the publication of this report (Appendix 1), as the report is a factual update on activity over the last monitoring year (2020/21). However, several of the projects detailed in the report have the potential to impact positively on climate change considerations and funding for the community hubs and Citizens Advice Bureau which have the potential to address matters of fuel poverty.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Gavin Edwards

Performance and Improvement Specialist

Tel: 01303 853 436

Email: gavin.edwards@folkestone-hythe.gov.uk

Appendices:

Appendix 1: Draft Equality & Diversity Annual Report 2020-21



Annual Equality and Diversity Report

A reflection on the 2020-21 Year

Published: xx 2022



Folkestone & Hythe

District Council

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Foreword

Thank you for taking the time to read the council's Equality and Diversity Annual Report.

This report has been produced in accordance with the Public Sector Equality Duty created by the Equality Act 2010. The purpose of this document is to:

- Provide a range of demographic and socio-economic information. This can be used to better understand the needs of our local communities and those that may be affected by council services, policies and practices, and in order to inform decision-making and policy development.
- Demonstrate how the council has engaged with the community, taken actions to enable better understanding of different customer needs and ways to support them, and considered potential equality and diversity implications prior to making decisions.
- Outline the activities the council has undertaken during 2020/21 to promote equality, diversity and inclusion both amongst its workforce (officers and members) and within the community, and the positive measures that have been taken to remove barriers, improve access to services and increase customer satisfaction.

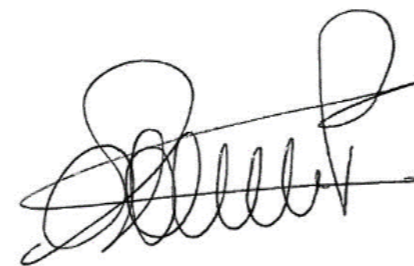
We hope that you find this document useful and informative. Further information, including the council's related Equality and Diversity Policy, can be found at: <https://folkestone-hythe.gov.uk/your-council/policies-plans-and-documents/equality-and-diversity>

Alternatively you can contact us at: policy@folkestone-hythe.gov.uk

Yours sincerely,



Clr Jenny Hollingsbee
Deputy Leader of the Council and
Cabinet Member for Communities



Dr Susan Priest
Chief Executive



Section 1

Our Achievements and Engagement Activities

Introduction: The council has undertaken numerous projects throughout 2020/21 against the backdrop of the coronavirus pandemic.

This section looks in more detail at some of the engagement activities we conducted over the year to promote equality, diversity and inclusion. Our achievements are fully detailed in [‘Making a Difference: A Snapshot of Our Year 2020-21’](#).

01 Our Achievements and Engagement Activities

Folkestone & Hythe Housing Service

On the 1st October 2020, the council launched its new housing service with the vision of creating: *'A world class, digitally enabled service that is easy to do business with and where tenants are at the heart of everything we do'*.

Since the launch the housing team have worked incredibly hard over a six-month period to improve engagement with tenants through:

- **Building stronger working relationships** with colleagues and teams across the council, as well as with external partners such as the Community Navigator Service, the Peabody 'hoarding' service, and Rising Sun Domestic Abuse Service/MARAC.
- **Improving how we listen to the tenant's voice** by conducting a tenant and leaseholder satisfaction survey (STAR) within the first couple of months of the new service with [results that have been published](#), and the feedback from this survey has informed an action plan.
- **Developing tenant and leaseholder engagement activities** – working with the Tenant and Leaseholder Board, TPAS (tenant engagement specialists), and consulted with tenants, to create a Tenant Engagement Strategy. The team is building relationships with the Tenant and Leaseholder Board and a cohort of tenants who want to be involved at different levels. The team has also set up regular online coffee mornings for leaseholders and supported those Independent Living Forum members who are digitally-able to resume their meetings.
- **Introducing a variety of tenant communications**, including the establishment of a bi-annual [tenant newsletter](#), and harnessing bulk email and text messaging systems to keep tenants informed. A private Facebook group for tenants and leaseholders is under development.
- **Improved anti-social behaviour (ASB) reporting process** – by addressing 12 serious and long-standing anti-social behaviour cases. A satisfaction survey for tenants to complete after an ASB case has been dealt with is being developed to continually improve the service.

We have continued to work on delivering homes that meet the needs of our changing population and during the 2020-21 year we have:

- Delivered a total of 22 new affordable homes with partners for rent and shared ownership continuing to boost the supply of much needed homes in the district.
- Brought 78 long term empty homes within the district back into use.

- Improved 241 private sector homes for local people as a result of enforcement action and the provision of the Disabled Facilities Grant, Winter Warmth and Home Safe loans.
- Awarded a total of 54 disabled facilities grants to support those with disabilities adapt their own homes

A new Homelessness Prevention Strategy was launched during the year to enable the council to deliver a range of services to prevent vulnerable people from becoming rough sleepers and, where people are already rough sleepers, services to support them to access accommodation and help move to a more settled way of life. The services include:

- The provision of outreach services to identify and verify people rough sleeping in the district.
- The provision of emergency accommodation to help people move away from the street.
- Sign-posting to mental health and other support services.
- Support to assist people to access long-term accommodation both within the social and private housing sectors.
- Support services to prevent tenancy breakdown and a potential return to the streets.
- The development of accommodation services for the most entrenched rough sleepers, including intensive housing support, due to be launched summer 2021.

The council provides funding to the Rainbow Centre in Sandgate Road, Folkestone, to enable them to provide a range of support services to vulnerable people with a history of rough sleeping or who are living in insecure accommodation. A total of 227 people were assisted through the service during the year, with 63 being helped into accommodation.

The council also supports the Rainbow Centre to deliver the Winter Shelter project, providing emergency accommodation to vulnerable homeless people during the winter months. A total of 21 people were supported through the project over winter period until the end of June 2021.

01 Our Achievements and Engagement Activities

Engagement with local Armed Forces Community

The Folkestone & Hythe District has a long tradition of cooperation between its civilian community and the local armed forces. In 2020/21, engagement activities were much reduced due to the pandemic but we continued to support the local armed forces community where possible:

The 'Armed Forces Veterans Support' monthly drop-in was suspended, however the council's Armed Forces Lead Officer provided individual support for veterans remotely via email and telephone. This resulted in one veteran being offered housing at the Royal British Legion Industries (RBLi) Village and another having his rent arrears cleared and being offered employment at Age UK Hythe & Lyminge.

Following our Silver Award in the Defence Employer Recognition Scheme, the council submitted an application for a Gold Award in March 2021, which proved successful; this means the council has been recognised with the highest award for its role in employing and supporting persons who serve and protect our country. The council has various armed forces personnel within its workforce, including veterans, a Cadet Forces Adult Volunteer, as well as those living in military families. Reservist leave is also available to staff.

Throughout the pandemic, the council has continued to support the Gurkha community who were badly affected by the second wave. The council provided translated information on Covid and personal protective equipment. We also worked with Kent County Council (KCC) to establish a Covid test site in Cheriton to provide easy access for the Nepalese community.

The Folkestone Nepalese Community were also supported by the council in their efforts to register as a Charitable Incorporated Organisation (CIO) with the Charity Commission and to negotiate with KCC to lease a space to open a new community centre for the Gurkha veterans and other members of the community in Cheriton. In partnership with Kent Coast Volunteering, the council successfully bid for £70,000 of grant funding from the Armed Forces Covenant Fund Trust to support the establishment of the new community centre alongside funding from KCC Combined Members grant and the district council's own Member Ward Grant funding.

The Armed Forces Lead Officer has continued to support the Gurkha veterans with their Community Led Housing project that looks at providing suitable housing for these veterans within the local area.

Our lead Armed Forces officer has attended various meetings, briefings and events throughout the year, including Kent & Medway Armed Forces lead officers meetings,

Unit Welfare Officer meetings and the Kent & Medway Civilian Military Partnership board meetings and attended the Armed Forces Covenant in the Community Conference in October and the Armed Forces Champions Conference in February.

Engagement with the wider community

Much of the usual community engagement activities did not go ahead due to lockdown, however we adapted and delivered our annual networking and Meet the Funders' events to deliver them online via Zoom. In addition two half-day training sessions were delivered called: 'Setting Up Your Group' and 'Funding Your Group'. We had good numbers of attendees at all events and positive feedback.

Officers supported the Voluntary, Community and Social Enterprise (VCSE) sector throughout lockdown with updates on the support available and funding opportunities. Information on Sport England Funding to those inactive in their homes was successfully applied for by the community hubs, Winter grant funding was distributed to VCSE organisations, including local food banks and Citizens Advice. The details of many services that transferred to online support (e.g. Safe Haven for Mental Health) were cascaded to key organisations. A spreadsheet of new support services was developed by the council and cascaded widely, this included help with food, support via volunteers and befriending services.

In partnership with Dover District Council we successfully established the White Cliffs Community Rail Partnership. The partnership covers stations between Westenhanger and Sandwich and is comprised of eleven organisations including town councils, English Heritage, South Eastern and Network Rail. The partnership has a number of aims including: the promotion of healthy and sustainable travel, bringing communities together and supporting diversity and inclusion. Terms of reference and an action plan have been developed, with the plan focusing on ways to improve station facilities and information, as well as improve transportation links and incentives to travel by train. The partnership will also support local community groups, residents and visitors with projects to develop the local railway and their towns.

At the start of the pandemic we adapted [Spotlight](#), the website that connects people with local activities and services. A number of online activities and services continued to operate during lockdown, these included: Night Owls (online mental health peer support group) for people living with mental health illness who have difficulty sleeping at night and who would like to chat with others in a safe space to help alleviate loneliness and the Pavement Pounders (Spoken memory projects) that focuses on recording verbal and written memories of older generations within local communities for heritage projects.

01 | Our Achievements and Engagement Activities

Annual Grant Funding

The council has continued to support charities, the voluntary and community sector through grants. Our Local Children's Partnership Group (LCPG) distributed over £50,000 of funding towards local community projects for young people, and delivery by funded organisations was adapted around Covid-19 restrictions to ensure the LCPG priorities below could continue to be addressed:

- Raising aspiration and educational attainment, and extending employment opportunities.
- Creating Safe and Resilient Communities.
- Enhancing communication skills as a foundation for life.

154 Ward Grants, totalling over £89,000, have benefitted local charities and community groups during 2020/21, further enhancing the council's involvement with local communities, and assisted with the delivery of efficient and effective projects and services to ward areas.

In 2020/21 annual grant funding was renewed by the council for the following community organisations. Many have adjusted their activities to deliver online services when the coronavirus lockdown occurred:

- **Shepway Sports Trust:** To provide accessible sports and play-based facilities and activities within the district, focusing on reducing health inequalities and engaging children and young people in order to encourage healthy lifestyles as well as reduced anti-social behaviour. During the coronavirus pandemic many sports activities were successfully delivered online and ongoing work to the skate park F51 continued.
- **Folkestone Sports Centre Trust:** To provide accessible sports and wellbeing facilities and activities for all age groups within the district. The Trust has been impacted by the pandemic but was able to provide some online services, including free online keep fit sessions for NHS key workers.
- **Active Sport Kent (previously known as the Kent County Sports Partnership):** To improve access to sports clubs and coaching activities across the district. The partnership ran conferences and webinars and provided support and guidance to sports clubs and leisure providers on how to access funding during the pandemic and deliver alternative online provision.

- **Citizens Advice Bureau (CAB):** To deliver debt, legal, housing and consumer advice on the council's behalf and working closely with council teams. The CAB was extremely busy addressing problems of hardship and dealing with residents adversely affected by the pandemic (e.g. through job losses or furlough).
- **Academy FM:** To support a community radio station which promotes the district, works with young people, aids community interaction and raises awareness of local issues and activities. The station continued to promote local initiatives, including promotion of the community hubs for support and advice, throughout the pandemic during 2020-21.
- **Red Zebra:** To support the running of volunteer networking sessions across the district to increase volunteering, support the voluntary and community sector as well as improve health and wellbeing. Red Zebra delivered a number of these sessions online.
- **Folkestone Quarterhouse:** To deliver a programme of visual, performance and musical arts, educational and performance activities to families, schools and hard to reach groups in the district. Although the Quarter House was closed due to the pandemic, Creative Folkestone were able to deliver on line services including projects with schools and other organisations. The range of online projects increased and other events took place in the community when the first lockdown was lifted.

Over £50k
Of LCPG funding has been
distributed to local
community projects

Over £89k
In ward grants have
benefitted local charities
and community groups
during 2020-21

01 Our Achievements and Engagement Activities

Folkestone & Hythe Community Safety Partnership (F&H CSP)

During 2020/21 the statutory F&H CSP continued to meet virtually and progress key activity including the administration of Police and Crime Commissioner (PCC) funding to deliver projects to vulnerable and diverse communities across the district. These included:

- Urban Pastors – continuing to carry out night time sweeps of key locations to address Anti-Social Behaviour (ASB) and any support needed for vulnerable people they may have come across.
- Aspire – ongoing engagement and support to homeless individuals throughout the pandemic and liaising with appropriate agencies.
- Ring door bells to support victims of Domestic Abuse.
- Collaborative working with Kent Police’s Violence Reduction Unit (VRU) to support the police with the provision of knife wands (to detect people who may be carrying concealed weapons) for premises such as pubs.
- Carried out a prominent operation with high visibility policing jointly with British Transport Police using a Knife Arch (a walk-through metal detector).
- Distribution of trauma packs to partners at key locations in the district.

The CSP continues to ensure training is provided to key partners and agencies on issues such as PREVENT, knife crime and inputs to consultation documents e.g. the Kent and Medway Gangs’ Strategy.

The Community Safety Unit (CSU) weekly meeting saw an increase in partnership engagement and attendance, as the online meetings allowed more partners to attend with between 30-40 people from different agencies attending regularly. The CSU meetings have helped to deliver a number of successes - such as implementing closure orders on premises where antisocial or criminal behaviour is taking place, tracing missing persons and tackling homelessness - through the close partnership working that these meetings enable.

Napier Barracks

In 2020 the Government’s Home Office decided to use the Napier Barracks site in Folkestone to house asylum seekers. Although the district council was not involved in this decision, the council has been pivotal in addressing community concerns around the use of the Barracks throughout 2020/21, including regular joint visits with district

council and police staff to provide advice and guidance to the operators and the service users at the Barracks.

An online community engagement event was held in September 2020 (followed up in May 2021) and this reassured the community on all the mitigation and support measures being put in place at the Barracks.

Community Hubs

Following the swift establishment and funding of three community hubs across the district with local partners in response to the coronavirus pandemic at the end of March 2020, the hub model has continued to provide a range of essential services needed to ensure the health and wellbeing of residents, particularly the most vulnerable.

In July 2020, the council committed to an additional £35,000 of funding to support the hub model in 2020/21. The three hubs are based at:

- **Folkestone:** Initially at the 3 Hills Sports Centre, the hub is now run by Age UK South Kent Coast at their Folkestone offices;
- **Hythe:** being run by Age UK Hythe & Lyminge; and
- **Romney Marsh:** initially run by the Romney Marsh Day Centre, now the Romney Marsh Community Hub.

With the support of over 600 volunteers the hubs have:

- **Responded to over 65,000 calls from residents;**
- **Undertaken over 25,000 GP welfare calls;**
- **Delivered over 51,000 hot meals;**
- **Delivered 6,300 prescription requests; and**
- **Provided over 9,200 shopping requests.**

The community hubs have developed a depth of community spirit and cohesion across the district during the past year, as well as highlighted the strength of partnership and collaboration between the council and volunteer and charitable organisations to deliver for local communities. This collaborative effort has been recognised as an initiative of national importance with the council receiving a Certificate of Excellence award from iESE, a national not-for-profit social enterprise to transform public services, in March 2021.

Section 2

Understanding our Customers

Introduction

In this section we look at the council itself, how we are filling our statutory duties and how we are targeting our services to the particular needs of our residents. The coronavirus pandemic has had a significant impact on the district over the 2020/21 period, in common with the rest of the country, and in this section we also highlight how the council has responded to this crisis.

02 Understanding our Customers

Equality Impact Assessments

Under the Equality Act 2010 there is no longer a requirement to produce Equality Impact Assessments (EIAs). However, the council believes it is good practice to have an EIA framework in place in order to fully consider any potential equality implications prior to making decisions. As such, the council is committed to ensuring that EIAs are completed when the council introduces or significantly revises a policy or service and that they are carried out in the correct manner, including, for example, appropriate consultation with affected parties.

EIAs are most often conducted when a new or significantly revised policy or service is set to be considered by elected Members, normally at Cabinet Committee stage. Further information, including copies of reports and associated EIAs, can be found at: <https://www.folkestone-hythe.gov.uk/moderngov/uuCoverPage.aspx?bcr=1>

During 2020-21 the council completed the following EIAs:

- Page 218
- **Private Sector Housing Enforcement and Civil Penalties Policy**
 - **Draft Homelessness Prevention Strategy**
 - **Tenancy Policy**
 - **Housing Management Policy**
 - **Housing Community Safety Policy**
 - **Home Ownership Policy**
 - **Shared Ownership Policy**
 - **Right to Buy Policy**

In addition, all reports that are submitted to council Committees or the Corporate Leadership Team require comments on equality implications from the officer leading on equality and diversity. This further ensures that potential implications are considered prior to making decisions.

Understanding Our Customers through Consultation

Consultation provides an important means of understanding the needs of service users and local residents. It also allows the council to assess what impact decisions will have on different groups.

The following public consultations were undertaken during 2020-21:

- **Folkestone & Hythe District Council Corporate Plan – ‘Creating Tomorrow Together’ (2021-30)**
- **Private Sector Housing Enforcement Policy**
- **Folkestone Harbour parking Zone G extension**
- **Walton Road Area Zone G1 controlled parking zone**

Improving our Customer Experience

Customer Service Excellence:

In September 2020, the council successfully retained its Customer Service Excellence (CSE) accreditation. The accreditation is a Government standard developed to offer a practical tool for driving customer-focused change within organisations. The independent assessor was so impressed by the council’s ongoing commitment to customer service he awarded a further 3 ‘compliance plus scores as part of his latest inspection, bringing the overall number awarded to 15.

The additional three compliance plus scores were awarded for:

- The work undertaken by the Welfare Team to make sure we understood the needs and expectations of all customers during the Covid crisis.
- The adaptation of policies and procedures (and the development of new ones where needed) to make sure customer needs were properly identified and met where possible.
- The efforts made to make sure that all customers knew how to access services during lockdown and throughout the ongoing challenges of Covid.

Feedback from the independent assessor highlighted the following positive aspects of the council’s operations:

- *“The high levels of engagement, motivation, drive and sense of pride by staff”*
- *“One team approach”*
- *“The continuous focus on improvement”*
- *“The changes and development around inclusion”*
- *“The enhanced external partnership working”*

Improving our Customer Experience (continued)

Web Chat Service:

We have various mechanisms to support customers to access services and information, including the translation and British Sign language service on request and a visiting officer service for council tax and benefits. Since the beginning of the pandemic customers and businesses have been supported to apply for welfare benefits, help with their council tax, grants and many other services over the phone or by the Web Chat service.

Our Web Chat service continues to be popular and in 2020-21, 93.92% of customers who rated the service stated they were happy with the service they received.

In Section 4: Understanding Our Communities we highlight the ageing profile of the population and relatively high levels of deprivation in some areas, and initial feedback from Web Chat has shown how useful customers find this service in helping them to access services online. Some examples of feedback include:

- *“The agent was so supportive and understanding. She made sure that anything that could be done to help straight away was actioned, providing me and my partner with some breathing space whilst we tackle this difficult time. thank you”*
- *“Helped a non IT literate person to navigate the website”*
- *“Excellent and empathetic to my situation”*
- *“Great customer service as always, nothing is ever too much trouble”*
- *“Agent was very professional, quick at responding and made me feel like she cared about getting my problem sorted. In short: Legend”*
- *“User was fast and found the information I needed, best service I’ve had using an online help, will be using again”*
- *“Unbelievably helpful, super skilled customer service no more words to explain the support I have received highly recommend thanks”*
- *“Very efficient and helpful person, so good to be helped so easily”*
- *“Advisor was very understanding and helped me through my query, new technology is not easy when you are 82”*

My Account and Website Accessibility:

We have continued to develop our online services and the systems development team launched our MyAccount service in August 2020. This service allowed customers to see easily information about council tax, waste collection dates, election information and who their councillors are all in one place. Customers are able to report, apply and pay for services 24/7 and links from the MyAccount take them directly to the relevant webpage without the need to navigate their way around the website. In addition there is a Myplanning area where customers can track planning applications and see at a glance any new proposals within 500 metres of their property. The latest release is the Mywaste areas where customers can see details of when their next bin collection is scheduled, or if it has been rescheduled, and easily make requests or reports (e.g. missed bins, details of which are sent directly to the waste contractor). The take up of MyAccount has been very positive and at the end of September 2021 46.73% of households had signed up.

Work is continuing to review our website for accessibility and new software has recently been purchased to ensure documents meet accessibility standards before they are uploaded onto the website. Our website meets the Web Content Accessibility Guidelines (WCAG) and we are continuing to review and improve it.

In addition there is a project in progress to review service area webpages to ensure they are in plain English, clear and concise, easily searchable and consistent across the website. Where possible pdf forms that had to be previously downloaded and sent by post are being replaced with online forms that are sent directly to the back office systems for officers to work on.

Welfare Team:

Since April 2019, we have worked with the Money Advice Trust to improve our understanding of our more vulnerable counters. A training package was created and delivered to both our customer services and revenue and benefits teams to identify vulnerable customers and more importantly to support them.

The work on identifying vulnerable customers has grown since 2019 and has led to the creation of a dedicated welfare team of four officers trained to support customers and signpost them appropriately. Additional software has been purchased to allow the welfare team to analyse our benefit caseload to proactively identify customers who may need our support, as it is recognised that some vulnerable customers find it hard to engage with the council. The welfare team work with a multitude of partnership organisations covering a variety of disciplines, and are also trained mental health first aiders and safeguarding duty officers.

02 Understanding our Customers

Improving our Customer Experience (continued)

Welfare Team (continued):

Since April 2020 the welfare team have undertaken training with the National Autistic Society. All members of the team have become Armed Forces Champions and they have also used analytical software to identify people potentially eligible for pension credits, discretionary housing payments and financial support payments for their council tax to help them claim these benefits.

COVID-19 Support:

The council has also been quick to provide support for residents at the start of the coronavirus pandemic, with a dedicated emergency Covid-19 telephone line set up (available 7 days a week), and a dedicated email address, that went live on Saturday 21 March 2020. This enabled any residents who required help with their shopping and medical needs to contact us.

In addition to the Covid-19 telephone line being established, the council was instrumental in funding and setting up three community hubs within the district. Each hub together with the council's central Covid response provided support to vulnerable people across the district using over-70s patients and shielding lists. People with disabilities and from all sectors were given support with shopping and prescription collections, dog waking etc. Welfare calls were made regularly to ensure anyone experiencing loneliness, isolation or mental health issues were directed to the relevant support. Translation services were provided to those groups that needed help with understanding Covid-19 guidelines and leaflets encouraging residents to call their local hub if they required help were distributed across the district by council staff and local volunteers.

Folkestone Community Works:

The Folkestone Community Works programme area has continued operating throughout the Covid pandemic to address issues faced by the most vulnerable in the district by funding projects that are working to improve access to services and opportunities for businesses and residents within the Central and East Folkestone wards.

During the year, the council developed funded projects providing professional support for residents who decided their route to economic independence was through self-employment, or had a need to supplement their income by creating a 'table top' businesses by using a skill or hobby to generate additional income. The easy access

to e-commerce through Ebay and other social media platforms has opened the door to everyone. This support helps residents to work through their ideas and understand how they could make it a reality by demystifying the process.

In addition, the council has continued to fund support for existing businesses through 1-2-1 advice and grants to navigate and adapt to the unusual and changing environment they are operating within, with the aim to retain and increase the number of employees

Folkestone Safe Haven:

The [Folkestone Mental Health Safe Haven](#) continues to provide an important service within the district to support people who are struggling with their mental health. Established in 2019/20, the Folkestone Mental Health Safe Haven was started in collaboration with the Roger De Hann Charitable Trust who worked with the council to help establish a connection with the Rainbow Centre to ensure the Haven has a permanent base within Folkestone town centre for people to access ongoing advice and support. The service operates 365 days a year and opening times are Mon – Fri 18.00- 23.00 and weekends and bank holidays 12.00 – 23.00.

The services of the Folkestone Mental Health Safe Haven are heavily promoted with multi-agency partners through the Folkestone & Hythe Community Safety Partnership and Community Safety Unit. Posters are displayed on the council's website and shared via social media channels. Details of the service are also cascaded to the community hubs so they can help signpost people to these services.

Section 3

Understanding Our Workforce

Introduction

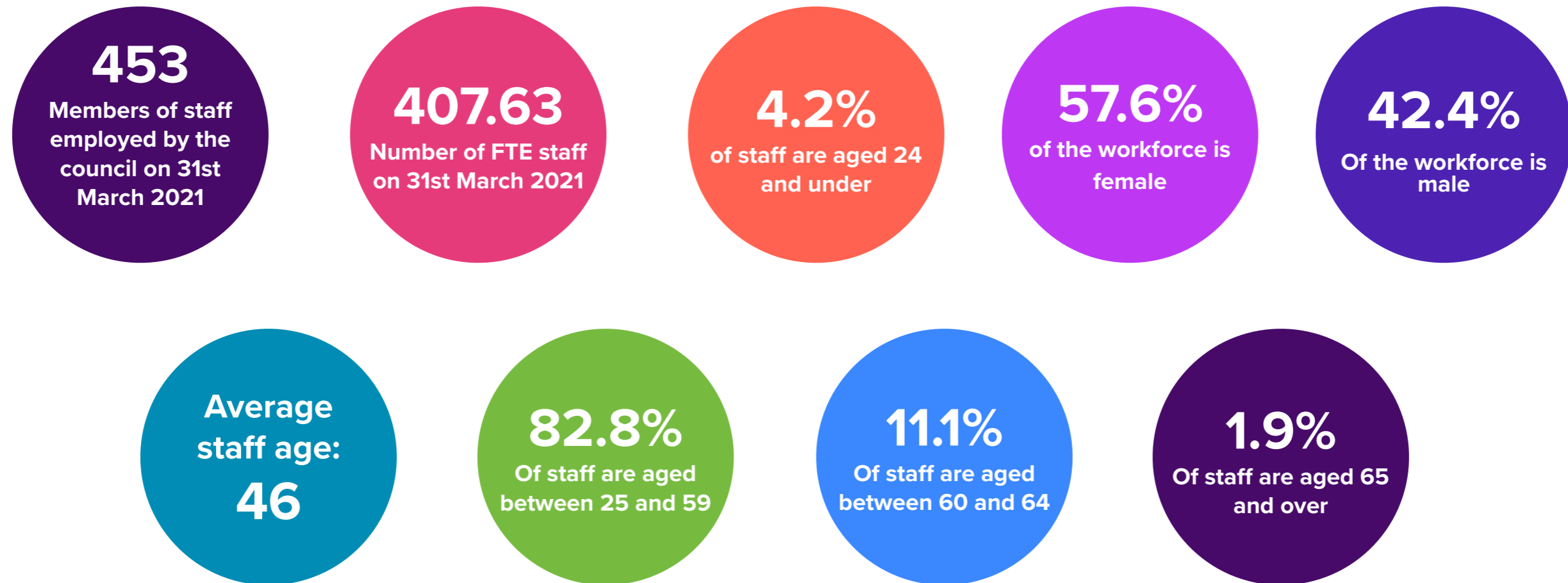
In this section we provide a brief overview of the characteristics of our own workforce.

On 31st March 2021 there were 453 members of staff employed by Folkestone & Hythe District Council. The number of full time equivalent staff was 407.63. Looking at the 2020/21 year as a whole, the average headcount was 415 and the average number of full time equivalent staff was 370.24. The difference in the figures can be attributed to the new housing service launching in October 2020 and an increase to our staffing headcount as a consequence.

03 Understanding Our Workforce

Folkestone & Hythe District Council - Workforce Profile

All figures used in the workforce profile below are as at 31st March 2021 and include staff the council directly employs.



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Number of staff by age and sex:

Age	16-19	20-29	30-39	40-49	50-59	60	Total
Female	2	23	47	65	90	34	261
Male	1	24	33	44	65	25	192
Total	3	47	80	109	155	59	453

03 Understanding our Workforce

Ethnicity and Disability:

- 4% of the council's workforce have declared a disability.
- 87.2% of the council's workforce have indicated that they are from white ethnic backgrounds and 6.2% from black and minority ethnic groups. The remaining 6.6% have not declared their ethnicity.

Working Hours and Pay Grade:

- 22.7% of the council's workforce are part-time and are contracted to work 36 hours per week or under.
- Analysis shows a correlation between sex and working hours. 84.5% of part-time staff are female. Further analysis of sex, working hours and pay can be found on the gender pay gap reporting section of the council's website: <https://folkestone-hythe.gov.uk/reducing-the-gender-pay-gap>

Turnover:

35 people left the council's employment during 2020/21. This represents a crude staff turnover rate of 8.4%. The 'crude' turnover figure includes reasons such as redundancy (including voluntary redundancy) and those engaged on a casual, seasonal or short-term basis to, for example, provide maternity cover or support the annual electoral registration canvass. The voluntary turnover rate, which counts resignations only, was 4.3%

Staff Grievances:

- There was one staff grievance raised relating to equality in 2020/21. The grievance was not upheld.

Year	Total	Equality Related
2015/16	0	0
2016/17	1	0
2017/18	1	0
2018/19	1	0
2019/20	1	0
2020/21	1	1

Developing Our Staff:

All staff are required to undertake specific equality and diversity e-learning on a regular basis. We also provide safeguarding training to ensure staff know how to support vulnerable people, and we deliver training on preventing extremism, which gives our staff an understanding of radicalisation and who can be drawn into it.

We support staff in understanding people with different support requirements and currently have staff and Councillors trained as Dementia Friends. We now have 46 Mental Health First Aiders (10% of our workforce) so that we can better support those customers struggling due to the pandemic or other pressures they may be under. In other areas we ensure staff get the additional training they need to understand customer groups (e.g. specialist training on Autism and transgender awareness for the Vulnerability Group in the Revenues and Benefits team).

In addition, we run a Management Development Programme on an ongoing basis and offer formal management qualifications that enable our middle managers and team leaders to understand how to further equality and diversity in the workplace and how best to work well with people from a variety of backgrounds. Recognising the demographic profile of our staff we offer a range of flexible development opportunities and put on shorter courses or split over different days to enable part-time staff to attend. We also avoid running training during school holidays to give our staff who are parents the best chance of being able to attend. We record our training and staff briefings to ensure everyone has the opportunity to access this information.



Section 4

Understanding our Communities

Introduction

This section provides a brief overview of the characteristics of the district's population and draws comparisons with Kent and the wider South East. We outline the age profile of the district, the proportion of males and females in each age group, and how the population is likely to change over the coming years. We then go on to look at the ethnicity, religion and health of our communities. We finish by considering the economic profile of the district, including employment rates, income and deprivation.

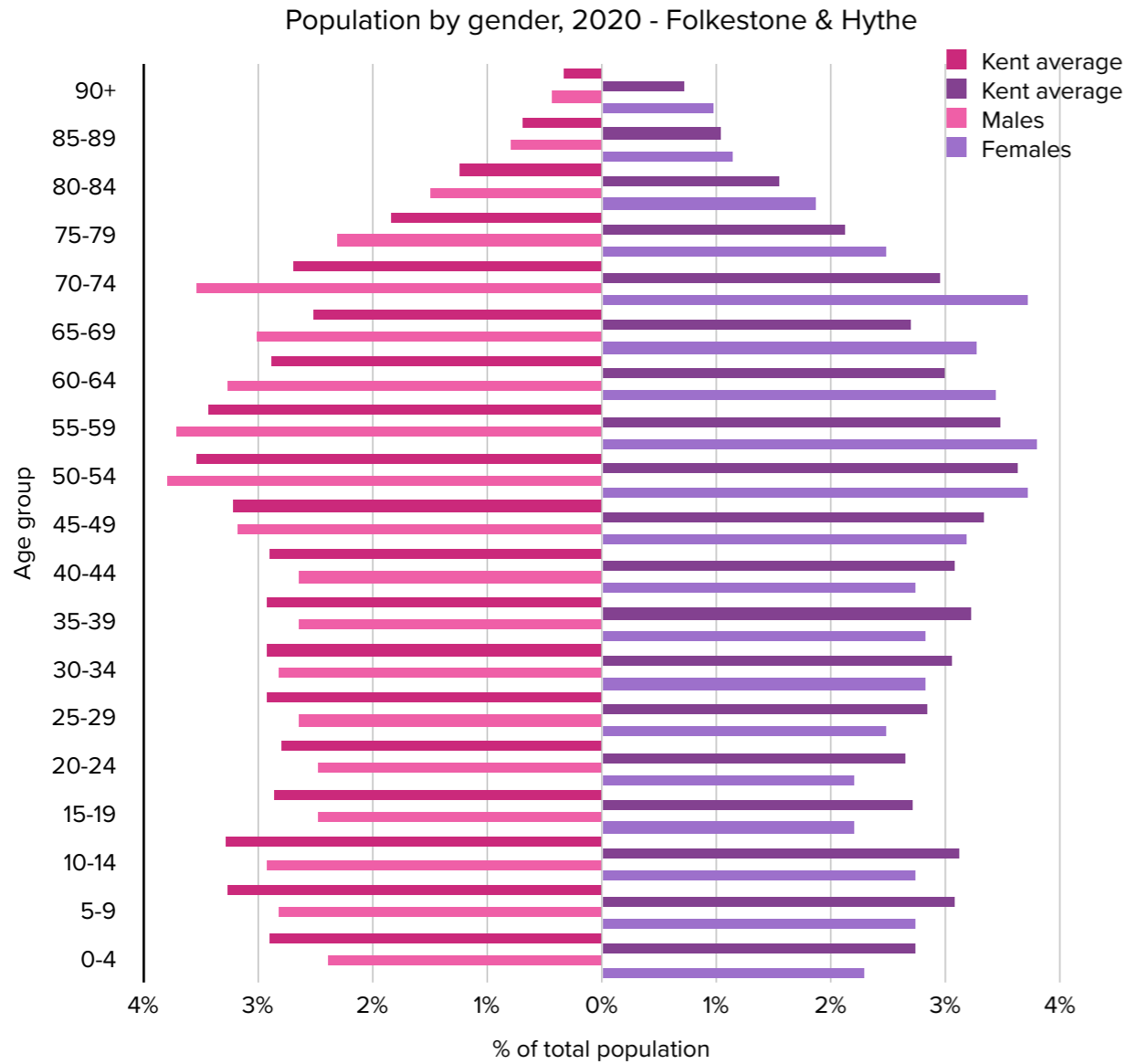
04 Understanding our Communities

Age and Sex:

Overview

In the graph below, blue shows the proportion of males in each age group and peach females. The blocked sections show the Kent average for each age group.

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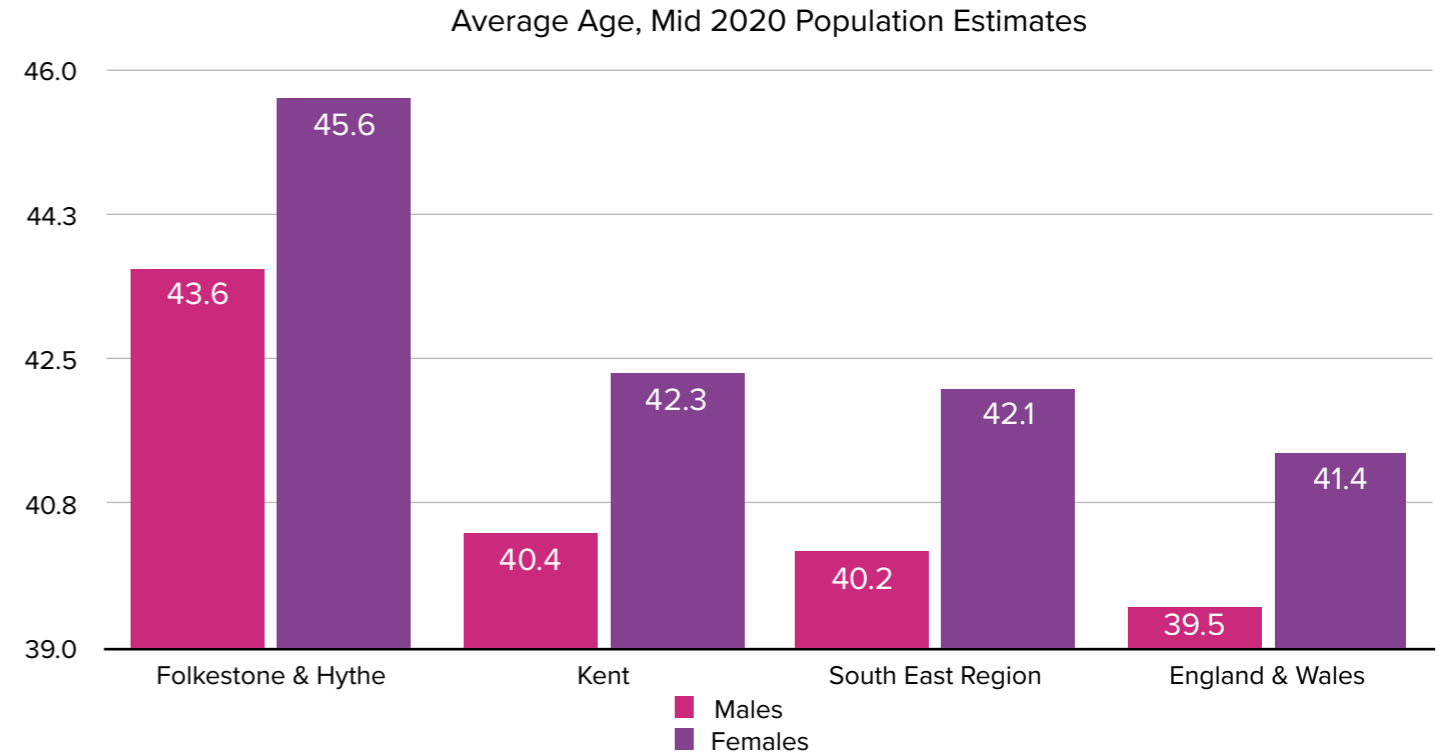


Source: KCC District Profile/ ONS, 2020 mid-year population estimates

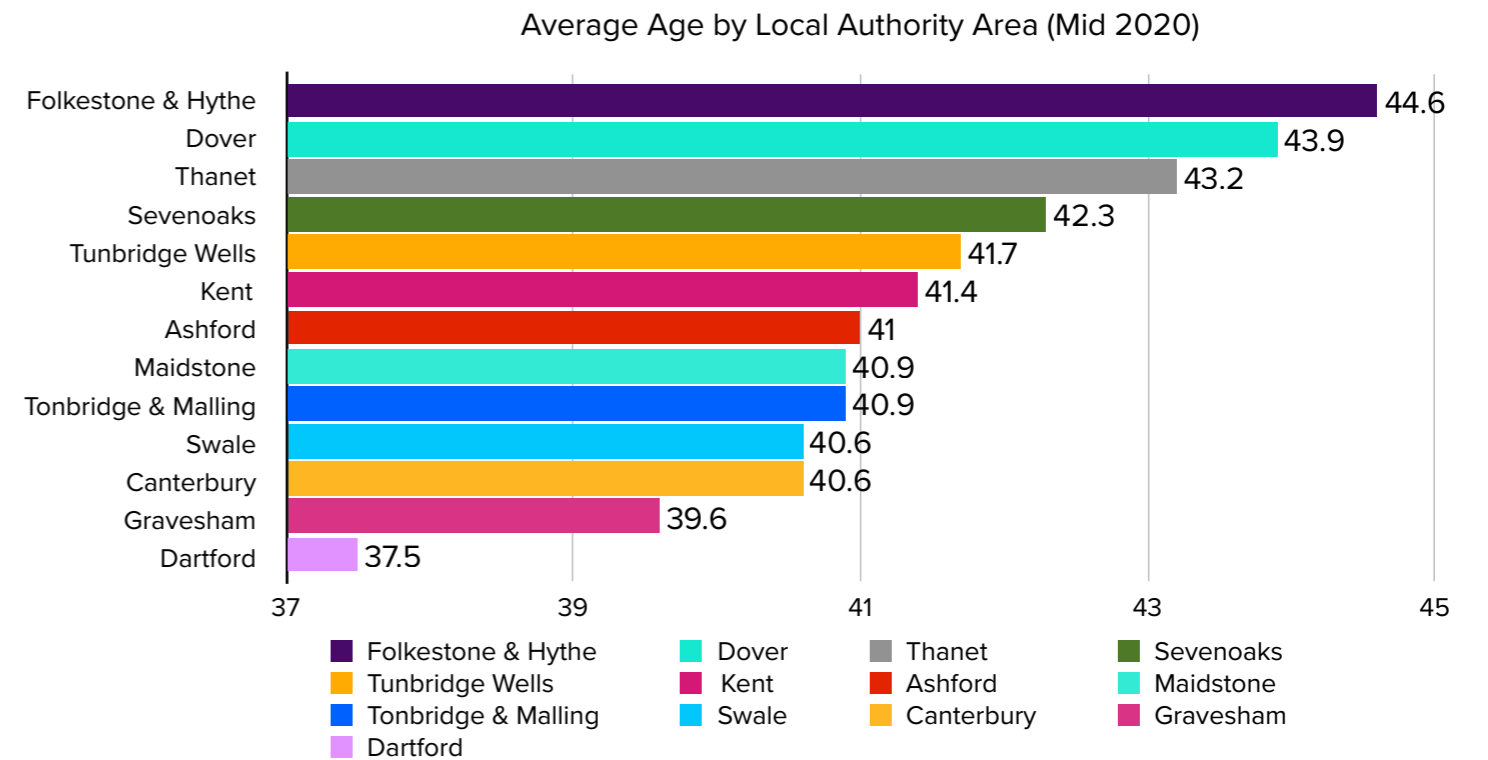
There is a lower proportion of residents aged under 45 when compared to Kent overall. The district has a larger percentage of residents aged over 45.

The male to female ratio changes with age. There are more males under the age of 55 than there are females. From age 50 + there are more females than males.

The average Folkestone & Hythe resident is 44.6 years old. This is higher in comparison with the other districts in the county and with regional and national averages.



Source: KCC District Profile/ ONS, 2020 mid-year population estimates



Source: KCC District Profile / ONS, 2020 mid-year population estimates

04 Understanding our Communities

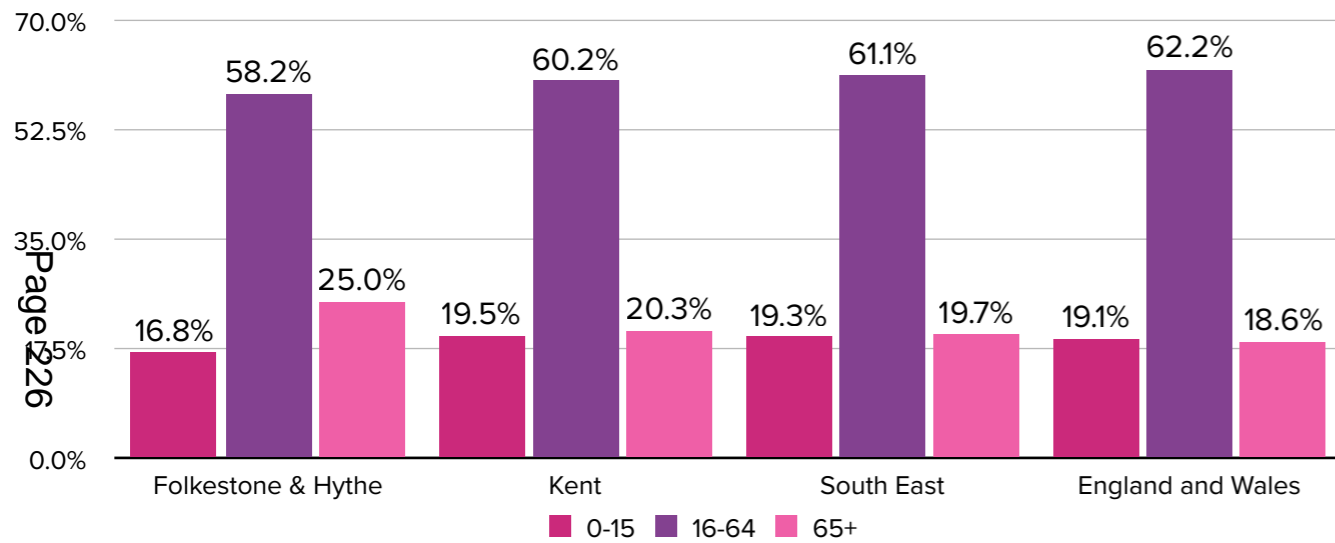
Age and Sex (continued):

The average male (at 43.6 years) is younger than the average female (45.6 years).

In comparison with regional and national figures, Folkestone & Hythe has:

- A lower than average proportion of residents aged under 15
- A lower than average proportion of residents of 'working age' between 16 and 64
- A higher than average proportion of residents aged 65 and over

Population by age group - Mid Year 2020 Population Estimates



Source: KCC District Profile / ONS, 2020 mid-year population estimates

Children and Young Adults:

Age group	No.	% of F&HDC population	% of Kent overall*
0-3 – Early Years Children	4,100	3.7%	4.4%
4-10 – Primary Age Children	8,700	7.7%	8.8%
11-18 – Secondary age children	9,500	8.4%	9.7%

Source: KCC District Profile/ ONS, 2020 mid-year population estimates

KCC area. E.g. within KCC, 4.5% of children are aged. 0-3

Working Age' Population (16-64):

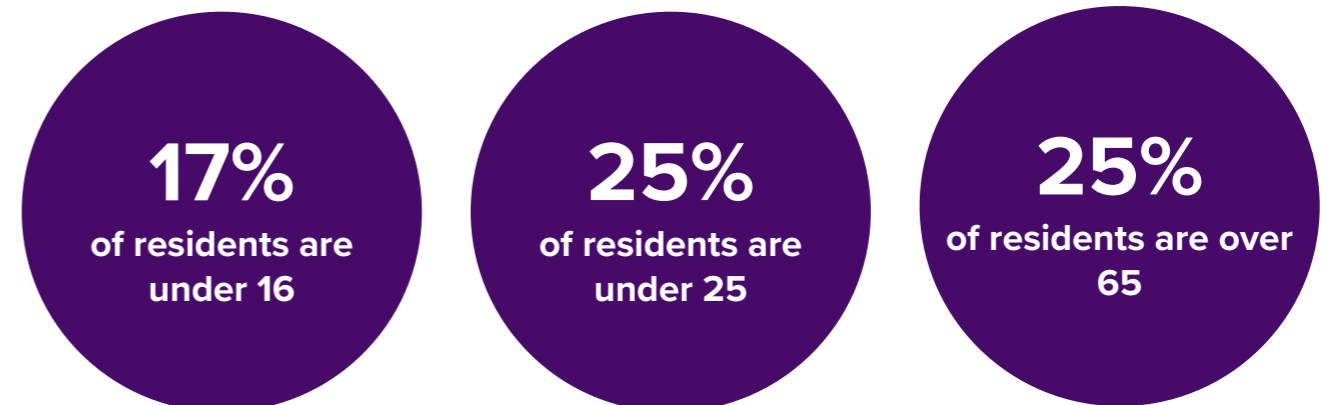
F&HDC	Number	%
16-64	66,000	58.2 % of F&HDC residents are 16-64
Female	32,900	57.4% of females in the district are 16-64
Male	33,100	59.1% of males in the district are 16-64

Source: KCC District Profile/ ONS, 2020 mid-year population estimates

Older Population:

Age Group	Number	% of Folkestone & Hythe Population
65-69	7,200	6.3%
70-74	8,200	7.2%
75-79	5,400	4.8%
80-84	3,700	3.3%
85-89	2,200	2.0%
90 and over	1,600	1.4%

Source: KCC District Profile/ ONS, 2020 mid-year population estimates



04 Understanding our Communities

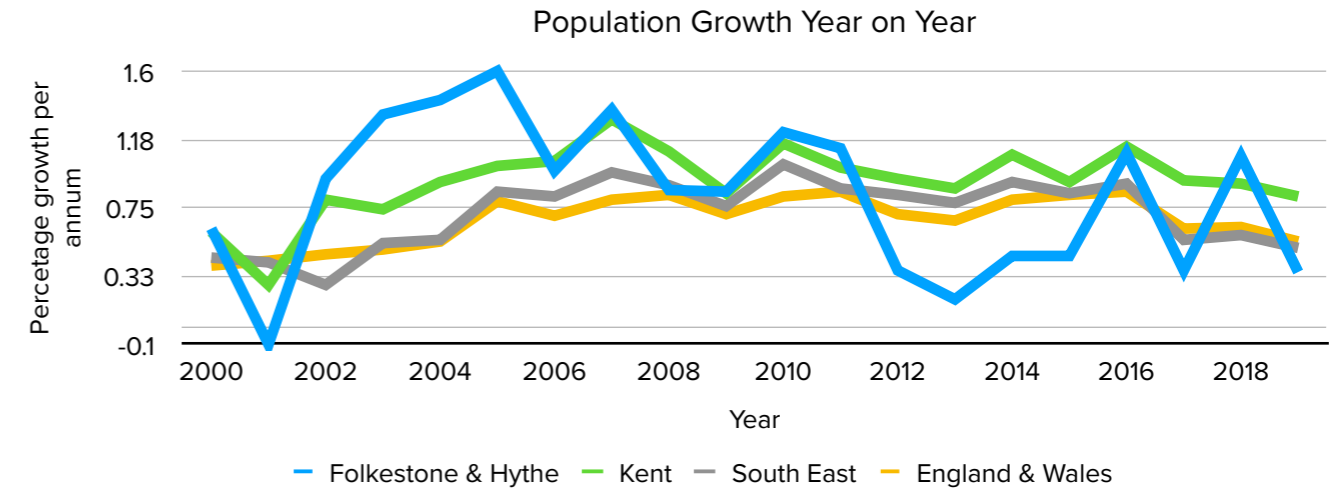
Population Changes and Forecasts

Historical Population Growth:

The most recent population figures (mid- 2020) estimate that the population of Folkestone & Hythe is 113,300. This accounts for 7.1% of the total population within the Kent County Council area.

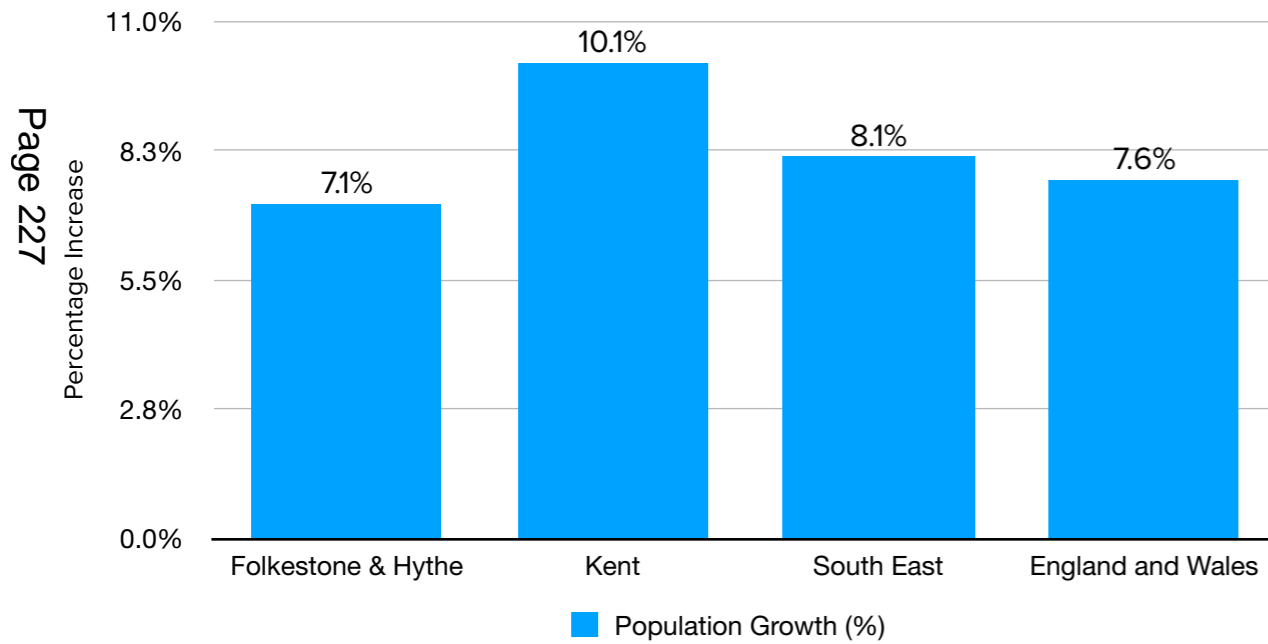
In 2010 the population of Folkestone & Hythe stood at 105,700.

In the ten year period between 2010 and 2020, Folkestone & Hythe’s population grew by 7.1%. This is, however, below regional and national averages.



Source: KCC Interactive mid-year population estimate toolkit/ONS mid-year 2019 population estimates

Population Growth: Last 10 Years (2010-2020)

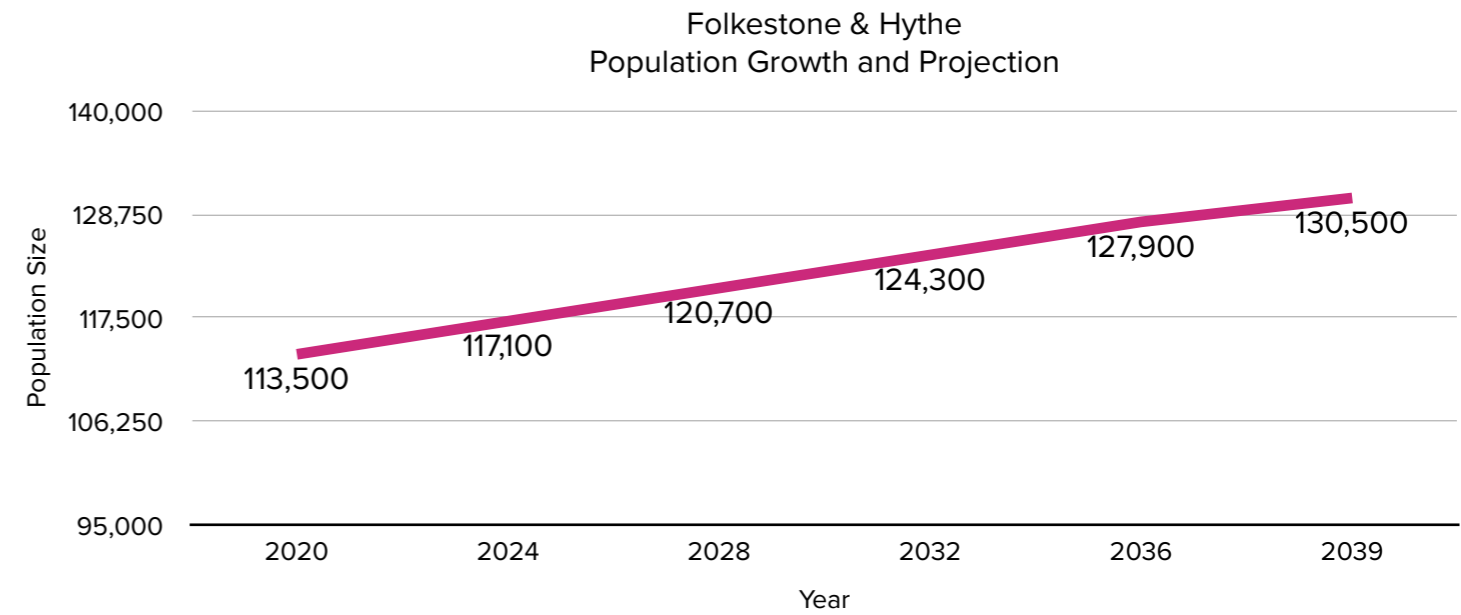


Source: KCC Interactive Mid-Year Population estimate toolkit 2020

Over the last 15 years (2005-2020) population growth across the south east has risen more quickly averaging 0.85% per annum in comparison to England and Wales, which averaged 0.78% per annum. Kent experiences higher annual growth in comparison, averaging a population increase of 1.07% per annum over the same time period. As a smaller geographical area, population growth in Folkestone & Hythe is much more sporadic, with localised factors a major contributory factor. The most recent data shows a population increase of 0.35% between 2018 and 2019, below what was being recorded across the south east (0.5%) and England & Wales (0.54%).

Population Growth Forecasts

Folkestone & Hythe’s population is forecast to rise by nearly 14.9% over the next 19 years, reaching an estimated 130,500 by 2039, while Kent as a whole is expected to grow by 18.3% over the same period. Estimates, however, do not take into account any future developments in the district.



Source: KCC Housing Led Forecasts (November 2020) – Interactive Population Toolkit

04 Understanding our Communities

Population Changes

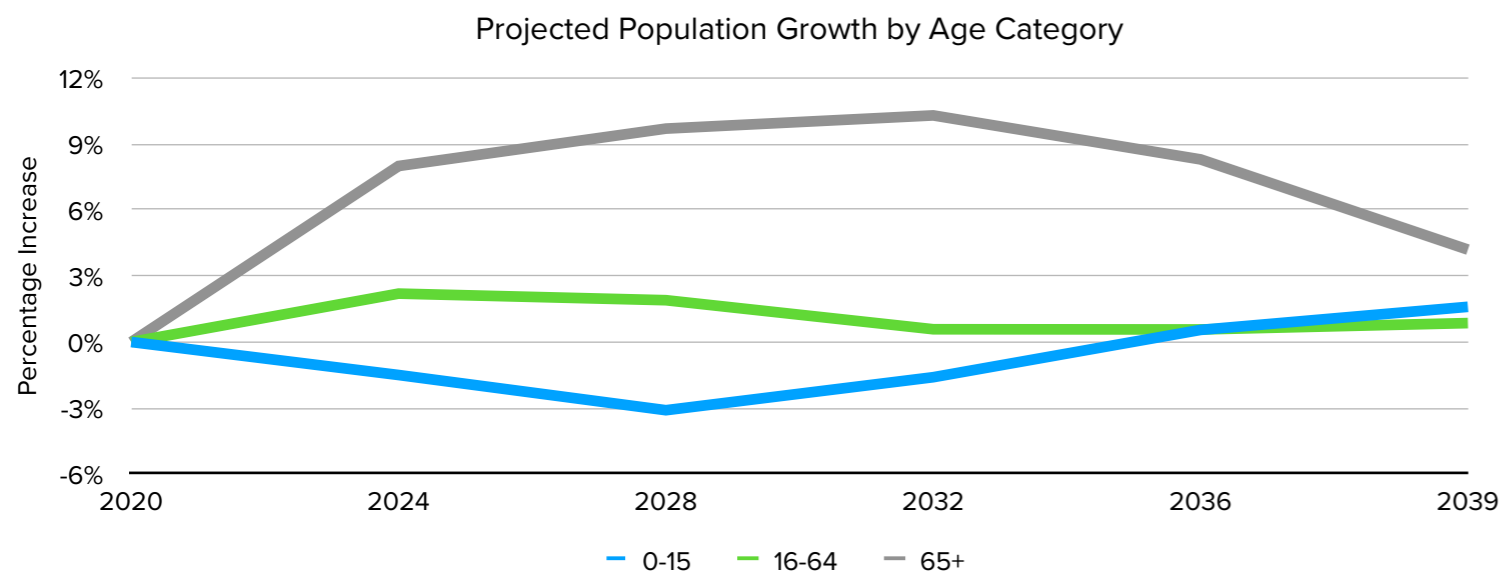
Historically, Folkestone & Hythe's population growth has varied between different age brackets. In the 20 year period between 2000 and 2020 the most significant population growth was amongst those aged between 45 and 70, with residents in this age bracket increasing by 39.3%. The number of residents aged under 45, however has remained largely the same over this period, increasing by only 0.73%.

When considering residents over the age of 65 specifically, between 2000 and 2020 there was an increase of 45%, from 19,300 to 28,000 people. It is forecasted that this will increase by a further 13,600 over the following 19 years (2020-39), a rise of 47.8%. Conversely, residents of 'working age' (between the ages of 16 and 64) are forecast to rise by 6.3% and those under the age of 15 are expected to shrink by 4.1%.

Current Population Projections: Folkestone and Hythe (2020-2039):

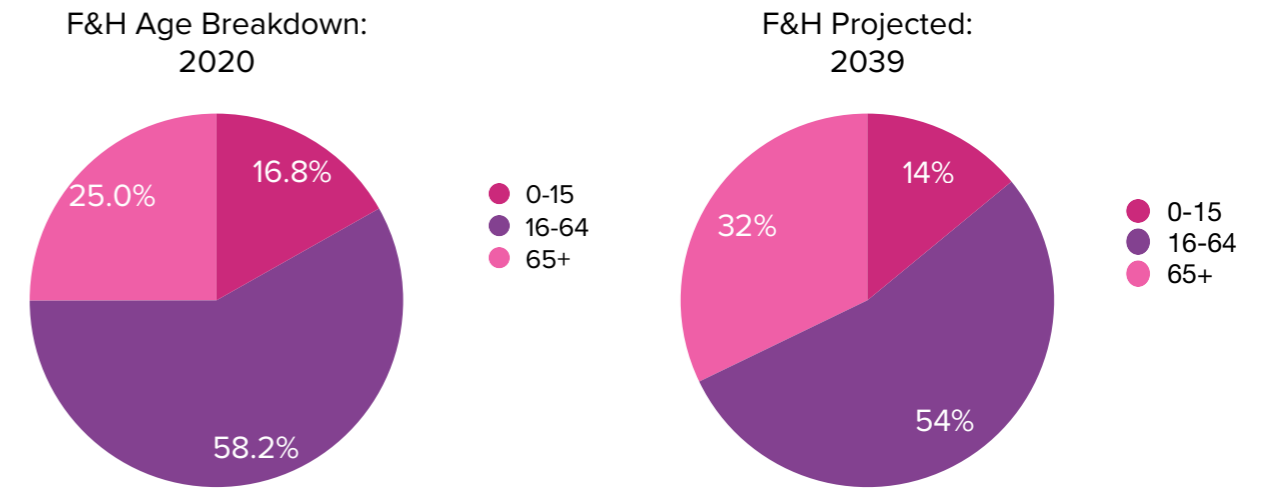
Year	Total Population	Age Group		
		0-15	16-64	65 and over
2020	113,500	19,100	66,000	28,400
2024	117,100	18,800	67,500	30,700
2028	120,700	18,200	68,000	33,700
2032	124,300	17,900	69,200	37,200
2036	127,900	18,000	69,600	40,300
2039	130,500	18,300	70,200	42,000

Source: KCC Housing Led Forecasts (November 2020) - Interactive Population Toolkit



Source: KCC Housing Led Forecasts (November 2020) - Interactive Population Toolkit

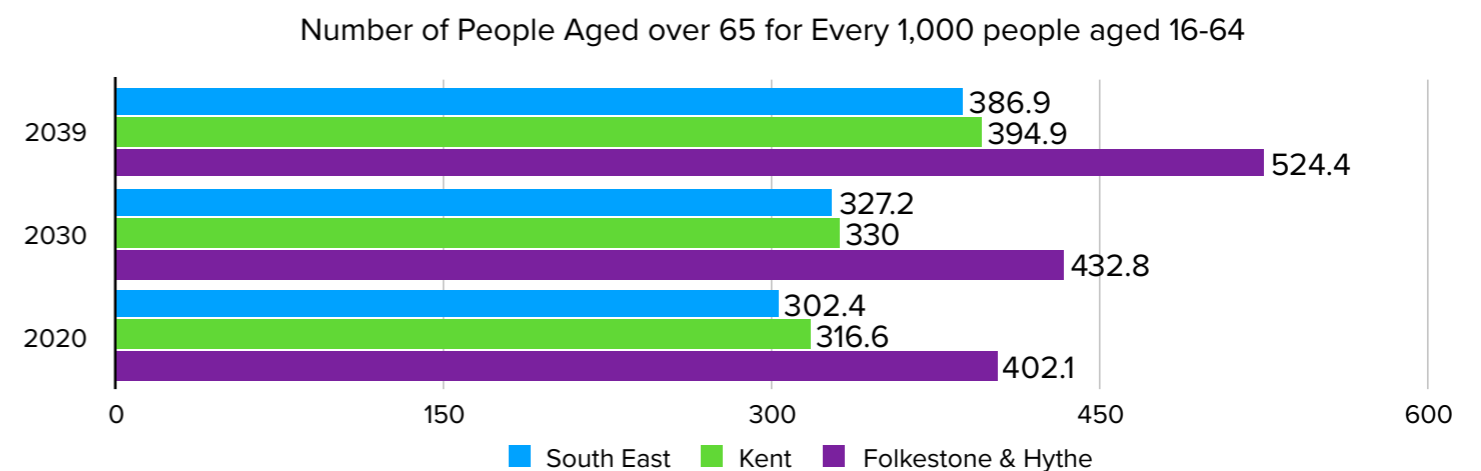
Residents over the age of 65 currently account for 25% of Folkestone & Hythe's population. By 2040 this is expected to have increased by 7.3% a more significant increase than the 5.7% anticipated across Kent.



Source: KCC Housing Led Forecasts (November 2020) - Interactive Population Toolkit

Source: KCC Housing Led Forecasts (November 2020) - Interactive Population Toolkit

The concept of an 'ageing population' is, of course, not solely confined to the Folkestone & Hythe district and the Office for National Statistics (ONS) forecast continued growth in the proportion of the population aged over 65 across the UK. However, future estimates for Folkestone & Hythe, particularly relating to a proportion of the population over the age of 85, are notable rising from 3,900 in 2020 to 7,000 by 2039.



Source: ONS, 2018-based subnational population projections

The graph above shows that the number of people aged over 65 for every thousand people aged 16-64 (known as the Dependency Ratio) is projected to grow significantly faster for Folkestone & Hythe from 402.1 in 2020 to 524.4 in 2039 than for Kent and the South East region.

04 Understanding our Communities

Population: Household Composition

*The 2011 census data remains the latest available, following the conclusion of the 2021 census, the Office for National Statistics plans to release the initial findings and topic summaries in phases from March 2022 onwards.

The 2011 census reported 47,379 households in the Folkestone & Hythe district.

65% of households lived in accommodation that was owned (either outright, with a mortgage, or part-owned through a shared ownership scheme), 11% lived in homes that were social rented (including through F&HDC) and 22% lived in homes that were privately rented. The remaining percentage lived under other arrangements.

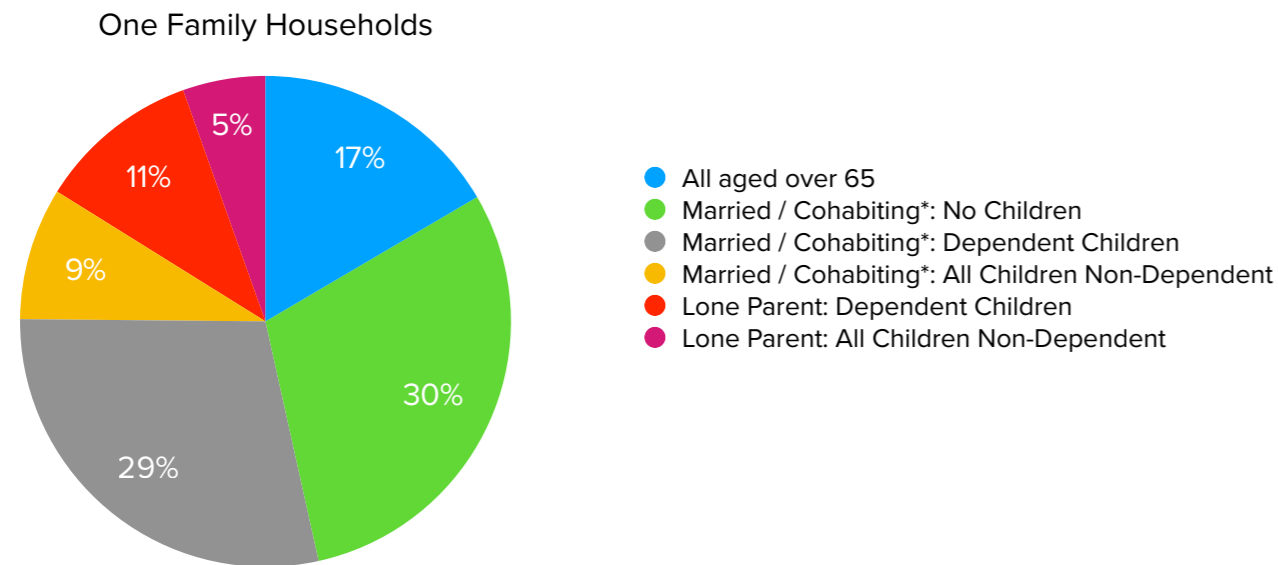
Nearly 70% of all households in the district were composed of one or two people.

Of the 47,379 households in the district, a third were one-person households. 45% of those that lived on their own were aged over 65.

The majority (60%) were one family households. The 2011 census classified these by the “type of family” (married, same-sex civil partnership or cohabiting couple family, or lone parent), by the number of dependent children, or recorded that all occupants were over the age of 65:

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Source: 2011 Census.



Source: 2011 Census

* ‘Married / Cohabiting’ includes couples that are married, in same- sex civil partnerships, or cohabiting. A short hand version has been used in the graph key solely for the reason of space

Ethnicity

Nearly 95% of Folkestone & Hythe’s population are from white ethnic backgrounds, with just over 5% from black and minority ethnic (BME) groups. While the proportion of residents from BME groups is low in comparison to regional and national averages, this is largely in line with other districts in east Kent.

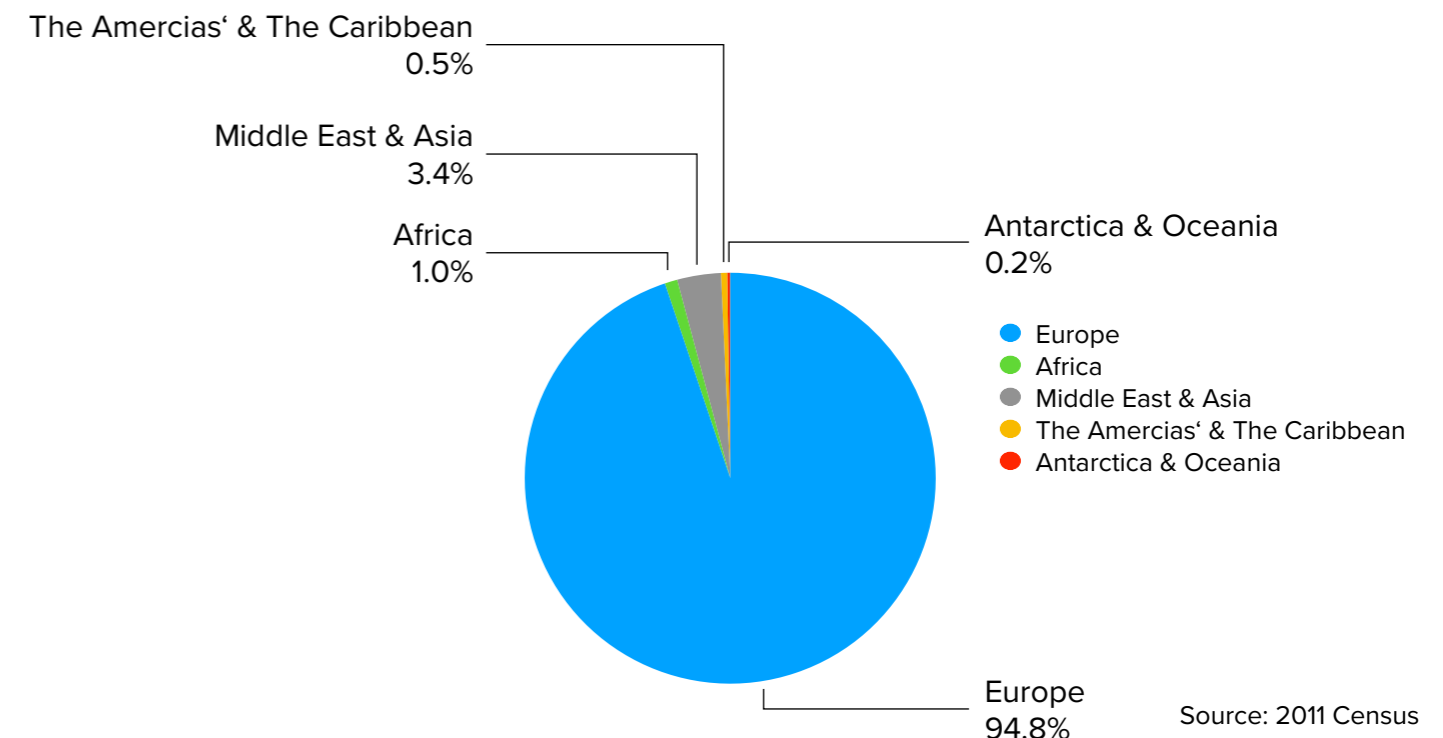
Shorncliffe Barracks is a base for the Royal Gurkha Rifles and the district is home to a significant Nepalese community. The 2011 census reported 2,341 Nepalese residents, the highest in Kent. This accounts for just over 2% of the local population and the largest black and minority ethnic grouping within Folkestone & Hythe.

9.2% of Folkestone & Hythe residents were born outside the UK. The majority (53%) of those born outside the UK have been resident in the UK for over 10 years.

	White	BME
Folkestone & Hythe	94.7%	5.3%
Kent	93.7%	6.3%
South East	90.7%	9.3%
England	85.4%	15%

Source: 2011 Census

Folkestone & Hythe Residents: Continent of Birth



Source: 2011 Census

04 Understanding our Communities

Ethnicity (Continued):

Analysis shows there is some relationship between ethnicity and age. Only 1.2% of those aged over 65 are from black and ethnic minority groups, compared with 6.13% of those aged between 16 and 64 and 7.3% of those aged 15 and under.

Source: 2011 census

2.8% of households in Folkestone & Hythe do not contain any people that have English as their main language. This is slightly higher than the Kent average (2.5%) but lower in comparison to the south east (3.1%) and nationally (4.4%). Source: 2011 census

In 2018/19 a total 1,282 households approached the council as homeless and made applications under Part VI of the Housing Act 1996. 603 (47%) applicants stated they were from white ethnic backgrounds and 34 (2.7%) from black and minority ethnic (BME) groups.

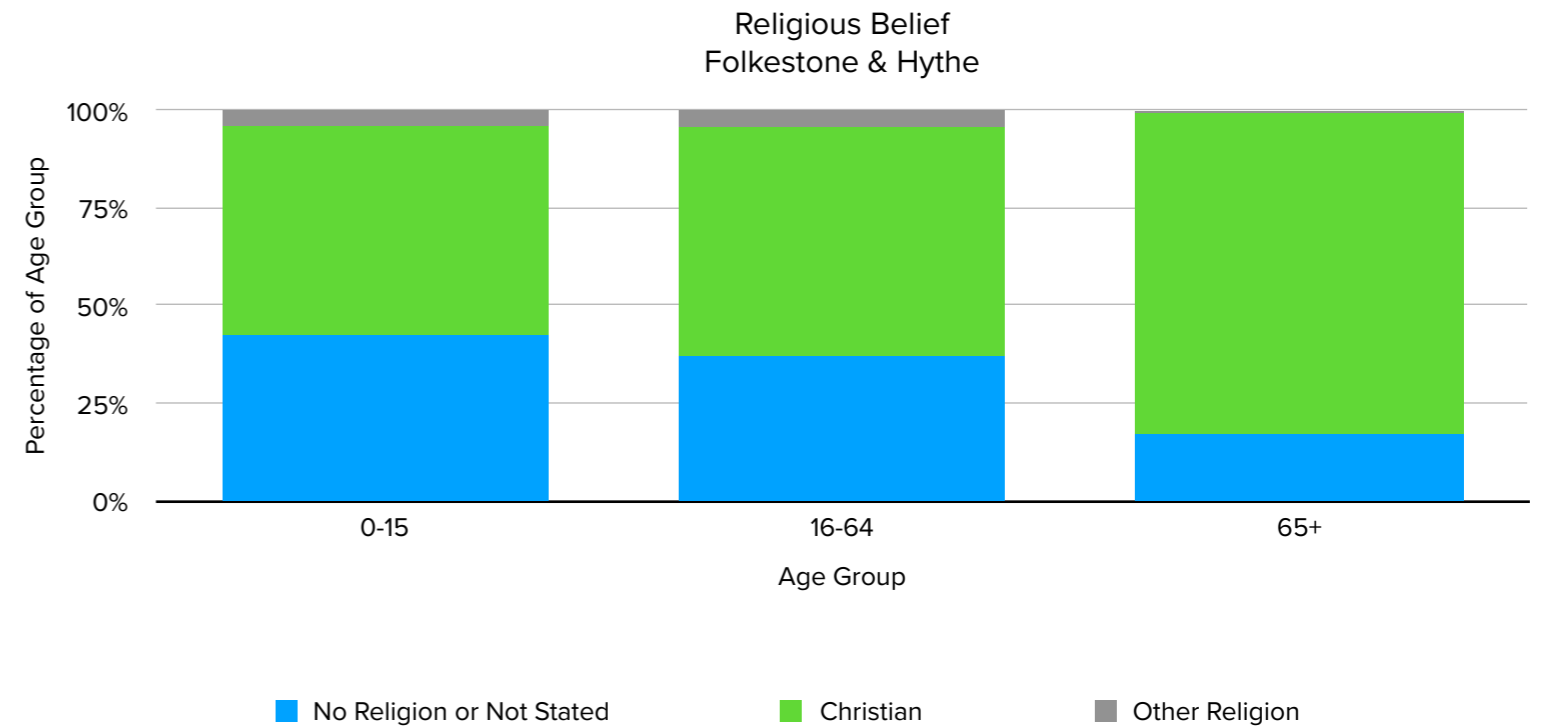
Overall, during this same period, there were 1,590 applications to join the housing register. Of these, 1,470 (92.5%) stated they were from white ethnic backgrounds and 79 (5%) from black and minority ethnic (BME) groups. All applicants were of a European nationality, with 54 stating their nationality as other than British or Irish.

A total of 300 applicants were housed in 2018/19. Of those housed, 278 (92.5%) were from white ethnic backgrounds and 11 (3.5%) from black and minority ethnic (BME) groups.

Religion:

The majority of Folkestone & Hythe residents (62%) have indicated their religion as Christian. Hindu is the second most popular religion in the district (1.4% of residents). Other religious groups that are represented in the community include Buddhist, Jewish, Muslim, and Sikh.

Analysis shows there is some relationship between religion and age, with those aged 65 and over more likely to identify with a religion, particularly Christianity, than those in other age categories.



Source: 2011 Census

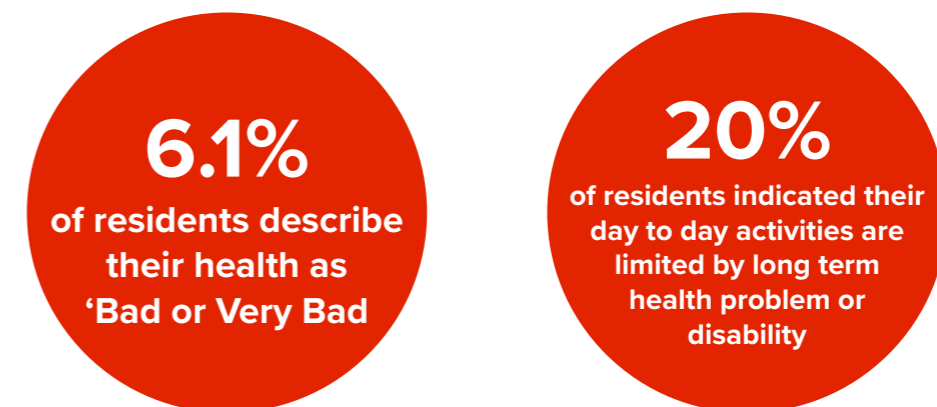
Health

Overview:

6.1% of Folkestone & Hythe residents describe their health as bad or very bad. This is higher than Kent (4.9%), south east (4.1%), and national (England: 5.3%) comparisons.

Over 20% of those that live in the district indicated that their day-to-day activities are limited by a long-term health problem or disability. This is higher than Kent (16.9%), south east (15.1%), and national (England: 17.2%) comparisons.

Source: 2011 Census



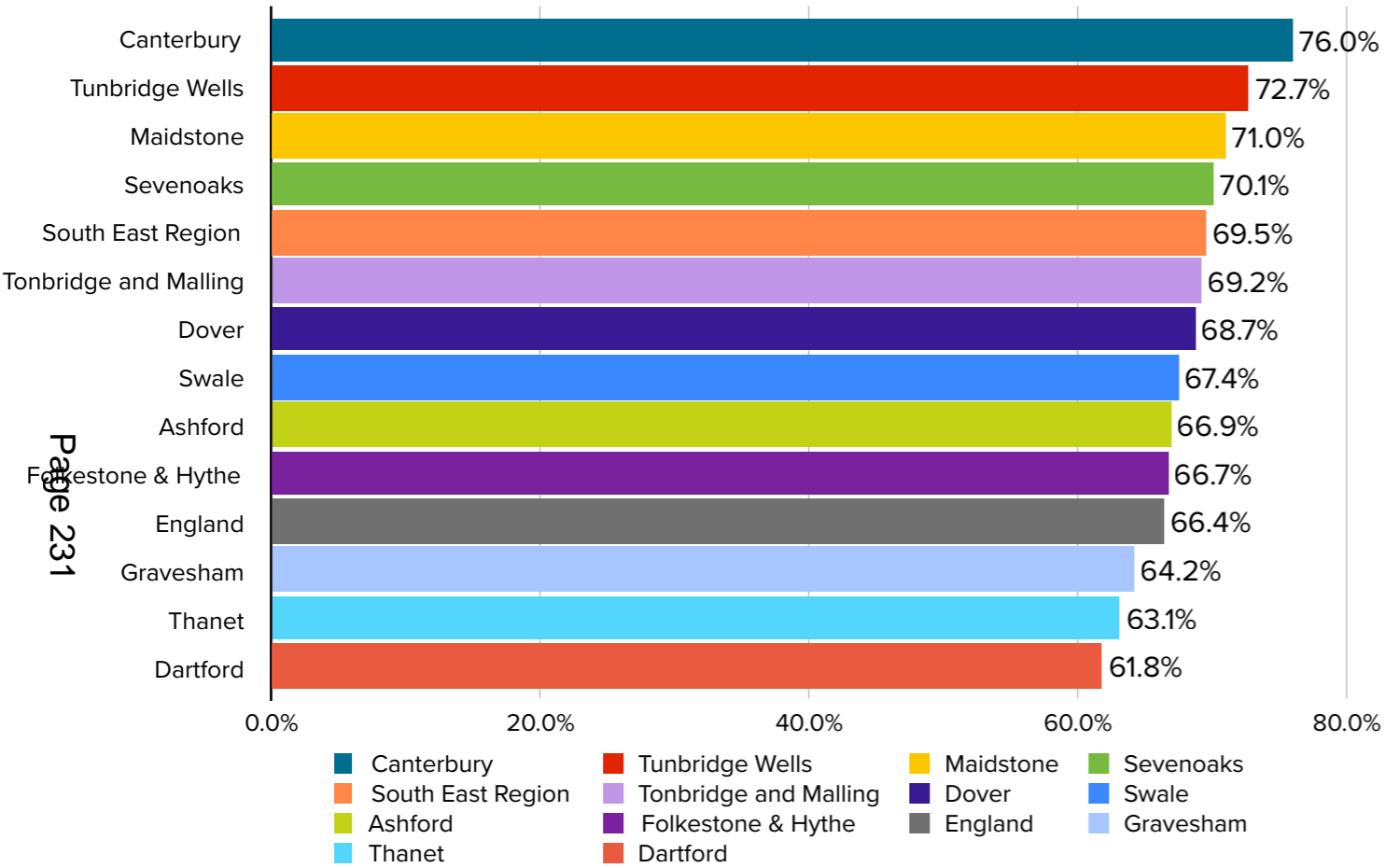
The data on physical fitness, obesity, alcohol-related hospital admissions, self-harm and smoking prevalence set out on the following pages, were sourced from the latest Public Health England's - Public Health Outcomes Framework:

04 Understanding our Communities

Physical Fitness:

In 2019/20 66.7% of Folkestone & Hythe adults were classed as 'physically active' slightly above the English national average. The graph below set out how Folkestone & Hythe compares with other Kent Local Authority areas:

Percentage of Physically Active Adults (2019-20)



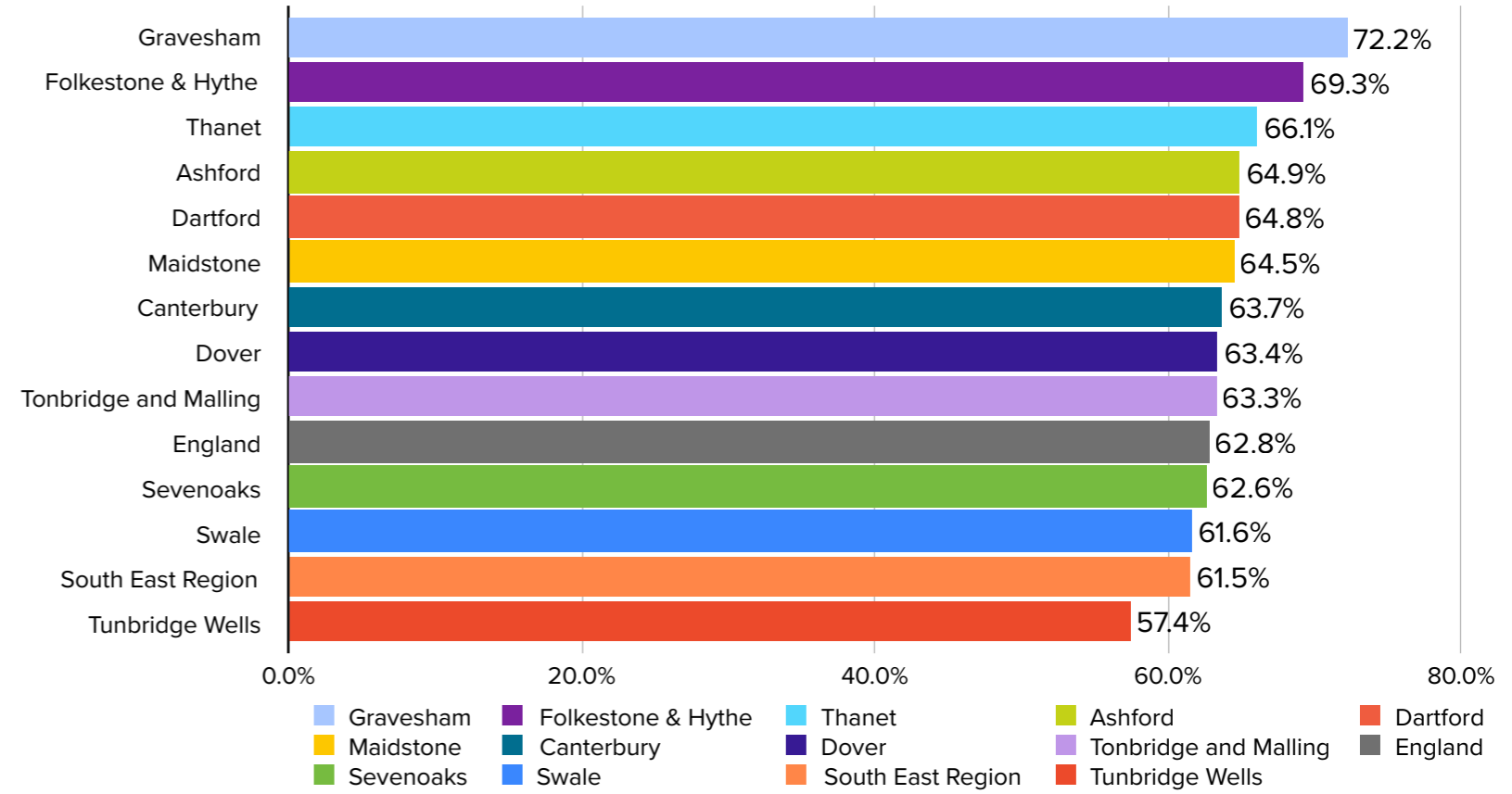
Source: Public Health England: Public Health Outcomes Framework

Obesity:

In 2019/20, 69.3% of adults in the district were classified as overweight and 22.1% of 10-11 year olds (Year 6 school age) were classified as obese. Both figures are above the South East and national averages.

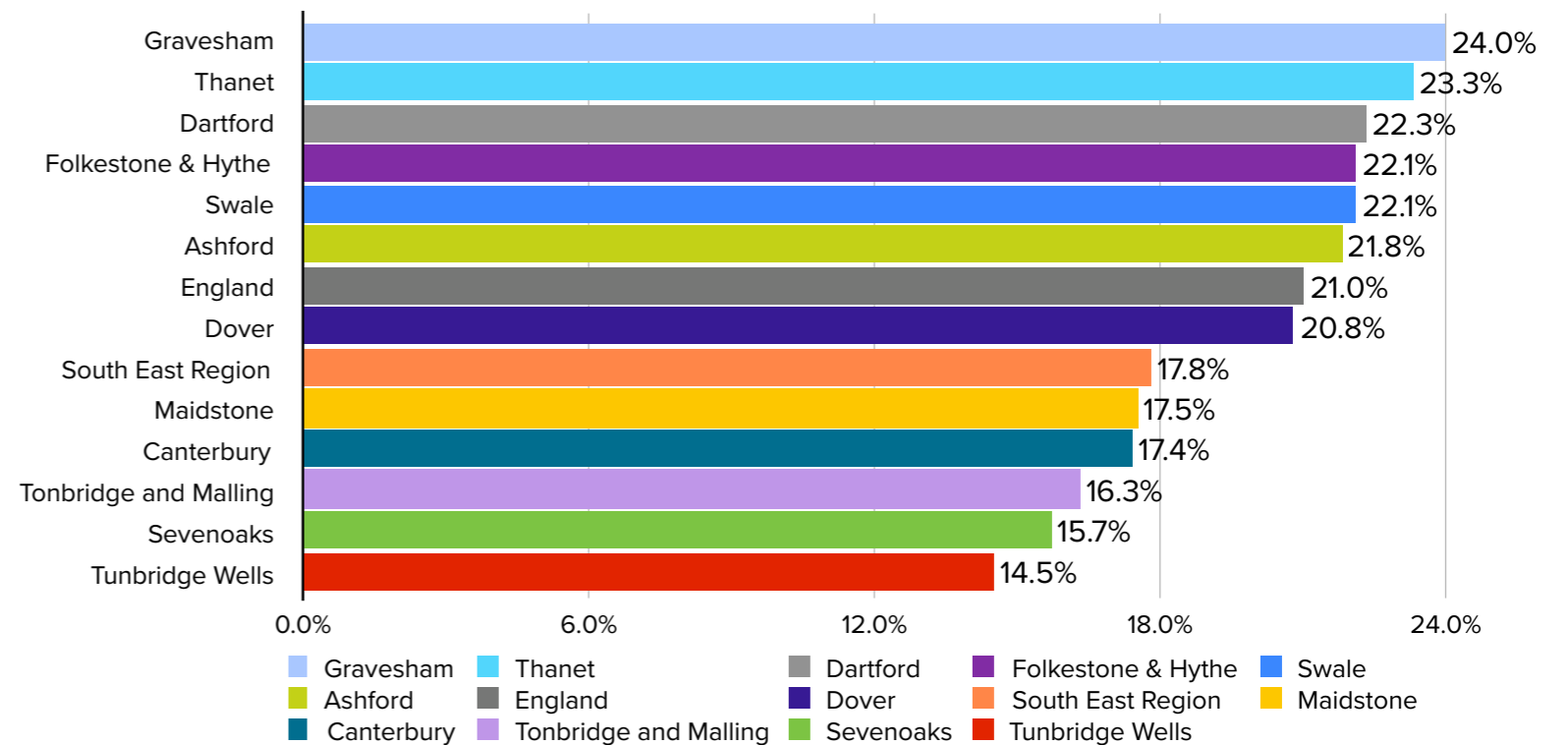
The following graphs set out how Folkestone & Hythe compares with other Kent Local Authority areas for obesity in both adults and Year 6 school age children:

Percentage of Adults (aged 18+) classified as overweight or obese (2019-20)



Source: Public Health England: Public Health Outcomes Framework

Prevalence of obesity Year 6 children (Including severe obesity) (2019-20)



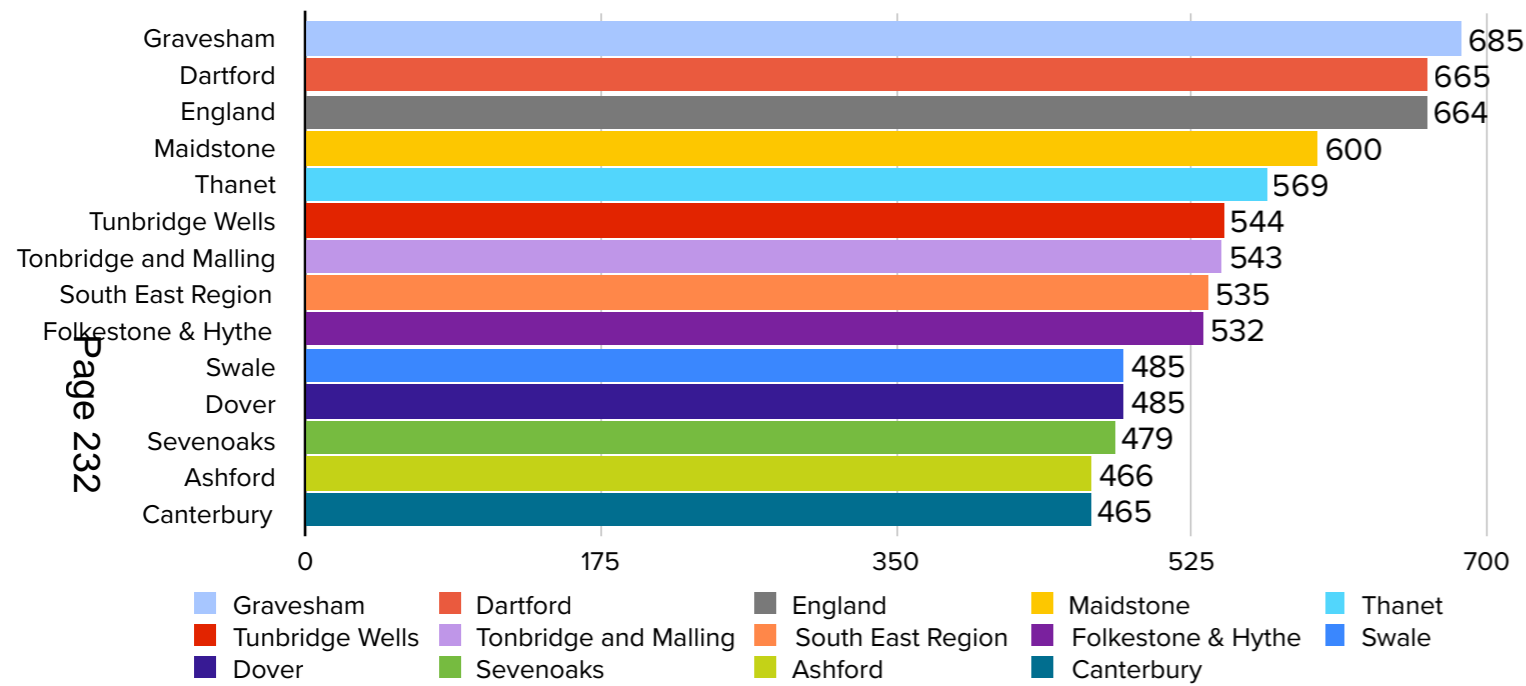
Source: Public Health England: Public Health Outcomes Framework

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Alcohol-related hospital admissions:

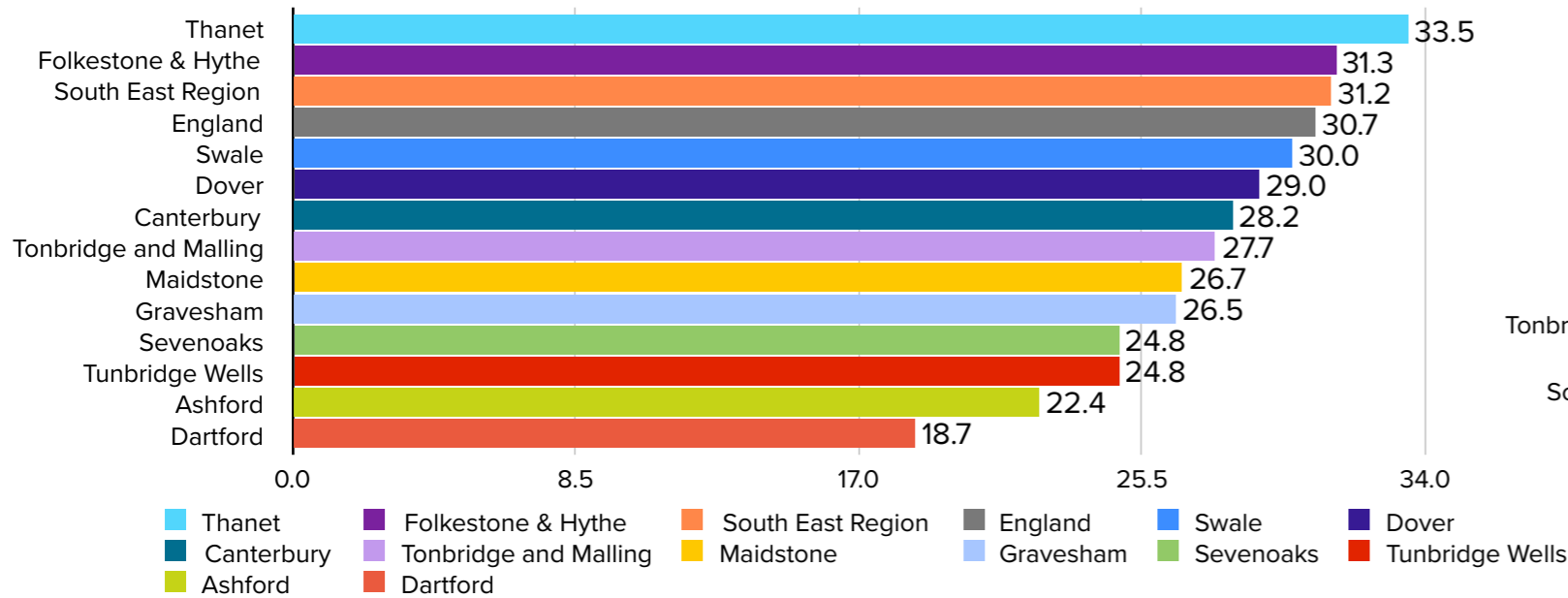
The rate of alcohol-related harm hospital admissions for adults is better than the average across England with 532 per 100,000 recorded in the district during 2018/19, compared with 664 per 100,000 nationally. However, the rate of alcohol-specific hospital stays among under 18s in the district is above the average across England with 31.3 per 100,000 recorded compared with 30.7 per 100,000 nationally. The below graphs set out how Folkestone & Hythe compares with other Kent Local Authority areas:

Alcohol Related Harm - Hospital admissions per 100,000 (2018-19)



Source: Public Health England: Public Health Outcomes Framework

Hospital Stays for alcohol specific conditions per 100,000 - Under 18s (2017-19)

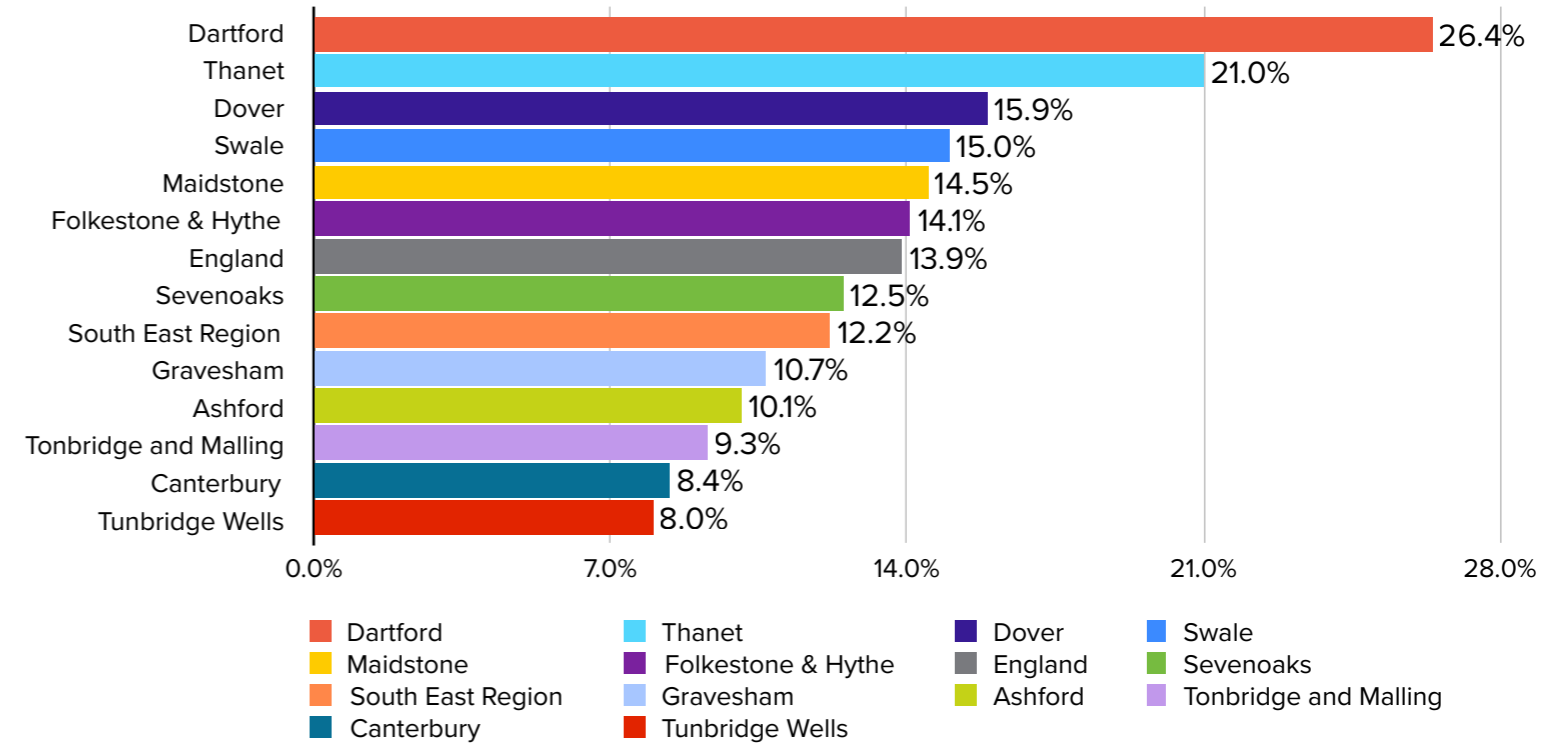


Source: Public Health England: Public Health Outcomes Framework

Smoking:

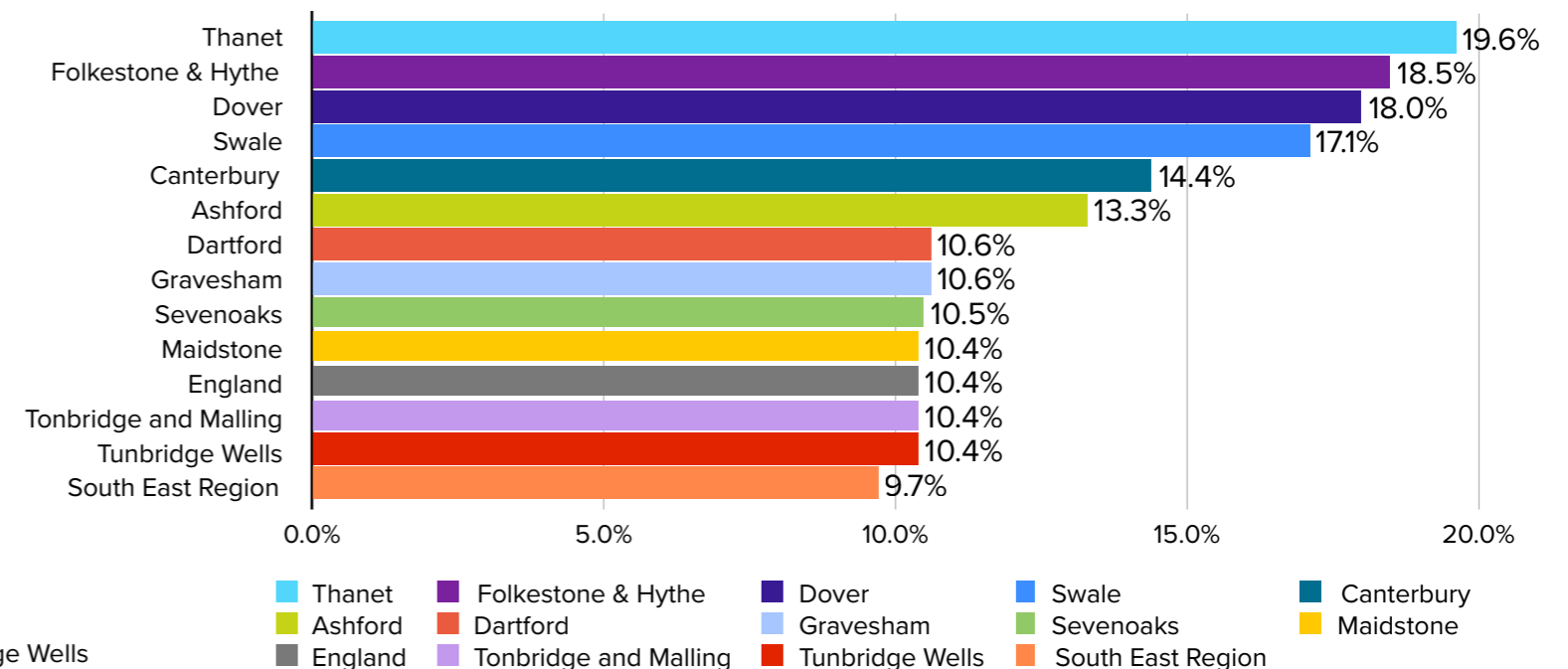
In line with the national average, 14.1% of those over the age of 18 are smokers. However, regarding pregnancy and smoking, Folkestone & Hythe performs significantly worse than average, with 18.5% of expectant mothers smoking at the time of delivery (a determinant of child health):

Smoking Prevalence in Adults (18+) 2019



Source: Public Health England: Public Health Outcomes Framework

Smoking status at time of delivery (2019-20)

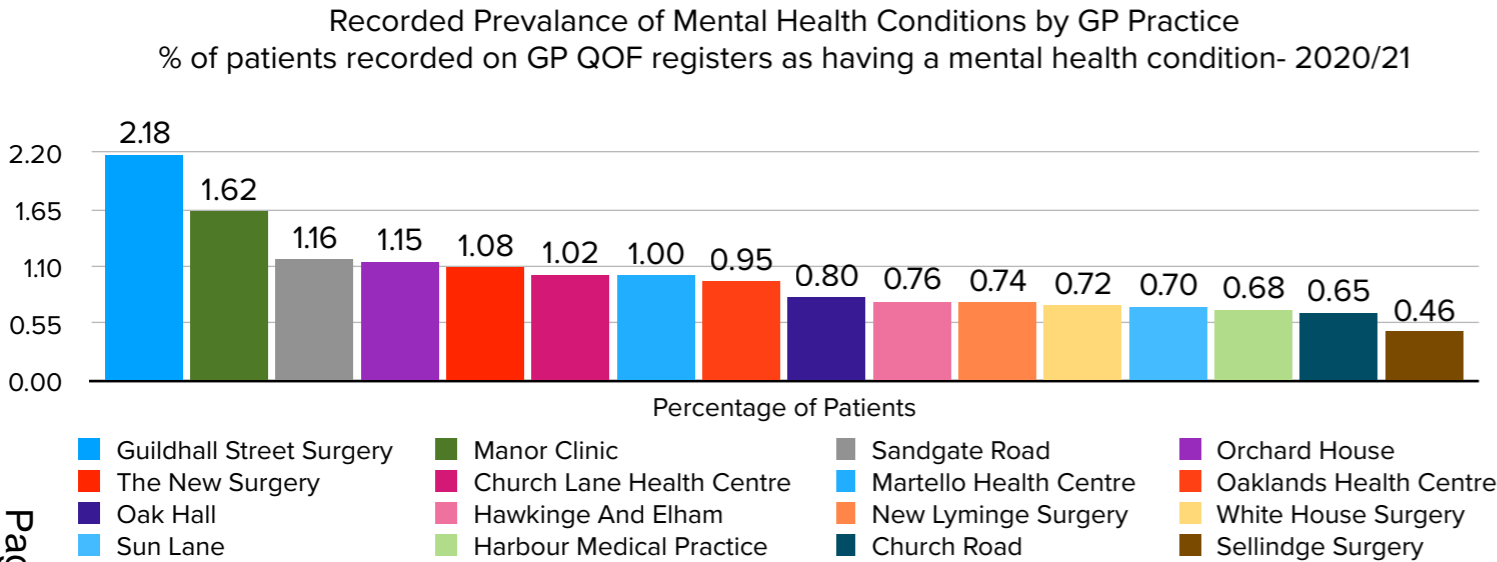


Source: Public Health England: Public Health Outcomes Framework

04 Understanding our Communities

Mental Health and Suicide:

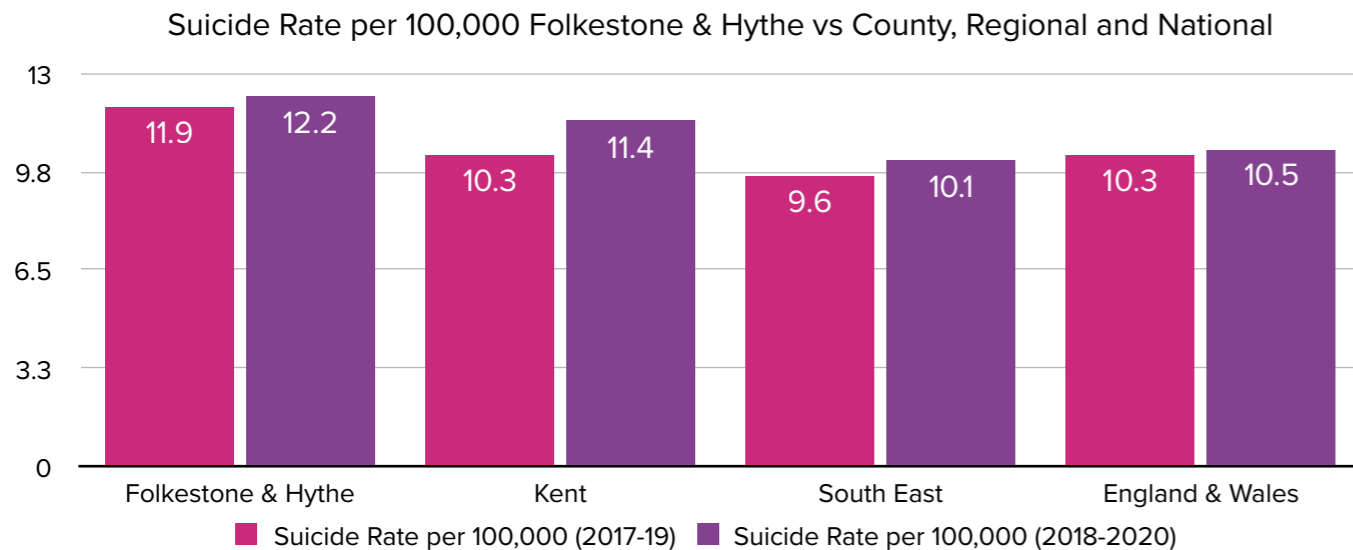
The prevalence of mental health conditions in 2020-21 by GP practice in the graph below shows Guildhall Street Surgery (Folkestone) as recording the highest prevalence (2.18%) and Sellindge Surgery recording the lowest (0.46%) on the register of their patients:



Source: NHS Digital: Quality of Outcomes Framework (2020/21)

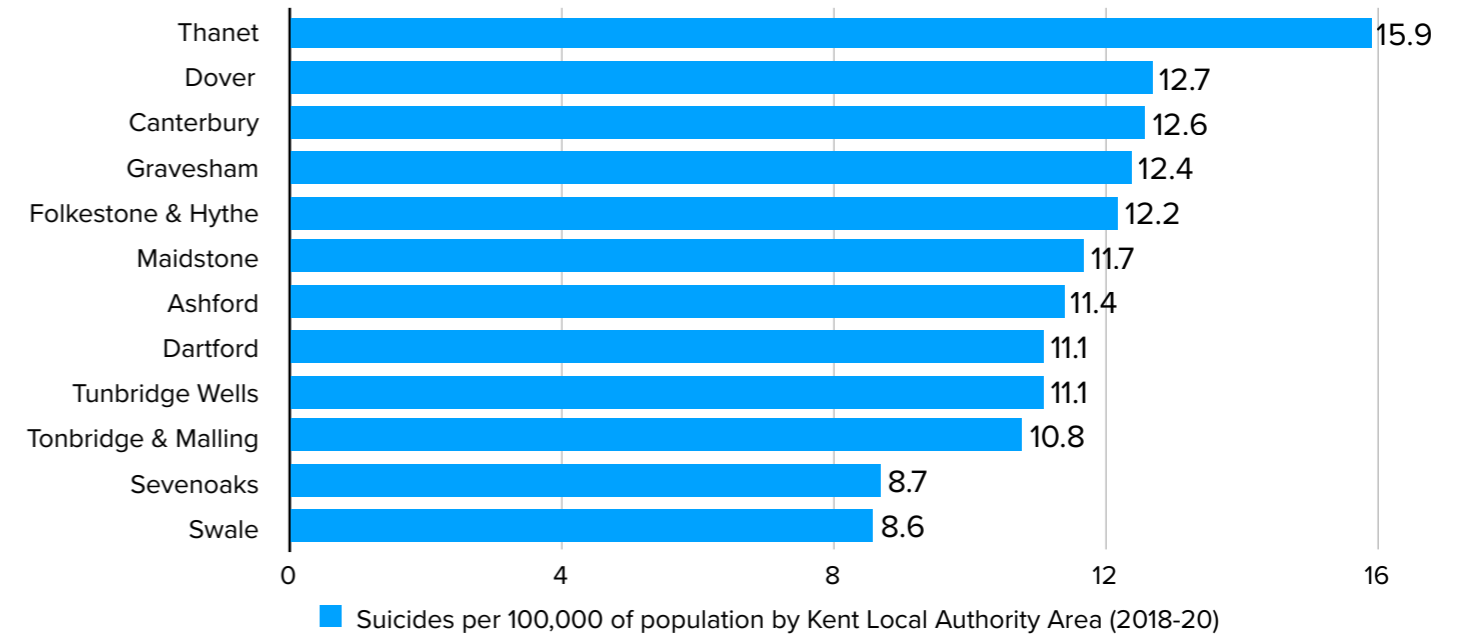
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The suicide rate in the district is above the average for Kent, the South East and England & Wales as a whole. Data for the period from 2018 to 2020 recorded by the ONS shows the rate at 12.2 per 100,000 of the population, the fifth highest amongst the Kent districts. The rate across Kent overall was 11.4, 10.1 in the South East and 10.5 nationally (England & Wales).



Source: ONS Suicides in England and Wales by Local Authority (2020)

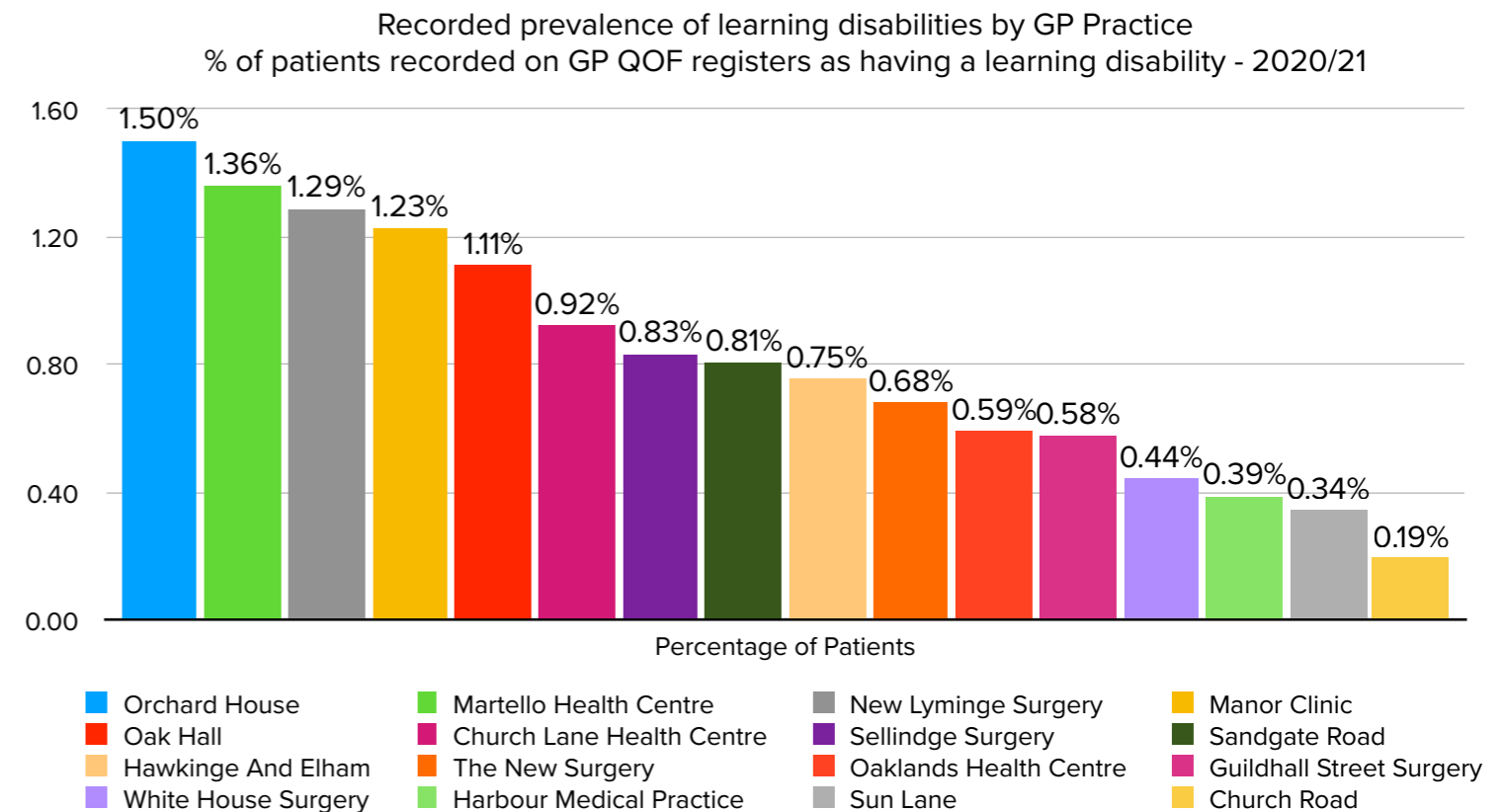
Suicides per 100,000 of population by Kent Local Authority Area (2018-20)



Source: ONS Suicides in England and Wales by Local Authority (2020)

Learning Disabilities:

The latest figures recorded in 2020/21 on the prevalence of learning disabilities by GP practice show a variance across the district with the highest at Orchard House Surgery in Lydd (1.50%) and the lowest at Church Road Surgery in Lyminge (0.19%).



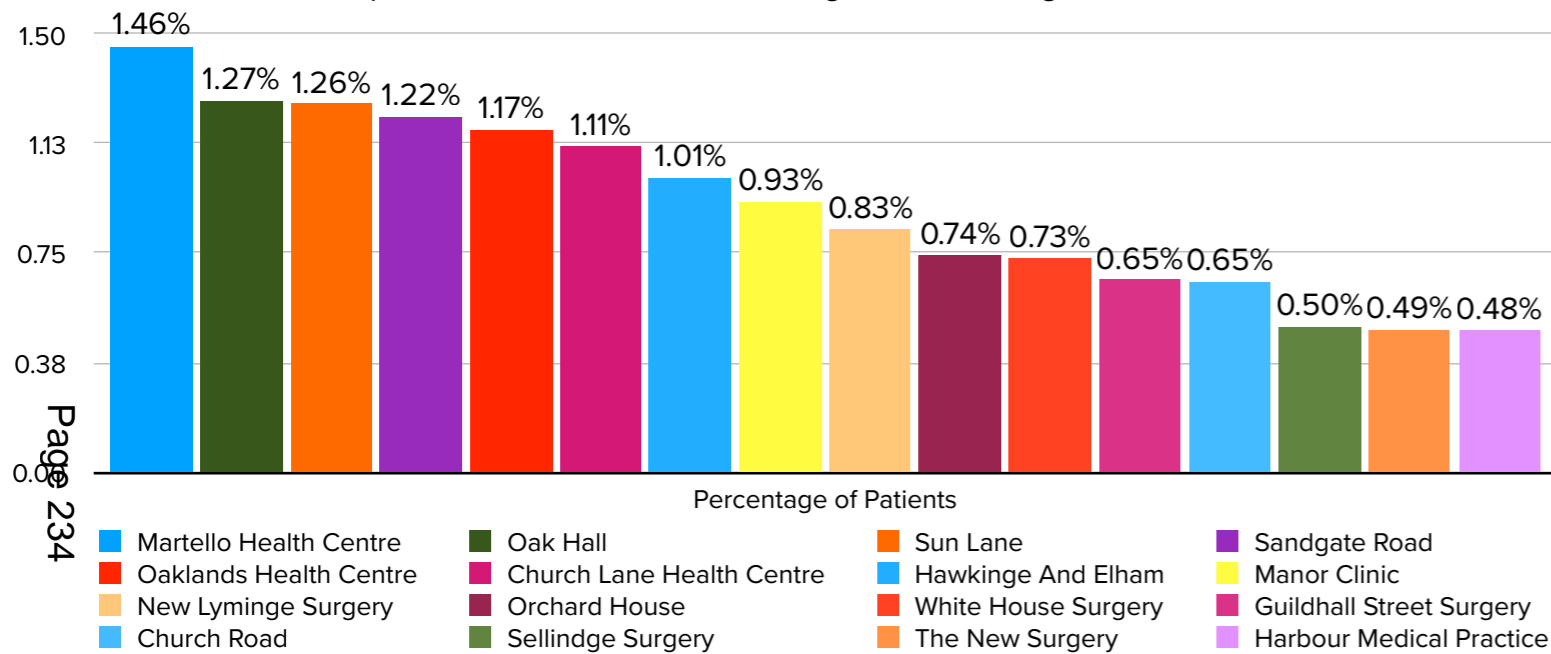
Source: NHS Digital: Quality of Outcomes Framework (2020/21)

04 Understanding our Communities

Dementia:

The latest data recorded in 2020/21 for prevalence of dementia by GP surgeries shows a variance across the district with the highest number being recorded at Martello Health Centre in Dymchurch (1.46%) and the lowest at the Harbour Medical Practice in Folkestone (0.48%).

Recorded dementia prevalence by GP Practice
% of patients recorded on GP QOF registers as having a dementia 2020-21



Source: NHS Digital: Quality of Outcomes Framework (2020/21)

Births & Deaths

In the recent past there have generally been more deaths per year in the district than births. This trend has continued with the latest figures from 2020 showing 938 live births and 1,614 deaths recorded across 2020/21 period. This is in contrast with the picture for Kent as a whole, where the live birth rate is higher than the death rate.

Source: ONS, Births in England and Wales: Summary Tables, 2020/ONS: Deaths registered monthly in England and Wales, 2020 & 2021

General Fertility Rates

The General Fertility Rate (GFR) is the number of live births per 1,000 females aged between 15 and 44.

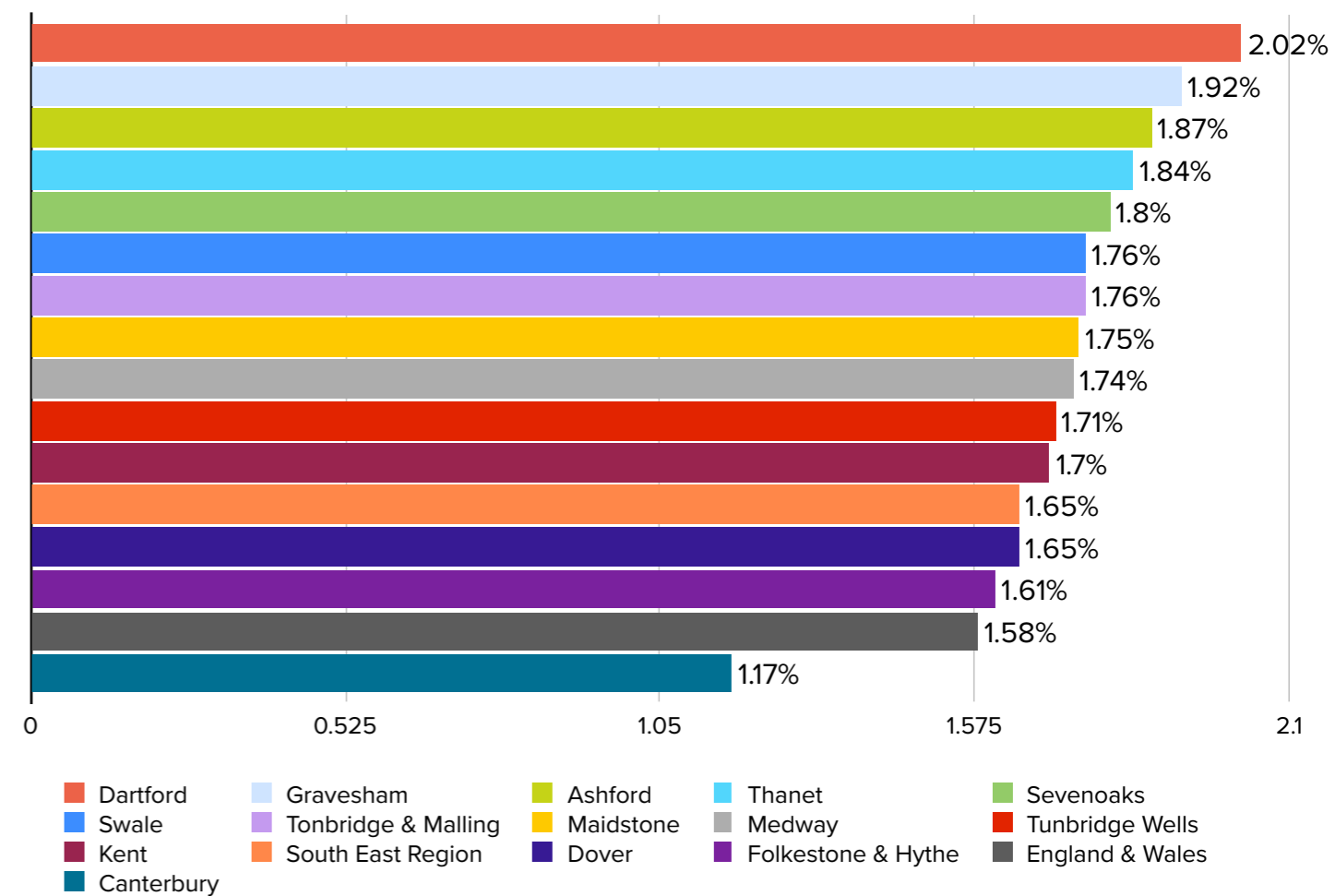
In 2019, the GFR for Folkestone & Hythe was measured at 59.2. This is the fourth lowest rate when compared with other Kent local authority areas.

Total Fertility Rates

The total fertility rate is defined as 'the average number of live children that a group of women would bear if they experienced the age-specific fertility rates of the calendar year throughout their childbearing lifespan'.

Folkestone & Hythe has the second lowest total fertility rates (1.61) in 2020 compared with East Kent local authority areas. The graph below shows the total period fertility rate for the district to be below the Kent (1.70) and South East Region (1.65) averages.

TFR Total Period Fertility Rate 2020



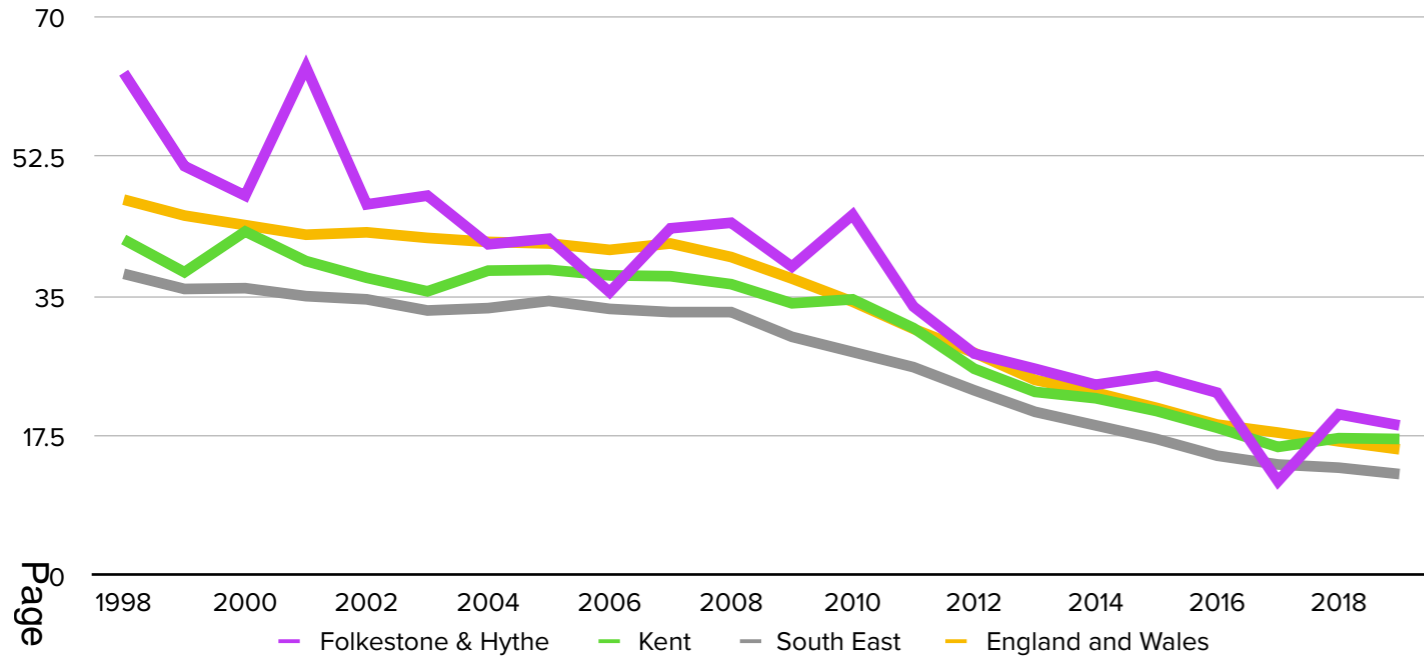
Source: KCC Strategic Commissioning Statistical Bulletin – Births & Deaths in Kent 2020

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Teenage Pregnancies:

Under 18 conception rate – An Historical Comparison:

Under 18 Conceptions (Per 1,000 population) 1998-2019

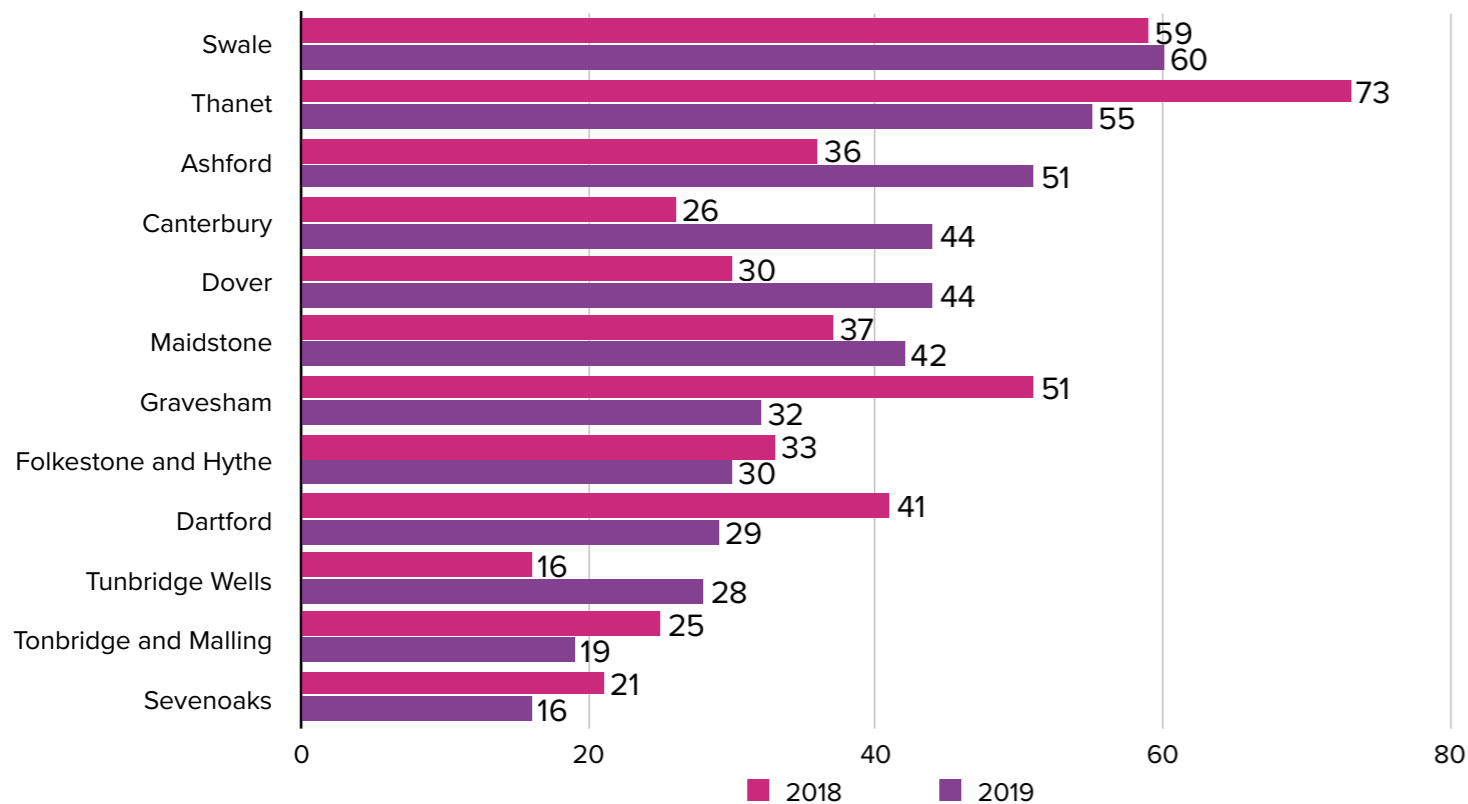


Source: ONS Conception Statistics 2019

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Teenage Conceptions: A Kent Comparison

Number of under 18 conceptions by Kent local authority area in 2018 vs 2019



The latest ONS data on conceptions from 2019 in the graph shows all Kent local authorities ranked from highest to lowest in terms of under 18 conceptions. Thanet was recorded as having the highest number in 2018. In 2019, Swale recorded the highest number with a total of 60 conceptions. Folkestone & Hythe, previously recorded a total of 33 conceptions in 2018, which decreased slightly to 30 in 2019. Sevenoaks recorded the lowest number within the County in 2019.

Life Expectancy:

The latest available data from the 2018-2020 period shows average life expectancy of a Folkestone & Hythe resident as similar to the national average.

Life expectancy in years:

	Folkestone & Hythe	Kent	South East
Male	82.9	83.2	84.1
Female	78.3	79.6	80.5

Source: ONS: Life expectancies for local areas of the UK: Between 2001-03 and 2018-20

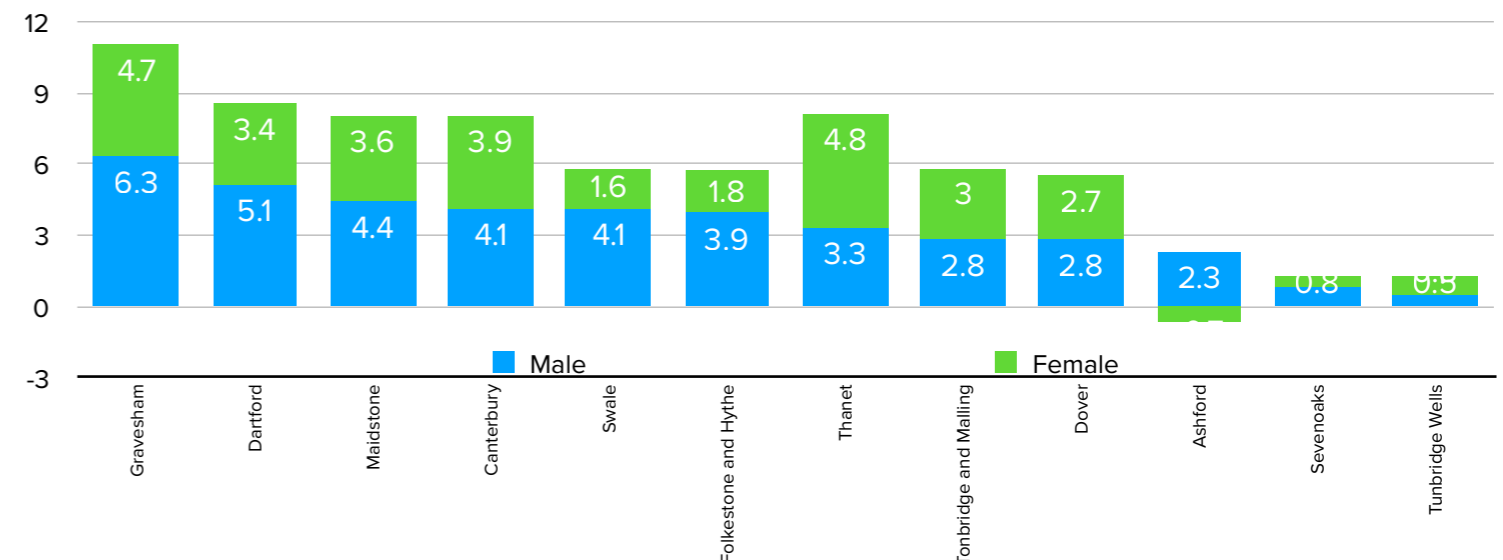
At the age of 65 years, the average female in the Folkestone & Hythe District lives for a further 21.3 years, with the average male living for a further 18.6 years.

Source: ONS: Life expectancies for local areas of the UK: Between 2001-03 and 2018-20

Inequality in Life Expectancy:

The Slope Index of Inequality (SII) is a measure of the difference in life expectancy between the most and least deprived sections of the local population. The latest figures from the 2017-19 period show that the inequality in life expectancy at 65 for a male is 3.9 years and 1.8 years for female in Folkestone and Hythe. The below graph sets out how the district compares to other Kent Local Authority areas:

Inequality in life expectancy at 65 years



04 Understanding our Communities

Disability Benefits:

7.7% of Folkestone & Hythe residents claim disability benefits, defined as including Disability Living Allowance / Personal Independence Payments or Attendance Allowance. Across all Kent authorities, Thanet (at 11.6%) has the highest percentage of disability benefit claimants. The table below shows the proportion of each age bracket claiming disability benefits and how this compares with county, regional and national figures.

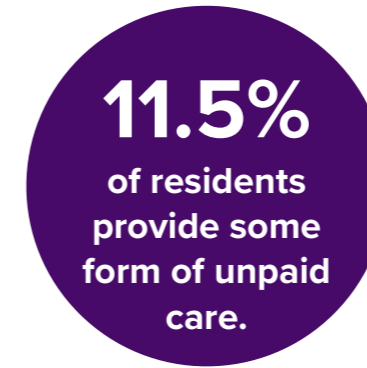
	Folkestone & Hythe	Kent	South East	England & Wales
Overall	7.7%	8.2 %	6.8%	8.3%
0-15	7.2%	5.5%	4.3%	4.4%
16-64	5.6%	5.7%	4.7%	5.8%
65+	11.8%	16.8%	15.0%	18.8%
Young People (24 and under)	7.1%	5.4%	4.2%	4.3%

Source: KCC District Profile/ DWP Longitudinal Study, November 2020

There are a number of reasons why people may claim disability benefit and people may claim for more than one condition. Looking at why people in Folkestone & Hythe district claimed the benefit, figures show that 91.9% of disability benefit claimants in the district claim due to a physical disability, 23.9% also claimed for a mental health condition, and 20.5% of the total due to a learning difficulty.

People Providing Unpaid Care:

Age Range	Percentage
65 and over	24.8%
16-64	72.9%
0-15	2.3%



Source: 2011 Census



Source: KCC District Profile/ DWP Longitudinal Study, November 2020

Percentage of age groups claiming carers allowance:

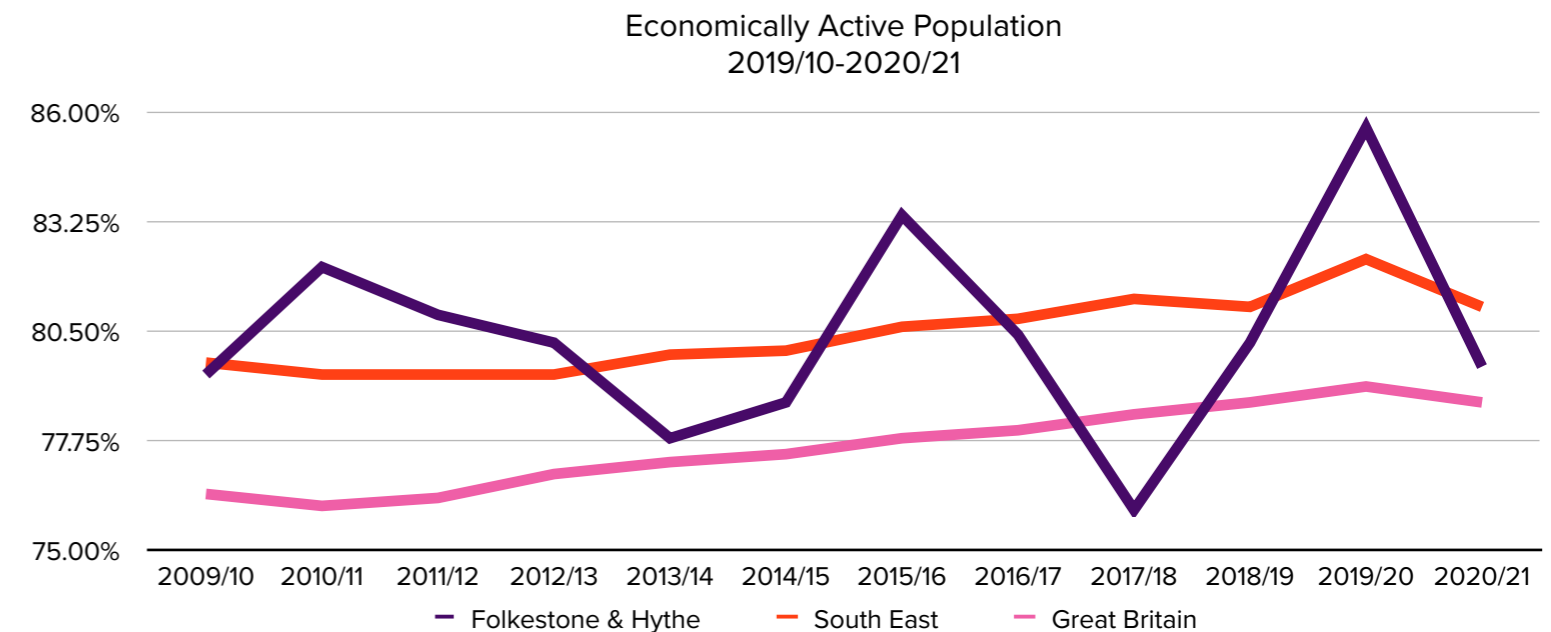
Age Range	Folkestone & Hythe	Kent	Great Britain
16-24	0.9%	0.7%	0.7%
25-64	3.4%	2.7%	2.7%
65 and over	0.2%	0.2%	2.7%

Source: KCC District Profile/ DWP Longitudinal Study, November 2020

Economic Profile

Labour Supply & Economic Activity:

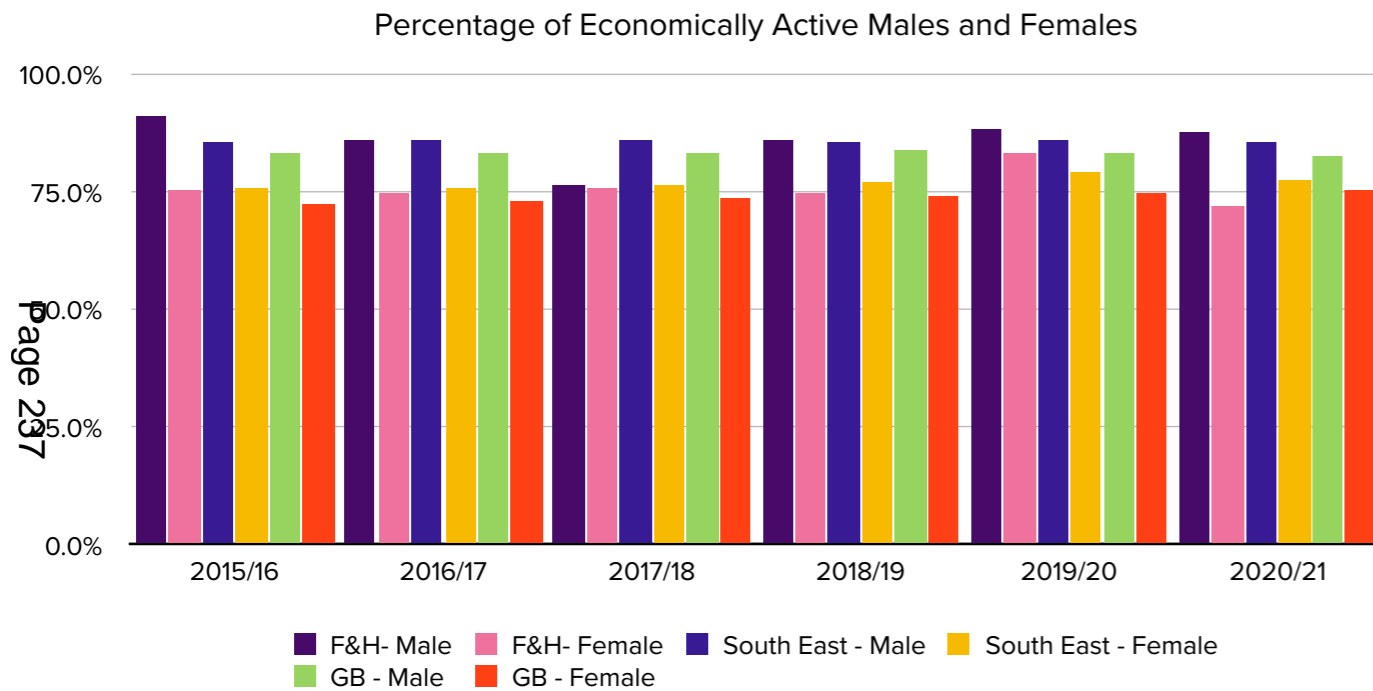
In 2020/21, 79.6% of those aged between 16 and 64 were 'economically active', defined as 'either in employment or unemployed and available for and actively seeking work' compared with 85.6% in 2019/20.



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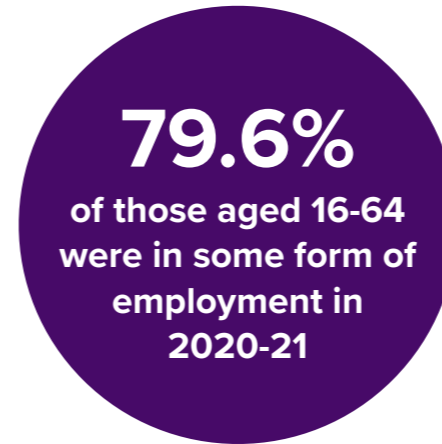
Labour Supply & Economic Activity (continued):

There has historically been some differential between the proportion of economically active men and women. In 2015/16 for example, 91.2% of males were economically active in comparison to 75.4% of females. In 2019/20, the proportion of economically active females rose to 83.3% whilst the proportion of economically active males decreased to 88%. The latest data for 2020/21 shows a decrease in the proportion of economically active women down to 72.0%, whilst economically active men decreased slightly to 87.8%. The graph below shows the trend for the previous five years:

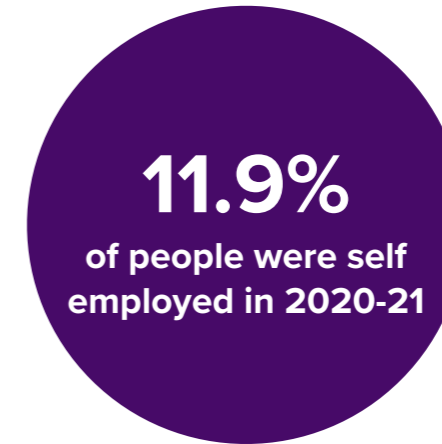


In 2020/21, 79.6% of those aged 16-64 were in some form of employment. The majority of people aged 16-64 who were classed as employees increased from 61.6% in 2019/20 to 65.5% in 2020/21. The number of those classed as self-employed has decreased from 20.8% in 2019/20 to 11.9% in 2020/21 as a likely result of the pandemic.

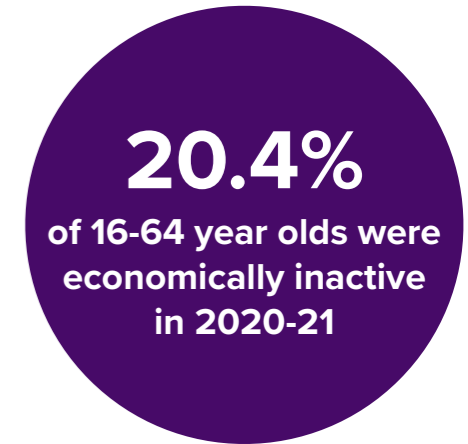
The proportion of residents classed as 'economically inactive' has shown an increase this year. In 2020/21 20.4% of those aged 16-64 were unavailable to work because of family commitments, retirement or study, or unable to work through sickness or disability compared with 14.4% in 2019/20. The figure for 2020/21 is above average when compared to the south east (18.9%), but below the average for Great Britain as whole (21.3%).



Source: Nomis



Source: Nomis



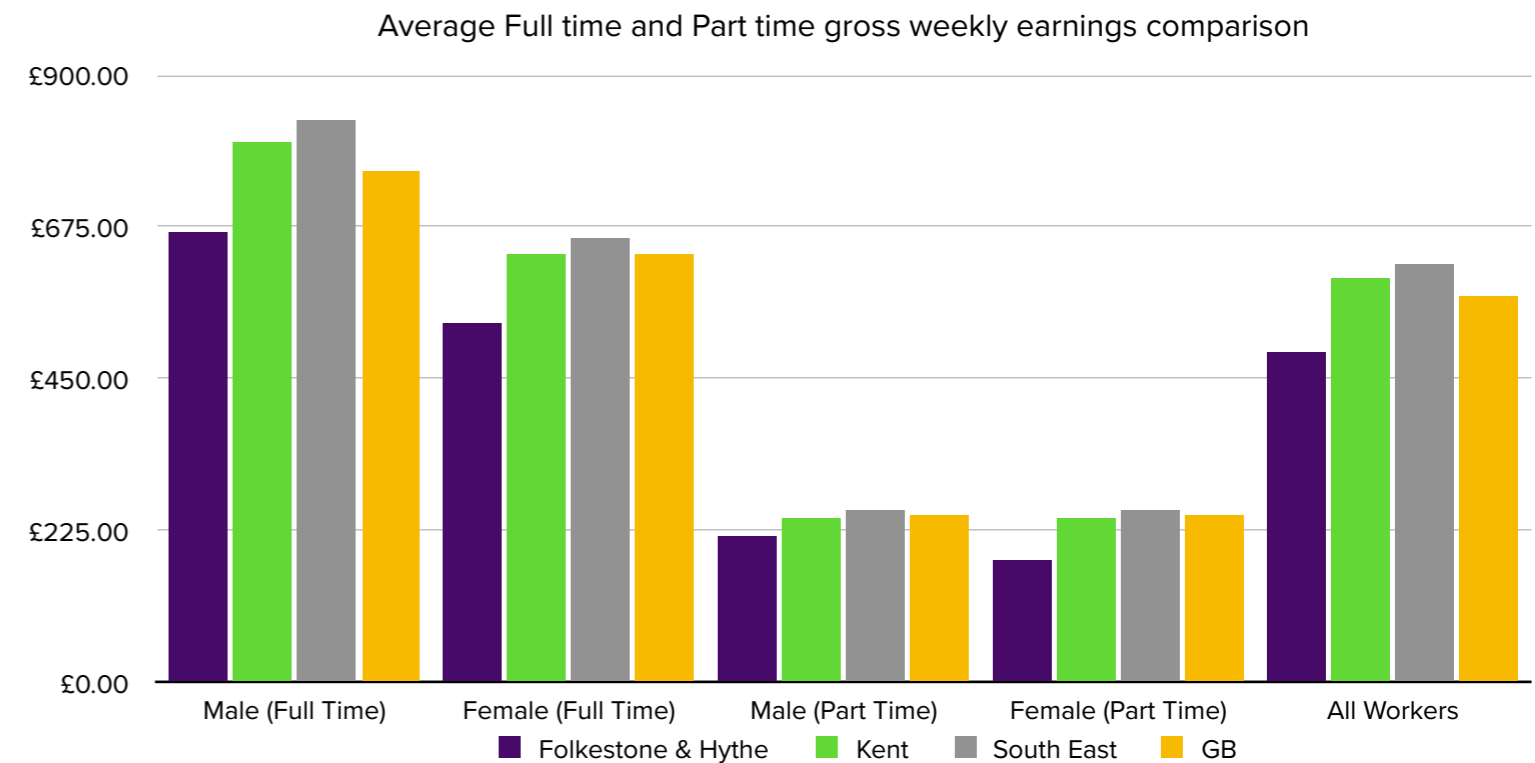
Source: Nomis

Earnings and Income:

The average gross earnings for a Folkestone & Hythe resident is £490.90 per week which is lower than those for the average Kent resident (£598.30 per week), the south east (£618.50 per week) and Great Britain as a whole (£572.70 per week).

Source: NOMIS, Annual Survey of Hours & Earnings, 2020

There are, however, variations between the earnings of men and women, and those in full time and part time employment. The graph below sets out these earnings:



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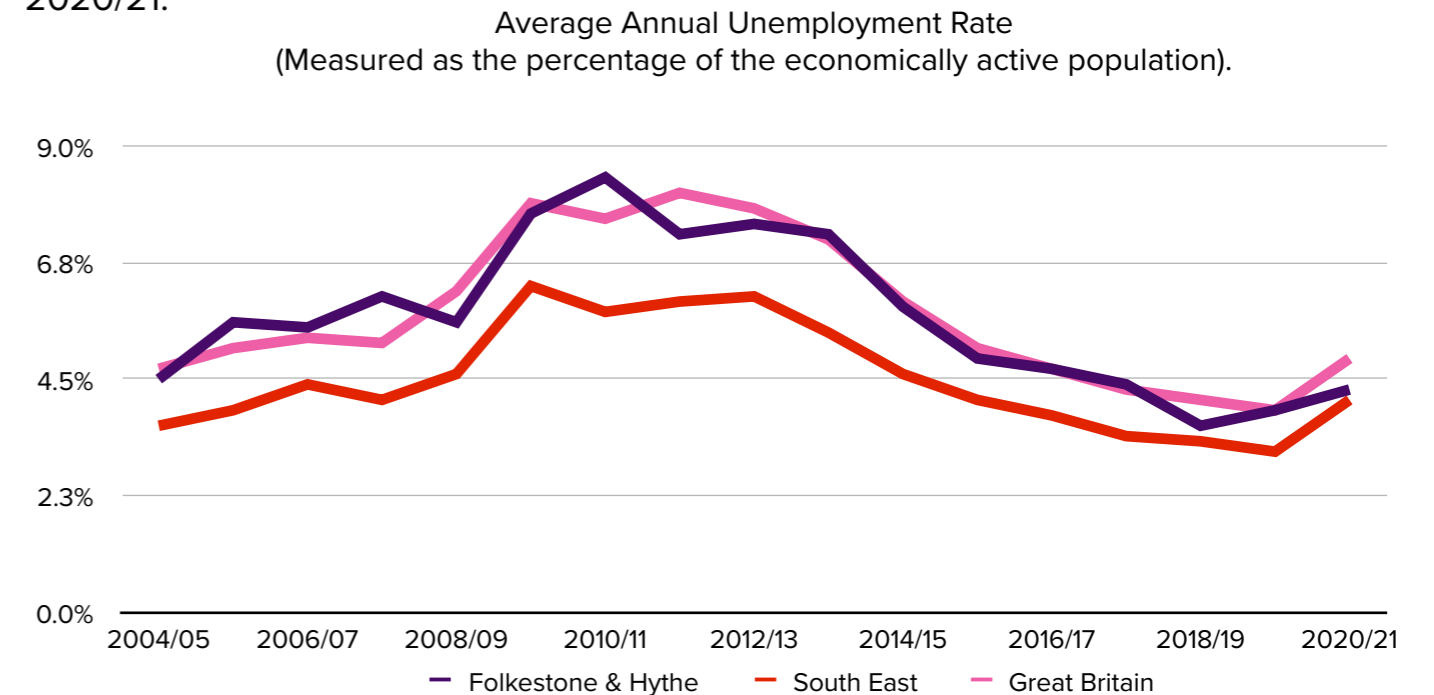
Employment by Occupation: Proportion of those in Employment in 2020

	Folkestone & Hythe	South East	Great Britain
Soc 2010 major group 1-3	54.1%	53.1%	49.9%
1 Managers, directors and senior officials	10.2%	12.3%	11.1%
2 Professional occupations	16.9%	24.0%	23.1%
3 Associate professional & technical	27.1%	16.6%	15.5%
Soc 2010 major group 4-5	24.6%	19.3%	19.2%
4 Administrative & secretarial	18.2%	10.3%	10.2%
5 Skilled trades occupations	#	9.0%	8.9%
Soc 2010 major group 6-7	#	15.4%	16.1%
6 Caring, leisure and Other Service occupations	#	9.2%	9.0%
7 Sales and customer service occs		6.2%	7.1%
Soc 2010 major group 8-9	11.9%	12.1%	14.8%
8 Process plant & machine operatives		4.1%	5.7%
9 Elementary occupations		8.0%	9.1%
Soc 2010 major group 1-3	54.1%	53.1%	49.9%
1 Managers, directors and senior officials	10.2%	12.3%	11.1%
2 Professional occupations	16.9%	24.0%	23.1%
3 Associate professional & technical	27.1%	16.6%	15.5%
Soc 2010 major group 4-5	24.6%	19.3%	19.2%
4 Administrative & secretarial	18.2%	10.3%	10.2%
5 Skilled trades occupations	#	9.0%	8.9%
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6 Caring, leisure and Other Service occupations	#	9.2%	9.0%
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Soc 2010 major group 8-9	11.9%	12.1%	14.8%
8 Process plant & machine operatives		4.1%	5.7%
9 Elementary occupations		8.0%	9.1%

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Unemployment and Working Age Benefits:

The unemployment rate in the district has risen from 3.9% in 2019/20 to 4.3% in 2020/21.



Source: Nomis

The 'claimant count' is the proportion of those aged 16-64 claiming benefits principally for the reason of being unemployed. At the end of 2020-21 the claimant count recorded a significant increase within the district from 3.7% in March 2020 to 7.3% in March 2021. The current count is higher in comparison to the south east (5.3%) and national average (6.4%). Local, regional and national averages have all shown increases as a result of the COVID 19 pandemic.

When we consider claimant count by age, there appears to be a higher claimant count amongst 18-21 year olds:

Age Range	Folkestone & Hythe	South East	Great Britain
18-24	12.4%	7.8%	9.1%
(of which 18-21)	13.8%	7.7%	9.0%
25-49	7.8%	5.8%	7.0%
50+	5.5%	4.2%	5.0%

04 Understanding our Communities

Deprivation:

Folkestone & Hythe is a diverse district. Not dissimilar to other local authority areas in East Kent, it has areas that are within the most deprived 10% of England and areas that are within the least deprived 10%.

Source: Ministry of Housing Communities & Local Government (MHCLG), 2019

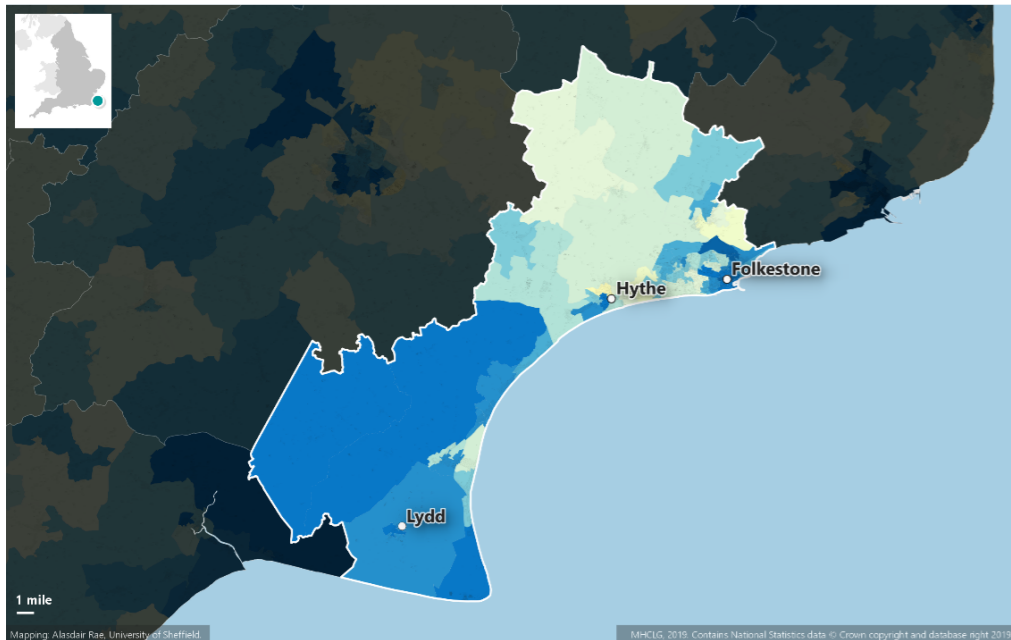
The map below shows the latest indices of multiple deprivation (2019) based on combined data from income, employment, education, skills and training, health deprivation and disability, crime, barriers to housing and services as well as living environment deprivation. The darkest blue areas show the worst deprivation. Data is split into areas generated by the Office for National Statistics based on population size called Lower Layer Super Output Areas (LSOAs) rather than by electoral ward.

LSOA Definition: Lower-Layer Super Output Areas (LSOAs) are small areas designed to be of a similar population size, with an average of approximately 1,500 residents or 650 households. There are 32,844 Lower-layer LSOAs in England. LSOAs are a standard statistical geography produced by the Office for National Statistics for the reporting of small area statistics.

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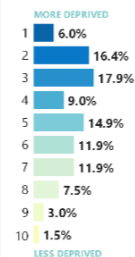
English Indices of Deprivation 2019

FOLKESTONE AND HYTHE



Local deprivation profile

% of LSOAs in each national deprivation decile



What this map shows

This is a map of Indices of Deprivation 2019 data for Folkestone and Hythe. The colours on the map indicate the deprivation decile of each Lower Layer Super Output Area (LSOA) for England as a whole, and the coloured bars above indicate the proportion of LSOAs in each national deprivation decile. The most deprived areas (decile 1) are shown in blue. It is important to keep in mind that the Indices of Deprivation relate to small areas and do not tell us how deprived, or wealthy, individual people are. LSOAs have an average population of just under 1,700 (as of 2017).



Above: Map of Folkestone & Hythe showing a 2019 profile of deprivation. Darker coloured areas on the map represent the more deprived areas and lighter coloured areas least deprived.

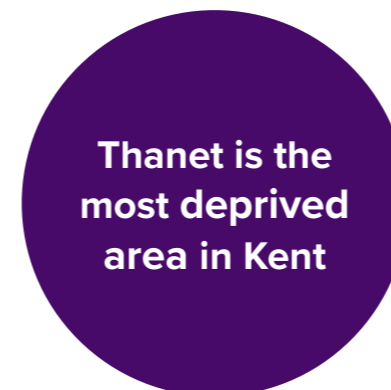
The table below shows how Folkestone & Hythe compares to other Kent local authority areas in an Index of Multiple Deprivation (IMD):

Local Authority	IMD - Rank of average score* (Out of 317 local authorities in England)	Ranking for Deprivation in Kent
Thanet	30	1
Swale	56	2
Folkestone & Hythe	90	3
Dover	113	4
Gravesham	123	5
Dartford	154	6
Ashford	158	7
Canterbury	179	8
Maidstone	185	9
Tonbridge and Malling	234	10
Sevenoaks	251	11
Tunbridge Wells	274	12

Source: Ministry of Housing Communities & Local Government (MHCLG), 2019

Table Notes

*IMD - Rank of average score: The average score summary measure is calculated by averaging the Lower Layer Super Output Area (LSOA) scores in each larger area after they have been population weighted. The resultant scores for the larger areas are then ranked, where the rank of 1 (most deprived) is given to the area with the highest score.



Source: MHCLG 2019



Source: : MHCLG 2019



Source: MHCLG 2019

04 Understanding our Communities

Seven Domains of Deprivation:

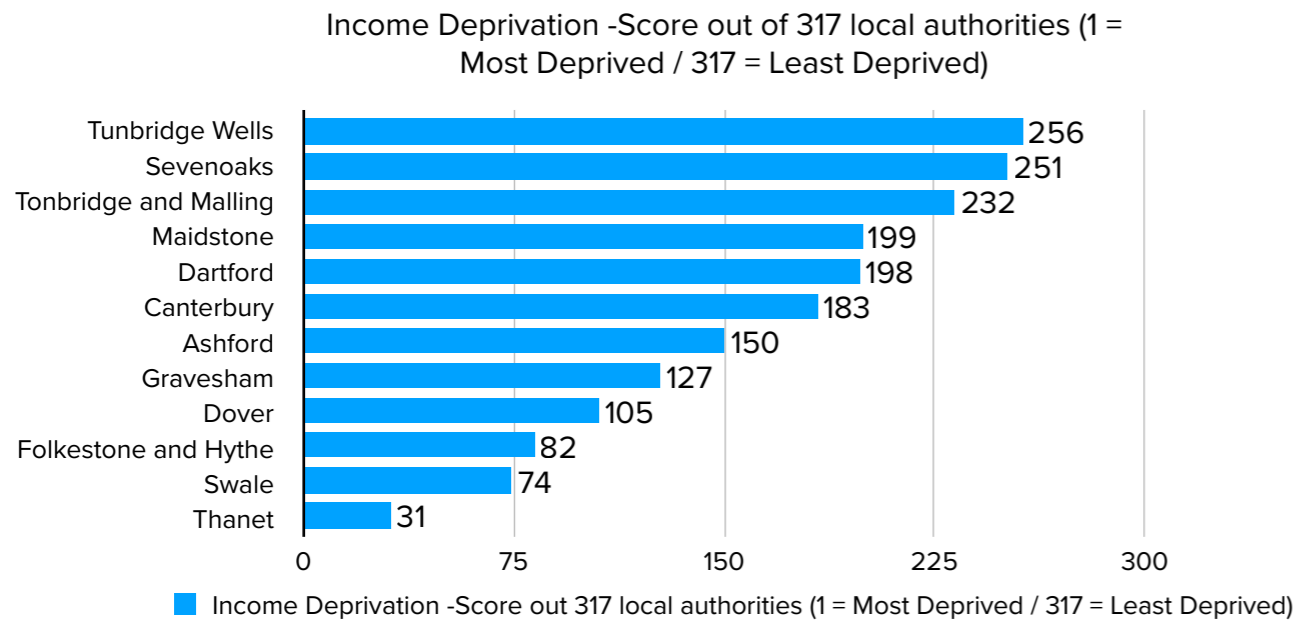
The rank of average score provided to an area is calculated using an area's individual scores across the seven Domains of Deprivation (DoDs):

1. Income
2. Employment
3. Education
4. Health
5. Crime
6. Barriers to housing and services
7. Living environment

Each of the above domains is based on a suite of indicators that are used to calculate an overall ranking for each local authority area.

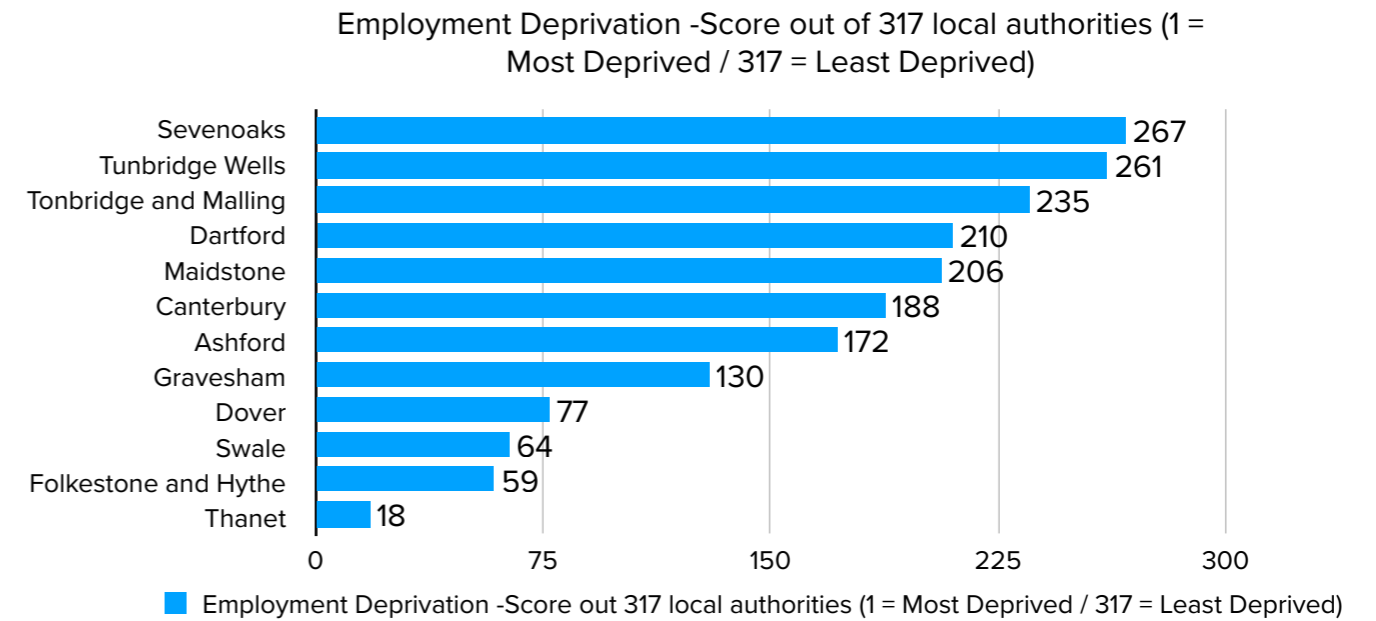
The following graphs show how the district compares with other Kent local authority areas on the Seven DoDs, where the ranking of 1 is classed as 'most deprived' and 317 'least deprived'.

1. Income:



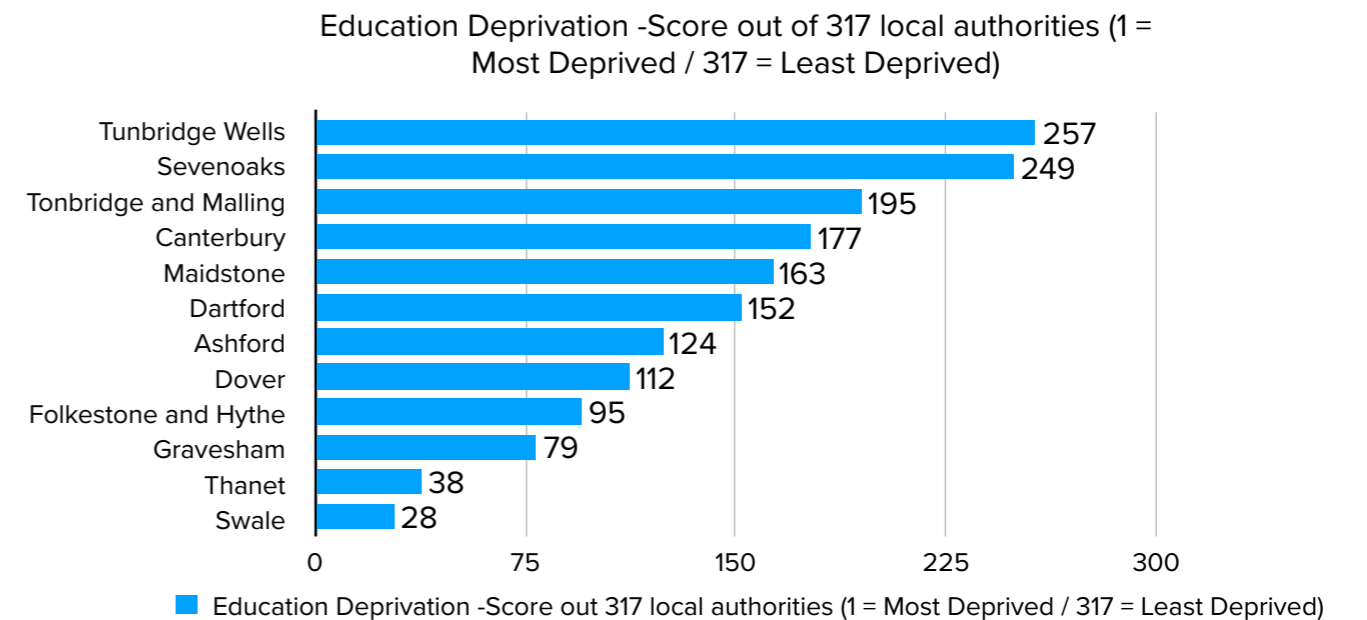
The above graph shows Tunbridge Wells to be the least income deprived and Thanet to be the most income deprived. Folkestone & Hythe is ranked as the third most deprived for income out of the twelve Kent local authority areas.

2. Employment:



The above graph shows Sevenoaks to be the least employment deprived and Thanet to be the most employment deprived. Folkestone & Hythe is ranked as the second most deprived for employment out of the twelve Kent local authority areas.

3. Education:



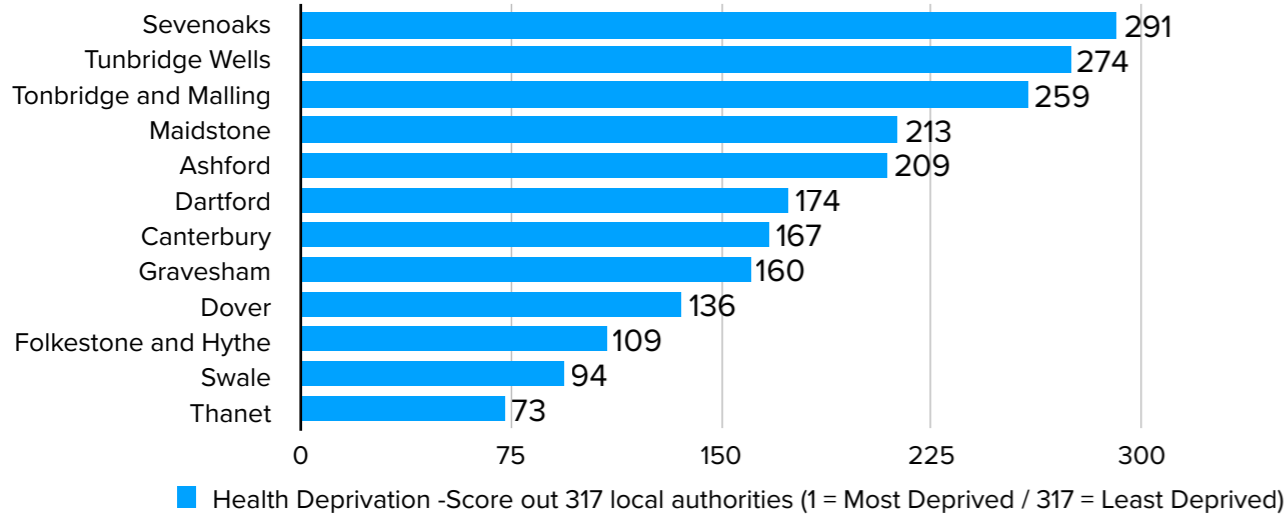
The above graph shows Tunbridge Wells to be the least education deprived and Swale to be the most education deprived. Folkestone & Hythe is ranked as the fourth most deprived for education out of the twelve Kent local authority areas.

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Seven Domains of Deprivation (continued):

4. Health:

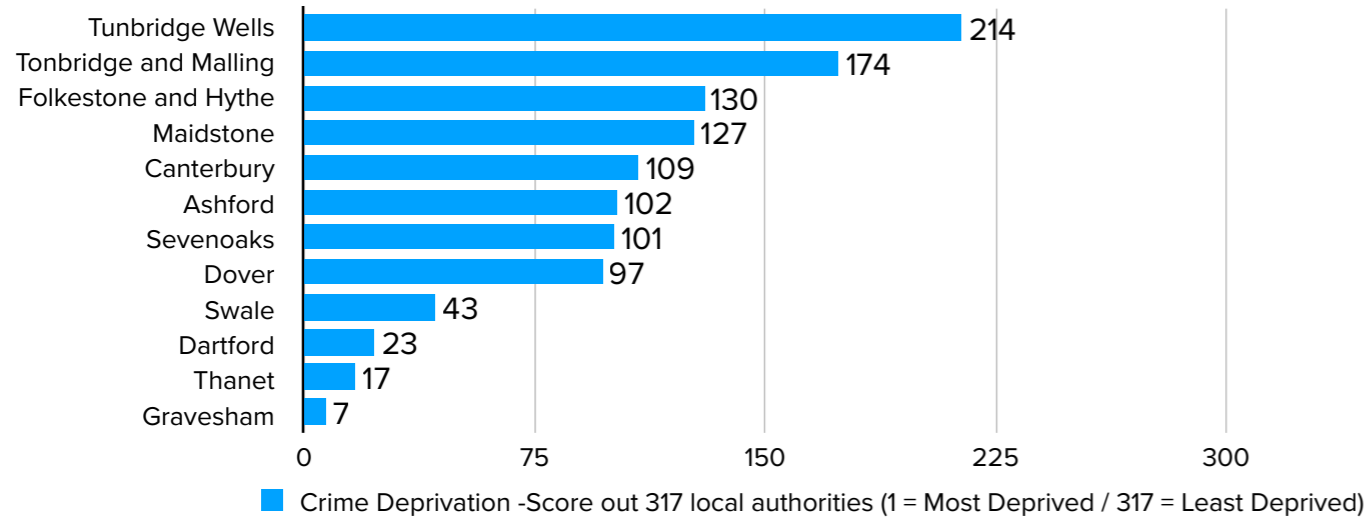
Health Deprivation -Score out of 317 local authorities (1 = Most Deprived / 317 = Least Deprived)



The above graph shows Sevenoaks to be the least health deprived and Thanet to be the most health deprived. Folkestone & Hythe is ranked as the third most deprived for health out of the twelve Kent local authority areas.

5. Crime:

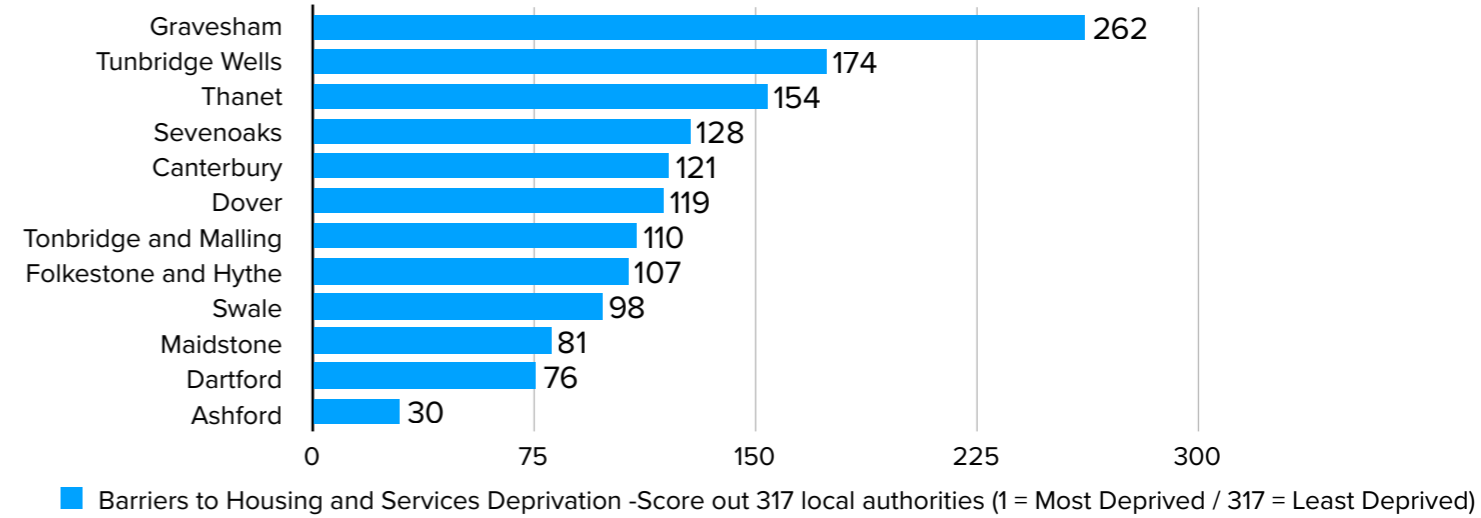
Crime Deprivation -Score out of 317 local authorities (1 = Most Deprived / 317 = Least Deprived)



The above graph shows Tunbridge Wells to be the least crime deprived and Gravesham to be the most crime deprived. Folkestone & Hythe is ranked as the third least deprived for crime out of the twelve Kent local authority areas.

6. Barriers to Housing Services:

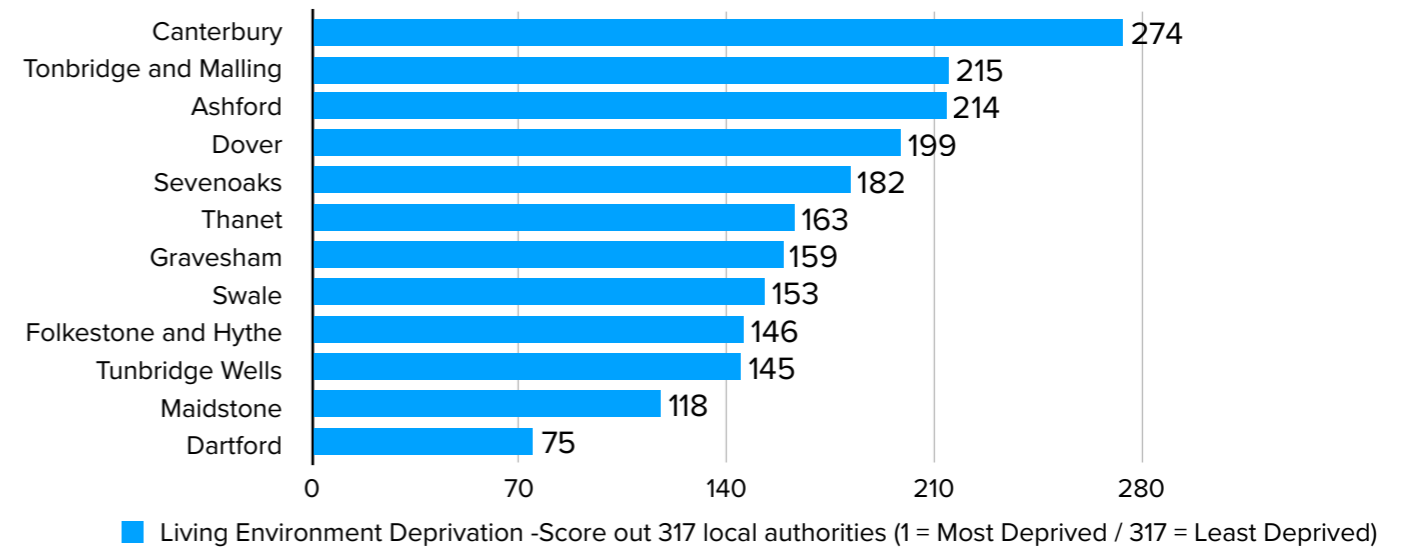
Barriers to Housing and Services Deprivation -Score out of 317 local authorities (1 = Most Deprived / 317 = Least Deprived)



The above graph shows Gravesham to be the least deprived in relation to barriers to housing and services and Ashford to be the most deprived in this area. Folkestone & Hythe is ranked as the fifth most deprived for barriers to housing and services out of the twelve Kent local authority areas.

7. Living Environment:

Living Environment Deprivation -Score out of 317 local authorities (1 = Most Deprived / 317 = Least Deprived)



The above graph shows Canterbury to be the least deprived in relation to Living Environment and Dartford to be the most deprived in this area. Folkestone & Hythe is ranked as the fourth most deprived for living environment out of the twelve Kent local authority areas.

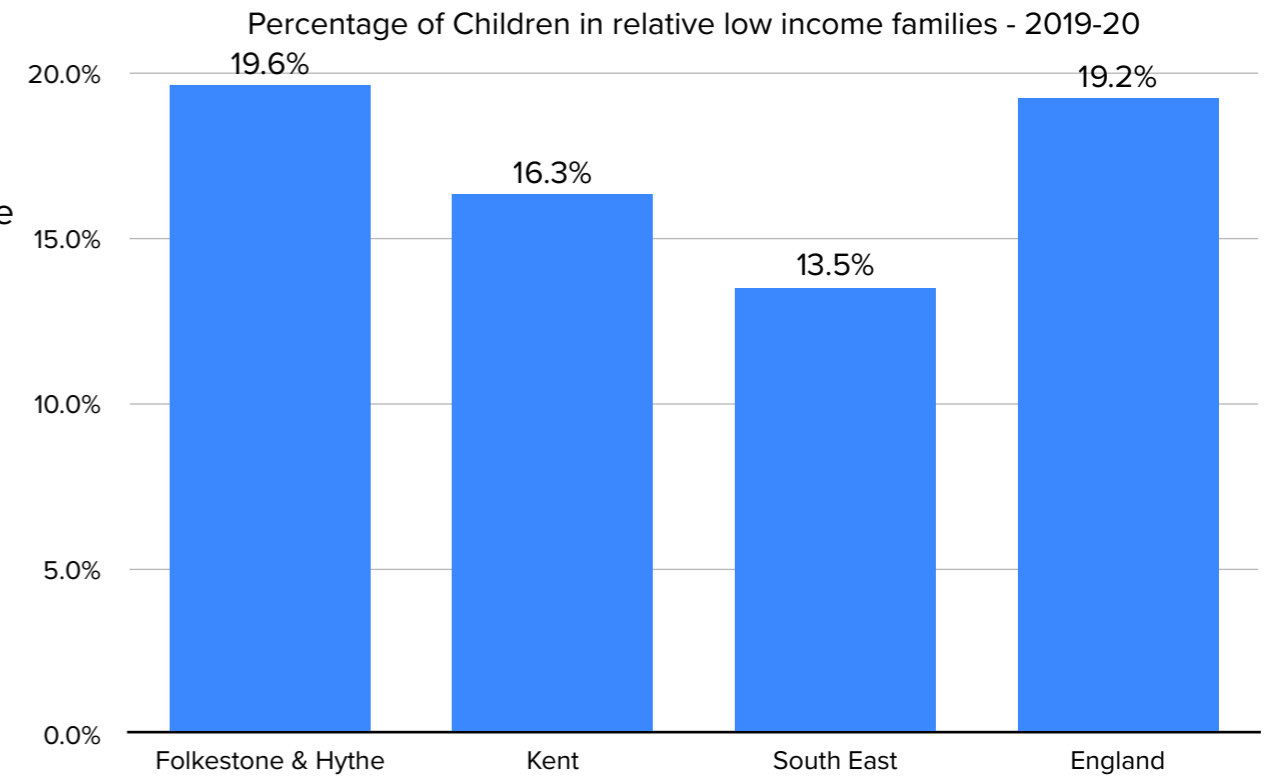
04 Understanding our Communities

Child Poverty:

Child poverty figures show the proportion of children living in relative low income families.

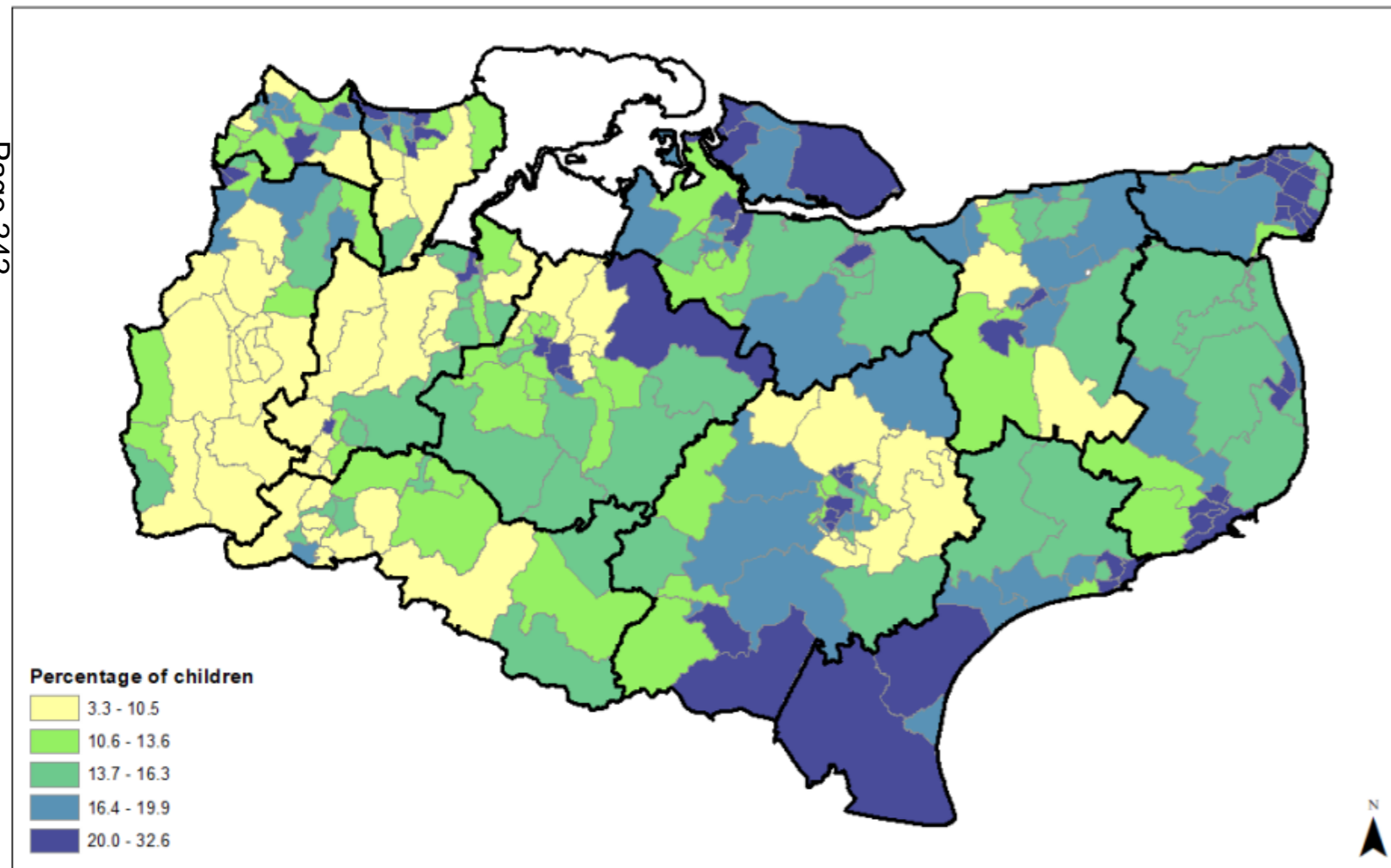
Relative low income is defined as a family in low income before housing costs in the reference year.

The latest data from 2019/20 shows that 19.6% of children are in relative low income families in Folkestone & Hythe and this is “significantly worse” than the average across Kent and the South East.



Source: KCC Strategic Commissioning Statistical Bulletin 2021 – Child Poverty

Percentage of children living in relative low income families in Kent wards 2019/20



Source: DWP Stat-Xplore
 Map produced by Kent Analytics, Kent County Council
 © Crown Copyright and database right 2021, Ordnance Survey 100019238



The heat map to the left shows the percentage of children living in relative low income families across Kent wards in 2019/20. In Folkestone & Hythe, the map shows the highest proportion of children living in relative low income families (shaded in dark blue) to be situated in the Folkestone Central, East and Harbour wards as well in the Romney Marsh and Walland and DengeMarsh wards in the western part of the district.

04 Understanding our Communities

Data Sources:

The most up-to-date data at the time of publication has been utilised when compiling this demographic and socio-economic information. Further information can be found at the following sources:

General:

The 2020 district profile, published by Kent County Council's Strategic Business Development & Intelligence Unit on 10th November 2021, contains data from the ONS mid-2019 population estimates and the 2011 census: <https://www.kent.gov.uk/about-the-council/information-and-data/facts-and-figures-about-Kent/area-profiles>

Population

Historical trends and future estimates are published by Kent County Council's Strategic Business Development & Intelligence Unit (link above) and the Office for National Statistics (ONS):

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland>

KCC Interactive mid-year population estimate toolkit: provides access to population estimates by gender and single year of age for all 12 Kent local authority districts and Kent County as a whole back to 1994: https://www.kent.gov.uk/data/assets/excel_doc/0009/12879/Interactive-mid-year-population-estimates-toolkit.xlsm

KCC Housing Led Forecasts Interactive population toolkit, November 2020: https://www.kent.gov.uk/_data/assets/excel_doc/0019/12880/Interactive-population-forecast-toolkit.xlsm

ONS: Births in England and Wales: Summary Tables (2020) <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/datasets/birthsummarytables>

ONS: Deaths Registered monthly in England and Wales (2020 & 2021) <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/datasets/monthlyfiguresondeathsregisteredbyareaofusualresidence>

ONS: Conception Statistics – England and Wales (2019) <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/conceptionandfertilityrates/datasets/conceptionstatisticsenglandandwalesreferencetables>

ONS: Overview of UK Population: January 2021 <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/january2021>

ONS: Population of State Pension age and working age, and old age dependency ratios, for local authorities and regions in England: www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/populationofstatepensionageandworkingageandoldagedependencyratiosforlocalauthoritiesandregionsinengland

ONS: Life expectancy for local areas of the UK: between 2001 to 2003 and 2018 to 2020 [Life expectancy for local areas of the UK - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/lifeexpectancyforlocalareasoftheuk)

KCC Births and Deaths in Kent - 2020 https://www.kent.gov.uk/_data/assets/pdf_file/0003/13827/Births-and-deaths-bulletin.pdf

Labour market profiles of the district are constantly updated by the ONS National Online Manpower Information System (NOMIS): <http://www.nomisweb.co.uk/reports/lmp/la/1946157318/printable.aspx>

NOMIS: annual survey of hours and earnings (2020) <https://www.nomisweb.co.uk/datasets/asher>

Health:

Public Health England's [Public Health Outcomes Framework \(Folkestone & Hythe\) - at a glance summary \(phe.org.uk\)](https://www.phe.org.uk/public-health-outcomes-framework-folkestone-hythe-at-a-glance)

KCC Strategic Commissioning Statistical Bulletin 2021 – Child Poverty:

https://www.kent.gov.uk/_data/assets/pdf_file/0009/7956/Children-in-poverty.pdf

[Suicides in England and Wales by local authority \(2020\) - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/suicides-in-england-and-wales-by-local-authority-2020)

[Quality and Outcomes Framework, 2020-21 - NHS Digital](https://www.nhs.uk/quality-and-outcomes-framework-2020-21)

Deprivation:

Ministry of Housing Communities and Local Government (MHCLG) - English indices of multiple deprivation 2019 <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019>

Section 5

Compliments, Feedback and Complaints

Introduction

In this section we provide an outline of the comments we have received from customers relating to equality and diversity matters.

The council records compliments, feedback and complaints received from customers. These are categorised, analysed and reported on so that improvements can be made to services.

Further information can be found at: <https://folkestone-hythe.gov.uk/your-council/council-information/make-a-complaint-or-compliment>

05 Compliments, Feedback and Complaints

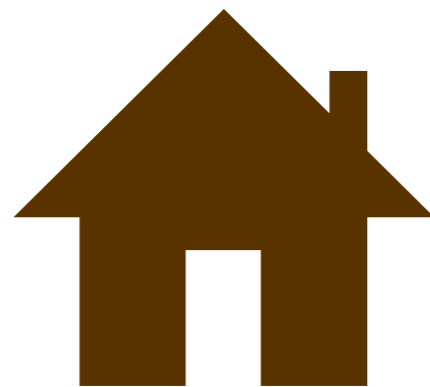
Compliments, Feedback and Complaints - Overview in 2020-21:

During 2020/21 the council received 372 complaints and 212 compliments. Of the 372 complaints received:



Page 245
Stage One complaints are investigated and responded to by the complaints investigator or the specialist of the relevant service area. If the complainant is not satisfied with the response their complaint will be progressed to Stage Two, where it is investigated by the senior officer of the service area to which the complaint relates.

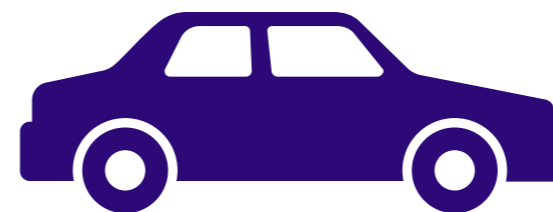
Of the 372 complaints received, four were related to equality and diversity issues. The nature of the complaints related to:



An offer of sheltered accommodation
Outcome: Not upheld



Assisted Waste Collection
Outcome: Action taken



Parking Visitor Vouchers
Outcome: Not upheld



MyAccount as a Method of Contact
Outcome: Partially Upheld

Section 6

Equality Objectives

Introduction

In this Annual Equality and Diversity Report we have given an overview of the issues affecting the district, the policies and procedures the council has in place and the work we are doing, on our own and with our partners to address these issues.

We have recently adopted an Equality and Diversity Policy (2021-25) to guide this work and this has an associated action plan. The final section provides an update on these actions.

06 Equality Objectives

	Action	Lead Function	Deadline	2020-21 Update
1.	Ensuring Equality Impact Assessments (EIAs) are completed where they are required (i.e. where the council introduces a new policy or service, or where there is a significant revision to an existing policy or service) and that they are carried out in the correct manner (e.g. with appropriate consultation with affected parties).	Performance and Improvement Specialist	Ongoing	EIAs are documented as part of the service planning process annually and managers complete EIAs when a policy or service is introduced or revised. The EIAs undertaken during the year have been documented in section 2 of this report.
2.	To introduce a dedicated complaints report that will focus on equality related issues that arise under the council's corporate complaints policy and will reported to the Corporate Leadership Team on a six month basis to assist with identifying and addressing any equality related issues within a council service.	Case Management	Ongoing	Complaints regarding equality issues are reported to the Corporate Leadership Team with a particular focus on lessons learnt and any improvements implemented. In addition to this, details of these complaints will also be published in the annual complaints report on the council's website.
3.	Involving services users and local communities (including people with protected characteristics) in the design of council services.	All Service Leads	Ongoing	As part of the plan for the delivery of 30 new sustainable homes at the Highview site, tenant champions have been recruited as a formal means of direct dialogue and consultation with our end users. This has enabled us to both gain their views and take into account their needs and aspirations, as well as having them championing our efforts within the tenant community. Customer services ensure customer feedback is discussed at the fortnightly service improvement group meetings, this is used to help design and improve council services for all customers (including people with protected characteristics).
	All managers undertaking stage 2 EIA exercise will consult appropriately and publish the results.	All Service Leads	As required	No Stage 2 Equality Impact Assessments were carried out during the year.
4.	Routinely publishing the result of consultation exercises on the council website and disaggregating the results (where possible) for different equality groups.	All Service Leads	As required	During the year, the council undertook an 8 week public consultation between August and October 2020 on its draft 'Homelessness Prevention Strategy 2020-25'. The findings of the consultation and recommended amendments as a result of the finding were published as part of a publically available report presented to Cabinet on 9th December 2020.

06 Equality Objectives

	Action	Lead Function	Deadline	2020-21 Update
5.	<p>Run training for staff on the particular issues faced by minority and vulnerable groups to support them to deliver appropriate services to ALL customers (e.g. Dementia awareness).</p>	<p>Organisational Development</p>	<p>Ongoing</p>	<p>Targeted training has been provided for those in relevant roles on:</p> <p>Autism- Sensory Experience, Supporting families, Stress & Anxiety,</p> <p>Communication and understanding (National Autistic Society)</p> <p>Mental Health – Mental Health First Aid training</p> <p>Domestic Violence</p> <p>Unconscious bias</p> <p>Safeguarding – adult and child Armed forces covenant</p> <p>Living with cancer – Macmillan</p> <p>Homelessness - Porchlight</p> <p>We have also run sessions internally reviewing how we can support vulnerable customers.</p>
6.	<p>To ensure councillors and staff receive regular updates on Prevent, Safeguarding vulnerable people and partnership working as part of the council’s wider role.</p>	<p>Community Safety Specialist</p> <p>Health, Wellbeing & Partnerships Senior Specialist</p>	<p>Ongoing</p>	<p>Staff have received regular reminders on training opportunities for Prevent.</p> <p>A session was held on Prevent and radicalisation on 14th July 21 and the Organisational Development/ Learning teams have put a new Prevent module on the learning pool for council staff to access.</p> <p>Councillors on Overview & Scrutiny Committee receive a regular update on Prevent every year when the Community Safety Partnership plan is produced and they had an input in Autumn 2020.</p> <p>Councillor training was delayed due to Covid.</p>

06 Equality Objectives

	Action	Lead Function	Deadline	2020-21 Update
7	Equality and diversity training is part of our induction and for all staff to undertake a mandatory refresh e-learning module every 3 years.	Organisational Development	Ongoing	We have changed e-learning provider but have still got a mandatory Equality and Diversity module. All staff must complete this every 3 years. Reports are run on a six monthly basis and managers are notified of any staff members who have not completed the mandatory training.
8.	Increase options for customers to connect and transact with us online to help focus resources on supporting customers who are not able to go online as defined within the council's Customer Access Strategy.	All Service Leads	Ongoing	<p>We are continually increasing the number of ways for customers to connect and transact with us online as part of the Customer Access Strategy, but for those who are unable to go online we have ensured the following:</p> <ul style="list-style-type: none"> • Customers can still contact us by letter and phone, to discuss matters regarding council tax and council tax recovery, but additionally they can also arrange to come into the Civic Centre on certain days to see a Recovery Officer face to face if this suits them better in a COVID safe environment with a private office available if sensitive matters need to be discussed. • We have visiting officers who can go out to customers to help them complete forms for council tax reduction, exemptions and discounts as well as, collect evidence or provide guidance and advice. This ensures that no one is excluded from interacting positively with the council as there are a number contact routes are available. • NNDR officers (Business Rates Officers) are out in the district each month, providing a face to face (COVID safe) service to customers in the district. They can offer advice, collect information or evidence, make payment arrangements, report changes to the Valuation Officer Agency on behalf of customers and form good working relationships with occupiers of commercial properties.

06 Equality Objectives

	Action	Lead Function	Deadline	2020-21 Update
9.	Produce a 'Resident Involvement Strategy', ensuring that involved residents reflect the diversity of the council's tenants and leaseholders.	Housing Operations Lead Specialist	March 2021	The Tenant Engagement Strategy was approved by Cabinet on 14 th April 2021
10.	We will continue to evaluate our resourcing strategies, maximise accessible development opportunities, and promote flexible working approaches to support equality and diversity in our workforce.	Human Resources	Ongoing	Increase in virtual training has enhanced accessibility. A new Agile Working Framework, which furthers the ability to work in a flexible way, has been developed and subsequently now agreed.



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This report will be made public on 18 January 2022

Report No: **C/21/71**

TO: Cabinet
DATE: 26 January 2022
STATUS: Key Decision
HEAD OF SERVICE: John Holman Assistant Director Housing
CABINET MEMBER: Cllr Godfrey - Cabinet Member for Housing and Special Projects

SUBJECT: HOUSING ASSET MANAGEMENT STRATEGY

SUMMARY: The Housing Asset Management Strategy (HAMS) is the primary document in a library of housing strategies that provide direction for the future maintenance, improvement and development of the council's housing stock along with its small commercial portfolio and other non HRA properties the housing service has responsibility for.

The strategy has been considered by the Overview and Scrutiny Committee, the Strategic Tenants Panel, along with a wider consultative group of tenants. Where appropriate amendments have been made to the HAMS (attached at Appendix A) with the changes detailed in this report.

REASONS FOR RECOMMENDATIONS:

The Housing Service came back in-house in October 2020. Since then a huge amount of work has been undertaken to embed the service within the wider council, move the service out of regulation and ensure that tenants are at the heart of everything that we do.

It is now time to take a strategic view on how we maintain and regenerate our existing stock and develop new homes that are fit for the future. There are many competing demands on the Housing Revenue Account (HRA) budgets; The Housing Asset Management Strategy considers these demands and defines a set of objectives and priorities that will inform future maintenance, retrofitting and development. The HAMS is a vital document that is required to inform the new HRA 30 year Business Plan which will provide the budget framework to deliver our ambitions.

RECOMMENDATIONS:

1. To receive and note report C/21/71.
2. To approve the Housing Asset Management Strategy.

1. Key Points from the Housing Asset Management Strategy

1.1 The Housing Asset Management Strategy (HAMS) sets out the Council's approach to managing its HRA property portfolio, providing direction for future detailed investment plans. It provides adherence to building legislation and regulatory standards, direction on energy efficiency, promotes improved digital channels, increased customer involvement and the use of innovative technology.

1.2 The stock survey indicates that routine, cyclical and planned maintenance works, necessary to keep tenants safe and the housing stock in good repair can be funded directly from HRA rents with no additional prudential borrowing being required. However, it will be necessary to balance building new homes alongside the regeneration of its sheltered housing schemes and estates with the Council's attitude to risk and borrowing. To achieve its objective of Net Zero Carbon in Use by 2050, significant additional funding will be necessary from the Government.

1.3 The strategy is framed around 4 objectives that support the Corporate Plan and inform the decisions on asset spend in the 30 year HRA Business Plan:

- a. **Objective 1** Ensure the housing stock is safe and well maintained.
- b. **Objective 2.** Develop a social housing portfolio that is fit for purpose, meeting the needs of current and future generations of tenants and their families.
- c. **Objective 3** Improve the energy efficiency of the housing stock and the ways of working that reduce carbon emissions and levels of fuel poverty by achieving at a minimum EPC rating of C by 2030 and operational net zero carbon in use¹ by 2050 for all of its housing stock.
- d. **Objective 4** Developing skills and supporting the local economy.

1.4 Within the four objectives, the HAMS identifies the following priorities:

- a. Ensure landlord H&S is compliant at all times.
- b. Improve the ratio of planned to responsive maintenance.
- c. Determine the future use, design and locations of the Sheltered Housing Schemes.
- d. Develop and implement a fabric first approach to achieving Net Zero Carbon in Use².
- e. Continue the new build programme that will deliver 1200 homes by 2034/5³.

¹ RICS ref to good practice.

² A 'fabric first' approach involves maximising the performance of the components and materials that make up the building fabric itself e.g. increasing loft insulation, before considering the use of mechanical or electrical building services systems.

³ Amended from 1000 homes by 2036 to mirror the wording of the HRA Business Plan.

- 1.5 Managing the property portfolio may include the disposal, demolition and regeneration of homes that are no longer fit for purpose, uneconomic to maintain or can contribute to a larger development programme.
- 1.6 The maintenance profile indicates that there are currently too many reactive repairs and not sufficient planned works. This balance needs to be closer to 70:30 which will improve the service to tenants and reduced the more costly unplanned maintenance costs.
- 1.7 The aging population of the District (18 - 60 year olds increasing by 6% and over 60 year olds expected to increase by 37% over the period 2021 – 2039) will require a different housing offer from that which is currently available. Both issues will be addressed in separate pieces of work which are underway.
- 1.8 Through the sale of council homes, the HRA is no longer responsible for all of 'its' estates but often continues to maintain them as if they were they were. There is a need to accurately identify and apportion cost amongst those benefitting from these facilities. The HAMS also identifies the need to review the social value and the approach to the management of the commercial properties in the portfolio.
- 1.9 In support of the existing New Build Development Portfolio, a garage strategy will be developed that identifies those sites that produce a surplus and warrant continued investment; those sites that could be made viable with investment; and those that are not viable and alternative uses need to be found. There may also be sites that are suitable for redevelopment for new homes.
- 1.10 The HAMS establishes the approach and milestones towards meeting the 2050 NZC agenda, specifying the standards for new homes and identifying 2030 as the target to achieve EPC C for the current housing stock. The implications of this objective will be better understood when the stock survey data is fully analysed and the viability of the approach modelled into the HRA Business Plan.
- 1.11 The HAMS makes a commitment to '*as far as possible*' develop new homes to Net Zero Carbon in Use standards and ready to accommodate future carbon reduction initiatives. Where homes and sheltered housing schemes are refurbished similar standards will be aspired to. The intent of this approach is not to avoid achieving NZC standards but to fully understand the implications and cost before making firm commitments.
- 1.12 Achieving the NZC standards and recent inflation in the building industry is likely to make the building of new homes more expensive than historic schemes. In order to make future schemes viable the current business model will need to be reviewed with potentially longer payback periods being considered along with the potential to introduce cross subsidy from other tenures e.g. outright sale, shared ownership and affordable rent in order that homes can be provided at social rent levels. This will be the subject of a separate cabinet decision when the revised HRA Business Plan is considered later in 2022/23.
- 1.13 Different methods of contracting are likely to require changes in the way work is procured and managed. While complying with the Local Government procurement regulations this may require changes to the Council's current rules and procedures. The HAMS recognises the role the HRA can play in supporting the local economy and enhancing skills development throughout the District. This contribution will be closely evaluated in future contract awards.

1.14 The Housing Service owns and manages 11 non HRA properties that are used for temporary accommodation. Although not under the purview of the Regulator of Social Housing, it is intended that these properties are maintained to the same standards and are subject to the same inspections and reporting as the HRA homes.

1.15 Finally, the HAMS recognises that tenants are at the heart of everything that the Housing Service does and can add insight to the delivery of asset management from the delivery of maintenance and repairs to building new homes. This insight will also contribute to the digital journey helping to make communications with tenants easier, improve efficiency, reduce carbon emissions and enable real-time reporting of performance.

2. Consultation and changes to the HAMS

2.1 The Strategic Tenant Advisory Panel considered the HAMS at their meeting on the 9 December 2021 and had no changes to make to the document.

2.2 Separately 693 tenants, who had previously expressed an interest in being involved in the housing service, were emailed/text the web link to the HAMS and asked 2 questions:

- a. Is there anything to you would like to see added?
- b. Is there anything you would like to see removed?

2.3 Over the consultation period (29 November – 17 December) 19 responses were received largely commenting on the service in general. None of the feedback changed the HAMS previously considered by the Overview & Scrutiny Committee (OSC) and the Strategic Tenants Advisory Panel. Details of the feedback are available on request.

2.4 One respondent felt that clause 37 of the HAMS, that refers to the potential to redevelop existing homes to higher densities, was not necessary and other alternatives should be found. Clause 37 is just one approach to building more and better homes for the future and therefore remains in the strategy to provide flexibility in the range of future approaches.

2.5 The OSC meeting on 7 December 2021 made the following recommendations and observations which will be addressed in the HAMS action plan and the Housing Carbon Strategy:

- a. Ensure ward councillors are involved in the proposed garage strategy.
- b. Government grant funding for carbon reduction initiatives may present opportunities for joint bidding.
- c. Consider lifetime running costs and carbon emissions for example solar energy which could in turn create income.
- d. Members asked that reference to Active Travel, encompassing walking and cycling for further carbon reduction to be considered.

2.6 Since drafting the HAMS the Government's carbon reduction targets for 2030 have been clarified and clause 95 amended to remove reference to achieving initial government targets as follows:

“95. The Council housing stock has benefitted from a history of energy efficiency improvements. These measures have helped to achieve an average rating for the stock of EPC C. ~~and therefore the government’s initial target has already been achieved.~~ However, it still has almost 700 homes in the EPC D, E, F and G range which need to be improved along with the 11 homes purchased for Temporary Accommodation which have an EPC ratings of E & D.”

2.7 The percentage of homes that meet the Decent Homes standard has been amended from 99.9% to 94% following the latest results from the stock survey.

2.8 Priority e, the building of new homes included reference to a pipeline of development. This priority has been simplified to mirror the wording of the HRA Business Plan of delivering 1200 homes by 2034/5.

2.9 The wording of Objective 4 has been simplified, removing reference to the Folkestone pound.

2.10 Other minor changes include general improvements to the wording of the strategy.

3. Next steps

3.1 To develop the refreshed HRA Business Plan informed by the HAMS.

3.2 Develop and implement the HAMS action plan.

3.3 Develop a draft carbon strategy for the Council’s housing stock for consideration.

3.4 Finalise and publish the 5 year major works programme that has been compiled from the stock survey.

4. Conclusion

4.1 The HAMS is another key part in creating a firm foundation for the housing service. It will guide decisions for multi-million pound investments in the housing stock and although subject to review at least every five years, the long-term nature of asset management will influence the type and location of social housing provided by the Council for generations to come.

5 Implications

5.1 **Legal** (NM) - The purpose of an asset management strategy is to ensure that the Council uses and manages its housing stock to meet its needs and objectives. It is good practice for the Council to have an asset management strategy

5.2 **Finance** (CI) - There are no financial implications arising directly from this report. The costs of any planned maintenance works will be factored into the HRA Business Plan and annual budgets.

5.3 **Equalities** (GE) - There are no equality or diversity implications arising from this report.

5.4 Climate Change Implications (OF) - The works recommended in this report are in support of the Council's commitment to meet the legislative requirements under the Climate Change Act (as amended 2019) and the Council's wider Net Zero Carbon targets. Overall the climate change implications arising as a result of the proposed works recommended in the report will be positive. They include:

- a. **Greenhouse gas emissions travel, construction and running of buildings**
– The works recommended in this report are in support of the Council's commitment to meet the legislative requirements under the Climate Change Act (as amended 2019) and the Council's wider Net Zero Carbon aspiration with a particular focus to improve energy efficiency within the properties.
- b. **Resilience** – consideration has been given to a fabric first approach to net zero carbon within the buildings and ensuring that the homes are fit for purpose.
- c. **Social and economic impacts** – increasing the EPC rating and energy efficiency of the properties will result in overall reduction in carbon emissions. This can result in reduction in fuel poverty as well as improved quality in health and wellbeing of the tenants.

Contact Officer: John Holman
Assistant Director – Housing
Email: john.holman@folkestone-hythe.gov.uk

Appendix A - The Housing Asset Management Strategy

HOUSING ASSET MANAGEMENT STRATEGY

Folkestone & Hythe District Council
2022- 2027

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The vision of the housing service is: ‘to create a truly excellent service - one that is digitally enabled, easy to do business with and where tenants (customers) are at the heart of everything we do’

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Background

1. This Housing Asset Management Strategy (HAMS) sets out Folkestone & Hythe District Council's (F&HDC) approach to the management of its Housing Revenue Account (HRA) property portfolio, providing the framework for the delivery of a detailed investment plan; adherence to building legislation and regulatory standards; improved energy efficiency; the introduction of digital channels; increased customer satisfaction and the use of innovative technology.
2. The strategy is framed around four objectives and will drive the decisions on asset spend in the 30 year HRA business plan. It provides the framework around which the maintenance, regeneration and the new build of its social housing portfolio will be undertaken. It is the primary work in a library of documents that (when completed) will include:
 - a. **Carbon reduction strategy**¹ - this strategy will set out how the housing service will play its part in meeting the council's commitments to the net zero carbon agenda. It will detail the overall approach, priority areas and how this work will be delivered, along with an indication of costs.
 - b. **HRA housing new build strategy** - this strategy will set out what the housing service will build and where, together with the types of construction to be used. It will outline the delivery

¹ UK Green Building Council definition of NZC in use definition: When the amount of carbon emissions associated with the building's operational energy on an annual basis is zero or negative. A net zero carbon building is highly energy efficient and powered from on-site and/or off-site renewable energy sources, with any remaining carbon balance offset.

arrangements and the governance of schemes from inception to completion together with the golden rules of the financial appraisal. It will link with the council's project management arrangements.

- c. **Annual major works five year delivery programme** – this rolling five year programme details what major work is planned to be carried out, where in the district and in which year. It will be published annually in quarter 1 each year.
 - d. **Healthier Housing Strategy** (approved 2018) – this strategy identifies all tenure and housing needs across the district. The HRA will play a small part in meeting this need.
 - e. **Tenants' Engagement Strategy** (approved May 2021) - this document sets out how the council will work with and involve its tenants in the Housing Service. The strategy has received both council and tenants approval.
3. The council's HRA has a property portfolio of 3,397 council homes (including 14 shared ownership homes), 211 leasehold homes, together with six commercial properties. In 2020, the council brought its housing stock back in house. It had previously been managed by East Kent Housing, an arms length management organisation, since 2010.
 4. Although this strategy is written for council-owned social housing, the authority has purchased 11 homes that are used to house households in temporary accommodation. The properties are not part of the HRA, not classed as social housing and not regulated by the Regulator of Social Housing, however, as part of good governance, it is intended that the same standards that apply to the authority's social housing also apply to these properties.

5. F&HDC has not previously benefited from having a Housing Asset Management Strategy. In recognition of this, one of the key requirements in setting up the new housing service has been to understand the nature and extent of investment needed in the property portfolio. This is key to producing a viable 30 year HRA business plan that will help to ensure that F&HDC continues to provide safe, attractive homes in neighbourhoods where people want to live.

6. The Strategy is based on four priorities and supports the Corporate Plan, the **Local Plan** (housing and the built environment) and the Place Plan, the boundary of which includes a number of the council's homes.

7. Where possible, the strategy has considered up-to- date knowledge of the housing stock; future expectations for social housing; the ageing population of tenants, along with the expectations of current and future tenants. The strategy is based on a comprehensive survey of the housing stock undertaken in 2021 which that surveyed approximately 100% of the stock externally and 90% internally. It also uses population data from Kent County Council and from surveys undertaken with F&HDC tenants by consultants, Campbell Tickell.

8. This strategy provides a framework for the investment in the HRA property portfolio over the next 30 years (2022 – 2052). It does not analyse costs which are addressed in the HRA Business Plan and annual budget process.

9. An action plan has been developed to oversee the delivery of the strategy.



Executive Summary

10. The purpose of an Asset Management Strategy has changed significantly in the last five years. No longer is it just a guide to how the housing portfolio should be maintained and improved. It now embraces the changes in landlord compliance, in particular, significantly enhanced landlord health and safety responsibilities following the Grenfell Tower disaster; the council's and government's commitment to net zero carbon by 2050; the emerging requirements of the charter for social housing residents; the Social Housing White Paper² and the yet to be formally announced, Decent Homes 2 which is expected to deal with the wider environment beyond the home.

11. The science supporting the management of assets has also seen a sea change as data collection becomes easier and technologies more powerful, enabling models to be produced that help to predict the likely repair demands from particular tenure and property types. The development of this science is included as future work in the action plan.

12. The vision of the housing service ...where tenants are at the heart of everything we do...is embodied in the Tenant Engagement Strategy and their involvement is key to delivering a successful asset management strategy. Another element of the vision is to be one that is digitally enabled and easy to do business with. Although tenants will have choice, the preferred option for delivering asset management will be digital, in terms of communication, contractor management as

well as the equipment and services that are installed. As the service develops its digital offer, its first priority will be to ensure that tenants and stakeholders find it easy to do business with the service. Developed in the right way, digitisation will help to improve services; information flow; speed of transactions and reduce carbon emissions, e.g. with remote monitoring and testing of appliances rather than the need for site visits.

13. The HRA is well placed to maintain its existing housing stock in reasonable repair over the 30 year life of the HRA business plan. However, the business plan is not sufficient to deliver the combined future demands of a new Decent Homes programme, enhanced fire safety works, meeting the net zero carbon agenda, an ambitious new build programme along with the work detailed in the stock survey. Responding to these, demands will be addressed in the HRA business plan as the nature of the work and government requirements become clearer.

14. Alongside an ageing housing stock, the housing service will have to learn to work with an ageing population.

15. Work can be planned where sufficient information is available e.g. sheltered schemes, while making a financial provision in the business plan where the detail of future work is not yet known.

16. While complying with the Local Government Procurement Rules the council's procurement rules and procedures may need to be reviewed in order to help achieve its ambitions to deliver social housing without the need for cross subsidy.

² This sets out the actions the Government will take to ensure that social housing customers are safe, are listened to, live in good quality homes, and put things right when things go wrong.

Housing Asset Management Strategic Objectives

The Housing Asset Management Strategy is based on four objectives:

Objective 1 Ensure the housing stock is safe and well maintained.

Objective 2 Develop a social housing portfolio that is fit for purpose, meeting the needs of current and future generations of tenants and their families.

Objective 3 Improve the energy efficiency of the housing stock and the ways of working that reduce carbon emissions and levels of fuel poverty by achieving at a minimum EPC rating of C by 2030 and operational net zero carbon in use (NZC)³ by 2050 for all of its housing stock.

Objective 4 Developing skills and supporting the local economy.

³ UK Green Building Council definition of NZC in use definition: When the amount of carbon emissions associated with the building's operational energy on an annual basis is zero or negative. A net zero carbon building is highly energy efficient and powered from on-site and/or off-site renewable energy sources, with any remaining carbon balance offset'

Housing Asset Management Priorities

17. Within the objectives the HAMS has identified the following priorities:

- a.** Ensure homes are safe and compliant at all times.
- b.** Work towards achieving a ratio of at least 70:30 planned maintenance to responsive maintenance.
- c.** Determine the future use, design and locations of the sheltered schemes.
- d.** Develop and implement a fabric first⁴ approach to net zero carbon in use.
- e.** Continue the new build programme that will deliver 1200 homes by 2034/35.



⁴ A fabric first approach involves maximising the performance of the components and materials that make up the building fabric itself eg. increasing loft insulation before considering the use of mechanical or electrical building services systems.

Corporate Ambitions and Asset Management Objective

Creating Tomorrow Together – Corporate Plan 2021-30

Service ambition 1: Positive community leadership	Service ambition 2: A thriving environment	Service ambition 3: A vibrant economy	Service ambition 4: Quality homes and Infrastructure
Priorities in the next three years:	Priorities in the next three years:	Priorities in the next three years:	Priorities in the next three years:
<ul style="list-style-type: none"> Improve physical and mental health & wellbeing Safer Communities Supporting & empowering our communities 	<ul style="list-style-type: none"> Ensure an excellent environment for everyone Grow the circular economy & reduce waste Increase our resilience to climate change 	<ul style="list-style-type: none"> Reinvigorate the high streets Support a vibrant & diverse business community Help people access jobs & opportunity Grow the skills we need for the future 	<ul style="list-style-type: none"> Improve outcomes & support for homeless people Deliver a safe, accountable housing service Digital inclusion & connectivity Deliver a sustainable new development at Otterpool Park

18. The Asset Management Strategy provides direction for the 30 year HRA Business Plan and contributes to the council’s four strategic objectives in the following way.

Corporate ambition	Asset Management Link
1 Positive Community Leadership	The Service contributes to this priority through having homes in neighbourhoods where tenants want to live; by managing its estates and tenancies, tackling anti-social behaviour, ensuring tenants can maintain their tenancies and the encouragement of community activities. It also facilitates and encourages tenant engagement in the work it undertakes.
2 A thriving environment	The housing service is proud of its properties and the estates in which they are located, having service standards for rubbish collection, landscaping and graffiti removal, providing an attractive and clean environment. Where possible it will emulate the corporate ethos of imaginative design for new homes and ongoing maintenance, e.g. when decorating properties it will endeavour to emulate the flair demonstrated elsewhere in the district.
3 A vibrant economy	The HRA spends £4m annually maintaining its homes and has a capital programme of £14m. Where possible local approaches will be taken to ensure reinvestment of this into the local economy, recycling the Folkestone £. This approach should also reduce the carbon footprint. Examples could include supporting developing businesses and using local labour.
4 Quality homes and infrastructure	In providing and managing quality homes in neighbourhoods where people want to live, the housing service contributes significantly to the physical and mental wellbeing of its tenants. Homes that are adapted to meet the changing demands of tenants and the provision of accommodation for older people all help to improve the health of the district. The HRA has ambitions to build and acquire 300 affordable homes by 2025/26 and a total of 1200 homes by 2035/36.

External Environment

Housing Demand

- 19.** F&HDC operates in an area of high housing demand⁵, where prices (both rented and home ownership) are out of reach for many on lower incomes. The council provides access to predominantly social rent⁶, affordable rent, leasehold and a small number of shared ownership properties.
- 20.** Although there are some exceptions due to shortages of affordable housing across the district, there is generally a high demand for all vacant properties. Modelling the future demand for homes will inform asset management and development decisions, in terms of the number, types and locations of properties required.

Regulation

- 21.** Social housing is a regulated service operating within an environment which reflects continued public sector spending constraints and welfare reform. The ‘Charter for Social Housing Residents’ published in November 2020 highlights the main areas of national housing policy, ensuring social housing tenants are safe in their home, have good quality homes and neighbourhoods to live in.

⁵ F&HDC waiting list had 1419 applicants as at September 2021

⁶ Social rent is determined by a rent formulae set by central Government, based on property size. Affordable rent is 80% of market rent; at F&HDC this is capped at LHA level. Shared Ownership depends on the equity purchased with a minimum initial purchase share of 25% of market value.

- 22.** The Regulator of Social Housing (RoSH) provides oversight on all social housing, intervening where failures are identified. The housing sector risk profile (published 26 November 2020) highlights the following relevant risks for all social landlord which this strategy helps F&HDC to manage:

- a.** Landlord compliance – all providers have an obligation to act to ensure the homes they provide are safe. F&HDC has carried out significant work to ensure the accuracy of its data.
- b.** Stock condition – investment should be based on a good, evidenced understanding of the overall condition of stock underpinned by up-to-date data. F&HDC have completed a comprehensive survey of its stock surveying approximately 100% externally and 90% internally.
- c.** Reputational risk – decisions should have regard to the expectations of all stakeholders.

- 23.** In 2008, The UK Climate Change Act set out statutory reduction targets for greenhouse gas (GHG) emissions (these were set against a 1990 baseline and required a net 34% reduction by 2030 and 80% by 2050). In 2019, secondary legislation was passed to amend the 2050 target to a net reduction of ‘at least 100%’ by 2050 against the same baseline. This means that some GHG emissions will remain, but these will be fully off-set (removed from the atmosphere). The 2050 commitment means that delivery now falls within the scope of the HRA 30 year Business Plan.

- 24.** As part of the wider ambition to meet the ‘net-zero-carbon’ challenge by 2050, the government, through the Clean Growth Strategy,

has set a target for social housing providers to attain the minimum rating of Energy Performance Certificate (EPC) C for rented properties by 2035 (2030 for ‘fuel poor’ households⁷). This is an important milestone towards the longer term, and much more ambitious and challenging aspiration to make all homes ‘net-zero-carbon’ by 2050. Without specific details, this strategy assumes all of the council’s housing stock has tenants in this category and will aim to achieve the 2030 target.

25. Energy efficiency, the eradication of fuel poverty and readiness for changing environmental technologies have all become more prevalent in the sector. This is a trend that is set to continue and is an area that will require significant investment over the course of the 30 year financial plan.

26. The 2020 draft Building Safety Bill sets out proposals for new building standards and regulations that will apply to new and existing homes. The Bill places a duty on landlords to ensure the data held on assets is accurate and adequate for ensuring health and safety risks can be properly managed. The Bill proposes new requirements for building safety management and for greater involvement of residents. Additional costs and management obligations are anticipated for landlords of buildings higher than 18 metres, as well as having an impact on lower rise buildings. Fortunately the F&HDC housing portfolio does not contain high rise homes and therefore the impact of the Bill is less demanding than for other social landlords. The council does, however, have a large number of sheltered schemes which, because of their vulnerable tenants and possible difficulties in evacuation will be considered high risk by the HAMS.

⁷ Fuel poverty is the condition by which a household is unable to afford to heat their home to an adequate temperature. It is caused by low income, high fuel prices, poor energy efficiency, unaffordable housing prices and poor quality private rental housing.

Local Context

Overview of the Housing Stock

27. The council’s housing stock comprises 3,397 homes with houses being the largest proportion of the stock, followed by flats, (a large proportion of which are part of the sheltered housing portfolio) in blocks of two to five storeys, 146 bedsit properties, 131 maisonettes as well as 416 bungalows. There are also an additional 211 leasehold flats and six commercial leases. These are a variety of sub-leases including a restaurant and a former library which is used currently as a parish council office. The HRA also leases a house from the Radnor Estate that has been converted into three flats.

28. The 14 sheltered housing schemes are primarily designated for tenants over the age of 60. Much of this stock, some with bed-sit accommodation, is no longer fit for purpose and increasingly difficult to let. Over the life of the business plan, the age of the over 60 population of the district is predicted to increase by 37% and the importance of this type of accommodation will be a significant feature in future investment programmes.

29. The F&HDC housing stock accounts for 7% of the total housing in the district, housing associations 3%, private rented 17% and the remaining 73% are owner occupied.

Table 1 - Composition of F&HDC's housing stock

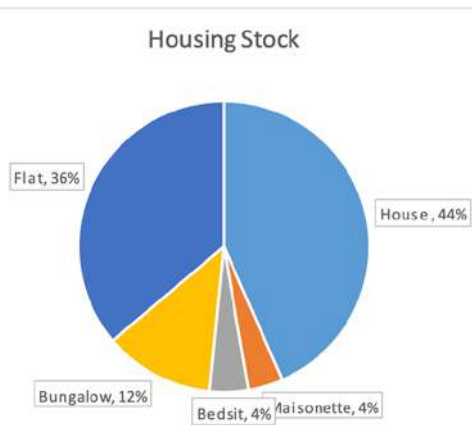
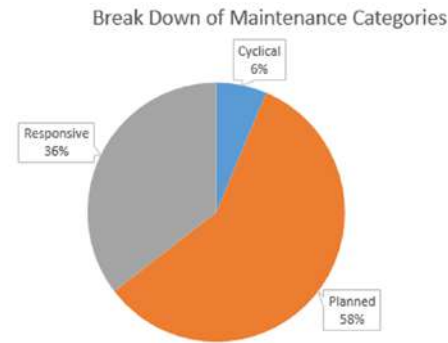


Table 2 - Details on how the annual budget was spent in 2020/21



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30. Currently 94% of the council stock meets the Decent Homes standard. The ratio of spend on planned works to responsive maintenance is 61:38 (excluding cyclical maintenance shown in table 2), which is close to the good practice minimum ratio of 70:30. The council has been asked to approve an enhanced budget that will help address this imbalance although it will take several years to address.



31. F&HDC declared a climate emergency in 2019 committing an initial budget of £4.75m towards achieving net zero carbon by 2030. The corporate Carbon Action Plan identified the sheltered housing stock as some of the highest energy consuming buildings of the council's buildings, accounting for 44% of the council's energy consumption. The housing service has a separate strategy to achieve net zero carbon.

Age Profile of Tenants

32. Overall the adult population of the Folkestone & Hythe District is predicted to increase by 18% over the period 2021 - 2039 with 18 - 60 year olds increasing by 6% and over 60 year olds expected to increase by 37% over the same period.

33. An ageing tenant population will bring increased health issues and vulnerabilities. Life time homes and adaptations will support tenants living longer but not necessarily in good health. This will mean the housing service and the property portfolio will need to cater for frailer tenants who may not be able to meet their responsibilities to look after their homes; many may need significant support due to dementia rather than physical disability.

34. The design of new properties and the adaptation of existing homes, to meet the ageing population will be a key feature of future programmes. Properties that enable tenants to remain in their homes longer will need to embrace not just structural adaptation but also telecare products that enable remote monitoring and care. Links between housing, social services and primary care health services will become essential as the same tenants are cared for by the different agencies e.g.

potential for adult social care contributing to the cost of the building of extra care⁸ schemes that create a safer environment for elderly tenants and therefore reduce the cost of care provided by adult social care is a model delivered in other local authorities.



⁸ Extra Care Homes - homes providing supportive accommodation with 24/7 on-site care arrangements for tenants over 60 who choose to take up this type of accommodation, often as a viable alternative to entering a residential care home.

Objective 1

Ensure the housing stock is safe and compliant at all times

35. F&HDC housing stock is generally in good condition with 99% meeting the Decent Homes standard. In meeting this standard all stock⁹ has either a kitchen that is less than 30 years old or a bathroom less than 20 years old. All of the housing stock has central heating and double glazed windows. Some homes are not on mains gas and use oil or propane gas which is not economic for tenants or carbon efficient. The average EPC rating for the stock is C, but there are still some 700 properties that are below this level.

36. The layout of some properties and their environs needs modernising which is best resolved through regeneration. Kitchens, for example, lack the space for modern appliances. Estates which are no longer in the sole ownership of F&HDC have challenges with car parking, layout and maintenance of common areas.

37. The housing portfolio has 19 non-traditional residential Precast Reinforced Concrete (PRC) homes. These homes are often on large plots that lend themselves to redevelopment, building new homes to higher densities on the site. In order to assemble sufficient land, it may be necessary to buy back neighbouring properties, often sold under the Right to Buy scheme.

38. To avoid fitting modern kitchens and bathrooms into layouts that will not be suitable for the future, the design of the properties will be reviewed when this work is planned. Where possible we will create better layouts. For example, creating open plan space between kitchen and lounge resulting in more attractive properties which can accommodate modern appliances and meet the requirement for lifetime homes.

39. Where the housing stock is uneconomic to maintain or cannot be cost effectively improved is in areas where there is no demand, alternative options to retention will be explored which may include disposal, demolition and regeneration.

Garages

40. Separate from garages that are attached to individual dwellings, the council owns 809 garages. In September 2021, 444 garages were let and 365 were vacant. There are wide variations in these occupancy levels with some locations sustaining sufficient demand while others have only low, or no demand. A garage strategy will be needed to identify the future investment priorities for this aspect of the housing portfolio.

41. Within some blocks, individual garages may have been sold and these represent a constraint to uninhibited site development and in these rare instances compulsory purchase may have to be a consideration.

42. A tailored approach will be developed for the future of garage sites that will:

- a.** Identify and invest in those sites where there is an ongoing demand for garages.

⁹ Except where work has been refused by the tenant.

- b.** Investigate alternative uses for the garage sites where there is insufficient demand including- developing storage units, site disposal, surface parking and green space development.
- c.** Where sites currently demonstrate a marginal positive return, their viability will be reviewed on an individual basis every two years. In some cases improved marketing or minor works may improve long-term viability.
- d.** Where sites currently demonstrate a marginal positive return, their viability will be reviewed on an individual basis every two years. In some cases, improved marketing or minor works may improve long term viability.



Leased Properties

Commercial Stock

43. The HRA is responsible for six commercial properties. During the last five years there has been very little capital investment in these properties and currently there is no capital programme or budget. As a result, any work is funded on a reactive basis from the HRA repair budget and recharged to the commercial leaseholders. Going forward, this could result in leaseholders being presented with significant invoices for works undertaken e.g. roof works which they may not be able to afford. Internal maintenance of the premises, remains the leaseholder’s responsibility. Checks will be put in place to ensure these obligations are being met.

44. The total annual income received from the commercial stock is just under £4,000. The cost to the HRA of managing and maintaining this stock needs to be accurately assessed and recharged to leaseholders accordingly. This will include determining the income and expenditure over the next 30 years alongside the social value of the HRA having the buildings in its portfolio, e.g. the social value of a local shop.

Homes

45. A similar situation exists for the 211 residential leaseholders where there is no sinking fund for major works and in the future leaseholders will face significant bills as their contribution to major works in the blocks of flats where they live are needed.

Other Assets

46. The HRA is responsible for the maintenance of a number of other properties including properties leased¹⁰ to other organisations and land leased to tenants, the income from which goes to the HRA. The general principle with all properties leased to other organisations should be that they produce a medium term surplus to the HRA.

47. The arrangements regarding each of these properties will be reviewed and their commercial viability and long term sustainability examined along with the affected parties.

Non HRA Homes

48. The housing service is responsible for 11 houses and flats in four locations across the district and were purchased with the help of grant(s) specifically to provide temporary homes for homeless households. In order to not exceed the grant threshold, the properties that have been acquired are old, sometimes complex buildings e.g. a large house that has been converted into flats with communal fire alarms etc. In order to provide safe homes and good governance, it is intended that these properties are managed by the HRA Assets and Development Team to the same standards as HRA properties with appropriate recharges to the general fund.

49. Future new development will include shared ownership products which will require new policies on maintenance and management to be developed where F&HDC still retains an interest in the freehold.

¹⁰ E.g. fisherman's huts; three flats leased from the Radnor Estate

Mixed Tenure Estates

50. F&HDC is no longer the sole landlord of its estates. The landlord responsibility is shared by a number of users and it is necessary to review the appropriateness of HRA tenants paying for the upkeep of assets that are not for their sole use, through their rents and service charges.

51. With the sale of council houses, the HRA has, by default, taken on responsibility for assets that should be the responsibility of all who enjoy the facilities e.g. the HRA is responsible for pumping stations where significant capital works may be needed in the future. Other examples of shared assets include roads, car parking and sewers. Historically these were the sole responsibility of the HRA but are now used by home owners and other landlords and will need ongoing investment. Work will be carried out to identify and allocate responsibility or costs that are currently being met through tenants' rent.

Asset Management Programme

52. The business plan outlines the expected expenditure and income that the HRA needs to plan for over the next 30 years. The Major Works Programme (MWP) details the work needed over a five year timeframe detailing what work will be carried out, when and where. The MWP is the operational driver for the service and will inform tenants, leaseholders, and Right to Buy applicants what is planned for their homes and neighbourhoods.

53. A key element of this programme will be the seven year external redecoration programme. With the installation of UPVC windows and

composite doors, the need for external decoration has significantly reduced. However, the opportunity to clean and lubricate windows, clean gutters and repair fences should not be underestimated and will reduce the demand for responsive repairs.

54. Programmes of works will be as smooth as possible, ensuring work is carried out that maximises tenant safety; the life cycle of the assets; cash flow and operational delivery. This will mean accelerating or delaying work within a plus/minus five year timescale to enable work to be combined, reduce inconvenience to tenants and maximise efficiency. For example, not carrying out major repairs to doors and windows that are due for replacement in five years' time. Another example is making sure that gutters are renewed at the same time as a roof in order to make the best use of scaffolding. This approach will need to be managed with tenants as appearances of their homes could deteriorate in the short term. As a general rule, in order to maximise the life of the asset, the preference will be to push work back in the programme, rather than bring it forward.

55. Where viable, and where possible, only one improvement will be carried out at a home within a five year period e.g. a kitchen or a bathroom. This will reduce the disruption to tenants and given the financial constraints on the HRA, deliver improvements to homes throughout the district at the earliest opportunity.

Element	Years 1-30 cost (exc VAT)	% of Total Expenditure Years 1-30
Roof Coverings	£17,095,500	13%
Domestic Kitchens	£15,580,200	12%
Central Heating Boilers	£14,725,000	11%
Environmental Works	£11,203,390	9%
Electrical Installation	£11,178,900	9%
Domestic Bathrooms	£9,668,500	7%
Windows	£8,668,400	7%
Central Heating	£8,264,100	6%
Communal Areas	£7,681,220	6%
Wall Finishes	£7,136,800	6%
Other	£1,788,300	14%
Total	£129,085,230	100%

Objective 2

Develop a social housing portfolio that is fit for purpose, meeting the needs of current and future generations of tenants and their families

56. While detailed knowledge of the properties is essential to an effective asset management strategy, so is knowledge of the tenants who live in them and their current and future aspirations. Anecdotally, tenants who have lived in their home for some time are more satisfied than tenants taking up their first tenancies. The lifestyle of a tenant and their ability to look after their home has a significant impact on the number of repairs that are needed, as does the construction of the property.

57. A key aspect of place-making is understanding the current and future aspirations of tenants in order to develop thriving neighbourhoods as well as building the right homes in the right places.

58. Overall, the adult population of the district is expected to increase by 18% over the period 2021-2039 with 18-60 year olds increasing by 6% and the over 60 population expected to increase by 37%. This means that the number of people aged 75 and over will change from 1 in 10 in 2018 to 1 in 5 by 2043¹¹.

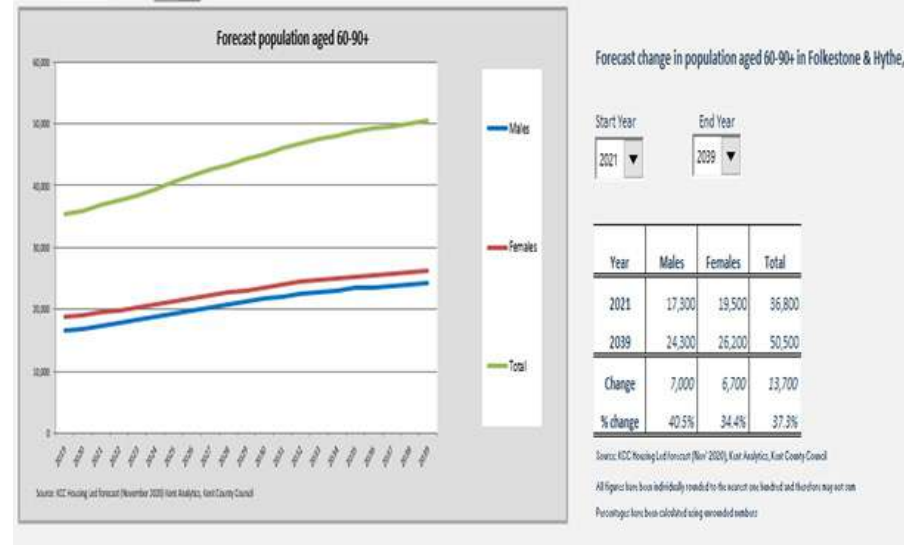
11 KCC data

Table 4 - Projected increase in the Folkestone district population over the period 2020-2039

Year	Total Population	Age Group		
		0-15	16-64	65+
2020	113,500	19,100	66,000	28,400
2024	117,100	18,800	67,500	30,700
2028	120,700	18,200	68,800	33,700
2032	124,300	17,900	69,200	37,200
2036	127,900	18,000	69,600	40,300
2039	130,500	18,300	70,200	42,000

Source: KCC Housing Led Forecasts (November 2020) - Interactive Population Toolkit

Table 5 – Projected increase in the over 60 adult population 2021-2039



59. National research indicates that most people will continue to live in their homes (whether owned or rented) but are likely to require support and facilities to assist them to continue doing so as they age. Where people do need to move to specialist accommodation such as sheltered, extra care or a care home, this will be when they are much frailer and/or often in response to an unplanned for event e.g. illness/accident.

60. Enabling older people to move into more appropriate accommodation, often releasing larger family homes is an important consideration for F&HDC and for tenants who could have a more enjoyable and safer lifestyle in their later years. However, with an understandable reluctance to move, F&HDC will need to develop an attractive ‘downsizing offer’ to encourage tenants to make such moves.

61. While sheltered housing will not be the preference for all older people, population demographics indicate a continued long term demand and the housing portfolio should continue to provide older people’s housing accommodation that is attractive and meets the increasing demand.

62. Having an appropriate level of suitable older person’s accommodation is a critical aspect of delivering the housing service in the future. From an asset perspective, this may involve a combination of conventional sheltered, extra care as well as general needs housing. Understanding the needs of an ageing population, the impact of managing a service for tenants with increasing vulnerabilities together with providing buildings from which the services can be delivered is a key action for the housing service.

63. The Kent County Council market position statement on housing for

the elderly identifies a need in the F&HDC district of an additional 260 units of housing with care by 2026 and a further 55 by 2031. The majority of these new homes are likely to be provided by the private sector but the HRA will have a role to play in meeting this demand.

64. The housing service will endeavour to influence the future delivery of “Lifetime Homes” with s106 properties¹² delivered by private sector developers, enabling tenants to live healthier lives and remain part of their communities longer.

Adaptations for Disabilities

65. Adapting homes is key to meeting the changing needs of the tenant, helping them to live in their homes for longer. However, where homes are under occupied, efforts will be made to encourage tenants to move to more suitable accommodation and, most likely, freeing up much needed family accommodation.

66. In all cases, a value for money judgement needs to be made comparing the work that is needed to adapt the property with the benefit it will bring. In some cases, it may be necessary to move a tenant to ensure the best responses to their need. For example, a move to a home that has already been adapted and better meets the tenant’s need , or a new purpose built home. These factors would be considered alongside the tenant’s wishes.

67. As adaptations are often expensive, a register of adaptations and

¹² Section 106 (s106) are agreements between the local authority and developer to provide

adapted properties will be maintained. Where possible, homes would be re-let to a household with similar needs and/or to recycle adaptation equipment.

68. Only in exceptional circumstances will adaptations be removed for new tenants e.g. the removal of a shower and installation of a bath (when the initial adaptation was the opposite). Wherever possible, adaptations will be designed so that they can be used by all types of tenure.

Stock Sustainability

69. Not all of the housing stock is sustainable for long-term investment as some properties have poor layout or construction. Some of the council's sheltered schemes are no longer fit for purpose, being difficult to let with have high energy usage. Future options will include change of use, disposal, adaptation, remodelling and potentially demolishing and redeveloping. All of which will require careful planning and discussion with tenants to ensure support for the work.



70. Where there is demand for larger homes the option to increase the size of properties, through extension, including building up on existing blocks of flats and creating rooms in the roof space. This is likely to be more cost effective than increasing the buildings footprint and more acceptable in planning terms.

Regeneration

71. Area regeneration will be considered where a neighbourhood is failing to meet tenant expectations or future viability is no longer evident. In these cases, a strategic master plan will be developed in conjunction with relevant agencies.

72. Where regeneration is to take place, a variety of delivery vehicles will be considered including mixed use development, selling or swapping land to support the viability of priority schemes, gifting land in return for nomination rights, new build social and affordable rent models.

73. Decisions about which stock is to remain, which should be demolished or be re modelled, what to build, where to build and for which client groups will be taken in the context of neighbourhood strategies and local demand. Opportunities will be provided to local residents to become involved in the process helping to shape the future of their neighbourhoods.

Development Opportunities

- 74.** The HRA has a separate New Homes Development Strategy.
- 75.** The council has set an ambitious target to develop 300 affordable new homes during the period 2015 - 2026 and a further 1,000 new affordable new homes over the period 2025 – 2036. This will include those built at Otterpool Park, acquisitions and s106 contributions from private housing developments¹³.
- 76.** In maximising the affordability of new developments, a variety of funding options including outright sale, first time affordable homes, shared ownership life-time homes, extra care schemes, key worker accommodation and affordable rents¹⁴ will be considered. The priority will be the provision of homes for social rent¹⁵ but cross subsidy models may be necessary to deliver schemes that are viable.
- 77.** The current financial criteria for all new HRA homes is to have a net present value (NPV) of zero (break-even) over 30 years. This criteria will need to be reviewed as new schemes are designed to zero carbon in use standards and may be more costly to build and maintain. Future schemes may need to be mixed use developments combining affordable housing, shared ownership and outright sale in order to also provide homes at

13 The HRA Business Plan was updated in 2020 including a four year development ambition of 140 new homes and will need updating in order to achieve the initial phase of 300 homes by 2026.

14 Affordable rent is 80% of market value rent for the property. F&HDC has pegged its affordable rent at the local housing allowance level. Homes England may require the 80% of market rent model to be used in providing grant.

15 Social rent is the rent charged for HRA homes and is regulated by the Regulator of Social Housing. For the period 2020 - 2025 the maximum rent increase is CPI+1%.

social rent levels. The approach and modelling parameters will be detailed in the HRA New Homes Development Strategy.

- 78.** Consideration will be given to evaluating the HRA development programme as an entity that needs to achieve a NPV of zero overall. This approach will provide flexibility to offset schemes that do not break even with those that break even sooner.
- 79.** Where the council has land and buildings in the general fund that may be suitable for housing, the HRA will consider purchasing suitable assets at appropriate rates.
- 80.** Consideration will be given to the disposal of HRA assets that do not fit the future housing portfolio due to demand or maintenance costs. This could include sale at below market rates for first time buyers prepared to invest sweat equity¹⁶ in improving their first home.
- 81.** In developing the housing portfolio, the HRA will, subject to financial viability, in addition to building its own homes, acquire homes on the open market, from housing associations as well as buying back ex-council stock.
- 82.** The council has Development Status with Homes England which enables F&HDC to access government grants for new development opportunities. The current HRA development programme is small and self-funded. In order deliver its development aspirations, this approach will be reviewed to maximise grants along with other funding models.
- 83.** Where the HRA develops new homes they will, as far as possible, be to net zero carbon in use standards and to Lifetime Homes Standards.

16 Sweat equity refers to a person contribution toward a venture. Generally comes in the form of physical labour, mental effort, and time.

Where this standard cannot be met, approval will be obtained through an internal officer the Investment Panel¹⁷. Construction and services will be designed to accommodate future developments in the transition to net zero carbon, many of which are currently not clear and reliant on future technologies not yet developed eg. use of hydrogen.

84. With the increased emphasis on reducing carbon emissions and with government support, off-site construction, (also referred to as Modern Methods of Construction (MMC)¹⁸), will feature significantly in the New Homes Development Strategy. However, what can be built on a site is dependent on many factors and this method of construction will not be suitable for all locations.

85. It is important that F&HDC decides what type of MMC it will use, enabling procurement and future maintenance cycles to be developed. In addition, training will be needed to maintain the new types of construction as well as how best to live in the new homes that will have different approaches to heating and controls.

86. Where the council purchases homes, including through s106 agreements, it will have less choice and control over the standards of layout and thermal value than in the standards it sets for its own developments. In modelling the financial viability of any acquisitions, the cost of retrofitting the properties to meet net zero carbon in use will be part of the overall viability assessment.

87. The district has “brownfield” (former use) sites that are suitable for development. Suitable locations will be reviewed against the development priorities and available resources to decide how best to take each site forward. The vehicle to capture these opportunities is the Housing Development Portfolio¹⁹.

88. In creating the critical mass necessary for development and regeneration, the purchase of land and properties may be necessary e.g. post war system build homes that have low thermal values and will be expensive to achieve acceptable carbon emissions. This type of property often occupies a large plot of land which, when a number are brought together can provide an opportunity to increase the density and provide better homes on the same overall footprint. This approach may include the purchase of properties previously sold under the Right To Buy (RTB) scheme.

89. In order to improve efficiency and resident satisfaction, building new homes and developing existing homes will adopt a Building Information Management (BIM) system approach²⁰. A Soft Landings²¹ approach will also be introduced which requires the team to be fully aware of the project’s success criteria. It also requires those required for the future maintenance of the building along with the end users be closely involved in the project, especially in the decisions which affect operation and management of the delivered building.

17 Terms of reference to be developed. See para 121 for further details

18 Modern Methods of Construction’ (MMC) is a wide term, embracing a range of offsite manufacturing and onsite techniques that provide alternatives to traditional house building

19 An internal document that records potential new build sites.

20 See digital agenda, p29

21 Soft Landings – a strategy to ensure transition from construction to occupation is as smooth as possible.



Objective 3

Improve the energy efficiency of the housing stock and the ways of working to reduce carbon emissions and levels of fuel poverty by achieving a minimum EPC rating of C by 2030 and operational net zero carbon in use by 2050 for all of its housing stock.

90. The HRA has a separate Carbon Reduction Strategy (to be drafted).

91. In the 1970s just a third of UK homes had central heating; today 95% of UK homes are centrally heated, with gas and oil fuelling more than 90% of the UK's housing stock. The government's 2020 Energy White Paper, 'powering our net zero future', proposes new measures to start switching home heating to low-carbon alternatives. Although existing boilers won't need to be replaced immediately, it does mean that from the mid-2030s, it will not be possible to get a traditional gas or oil boiler installed. Instead, a low-carbon heating system or an appliance that can be converted to use a clean fuel will need to be installed. For more information: [Future of Gas Boilers](#).

92. Systems such as heat pumps or hydrogen-ready boilers will be likely candidates to replace gas and oil boilers in the future. Against this background, the HAMS advocates careful planning, replacing boilers on a failure basis and not life expectancy in order that the most suitable appliances can be installed.

93. Moving towards net zero carbon (NZC) will be complex and reliant on technologies yet to be discovered or commercialised. New

technologies may have more expensive life-cycle costs, impacting on the HRA 30 year business plan. Careful planning will be necessary to avoid costly mistakes and abortive work. However, careful planning is not a reason for being over cautious and the roll out of electrical charging points and the requirement for contractors to use electric vehicles are realistic considerations for future contracts.

94. The Fuel Poverty Regulations 2014 required that by December 2030, as far as reasonably practicable, where people live in fuel poverty their homes have a minimum EPC rating of C. The assessment of fuel poverty varies with tenant circumstances and for simplicity the HAMS advocates planning for all homes to be retrofitted to a minimum EPC level C by 2030.

95. The council's housing stock has benefitted from a history of energy efficiency improvements. These measures have helped to achieve an average rating for the stock of EPC C. However, it still has almost 700 homes in the EPC D, E, F and G range which need to be improved along with the 11 homes purchased for temporary accommodation which have EPC ratings of E and D.

96. At the moment, the government's position on zero carbon and new build is not totally clear. There is discussion that new homes built from 2025 onwards are zero-carbon ready, including consulting on whether it is feasible and appropriate to end the connection of new-build homes to the gas grid. Similarly, proposed changes to the Building Regulations to reduce carbon emissions would, by default, prohibit the installation of gas boilers in homes built after 2025, although these changes have not yet been adopted. The HAMS makes a commitment that, as far as possible, the new homes built by the HRA will be to net zero carbon

in use standards and ready to accommodate future carbon reduction initiatives. Where homes and schemes are refurbished similar standards will be aspired to.

97. Net zero carbon is not something the HRA can achieve²² without significant additional government funding and changes to the national infrastructure, e.g. the National Grid will need to provide electricity from renewable sources in order for zero carbon to be fully achieved. Where homes meet NZC standards it may be possible in the future (depending on legislation) to levy an increased rent or service charge (which could be offset by the reduced heating costs), which could help to fund the cost of retro fitting or building new homes to higher thermal values.

98. Individual NZC strategies will need to be developed for the various house types but in general it is expected that the approach will be:

- a.** Fabric first - ensuring the roof, wall, windows etc. of homes are as energy efficient as possible.
- b.** Worst first - tackling properties with the lowest EPC rating.
- c.** Lowest regrets - minimising the likelihood of having to replace work through being early adopter of new initiatives²³. In this respect F&HDC should be a follower and not a leader of new initiatives.

99. Within the stock, there are some 300 properties that are not on mains gas and rely on either electric, oil or LPG for their heat and hot water. These properties have EPC ratings ranging from E to C and will

²² The assumption is made that the housing stock will not move off grid and become totally reliant on renewables.

²³ Ground source heat pumps are currently being promoted but their impact on tenant lifestyles are not fully understood.

be particularly costly to run and have high carbon emissions. These properties will be prioritised for energy efficiency works.

100. A further priority will be the HRA sheltered housing schemes which are some of the highest consumers of gas in the buildings owned by the council. Overall the schemes have an EPC rating of C, with individual flats ranging from an EPC E to an EPC B.

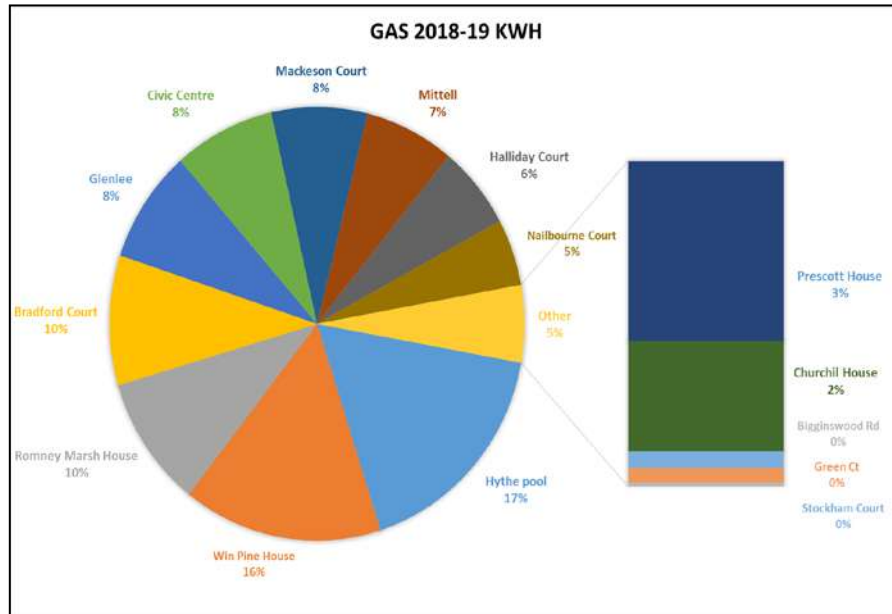
101. Future homes will need to meet both the NZC agenda and the needs of tenants. How this will be achieved will need careful planning, for example, replacing a gas boiler with a ground source heat pump will produce less carbon but on its own, is likely to increase the energy bills for tenants due to the cost of electricity to operate the heat pump. This could be offset with increased thermal insulation and the installation of photo voltaic (PV) panels to produce electricity.

102. It is already the case that at least 1.5C of global warming is 'locked in' and the impacts of this warming along with other adverse effects of climate change, air pollution and flooding will form part of any holistic net zero strategy.

103. Overheating is already a key consideration in sheltered housing schemes, where better insulation, draft free homes and increased use of electrical appliances all add to the problem²⁴. With global warming, this problem will increase and needs to be catered for through design and not mechanical means which will create carbon emissions.

²⁴ According to the Chartered Institution of Building Services Engineers over heating is defined as 'conditions when the comfortable internal temperature threshold of 28C is surpassed for over 1% of the time'. Temperatures above 35C present a significant danger of heat stress.

**Table 6 Gas Consumption of F&HDC buildings 2018-19
(total consumption 1,871,922 KWH)**



104. Where it is uneconomic to retrofit properties to meet the zero carbon agenda, consideration will be given to their disposal. However, although this may be a sound economic approach, it runs the risk of further breaking up the housing portfolio and does little to address the global NZC agenda on the assumption that purchasers will not achieve net zero carbon.

105. A key approach of the HAMS is that work is carried out ‘just in time’, with a fabric first approach to the carbon agenda. This means additional insulation would be installed where the need has been identified but the replacement of windows would only happen when the

windows need to be replaced and not earlier to achieve carbon reduction targets.

106. When specifying materials, consideration will be given to the complete carbon cycle including manufacture, delivery, installation, cost in use along with the embedded carbon at the end of a products life cycle. Examples include the use of recycled product’s, for example the materials in UPVC windows can be recycled several times before they become landfill.

107. The HAMS embraces modern technology and different ways of working to reduce the carbon footprint of the property portfolio. This will include remote monitoring of equipment. Examples might be systems that will not need an engineer to travel to site, working with tenants to diagnose repairs remotely using smartphones, video-conferencing and equipment that diagnoses and self-reports faults.

108. The NZC journey will include encouraging behaviour change and the development of new skills for staff, tenants and the contractors it works with. It will mean working with tenants to not only adapt their lifestyle to living in low carbon homes, but also their approaches to recycling and communicating digitally. On new developments, this may include the use of car pools, reducing the need for car parking and potentially creating space for more homes and green space.

109. Contractors will be required to demonstrate the same level of commitment to environmental sustainability as F&HDC, ensuring waste is minimised and where possible, recycled and providing environmental benefits.



Objective 4

Maximise efficiency, supporting the local economy, developing skills and re-cycling the Folkestone pound

Supporting the Local Economy

110. Procurement of work outlined in the HAMS will, where possible, encourage the employment of labour and companies from the within the district.

111. The new build programme will draw heavily on the use of Modern Methods of Construction (MMC) which makes significant use of factory produced components, often using semi-skilled labour. Encouraging contractors to establish factories within the district to produce the required components would enable the employment of local labour, ideally tenants building HRA homes. Building local reduces the carbon miles the material and labour travels. From a business perspective, these factories could have a wider customer base, supplying some of the new homes at Otterpool Park and maybe developments in neighbouring districts. Contributing to the local economy will be a consideration when determining the type(s) of MMC F&HDC should invest in.

Maximising Efficiency

112. Efficiency is not just about cost and achieving upper quartile performance. Efficiency from asset management is long-term and reliant on careful evaluation and specification of materials and construction methods. Efficiency is future proofing, it is ensuring what has been

specified is delivered and installed correctly, it is replacing materials when necessary, not before.

113. Efficiency will need careful planning of maintenance programmes, not painting surfaces that are to be replaced and accepting they will not be aesthetically pleasing, undertaking only essential work on homes and estates that are identified for regeneration and accepting a managed decline.

114. The Asset Management Programme is based on the 2021 stock survey which is an indicative guide for planning and financial modelling. Life expectancy of building components are assessed visually and have wide variation in practice. Operationally, before work is undertaken, reference will be made to the housing service's primary database (Northgate), to determine if work is needed or whether a further inspection is necessary. For example, the stock survey may indicate windows need replacing, but if there are no repairs reported, the need for window replacement on maintenance grounds is questionable. Future programmes of work will be based on the stock survey but determined using data from Northgate, ensuring that only work is carried out where it is needed.

115. A data driven approach to the delivery of planned maintenance programmes may result in components not being replaced until they have failed which will result in a pepper pot approach²⁵ and possible complaints but the careful use of data and planning should maximise the just in time approach to asset management.

²⁵ There may be anecdotal argument that this approach is not cost effective, economies of scale etc. that should be challenged.

Table 7 - Expected life of key building elements used in the stock survey and therefore in the HRA business plan

Building Component	Life Expectancy years
Roof – pitched	70
Roof – flat	25
Wall structure	50
Windows	30
External door	30
Space heating	15
Sanitary ware	40
Electrics - rewire	50

Delivering the Strategy

116. The HAMS has its own action plan that will help to deliver the strategy. Progress will be monitored quarterly by the Housing Leadership Team and to the Corporate Leadership Team through the Service Plan monitoring. The plan identifies what needs to be done, what the expected outcome looks like, time frames and the officer responsible for delivering the action. The plan will link with and inform both the Housing Service Plan and those of other directorates. Critically, it is the basis for the Major Works Programme which details the work to be undertaken over the next five years - the current year in detail with subsequent years in less detail. This programme will be agreed annually as part of the budget setting process and shared with tenants. Significant changes in the programme will be accounted for in the HRA business plan. The Northgate database will be at the heart of planning the delivery programme.

117. The preferred approach to delivering maintenance and new homes will be to work in partnership with contractors and consultants ensuring lean structures and simple processes, avoiding duplication while retaining appropriate contract management and governance.

118. With detailed information from the stock survey, accurate programmes of work can be constructed and contracts procured against the delivery time lines. The skills necessary to deliver the programmes can be with staff or through the engagement of consultants.

119. Where possible, viable local contractors will be used to maximise local employment, develop skills, employ apprentices and invest in the district. This may need changes to current IT, procurement policies and financial rules in order to accommodate smaller contractors depending on their financial and operational capacity.

120. Regardless of size, a requirement of working for F&HDC will be to have ICT compatible links to update the Northgate system that provides a digital dialogue for invoicing, contract changes and the storage of documents.

Risk Management

121. An officer Investment Panel will be established having oversight of all commercial risks the HRA intends to undertake. The panel will be a gateway through which investment proposals will need to pass at key stages e.g. approving the viability of a new build scheme; the disposal of property; the entering into of complex contracts such as Joint Ventures. The panel will initially comprise of key officers from procurement, finance and housing.

122. Governance of major projects will be exercised through a risk management approach. All aspects of contract procurement and delivery will be the responsibility of individual officers. Contractors will be required to demonstrate both independent and joint approaches to quality control, in this way improving health and safety compliance and performance reporting.

123. In addition to the routine audit programme, the critical areas of landlord compliance will have a four line control of risk as follows:

- a.** Engineers qualified to carry out work
- b.** Contracting companies employ their own quality control
- c.** F&HDC employed quality control
- d.** A third party independent scrutiny of works. It is intended that this will be a single expert company providing scrutiny across all of the big 6 areas²⁶ of landlord compliance.

124. The caretaking service will have an increased role in carrying out minor repairs.

125. Redevelopment of estates and properties will be driven by the ability of the housing portfolio to meet demand as well as the economic viability of the existing stock. In crafting the Major Works Programme, the economic viability of managing and maintaining individual stock will be evaluated across the district and investment decisions made to retain, improve or dispose of stock.

²⁶ Big 6 refers to the correct maintenance of gas, water, electrical, fire, and asbestos and lifts equipment and services.

Void Properties

126. A key element of having sufficient housing is how quickly homes are re-let after they become vacant, ensuring homes remain vacant for as shorter time as possible. On average, there are around 200 voids annually, at any point in the year 6% of the stock is in the process of being re-let.

127. The approach to void properties and day-to-day repairs will be reviewed, encouraging contractors to complete work quickly and ‘right first time’ developing timed appointments in exchange for more flexible works scheduling including evening and weekend working. Where major works are required, the priority will be to let the property and agree a works programme with the incoming tenant, providing tenant choice on what is to be done and when.

Involving Tenants and Stakeholders

128. Co-regulation requires landlords and tenants to work closely in scrutinising the delivery of standards and local offers. This is a key element of the housing service’s vision and a requirement of the Regulator of Social Housing.

129. Tenants are, and will increasingly be involved in shaping service decisions. The mechanisms for this are outlined in the Tenant Engagement Strategy.

130. The preferred method of communication with tenants will be digital, maximising the website, email, text and social media to improve and extend the services provided. Electronic communication is easier, cost effective

and more responsive to changing circumstances. Where practical, each tenant will be given a choice over how they receive communication.

131. Councillors will be kept informed of all major works programmes through the annual asset plan and specifically, when a contract starts in their ward.

132. Tenants will be involved in the work programme and when work is scheduled for completion to their home. During major capital schemes, tenants will be supported by Customer Liaison Officers which will be a requirement of, and paid for through the contract.

133. Creating ownership of communal areas is often difficult. Where there is interest a 'responsible tenant' programme will be developed. This may involve a tenant or tenants in a block of flats becoming the point of contact for access and monitoring of works in communal areas. With 180 blocks of flats this could be a major undertaking but worthwhile. The payment of out of pocket expenses would be considered.

Keeping Stock Data up-to-date

134. The information on the housing stock is stored in the Northgate management database and was updated in 2021 following the stock survey. Having invested in this comprehensive survey it is important that the information is kept up to date when the following happens:

- a.** If there are any major changes to a building, e.g. new windows are installed, adaptations undertaken, room numbers change.
- b.** If work is carried out at change of tenancy e.g. new kitchen is installed.

c. As a result of surveying year one of the five year major works programme where it is found that work is not required and a new remaining life cycle date is needed.

d. As a result of any survey carried out as part of the tenancy audit e.g. the tenant may have carried out changes without approval.

e. As part of an annual programme that ensures 20% of the property portfolio (including the above) are surveyed annually commencing in 2024.

Impact of the Strategy

135. Services will be transparent and accountable. Performance and works programmes will be published. New opportunities will be developed for tenants to be involved in commissioning services to their homes, including choice of kitchen colours and layouts and the option to pay for additional work e.g. kitchen units or additional tiling at contract rates.

136. The effectiveness of the work undertaken in terms of cost and customer satisfaction will be benchmarked through HouseMark where the expectation will be to achieve upper quartile performances by 2025 in the following key areas:

- a.** Customer satisfaction with the overall housing service
- b.** Customer ability to influence the service
- c.** Customer satisfaction with repairs
- d.** Value for money

The Digital Agenda

137. Being digitally enabled is part of the vision for the housing service. The Asset Management Strategy is underpinned by the Northgate database that holds stock condition information; surveys; completion information; guarantees; repairs; decency records etc. It also needs to be able to access operating manuals, pictures of the housing stock and future work programmes.

138. Through the council's customer portal, 'My Account', information will be made available online to tenants e.g. including details about the construction of their home and details of when work is planned to be carried out in their home. Northgate informs all relevant decisions on planned investment and maintenance. The integrated approach of Northgate allows key housing management data/information to be linked with asset management data and shared across the organisation as well as with contractors who will also be able to update the system providing real time data.

139. Where needed, cloud based systems may provide agile reporting solutions. In all instances, software solutions used by the council and its partners should synchronise seamlessly with Northgate and not rely on work around solutions.

140. As part of the management of new build and major refurbishment projects, Business Information Modelling (BIM) software will be used for creating and managing information on a construction project throughout its whole life cycle. Using BIM will ensure construction data, materials, operating manuals are filed in a single accessible location²⁷.

²⁷ One of the findings from the Grenfell enquiry was that organisations had limited records of the construction, materials and operation of their buildings.

Responsibility for Delivering the Strategy

141. In order to deliver the strategy and secure the impact sought, an action plan is being prepared which pulls together the various tasks that need to be undertaken to deliver each of the priorities set out in this HAMS. The plan provides brief details of the work needed, assigning of responsibility and a target date for completion.

142. The council's Chief Officer for Housing and Lead Officer for Housing Assets and Development have overall responsibility for the ongoing development of this strategy and ensuring it is delivered successfully.

Equality & Diversity

143. The council values and respects the wide variety of people from diverse backgrounds, cultures, beliefs and lifestyles who are part of the community it serves. As such, the housing service is constantly trying to improve its knowledge and understanding of the demographic profile of its tenants to ensure that new and existing services reflect the needs of the communities it serves.

144. In certain circumstances, the standard works may not meet the particular needs of some individuals or the way in which the works are programmed may not be consistent with their lifestyle. The service will try to accommodate requests for flexibility.

145. Contractors and partners will be expected to demonstrate a similar understanding and approach to the diverse make up of our tenants.

Review of the Strategy

146. The strategy and progress on the action plan will need to be reviewed annually. Any alterations that may be required for operational reasons will be agreed by the Lead Officer for Housing Assets and Development in consultation with the Chief Officer for Housing. Substantial changes will not be authorised without appropriate tenant involvement and Corporate Leadership Team consideration.

References

[Tenant engagement Strategy](#)

[Healthier Housing Strategy](#)

[Local Plan](#)

[Future of Gas Boilers](#)

[KCC Market Position Statement On Future Accommodation For The Elderly](#)



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This Report will be made public on 18 January 2022



Report Number **C/21/70**

To: Cabinet
Date: 26 January 2022
Status: Key decision.
Responsible Officer: Ewan Green, Director of Place
Cabinet Member: Cllr David Monk, Leader of the Council

SUBJECT: OTTERPOOL PARK LLP DRAFT UPDATED BUSINESS PLAN

SUMMARY: This report presents the first annual update of the strategic business plan for Otterpool Park Limited Liability Partnership (LLP). The draft updated plan provides commentary on progress achieved to date and sets out the priorities and key milestones for the LLP over the next 12-18 month period. The report is presented to Cabinet for agreement.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations below so that the Otterpool Park Limited Liability Partnership can continue to deliver the project as detailed in the business plan.

RECOMMENDATIONS:

1. To receive and note report C/21/70.
2. To agree the updated Business Plan submitted by the Board of Otterpool Park Limited Liability Partnership and contained in the Appendix to this report.

1. BACKGROUND

- 1.1 Otterpool Park, a new garden town, will be central to shaping a sustainable future for the district. It is recognised as a priority within the Council's **Corporate Plan 2021-30 'Creating Together Tomorrow'** and will make a significant contribution to achieving positive outcomes for:
- Service Ambition 1: Positive community leadership
 - Service Ambition 2: A thriving environment
 - Service Ambition 3: A vibrant economy
 - Service Ambition 4: Quality homes and infrastructure
- 1.2 Otterpool Park LLP (the LLP) was established in May 2020 with the principal objective of acting as master developer for the delivery of the project. The Members' Agreement establishing Otterpool Park LLP sets out the process for the approval of the LLP's business plan. This requires that every 5 years the LLP submits its strategic business plan to the council for approval. Within the 5 year period annual updates are also prepared and placed before the council for approval.
- 1.3 The first strategic business plan was approved by the Cabinet of the Council on 20 January 2021 (minute 75). This report presents the first annual update of that business plan.

2. DRAFT BUSINESS PLAN 2022

- 2.1 The draft updated Business Plan is attached as the Appendix.
- 2.2 Whilst much of the plan remains as approved in January 2021, sections 4 to 11 have been substantially updated. The following provides a summary of the key changes by section:

4.0 LEGAL AND GOVERNANCE

Actions in 2021 have included amendments to the scheme of delegations and the approval of a staff handbook containing the human resources policies of the LLP. A Strategic Land Agreement and the method of procuring the on-site wastewater treatment works also secured Board-approval. The Cabinet of the Council resolved that the Council should enter into the Strategic Land Agreement with the LLP and the Agreement will be completed shortly.

Supported by the new Head of Finance, the Board will continue to keep track of the LLP's financial performance and it will also consider Phase Delivery Strategies.

Proposals for long-term governance and stewardship of community assets will be prepared for Board and Council approval in the New Year.

5.0 RESOURCING STRATEGY

Updates to the Business Plan consider the human resource requirements of the LLP over the period 2021 – 2026.

The Board meeting of 19 February 2021 approved the secondments of six members of staff from the Council to the LLP. The LLP has been actively recruiting to further positions this financial year. This includes a Director of Construction and a Head of Finance, two vital senior positions. A Community and Events Manager has been appointed on a part-time basis and in addition a Public Transport Lead has also been appointed on a secondments arrangement from the Council.

The Business Plan considers a comparison of operating models with other development companies. The LLP's onward resource strategy is based on a blended approach, utilising internal resource (seconded council staff and direct hires) along with a range of interim management, consultants and contractors appointed on a contract basis or through partnership arrangements. This will reflect the changing priorities, milestones and growth of the LLP and will be subject to continued review.

6.0 STAKEHOLDER RELATIONS

Engagement in Year 1 expanded beyond the masterplanning work to embrace a wider range of people. Covid restrictions led to innovation in the delivery of virtual engagements, including extensive engagement in the preparation of the phase 1 masterplan.

Strange Cargo, a local participatory arts organisation was commissioned to deliver learning and engagement activities within the community. Progress has been aided with the appointment of a Community and Events Manager (a part time post).

A programme of further community-focused initiatives and events is being prepared.

Political engagement is being deployed at a national level and sustained engagement with a range of Government departments will remain a key part of the engagement strategy.

The LLP is exploring a range of opportunities for working with local stakeholders and existing/future residents, for example ongoing work with parish councils on masterplanning phases of development.

Submission of the outline planning application is a key engagement touchpoint and a consultation event is in development. The strategy includes communications and engagement activities relating to planning application approval, subject to this being the case.

7.0 THE MARKET

BNP/Strutt & Parker have prepared updates to the Business Plan to assist the LLP with an understanding of the current development land market and wider housing markets within Kent and their opinion of values for Otterpool Park. They conclude that housing values, commercial values and land values remain equal to or above those reported in the Business Plan.

8.0 FINANCES

In the approved plan agreed in January 2021, profit was projected to be £193m over the lifetime of the project, with the project breaking even in the first 10 years. The pace and timing of these returns will be dependent upon a few decisions around infrastructure and funding to ensure that peak debt does not exceed the £75m working capital budget. Since approval of the Business Plan, time has been spent validating, aligning and refining the magnitude and the timing of cashflows. Key to this has been the move to have custom built financial appraisals developed by the team, to enable Management to forecast the impact of various scenarios. As a consequence, Management now have greater confidence in the forecasted cashflows. Having carried out this work the headline return has been reviewed and a profit of £240m - £270m is projected.

The FY22-23 budget of £7.5m will be spent upon design and planning fees in order to conclude the outline planning application and secondly to plan the construction phase that will start in FY24-25.

9.0 PLANNING STRATEGY

Modifications made to the Core Strategy Review were approved by Cabinet and have been subject to public consultation. It is anticipated that the Council will adopt the Core Strategy in early 2022.

The outline planning application for the scheme is being amended and it is anticipated that it will be submitted to the local planning authority in late 2021. Amended information will be subject to a further round of stakeholder and public consultation. 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 2022.

Planning progress with regard to community infrastructure includes the appointment of a curator to ensure that artists are embedded in the process of designing places and spaces, as part of a three-year action plan with Creative Folkestone. The action plan has been included in the budget for 2022/23 with commitment agreed in principle for subsequent years, but the programme of work will be reviewed and revised at the end of each financial year.

The LLP will prepare detailed proposals for the future use and development of Westenhanger Castle, the associated barns and its parkland setting.

Education provision within new schools is no longer the responsibility of the local education authority and the LLP is seeking advice from education specialists in order to meet its aspiration for schools.

The Kent and Medway CCG Estates Strategy (2021) notes Otterpool Park and sets out its intention to procure GP services for a new health facility in the town. The current preferred option is a multi-functional building within the town centre – a ‘market hall’ – that will host a range of functions on a temporary basis until the town population grows enough for standalone facilities to be built.

10.0 INFRASTRUCTURE STRATEGY

For the remainder of FY21/22, focus will transition towards planned delivery of the earliest pieces of infrastructure in Phase 1 to coincide with a grant of planning consent. An Infrastructure Delivery Plan (IDP) has been created sets out the sequence of proposed infrastructure:

- October 2021 to March 2022: focus on planning new infrastructure, surveys and design development
- April 2022 to March 2023 (FY22/23): focus on detail design and construction procurement
- April 2023 to March 2024: Year 1 delivery
- April 2024 to March 2025: Year 2 delivery

The Business Plan sets out in full the detailed activities that are being planned in the final months of FY21/22, to prepare for the production of new information to support technical applications, Reserved Matters applications and applications to discharge planning conditions.

Following on from the predominately planning work undertaken during the last half of FY21/22, activity in FY22/23 focuses on design development to enable Reserved Matters and technical applications to be approved. These must be supported with more detailed information and coordination with housebuilders. At the same time a planning decision is expected, and planning conditions will be available.

In the final half of this period, the LLP expects to be preparing ground and delivering any priority utility diversions and improving construction access points. The racecourse stands will be demolished.

In April 2023 the LLP will commence delivery of the first pieces of infrastructure in accordance with approved details and discharged planning conditions.

In FY24/25 the LLP will continue to delivery enabling infrastructure in Phase 1.

11.0 LAND DISPOSAL STRATEGY

The land disposal strategy in the Business Plan remains sound and will be the basis of disposing of the land and ensuring its development. The strategy is based on the following principles and will be implemented by the LLP's agent BNP /Strutt & Parker:

- 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.
- Advice on early place making.
- Negotiate land sales and work alongside the wider legal team to successfully secure the completion of sales within targeted timescales.

Market testing for phase 1 has now formally commenced and it is anticipated that formal bids will be received over the next two months for consideration by the board in the New Year

2.4 Overview and Scrutiny Committee considered the draft updated Business Plan on 7 December 2021 (Minute 32). The following points were raised by Members:

- The Business Plan is thorough and based on a range of detailed assumptions and the added level of detail in the plan is welcome.
- It is important to ensure ongoing engagement with adjacent Parish Councils.
- Otterpool Park should deliver housing for all ages and new employment opportunities.
- It is important that the best quality digital infrastructure (e.g. superfast broadband) is provided.
- Timescales for the planning application to be determined.

2.5 Cabinet is asked to agree the updated Business Plan

3. RISK MANAGEMENT ISSUES

3.1 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	<p>Full Council decision to agree funds for project to commence and control of all major landholdings / options achieved.</p> <p>LLP has been established and Directors appointed with broad range of skills applicable to the project.</p> <p>Legal, Financial and Commercial advisors in place to provide support for the Council and LLP.</p> <p>Strategic Land Agreement and Funding Agreements to be put in place.</p> <p>Ensure adequate Planning resources and access appropriate specialist advice.</p> <p>Governance and Assurance Framework in place.</p> <p>Owner / LLP Board meetings held regularly to monitor progress, finance and risk.</p> <p>Internal Corporate Oversight officers group established including Statutory Officers.</p> <p>Annual refresh of LLP Business Plan to be agreed by the Council.</p>

3.2 The strategic level risks for Otterpool Park are set out in section 12 of the Business Plan. A more detailed risk register, to operational level, is managed by the LLP. The strategic level risks are reviewed at the Owners' meetings, between the Council and LLP Board, on a quarterly basis.

4. LEGAL/FINANCIAL AND OTHER POLICY MATTERS

4.1 Legal Officer's Comments (NM)

There are no legal implications arising directly from this report.

4.2 Finance Officer's Comments (LW)

The financial implications to meet the LLP's planned work for the next year are outlined within the body of the report. The Council's existing Medium Term Capital Programme (MTCP) has a remaining budget provision for the Otterpool Park development of £74.8m, to be funded from prudential borrowing. The LLP has no independent source of funding (without prior consent of the Council) and funding will be provided to the LLP on a facility basis in accordance with the funding agreement which is currently being finalised.

The draft updated Business Plan shows the forecasted peak debt required by the LLP for working capital will be in 2025/26 and will range from £56.4m (best case) to £75m (worst case) with the base value being £64.7m. Should the LLP's peak debt be expected to exceed the budget of £74.8m in the MTCP then full Council approval will be required for this. However, it is encouraging to note that the net profit projected from the development over its lifetime has increased from £193m to between £240m and £270m providing enhanced reassurance for the Council's investment in it. The Council's Medium Term Financial Strategy (MTFS) for the period to 2025/26 recognises interest income forecast to be accrued from loans planned to be made to the LLP.

The project is a fundamental element of the Council's medium to long term plan to being financially sustainable.

4.3 Diversities and Equalities Implications (GE)

There are no negative equality and diversity implications directly arising from this report. Virtual engagement sessions have taken place with a wide range of people in the first year and the Otterpool Park LLP are continuing to explore a number of future opportunities to engage with local stakeholders and residents on the master planning of future phases for Otterpool Park.

4.4 Climate Change Implications (OF)

There are no Climate Change Impacts arising directly from this report.

However the accompanying Otterpool Park Business plan would have the following climate change impacts:

Greenhouse gas emissions on travel, construction, running of buildings – overall climate change would be positive as several mitigating factors such as sustainable travel options, no gas supply to homes, blue green infrastructure etc. are being incorporated.

Waste, water consumption and pollution – climate change impacts should be positive as the business plan details mitigation measures such as waste water treatment facility, sustainable drainage systems (SUDs).

Resilience, conservation and wildlife - Otterpool Park is aimed at meeting the challenge of housing needs in Folkestone and Hythe and the business plan incorporates several mitigation factors to such as provision of homes for range of tenures, biodiversity net gain of up to 20%, applying guidance through design codes and tree planting which should result in overall positive impact on climate change.

Social and economic impacts - the business plan takes into consideration demographics, aging population and achieving high quality home designs and sustainable construction which should result in overall positive impact on climate change.

5 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: 07783 659864
Email: ewan.green@folkestone-hythe.gov.uk

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

Appendix: Draft Updated Otterpool Park LLP Business Plan

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OTTERPOOL PARK

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BUSINESS PLAN

December 2021



Executive Summary

Executive Summary

This is an Executive Summary of the key section updates to the Business Plan for Otterpool Park LLP. The plan sets out the LLP's priorities as it continues to progress plans to deliver a 21st century garden town at Otterpool Park.

The LLP commits to:

- **Submitting a new outline planning application** for Otterpool Park Garden Town, in line with the aspiration to secure planning in 2022.
- Continuing to **deliver a high-performing planning service** that supports development at pace.
- **Progressing plans for infrastructure, healthcare, education provision.**
- Continuing to **deliver a meaningful communications and engagement programme** and build awareness of Otterpool Park.
- **Preparing plans for long-term governance** and stewardship of community assets.
- **Continuing market analysis** and interpretation.
- Continue to **grow the organisation through improved resourcing and contract management**, ensuring there is capacity to deliver in the future.

Sections 1, 2 and 3 remain the same as the original Business Plan.

4.0 LEGAL AND GOVERNANCE

Board actions in 2021 have included amendments to the scheme of delegations and the approval of a staff handbook containing the human resources policies of the LLP. A Strategic Land Agreement and the method of procuring the on-site wastewater treatment works also secured

Board-approval. The cabinet of the Council resolved that the Council should enter into the Strategic Land Agreement with the LLP and the Agreement will be completed shortly.

Supported by the new Head of Finance, the Board will continue to keep track of the LLP's financial performance and it will also consider Phase Delivery Strategies.

Proposals for long-term governance and stewardship of community assets will be prepared for Board and Council approval.

5.0 RESOURCING STRATEGY

Updates to the Business Plan consider the human resource requirements of the LLP over the period 2021 – 2026.

The Board meeting of 19 February 2021 approved the secondments of six members of staff from the Council to the LLP. The LLP has been actively recruiting to further positions this financial year. This includes a Director of Construction and a Head of Finance, two vital senior positions. A Community and Events Manager has been appointed on a part-time basis and in addition a Public Transport Lead has also been appointed on a secondment arrangement from the Council.

The Business Plan considers a comparison of operating models with other development companies. The LLP's onward resource strategy is based on a blended approach, utilising internal resource (seconded council staff and direct hires) along with a range of interim management, consultants and contractors appointed on a contract basis or through partnership arrangements. This will reflect the changing priorities, milestones and growth of the LLP and will be subject to continued review.

6.0 STAKEHOLDER RELATIONS

Engagement in Year 1 expanded beyond the masterplanning work to embrace a wider range of people. Covid restrictions led to innovation in the delivery of virtual engagements, including extensive engagement in the preparation of the phase 1 masterplan.

Strange Cargo, a local participatory arts organisation was commissioned to deliver learning and engagement activities within the community. Progress has been aided with the appointment of a Community and Events Manager (a part time post).

A programme of further community-focused initiatives and events is being prepared.

Political engagement is being deployed at a national level by the Terrapin Group and sustained engagement with a range of Government departments will remain a key part of the engagement strategy.

The LLP is exploring a range of opportunities for working with local stakeholders and existing/future residents, for example ongoing work with parish councils on masterplanning each phase of development.

Submission of the outline planning application is a key engagement touchpoint and a consultation event is in development. The strategy includes communications and engagement activities relating to planning application approval, subject to this being the case.

7.0 THE MARKET

BNP and Strutt & Parker have prepared updates to the Business Plan to assist the LLP with an understanding of the current development land market and wider housing markets within Kent and their combined opinion of exit values for Otterpool Park. They conclude that housing values, commercial

values and land values remain equal to or above those reported in the Business Plan.

The continued strength of Q3 2021 sales has maintained the positive sentiment that came to fruition in the previous quarter. The market is at some of its strongest levels ever seen in terms of price and transactions, although stock is low in the regions.

House prices continue to rise, particularly in this part of Kent. Demand for workers looking for a work-life balance has driven up values within ten-miles of Ashford, Canterbury, Ebbsfleet and Folkestone, typically 10% above Q3 2020 levels. However, this rise in market housing values has not fully filtered through to the wider development land market, largely due to the rising cost of materials and labour, which is curtailing housebuilder activity at a local level.

Demand for land has increased over the last quarter as all players continue to seek land opportunities. Against a backdrop of limited stock, there is pent up demand and increased competition for sites. Although appetite remains for bulk sales for Build to Rent and affordable housing, developers have favoured open market sales opportunities supported by the resilient housing market. Deferred payments are still being offered, however as land sales have become increasingly competitive, some vendors have been able to negotiate more favourable, upfront payment terms.

High new home sales rates averaging 0.84 sales per outlet per week in April 2021, robust order books and completions, have brought forward land purchasing requirements for many housebuilders.

Major housebuilders have deployed capital into new land opportunities, with some investing at rates ahead of previous years in order to match ongoing demand for new homes and to meet medium term growth targets.

Despite housebuilder positivity, pricing for development land is having to factor in supply-chain issues and a shortage of raw materials, which adds a layer of risk to land tenders above normal levels. Half of volume housebuilders have reduced their margins in the last quarter to compete for land amid rising costs, according to new research. This compares with 28% of small and medium-sized enterprises squeezing their profits to fight for land. Overall, 40% of respondents in a recent survey of 38 volume housebuilders and SMEs said they have reduced their margins, supply chain delays force build costs up.

Fortunately, this is off-set, and more, by house price growth and the net result is that housing values, commercial values and, more importantly, land values remain equal to or above those reported in the Business Plan.

8.0 FINANCES

In the Business Plan agreed in December 2020, profit was projected to be £193m over the lifetime of the project, with the project breaking even in the first 10 years. The pace and timing of these returns will be dependent upon a few decisions around infrastructure and funding to ensure that peak debt does not exceed the £75m working capital budget. Since the first version of the Business Plan, time has been spent validating, aligning and refining the magnitude and the timing of cashflows. Key to this has been the move to have custom built financial models developed by the team, to enable Management to forecast the impact of various scenarios. As a consequence, Management now have greater confidence in the forecasted cashflows.

The FY22-23 budget of £5.8m will be spent upon design and planning fees in order to conclude the outline planning application and secondly to plan the construction phase that will start in FY24-25.

9.0 PLANNING STRATEGY

Modifications made to the Core Strategy Review were approved by cabinet and have been subject to public consultation. It is anticipated that the Council will adopt the Core Strategy in early 2022.

The outline planning application for the scheme is being amended and it is anticipated that it will be submitted to the local planning authority in early 2022. Amended information will be subject to a further round of stakeholder and public consultation. 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 2022.

Planning progress with regard to community infrastructure includes the appointment of a curator to ensure that artists are embedded in the process of designing places and spaces, as part of a three-year action plan with Creative Folkestone. The action plan has been included in the budget for 2022/23 with commitment agreed in principle for subsequent years, but the programme of work will be reviewed and revised at the end of each financial year.

The LLP will prepare detailed proposals for the future use and development of Westenhanger Castle, the associated barns and its parkland setting.

Education provision within new schools is no longer the responsibility of the local education authority and the LLP is seeking advice from education specialists in order to meet its aspiration for schools.

The Kent and Medway CCG Estates Strategy (2021) notes Otterpool Park and sets out its intention to procure GP services for a new health facility in the town. The current preferred option is a multi-functional building

within the town centre – a ‘market hall’ – that will host a range of functions on a temporary basis until the town population grows enough for standalone facilities to be built.

10.0 INFRASTRUCTURE STRATEGY

For the remainder of FY21/22, focus will transition towards planned delivery of the earliest pieces of infrastructure in Phase 1 to coincide with a granting of planning consent. An Infrastructure Delivery Plan (IDP) has been created sets out the sequence of proposed infrastructure:

- October 2021 to March 2022: focus on planning new infrastructure, surveys and design development
- April 2022 to March 2023 (FY22/23): focus on detail design and construction procurement
- April 2023 to March 2024: Year 1 delivery
- April 2024 to March 2025: Year 2 delivery

The Business Plan sets out in full the detailed activities that are being planned in the final months of FY21/22, to prepare for the production of new information to support technical applications, Reserved Matters applications and applications to discharge planning conditions.

Following on from the predominately planning work undertaken during the last half of FY21/22, activity in FY22/23 focuses on design development to enable Reserved Matters and technical applications to be approved. These must be supported with more detailed information and coordination with housebuilders. At the same time a planning decision is expected, and planning conditions will be available.

In the final half of this period, the LLP expects to be preparing ground and delivering any priority utility diversions and improving construction access points. The racecourse stands will be demolished.

In April 2023 the LLP will commence delivery of the first pieces of infrastructure in accordance with approved details and discharged planning conditions.

In FY24/25 the LLP will continue to delivering enabling infrastructure in Phase 1.

11.0 LAND DISPOSAL STRATEGY

The land disposal strategy in the Business Plan remains sound and will be the basis of disposing of the land and ensuring its development. The strategy is based on the following principles and will be implemented by the LLP’s agent BNP /Strutt & Parker:

- 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.

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1. Chair's Introduction

1. Chair's Introduction

The Board of Directors is pleased to be presenting updates to the Business Plan agreed by the Board in November 2020.

During the past year we have made significant progress in driving forward the delivery of Otterpool Park and creating a garden town that will meet the housing needs of the district and establish a remarkable new community for the next generation.

The project is at an advanced stage of planning and we welcome the response from the Planning Inspectors in the Core Strategy Review, in line with our aspiration to secure planning permission in the year ahead. Relationships with a wide range of partners and stakeholders that will enable on-the-ground delivery have been established and our marketing to housebuilders has been met positively. We are seeking to work with forward-thinking developers and investors, and engagement with stakeholders at a national level is supporting this.

A Covid-safe virtual engagement enabled us to present our first plans for phase 1 to a local audience, as well as capture valuable feedback. Other community engagement touchpoints have included a series of arts and heritage activities locally and continued sentiment-capture from our virtual community.

Refining our designs is a key focus for the year ahead and, as we move beyond the pandemic, the concept of a garden town community that will deliver homes, green spaces, healthcare, schools, leisure facilities, jobs and infrastructure is an appropriate and visionary response.



Luke Quilter,
Chair, Otterpool Park LLP





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, and the land and options held by Cozumel, within the site. Homes England, the Government’s housing agency, has also invested in land at Otterpool Park to support the proposals.



UP TO
10,000
HOMES



50%
GREEN SPACE



8
PRIMARY SCHOOLS



9,000
JOBS



53mins
FROM LONDON
ST PANCRAS

Work began in 2016 on a masterplan for the area, led by consultants Arcadis and masterplanners 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 and set out the Council's ambitions for a sustainable new garden town in the Folkestone and Hythe district (attached as Appendix 2):

- **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, reviewed 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.

The Council approved the first five-year Business Plan, which this is an update to, on 20 February 2021.

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.



Otterpool Lakes

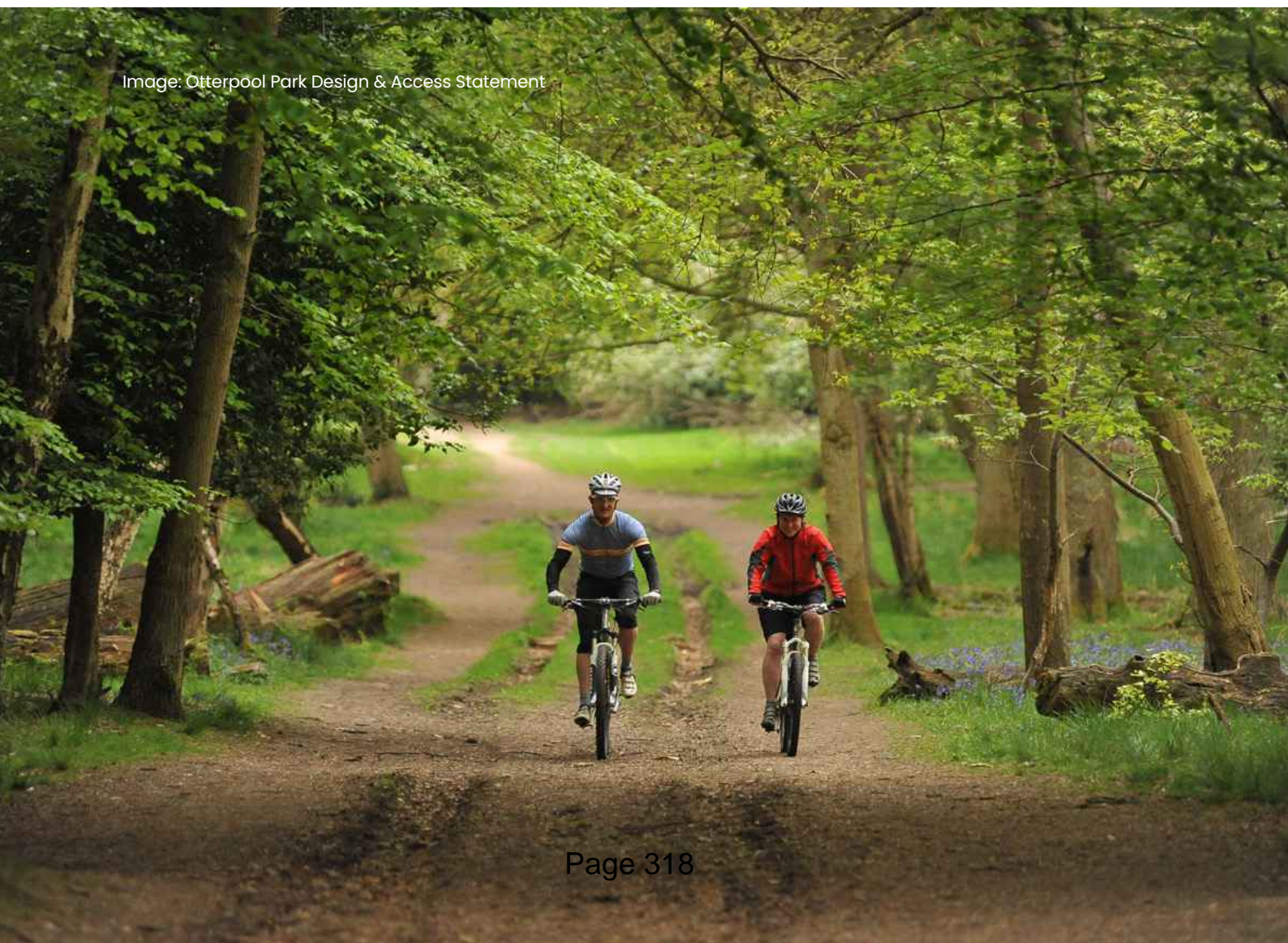
2.3 DRIVERS FOR OTTERPOOL PARK

- 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, and encourage walking and cycling over use of the car. Thriving local communities and access to the outdoors has become increasingly important with the impact of 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 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.

Image: Otterpool Park Design & Access Statement





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**

- Enable 9,000 new jobs.
- Create serviced land and floorspace.
- Support the development of services e.g. schools, shops, health facilities.
- Incentivise investment in inward

investment and new businesses.

- Encourage the development of skills.

- **Green and blue infrastructure**

- Create 900 acres of green space.
- Plant over 1,500,000 trees.
- Achieve 20% biodiversity gain.
- Promote sustainable urban drainage.
- Deliver nutrient neutrality.

- **Energy conservation**

- Committed to no gas supply for new housing.
- Promote fabric first / air ground source heat pumps for all buildings.
- Explore direct access to neighbouring solar farm proposal.
- Explore scope for district heating.
- Reduce car dependency.

- **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**

- Repair and repurpose Westenhanger barns.
- Improve the setting of Westenhanger Castle, its causeway and repair its moat.

- **Creativity**

- Embed creativity, art and culture in the ethos and design of the town.
- Work with Creative Folkestone to bring art into the design of places and spaces.
- Attract creative and digital industries.

- **A technology-enabled community**

- Bring ultra-fast broadband to the doorstep.
- Pilot and test new ideas.

- **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 manifested 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 – strategic design guidelines have been completed for the whole site, and a detailed code for phase 1. Future codes will be required for future phases.
- 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. Legal and Governance

4. Legal And Governance

4.1 LEGAL 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 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.

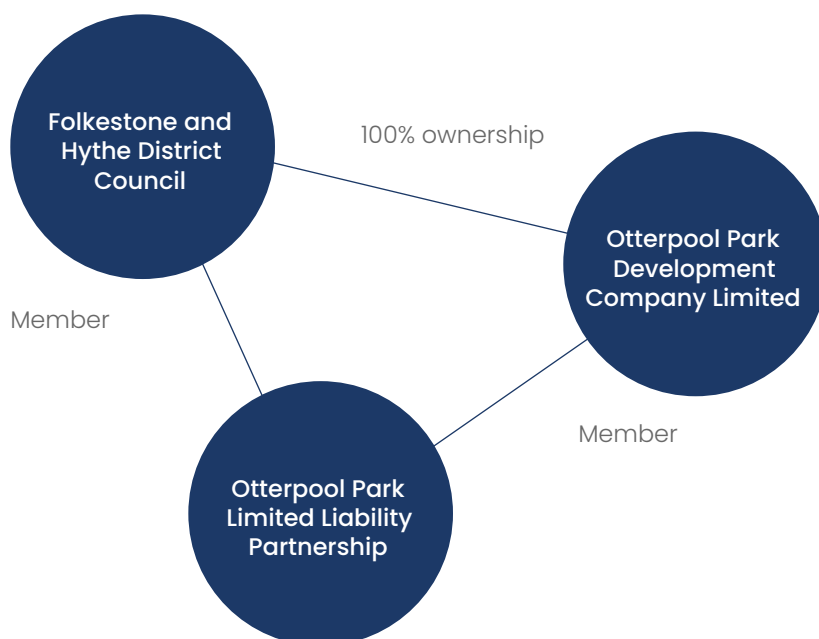
The LLP will market fully serviced land parcels to housebuilders and commercial developers, facilitating the creation of high-quality places.

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. There has been no change in the ownership or structure of the LLP during the year.



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 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 it has also adopted a procurement policy¹.

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.

The following two parts describe the work of the Board during the period since the Business Plan was last approved by the Council and gives a brief overview of the likely work in 2022/23.

¹ Board decision 15 July 2020 minute 3

4.2 THE WORK OF THE BOARD

The Board has met formally five times since the beginning of the calendar year. The minutes of the Board meeting are available for public inspection on the Otterpool Park website.

The Board also receives informal briefings from the staff of the LLP on a range of topics including finance, planning and long – term stewardship. In addition, the chairman of the Board attends the members' meetings with the Council and OPDC.

The Board has continued its work started in May 2020 in making sure that the LLP's internal processes and governance are "fit for purpose" recognising that the Council, as it is investing a lot of public money in the project, needs to be assured that the governance of the LLP is sound.

It has thus considered and amended the scheme of delegations to enable the LLP to work effectively whilst at the same time ensuring that decisions are taken at the right level. In addition, the Board has approved a staff handbook containing the human resources policies of the LLP so that the LLP can recruit and retain staff it employs rather than relying solely on staff seconded from the Council.

In parallel with work on the internal governance and policies of the LLP the Board has considered key issues vital to the progress of the project. It has approved the entering into of a Strategic Land Agreement, one of the key instruments governing the relationship between the Council and the LLP. It has also approved the method of procuring the on – site wastewater treatment works; one of the major pieces of infrastructure necessary for the project. As noted above a staff a handbook has been approved enabling staff to be recruited.

The Board received formal reports and informal briefings on the financial position of the LLP, recognising as it does the vital need to understand and keep track of the financial

performance of the LLP. The Board recognises that the LLP is to trade for profit and that the Council expects a return for its investment in accordance with the various projections.

4.3 ANTICIPATED WORK

As the project moves from the enabling or preparatory stage the work of the Board will alter accordingly. Supported by the newly appointed Head of Finance the Board will continue to ensure it has a good understanding of the finances of the LLP. In addition, it will consider the various financial instruments with the Council that will need to be entered into for the project to proceed and be satisfied on the financial implications for the LLP.

Under the Strategic Land Agreement, the Board will consider Phase Delivery Strategies which will be required before the Council transfers land to the LLP to enable it to be developed. In addition, it will consider and submit for the Council's approval proposals for the long-term governance and stewardship of communal assets and consider the terms of the planning agreement for the site.

4.4 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.

4.5 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%.

4.6 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.

On 20 January 2021 the cabinet of the Council resolved that the Council should enter into a Strategic Land Agreement with the LLP. The Agreement will be completed shortly.

As stated in the report to cabinet the Strategic Land Agreement is a flexible document which is necessary because of the wide variety of transactions envisaged. Essentially though the Strategic Land Agreement gives the LLP the right to “call” for the land the Council owns to be transferred to the ownership of the LLP (or elsewhere – see below).

Before the Council transfers land, it will have to be satisfied that it should do so. The LLP will prepare, for each phase or sub – phase, a Phase Delivery Strategy.

Each Phase Delivery Strategy will be approved by the Board before submission to the Council for approval. Each strategy will address the following areas:

- A summary review of the phase demonstrating that it can be delivered in accordance with the Business Plan. This summary will include, where relevant, the strategic and planning context of the site, a description of the proposed development, design, accommodation, and planning risk
- An identification of the infrastructure requirements
- The funding requirements and strategy
- How the various land sites within the phase or sub – phase will be dealt with
- The site conditions
- A commercial appraisal
- Risk register
- Action plan

Communal Assets

Section 4.7 describes the LLP's proposal for a long – term stewardship body for communal assets. The LLP has taken advice to determine the most tax efficient way of transferring the land for communal assets from the Council. The preferred method is to transfer the land for the communal assets directly to the stewardship body.

Options

The Council has the benefit of options to purchase areas of land. The LLP and the Council will agree a strategy for exercising these options setting out the sequence and timing. This will be the land acquisition strategy referred to in the Strategic Land Agreement.

4.7 LONG-TERM GOVERNANCE AND STEWARDSHIP

The Council has set out its principles for the long – term governance and stewardship of community assets. Since the approval of the Business Plan, further work has been undertaken on the long – term governance and stewardship of community assets. This part of the Business Plan describes the matters that will be brought to the Council for approval. Set out below are the main elements that will be set out in the report to the Council's cabinet.

Proposed Form of the Governance Body

The proposals that will come forward will be for a Governance Body that is a subsidiary of the LLP and be formed as a company limited by guarantee. This will not preclude a change to a different form of Governance Body at a later stage, perhaps being reconstituted as a charity or its functions taken over by a future town council for the area.

There are, however, reasons for the Governance Body being a subsidiary of the LLP, for example to simplify relationships and ensure quality control.

The structure of the Governance Body will ensure that the community can have a say in its decisions and the way it operates.

Community Assets

The report to cabinet will identify the Community Assets that will be transferred to the Governance Body in phase 1 of the development and, as importantly, identify those assets that will require separate treatment, for example Westenhanger Castle will require different treatment.



Funding

The Governance Body will be funded, it will be proposed by rent and service charges paid for by the residents and commercial operators of the development as well as from other income generating assets, for example from car parks. The report to cabinet will set out the likely costs to residents and commercial operators as well as setting out provisions to ensure that such charges cannot increase unreasonably over time.





5. Resourcing Strategy

5. Resourcing Strategy

Otterpool Park LLP 2021 – 2026

The human resource requirements of Otterpool Park LLP over the current plan period and the strategy for providing those resources.

5.1 BACKGROUND

The Business Plan outlines a resource strategy based on a blended approach, utilising a mixture of internal resource (seconded council staff and direct hires) along with a range of interim management, consultants and contractors appointed on a contract basis or through partnership arrangements. In terms of internal resource, there were initially six members of staff working on behalf of Otterpool Park LLP, all of which have been seconded from Folkestone & Hythe District Council for the duration of the current plan period. The Board meeting of 19 February 2021 approved these secondments, the job titles and line management responsibilities, and therefore the initial operating structure of the company.

As noted in regular Board updates, the LLP has been actively recruiting to further positions this financial year to fulfil the most immediate and pressing staffing needs. A Director of Construction and a Head of Finance, two vital senior positions in the organisation, have been recruited. A Community and Events Manager has been appointed on a part-time basis to undertake a proportion of the recently vacated Community Services Delivery Manager position. A Public Transport Lead has also been appointed on a secondment arrangement from Folkestone & Hythe District Council.

5.2 OPERATING STRUCTURE 2021/22

As the project progresses, further and different resources will be required to reflect the changing priorities, milestones and growth of the organisation. The LLP will need to consider the most efficient and effective means of acquiring those skills and the strategy and operating model that guides that approach.



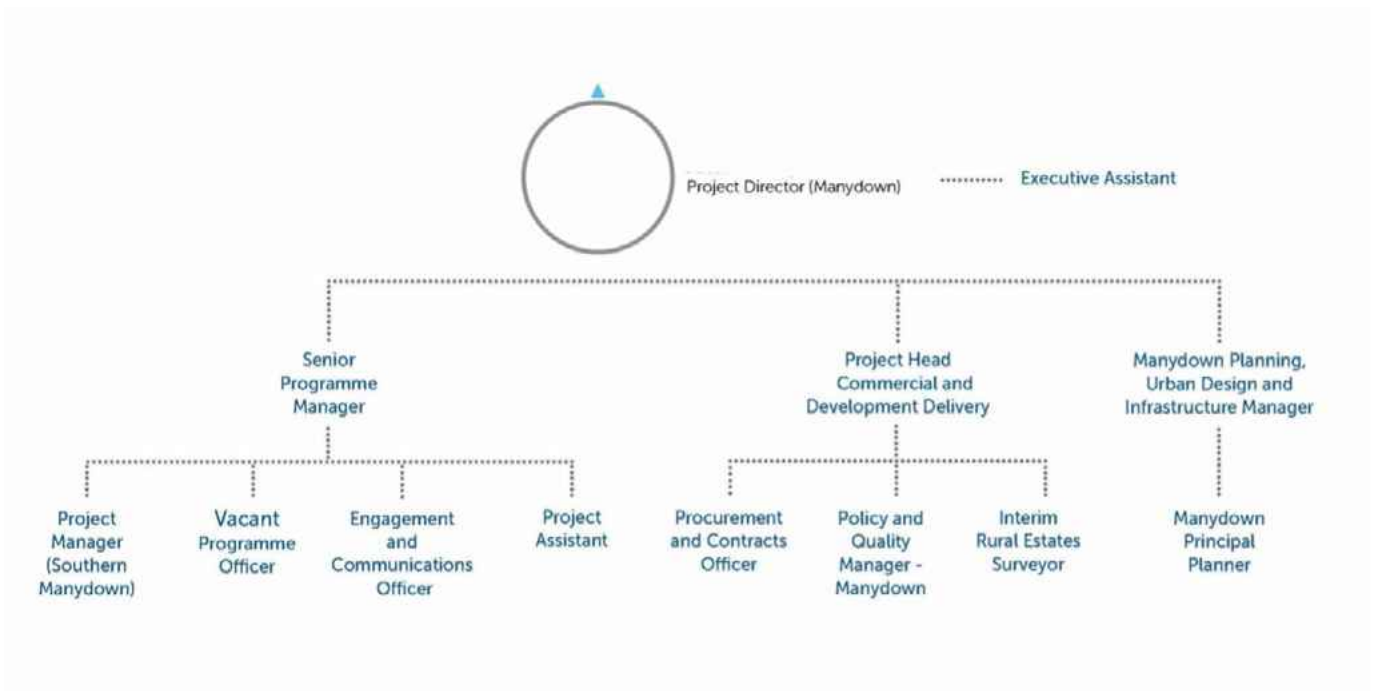
5.3 RESOURCE STRATEGY – A COMPARISON OF OPERATING MODELS

While direct comparisons of staffing structures with other development companies is problematic because of the differing scope, scale of developments and agreements in place, there appears to be two broad approaches that the LLP could take; a smaller more flexible staffing structure that heavily utilises external support and partnerships, or a model that provides greater internal support and resource and therefore more direct hires.

Example Staffing Structure: Manydown Development Vehicle LLP

Planning permission was granted in July 2020 for Manydown, a development of up 3,520 new homes and associated community facilities that aims to welcome residents within the next three years.

While Otterpool Park is a more sizeable development, there are many similarities with Manydown Development Vehicle LLP, which is a partnership between two local authorities (who act as both the landowner and planning authority), master developer Urban & Civic, and The Welcome Trust, a charitable foundation dedicated to improving public health. As a result of these partnership arrangements, Manydown’s operating model provides a useful example of a lean staffing structure focused on overseeing the management of the programme and contractual arrangements. Urban & Civic have been contracted to lead on the operational delivery of infrastructure and amenities along with community engagement activities, while other specialist support and services are predominately procured on a contract basis or provided by the local authorities.

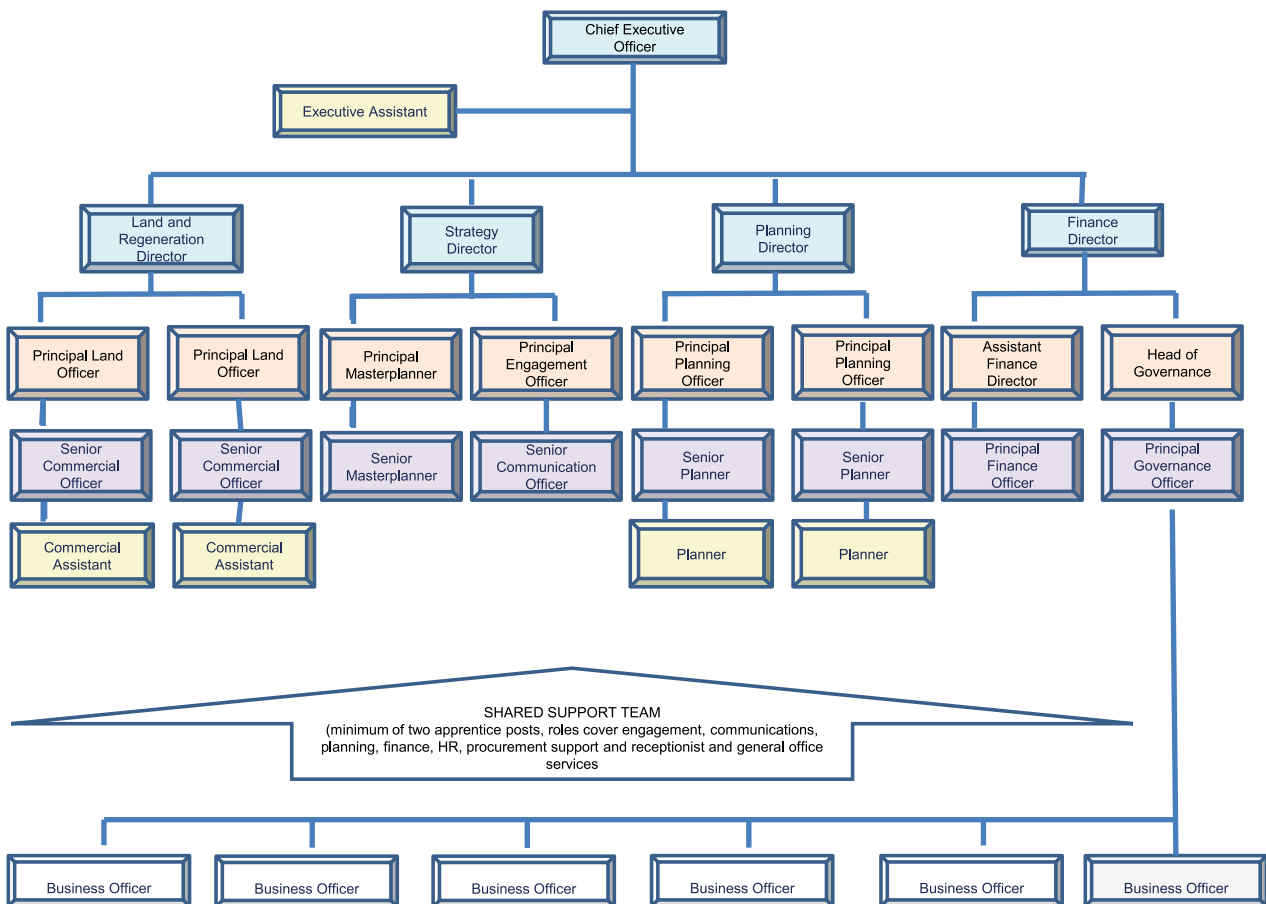


Source: Staff structure chart - June 2021 (basingstoke.gov.uk)

Example Staffing Structure: Ebbsfleet Development Corporation

In contrast, Ebbsfleet Development Corporation has a much larger base of directly employed staff and, therefore, a more complex staffing structure. The project, announced in 2014, is further advanced than Manydown, with building work underway in several areas of this garden city that will deliver 15,000 new properties by 2035. Initially starting with 20 posts, by 2020/21 the structure consisted of 44 permanent positions organised across four distinct teams: CEO's Office, Projects, Planning, and Finance & Corporate Services. The organisation's size and operating structure is, however, partially reflective of its corporation status, which has resulted in regularity and other

support services all being provided internally. Finance & Corporate Services, for example, consists of a Finance Director and four senior Governance and Finance positions, along with a large support team covering roles such as engagement, communications, planning, finance, HR procurement support and general office services across the organisation. The planning team, consisting of seven posts from Director level to Planning Officer, is also reflective of the corporation's role as the local planning authority for Ebbsfleet Garden City. While there are some similarities between the positions required across all organisations such extensive specialist resources and support services will not be required on a permanent internal basis by the LLP.



Ebbsfleet Development Corporation as at c.2016
 Source: Homes & Communities Agency: Advisory Team for Large Applications (ATLAS)

When considering the most appropriate model for Otterpool Park LLP, research undertaken by the Homes & Communities Agency² found that, while it is fundamental that core skills are embedded from the start, initially complex team structures often prove difficult to sustain. This is particularly the case when they are set up from scratch. While the Ebbsfleet example provides a much larger permanent staffing structure, this is reflective of its role in discharging statutory functions as well as the need to incorporate governance functions and business support teams into its operating model; delivering through partner organisations and additional specialist support from external contractors remains a requirement. A resource strategy that supports incremental growth and a smaller nucleus of key permanent staff, engaging different degrees of specialist contractor and consultancy support as required in the different phases of the project (akin to the Manydown example) would therefore be the LLP's preferred strategy.

5.4 CORE POSITIONS, SKILLS AND WORKSTREAMS

Comparisons of similar development companies and research undertaken by the Homes & Communities Agency has been considered alongside outline advice given to the LLP by specialists within the field of executive recruitment and real estate to identify core workstreams and the key skills and common positions required by similar development companies. The following outlines these and assesses where the LLP may require further internal resource within the context of the resource strategy considered in 5.0.

Planning and design, including planning and landscape strategy

In line with the immediate priorities and stage of the project, the current resources within the LLP team are focused on planning and design expertise. However, there may be the requirement for further support to the current team in the form of a technician or assistant type role.

Programme & Project Management; Infrastructure and utilities design, procurement and delivery; Relationship management and commercial partnerships

A senior Programme Quantity Surveyor position focused on commercial and development delivery, overseeing consultancy arrangements and the contractual and financial aspects of the programme was deemed immediately required in order to advance the project to the next phase. As such, the LLP has undertaken activities to recruit to this role. In line with similar operating structures, further project and contract support positions will also be required to support this work.

Transport planning

The Company has recruited the services of a Public Transport Lead via an additional secondment agreement with the Council.

Governance, monitoring and due diligence, including legal services

The LLP has procured specialist legal, accountancy and IT services and entered service level agreements with Folkestone & Hythe District Council for further provision of financial, legal and HR support.

² Homes & Communities Agency, Advisory Team for Large Applications (ATLAS), presentation entitled "Examples of delivery team structures for large scale projects".

The LLP is also progressing with the creation of a Governance and Stewardship Body (see 4.7 above) and will therefore require a position to, amongst other aspects, set this up and manage and undertake key community development activities.

Finance, accountancy and business planning

Financial support was previously provided via an SLA agreement with the Council. However, the company’s requirements have outweighed this arrangement and a Head of Finance position has now been recruited to. The requirement for further resource to support financial processes, possibly contained within the duties of the assistant type role cited in planning and design resources and business and administrative support resources sections above and below, has also been identified.

Communications and public relations; Community engagement

An internal communications, marketing and public relations resource is common in similar structures and will enable the LLP to reduce associated consultancy costs.

In April 2021 the initial operating structure included a full-time Community Services Delivery Manager position. After the departure of that post holder, the resource need was re-evaluated as one post was not sufficient to cover the diverse responsibilities and skill sets required. A part-time Community and Events Manager has subsequently been recruited with a view to engage further resources to support the management of community services and engagement over the course of next year.

Business and administrative support

The Project Co-ordinator provides project as well as general business and administrative support. However, greater administrative support is likely to be required as the company develops, which may be combined with duties to support planning, community engagement, and finance functions. Apprenticeship position(s) may also be a consideration of the LLP.

Specialist technical disciplines, such as relating to climate change and energy, air quality, noise, and ecology.

It is envisaged that obtaining specific and specialist technical advice and support is likely to be through consultancy and contract arrangements.

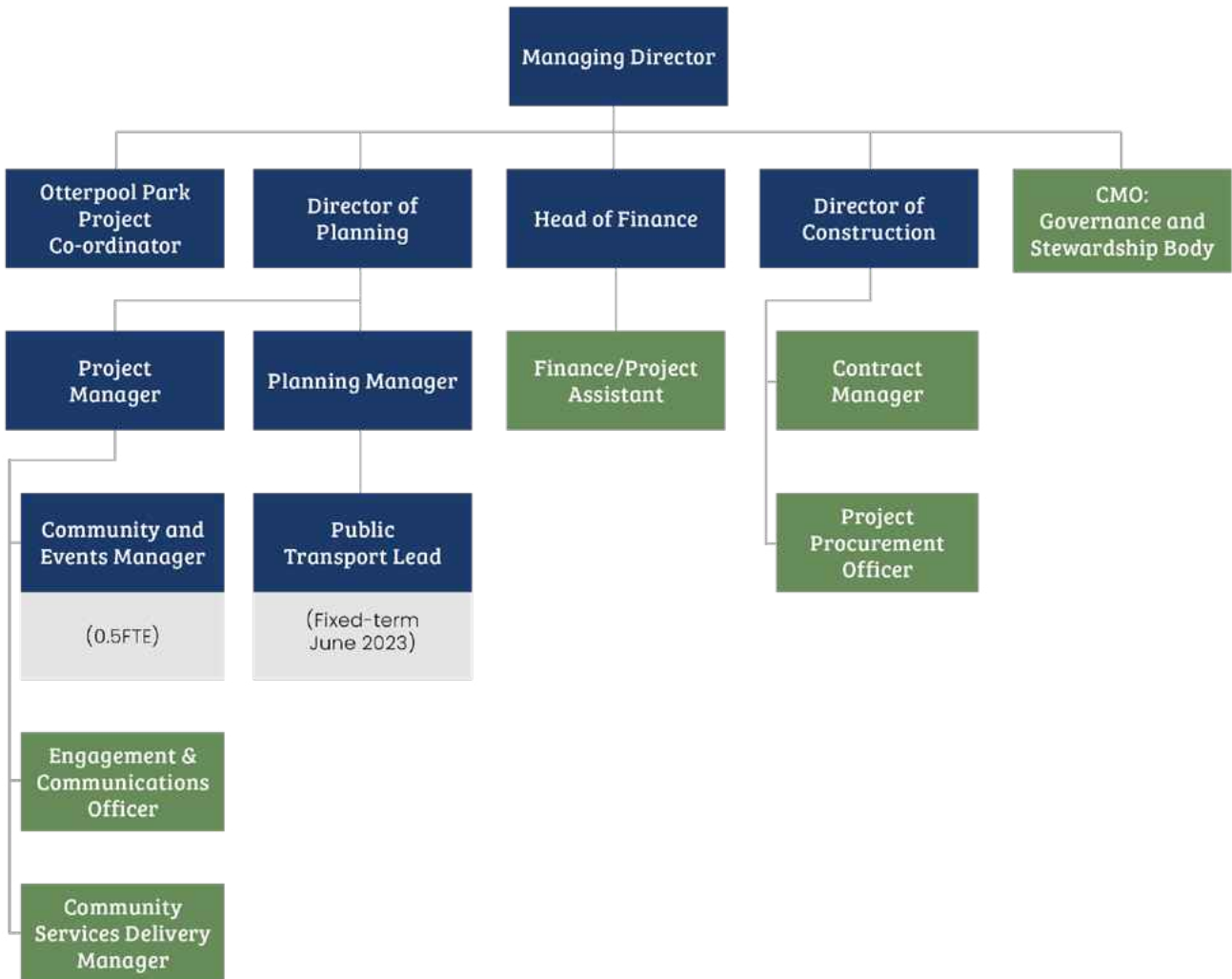
5.5 RESOURCE REQUIREMENTS

In line with the review of common core positions, skills and workstreams in section 5.4, the following posts will be recruited by the LPP directly over the plan period:

Indicative Post Title
Contract Manager
Project Procurement Officer
Finance / Project Assistant
Engagement and Communications Officer
Community Services Delivery Manager
CEO of Governance and Stewardship Body

The following structure chart indicates how Otterpool Park LLP is likely to grow over the course of the next 12 months.

5.6 OTTERPOOL PARK LLP 2022/23



5.7 FUTURE REVIEW

While the above positions are envisaged as providing the LLP with the core internal skills initially required, the operational structure and staffing needs are expected to continue to develop throughout the lifetime of the project and will therefore be subject to continued review.





6. Stakeholder Relations

6. Stakeholder Relations

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 Kent Invicta Chamber of Commerce, East Kent College, parish councils, Folkestone and Hythe 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.

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.

Since 2018, marketing communications and engagement has been led by Pillory Barn, who will continue to work with the LLP.

Engagement and collaborative working with the LPA continue to be important for such a significant project. Separately the Council also meets 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 has met with most of the individual households living within the planning application area.

The aspiration for the past 12 months was to expand engagement beyond the masterplanning work to embrace a wider range of people, both in the local community and professional stakeholders including the development industry. Covid restrictions inhibited some activities, but also led to innovation in the delivery of virtual engagements and progress has been aided with the appointment of a Community and Events Manager (a part time post).

The LLP has also been discussing and supporting parishes in developing their own schemes. Lympne PC has set out a proposal to Homes England for an airfield memorial

park on green space adjacent to the village, which the LLP is supporting. Discussions continue with Stanford PC over the design and future management of the buffer land around Westenhanger, and more broadly on mitigating the impacts of development on existing residents.

Engagement activity this year has included a virtual engagement to present plans for phase 1 which was well-attended by local residents and stakeholders. A follow-up survey has been useful in informing the onward direction of these plans.

The extensive engagement in the preparation of the phase 1 masterplan involved the local planning authority, Council Members, parish councils, economic and retail experts and local businesses including Holiday Extras. This resulted in feedback from a much wider range of people over a greater area and proved an excellent means of widening awareness and marketing of the site, but less in-depth feedback other than those stakeholders who had been directly involved. The pros and cons of virtual public consultation will feed into future planning activities.

Political engagement at a national level is being deployed by the Terrapin Group, with a number of briefings, roundtables and a monthly newsletter completed. Sustained visibility and engagement with a range of Government departments will remain a key part of the engagement strategy.

Strange Cargo, a local participatory arts organisation was commissioned to deliver learning and engagement activities within the community on the theme of heritage, using local community venues and Westenhanger Castle. This culminated in a very successful open day at the castle with over 150 visitors. An Otterpool Park history game has been made that has been issued to local schools in autumn 2021.

The LLP commissioned our consultants Arcadis to deliver a presentation on the heritage of the area to a local community heritage organisation in November 2021.

Engagements with a new virtual community made up of community stakeholders and local businesses have continued, providing sentiment on a number of topics that are informing development plans.

Our Senior Project Manager gave a presentation to industry-professionals and participated in a panel discussion at the Garden Villages and New Towns conference held at Kensington Town Hall. The LLP has also contributed to the annual Kent Property Market Report, published in autumn 2021.

Engagement activity has been captured in The Statement of Community Involvement (SCI) by the LLP's consultants Quod.

6.2 FUTURE STAKEHOLDER ENGAGEMENT

Stakeholder mapping

Stakeholders have changed as the Otterpool Park project has progressed during the past few years. Stakeholders vary from those with a specialist role in for example health, through to voluntary sector organisations and members of the local community.

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 is exploring a range of opportunities for working with local stakeholders and existing/future residents, for example:

- Ongoing work with parish councils on masterplanning 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, the LLP also investigates the potential challenges for a new community for example mental health needs, potential isolation, debt, domestic abuse etc. The LLP will work with stakeholders locally and in third sector organisations and the Council to map challenges and suggest mitigating

strategies. Innovative and creative ways to secure and maintain community engagement for example through events, competitions, dedicated radio/TV channels; social media and the Virtual Community to inform plans and feedback ideas to the Otterpool Park process will also continue to be explored.

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 implemented communications and engagement since 2018 and has successfully helped the team set out the vision of the town; rebrand Otterpool Park in line with its 'Countryside, Connected, Creative' messaging, create a new website, create marketing literature including a Vision document, run/participate in several events, generate media coverage, manage media enquiries and expand social media reach.

Milestones this year (2021) have so far included:

- Preparing the Vision document and Investor Prospectus.
- Optimising website content and search rankings.
- Redesigning and refreshing the website to reflect key Live, Work, Invest and Place content.
- Creating a dedicated phase 1 area of the website.

- Delivering Covid-safe engagement activity in the form of a virtual public exhibition on phase 1.
- Local media engagement including a site tour with the editor of the Folkestone Herald.
- Sentiment surveys to the virtual community.
- Communications to promote the Strange Cargo community engagement events.
- Creating monthly newsletters and a brochure to support political and public affairs engagement touch points.
- Creating a new housebuilder newsletter.
- Securing a speaker opportunity at the Garden Villages and New Towns Conference.
- Securing content in the annual Kent Property Market Report.

Otterpool Park's communications and engagement strategy includes:

- Continued visibility and engagement with relevant Government departments.
- Developing a series of community-focused initiatives and events and communicating these to ensure attendance.
- Driving increased visits to the website and stakeholder data capture.
- The website ranks highly for search and enriching website content accordingly.
- Bi-monthly surveys to the virtual community and analysis.
- Running a consultation event at the time of planning application.
- Communications and engagement activities relating to planning application approval, subject to this being the case.

In addition, each team member continues to be responsible for communicating with their own contacts within businesses, developers, agencies and community groups.

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

7.1 INTRODUCTION

This section has been prepared in order to assist Otterpool Park LLP with an understanding of the current development land market and wider housing markets within Kent. This section is an update to the original appendix of the Business Plan and is prepared for internal purposes only for the Business Plan Stakeholders.

The current planning application and vision 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.

This report sets out BNP and Strutt & Parker's opinion of the Kent development land and housing markets and their combined opinion of exit values for Otterpool Park.

7.2 THE MARKET

SUMMARY

- The Prime Minister's roadmap out of the third national lockdown was announced on 22 February 2021. On 19 July 2021, all restrictions in the roadmap were removed despite fluctuating movements in the number of COVID-19 cases.
- The Chancellor's Winter Economy Plan included a six-month Job Support Scheme, as well as other tax cuts and grants/loans to support businesses. As part of the March 2021 budget, the furlough scheme was extended to September 2021. This is a later date than the final step of the roadmap, which would provide some additional

protection against any delays to the reopening of the economy or offer some transitional support as businesses scale back up. Additional measures announced in the March 2021 budget include widening access to grants to include 600,000 more self-employed people and additional funding for vaccine distribution. Importantly for the housing market, the Stamp Duty holiday was extended in England until the end of June 2021 and was finally tapered down, closing in September 2021.

- The FTSE ended 2020 15% down on the start of the year. The index was flat over January and February 2021 but did increase by 4% over March. Steady gains continued into Q2 2021 as the index was up by 8.9% (compared to the start of the year) at the beginning of July. As at the date of this report, the FTSE is at 7,205 which is up 30.4% over the last 12-months.
- The latest HM Treasury consensus forecasts, released in June 2021, have an average estimate of 6.8% for 2021 and 5.4% for 2022. The recovery predicted for 2021 and 2022 demonstrates that most forecasters expect the fundamentals of the economy to remain strong and for it to be able to return to growth once the current situation has passed.
- National house prices defied expectations, growing by 10.3% in the year to Q2 2021, exceeding the growth in the year to Q1 2021 (6.3%). The latest quarter was the highest YoY growth since the year to Q3 2014. As such, since the original appendix 3 of the 2020 Business Plan, house prices have continued to grow on the back of increased demand, particularly from London and outside Kent, limited supply, SDLT savings and a more buoyant and confident market.

- The impact of the first group of restrictions as a result of the pandemic were felt over the historically busiest three-to-four months of the year, meaning Q2 2020 saw the lowest sales transactions ever recorded. However, the latter half of 2020 and start of 2021 recovered some of these losses. The recovery has continued to gain momentum into the second half of the year as Q2 2021 saw the highest transactions since Q4 2013. The record-setting trends in recent transaction levels have been linked to the extension of the stamp duty holiday as buyers rushed to purchase homes before the holiday drew to a close at the end of the summer.

Agents reported that Q3 2021 was a third consecutive strong quarter. Trade from international buyers is still restricted, but domestic buyers have more than filled the gap in the majority of London prime markets. Everything is positive except for stock, which is constrained, especially in the regions. Properties that are best in class will likely experience growth of more than the best case forecast of 5%. Unemployment remains a key uncertainty, however, which may come to the fore once the furlough scheme ends. The PCL forecasts are retained at growth of between 0% and 5% over 2021, and the forecasts are upgraded to between 5% and 10% for the UK over 2021.

7.3 ECONOMIC OUTLOOK

In 2021, some countries (including the UK) had to reimpose further lockdowns as the spread of the virus increased. McKinsey¹ recently reported that, across Europe, approximately 26% of total employment is at risk.² Across European sectors, this ranged from agriculture (4%) to accommodation and food (77%)

with real estate below average at 17%. Even when the health concerns of the coronavirus pandemic are curtailed, the pandemic has the potential to result in persistent social and behavioural impacts, changing attitudes to travel and human interaction.³

A third national lockdown was announced on 4 January 2021. The roadmap announced on 22 February 2021 allowed for gradual reopening of the economy from late March. In any event, the housing market has stayed open throughout this lockdown, with safety measures in place to reduce the spread of COVID-19. All restrictions were removed on 19 July 2021.

Moving away from Coronavirus, the Brexit Transition period ended on 31 December 2020. On 24 December 2020, the negotiators from the EU and UK reached an agreement on a new partnership which sets out the rules that apply between the EU and the UK as of 1 January 2021. This agreement has been approved by the EU member states and the UK Parliament and provisional application of the agreement took effect on 1 January 2021. In response to the deal, the FTSE 100 rallied on the first day back of trading after the Christmas break.⁴

In the OBR's latest forecast (March 2021), growth for 2021 is projected at 4%, lower than the 5.5% which was forecast in the November 2020 forecast. This is less optimistic than the June 2021 HM Treasury consensus forecasts which have an average estimate of 6.8% for 2021. However, for 2022, OBR projects growth at 7.3%, which is more bullish than the HM Treasury consensus forecasts of 5.1%. The recovery predicted for 2021 and 2022 demonstrates that most forecasters expect the fundamentals of the economy to remain strong and for it to be able to return to growth once the current situation has passed.

¹ McKinsey & Co, 2020. Safeguarding Europe's livelihoods: Mitigating the employment impact of COVID-19

² Formally defined as at risk of reductions in hours or pay, temporary furloughs, or permanent layoffs

³ McKinsey & Co, 2020. Reimagining Work Life After Covid-19

⁴ Bloomberg, 2020. U.K. Markets Rally in First Full Trading Day After Brexit Deal. Retrieved from <https://www.bloomberg.com/news/articles/2020-12-29/u-k-markets-rally-in-first-full-trading-day-post-brexit-deal>. Accessed January 2021.

In their central scenario, the Monetary Policy Committee expects recovery to pre-pandemic levels over the course of 2021 as restrictions continue to be loosened.⁵ The OBR's forecasts for peak unemployment were revised after the March 2021 budget, with unemployment expected to peak at 6.5% in 2021, lower than previous estimates. The latest estimates from the HM Treasury consensus forecasts are slightly more optimistic, with a predicted average unemployment rate of 5.7% for 2021, decreasing to 4.9% over 2022.

The latest figures from the ONS show that inflation (CPI) as of June 2021 is 2.4%. This is 0.4 percentage points above the 2.0% target, which was exceeded for the first time since July 2019 in May 2021 (2.1%). The June 2021 inflation rate was significantly above the year before (0.8% in June 2020). According to the ONS, recent inflationary pressure is mainly attributed to a rise in transport prices, as well as clothing, recreational goods and food & drinks.

The Chancellor has announced an unprecedented package of Government-backed interventions aimed at supporting businesses and individuals through the current situation. As part of the Chancellor's Winter Economy Plan, there will be a new six-month Job Support Scheme to protect viable jobs in businesses that are facing low demand due to the virus, an extension of Self Employment Income Support Scheme, and over one million businesses will get flexibilities to help pay back loans.

7.4 PROPERTY OUTLOOK

NATIONAL MARKET

According to the Nationwide House Price Index (NWHPI), UK property prices grew by 10.3% in the year to Q2 2021, exceeding the

growth in the year to Q1 2021 (6.3%). The latest quarter was the highest year on year growth since the year to Q3 2014.

The May 2021 Bank of England report states: "Housing market activity was strong, in particular for people wanting to move out of cities to larger properties. Buyer confidence was supported by Government measures to increase the availability of high loan to value mortgages and the extension of the transaction tax holiday in some parts of the UK. But the supply of properties available for purchase remained constrained, pushing up house price growth. Contacts also reported a shortage of rental properties around most of the UK, although the rental market in London had cooled."⁶ Evidently, Government backed initiatives and measures have had a significant impact on the recent trends in the housing market.

Further to the Chancellor's Spending Review speech on 25th November 2020, the statement allowed for £20 billion in multi-year capital investment for the long-term housing strategy which includes:

- National Home Building Fund with initial funding of £7.1 billion over the next four years to unlock up to 860,000 homes, including:
- £4.8 billion of capital grant funding, including for land remediation, infrastructure investment, and land assembly.
- Delivery of the Brownfield Fund, announced at the Budget.
- An additional £100 million in 2021-22 to support housing delivery and regeneration, including unlocking brownfield sites, regenerating estates, and releasing public sector land – including serviced plots for self and custom builders.

⁵ Bank of England, May 2021, Monetary Policy Report

⁶ Bank of England, May 2021, Monetary Policy Report

- £2.2 billion of new loan finance to support housebuilders, includes Help to Build for custom and self-builders and funding for SMEs.
- Re-confirming £12.2 billion for the Affordable Homes Programme – delivering up to 180,000 new homes for affordable home ownership and rent, now with a larger proportion outside of London.

7.5 FORECASTS

The economy proved itself more resilient over the last 12-months than the early forecasts had anticipated. UK-wide house price growth was stronger than the best-case scenario.

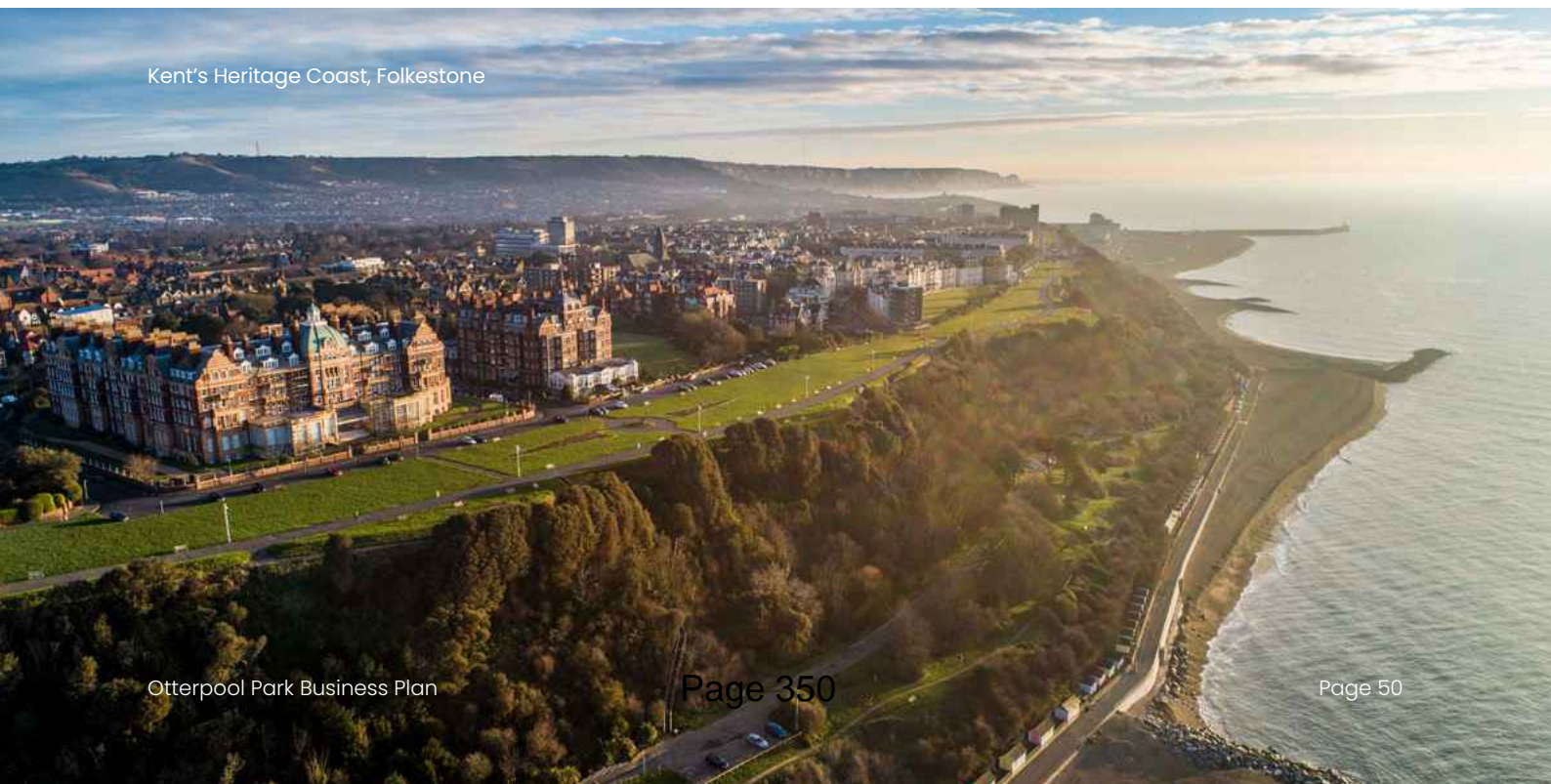
At the UK level, price growth has been extremely strong. Growth would have to be flat for the rest of the year to see annual growth of just 5% (the previous best-case forecast). Agents report continued lack of

stock and state that demand still exists in the market. These are expected to lead to further price rises, albeit at a slower rate than this quarter’s results given the end of the stamp duty holiday and a correction in the market after such high price growth. This activity is expected for years; as there has been a permanent shift in behaviour and lifestyles, and the market will take time to adjust to that. The forecast for Q4 2021 is therefore revised upward to between +5% and +10%, and the five- year cumulative forecast is also revised upwards to between +20% and +35%.

Agents report that the market is increasing in activity, but some of this is expected to slow after Q3. The best- and worst-case scenarios are both marginally revised upwards to 0% and –8% for 2021, and the cumulative five-year forecasts are upgraded slightly to between 6% and 19%.

Area	2021		5 yrs to 2025 (inc)
	Best case	Downside risk	
Sales			
UK	10%	5%	20% to 35%

Kent’s Heritage Coast, Folkestone



7.6 CONCLUSION

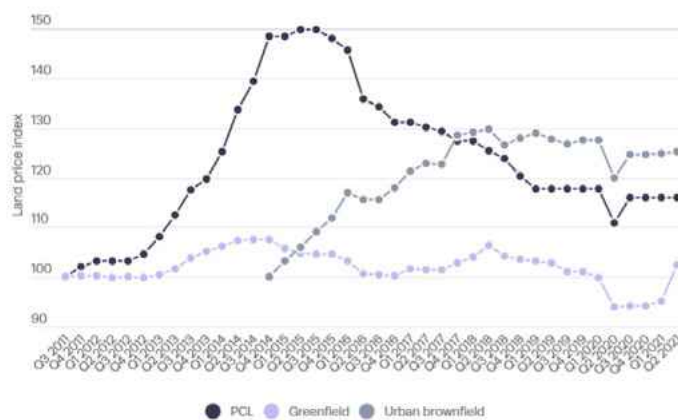
The continued strength of Q3 2021 sales has maintained the positive sentiment that came to fruition in the previous quarter. The market is at some of its strongest levels ever seen in terms of price and transactions, although stock is low in the regions.

House prices continue to rise, particularly in this part of Kent, which is within striking distance of the main commuter hubs, including Ashford. Demand for workers looking for a work-life balance has driven up values within 10-miles of Ashford, Canterbury, Ebbsfleet and Folkestone, typically 10% above Q3 2020 levels. However, this rise in market housing values has not fully filtered through to the wider development land market, largely due to the rising cost of materials and labour, which is curtailing housebuilder activity at a local level.

Despite cost challenges, demand for land has increased over the last quarter as all players continue to seek land opportunities. Against a backdrop of limited stock, there is pent up demand and increased competition for sites. Although appetite remains for bulk sales for Build to Rent and affordable housing, developers have favoured open market sales opportunities supported by the resilient housing market. Deferred payments are still being offered, however as land sales have become increasingly competitive, some vendors have been able to negotiate more favourable, upfront payment terms.

High new home sales rates averaging 0.84 sales per outlet per week in April 2021, robust order books and completions, have brought forward land purchasing requirements for many housebuilders.

Quarterly land price index



Major housebuilders have deployed capital into new land opportunities, with some investing at rates ahead of previous years in order to match ongoing demand for new homes and to meet medium term growth targets.

Despite housebuilder positivity, pricing for development land is having to factor in supply-chain issues and a shortage of raw materials, which adds a layer of risk to land tenders above normal levels. Half of volume housebuilders have reduced their margins in the last quarter to compete for land amid rising costs, according to new research. This compares with 28% of small and medium-sized enterprises squeezing their profits to fight for land. Overall, 40% of respondents in a recent survey of 38 volume housebuilders and SMEs said they have reduced their margins, supply chain delays force build costs up.

Fortunately, this is off-set, and more, by house price growth and the net result is that housing values, commercial values and, more importantly, land values remain equal to or above those reported in the Business Plan.





8. Finances

8. Finances

8.1 FY22–23 FINANCIAL BUSINESS PLAN

In the approved Business Plan, profit was projected to be £193m over the lifetime of the project, with the project breaking even in the first 10 years. The pace and timing of these returns will be largely determined by the market, infrastructure costs and funding costs.

The property market is currently buoyant, and sales values are currently increasing faster than infrastructure costs. However, with such a long development period, the market and costings will change through the life of the scheme and financial projections would indicate a substantially larger profit in the region of £240m to £270m, in a 30-year window the UK is expected to go through five or six economic cycles, therefore, it is not considered prudent to assume all of this will be deliverable at this time.

The aim is to find the balance between managing cashflows, so that the project does not exceed the £75m working capital budget whilst accelerating infrastructure to give new residents early access to the facilities commensurate with living in a new garden town.

Since last December substantial work has been carried out to appraise the impacts of changes in the market and more detailed work has been done on costings, both to bring them up to date but also in terms of a much finer grained analysis of infrastructure requirements. These financial appraisals have helped us better understand the cashflow sensitivities. The profit forecast is similar to £193m or slightly better than previously reported over the project's lifetime, however, in the medium-term windows of five years, the financial position has weakened, though this is rectified by year 10, as shown below in Fig.1. In other words, the project is forecasted to break even quicker.

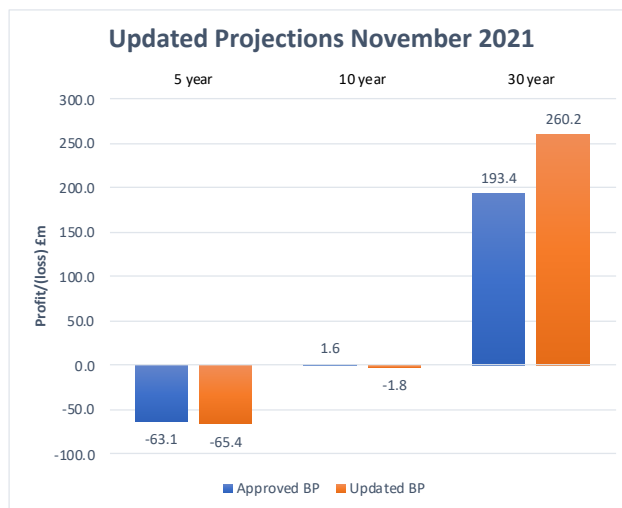


Figure 1

Since the production of the Business Plan, time has been spent validating, aligning, and refining the magnitude and the timing of cashflows in the following ways:

Alignment of key assumptions: The approved Business Plan utilised analysis by BNP Paribas and Arcadis. Since then, time has been spent developing financial appraisal tools to integrate legal advice from Browne Jacobson LLP and financial and tax planning advice from Kreston Reeves LLP. Now that the appraisal tools are built in-house, they can be customised to support management decision making. This appraisal is shared on an open book basis with Folkestone & Hythe District Council to ensure that the LLP's Business Plan is aligned to the Council's Medium Term Financial Strategy (MTFS), which forecasts the next four years.

Funding: Folkestone & Hythe District Council will fund the project with up to £75m of working capital. Interest will be rolled-up until the LLP starts to get revenue streams. Cash reserves will initially be used to reduce the loan from the Council. Once paid off, the LLP

directors will assess future working capital requirements to decide how much dividend can be returned to the LLP's members. The loan interest rate from the Council to the LLP has been reviewed by Public Sector funding experts, Arlingclose, to ensure that it reflects current market rates. In other words, it is an arm's length rate that will pass tests set by HMRC, audit and subsidy rules.

Infrastructure costs: The original Arcadis cost estimates have been peer reviewed by Exigere, and the costs have been independently benchmarked to recent comparable projects.

Revenue: Market testing has provided confidence that the rates in the approved Business Plan are achievable if not capable of being bettered, based upon initial offers from national and regional housebuilders. The selected housebuilders will need to meet design and quality standards and cover a diverse housing mix, including self-build, high and low density, and offer range of products to optimise revenues through strong place making. BNP and Strutt & Parker are currently running a full market test. The results of which will be known late in the year but will of course inform the appraisal. BNP and Strutt & Parker have assessed the wider property market to understand latest predictions for house prices and although the market is currently buoyant there is a strong message of caution to avoid recognising higher revenues at this time.

Risk management: Significant allowances are included within the project costings for risk and contingency. These sums are based upon advice from cost consultants Exigere. It is clear that the project's risk register is reflecting reduced risks after only one year of the Business Plan.

Cashflow and peak debt: This Business Plan is focused on the five years from FY2021-22 until FY2025-26, though the graph below shows

a 10-year window to make it comparable to information provided in the approved Business Plan. The following graph (Fig.2), shows how the £75m of working capital funding compares to the cumulative cashflows, including the original appraisal form last December and the current appraisal incorporating the more detailed and current information referred to above. In contrast, initial analysis by Stantec has identified opportunities to push back some of the site wide infrastructure, so that it is better aligned to the parcels that are being released to developers.

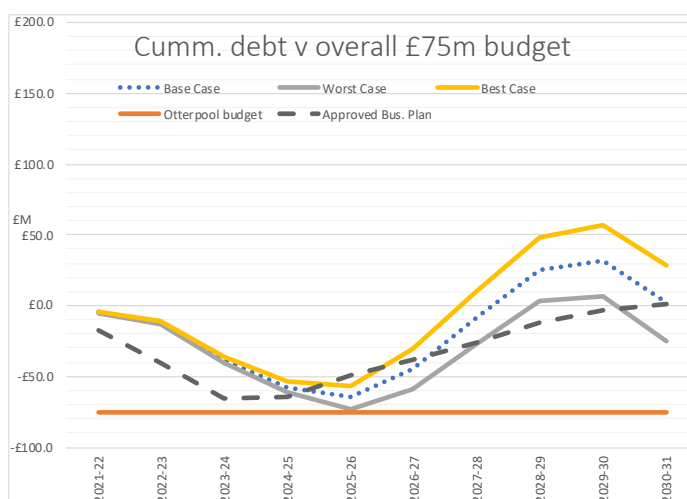


Figure 2

Sensitivity analysis: Quantifying various scenarios to determine the impact on cashflow and to ensure that peak debt does not exceed the LLP's £75m working capital budget.

In Fig. 2, several scenarios are shown, and the assumptions are explained, as follows:

Base case scenario, almost breaking even in the seven-year window

- In FY23/24, a multi-purpose community facility will be built. It will also provide a temporary medical centre until the volume of homeowners has increased to warrant a dedicated modern medical centre, probably in FY30/31.

- In FY23/24, a three form entry primary school will be built.
- In FY24/25, the first mobility hubs will be commissioned, with further hubs scheduled for FY30/31.
- Infrastructure costs have reduced by £1.6m since the original Business Plan.
- Almost £100m of infrastructure costs will be incurred in the first five years, which creates a cash outflow. However, it is expected that 30% of housebuilders will provide advanced receipts over four years and build over seven years. These larger housebuilders tend to have more cash reserves, though they will expect to pay a lower cost per plot to compensate for this cash injection that helps to minimise peak debt.
- To comply with Environment Agency regulations regarding water quality, a Wastewater Treatment Facility will be built. The cost will be recovered when households connect to this facility.
- Risk has been included in the cost assumptions to cover construction, strategic and financial risks. Risk management workshops will be run to proactively look for opportunities to de-risk the project.
- The Council will provide all funding via a loan with rolled up interest calculated at 6%.

Worst case scenario

- If base case costs increase by 10% and revenue decreases by 10%, profit decreases by £8.4m.

Best case scenario

- If base case costs decrease by 10% and revenue increase by 10%, profit increases by £8.4m.

The following graph (Fig.3) shows a bridge to reconcile between the Approved Business Plan's five-year debt of £63.1m and the latest forecasted debt of £65.4m. In summary, delays in planning have pushed the project back nine months; this has reduced spend on strategic infrastructure (£13.8m) and the associated risk (£12.4m), but this is offset by a delay in receiving House Builder Revenue to year six, effectively netting out the overall change.

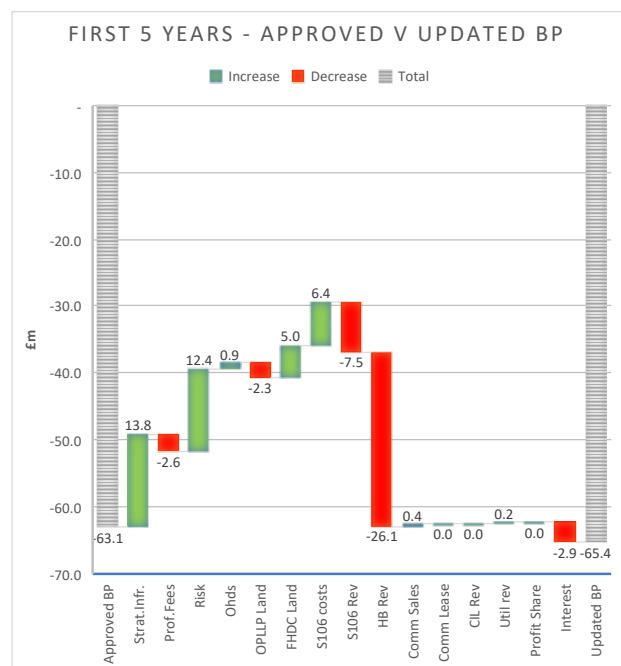


Figure 3

FY22-23 BUDGET REQUEST:

The FY22-23 budget of £7.5m will be spent as shown below to conclude the outline planning application and secondly to plan the next construction phase that will happen in FY24-25.

	£k
Infrastructure planning	2,900
Overheads	1,500
Site masterplanning and long lead items	3,100
Land purchases including fees (non expected)	nil
Total*	7,500

***this includes £790k of contingency**

DETAILED BREAKDOWN ON FY 22-23 BUDGET REQUEST:

Infrastructure planning	FY22/23 £k
Engineering and environmental fees	2,100
WWTF design fees	110
Legal and financial fees	200
Other design fees	100
Contingency @ 22%	390
Total infrastructure planning costs	2,900

Overheads	FY22/23 £k
Staffing	700
Local government planning fees	350
Other	50
Professional fees	100
Interest on borrowing	300
Total overheads	1,500

Masterplanning Projects	FY22/23 £k
Castle Barns - phased restoration start with main barn	400
Phase 1 landscape detailed design (other than park) and advance planting	300
Phase 1 landscape: advance ordering of trees	300
First primary school - design	200
Castle Park detailed design including engineering works	150
Castle priority repairs	150
Phase 2 masterplan commission and design code (area to be confirmed)	150
Phase 3 masterplan commission and design code (area to be confirmed)	150
Creative Folkestone Action Plan	120
Detailed design for town square and associated buildings (architect and landscape design brief)	100
Station improvements	90
Misc. community initiatives	80
Ongoing design advice and support for phase 1 and delivery of input into town centre	80
Establish stewardship body	70
Ecological habitat creation phase 1	50
Leisure centre feasibility study	50
Otterpool Avenue detailed design	50
Health and wellbeing - consultant advice on delivery of GP services	50
Design for marketplace building, playing pitches, school square	50
Sustainable transport package - business case	40
Delivering employment space - feasibility work with companies	30
Further archaeological work (other than castle which is covered above)	40
Contingency @ 15%	400
Total masterplanning costs	3,100



9. Planning Strategy

9. Planning Strategy

This section sets out the planning strategy of the LLP in relation to Local Plan matters, 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 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 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 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.

An Examination in Public (EiP) was held during December 2020 and January 2021 and reopened in the summer to examine the draft

policies, representations and technical basis for the Core Strategy Review. The technical examination covered a broad range of topics, and also involved overlapping supporting statements from the LLP team in support the Local Planning Authority's (LPA's) position and draft policies.

The broad focus of the examination of the New Garden Settlement (NGS) policies focused on the deliverability of the NGS. A core element of the deliverability case focused on the role of the LLP 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.

Of significant note was the review of measures proposed by 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 northeast of Canterbury, and that sufficient improvements can be made to junctions and roundabouts on the strategic road network to satisfy the requirements of National Highways.

These issues were resolved to the satisfaction of the Inspectors, with some overlapping issues relative to wider strategic allocations, as well as background growth in the district. The inspectors of the Core Strategy Review have recommended a series of modifications necessary to make the policies sound, which have been approved by cabinet. It is anticipated that the Council will adopt the Plan in February 2022.

OBTAINING CONSENTS

Securing a range of planning permissions and other consents will be necessary over the lifetime of the project in order for Otterpool Park to be delivered. It is therefore important that the LLP develops a clear strategy for preparation and submission of the necessary applications to allow the scheme to progress.

Following extensive consultation with stakeholders and the local community the outline planning application for 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 2022. The amended information will be subject to a further round of stakeholder and public consultation.

Originally anticipated timescales associated with the adoption of the Core Strategy Review have been frustrated by a number of factors, notably the pandemic and late positioning by Highways England (now National Highways) that affected the ability to conclude the examination discussions. It is now anticipated that the Core Strategy will be adopted early 2022.

The amended outline planning application will be the subject of a 10-week consultation after which the application will be reviewed with officers, and duly reported for consideration of the planning applications by the Council's Planning and Licencing Committee. 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 2022.

Given the scale and complexity of the Otterpool Park development, it 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.

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.

9.2 PLANNING INCLUDING UTILITIES / INFRASTRUCTURE

In order that Otterpool Park's objectives can be achieved, it is firstly necessary to deliver the essential 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.

9.3 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 be 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.

The LLP has instructed lawyers to begin the drafting process, with LPA discussions continuing to progress heads of terms and detailed drafting in parallel.

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 LLP as they relate to strategic infrastructure, including highways, drainage, strategic landscaping including parks, heritage assets such as the castle and barns, future community assets and any speculative commercial buildings. Housebuilders will have responsibility for reserved matter applications within their own land parcels.

The LLP has an important role as the guardian of design quality, ensuring 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 and Cultural Services

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 a health centre are set out below under Infrastructure Strategy.

Progress on some aspects of community services delivery slowed down while the post of Community and Events Manager was filled in autumn 2021. However, progress has been made on several fronts, summarised below.

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:

- Population health
- Stakeholder engagement and co-design
- Model options and estates
- Finance and funding
- 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.

With the education strategy and specifications for all types of schools in place, the LLP is ready to commission its first primary school. Agreement in principle has been reached that the LLP will build all schools, but with a fallback position in the S106 that Kent County Council Education will do so. The county has recommended that opening of the first school be pushed back as there is some capacity in schools nearby, however there is support from the Board to stick to the original objective of providing the first school early, for a range of reasons. This may require some initial subsidy while the pupil numbers at the school grow. Architects have been appointed to design the first primary school. It is important that the LLP sets a high standard in the design of the first school, both as a benchmark for others and as the first community building in the town.

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 Creative Otterpool 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.

The LLP has been working with Creative Folkestone on a three-year action plan that sets out a range of tasks. This year the focus has been on contributing to the phase 1 masterplanning process and the creation of an active and vibrant town centre. A curator has been appointed through Creative Folkestone as an early 'strand' of work to ensure that artists are embedded in the process of designing places and spaces not just in freestanding artworks. As an example, the brief for the first school will include the requirement to involve an artist.

Westenhanger Castle, Barns and Castle Park

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. The LLP will prepare detailed proposals for the future use and development of the castle, the associated barns and its parkland setting.

9.5 FORWARD PLAN 2022/23

Stakeholder engagement

The appointment of two Community and Events Managers (1.5 posts; one starting September 2021 and a second in 2022) will give capacity to widen and deepen relationships with organisations such as Folkestone & Hythe District Council officers, Kent County Council, the CCG, voluntary sector and others during 2022/23. Wider marketing and awareness raising, including within the development industry, will be increasingly important.

The LLP and its consultant team are working with other local groups such as heritage societies to share information about the archaeological finds on the site, and to gather local knowledge from those who have been involved in local historic research.

The next formal planning engagement will be consultation to tie in with the formal planning consultation on the revised planning application documents. This will be a combination of virtual events and public in person exhibition.

COMMUNITY FACILITIES DELIVERY

Education

Education provision within new schools is no longer the responsibility of the local education authority. It needs to go through a procurement process led by the county council, with the final decision on the provider sitting with the Regional Schools Commissioner. The alternative is for school proposals to be submitted to the national free schools programme (though this relies on the timing of future 'waves' of the programme, each with its own deadline). It is advisable for the LLP to build relationships with academy trusts it feels meet its aspirations, to set out its vision and encourage successful bids for each school. However, another potential option is for the LLP to set up its own academy trust that would run all the Otterpool Park schools (if successful in the bidding process). This would ensure, for example, that schools have a strong role in the community, with shared facilities. A complementary range of education facilities could be coordinated across the town, with each school having its own specialities, thus ensuring the sum of education is greater than its parts. The LLP is seeking advice from education specialists on this and intends to consider this as an alternative option.

Health and wellbeing

The Kent and Medway CCG Estates Strategy (2021) notes Otterpool Park and sets out its intention to procure GP services for a new health facility in the town. However, this process will only be triggered when demand from the new community and overcapacity in existing services can be demonstrated. The LLP is committed to providing some form of healthcare space / GP provision on site an early, potentially as a satellite to an existing surgery. The current preferred option is a multi-functional building within the town centre – a 'market hall' – will be created that will host a range of functions on a temporary basis until the town population grows enough for standalone facilities such as a health centre to be built. This can include flexible space for GP and other health and social care services in the early years, so that the LLP's commitment to early health provision can be met. This also allows time to develop the specification for the health hub over the next few years, working with the CCG.

The LLP is part of a wider forum within the southeast that is looking at best practice in health and wellbeing hubs. This will help inform the nature of the facility at Otterpool Park and other services that could be housed in or next to it. There are mutual benefits to working with colleagues in Ashford and Ebbsfleet who are going through a similar process, and potential for joint working with the CCG across all three projects.

Creative Otterpool

Proposals for the coming year are set out in the Creative Otterpool Action Plan. The plan also sets out why Creative Folkestone is uniquely placed to take up the role of partner to the LLP in delivering the action plan, and thus exempt from a wider procurement for this service.

The plan has three main workstreams:

- Strand 1: community arts project commission (to a community arts organisation) and schools projects.
- Strand 2: public programme of cultural events and learning that celebrate the site, including e.g. an urban room; archaeological digs; walks and tours; crafts. This includes working with East Kent College.
- Strand 3: curator role including artist commissions, as described above.

In order to plan properly and leverage funding from other external bodies such as the Arts Council, Creative Folkestone is looking for a three-year commitment to the action plan, which the LLP supports. The action plan has been included in the budget for 2022/23, with commitment agreed in principle for subsequent years, but the programme of work will be reviewed and revised at the end of each financial year.



Otterpool Park Masterplan



10. Infrastructure Strategy

10. Infrastructure Strategy

INFRASTRUCTURE PLAN NOVEMBER 2021 TO MARCH 2025

10.1 INTRODUCTION

To prepare for delivery of new housing as early as possible after planning consent, Otterpool Park LLP needs to put in place measures to plan, design and deliver new infrastructure. In addition, there will be several pre-commencement planning conditions that will need to discharge as the master developer.

The design, approval and procurement of this work has long lead-in times and will be delivered on a phased basis to suit the projected buildout rate.

For the remainder of FY21/22, focus will transition towards planned delivery of the earliest pieces of infrastructure in Phase 1 to coincide with a grant of planning consent. This Business Plan is structured as follows:

- October 2021 to March 2022: focus on planning new infrastructure, surveys and design development
- April 2022 to March 2023 (FY22/23): focus on detail design and construction procurement
- April 2023 to March 2024: Year 1 delivery
- April 2024 to March 2025: Year 2 delivery

Managing the programme and priorities

The Infrastructure Delivery Plan (IDP) sets out the sequence of proposed infrastructure by combining several critical influences together. Consideration is given to the location of building parcels, the consents and approvals required, surveys, procurement and construction timescales. A planning consent is expected to include many

conditions that will need to be discharged prior to commencement or occupation. Reserved matters applications will also follow prior to commencement. The IDP will be used to track and update the programme and priorities in response to the latest understanding and allow the LLP to look ahead and shape business priorities to meet future infrastructure needs.

The infrastructure budget, scope and programme will be managed on an individual project basis. Supplier and contractor costs will be assigned against individual projects.

Project governance

The infrastructure team is overseen by the Director of Construction.

On a more practical basis, the LLP will undertake and plan the following regular governance practices:

- Monthly infrastructure team coordination meetings
- Regular working group with Kent County Council
- Monthly updates to the infrastructure project risk register

The LLP is currently producing short infrastructure project data sheets to summarise project leads, contributors, stakeholders and key information related to each infrastructure project.

10.2 OCTOBER 2021 TO MARCH 2022 (FY21/22)

In the final months of FY21/22, the following activities are planned to prepare for the production of new information to support technical applications, reserved matters applications and applications to discharge

planning conditions. Information and surveys are essential to the success and timely acceptance of each application, coupled with stakeholder engagement. This work is almost entirely made up of design related activity.

Design, surveys and planning activities:

Activity	Project description
Develop masterplan and landscape layout	Developed plans required to progress infrastructure design and to prepare for submission of reserved matters planning applications, discharge of planning conditions and detailed coordination with building parcels.
Identify and develop early phase infrastructure layouts	Strategies defined at planning need to be further developed to identify timescales, location and scope of individual infrastructure demands.
Coordination with plot developers	As plot developers come on board, all design elements need to be coordinated (e.g. access points, levels, utility connection points, strategic drainage, landscape).
Prepare and procure surveys and investigations	Surveys take time to plan and procure and will be needed ahead of design development and discharge of planning conditions. The scope/timing of infrastructure projects informs the location and phasing of surveys.
Cut/fill earthworks assessment and preparation of materials management plan	Proposed site levels will be coordinated with the location and use of excavated soils to identify final use and temporary stockpile locations. The planning strategy relies upon low volumes of material being exported off site.
Procure targeted ground investigations	The outline planning application was supported with minimum intrusive soil investigations. Detailed design will require extensive surveys to accurately assess ground conditions and soil quality.
Initiate Principal Contractor selection process	It takes time to procure contractor services and there is benefit in receiving early contractor advice (where necessary) to help shape the construction management plan and incorporate modern construction methods into the design. The LLP will prepare preliminary documents for tender.

Activity	Project description
Manage risk register	A risk register will be developed and updated in line with the infrastructure projects to clearly allocate ownership and responsibilities for avoiding and reducing project risks.
Engagement with approving authorities and key stakeholders	Infrastructure projects require approval in addition to planning consent e.g. adopted highway works, adopted drainage works, work to existing watercourses/streams, utility connections. The LLP will begin early engagement to set out approval timescales and information required to support future applications.
Prepare preliminary highway layout design for work on A20 and new access points	The LLP will prepare preliminary layouts to inform discussions with KCC and housebuilders to agree access locations. Preliminary plans will also identify the location of surveys, utility diversions and inform cost estimates.
Development SUDS design with green infrastructure proposals	The LLP will prepare preliminary landscape layouts ready to support reserved matters applications and discharge of further planning conditions. Preliminary plans will also identify the location of surveys and inform cost estimates.
Review integration of lake/reservoir into drainage strategy and green infrastructure	Develop a plan for the proper designation of the lake and ongoing management. Prepare preliminary layouts ready to support reserved matters applications and discharge of further planning conditions. Preliminary plans will also identify the location of surveys and inform cost estimates.
Develop utility strategy and cost estimates with suppliers and open market	Budget costs provided by incumbent utility network operators will be tested on the open market and updated to match phased development approach. Corridors for strategic utility routes will be established.
Develop utility connection and diversion estimates	Applications for diversion of apparatus on the A20 and new connections will be requested.
Establish detailed plan for environmental surveys and investigations	The scope of environmental mitigation and surveys will be developed in line with the delivery programme prior to preparing requests for survey quotations.
Archaeological review	The scope of further archaeological surveys and mitigation will be developed in line with the phased delivery programme prior to preparing requests for survey quotations.

Delivery and on-site activity

Activity	Project description
Updated topographical and ground penetrating radar surveys (for utilities in Highway)	Where necessary, to support earliest infrastructure projects, the LLP will procure and undertake non-intrusive utility surveys to better position existing apparatus and identify where diversions are required.
Structural survey on existing buildings	The LLP will procure and undertake any necessary structural and environmental surveys to support the safe demolition of these existing buildings in FY22/23.

10.3 APRIL 2022 TO MARCH 2023 (FY22/23)

Following on from the predominately planning work undertaken during the last half of FY21/22, activity in FY22/23 focuses on design development to enable Reserved Matters and technical applications to be approved. These must be supported with more detailed information and coordination with

housebuilders. At the same time a planning decision is expected, and planning conditions will be available.

In the final half of this period, the LLP expects to be preparing ground and delivering any priority utility diversions and improving construction access points. The racecourse stands will be demolished.

Design, surveys and planning activities

Activity	Project description
Develop masterplan and landscape layout	Continue to develop plans required to progress infrastructure design and to prepare for submission of reserved matters planning applications, discharge of planning conditions and detailed coordination with building parcels.
Develop detailed general arrangement plans	Detailed general arrangement plans will be used to support the discharge of planning conditions and support reserved matters planning applications.
Prepare and submit reserved matters planning applications	Following the planning decision notice, reserved matters planning application for infrastructure will be submitted. This will be accompanied with detailed landscape, sections, elevations, and material finishes drawings.

Activity	Project description
Prepare and submit information to discharge pre-commencement planning conditions	A planning decision will include pre-commencement planning conditions which will need to be discharged as soon as possible to allow the first phase of infrastructure delivery to commence.
Detailed coordination with plot developers	The LLP expects housebuilders to be developing layout designs and to coordinate these with the infrastructure provided by Otterpool Park. The LLP's designers will work closely with the housing building teams to coordinate utilities, levels, roads, drainage, and strategic green infrastructure.
Continue undertaking surveys and investigations	Further scope survey works to support evolving design and stakeholder requirements. With localised underground surveys if required for utilities or other constraints.
Detailed infrastructure design	Progress design for targeted infrastructure projects to a detailed stage to support parcel delivery, liaison with potential parcel purchaser to coordinate requirements, stakeholder engagement and tender documentation.
Complete Principal Contractor selection and commission first infrastructure projects	Following the successful appointment of the Principal Contractor, the first tranche of infrastructure projects being commissioned. If possible, early contractor involvement would benefit the delivery and understanding of build sequences.
Preliminary design of new crossings over East Stour River	The LLP expects to identify preliminary designs and extents of river diversions, identify crossing points, types, engineering requirements, hydraulic modelling, liaise with the EA on the requirements for the Flood Risk Activity Permits (FRAP) and further key stakeholder engagement.
Prepare and submit highway applications for approval	Finalise developed design drawings and required highway documentation for submission to KCC Highways under S38 and S278 applications.
Prepare and submit drainage applications for approval	Finalise developed drainage design for submission to adopting authority, KCC LLFA and the EA. The LLP's designers will liaise with relevant stakeholders through the application process to ensure progression in line with the programme and timely reporting and aim to identify conflicting requirements amongst the stakeholders.

Activity	Project description
Develop design of wastewater treatment works	This will require the LLP's designers to work closely with our appointed contractor to assist with emerging design process, liaising on design constraints, layout, levels, SUDS, specific requirements outside of the design construction guidance, hydraulic modelling and parameters for subsequent approvals.
Prepare and submit for ecology licenses	Finalise technical submission to LPA detailing ecological impacts, proposed mitigation, and enhancements for delivery of preliminary infrastructure.
Track planning and input to condition discharge	The LLP will be continually recording, collating, and reporting progress on all fronts, ensuring planning responses and submissions discharging condition are tracked as progress is made.
Ongoing engagement with approving authorities and key stakeholders	Extensive engagement with approving authorities and key stakeholders will be required throughout this period to facilitate timely delivery of the first infrastructure projects.
Accept localised utility diversion(s) and connection(s) quotations	Following liaison and detailed review with utility providers, the LLP team will confirm diversion and connection quotation estimates so that these can be progressed to the next stage for delivery.

Delivery and on-site activity

Activity	Project description
Demolition of racecourse stands	The LLP team will prepare demolition tender information informed by condition and structural surveys. Following appointment of a successful contractor demolition of the existing structure will commence in accordance with the site wide material management strategy.
Utility trial pitting and investigations	The LLP will look to verify the position, depth and numbers of utilities onsite against record information in locations where the first infrastructure projects are to be delivered based upon record drawings and underground surveys.

Activity	Project description
Ground condition investigations	The geotechnical desk study will identify the scope of additional geotechnical surveys which will be developed in line with the delivery programme prior to preparing requests for survey quotations and final appointments.
Localised utility diversions	To prepare parcels for infrastructure delivery the LLP will be instructing utility owners to divert their assets to align with the onsite design.
Implementation of material management plan (cut/fill, material stockpiles)	Following approval of the materials management plan, the specific details would be extracted and applied to ensure compliance.
Various environmental surveys to meet planning condition requirements	Scope relevant environmental surveys in line with planning conditions and delivery programme. The LLP will identify the timing or sequencing of the required surveys.
Establish construction access routes and any improved access to the Public Highway	Finalise design of construction access off the public highway and internal routes within the first development parcels in anticipation for delivery in Year 1.

10.4 APRIL 2023 TO MARCH 2024 (FY23/24): YEAR 1 DELIVERY

In April 2023 the LLP will commence delivery of the first pieces of infrastructure in accordance with approved details and discharged planning conditions. The following projects will be delivered by the Principal Contractor.

Detailed infrastructure design, supporting surveys and investigations will continue to be undertaken to support phased delivery.

Year 1 site wide projects

Activity	Project description
A20 improvements west of Newingreen	Inclusion of travel routes for non-motorised users, integration of SUDS and drainage strategies, lighting provision installations of utilities (new supply and diversions). Engagement with KCC for S38/S278 agreement.
Otterpool Avenue access	Provision of main access route off A20 serving parcels requiring engagement with KCC for S38 works.

Activity	Project description
Lake and integration of associated green infrastructure and SUDS	Integration of lake and potential designation as reservoir. Engagement with the LLFA and EA required.
Strategic green infrastructure and SUDS	Development of the green infrastructure south of Westenhangar Castle.
Earthworks management	Sitewide cut/fill and materials management including identification of spoil areas.
Drainage connections/ diversions	Surface water connections to watercourse and main rivers. Installation of below ground foul and surface water drainage and parcel connections. Provision of foul water strategy to serve initial parcels as well as future proof long term provision.
Foul water treatment works	Development and delivery of foul water strategy for long-term treatment provision via new wastewater recycling centre. Liaison with Severn Trent Water.
Design for utility reinforcement	Provision of electricity, water, gas and telecoms connections to serve parcels. Identification of infrastructure routes and localised substation/ gas governor locations. Requirement subject to liaison with statutory service providers and usage.
Utility diversions	Utility diversions of power, water, gas and telecoms infrastructure across the existing site that provides a constraint to parcel delivery.
Design for main Rivers/ watercourse crossings	Delivery of crossing points across the East Stour River and requirement for EA engagement and further modelling of the river catchment. Existing ordinary watercourses discharge into the central waterbody from the south and east. Engagement with the LLFA to divert/ culvert these connections to delivery proposed development parcels.

Year 1 parcel specific projects

For each parcel that comes forward in FY23/24, a similar set of work is required to enable delivery prior to house builders taking responsibility.

The following work will be undertaken in relation to each parcel and adjusted to suit the specific requirements at each location.

Delivery will be carefully coordinated with on-plot design teams.

Activity	Project description
Parcel accesses from A20	Sales and construction access to the parcels off of the A20, requiring S278 / S38 agreement with KCC.
Drainage connectivity	Drainage networks and connections to wastewater networks (sewers or watercourses) at parcel perimeter. Requirement for S104 and S106 applications to adoption authority.
Utility new supply connections	Provision of utility infrastructure into parcel to facilitate provision of new supply connections for individual plots.
Earthworks management	Cut/ fill and materials management for earthworks within parcel.
Highway infrastructure	Internal spur road through parcels providing plot connectivity.

10.5 APRIL 2024 TO MARCH 2025 (FY24/25): YEAR 2 DELIVERY

In FY24/25 the LLP will continue to deliver enabling infrastructure in phase 1. The following new projects will be added and delivered by the Principal Contractor.

Detailed infrastructure design, supporting surveys and investigations will continue to be undertaken to support phased delivery.

Year 2 site wide projects

Activity	Project description
A20 widening north of Newingreen junction	Widening of the A20 between M20 J11 and Stone Street. Engagement with KCC for S38/S278 agreement.
Newingreen junction improvements	Introduction of an at grade signalised junction at Newingreen.
Otterpool Avenue access extension	Extension of Otterpool Avenue to approach Westenhanger Station and A20/Stone Street connection. S38 engagement with KCC.
External works south of Westenhanger Castle	Sitewide landscaping south of Westenhanger Castle. Engagement with KCC, EA, Natural England and English Heritage.
Crossings over East Stour	Delivery of crossing points across the East Stour River and requirement for EA engagement and further modelling of the river catchment. Existing ordinary watercourses discharge into the central waterbody from the south and east. Engagement with the LLFA to divert/ culvert these connections to delivery proposed development parcels.
Parcel accesses from Otterpool Avenue	Sales and works access to the parcels off Otterpool Avenue. Requirement S278 / S38 agreement with KCC.
Parcels access	Provision of parcel access off spur road and over the East Stour River. Requirement for S38 Highway Agreement.
Drainage connectivity	Drainage networks and connections to wastewater networks (sewers or watercourses) at parcel perimeter. Requirement for S104 and S106 applications to adoption authority.

Activity	Project description
Utility new supply connections	Provision of utility infrastructure into parcel to facilitate provision of new supply connections for individual plots.
Earthworks management	Cut/ fill and materials management for earthworks within parcel.
Highway infrastructure	Internal spur road through parcels providing plot connectivity.



Artist's Impression Westenhanger Castle Park





11. Land Disposal Strategy

11. Land Disposal Strategy

11.1 ROLE OF THE AGENT

The role of BNP Paribas /Strutt & Parker 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 Town 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 LLP will 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. BNP / Strutt & Parker 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. However, marketing may produce other offers.

Some sites, with multiple points of sale, can accommodate up to five or six 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. BNP Paribas, 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.

Stage 1: Due Diligence

Before launching a parcel to the market, it is important to fully consider the opportunities and constraints present so that 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 Park 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 of 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 Folkestone & Hythe District Council 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 dwellings 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’ 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 Folkestone & Hythe District Council plans 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.

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 five-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

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 recovery of initial capital investment.

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.

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, BNP / Strutt & Parker 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 OPEN MARKET TESTING

BNP / Strutt & Parker have commenced the open market testing process by inviting expressions of interest from housebuilders active in Kent. These expressions of interest are anticipated over the coming four weeks and will be reported to the Board in the New Year. Criteria for the next stage of the process will also be discussed by the Board in the New Year.

11.8 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. The LLP will 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. The LLP recognises that there needs to be multiple reasons to be there, not just traditional convenience retail. The LLP often advises on the benefits of 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.



The Folkestone Mermaid by Cornelia Parker.
Credit: Visit Kent





12. Quality Assurance and Monitoring

12. Quality Assurance and Monitoring

12.1 RISK MANAGEMENT

See Risk Register on following page.

OTTERPOOL PARK RISK REGISTER – OTTERPOOL PARK LLP (updated November 2021)

STRATEGIC RISKS

Risk	Original Risk			Mitigation Measures	Action Taken	Mitigated Risk			Changes in risk level	Milestone drop off	Responsible Owner
	Probability	Impact	Score			Probability	Impact	Score			
Project becomes unviable due to unforeseen additional cost, particularly up front infrastructure or increased construction costs, required for phase 1.	3	5	15	Creation of LLP financial model to monitor changes and assess options more responsively. Take advice from BNP Paribas on maximising financial efficiency of the project and discuss investment of other partners. Be ready to bid for future funding sources from central government, including ongoing discussions with Homes England about funding.	Infrastructure costs and phasing being reviewed to maximise efficiency of spending. Ongoing discussion with Homes England and developers about shared infrastructure investment. Participation in Kent Infrastructure Deal negotiations with bid for funding for Otterpool Park.	2	4	8		First sales received	JB
Slowdown of economy results in stagnation of housing market and lower property and land values.	3	2	6	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 e.g. on council borrowing should be planned for.	Discuss with advisors as part of financial risk management. Recent market activity suggests increased housing demand in Kent.	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 the 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	Creation of LLP own financial model to monitor changes and assess options more responsively. Financial model assumes no external funding. Be prepared for bidding opportunities for government and other funds. Review infrastructure programme and delivery rates to ensure realistic.	Ensure delivery vehicle tasked with forward delivery of infrastructure. Lobbying Homes England and MHCLG. Construction director appointed to manage infrastructure programme to agreed budget.	2	2	4		First sales received	JB
Dispute between Board and council Members/ dismantling of LLP.	3	4	12	Use shareholder meetings to ensure political direction agreed. Set out objectives clearly at start. Maintain good working relationships with officers and members. Presentations to update all members.	Regular liaison and review of priorities through business planning. Legal advice on protecting the future of the LLP.	2	4	8		Last developer signed up	JB/ Board
Board underperforms or fails to fulfil its duties/ fails to agree.	2	3	6	Review Board to ensure right skills are included. Ensure its members are fully briefed on strategic and financial matters.	Legal advice taken on governance matters and all policies. Considering review of board member skills.	1	3	3		Last sales received	JB/Chair of board
Delay in update of CIL charging schedule delays planning application as unable to sign S106.	3	3	9	Ensure this is on Policy team programme as a priority.	Liaison with FHDC Policy team to ensure work underway.	3	3	9		Outline planning application	DS
Technical constraints and challenges require additional work and time prior to application being determined, including water nutrient issue.	3	5	15	ST instructed to design scheme. Negotiation underway to secure land for WWTW.	Critical path being reviewed; tier 2 work underway.	3	4	12		Outline planning application	JW
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.	Set up regular meetings with Homes England.	2	3	6		Outline planning application	JB/AJ
Local government reorganisation, e.g. 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

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Artist Richard Woods 'Holiday Homes', Folkestone harbour





Appendices



Appendix 1 – Otterpool Park Vision



Vision



OTTERPOOL PARK
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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 for 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.



Green and open space
ON THE DOORSTEP



Less than 15 min
FOR COAST, COUNTRYSIDE
AND CULTURE

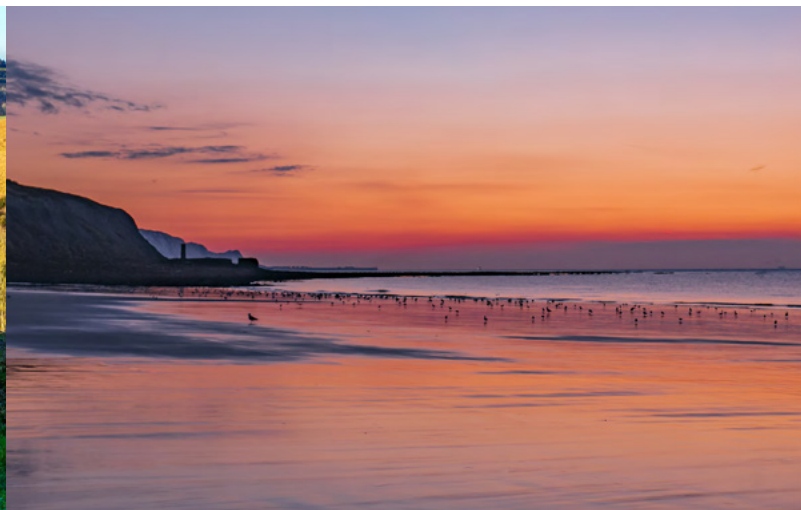
Countryside and coast

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.



53 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](https://www.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, socialable 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:*

*Green
and blue*



*Creative and
innovative*



*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 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.





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Appendix 2 – Council Ambition for Otterpool Park

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.





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.

Innovative Approaches to Delivery

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

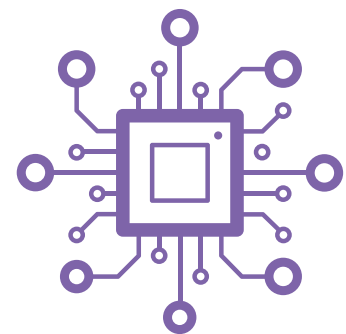
Otterpool Park will help to grow businesses, both existing and new; an Innovation Centre will be built early on in the town's development, and easy access to London and Europe through High Speed rail links will help businesses access professional services and new markets. Building the garden town also 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.





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BUSINESS PLAN
December 2021

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This Report will be
made public on 18
January 2021

Report Number: **C/21/75**

To: Cabinet
Date: 26 January 2022
Status: Key Decision
Director: Tim Madden, Transformation and Transition
Cabinet Member: Councillor David Monk, Leader of the Council

SUBJECT: Princes Parade

SUMMARY: The provision of a new leisure centre, housing and public open space at Princes Parade has previously been approved by Cabinet. This report gives an update on the status of the project, recommends appointment of the leisure centre operator and build contractor and seeks approval for financial capital and revenue provision to complete the project.

REASONS FOR RECOMMENDATION:

Cabinet is asked to agree the recommendations set out below because the project has reached decision points needed to deliver the project, and timely decisions are required to be included within the Council's respective budgets.

RECOMMENDATIONS:

Cabinet is asked:

- 1. To consider report C/21/75.**
- 2. To agree the revised budget and funding requirement, as detailed in paragraph 3.4, and to recommend to Council its inclusion in the Medium Term Capital Programme (MTCP) and revenue budgets as required.**
- 3. To agree additional funding to progress the installation of solar cells on the leisure centre, subject to planning considerations, of £100,000 drawn from the Climate Change Reserve as set out in paragraph 2.4.6.**
- 4. To agree to accept £2 million Brownfield Land Release Funding (BLRF) as described in paragraph 3.6.1 and to delegate to the Director of Housing and Operations, in consultation with the Leader of the Council, the authority to seek and approve other forms of external funding for this project as and when they become available.**
- 5. To award the contract for the operation of the leisure centre to Freedom Leisure (Wealden Leisure Ltd) for the period of the contract as set out in section 2.5.**
- 6. To note the disposal of land for housing, in line with delegation arrangements previously set out in Cabinet report C/18/69 (February 2019).**

- 7. To confirm that the contractors BAM proceed to the next stage of the project as outlined in this report (i.e. Phase 1 and 2 works) and the construction contract is finalised on this basis.**
- 8. In line with the recommendation from Cabinet of May 2014 (report C/14/01), to agree that, at an appropriate time, a legally binding covenant be drawn up to protect the scheme's proposed parkland and open space from any future development proposals not directly related to the site's leisure and educational objectives (paragraph 2.2.6) and to note the establishment of a strategic play area.**
- 9. To delegate to the Director - Housing and Operations, in consultation with the Leader and the Cabinet Member for Special projects, the authority to implement the steps required to complete the project.**
- 10. To note that the decision from the Secretary of State (SoS) relating to the Stopping Up Order of Princes Parade has not yet been received and, subsequent to that decision, there will be a period whereby a judicial review could be lodged (see section 2.3), and agree to proceed delivering the project at risk while the SoS's decision is finalized.**
- 11. To note the headline implications if the project does not proceed as outlined in this report (paragraph 4.1).**
- 12. To agree that the web site continues to be the primary channel for information relating to the project, with those interested in project detail and updates being directed to that source for relevant information (see section 5).**

1. Introduction

- 1.1 At its meeting of 13 February 2019, Cabinet approved the Princes Parade Project Business Plan (report C/18/69). The full report and appendices can be found at [Agenda for Cabinet on Wednesday, 13th February, 2019, 5.00 pm - Folkestone & Hythe District Council \(folkestone-hythe.gov.uk\)](https://www.folkestone-hythe.gov.uk/agenda-for-cabinet-on-wednesday-13th-february-2019-5.00-pm) .

For ease of reference, the proposals agreed were:

- A new leisure centre, located to the eastern end of the site including a main 25m by 6 lane swimming pool, teaching pool, 100 station gym, studio space and a café.
- The relocation of the existing Princes Parade road in order to provide an 11m wide promenade.
- A comprehensive area of open space to the western end of the site linked to a central area of open space by a linear park.
- Up to 150 residential units provided in two land parcels either side of the central open space, including 45 (30%) units of affordable housing.
- The potential for commercial activities, including a boutique hotel, café, restaurant, adjacent to the promenade and central open space.
- Car parking to accommodate both residents, visitors and users of the leisure centre.

Since the report was considered and agreed in 2019, work has progressed in line with the decisions taken and there have been a number of developments to bring it to the current position. The following section sets out the progress with the project.

- 1.2 As a result of the February 2019 report, a core consultant team was appointed with Faithful and Gould appointed as the lead consultant. The range of the consultants acting at any one time depends upon the stage of the project and this was set out in paragraphs 2.18 to 2.22 of that report. Work also commenced to appoint: (a) a main contractor (through a two stage procurement process); (b) the procurement process for the Leisure Centre operator; and (c) to progress disposal of the residential land.
- 1.3 On 2 August 2019 the Council received an application for a judicial review (JR) on the decision to award planning permission to the development on Princes Parade. In light of that legal action it was considered appropriate to delay the actions delivering the development until this had been resolved. The JR was finally quashed on the 3 December 2020. The project recommenced in January 2021.
- 1.4 Since then the key actions undertaken for the next stages of the development have been:
- Re-engaging with the core consultancy team for them to recommence their work.
 - Completing the procurement process for the main contractor. The successful contractor was BAM. This is a two-stage procurement process, the first stage of which is the Pre Construction Services Agreement. This has taken the development to a stage 4 RIBA design

which gives more detail on matters relating to delivering the project, before progressing to the second stage which is the construction contract.

- A significant amount of ecological work has been undertaken under the supervision of the Council's appointed ecological consultants (Lloyd Bore) as part of the project team. This includes preparation of alternative sites for reptile relocation, the relocation of reptiles, and moving the known badger population under the direction of the Natural England (NE) badger license, which included the creation of a new badger sett to replace that in use.
- Agreeing relevant planning consents and the discharge of planning conditions including ecological conditions, construction of the badger sett, surface water outfall, a new substation and minor amendments to the leisure centre appearance.
- Extensive site investigations have been undertaken (including trial pits, bore holes) in order to form a more detailed view of any contamination in the site and to inform the resulting remediation strategy.
- Development of the remediation strategy and associated plans for future works to address known contaminants.
- Further design on the landscaping of the western open space which will be available for community recreation as well as providing additional play facilities. Members are reminded that following its meeting of 28 May 2014, it was agreed that a legal covenant would be drawn up to protect the scheme's proposed parkland and open space from any future development proposals not directly related to the site's leisure and educational objectives (report C/14/01). This will be put into effect at the appropriate time.
- The procurement process for the Leisure Centre operator has been undertaken. The results of this are shown in section 2.5.
- Disposal of the residential land areas has been undertaken (see section 2.6).
- Further consultation on the "stopping up" of the existing Princes Parade road was undertaken. Subsequently the Secretary of State was asked by statutory consultees for a Public Inquiry to resolve the matter. This took place for six days during the period 19 October 2021 to the 4 November 2021. The latest position with regard to this is set out in section 2.3.

1.5 The sections below consider the current position and the decisions required by Cabinet to deliver the project.

2 Current Position

2.1 Description of Site Investigations & Findings

2.1.1 BAM were appointed in February 2021 to commence the detailed designs required for the remediation, civil engineering, drainage, and infrastructure required for the development. This scope also included the required testing and attendance works pre-contract to conclude the design work streams.

- 2.1.2 The assessment of land contamination and mitigation options, and land contamination and remediation work streams, have been led by experts LBHGEO as BAM's chosen specialist consultant.
- 2.1.3 These assessments (undertaken from March 2021) have followed professionally recognised procedures, National Quality Mark Scheme (NQMS), and started with the production of a Preliminary Land Contamination Assessment, and a desktop review of the previous investigations and findings on the site.
- 2.1.4 An additional phase of site investigation was designed by BAM's specialist LBHGEO in order to have a far more detailed, intensive and targeted array of data across the site to see if there were any variances or higher concentrations of contaminants found that needed relevant mitigating actions to be taken. IDOM Merebrook were employed by BAM to undertake the additional site testing works during March and April 2021.
- 2.1.5 The IDOM Merebrook's factual report was issued with these detailed additional results and updated as the work progressed to include laboratory testing data, and preliminary gas and groundwater monitoring, with their final report being issued on 30th June 2021.
- 2.1.6 This information has been used by LBHGEO and a Land Contamination Assessment (LCA) report has been produced on behalf of BAM. This assessment (current version 1.2 dated 17/12/2021) has been progressively updated since June 2021 to show the key assessment criteria, the risks and the potential mitigation options for the site taking into account the latest site investigation findings.
- 2.1.7 The LCA accesses the specific levels of compounds and chemicals found in the soils for their exceedance against screening values, this data is then risk assessed with mitigation measures to limit their exposure and means to sever the pathway to the receptors. This process follows the government's Land Contamination Risk Management (LCRM) guidance.
- 2.1.8 The LCA is publicly available and has been issued as part of the Reserved Matters planning application which is currently being reviewed and commented on by both the Environment Agency and F&HDC and specifically to address part b) of condition 25 of the planning application Y17/1042/SH.
- 2.1.9 The necessary mitigation and remediation works have been prepared into an overall Remediation Plan by BAM, and a Remediation Implementation Plan for the initial earthworks has been prepared by BAM's tendered contractor. The Plans have been accepted in principle by the Environment Agency (EA) as providing a viable solution to the matters reported in the Land Contamination Assessment. The LCA, Remediation Plan and Remediation Implementation Plan will all be subject to statutory body consultation and regulatory approval prior to the commencement of any construction works which is scheduled for April 2022.

- 2.1.10 As part of the regulatory approvals for all of the solutions used, a verification plan will also be developed and agreed between BAM, their consultants, the Environment Agency and F&HDC Environmental Health. This will specify the site monitoring and testing requirements that need to be undertaken for each phase of the works. It will set out what information will be collected and what criteria will be used as evidence to validate the works have been satisfactorily carried out. This process, and the resulting mitigation measures, will provide suitable planned protection to address relevant Health and Safety matters during the works for human interaction including the public. When the scheme is completed it will also ensure the protection of users of the site and that public safety is maintained.
- 2.1.11 The physical site works will involve further material testing, material movement and the selection of appropriate materials and soils for reuse. This will allow the current volume of material on site to be utilised efficiently, minimise waste movements, and prevent creating more waste off site than absolutely needed. Various compaction methods will be used on site to stabilise and consolidate the materials. Controls will be put in place to restrict airborne particles and suppress dust generation from the site. Monitoring and sampling the air at certain locations at the site boundary throughout the period of planned works will provide data which will be reviewed by specialists to ensure that the works are not causing health and safety concerns or harm.
- 2.1.12 Hard standings, roads and the civil infrastructure will all be treated with binding agents in the form of lime and cement to provide a stronger platform to construct from. The whole development area will receive a high visibility marker layer to indicate the potential risk to future site users that may need to dig down, and this layer will then be capped with new material at the appropriate construction depths for roads, or with clean materials for planting and landscaping.
- 2.1.13 This 'clean cover' approach will separate exposure from the site contamination to the receptors (e.g. the environment, site users, public or future contractors). This is a well-used industry technique on brownfield sites which caps and isolates known contaminants from being accessed by the public and home owners.
- 2.1.14 In addition to the site-wide mitigation measures overseen by BAM and undertaken by the various specialist organisations, these principles have also been discussed with the National House Building Council (NHBC) through the processes undertaken to date. The final level of remediation controls and mitigations used specifically on the residential areas of the site will be the responsibility of, and delivered by, the residential developer and their consultant team.
- 2.1.15 The most recently commissioned reports and investigations show that contaminants exist on the site in a higher concentration than previously indicated. This is due to the latest site investigations and land contamination reports having been through a more detailed process which is required at this particular stage in the project's development. It also helps

to ensure that the correct protocol is being used to address the issues found on the site. Earlier assessments were not able to be undertaken to the same degree of detail and this increasing level of understanding of contamination on brownfield sites is a normal part of the development process.

2.1.16 Now that contaminants from the former waste site are known, if the development is not progressed some of the mitigation / remediation strategy will be required to provide long-term protection for future users. While the detail of this would need to be considered, it may include activities such as:

- Stripping the remaining vegetation and suitably capping the site, and re-landscaping.
- Fencing areas off and restricting access to certain portions, or the whole site.
- A hybrid option of the two approaches above.

2.1.17 All of these options would require further, more detailed consideration and a thorough assessment of risks of the appropriate solutions which would be dependent on the future intended use of the area.

2.2 Ecological work

2.2.1 The reptiles on site were successfully trapped and relocated to the receptor site to the north of the Royal Military Canal in 2021. A vegetation strip took place following their relocation to remove any suitable habitat and prevent recolonisation of the site.

2.2.2 The new badger sett was constructed and badger activity recorded in the new sett which then allowed the old badger sett to be closed and removed under the terms of the Natural England (NE) license.

2.2.3 The vegetation on the remainder of the site is planned for removal end February 2022 to ensure this is completed outside the bird nesting season and to check for any other badger setts ahead of construction works starting.

2.2.4 The proposed landscaping to the western open space, and the linear park leading to the bridge over the Royal Military Canal, maintains ecological areas along parts of the canal bank and around the new badger sett which won't be accessible to the public. In addition to this the new public realm will provide new ecology and foraging opportunities for the badgers and other wildlife.

2.2.5 A plan showing the proposed landscaping is included in Appendix A. This also indicates the intention for the western open space to be designated a Priority Play Area (PPA) for the park. This will replace the smaller play area at the Seabrook end of the Royal Military Canal which had PPA status in the Play Area Strategy 2020-2030 approved by Cabinet in June 2020 (report C/20/04).

2.2.6 At the Cabinet meeting of May 2014 (report C/14/01), it was agreed “that, at the appropriate time, a legal covenant be drawn up to protect the proposed parkland and open space from any future development proposals not directly related to the site’s leisure and educational objectives”. As part of the Council’s desire to ensure the green space is retained in the future, Cabinet is asked to renew this commitment as part of the scheme and to put in place the relevant covenant as previously set out.

2.3 Stopping Up Order

2.3.1 The development includes a redirection of part of the current Princes Parade road to run behind the proposed development and in parallel to the Royal Military Canal in order to provide an enhanced vehicle-free public promenade for leisure users. In order to build the leisure centre as planned, this required the “stopping up” of an existing length of road. Following a public consultation where statutory consultees objected to the order, the Secretary of State was obliged to hold a public inquiry into the matter. This was held for a six day period from the 19 October to 4 November 2021. All documentation relating to the inquiry can be found at: [Princes Parade Stopping Up Order Public Inquiry - Folkestone & Hythe District Council \(folkestone-hythe.gov.uk\)](https://www.folkestone-hythe.gov.uk/princes-parade-stopping-up-order-public-inquiry).

2.3.2 The Inspector has written to the Secretary of State who has not, as at the time of writing, announced his decision. This is expected shortly. Following this final decision, there is a period of 6 weeks when it is possible for a JR to be applied for by either party. At the time of writing it is not known if this will be applied for, or if there are grounds for doing so. An oral update will be provided at the meeting if there is anything further to report on this matter. If the Council is successful in achieving the stopping up order, it will need to consider whether to proceed given the potential risk of a further appeal against the decision.

2.3.3 It is anticipated that should a favourable decision be made for the Council by the end of January, then approximately £2 million of further investment delivering the scheme will be spent in the ensuing 6 week period (for example on utilities) without the process having been fully closed. Moreover, during this period should a JR of the decision be allowed, there will be a significant amount of further spending as the scheme progresses. In order to maintain progress delivering the scheme, Cabinet is asked to confirm their intentions to maintain momentum and to press ahead while accepting this risk, with further legal advice being taken and reported to the Leader and relevant portfolio holders, depending on the outcome of the Secretary of State’s decision and if any further challenge is lodged and progressed. Not to progress the scheme at risk will mean further delays with the potential loss of planning due to permissions effectively being “timed out” in particular in relation to the residential planning permission.

2.4 Carbon / Environmental Considerations

2.4.1 An energy assessment has been completed for the leisure center building in accordance with the current Building Regulations Part L (Conservation of Fuel and Power). As part of this assessment, the complete building is

modelled and that thermal model used to provide advice on the building's carbon credentials and demonstrate that the leisure centre improves on the notional baseline set out in the Building Regulations.

2.4.2 The energy assessment also considers several initiatives for climate change adaptation and the use of zero and low carbon technologies within the building.

2.4.3 The allowance for adaptation to climate change is best addressed using the energy hierarchy for the project, as a means to classify energy options contributing toward reducing the carbon emissions of the project. This hierarchy is an industry recognised method of looking at all aspects of energy use.

2.4.4 The definition of each level of the energy hierarchy, and the measures incorporated in the leisure centre building and the associated carbon savings over the notional baseline required by Building Regulations, are as follows:

Table 1: Energy Hierarchy

Energy Hierarchy	Measures Incorporated in the project & Carbon Savings
<p>Be lean: use less energy and manage demand during operation through fabric and servicing improvements and the incorporation of flexibility measures.</p>	<p>To reduce the amount of heat and cooling required within the building the construction materials have energy efficient elements (U values and g values) that include insulating materials and glazing systems that keep the heat in the building in winter months and assist in reducing the need for mechanical cooling in the summer months.</p> <p>This results in a 2% reduction in carbon emissions compared to the notional baseline required by Building Regulations.</p>
<p>Be clean: exploit local energy resources (such as secondary heat) and supply energy efficiently and cleanly by connecting to district heating networks, where available.</p>	<p>There are no district heating / cooling networks local to the project so this was discounted.</p> <p>Consequently, a gas micro combined heat and power (CHP) system has been included. This is one of the low carbon technologies encouraged to be adopted in the built environment. Its efficiency lies in reduction of energy waste.</p> <p>This results in a further 2% reduction in the carbon emissions of the project.</p>
<p>Be green: maximise opportunities for renewable energy by producing, storing,</p>	<p>The following systems have been included:</p>

<p>and using renewable energy on-site.</p>	<ul style="list-style-type: none"> - Energy efficient LED lighting and lighting controls. - Energy metering for the installed systems. - Energy efficient pumps with inverter drives. - Energy efficient fans for ventilation systems. - Mechanical ventilation with heat recovery. - Variable flow refrigerant systems (VRF) with recovery. - Energy efficient gas boilers. - Use of a building management system that helps to keep systems running efficiently by control and monitoring of the building engineering services. <p>This results in a further reduction in carbon emissions of 4.4%, which takes the total reduction to 8.4% compared to the notional baseline required by Building Regulations which equates to a saving of 42.09 tonnes of carbon per annum.</p>
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2.4.5 The project engineers also carried out a feasibility study for all available low and zero carbon solutions. The systems reviewed as part of this feasibility study included:

- Air source heat pumps.
- Photovoltaic cells (PV).
- Wind power.
- Hydrogen fuel cells.
- Ground source heat pumps.
- Biomass boilers.

2.4.6 Each system was analysed and the use of PV panels on the roof of the building has been identified as a suitable option, subject to funding and planning approvals. This is not currently included in the project brief and an additional cost of £100,000 would need to be approved if this were to be incorporated. This would result in a further 4.5% carbon reduction in addition to the 8.4% outlined in the above table, which increases the reduction in carbon omission from the notional baseline required by the Building Regulations to 12.9%. This additional cost will have a payback period of approximately 4-5 years and is proposed as a suitable cost to be drawn from the Climate Change Reserve. The financial benefit of this will fall to the Leisure Centre operator and this will be the subject of further discussions as the contract is finalised.

2.5 Leisure Centre Operator.

- 2.5.1 The Princes Parade Project Business Plan approved by Cabinet (C/18/69) recommended in para 2.26 that the Council *'seek to secure an operator for the new leisure centre through an open procurement process. It also recommended that the Council procure specialist advice to manage this process and achieve the best possible financial and service proposals for the Council.'*
- 2.5.2 The Council subsequently appointed The Sports Consultancy (TSC) to assist with the tender for the new leisure centre operator. The tender process commenced in August 2021 following a soft market testing exercise carried out earlier in the year.
- 2.5.3 In summary, the Council proposed:
- 2.5.3.1 A ten-year contract with an optional five-year extension at the Council's discretion.
- 2.5.3.2 The leisure operator to be responsible for the operational costs including their own fixtures, fittings, equipment and utilities costs.
- 2.5.3.3 The leisure operator to be responsible for most ongoing maintenance costs.
- 2.5.3.4 The leisure operator to control the leisure centre car park.
- 2.5.3.5 The leisure operator to propose an annual management fee payable to the Council as well as a surplus share proposal.
- 2.5.3.6 Existing Hythe Pool employees to be transferred to the new leisure centre operation when the new building opens with their employment rights protected under TUPE.
- 2.5.4 The tender was publicly advertised and eight companies expressed an interest. Discussions were held with interested parties and tender submissions were received from:
- Wealden Leisure Ltd (trading as Freedom Leisure).
 - Sports and Leisure Management Ltd (trading as Everyone Active).
- 2.5.5 Two other operators (Places Leisure and Serco Leisure) had actively engaged in the tender stage of the project but withdrew due to the Council's requirement for the operator to take on the full utility risk (this followed significant volatility in the energy market that was experienced in the autumn 2021).
- 2.5.6 The tenders were evaluated on 70% Technical (Quality) and 30% Price. The evaluation criteria were further subdivided as follows:

TECHNICAL CRITERIA	Weighting
1. Programming and Pricing	10%
2. Asset Management and Cleaning	10%
3. Sports Development, Health & Wellbeing and Outreach	8%
4. Marketing, Customer Care and CRM	10%
5. Staffing	8%
6. Financial Management, Reporting and IT Systems	4%
7. Environmental Sustainability	10%
8. Demonstrating Social Value	8%
9. Contract Mobilisation	2%
Technical weighting	70%
COMMERCIAL CRITERIA	Weighting
1. Proposed Management Fee (annual average over 10-year term)	26%
2. Surplus share	4%
Commercial weighting	30%
Total weighting	100.0%

2.5.7 The full tender evaluation report prepared by TCS is attached as Appendix B.

2.5.8 In terms of the Price Evaluation the respective scores are as follows:

Tenderer	Freedom Leisure	Everyone Active (SLM)
Average Annual Management Fee Over Ten Years	£175,843	£100,456
Aggregate Management Fee Over Ten Years	£1,758,431	£1,004,556
Management Fee Score	26.0%	14.9%
Surplus Share Score	4%	3.12%
Overall Price Score	30%	18%

2.5.9 The average management fee shown above is payable by the leisure operator to the Council. The actual management fee over the ten-year period will vary each year, and for both bidders there would be a fee payable by the Council to the leisure operator in Year 1 for the initial set up costs of the operator with an income in subsequent years. Full details of the management fee breakdown are set out in Table 2 page 4 in the TSC report in appendix B. A due diligence exercise was completed to benchmark both bidders'

income and earnings projections. This is summarised in para 2.8 to 2.13 of appendix B. The annual management fee will be index linked and uplifted annually.

2.5.10 The technical evaluation was assessed based on method statements submitted by each of the bidders for each evaluation category. The final technical scores are as follows:

TECHNICAL CRITERIA	Weighting	FL	EA
1. Programming and Pricing	10%	8.0%	8.0%
2. Asset Management and Cleaning	10%	6.0%	8.0%
3. Sports Development, Health & Wellbeing and Outreach	8%	6.4%	6.4%
4. Marketing, Customer Care and CRM	10%	8.0%	8.0%
5. Staffing	8%	6.4%	6.4%
6. Financial Management, Reporting and IT Systems	4%	2.4%	2.4%
7. Environmental Sustainability	10%	8.0%	8.0%
8. Demonstrating Social Value	8%	4.8%	4.8%
9. Contract Mobilisation	2%	1.2%	1.6%
Technical weighting	70%	51.2%	53.6%

2.5.11 The final combined price and technical scores are as follows:

Tenderer	Commercial	Technical	Overall
Freedom Leisure	30.0%	51.2%	81.2%
Everyone Active (SLM)	18.0%	53.6%	71.6%

2.5.12 The recommendation, based on the outcome of the tender evaluation, is that Freedom Leisure (Wealden Leisure Ltd) are awarded the contract for the leisure operator for the new leisure centre at Princes Parade. The contract will start from the completed construction of the new leisure centre with a mobilisation period scheduled in advance of the centre opening.

2.5.13 Freedom Leisure manage over 100 leisure centres including Sandwich Leisure Centre and the Ashford Stour Centre. Notable features of their tender include:

- The recruitment of a full-time Active Communities Manager, who will be responsible for the sports development programme.
- A commitment to working with the local Clinical Commissioning Group, police, youth services, local clubs and other groups.
- A comprehensive learn-to-swim programme.
- One apprenticeship and four work experience placements per year.
- A commitment to using local suppliers wherever possible, e.g. currently 60% of their reactive and planned preventative sports programmes are delivered by local suppliers.
- A commitment to sourcing green energy (through their supplier Haven Power).
- Achieving ISO14001 accreditation for the new Centre.
- Achieving 50% recycling and waste management.

2.6 Residential Providers

2.6.1 As part of the February 2019 Cabinet decision it was agreed that to progress the scheme the residential and commercial land at Princes Parade and at the existing Hythe Swimming Pool site should be disposed of. Delegations were given to the respective director, in consultation with the Leader of the Council and the Portfolio Holder. Throughout the summer of 2021, a marketing exercise was undertaken by BNP Paribas to determine interest in the site and to invite offers.

2.6.2 Following the conclusion of the exercise, the successful bid was agreed in early January 2022 for both the Princes Parade site and the South Road site. In total this equates to a receipt of £26.6 million for both sites and includes the commercial space on Princes Parade, affordable housing on both sites, a café and toilet block on the South Road site which also has the provision of beach huts. It also includes the demolition of the existing Hythe Pool once the new leisure centre is open. It should be noted that this offer at South Road also includes the provision of these community assets which will benefit the Council and community in the long run with additional financial detail to be firmed up as the residential scheme is agreed and revenue income streams are secured.

2.6.3 Officers are currently working through the detailed contract with the successful bidder so as to progress the scheme. The reserve matters application for the residential element of the site will need to be submitted by July 2022 and therefore discussions will proceed at pace with the chosen developer.

2.7 Planning

2.7.1 A summary of the various planning applications and permissions is provided below:

- Planning permission was received for the project on 19 September 2017.

- Conditions 15, 16 and 17 (ecology) were discharged 3 September 2021.
- The new badger sett application was approved 27 August 2021.
- S96a Non Material Amendments to the planning permission was approved 6 December 2021.
- New applications have been submitted for: (a) a new electrical sub-station; and (b) drainage outfalls to the beach. This will be determined at the Planning Committee on 25 January 2022.
- Reserve Matters (excluding the residential plots) was submitted and validated 10 December 2021.
- Discharge of Conditions application was submitted and validated 29 November 2021.

2.7.2 It is anticipated that the Reserve Matters and Discharge of Conditions applications will be determined at the March 2022 Planning Committee meeting. A Reserve Matters application will be submitted for the residential plots by the appointed developer by July 2022.

2.8 Procurement

2.8.1 Cabinet report C/18/69 recommended (paragraph 2.16):

In order to deliver the project it will be necessary for the Council to procure a main contractor to deliver phases 1 and 2. The options open to the Council include the use of a procurement framework or the more traditional competitively tendered OJEU route. The issue of contractor procurement is covered in detail in the Procurement and Programme Review (see Appendix 1) which sets out the following recommendations:-

- *A single contractor is appointed for the remedial works, leisure centre and infrastructure (Phases 1 and 2).*
- *A two stage develop and construct procurement route be adopted.*
- *Design developed to RIBA Stage 4a in conjunction with the contractor and for the completion of the second stage tender.*
- *A fixed lump sum price is obtained for the works at the second stage tender.*
- *Key designers (e.g. architects, mechanical/electrical engineer and civil/structural engineer) would be appointed by the Council to complete the design to RIBA Stage 4a and then novated to the contractor to complete the design.*
- *The contractor is procured through the Southern Construction Framework, although this needs to be soft market tested to ensure there is sufficient interest from contractors on this framework.*

In the report Phase 1 & 2 were defined as:

Phase 1

- *Site remediation works.*

Phase 2

- *Construction of leisure centre.*
- *Realignment of Princes Parade and construction of western car park.*
- *Relocation of existing rising main along realigned Princes Parade.*
- *Provision of new promenade.*
- *Construction of new linear park (including installation of planting along the embankment to the northern boundary, adjacent to the Royal Military Canal).*

2.8.2 Following completion of a tender via the Southern Construction Framework, BAM were appointed as the contractors for the pre-construction stage and the potential construction phase (subject to Cabinet approval and final contract). The recommendation to Cabinet in this report is to confirm that BAM proceed to the next stage of the project as outlined in this report (i.e. Phase 1 and 2 works) and the construction contract is finalised on this basis.

3. Financial Issues

- 3.1 The main contractor, BAM, were appointed under a Pre-Construction Services Agreement following a competitive tender through the Southern Construction Framework, to work with the Council and their consultant team to carry out further site investigations, engage with utility suppliers, work with the Council's design team to develop the detailed design, and to tender the sub-contractor packages.
- 3.2 BAM's pre-construction fee, construction fee, preliminaries, and overheads and profit were fixed at the first stage tender. BAM then competitively tendered subcontractor work packages for the second stage tender to confirm a fixed price contract sum.
- 3.3 Following the review of all tender packages received from BAM and the conclusion of financial negotiations on the second stage tender, a Contract Sum of £40,518,210 has been confirmed. This is a fixed price contract sum, whereby BAM take on risks associated with the design, ground conditions, remediation, supply chain issues such as labour and material shortages, and inflation.
- 3.4 This price includes the cost of bringing new utilities to the site, including off-site upgrade works, but any changes to these tendered costs from the date of price submission will remain the Council's risk, and consequently a 3% contingency allowance has been made for this and any other unforeseen project costs. As this is a fixed price contract with BAM, cabinet is advised by our external cost consultants that a 3% contingency allowance is sufficient and an appropriate amount for the risks identified.

The following table provides a summary of this together with the other project costs:

Table 2 – Costs of Project

Cost Heading	Cost
Construction Costs	£40,518,210
Consultant Fees, license fees, and other Council direct costs	£3,566,823
Contingency (3% of construction costs)	£1,215,546
Total	£45,300,579

- 3.5 This is an increase in the project budget of £16,235,579 which was agreed in the 2020/21 MTCP. The main reasons for this increase are set out in the table below which compares current costs to the original capital programme budget agreed in 2019.

Table 3 – Cost Differences from January 2019

High Level Cost Differences between Jan 2019 and Jan 2022	Cost	Comment
January 2019 Cost Plan	£29,065,000	
Site remediation and ground works	£5,339,575	Costs now based on more extensive detailed ground investigations. These are the remediation costs required for the planned site.
Utility infrastructure (on and off site)	£1,433,075	Offsite reinforcement works are now required following detailed capacity assessments by utility companies.
Leisure centre cost	£1,057,019	Design detail improvements required to provide a high-quality leisure centre within the detailed planning consent.
Western open space and linear park	£1,529,117	These are now being completed directly by the Council rather than the residential developer to provide certainty to secure better land sales values for the council and
Promenade	£916,553	

		complete these works at an earlier date.
Seapoint Canoe Centre (SCC) works	£200,000	Enabling works to the Charity's facility which are required to allow the road to be built.
Normal inflation	£1,902,788	Increased inflation due to delay in delivering the project as a result of the planning Judicial Review.
Current market conditions	£3,857,452	Extraordinary inflation due to delay in delivering the project as a result of Covid, Brexit, material and labour shortages, energy prices, etc.
Total Increase	£16,235,579	
Total Project Cost (Excl VAT)	£45,300,579	

3.6 Funding

3.6.1 The overall funding required for the project has changed significantly since the project was last considered in the 2019 Cabinet report. The delay in the project, together with inflation alongside other factors, has increased the costs as described above. In addition, the delay in the project resulted in the loss of the Homes England Accelerated Construction Programme Grant of £1,977,879 that was awarded in 2019. During the summer of 2021, a new grant was made available for local authorities to bid for through One Public Estate (DLUHC / formally MHCLG). This was the Brownfield Land Release Fund (BLRF) and the Council was successful in applying for a grant of £2 million to support the project and the costs of remediation. This was not a like-for-like replacement however it has helped the overall funding of the project. Further grant funding opportunities will continue to be sought, with approval for submitting and accepting funds being delegated to the Director for Housing and Operations in consultation with the Leader of the Council, and reported to council as part of the normal budget monitoring processes.

3.6.2 The ongoing work has sought to identify all sources of relevant funding to address the current position of the project. In particular, the residential land values have increased and provide a greater level of financial support for the scheme (see above in relation to residential values) and the successful leisure centre operator means the Council will receive an average positive cash flow in addition to removing the heavy liability of the current pool. Set out below are the key funding sources to meet the overall costs of the project:

Table 4 – Funding

Item	£
Nickolls Quarry – Section 106 (with indexation as at the time of writing)	5,309,010
Hythe Imperial Section 106 (Affordable Housing)	1,416,000
CIL Funding	2,500,000
Play area funding (CIL)	650,000
SCC funding (offset expenditure)	200,000
Income from residential sales	26,600,000
BLRF Grant	2,000,000
Total	38,675,010

3.6.3 The detail above identifies a funding gap of £6,625,569. In addition, as identified in section 2.5, the award of the new leisure centre contract will generate an average positive cash position estimated at £175,000 per annum over the period of the contract. Also, there will be no requirement to fund the existing Hythe Pool once this closes. This will save a further £165,000 per annum (excluding fixed costs and any exceptional costs, such as emergency / unplanned maintenance which is increasingly found to be necessary due to the age and deteriorating condition of the building). Overall this will provide a revenue turnaround estimated at £340,000 per annum which will be sufficient to cover the costs of funding approximately £10 million of additional borrowing if required. Revenue turnaround has not been included in the tabulated figures above but is part of the overall business case for consideration.

4. Further Considerations

4.1 The main body of the report sets out some of the key issues in relation to the project and in particular the increase in costs associated with the need for further remediation of the site and increased costs arising largely as a result of the delays to the project. As part of cabinet's overall consideration on the matter, there will be implications if it is determined that the project should not proceed. In particular the following are of note:

- To comply with the Environmental Protection Act 1990: Part 2A, the Princes Parade site will require remediation activity and it will not be allowed to remain in its current state now that the contaminants on site are known. While planning permission is in place and being delivered an agreed approach is in place however, if this scheme is not now pursued then the Council would need to determine the most appropriate remediation action for the site in order to meet necessary environmental standards. This will require further, more detailed assessment dependent on the future intended use of the area but could potentially require significant additional costs depending on the options chosen.
- The spending on the scheme to date, estimated at £2.56 million, would not be recoverable as a capital cost against the scheme and would need to be charged against the Council's revenue account.

This would become a charge during 2021/22 and would create further pressures on the Council's revenue finances.

- The current Hythe Pool building is ageing and requiring further maintenance. Significant expenditure (£167k) has been incurred recently for a new roof, a pool liner and a chlorine storage system. It is likely that additional costs will continue to be incurred as the building ages. If an alternative site is sought then the costs of assessing and preparing for the development of that site would be incurred.
- There would be a loss of the £2 million BLRF grant.
- The provision of 150 units on Princes Parade and a further 66 on South Road, including the affordable housing component for both of these sites, would be lost or delayed.
- The site itself has been established recently as suitable for development in the Places and Policies Local Plan and the site, if not used for the original multi-purpose of housing, leisure and open space, may be susceptible to proposals for just housing development in the future. The current scheme on Princes Parade also allows for Affordable Housing at 30% as opposed to the emerging policy of 22%. This additional 8% 'policy-on' position is positive and offers the chance to secure 12 additional affordable housing units beyond the current 22% emerging policy position.
- Further decisions will need to be taken as to the future of both the existing Princes Parade site and also for the future provision of a leisure / swimming facility for the district. The work to prepare for these decisions will take some time.

5. Communications

- 5.1 The project has, and is expected to continue generating, a significant amount of public interest. A dedicated section of the website has successfully been set up to provide information on the project and to provide an FAQ section for any queries arising from correspondence into the dedicated email address or through other channels. This method of communication is working well and due to the expected high volume of enquiries as works on the site progresses, cabinet is asked to agree that the web site continues to be the primary channel for information relating to the project with those interested in project detail and updates being directed to that source of information accordingly.

6. Risks

Perceived Risk	Seriousness	Likelihood	Preventative Action
Stopping up order is not granted by the Secretary of State or further delay due to judicial review challenge.	5	4	SoS decision expected during January. Content will need to be reviewed to determine impact of any decision.

Residential sales values do not meet expectations.	4	3	Current bids have been made which are at a market value and are incorporated within the overall budget reported. Heads of Terms are still being drawn up to finalise the arrangements and need to be concluded.
Increasing costs of project during construction.	5	3	Construction price is fixed for the council so risk is with the contractor.
Utility costs increase from tendered price.	5	3	Contingency allowed of 3% to cover risk. External advice given to council that this is sufficient.
Contamination on site is in excess of that expected.	5	3	Significant investigations have been undertaken and a remediation strategy developed which will provide an informed means of dealing with any contamination. Risk is with the contractor.
Planning deadlines not achieved.	5	4	Planning timetable established to ensure deadlines are met. There is dedicated planning resource is available as a specialist consultancy and also a PPA has been agreed with the Council for the project.
Necessary ecological activities cause overall delay to programme.	4	3	Ongoing ecological work being undertaken by specialist ecologists to ensure all relevant concerns are addressed in a timely manner.

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. However, the Council will need to continue to comply with the public procurement regulations and Legal Services / external legal advisers will need to be utilised as and when necessary.

7.2 Finance Officer's Comments (CS)

The key financial issues related to the project are fully outlined in section 3 of the report. The scheme is now anticipated to require total funding of £45.3 million, with £38.675m having been identified and the remainder (£6.625m) being proposed to be funded from borrowing. The previously approved capital budget did not anticipate any borrowing to be required for this project (apart from that anticipated for cashflow purposes).

The identified funding for the scheme includes £26.6 million from residential land sales with further details outlined in section 2.6. Officers are working on Heads of Terms with the developers, but Members should note the financial risk of progressing with the main contractual commitments without secured capital receipts.

Temporary borrowing of up to £15.9m is forecast to be required for the scheme due to the timing of capital receipts and other contributions earmarked to fund the scheme.

Once all the external funding sources have been received in full, the net prudential borrowing requirement for the scheme is £6.625m and is permissible under CIPFA's latest Prudential Code for Capital Finance.

The scheme's expenditure includes capitalised interest of £430k covering the period from April 2022 until the new leisure centre open in the middle of 2024 and is in accordance with the Council's accounting policies.

Beyond that, the ongoing capital financing costs from the prudential borrowing (MRP and interest on the borrowing) are projected to be met from the net revenue benefit of the scheme identified in the report.

The borrowing requirement for this scheme will be incorporated into the Council's borrowing limits as part of the Capital Strategy for 2022/23 which Full Council will be asked to consider and approve on 23 February 2022.

The report outlines the financial impact to the General Fund should the scheme be cancelled and as noted in section 4 further work would be required to determine the additional cost of appropriate remediation. In addition to the capital sum identified in section 4 (£2.56m), a further capital sum (£710k) was historically incurred at the pre-planning stage of the scheme, this sum was capital funded by revenue and therefore would not have a revenue impact should the scheme be cancelled.

The scheme costs do not currently include the additional £100k outlined in 2.4.6 for PV panels. It is proposed that this is met from the Climate Change Reserve, which currently has sufficient funds to enable this (£4.5m) should members take this decision.

Initial advice received from KPMG suggests the Council will be able to recover all its VAT incurred for the scheme. However further work will be required to clarify the impact this may have for the proposed leisure operator and the property developer.

7.3 Diversity and Equalities Implications (TM)

The diversity and equalities implications have been assessed in the equalities impact assessment which was presented to the public inquiry referred to within the report.

7.4 Climate Change Implications (OF)

The principle of developing the site has been established through the Places & Policy Local Plan with planning permission and conditions on the planning permission as well as a remediation strategy for clearing up the site. Decisions on the operator and developer of the housing and other uses have been subject to relevant procurement processes.

Overall, there will be positive climate impacts arising from this report such as:

Greenhouse gas (e.g. reducing emissions from travel, increasing energy efficiencies etc.) – there is high potential for emissions from contamination however these have been adequately considered with a remediation plan put in place which is said to address issues raised in the land contamination assessment.

Leisure centres, and particularly those including swimming pools, are known as high energy using facilities and this report has considered how these impacts can be mitigated. Suggestion is made to enhance the new facility through the use of PV panels and this is welcomed. The existing Hythe Pool has no carbon reduction measures in place. The council's Carbon Action Plan highlights that gas use accounted for 58 per cent of carbon emissions from the council's estate and operations (891.6 tonnes of carbon dioxide equivalent of the total 1,535 tCO₂e) at the base year (2018/19). Hythe Swimming Pool accounted for 17 per cent of the council's total gas use at the base year (817,426 kilowatt hours), the largest gas consumption of any of the council's properties.

Waste – climate impact will be positive as the report considers how waste will be minimised both on and off site with the proposed leisure operator identifying the matter of minimizing waste as an important element for ongoing consideration.

Pollution – the report highlights potential risks to the public, site users, future home owners / occupiers and proposes a clean cover approach to minimise potential risks by delivering residential areas controls and mitigation. Ongoing monitoring and management of air samples is welcomed.

Resilience – potential future loss of parkland and open space is being addressed with a legal covenant to be drawn up to protect the scheme's proposed parkland and open space from any future development proposals not directly related to the site's leisure and educational objectives.

Conservation and wildlife – overall positive as relocation of reptiles to receptor sites, planting of vegetation strip to prevent recolonization on the site, and a new badger sett construction have taken place. Also there exists potential for the provision of new ecological and foraging opportunities for wildlife.

Social or economic impacts - The report has given consideration to carbon and environmental impacts and states that several initiatives for climate change adaptation and use of zero and low carbon technologies have been considered and will be included in the development. The leisure operator has also identified working closely with the CCG as a priority action, which is welcomed to address matters such as social prescribing. They have also indicated a desire to work with local supply chains and providers, again a welcomed approach.

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 – Proposed Landscaping

Appendix B – Leisure Management – Tender Evaluation report

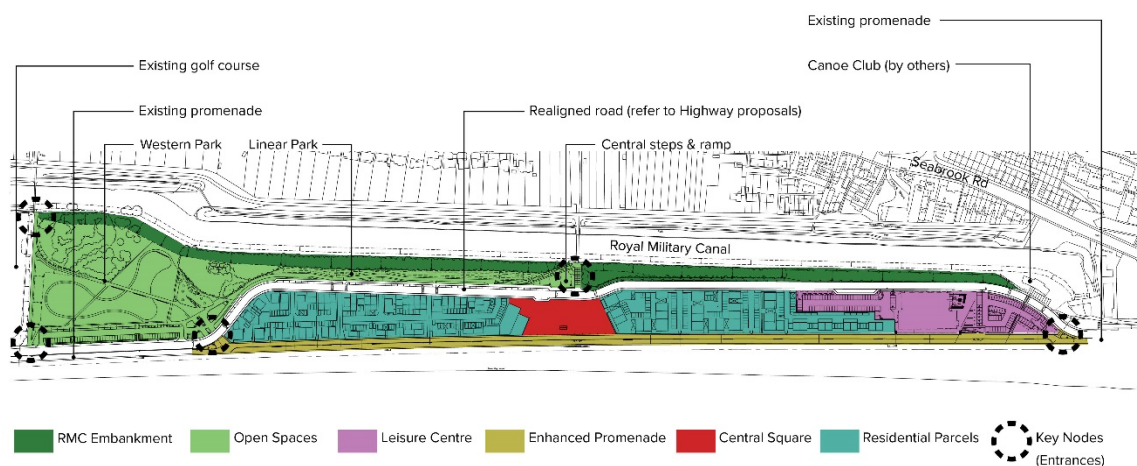
Discharge of Conditions and Reserved Matters Application - Landscape Design Statement

Project No: MHS210.19
Project: Princes Parade
Date: 22.10.2021
Reference: Design Note 22.10.2021_V3

Introduction

Mark Hanton Studio were appointed by F&HDC to prepare design material for discharge of conditions and reserved matters application in relation hard and soft landscape proposals to the Princes Parade development, Hythe. This follows on from previous landscape design work undertaken by Mark Hanton Studio for the detailed Leisure Centre application (Y17/1042/SH).

Our current appointment includes the areas described as: 1) The Leisure Centre, 2) The Enhanced Promenade, 3) Open Spaces (Including the Western & Linear Parks), and 4) The Royal Military Canal Embankment. Our appointment does not include the residential parcels, nor the Central Square, nor the canal tow path or beyond (refer to plan below).



Background Planning Material

The following background information has been used to inform the current design package:

Outline Planning Material (Y17/1042/SH):

- Tibbalds Illustrative Masterplan (Covering Leisure Centre, Promenade, and Open spaces)
- Tibbalds Design Coding (Covering Leisure Centre, Promenade, and Open spaces)

Detailed Planning Approved Material (Y17/1042/SH):

- MHS175.16-001 Landscape Proposals 1 of 2 – Rev D (Leisure Centre)
- MHS175.16-002 Landscape Proposals 2 of 2 – Rev D (Leisure Centre)
- MHS175.16-003 Landscape Elements – Rev A (Leisure Centre)

Design Development Post Y17/1042/SH

Significant design development has occurred over the period since the hybrid application was submitted in June 2017 and includes input from various technical studies undertaken in relation to ground investigation, condition survey of the existing promenade and road structures, habitat surveys/licence applications, and detailed Highway applications. The design has also been developed in full consultation with the client - F&HDC.

The design has had to respond to the constraints highlighted by these studies in reaching its current layout. Of note are:

- The impact of existing and proposed badger habitats on the open space designs, and the necessity to maintain significant areas of existing vegetation along the RMC embankment, and within the Western Park.
- Further constraints lie in the significant contamination, the potential cost of dealing with this, and the need for a viable design response that ensures the financial deliverability of the project as a whole.
- The necessity to maintain, and avoid excavation work, on the existing concrete structure below the promenade/road, and the existing sea wall.

Despite of these challenges the design proposals strongly reflect the aspirations and details set out in the background planning material.

It is acknowledged that the level of material here submitted is at a full 'technical' stage and perhaps beyond that normally submitted for planning. This is due to the landscape design delivery programme developing at speed and to necessitate the Stage 2 tendering process. We understand that this does not prejudice the planning process and that any comments received by the planning authority will be considered and addressed accordingly through redesigns as required.

As a large and complex application with a significant schedule of drawings and specifications, we would welcome the opportunity to present the material in more detail to the Planning/Landscape Officer responsible for determining the acceptability of this design material. For clarity drawing schedules are provided below.

To aid with the understanding of the development of the Western and Linear Parks design, we provide the preliminary 'Sketch Proposals' (SK15_Western Park Sketch Proposals C) for background and information purposes. This lies at the end of this report.

It should also be noted that we are currently preparing on and off-site 'Heritage Mitigation' work alongside the project Heritage Consultant (Martin Mckay) and this work will add to the richness of the design through further historical interpretation. This work will be prepared in November 2021 and require on-going consultation with Historic England before completion. The outline designs will be made available to the planning authority as soon as this is possible.

End

Princess Parade, Western Park

Hythe

SKETCH PROPOSALS

MARCH 2021

SK15
DESCRIPTION
Western Park Sketch Proposals
Rev C

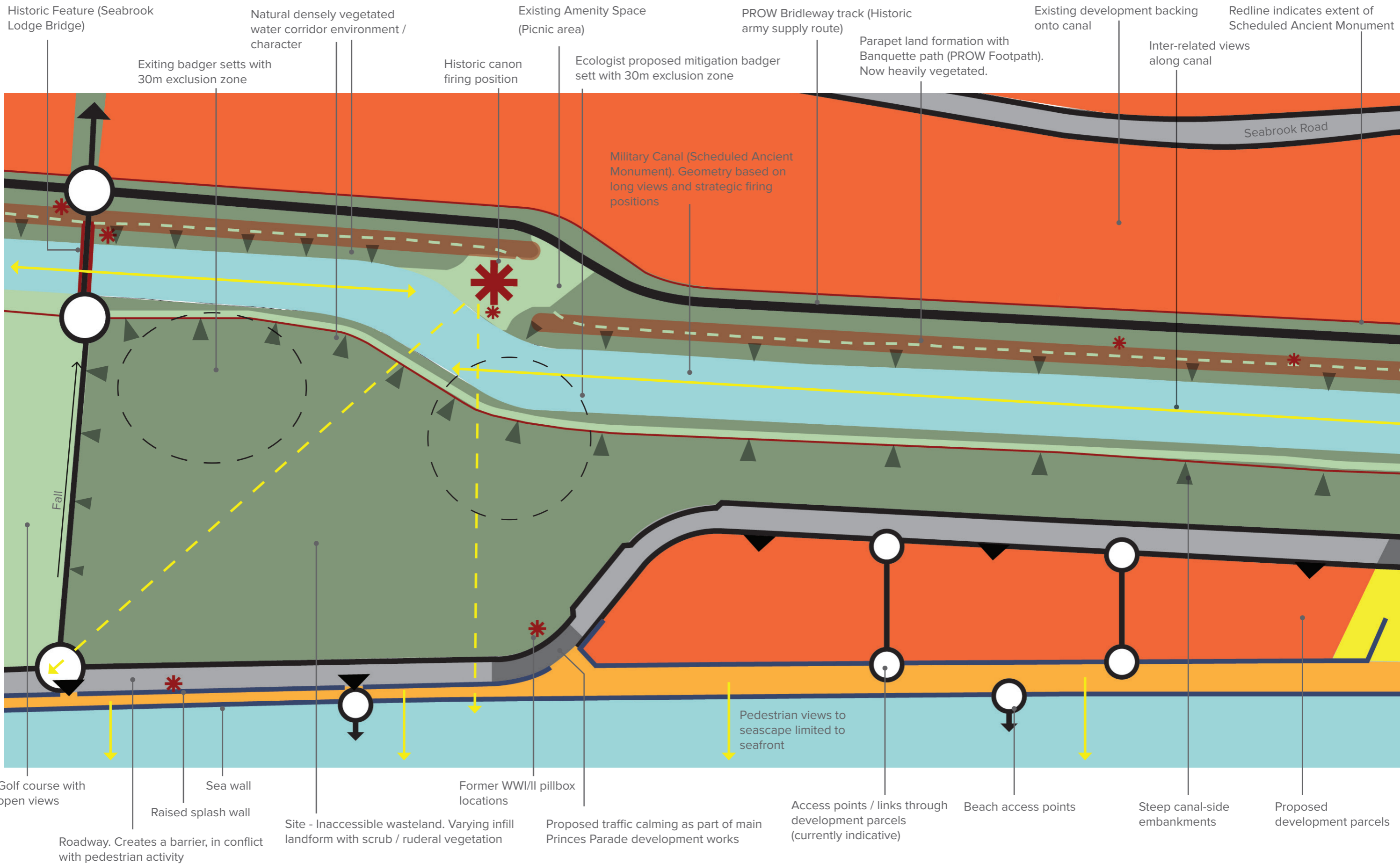
PROJECT NO.
MHS210.20
PROJECT
Princess Parade

CLIENT
F&HDC
DRAWN BY
MHS

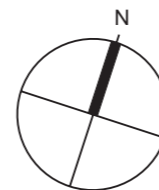
REVISION
A First Issue 18.03.2021
B Highway/Ecology coordination 30.03.2021
C Material palettes added 15.04.2021

The Studio
Ivy House
Spelders Hill
Brook
Ashford
Kent TN25 5PB
Tel: 07859329272
e-mail: info@markhantonstudio.co.uk
www.markhantonstudio.co.uk

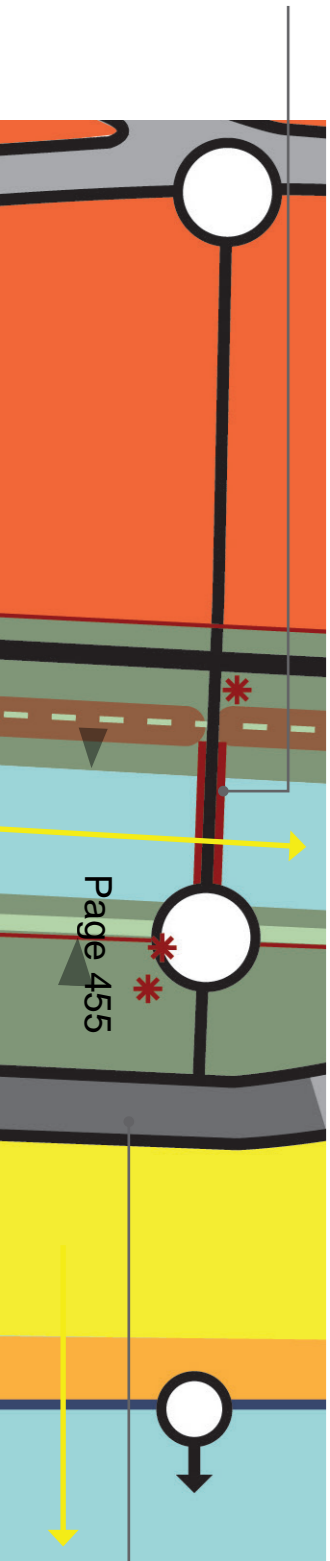
**MARK
HANTON
STUDIO.**
Landscape Architecture/
Urban Design
www.markhantonstudio.co.uk










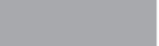




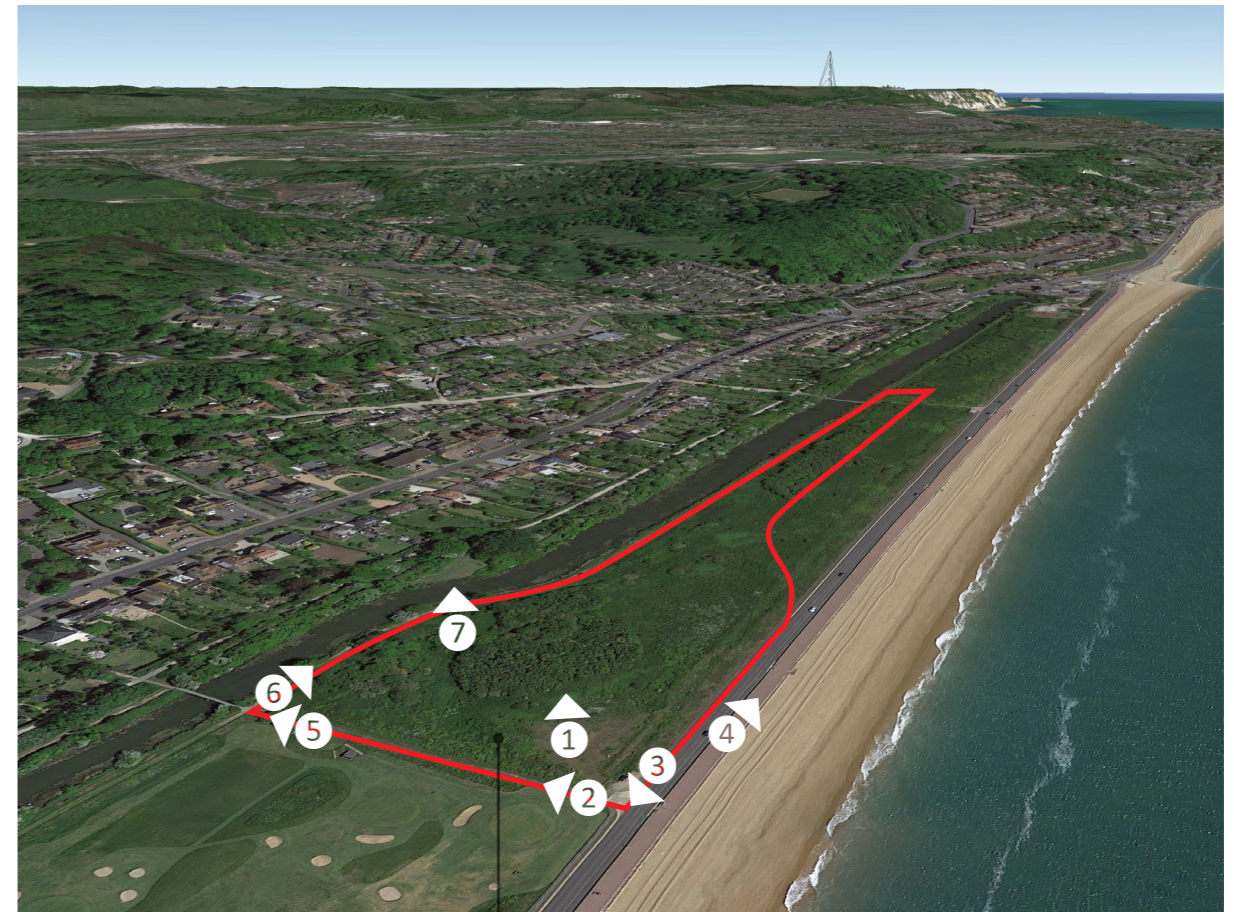
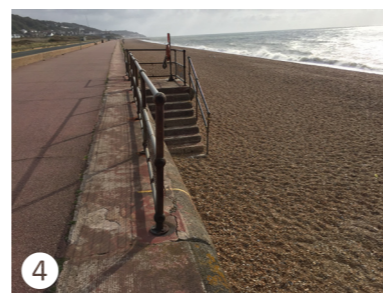
Appraisal



Historic Feature (Seaview Bridge)



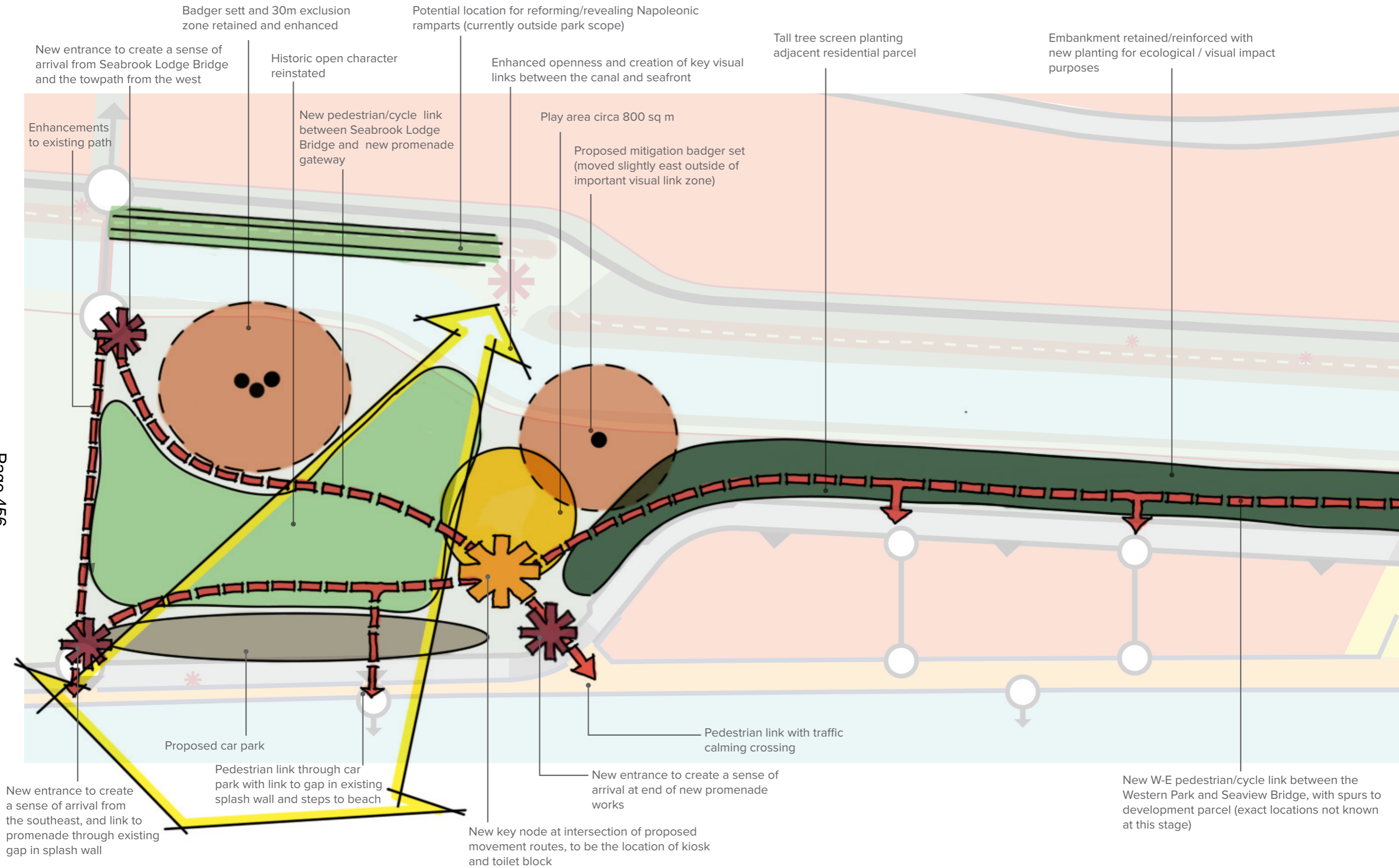
-  Pedestrian Nodes / Junctions (Indicative in main development parcels)
-  Access Points (Indicative in main development parcels)
-  Extent of Scheduled Ancient Monument (Royal Military Canal)
-  Proposed/Existing Residential
-  Vegetation
-  Promenade (promoted Route)
-  Open grass
-  Water
-  Proposed central square
-  Pedestrian Paths
-  Towpath (PROW - Bridleway)
-  Informal Path (PROW Footpath)
-  Existing / Proposed Road Alignment
-  Key Views
-  Historic Key Views



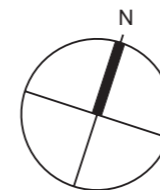
Extent of site

'Existing context & main Princess Parade development constraints'

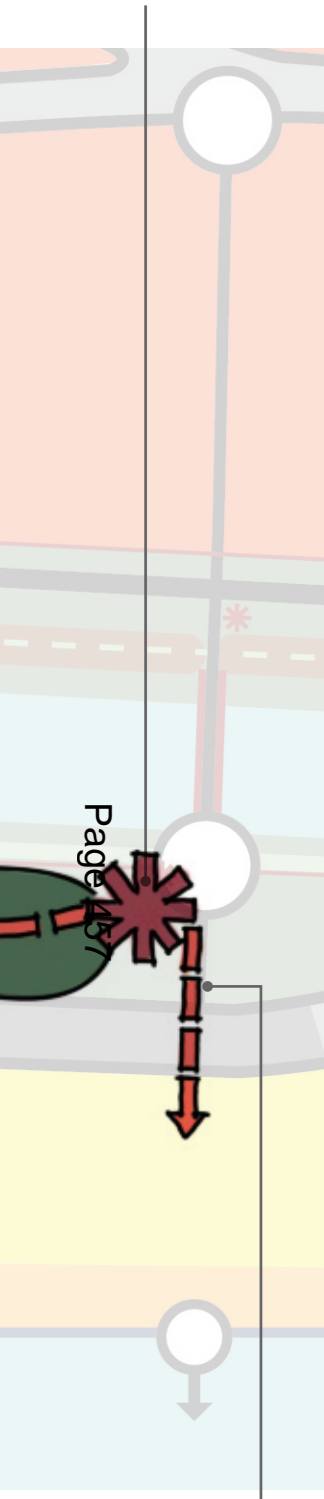
Proposed traffic calming as part of main Princess Parade development works



Opportunities / Constraints



New entrance to create a sense of arrival from Seaview Bridge and the towpath from the east.



Enhancements to existing route with proposed steps and ramp

'Key issues to consider...'



Artist Illustration by John Cann



Profile of Royal Military Canal (1804)

Heritage

The significance of Royal Military Canal (RMC) has been eroded over recent decades and the openness between the RMC and the sea, that the site once afforded, is no longer. The provision of a new park provides public benefits including significant heritage benefits through potential to reinforce the setting of, and greater awareness of, the Scheduled Ancient Monument. This can be achieved by:

- Drawing on the positive contribution made by the historic environment to the distinctive character of the place by reinstating the open nature of the site (where possible and in relation to other site constraints), and thus improving views and vistas
- Expanding on the interpretation signage work already undertaken by Folkestone & Hythe District Council, in conjunction with Historic England and thus enhancing visitor experience and learning opportunities
- Through the design and material choices of the park elements/interventions, so that they reflect the heritage assets observed in the wider canal setting.

Movement/Permeability / Legibility

Although there is significant east-west permeability along the canal and seafront, only two links exist from the RMC to the beach, and with the road as a substantial barrier. The development offers the opportunity to provide significant walking/cycling access benefits across the whole site and improve the existing N-S routes through new surfaced paths, steps, ramps, and traffic calming measures/pedestrian priority crossing points over the Princes Parade road.

Identifying and highlight key nodes throughout strong entrance design interventions will create a sense of arrival and to reinforce legibility around the park.

Biodiversity

The canal setting has changed to one of a significant wildlife corridor, and this is seen as a positive characteristic of the site, albeit with obvious tensions with that of the historic open nature of the site. Badger sets have been found on site and the mitigation required to protect these is a significant constraint/opportunity, requiring the retention of large swathes of existing vegetation. The canal embankment is also heavily vegetated but much of it is ruderal/scrub species. The park provides opportunities to enhance biodiversity through a number of ways:

- Selective clearance and introduction of areas of new mixed species native planting along the RMC embankment.
- The creation of more open coastal species rich meadow areas
- Significant tree/hedge/shrub planting throughout the park
- Specific ecology interventions such as the provision of bird/bat boxes, hibernacula features etc
- Expanding on the wildlife signage work already undertaken by the Folkestone & Hythe District Council, to enhance visitor experiences and learning opportunities

Amenity

Apart from a private golf course that lies directly adjacent the western edge of the site, the beach and the promenade are the main leisure resource of the site. The promenade is being upgraded as part of the main Princess Parade development works and will provide significant amenity benefits. The park presents an opportunity to create a network of open spaces that provide a broader range of leisure activities to the local and wider community. This could include:

- A destination play area (circa 800m sq. 1020m sq required for whole Princes Parade development and circa 200m sq already approved at the Leisure Centre)
- Provision of flexible open grass areas that provide opportunities to relax, play, picnic, and hold events
- Incorporation of a landmark pavilion building with a cafe/kiosk, toilet block, and possible community room
- A car park with circa 72 spaces, integrated into the landscape with sensitively planted margins
- Fitness opportunities through a guided trim trail and a series of exercise station

'A Coastal Heritage Park'



Seabrook Lodge Bridge

Possible location of restored military canal ground profiling / ramparts, with soldier sculptures as seen in Hythe centre. Would require clearance of existing vegetation, but provides significant heritage benefits.

Enhance views to/from firing position. Possible location for canon sculptures.

Existing track

Existing informal path

Royal Military Canal

Existing Towpath

Page 458
Existing golf course

Coastal meadow grassland

Destination play area
(Content not shown)

Pavilion

Proposed road alignment

Habitat zone accommodating proposed badger sett location

Development Area
(Indicatively shown)

Raised tables at key node to reinforce pedestrian priority crossing

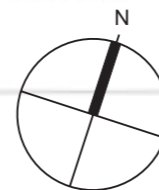
Existing road alignment

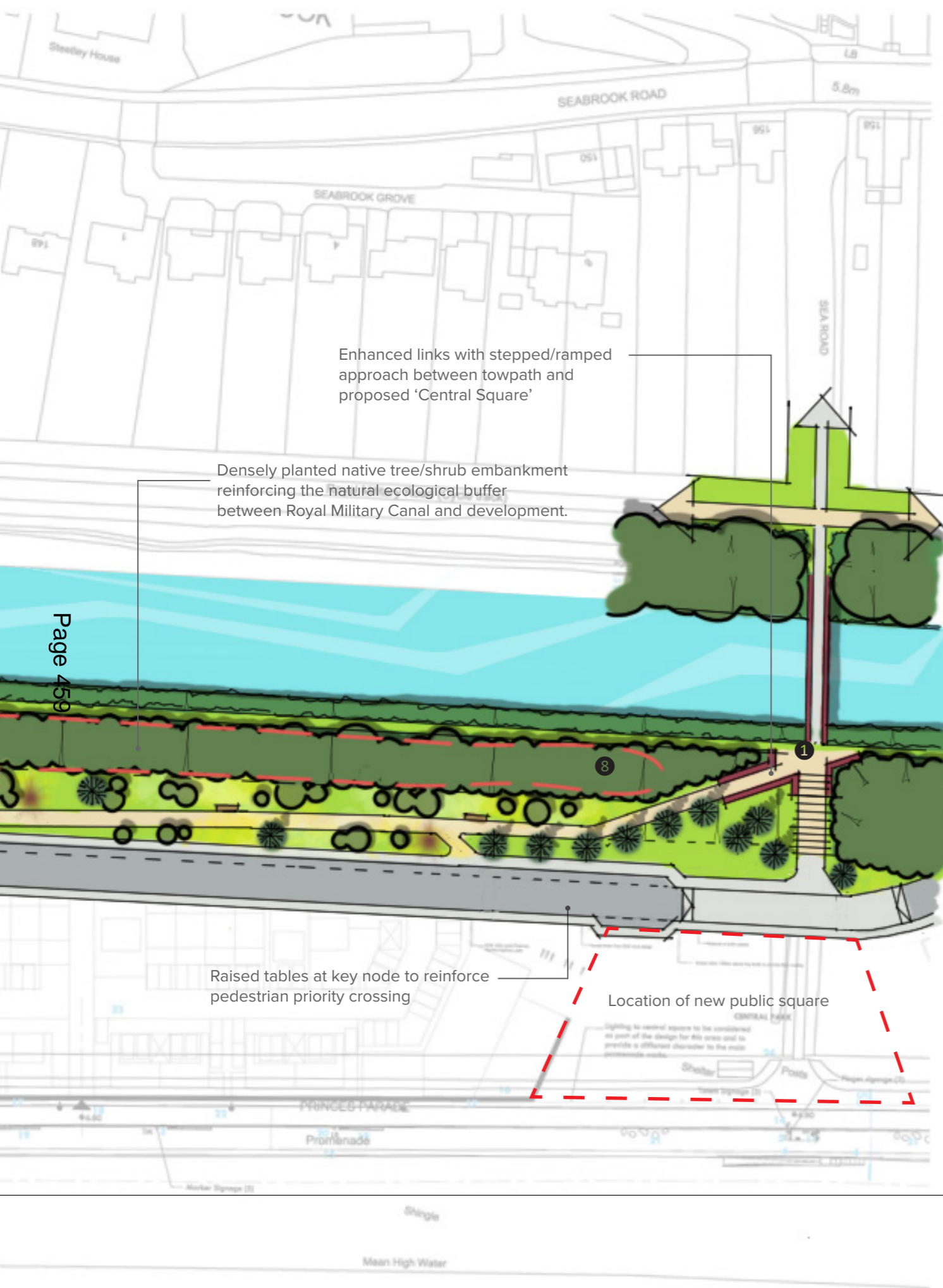
Promenade

Location of trim trail stations

Habitat zone around existing badger sett

Sketch Proposals





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Enhanced links with stepped/ramped approach between towpath and proposed 'Central Square'

Densely planted native tree/shrub embankment reinforcing the natural ecological buffer between Royal Military Canal and development.

Raised tables at key node to reinforce pedestrian priority crossing

Location of new public square

1 Entrances

Entrances are key to the legibility of the park and creating a 'sense-of-arrival'. Gabion baskets filled with Ragstone will form strong geometric gateway structures (incorporating seating), suggestive of the historic Napoleonic Ragstone fortifications seen elsewhere along the canal. Informative signage of the natural and historical context of the site will be located at these locations to enhance user experience.

2 Movement / Connectivity

A significant new movement network builds upon the existing E-W routes along the canal/promenade and provides greater permeability between them to improve N-S connectivity. This provides greater opportunity to walk/cycle and explore the park and canal setting.

As part of a desire to promote fitness and wellbeing, a series of fitness stations are to be located throughout the park and are linked by marked trails along the proposed and existing movement network. The stations could have multipurpose use as fitness equipment and also sculptural landscape features (based on the idea of fallen/exploded cannon balls) that stand out in this open landscape. These could be a bespoke artist designed element worked up in collaboration with the Creative Foundation or others.

3 Coastal Meadow

Expansive open flat grass areas are to be seeded with an appropriate meadow mix to create a strong natural coastal character and valuable ecological habitat. Requiring only 1/2 cuts per year, this will create a low maintenance park. Linear Ragstone benches provide seating/viewing opportunities.

4 Amenity Grass Area

One area is to be maintained more formally as an amenity use grass area for informal play (ball games etc), relaxing, picnicking etc

5 Natural Habitat Area

This area in the heart of the park is home to a significant badger sett. This sett and a >30m buffer zone is incorporated into the scheme as a mature natural feature. It is made up of mounded spoil with a strong Willow tree/shrub structure and will complement the parks proposed coastal character.

6 Pavilion

A new focal pavilion will mark the key nodal junction between the Western Coastal Heritage Park and the end of the new promenade. It will contain a toilet and kiosk building with a large over-sailing canopy shelter, all close to areas of high user activity.

Formal Play Zone

7 Destination play area circa 800m sq. Citadel/coastal themed (to reinforce historical relationship with the Royal Military Canal and former Napoleonic era of the site) with strong natural play elements and using timber as the main material. To be set within a woodland backdrop and to contain new pine tree planting. All similar to that seen at the highly valued Lower Leas Coastal Park play area.

Natural Canal Setting

8 The canal embankment is to be retained as a densely vegetated buffer for the benefit of ecological habitats, and as tall screening to the new development areas. Much of this section shown here is ruderal scrub such as nettles, bramble, and doc leaves. As part of the design proposals there will be selective clearance (strictly in accordance with an ecology method statement), with any large shrub or tree species (predominantly Willows) retained where feasible. It will then be inter-planted with an appropriate native tree and shrub mix to provide greater diversity and taller canopy structure. This will ensure the long-term viability of the natural setting of the Royal Military Canal.

Stock fencing is used to restrict human/dog incursion within these areas, but will allow badger/hedgehog migration.

Formal Canal Setting

9 This area, and an open park behind, allows far greater intervisibility to/from the original canon firing position and reinforces the open relationship between the sea and the Royal Military Canal as originally conceived.

There is further possibilities to reform actual historical embankment form to the north of the canal, with possible soldier sculptures as seen in Hythe centre.

10 Car Parking

Car parking is provided through the creation of a significant parking area to the south of the Western Coastal Heritage Park, and also through on-street parking bays along the new road alignment.

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Folkestone & Hythe District Council

**Leisure Management Contract:
Tender Evaluation Report**

10 December 2021

Contents

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1. Introduction

- 1.1 The Tender process for Folkestone & Hythe District Council's (the Council) Leisure Management Contract formally commenced on 16 August 2021 with the publishing of the *Find a Tender Service* notice reference DN543497 via the Kent Business Portal (KBP). Preceding this, a series of informal soft market testing sessions with potential Tenderers took place in June 2021.
- 1.2 This report, prepared by the Council's advisers, The Sports Consultancy (TSC), sets out a brief summary of the proposals received and the evaluation by the Council's team.
- 1.3 The term of the contract is 10 years (scheduled to commence on 1 September 2023) with an option at the absolute discretion of the Council to extend the contract period by up to a maximum of five additional years. The contract relates to the management of the new Hythe Leisure Centre, which is due to open in September 2023.
- 1.4 The new Centre will form part of a wider development (that includes 150 new homes) on the land between Princes Parade and the Royal Military Canal in Hythe. It will replace the existing Hythe Swimming Pool, which is located on South Street in Hythe, about a mile to the west of the new site. It was built in 1974 and has reached the end of its useful life. It is currently managed directly by the Council. It is intended that this arrangement will continue up until the point that the new Centre opens and the existing staff and customers will transfer across. There is no requirement in the new contract for the successful operator to take on the management of the old facility for any period.
- 1.5 The management contract was procured as a single stage process, whereby the Selection Questionnaire (which detailed the Council's minimum requirements) was submitted at the same time as the ITT response on the 22 October 2021.
- 1.6 Following initial expressions of interest from eight companies, two submitted a tender:
- **Wealden Leisure Ltd** (trading as "Freedom Leisure" and hereinafter referred to as "FL")
 - **Sports and Leisure Management Ltd** (trading as "Everyone Active" and hereinafter referred to as "SLM").
- 1.7 Two further operators (Places Leisure and Serco Leisure) actively engaged in the Tender stage of the project but withdrew close to the submission deadline due to the Council's requirement for the operator to take on full utility risk (tariff and consumption risk in the context of the significant volatility in the energy market that was experienced in autumn 2021).
- 1.8 The tenders from FL and SLM were received on 22 October 2021 via the KBP. Both passed the Minimum Requirements assessment, which comprised checks on their economic, financial and legal standing, as well as their experience of operating similar contracts.

2. Tender Evaluation

- 2.1 The award of the contract is on the basis of the most economically advantageous tender (MEAT) to the Council. This approach allows for factors such as quality, service delivery,

innovation and customer services to be taken into consideration, as well as price. Overall, the tender evaluation was split between price/commercial and technical/quality considerations as follows:

- Commercial: 30%
- Technical: 70%

2.2 All Tenderers were provided with instructions and the evaluation criteria as part of the Tender documentation issued via the KBP. They were able to submit written clarifications through the KBP, which the Council responded to on a regular basis throughout Tender period. They were also encouraged to visit the existing Hythe Swimming Pool and the local area to ensure their proposals were fully informed and based on robust local assumptions. Furthermore, there were two sets of online clarification meetings via Microsoft Teams, which both Tenderers took advantage of.

2.3 The agreed evaluation criteria and weightings are set out in Table 1.

Table 1: Tender Evaluation Criteria and Weighting

TECHNICAL CRITERIA	Weighting
1. Programming and Pricing	10%
2. Asset Management and Cleaning	10%
3. Sports Development, Health & Wellbeing and Outreach	8%
4. Marketing, Customer Care and CRM	10%
5. Staffing	8%
6. Financial Management, Reporting and IT Systems	4%
7. Environmental Sustainability	10%
8. Demonstrating Social Value	8%
9. Contract Mobilisation	2%
Technical weighting	70%
COMMERCIAL CRITERIA	Weighting
1. Proposed Management Fee (annual average over 10-year term)	26%
2. Surplus share	4%
Commercial weighting	30%
Total weighting	100.0%

Commercial Evaluation (30%)

2.4 The basis of the commercial evaluation was the Tenderers submitted 10-year financial model, which was submitted via a detailed financial template (developed by TSC) together with supporting commentary to explain the underlying assumptions. The financial model covered annual income and expenditure projections and allowances for operator central costs, profit and mobilisation costs and the consequent management fee offer to the Council. It is important

to note that the successful Tenderer's annual management fee proposal will be written into the final contract and subject to annual indexation through the contract period.

- 2.5 Both Tenderers' management fees were scored by reference to the more advantageous of the two to the Council (the "Best Management Fee"). The Best Management Fee scored the maximum 26% and lower Tender's score was using the following formula (and rounded to one decimal place):

(Tenderer's Proposed Average Annual Management Fee ÷ Best Proposed Average Annual Management Fee) x 26%

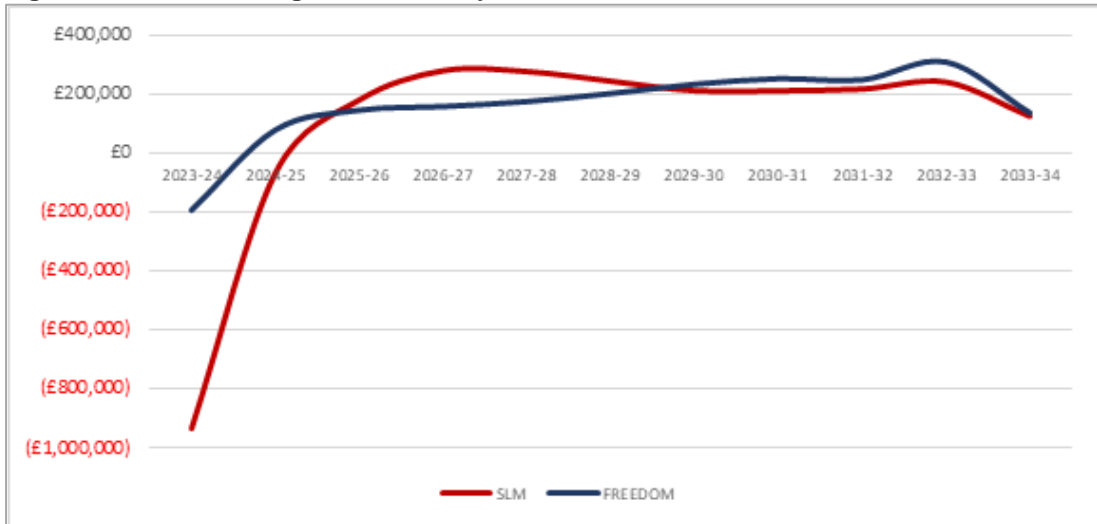
- 2.6 The scores for the management fee are set out in Table 2.

Table 2: Average Annual Management Fees and Scoring

Tenderer	Freedom Leisure	Everyone Active (SLM)
2023-24 (Sep-Mar)	(£193,415)	(£935,787)
2024-25	£79,706	(£66,126)
2025-26	£146,716	£182,317
2026-27	£159,079	£281,778
2027-28	£176,115	£279,193
2028-29	£203,519	£246,326
2029-30	£235,145	£213,963
2030-31	£253,712	£213,918
2031-32	£249,846	£219,394
2032-33	£310,402	£243,196
2033-34 (Mar-Sep)	£137,608	£126,382
Average Annual Management Fee	£175,843	£100,456
Aggregate Management Fee	£1,758,431	£1,004,556
Score	26.0%	14.9%

- 2.7 Although scored on the basis of the average management fee across the contract period, in practice it will be paid on a profiled basis as set out in Table 2. This is also shown in Figure 1.

Figure 1: Annual Management Fee Payment Profile



2.8 Further details on the Tenderers' financial submissions and how their management fee offers are reached are set out in Table 3.

Table 3: Overview of Financial Submissions

	FL (10-year average)	SLM (10-year average)
INCOME		
Swimming	£8,464,972	£6,821,643
Health & Fitness	£9,488,689	£8,375,640
Other	£120,000	£96,500
Secondary Spend	£2,499,956	£2,150,000
TOTAL INCOME	£20,573,618	£17,443,783
EXPENDITURE		
Staffing	£9,362,457	£8,421,282
Utilities	£2,741,247	£2,478,988
Repairs & Maintenance	£954,280	£618,400
Equipment	£521,136	£53,500
Management Costs	£3,060,054	£2,027,678
Cost of Sales	£921,597	£1,075,000
TOTAL EXPENDITURE	£17,560,770	£14,674,849
NET POSITION	£3,012,848	£2,768,934
Central Support Costs	£822,945	£1,046,627
Profit	£411,472	£697,751
Mobilisation Costs	£20,000	£20,000
MANAGEMENT FEE (payable to Council)	£1,758,431	£1,004,556

2.9 The remaining 4% of the commercial evaluation was based on the Tenderers' Surplus Share proposals. The Surplus Share sets out a mechanism by which any actual financial performance above the baseline management fee will be shared with the Council. Tenderers were asked to set out how they would share it based on the following three tranches:

- The Council share of the first £50,000 tranche of any surplus
- The Council share of the second £50,000 tranche of any surplus
- The Council share of any surplus over £100,000.

2.10 The Tenderers' proposals are summarised in Table 4.

Table 4: Tenderers' Surplus Share Proposals

	FL	SLM
Council share of FIRST £50,000 tranche	£50,000	£35,001
Council share of SECOND £50,000 tranche	£50,000	£35,001
Council share of any surplus over £100,000	95.0%	65.0%
WEIGHTED SCORE	4.00%	3.12%

Independent benchmarking of financial proposals

2.11 TSC maintains the *Facilities Index*, which is a database with almost 1,600 financial years' of trading data from over 550 public leisure facilities in the UK. It enables us to benchmark the Tenderers' projections against key performance indicators (KPIs) for operating income and costs (such as health and fitness income per fitness station, swimming income per square metre of pool water space, staffing costs as a percentage of income, etc). TSC has reviewed both financial submissions against the average KPIs from the *Facilities Index* and the output is summarised in Table 5.

Table 5: KPI Benchmarks

	FL	SLM	TSC Benchmark
Income per visit	£4.45	£5.04	£5.06
Swim income per sqm of water space	£1,902	£1,533	£1,432
Health & fitness income per station	£9,489	£8,376	£12,907
% cost recovery	117.2%	118.9%	107.2%
Members per station	23	25	28
Staff costs as % of income	45.5%	48.3%	44.0%
Utilities costs per sqm	£90.98	£82.28	£48.71
Repairs and maintenance per sqm	£31.67	£20.52	£25.57
Profit and central support costs as a % of income	6%	10%	10.3%

2.12 As can be seen from the data in Table 5, the analysis shows that the two financial Tenders were pitched in line with average benchmark levels other than for the following:

- Swimming income (FL): FL has taken a more optimistic view of what could be achieved from swimming; however, their projections are still within an acceptable range and represent between the top 15% (£1,850) and top 10% (£2,051) of TSC's benchmark data
- Utilities costs (both Tenderers): both Tenderers have pitched their utilities costs at significantly higher than average benchmark levels. This is a result of two factors: firstly, the Council's requirement that the operator takes on both consumption and tariff risk (and hence the need for them to price in an element of risk of tariff rate fluctuations over the contract period); and secondly, the recent significant increases in tariff rates that have been seen in the energy market, which will have led them to take a more cautious approach to utilities costs
- Profit and central support costs (FL): FL have taken a more generous view (from the Council's perspective) of the amount they will take out of the contract in terms of their profit margin and allocation to central cost overhead. Of the two, their allowance for central costs is close to the benchmark (4% compared to 5%) whereas their profit margin is significantly lower (2% compared to 5%), which will be primarily a result of their status as a non-profit distributing body.

2.13 It is worth stressing that, regardless of whether FL achieves its level of projected financial performance, it will be contractually obliged to pay the tendered annual management fees to the Council in line with the agreed annual profile.

Technical (Quality) Submissions (40%)

- 2.14 As set out earlier, the technical aspects of the tenders were evaluated by means of the Tenderer's responses to nine Method Statements. They, along with their weightings, are set out in Table 6.

Table 6: Technical Criteria Weightings

TECHNICAL CRITERIA	Weighting
1. Programming and Pricing	10%
2. Asset Management and Cleaning	10%
3. Sports Development, Health & Wellbeing and Outreach	8%
4. Marketing, Customer Care and CRM	10%
5. Staffing	8%
6. Financial Management, Reporting and IT Systems	4%
7. Environmental Sustainability	10%
8. Demonstrating Social Value	8%
9. Contract Mobilisation	2%
Technical weighting	70%

- 2.15 Tenderers' Method Statement responses explained how they would fulfil their responsibilities in each area and achieve the best outcome in the delivery of the contract. Information and guidance was provided to assist the tendered to complete each one. Where appropriate, Tenderers were advised to reflect in their responses the Council's priorities, the local demographics and to provide direct associations to the contract specification. The successful Tenderers Method Statement responses will become a schedule to the legal contract that they sign with the Council.
- 2.16 Each Method Statement was scored out of a maximum of 5 marks and the score was weighted on the basis of its relative importance as set out in Table 6. Each Method Statement was reviewed and evaluated by two to three different people (Council officers and TSC staff) and the scores of each evaluator were then compared and a moderated score agreed. The weighted scores are set out in Table 7.

Table 7: Technical Criteria Weighted Scores

TECHNICAL CRITERIA	Weighting	FL	SLM
1. Programming and Pricing	10%	8.0%	8.0%
2. Asset Management and Cleaning	10%	6.0%	8.0%
3. Sports Development, Health & Wellbeing and Outreach	8%	6.4%	6.4%
4. Marketing, Customer Care and CRM	10%	8.0%	8.0%
5. Staffing	8%	6.4%	6.4%
6. Financial Management, Reporting and IT Systems	4%	2.4%	2.4%
7. Environmental Sustainability	10%	8.0%	8.0%
8. Demonstrating Social Value	8%	4.8%	4.8%
9. Contract Mobilisation	2%	1.2%	1.6%
Technical weighting	70%	51.2%	53.6%

3. Overall Evaluation Scores

3.1 Based on the Commercial and Technical evaluation set out above, the overall evaluation scores for the two Tenderers are summarised in Table 8.

Table 8: Overall Evaluation Scores

Tenderer	Commercial	Technical	Overall
FL	30.0%	51.2%	81.2%
SLM	18.0%	53.6%	71.6%

3.2 The combined Commercial and Technical Criteria scores identify FL as providing the most effective and economically advantageous tender. It is therefore proposed that FL be awarded the contract.

4. The Preferred Tenderer (Freedom Leisure)

4.1 FL currently operates over 100 sports and leisure centres on behalf of 25 local authority partners. They have extensive experience operating and mobilising coastal facilities, including the Littlehampton Wave in West Sussex. They also have local presence, operating the nearby Sandwich Leisure Centre and Stour Centre in Ashford, Kent. They have a strong track record

in the local authority leisure management market and have been recently appointed to operate Great Yarmouth Borough Council's leisure portfolio, including their new coastal facility, the Marina Centre (due to open July 2023).

- 4.2 As part of their Technical (Quality) submission, FL included the following that are worth noting:
- The recruitment of a full-time Active Communities Manager, who will be responsible for developing relationships and delivering programmes beyond the new Centre
 - A commitment to working with the local Clinical Commissioning Group, police, youth services, local clubs and groups, etc to delivery programmes and activities
 - A comprehensive learn-to-swim programme
 - One apprenticeship and four work experience placements per year
 - A commitment to using local suppliers where possible, e.g. currently 60% of their reactive and planned preventative programmes are delivered by local suppliers
 - A commitment to sourcing green energy (through their supplier Haven Power)
 - Achieving ISO14001 accreditation for the new Centre
 - Achieving 50% recycling and waste management
 - Implementing a Cycle-to-Work scheme for all employees.

5. Key Tendering Assumptions

- 5.1 Freedom Leisure's financial and technical proposals took into consideration, inter alia, the following:
- The terms of the draft legal contract (based on Sport England's *Leisure Services Delivery Guidance*) issued with the procurement documentation
 - The required services as set out in the Council's Services Specification
 - The operator's responsibilities for maintaining, repairing and replacing the leisure centre assets in accordance with the Asset Management Responsibilities Matrix
 - The operator assuming full responsibility for consumption and tariff risks for utilities
 - The staffing of the facility and the transfer staff from the existing Hythe Swimming Pool under TUPE
 - Appropriate assumptions in relation to business rates (NNDR) and VAT
 - An allowance for operator profit and a contribution to central costs
 - The Council retaining control of certain user prices (pay to play health and fitness gym session (adult, junior, senior citizen/concession and disabled) and pay to play swimming session (adult, junior, senior citizen/concession and disabled))
 - The operator is required to provide a concessionary pricing scheme that covers full-time students, those on Job Seeker's Allowance, those on Income Support, those on Employment and Support Allowance, those on Working (Family) Tax Credit, those in receipt of a Personal Independence Payment and members of HM Armed Forces

- The operator will be responsible for managing and keeping tidy the car park, which will be dedicated for the Centre.
- 5.2 The operator is also contractually obliged to prepare an annual marketing plan for the Council's sign off, which will include detailed proposals for the programming of activities and participation within the facilities of members of the Council's specified target user groups.

6. Recommendation and next steps

- 6.1 It is recommended to the Council that Freedom Leisure be awarded the leisure management contract on the basis of the evaluation of the tenders as summarised in this paper.
- 6.2 If this recommendation is passed by Cabinet on 26 January 2022, the Council can issue notification of the award decision to each of the Tenderers and, in accordance with the Public Contracts Regulations 2015, after a mandatory standstill period of ten calendar days, the contract can be signed with FL.

This Report will be made public on 18 January 2022



Report Number **C/21/64**

To: Cabinet
Date: 26 January 2022
Status: Key Decision
Responsible Officer: Andy Blaszkwicz, Director- Housing and Operations
Cabinet Member: Councillor David Godfrey, Cabinet Member for Housing and special projects

SUBJECT: UPDATE ON THE DEVELOPMENT OF THE HIGHVIEW SITE

SUMMARY: Cabinet approved the acquisition of the former Highview School site in Folkestone in April 2017 (minute number 79 applies). The site will enable the development of 30 Council homes for affordable rent and shared ownership purchase. To enable the new homes to be as energy efficient as possible and meet the standard to be zero carbon in use, the current viability assessment for the development shows that the development repayment period is likely to exceed the agreed timescale of 30 years set out in the current HRA Business Plan.

REASONS FOR RECOMMENDATIONS:

1. All homes in the district are required by government to be to the zero carbon in use standard by 2050.
2. To minimise future costs to the Council, it is vital that new homes are delivered to this standard wherever possible.
3. The Council has declared a climate emergency and it is appropriate that the Council seeks to minimise its carbon outputs.
4. The new homes will exceed current building control standards and demonstrate local leadership in going beyond current regulations.
5. The repayment period for the development will exceed the 30 year payback period requirement set out in the Housing Revenue Account Business Plan.
6. The investment will help to address fuel poverty in the district by making these homes highly energy efficient.

RECOMMENDATIONS:

1. To receive and note report C/21/64.
2. To approve the development programme for the Highview site, which will deliver 30 zero carbon in use affordable Council homes for rent and shared ownership purchase.

- 3. To agree that the project will exceed the 30 year break even period, as set out in the current HRA Business Plan, with an anticipated payback period of 34 years according to the RIBA stage 4 cost plan.**
- 4. To approve that Officers apply to the Homes England Affordable Homes programme for funding towards the project and provide delegated authority to the Director, Housing & Operations to accept the grant if the bid is successful.**
- 5. To approve that Officers issue a tender for the Design & Build contract for the delivery of the residential scheme including associated highways and services works, and provide delegated authority to the Director, Housing & Operations to enter into the contract with the successful bidder, and conclude any further actions necessary to deliver the scheme.**

1. BACKGROUND

- 1.1 Cabinet approved the acquisition of the former Highview School site in Folkestone in April 2017 (minute number 79 applies). The site will enable the delivery of 30 affordable Council homes for affordable rent and shared ownership purchase.
- 1.2 The site was acquired by the Council in December 2017. Since that time, work has been completed to prepare the site for development. The works to date include:
- The demolition of the former school building on the site.
 - The completion of various ecological tasks, including reptile relocation work.
 - Ongoing work to purchase additional adjacent land (alleyways) to facilitate the development (Crown land has been purchased and currently negotiating with KCC for their portion of land).
 - Ongoing scheme design activity securing Zero Carbon in use.

The acquisition costs and the committed spend to date is reported within appendix 1.

- 1.3 The original viability assessment for the development specified that the homes would be developed to traditional build standards, and although relatively energy efficient, were due to include gas powered central heating systems, double glazing and insulation values necessary to meet building regulations as set out in 2017. The viability assessment at the time confirmed that the development would be fully repaid within 30 years of completion, in line with the requirements set out in the Council's current Housing Revenue Account Business Plan.
- 1.4 Following the announcements of the Council's Climate Emergency and the Government's requirement for all homes to be zero carbon in use by 2050, the development proposals for the site have been reviewed. It is proposed that the units should be delivered to a Zero Carbon in Use standard in addition to meeting all other statutory standards and the Council's own design standards.
- 1.5 The intrusive ground investigation carried out as part of the detailed design works identified difficult ground conditions. This has necessitated more complex foundation designs and more robust road construction.
- 1.6 Supply chain logistics and material availability during Covid has added further pressure to the cost of the development. The construction industry is also adjusting to Brexit causing further cost uncertainty. Construction industry inflation is being reported to be above that of general inflation and is currently unstable.
- 1.7 The viability assessment, using RIBA stage 4 cost plan information, has shown that the cost of the development (inclusive of the current external market pressures), results in a scheme repayment period likely to exceed

the 30 year requirement as set out in the current Housing Revenue Account Business Plan.

- 1.8 The viability assessment has a 5% contingency allowance applied to mitigate general development risk. This is held by the development team.
- 1.9 An application to Homes England's Affordable Homes Programme will be made to seek grant funding towards the project. It is anticipated that the Council will submit a bid in the region of £1.5m. If the Council are successful in the grant application it is estimated that this would reduce the payback period by 3 years based on the RIBA stage 4 cost plan.

2.0 PROPOSED STANDARDS FOR THE DEVELOPMENT

- 2.1 The proposed overall development standards for the Highview Scheme are as follows:
 - All properties to exceed current building control standards and performance requirements
 - All properties will have triple rather than double glazing
 - Heating and hot water to be delivered by air source heat pumps
 - Whole house ventilation systems which includes heat recovery to be fitted to all homes
 - Each property will have solar panels and storage batteries
- 2.2 The 30 units will all be delivered as affordable Council homes for rent and shared ownership purchase. It is proposed that up to 5 of the homes be provided for shared ownership purchase, subject to the final scheme viability assessment.

3. The Way Forward

- 3.1 The scheme will go forward for planning consent in February 2022.
- 3.2 The estimated development costs of the scheme are reported in confidential Appendix 1.
- 3.3 The key actions to be taken to progress the delivery of this project have been programmed as follows:
 - Apply to Homes England - Affordable Homes Programme – Jan 2022
 - Procurement of a design and build contractor - Feb to Apr 2022
 - Build contract awarded - May 2022
 - Mobilisation by contractor- May 2022
 - Construction period - Jun 2022 to Oct 2023
- 3.4 It is important to recognise that the delivery of the project is likely to be subject to a number of key challenges over the coming months due to

rising costs caused by labour and materials shortages as well as potential for disruption to the construction programme. The project team will, however, conduct a comprehensive procurement process to ensure value for money and where possible, engage the services of local contractors.

3.5 The site masterplan for the proposed development is set out in Appendix 2.

4. RISK MANAGEMENT ISSUES

4.1 The proposed scheme has an extensive project risk process which is managed by the project team, including the external consultant team.

Perceived risk	Seriousness	Likelihood	Preventative action
Scheme exceeds budget costs	High	Medium	Completion of a comprehensive cost planning and procurement process to ensure value for money. Construction and engineering cost inflation pressures recognised in contingency for the scheme and can be met from the existing overall HRA Business Plan budget provision. Continued Brexit and Covid pressures are the unknown component of this risk.
Scheme delivery delayed	Medium	Medium	Procurement process will evaluate the ability of contractor to complete the project on time.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (NM)

There are no legal implications arising directly from this report.

5.2 Finance Officer's Comments (LW)

The enhanced specification and the cost inflation pressures outlined in the report mean this scheme will cost more than originally anticipated in the HRA Business Plan. The longer payback period for the scheme is a departure the existing policy for the HRA Business Plan and is recognised in the officer recommendations to the report. The HRA Business Plan is

due to be revised during 2022 and the financial impact of the proposed scheme for Highview will be included within it.

5.3 Diversities and Equalities Implications (AH)

In line with the requirements of the Council's HRA Business Plan, where possible all of the homes will be delivered to Improved accessible and adaptable dwelling standards (previously referred to as lifetime homes), so that they can be easily adapted in the future to meet the changing needs of the occupying households. A number of the dwellings will be designed to wheelchair user compliant standards.

5.4 Climate Change Implications (AH/FW)

The development will deliver 30 new affordable homes for rent and shared ownership purchase. All of the homes will be delivered to Zero Carbon in Use standards, including the use of air source heating technology and photo voltaic panels and the provision of charging facilities for electric vehicles. The homes will have vastly reduced carbon outputs due to the heating technology and will also help to prevent incidences of fuel poverty.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Firas Witwit - HRA Regen & Development Senior Specialist
Telephone: 01303 853249
Email: Firas.witwit@folkestone-hythe.gov.uk

Adrian Hammond - Lead Specialist Strategic Housing
Telephone: 01303 853392
Email: adrian.hammond@folkestone-hythe.gov.uk

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

None

Appendices:

Appendix 1: Cost Analysis (exempt)
Appendix 2: Proposed Masterplan

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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