



# Agenda

Meeting: **Cabinet**  
Date: **23 February 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 3 - 4)**

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

- a) disclosable pecuniary interests (DPI);
- b) other significant interests (OSI);

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c) voluntary announcements of other interests.

3. **Minutes (Pages 5 - 20)**

To consider and approve, as a correct record, the minutes of the meetings held on 26 January and 10 February 2022.

4. **Public Spaces Protection Order Approval to Consult - Dog Control PSPO (Pages 21 - 46)**

This report sets out proposals for a new Dog Control Public Spaces Protection Order (PSPO) including the reasons why a new Dog Control PSPO is required. The report also requests approval to proceed to public consultation on the new order.

5. **Capital Strategy 2022/23 (Pages 47 - 64)**

This report sets out the Council's proposed strategy in relation to capital expenditure, financing and treasury management in 2022/23 to be approved by full Council. The report also sets out the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2022/23 to be approved by full Council.

6. **Investment Strategy 2022/23 (Pages 65 - 82)**

This report sets out the Council's proposed strategy for its service and commercial investments in 2022/23 to be approved by full Council.

7. **General Fund Budget and Council Tax 2022/23 (Pages 83 - 94)**

This report sets out the final General Fund budget and council tax requirement for 2022/23, including that part of the local tax covering district and parish services.

## **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, 26 January 2022
Present	Councillors John Collier, Ray Field, David Godfrey, Mrs Jennifer Hollingsbee (Vice-Chair), David Monk (Chairman), Stuart Peall, Tim Prater, Lesley Whybrow and David Wimble
Apologies for Absence	None.
Officers Present:	Andy Blaszkowicz (Director of Housing and Operations), Gavin Edwards (Performance and Improvement Specialist), Ewan Green (Director of Place), James Hammond (Strategic Policy Officer), Andy Jarrett (Chief Strategic Development Officer), John Bunnett (Development Director), Ellen Joyce (Democratic Services Trainee), Amandeep Khroud (Assistant Director), Tim Madden (Director of Transformation and Transition), Susan Priest (Chief Executive), Jo Robinson (Senior Corporate Debt Officer), Charlotte Spendley (Director of Corporate Services), Lee Walker (Capital and Treasury Senior Specialist) and Jemma West (Committee Service Specialist)
Others Present:	Councillor Connor McConville (Folkestone & Hythe District Council) and Councillor Patricia Rolfe  Dan Brenchley (BAM), Stephen Jepson (Hadron Consultancy), Dean Lucas (Faithful and Gould), Simon Molden (The Sports Consultancy), and Seamus Lefroy-Brooks (LBHGEO).

NOTE: All decisions are subject to call-in arrangements. The deadline for call-in is Friday 4 February at 5pm. Decisions not called in may be implemented on Monday 7 February 2022.

### 61. **Declarations of Interest**

Councillor Mrs Hollingsbee declared an OSI in respect of Minute No 74 (Otterpool Park LLP Draft Updated Business Plan) due to her role as a Director

of the Board. She indicated that she would move to the public gallery during consideration of the report, and would not participate in the debate or vote.

62. **Minutes**

The minutes of the meeting held on 15 December 2021 were submitted, approved and signed by the Leader.

63. **General Fund Capital Programme Budget Monitoring 2021/22**

The monitoring report provided 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 identified variances compared to the latest approved budget.

Proposed by Councillor Monk,  
Seconded by Councillor Collier; and

**RESOLVED:**

**1. That report C/21/60 be received and noted.**

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

**REASONS FOR DECISION:**

Cabinet is asked to agree the recommendations 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.

64. **General Fund Revenue Budget Monitoring - 3rd Quarter 2021/22**

The monitoring report provided a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 30 November 2021.

Proposed by Councillor Monk,  
Seconded by Councillor Collier; and

**RESOLVED:**

**1. That report C/21/65 be received and noted.**

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

**REASONS FOR DECISION:**

Cabinet was asked to agree the recommendations 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.

65. **HRA Budget Monitoring Quarter 3**

The monitoring report provided a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme based on net expenditure to 30 November 2021.

Proposed by Councillor Godfrey,  
Seconded by Councillor Peall; and

**RESOLVED:**

1. **That Report C/21/62 be received and noted.**

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

**REASONS FOR DECISION:**

Cabinet is asked to agree the recommendations 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.

66. **Draft Housing Revenue Account Revenue and Capital Original Budget 2022/23**

The report set out the Housing Revenue Account Revenue and Capital Budget for 2022/23 and proposed an increase in weekly rents and an increase in service charges for 2022/23.

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

**RESOLVED:**

1. **That report C/21/66 be received and noted.**
2. **That the Housing Revenue Account Budget for 2022/23 be recommended to full Council. (Refer to paragraph 2.1 and Appendix 1).**
3. **That 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 be recommended to Full Council (Refer to paragraph 3.2).**
4. **That the increase in service charges be recommended to Full Council. (Refer to section 3.5).**
5. **That the Housing Revenue Account Capital Programme budget 2022/23 be approved. (Refer to paragraph 4.1 and Appendix 2).**

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

**REASONS FOR DECISION:**

Cabinet is requested to agree the recommendations 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.

**67. Detailed Draft General Fund Budget 2022/23**

The report set out the Council's Draft General Fund budget for 2022/23.

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

**RESOLVED:**

- 1. That report C/21/67 be received and noted.**
- 2. That the budget estimates, as detailed in the report, be approved as the basis for preparing the final 2022/23 budget and Council Tax recommendations for approval by Full Council in February 2022.**

(Voting figures: 7 for, 0 against, 2 abstentions).

**REASONS FOR DECISION:**

Cabinet is asked to agree the recommendations 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.

**68. Treasury Management Strategy Statement for 2022/23 and Treasury Management Monitoring Report 2021/22**

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

Proposed by Councillor Monk,  
Seconded by Councillor Peall; and

**RESOLVED:**

- 1. That report C/21/61 be received and noted.**
- 2. That the strategy for Treasury Management in 2022/23 as set out in the report be adopted.**
- 3. That the Treasury Management Prudential Indicators for 2022/23 be approved, as set out in the report.**

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

**REASONS FOR DECISION:**

Cabinet is asked to agree the recommendations because:-

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



- 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.

69. **Folkestone and Hythe District Discretionary Covid-19 Additional Relief Fund**

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

Proposed by Councillor Monk,  
Seconded by Councillor Peall; and

**RESOLVED:**

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

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

**REASONS FOR DECISION:**

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

70. **Oportunitas Progress Report 2021/22 to 30 November 2021**

The report provided 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 outlined the company's audited Statement of Accounts for the financial year ending 31 March 2021. The report was in-line with the requirement contained in the Shareholder's Agreement between the company and the Council.

The Chairman of Oportunitas was in attendance at the meeting of Cabinet to present the report and to address any questions.

Proposed by Councillor Wimble,  
Seconded by Councillor Collier; and

**RESOLVED:**

1. That report C/21/69 be received and noted.

2. **That the Full Statement of Accounts and Directors' Report for the financial year ending 31 March 2021 be noted.**
3. **That the latest projected outturn for the Profit and Loss Account of Oportunitas Limited for the financial year ending 31 March 2022 be noted.**

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

**REASON FOR DECISION:**

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

**71. Infrastructure Funding Statement 2021**

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 provided 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. The report sought approval of the IFS, and identified 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.

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

**RESOLVED:**

1. **That report C/21/59 be received and noted.**
2. **That the Council accepts the proposed Infrastructure Funding Statement contained in Appendix 1 of the report, which is to have immediate effect and be published.**

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

**REASONS FOR DECISION:**

To replace the Regulations 123 List which has been deleted by legislation and replace with the Infrastructure Funding Statement in accordance with the regulations.

**72. Equality and Diversity Annual Report 2020-21**

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 was therefore presented for consideration and approval prior to publication.

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

**RESOLVED:**

- 1. That report C/21/72 be received and noted.**
- 2. That the draft Equality & Diversity Annual Report outlined in Appendix 1 of the report be approved.**

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

**REASONS FOR DECISION:**

The council needs to ensure that it meets the statutory requirements of the Public Sector Equality Duty. The report demonstrated 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.

**73. Housing Asset Management Strategy**

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 to the report) with the changes detailed in the report.

Proposed by Councillor Godfrey,  
Seconded by Councillor Wimble; and

**RECOMMENDATIONS:**

- 1. That report C/21/71 be received and noted.**
- 2. That the Housing Asset Management Strategy be approved.**

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

**REASONS FOR DECISION:**

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.

**74. Otterpool Park LLP Draft Updated Business Plan**

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

Proposed by Councillor Monk,  
Seconded by Councillor Peall; and

**RESOLVED:**

- 1. That report C/21/70 be received and noted.**
- 2. That the updated Business Plan submitted by the Board of Otterpool Park Limited Liability Partnership and contained in the Appendix to the report be agreed.**

(Voting figures: 6 for, 1 against, 1 abstentions).

*Councillor Mrs Hollingsbee sat in the public gallery during the debate on this item, and did not participate in the debate or vote.*

**REASONS FOR DECISION:**

Cabinet was asked to agree the recommendations so that the Otterpool Park Limited Liability Partnership can continue to deliver the project as detailed in the business plan.

**75. Princes Parade**

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

Dan Brenchley (BAM), Stephen Jepson (Hadron Consultancy), Dean Lucas (Faithful and Gould), Simon Molden (The Sports Consultancy), and Seamus Lefroy-Brooks (LBHGEO) were in attendance at the meeting to respond to any questions from Members.

Councillor Whybrow asked a number of detailed questions and made comments on various issues including land contamination and monitoring, climate change and rising sea levels, the ecology at the site, the marketing of residential land and the increase in required funding. She also raised concerns about the potential long term (50 year) timescale for repayment of the loan to cover the funding shortfall.

Members were advised that full details of the responses would be available on the recording of the meeting placed on the council's website<sup>1</sup>.

Proposed by Councillor Monk,  
Seconded by Councillor Godfrey; and

**RESOLVED:**

1. That report C/21/75 be received and noted.
2. That the revised budget and funding requirement, as detailed in paragraph 3.4 be agreed, and its inclusion in the Medium Term Capital Programme (MTCP) and revenue budgets be recommended to Council as required.
3. That additional funding be agreed 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 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. That the contract for the operation of the leisure centre be awarded to Freedom Leisure (Wealden Leisure Ltd) for the period of the contract as set out in section 2.5.
6. That the disposal of land for housing, in line with delegation arrangements previously set out in Cabinet report C/18/69 (February 2019) be noted.
7. That the contractors BAM proceed to the next stage of the project as outlined in the report (i.e. Phase 1 and 2 works) and the construction contract be finalised on this basis.
8. That it be agreed that, in line with the recommendation from Cabinet of May 2014 (report C/14/01), 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 the establishment of a strategic play area be noted.
9. That the authority to implement the steps required to complete the project be delegated to the Director - Housing and Operations, in consultation with the Leader and the Cabinet Member for Special projects.
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

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<sup>1</sup> Post meeting note - Detailed responses to questions asked at the meeting are being made available on the relevant project part of the council's website.

**agree to proceed delivering the project at risk while the SoS's decision is finalised.**

- 11. That the headline implications if the project does not proceed as outlined in this report be noted (paragraph 4.1).**
- 12. 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).**

(Voting figures: 7 for, 2 against, 0 abstentions).

Councillors Prater and Whybrow asked it to be recorded that they had voted against the recommendations. Councillor Peall asked it to be recorded that he had voted in favour of the recommendations.

#### **REASONS FOR DECISION:**

Cabinet was asked to agree the recommendations 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.

#### **76. Update on the development of the Highview site**

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.

Proposed by Councillor Godfrey,  
Seconded by Councillor Peall; and

#### **RESOLVED:**

- 1. That report C/21/64 be received and noted.**
- 2. That the development programme for the Highview site, which will deliver 30 zero carbon in use affordable Council homes for rent and shared ownership purchase, be approved.**
- 3. 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. That Officers apply to the Homes England Affordable Homes programme for funding towards the project and delegated authority be given to the Director, Housing & Operations to accept the grant if the bid is successful.**
- 5. That Officers issue a tender for the Design & Build contract for the delivery of the residential scheme including associated highways and services works, and delegated authority be given to the Director, Housing & Operations to enter into the contract with the successful**

**bidder, and conclude any further actions necessary to deliver the scheme.**

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

**REASONS FOR DECISION:**

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.

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## Cabinet

Held at:	Council Chamber - Civic Centre Folkestone
Date	Thursday, 10 February 2022
Present	Councillors John Collier, Ray Field, David Godfrey, Mrs Jennifer Hollingsbee (Vice-Chair), David Monk (Chairman), Stuart Peall, Tim Prater, Lesley Whybrow and David Wimble
Apologies for Absence	None.
Officers Present:	Andy Blaszkowicz (Director of Housing and Operations), Ewan Green (Director of Place), Ellen Joyce (Democratic Services Trainee), Amandeep Khroud (Assistant Director), Sue Lewis (Committee Services Officer), Susan Priest (Chief Executive), Charlotte Spendley (Director of Corporate Services), Lee Walker (Capital and Treasury Senior Specialist) and Jemma West (Committee Service Specialist)

NOTE: All decisions are subject to call-in arrangements. The deadline for call-in is Monday 21 February at 5pm. Decisions not called in may be implemented on Tuesday 22 February 2022.

### 77. **Declarations of Interest**

There were no declarations at the meeting.

### 78. **Folkestone and Hythe District Green business grant scheme**

The report sought agreement for Folkestone & Hythe District Council to allocate £250,000 from the Climate Change Reserve towards the development of a new green business grant scheme. This scheme will support the priorities and objectives of the council's Carbon Action Plan, specifically the need to promote and support green business activities and decarbonisation efforts across the district.

Proposed by Councillor Whybrow,  
Seconded by Councillor Wimble; and

**RESOLVED:**

1. That report C/21/80 be received and noted.
2. That the establishment of the Folkestone & Hythe Green Business Grant Scheme and approve the proposed process and criteria for providing grants to local businesses be agreed as set out below.
3. That the allocation of £250,000 from the Climate Change Reserve to operate the Folkestone & Hythe Green Business Grant scheme to 31<sup>st</sup> March 2024 be agreed.
4. That the decisions on approving grant applications to this scheme be delegated as set out in paragraph 3.5.

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

**REASONS FOR DECISION:**

Cabinet was asked to agree the recommendations set out because approval was required to establish a £250,000 fund to provide grants to support local businesses to improve their carbon footprint and to support the growth of businesses in the Low Carbon and Environmental Goods & Services (LCEGS) sector.

**79. Greatstone Holiday Lets (The Varne) - Development Update**

The report provided an update to Members regarding the current position of the Varne site, Coast Drive, Littlestone. In September 2017 Cabinet (report No C/17/13) approved the development of the land known as the Varne on Coast Drive, Littlestone with the following summary "Outline planning permission was granted last year for 4 large dwellings on this seafront Council owned site. A report has been written that includes an options appraisal to assess how best to meet Council objectives and maximise value for money from the asset".

Cabinet approved Option One of the report - development of the land for holiday lets, to progress the Reserved Matters application and to use Prudential Borrowing to finance the project.

The report updated Members on the Reserved Matters application to achieve detailed planning permission and considers whether development of the site is now the best option following inflation linked to Brexit and Covid-19 and changes to the Public Works Loan Board (PWLB) borrowing regime.

The report also considered a number of offers that have been made for the site that are considered to be above market value.

Proposed by Councillor Collier,  
Seconded by Councillor Peall; and

**RESOLVED:**

1. That report number C/21/78 was received and noted.
2. That a Reserved Matters application was submitted and full detailed planning permission was granted in November 2021 was noted

3. **Agreed that Offer 6 for the disposal of site represents best value to the Council and provide delegated authority to the Director, Housing & Operations to commence legal work to conclude the deal.**

(Voting figures; 9 For, 0 Against, 0 Abstentions)

**REASONS FOR DECISION:**

The council had received a number of offers for the disposal of the site which were considered by Members. The report also updated Members on the project's planning status.

80. **Update to the General Fund Medium Term Capital Programme**

The report updated the General Fund Medium Term Capital Programme for the five year period ending 31 March 2027. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process. The report also updated Members on the required capital budget and proposed funding for the Princes Parade scheme following the two stage procurement process for the construction contract and the anticipated residential development capital receipts.

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

**RESOLVED:**

1. **That report C/21/79 was received and noted.**
2. **To seek Council's approval to the updated General Fund Medium Term Capital Programme as set out in appendix 1 to this report.**

(Voting figures; 7 For, 2 Against, 0 Abstentions)

**REASONS FOR DECISION:**

Cabinet agreed the decisions because:

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

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This Report will be made public on 15<sup>th</sup> February 2022



Report Number **C/21/82**

**To:** Cabinet  
**Date:** 23 February 2022  
**Status:** Key Decision  
**Responsible Officer:** Ewan Green, Director of Place  
**Cabinet Member:** Stuart Peall, Cabinet Member for Enforcement, Regulatory Services, Waste and Building Control

**SUBJECT:** DOG CONTROL PUBLIC SPACES PROTECTION ORDER RENEWAL

**SUMMARY:** This report sets out proposals for a new Dog Control Public Spaces Protection Order (PSPO) including the reasons why a new Dog Control PSPO is required. The report also requests approval to proceed to public consultation on the new order.

#### **REASONS FOR RECOMMENDATIONS:**

The Dog Control PSPO has proven to be an effective means to support enforcement against irresponsible dog ownership and related anti-social behaviour.

#### **RECOMMENDATIONS:**

- 1. To receive and note report C/21/82.**
- 2. To agree that the proposed Dog Control Public Space Protection Order for the period 2022-2025 are published for public consultation for a period of ten weeks.**
- 3. To agree that the Cabinet Member for Enforcement, Regulatory Services, Waste and Building Control approve the final version of the new Dog Control Public Space Protection Order after review of the responses received from the consultation exercise.**

## **1. BACKGROUND**

1.1. The district has for several years applied restrictions on dogs and their owners in public spaces. Originally these were restrictions under various local byelaws, then Dog Control Orders under the Clean Neighbourhoods and Environmental Act 2005 and latterly Dog Control Public Space Protection Orders (PSPO) made under the Anti-Social Behaviour, Crime and Police Act 2014.

1.2. The current Dog Control PSPO came into force on 18 May 2018. The PSPO was for an initial three-year period and was then extended for a further year as allowed under the 2014 act. A copy of the 2018 Dog Control PSPO is included as Appendix 1 or can be linked –

[https://www.folkestone-hythe.gov.uk/media/2405/PSPO-Dogs/pdf/PSPO\\_Dogs\\_1.PDF?m=637214285937670000](https://www.folkestone-hythe.gov.uk/media/2405/PSPO-Dogs/pdf/PSPO_Dogs_1.PDF?m=637214285937670000)

1.3. Public Spaces Protection Orders are generally intended to deal with a particular nuisance or problem in a particular area that is detrimental to the local community's quality of life, by imposing conditions on the use of that area which apply to everyone. They are designed to ensure the use and enjoyment of public spaces is safe from anti-social behaviour.

1.4. The Dog Control PSPO imposed restrictions for the following:

- Dog fouling (across the district)
- Dogs off leads (selected areas and dates)
- Dogs banned (selected areas, dates and times e.g. beaches)

1.5. Failure to comply with a PSPO will result in a Fixed Penalty Notice (FPN) being issued to any person the authorised person (which includes designated Local Authority Officers, Police Constables and PCSOs) believes has committed an offence. This allows the person whom has committed the offence to discharge their liability for that offence, by a payment of a Fixed Penalty Notice, to the local authority, for the sum of £100, payable within 14 days of the date of issue. However, failure to pay the FPN within the agreed timescale can result in a court prosecution and fine of up to £1000.

1.6. The Corporate Action Plan 2021-24 under the Plan Priority 'ensure an excellent environment for everyone' includes actions to 'undertake proactive enforcement within our district' and to renew the Dog Control PSPO along with the other ASB PSPOs this year.

## **2. REVIEW OF THE CURRENT DOG CONTROL PSPO**

2.1. Local authorities when renewing their Dog Control PSPO are required to review the effectiveness and necessity for their current (and proposed) orders.

2.2. The following table shows the number of FPNs issued since 2018:

<b>PSPO Offence</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Dogs Banned	1	3	34	4
Dogs off leads	1	7	81	37
Dogs on beach during restricted dates	0	1	16	10
Dog Fouling	0	2	5	3
<b>Total</b>	<b>2</b>	<b>13</b>	<b>136</b>	<b>54</b>

2.3. The figures in the table in 2.2 show a clear increase in Fixed Penalty Notices issued from 2018 to 2020. Part of the increase in that period is due to changes made to the Environmental Enforcement Team resulting in increased and more effective patrolling. It also demonstrates that offences are still occurring in the restricted areas. In 2021, the same enforcement resource has been deployed and there has been a reduced but still significant number of FPNs issued. We think there are several reasons for this. Firstly, there was an extended social media campaign by the council on responsible dog ownership. Secondly, we believe that there were increased levels of compliance or at the very least awareness of enforcement patrols in dog control areas.

2.4. The need for a new Dog Control PSPO is supported by the continued complaints the council receives for dog related ASB. In the period of the current PSPO, 51 dog related complaints were received in respect of, dogs banned, dogs in restricted area (beaches), dogs off leads and failure to pick up dog fouling. A breakdown of the complaints by area is shown in the table below:

<b>Area</b>	<b>Dog fouling</b>	<b>Dogs off leads</b>	<b>Dogs banned areas</b>
Folkestone	5	11	1
Sandgate	2	0	1
Hawkinge	4	5	1
Hythe	3	3	1
Lydd	3	0	0
Seabrook	1	0	0
Littlestone	0	2	0
Dymchurch	3	4	0
St Mary's Bay	0	1	0

2.5. The Dog Control PSPO responds to public concerns and is an important measure to counter irresponsible dog ownership when supported by enforcement patrolling.

### **3. PROPOSED NEW DOG CONTROL PSPO**

3.1. The proposed new Dog Control PSPO for 2022 will incorporate the current area restrictions along with the additional locations listed in 3.7 (PSPO

Table – Currently No Restrictions). The proposed full order is set out in Appendix 2 (Summary list of locations for the new Dog Control PSPO 2022)

- 3.2. The main restriction on Dog Fouling will apply anywhere in the district which is open to the air and accessible by the public and lies within a 40 mile an hour or less speed limit zone. It will apply to all beaches. This proposal is in line with national guidance and means that all urban, village and residential areas are covered by the restriction. It also means that there would be no restrictions in the unpopulated and remote rural or highway areas. Churchill Avenue will also be included even though it is a road covered by the national speed limit, it is well used by dog owners and therefore should be included in the order. Fixed Penalty Notice amount is set at £100.
- 3.3. The additional locations and changes to current restrictions suggested within the new Dog Control PSPO are listed in the tables below. These changes have resulted from requests and complaints from the public, community groups, councillors and our Grounds Maintenance Service.
- 3.4. The first section of the table in 3.7 identifies the locations where there are currently no restrictions in place. The changes suggested mainly relate to cemeteries and requiring dogs on leads. The purpose of this is to reduce dog fouling in those areas as dog owners will have more control.
- 3.5. The second section of the table under 3.8 identifies suggested amendments to current restrictions, mainly lifting dog bans and allowing dogs on leads. The only exception to this is bowling green and tennis courts at Wear Bay Road where a ban has been requested.
- 3.6. The final section of the table under 3.9 outlines suggested time changes to the seasonal beach restrictions limiting the dog ban to 9am to 6pm but now allowing dogs in these areas outside of these times.
- 3.7. PSPO Table - Currently No Restrictions

<b>Proposals for the 2022 PSPO Currently No Restrictions</b>			
<b>Map No</b>	<b>Location – No Restriction</b>	<b>Proposed restriction</b>	<b>Consultation Comments</b>
78	East cliff pitch and putt, including top of the cliff westwards, area known as the Triangle	Dogs on leads	
79	St Martins Cemetery	Dogs on leads	
80	St Eanswythe Cemetery - Folkestone	Dogs on leads	
81	Wakefield, Lady's and Lucy's walks - Hythe	Dogs on leads	



82	Christchurch tower gardens - Folkestone	Dogs on leads	
83	North Rd playing field - Cheriton	Dogs on leads	
84	Bayle pond gardens - Folkestone	Dogs banned	
85	Corbett Rd play area, Hawkinge	Dogs banned	
87	Royal military canal town section, Swiss Rd bridge to Scanlon's bridge, north and south side.	Dogs on leads	
88	Brenzett churchyard	Dogs on leads	
89	Brookland churchyard	Dogs on leads	
90	St Peter & St Paul cemetery, Dymchurch	Dogs on leads	
91	St Leonards cemetery, Hythe	Dogs on leads	
92	Lydd Churchyard	Dogs on leads	
93	St Nicholas churchyard, New Romney	Dogs on leads	

### 3.8. PSPO Table – Change From One Restricted Status To Another

<b>Proposals to change from one restricted status to another restricted status for the 2022 PSPO</b>				
<b>Map No</b>	<b>Location</b>	<b>Current Restriction (From)</b>	<b>Proposed Restriction (To)</b>	<b>Consultation Comments</b>
94	Brabner Close Play Area, Folkestone	Dogs banned	Dogs banned in play area and dogs on leads in all other areas within the park location	
95	Folly Road Play Area, Folkestone	Dogs banned	Dogs banned in play area and dogs on leads in all other areas	

			within the park location	
96	Widgeon Walk, Killing Wood Open Space, Hawkinge	Dogs banned	Dogs on leads	
98	Lade Fort Play Area, Lydd on Sea	Dogs banned	Dogs banned in play area and dogs on leads in all other areas within the park location	
99	Bowling green and tennis courts, Wear bay Rd	Dogs on leads	Dogs banned on bowling green and in the tennis courts	

### 3.9. PSPO Table - Seasonal Beach Restrictions

<b>Proposals to change seasonal beach restricted status to another restricted status for the 2022 PSPO</b>				
<b>Map No</b>	<b>Location</b>	<b>Current Restriction (From)</b>	<b>Proposed Restriction (To)</b>	<b>Consultation Comments</b>
67	Beach Mermaid Beach (Folkestone)	Dogs banned from 1 <sup>st</sup> May to 30 September inclusive	Dogs banned from 9am to 6pm between 1 May to 30 September inclusive	
68	Beach Sunny Sands (Folkestone)	Dogs banned from 1 <sup>st</sup> May to 30 September inclusive	Dogs banned from 9am to 6pm between 1 May to 30 September inclusive	
69	Sandgate Beach (Sandgate)	Dogs banned from 1 <sup>st</sup> May to 30 September inclusive	Dogs banned from 9am to 6pm between 1 May to 30 September inclusive	
70	Hythe Beach (Hythe)	Dogs banned from 1 <sup>st</sup> May to 30 September inclusive	Dogs banned from 9am to 6pm between 1 May to 30 September inclusive	
71	Littlestone Beach (Littlestone)	Dogs banned from 1 <sup>st</sup> May to 30 September inclusive	Dogs banned from 9am to 6pm between 1 May to 30 September inclusive	

		September inclusive		
72	Dymchurch Beach (Dymchurch)	Dogs banned from 1 <sup>st</sup> May to 30 September inclusive	Dogs banned from 9am to 6pm between 1 May to 30 September inclusive	
73	St Mary's Bay Beach (St Mary's Bay)	Dogs banned from 1 <sup>st</sup> May to 30 September inclusive	Dogs banned from 9am to 6pm between 1 May to 30 September inclusive	
74(1) & (2)	Jolly Fisherman Beach (Great stone)	Dogs banned from 1 <sup>st</sup> May to 30 September inclusive	Removal of 4 zones to partially allow <u>and</u> ban dogs access – to - Dogs banned across the whole of the beach from 9am to 6pm between 1 May to 30 September inclusive	

#### 4. PUBLIC CONSULTATION

4.1. Under Section 72 of 2014 act, before introducing a PSPO, the council is required to carry out a consultation with the –

- Chief Officer of Police
- Local Policing Body
- Police Crime Commissioner
- Community representatives (e.g. Town & Parish Councils) and owners/occupiers of land covered within the Order.

4.2. The 2014 act does not set a required consultation period. A 10-week consultation is proposed commencing 24 February and running to the 4 May 2022.

4.3. The consultation will be publicised through the council's website, social media as well to the statutory consultees listed above who will be directly contacted. In addition, the council will publish a notice of its intention to make a new Dog Control PSPO in a local newspaper, which covers the whole district. Maps will be also be made available on the council's website.

4.4. During the consultation period, the Dog Control PSPO will be reported to the Overview & Scrutiny Committee to give the committee the opportunity to contribute directly into the consultation.

4.5. At the end of the consultation period, the comments will be summarised for review, any further amendments made and the final version of the PSPO prepared for approval by the Portfolio Holder to be enacted.

## 5. NEXT STEPS

- 5.1. Subject to approval by Cabinet, the new Dog Control PSPO for the period 2022 to 2025 will be published for consultation.

## 6. RISK MANAGEMENT ISSUES

Perceived risk	Seriousness	Likelihood	Preventative action
The council does not renew the Dog PSPO and loses the means to enforce dog-related ASB in the district.	High	Low	Renewed PSPO

## 7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 7.1 Legal Officer's Comments (TH)

There are no legal implications arising directly out of this report. Section 59 of the Anti-social Behaviour, Crime and Policing Act 2014 allows PSPOs to be introduced in a specific public area where the Council is satisfied on reasonable grounds that two conditions have been met. The first condition is that (a) activities carried on in a public place within the authority's area have had a detrimental effect on the quality of life of those in the locality, or (b) it is likely that activities will be carried on in a public place within that area and that they will have such an effect. The second condition is that the effect, or likely effect, of the activities (a) is, or is likely to be, of a persistent or continuing nature, (b) is, or is likely to be, such as to make the activities unreasonable, and (c) justifies the restrictions imposed by the notice.

### 7.2 Finance Officer's Comments (TM)

There are no financial implications relating to this report.

### 7.3 Diversities and Equalities Implications

The Dog Control PSPO exempts dogs and owners in the following categories.

- a) Is registered as a blind person in a register compiled under section 29 of the National Assistance Act 1948, or
- b) Is deaf in respect of a dog trained by Hearing Dogs for Deaf People (registered charity number 293358) and upon which he relies for assistance; or
- c) Has a disability which affects his mobility, manual dexterity, physical co-ordination or ability to lift, carry or otherwise move everyday objects, in

respect of a dog trained by a prescribed charity and upon which he relies for assistance.

#### **7.4 Climate Change Implications (AT/HS)**

There are no climate change implications arising from this report.

### **8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

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

Andrew Clarke - Senior Environmental Enforcement Officer  
Telephone: 07808 896260  
Email: [Andrew.clarke@folkestone-hythe.gov.uk](mailto:Andrew.clarke@folkestone-hythe.gov.uk)

Karen Weller – Senior Environmental Protection Specialist  
Telephone: 07876 504953  
Email: [Karen.weller@folkestone-hythe.gov.uk](mailto:Karen.weller@folkestone-hythe.gov.uk)

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

#### **Appendices:**

Appendix 1: Existing PSPO

Appendix 2: Summary list of locations for the new PSPO

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# Folkestone & Hythe



**The Anti-social Behaviour, Crime and Policing Act 2014 ("the Act")  
The Public Spaces Protection Order - (Folkestone and Hythe District Council)  
2016**

Folkestone and Hythe District Council (in this order called "the Authority") hereby makes the following Order:

This Order comes into force on 18<sup>th</sup> May 2018 and relates to the entirety of the District known as Folkestone and Hythe.

**1) Activities which are prohibited or required by this Order are:**

**1.1a** A person in charge of a dog shall be guilty of an offence if, at any time (during the time specified in the schedule if stated) he takes the dog onto, or permits the dog to enter or to remain on, any land to which this Order applies unless:

- a) He has a reasonable excuse for doing so, or
- b) The owner, occupier or other person or authority having control of the land has consented (generally or specifically) to his doing so.

**1.1b** A person in charge of a dog shall be guilty of an offence if, at any time (during the time specified in the schedule if stated) on any land to which this Order applies he does not keep the dog on a lead unless:

- a) He has a reasonable excuse for failing to do so, or
- b) The owner, occupier or other person or authority having control of the land has consented (generally or specifically) to his failing to do so.

**1.2** For the purpose of this article a person who habitually has a dog in his possession shall be taken to be in charge of the dog at any time unless at that time some other person is in charge of the dog.

- 1.3 Nothing in this article applies to a person who
- a) Is registered as a blind person in a register compiled under section 29 of the National Assistance Act 1948, or
  - b) Is deaf in respect of a dog trained by Hearing Dogs for Deaf People (registered charity number 293358) and upon which he relies for assistance; or
  - c) Has a disability which affects his mobility, manual dexterity, physical co-ordination or ability to lift, carry or otherwise move everyday objects, in respect of a dog trained by a prescribed charity and upon which he relies for assistance.

1.4 For the purpose of this article

- a) A person who habitually has a dog in his possession shall be taken to be in charge of the dog at any time unless at that time some other person is in charge of the dog.
- b) Each of the following is a "prescribed charity"
  - I. Dogs for the Disabled (registered charity number 700454)
  - II. Support Dogs (registered charity number 1088281)
  - III. Canine Partners for independence (registered charity number 803680)

The Authority has made a Public Spaces Protection Order under section 59 of the Act as it is reasonably satisfied that two conditions are met.

**2) The first condition is that—**

- a) activities carried on in a public place within the authority's area have had a detrimental effect on the quality of life of those in the locality, or
- b) it is likely that activities will be carried on in a public place within that area and that they will have such an effect.

**3) The second condition is that the effect, or likely effect, of the activities—**

- a) is, or is likely to be, of a persistent or continuing nature,
- b) is, or is likely to be, such as to make the activities unreasonable, and
- c) justifies the restrictions imposed by the notice.

The Public Spaces Protection Order legislation is being used to restrict the access of dogs in a specific place. In the past Dog Control Orders (DCO's) have been used to restrict access to certain public spaces where there is clear evidence of environmental hazards in that locality. This legislation has now been superseded by Public Spaces Protection Order legislation under the above Act.



**4) Failure to comply with Activities which are prohibited or required by this Order**

Under Section 67 of the Act:

1) It is an offence for a person without reasonable excuse—

a) to do anything that the person is prohibited from doing by a public spaces protection order, or

b) to fail to comply with a requirement to which the person is subject under a public spaces protection order.

2) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale.

**5) Authorised Persons**

This Order will give Authorised Person(s) the power to issue a fixed penalty notice or consideration for prosecution to an individual who is witnessed to be allowing their dog to breach one or more of the conditions of this order.

An Authorised Person means a Police Constable, Police Community Support Officer or Council Officer, and must be able to present their authority upon request.

**6) Definitions**


“Act” means The Anti-social Behaviour, Crime and Policing Act 2014

“Authority” means the District Council of Folkestone and Hythe.

**This Order shall come into effect on 18<sup>th</sup> May 2018.**

**This Order shall have effect for a period of three (3) years.**

**The Common Seal of the  
District Council of Folkestone and Hythe  
Was affixed in the presence of:**

  
DAVID KELLY



**Authorised signatory**

**This order applies to all land as described within the district of Folkestone and Hythe as defined in the approved schedules below, which have been directly**

adopted from the previously approved Dog Control Orders which have now been superseded by the Public Space Protection Order legislation.  
**Schedule 1 – Dogs Banned**

**This Order applies to any of the following areas**

Map no	Location	Area
1	Moore Close Play Area	Brenzett
2	Salthouse Close Play Area	Brookland
3	Burmarsh Recreation Ground Play Area	Burmarsh
4	Morehall Recreation Ground Play Area	Cheriton
5	Naseby Avenue Play Area	Cheriton
6	Pine Way Play Area	Cheriton
7	Country's Field Play Area	Dymchurch
8	Salbris Close Play Area	Dymchurch
9	Seabourne Way Play Area	Dymchurch
10	Meriden Walk Play Area	Etchinghill
11	Brabner Close Play Area	Folkestone
12	Canterbury Road Recreation Ground	Folkestone
13	Cheriton Recreation Ground Play Areas	Folkestone
14	Coastal Park Play Areas	Folkestone
15	Coniston Road Play Area	Folkestone
16	Downs Road Play Area	Folkestone
17	Firs Lane Play Area	Folkestone
18	Folkestone Harbour Fountain	Folkestone
19	Folly Road Play Area	Folkestone
20	George Gurr Crescent Play Area	Folkestone
21	Jocks Pitch Play Area	Folkestone
22	Radnor Park Lower Play Area	Folkestone
23	Radnor Park Upper Play Area	Folkestone
24	St Mary's Playing Field Sports Area	Folkestone
25	Jolly Fisherman Car Park Play Area	Greatstone
26	Atkinson Road Play Area	Hawkinge
27	Blenheim Drive Play Area	Hawkinge
28	Harvest Way Play Area	Hawkinge
29	Heron Forstal Avenue Play Area	Hawkinge
30	Kettle Drive Play Area	Hawkinge
31	Widgeon Walk, Killing Wood Open Space.	Hawkinge
32	Millfield Play Area	Hawkinge
33	Proctor Walk Play Area	Hawkinge
34	St Luke's Walk Play Area	Hawkinge
35	Stombers Lane Play Area	Hawkinge
36	Campbell Road Play Area	Hawkinge
37	Lyell Close Play Area, The Derings	Hythe
38	Peregrine Close Play Area	Hythe
39	Seapoint, Princes Parade Play Area	Hythe
40	St John Moore Avenue Play Area	Hythe
41	Ste George's Place Play Area	Hythe

	1 May to 30 September	
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**Schedule 2 – Dogs on Leads**

**This Order applies to any of the following areas**

Location	Area
Kingsnorth Gardens	Folkestone
The Leas	Folkestone
Bowling green and tennis courts	Wear Bay Road, Folkestone
Cheriton sports ground	Cheriton, Folkestone
Hawkinge cemetery	Aerodrome Road, Hawkinge
Spring Lane cemetery	Seabrook
Cheriton Road cemetery	Cheriton
New Romney cemetery	Church Road, New Romney
Lydd cemetery	Mill Road, Lydd
Brenzett cemetery	Church Lane, Brenzett
Beach promenade adjacent to Sunny Sands beach from 1 May to 30 September	Folkestone
Beach promenade adjacent to Mermaid Beach from 1 May to 30 September	Folkestone
Beach promenade from Sandgate Castle To Battery point from 1 May to 30 September	Folkestone
Beach promenade from Twiss Road to St Leonards Road from 1 May To 30 September	Hythe
Beach promenade from Sycamore Gardens To Martello car park from 1 May To 30 September	Dymchurch
Beach promenade from fairway to the river outlet From 1 May to 30 September	St Mary's Bay
Beach promenade from Madeira Road to Clark Road From 1 May to 30 September	Littlestone
Football pitches off The Street	Hawkinge
St Martins Field, Fairfield Road	New Romney
The Greens	Littlestone
New Romney Sports Field Station Road	New Romney
The Flagstaff Land, Littlestone Road	New Romney
Village Hall playing fields	Lympne

42	Turnpike Hill Play Area	Hythe
43	Village Green Play Area	Ivychurch
44	The Greens Play Area (Childrens)	Littlestone
45	Megan Close Play Area	Lydd
46	Oakham Drive Play Area	Lydd
47	The Derings Play Area	Lydd
48	The Green Play Area	Lydd
49	The Rype Open Spaces	Lydd
50	Lade Fort Play Area	Lydd on Sea
51	Church Road (Tayne Field) Play Area	Lyminge
52	Mount Pleasant Close Play Area	Lyminge
53	Woodland Road Multi Sport Play Area	Lyminge
54	Manor Farm Close Play Area	Lympne
55	Octavian Drive Play Area	Lympne
56	Lympne Village Hall Play Area	Lympne
57	Dalglish Close Play Area	New Romney
58	Station Road Play Area	New Romney
59	Elmfields Play Area	Old Romney
60	Postling Village Hall Play Area	Postling
61	Rhodes Minnis Recreation Ground	Rhodes Minnis
62	Freemantle Road Play Area	Sandgate
63	Sandgate Recreation Ground	Sandgate
64	Meads Way Play Area	St Mary's Bay
65	Oak Drive Play Area	St Mary's Bay
66	Densole Way Play Area	Swingfield
67	Mermaid Café Beach 1 May to 30 September	Folkestone
68	Sunny Sands Beach 1 May to 30 September	Folkestone
69	Beach from Sandgate Castle to Battery Point 1 May to 30 September	Sandgate
70	Beach from Twiss Road to St Leonards Road 1 May to 30 September	Hythe
71	Beach from Madeira Road to Clark Road 1 May to 30 September	Littlestone
72	Beach from Sycamore Gardens to Martello Car Park 1 May to 30 September	Dymchurch
73	Beach from The Fairway to New Sewer Outfall 1 May to 30 September	St Mary's Bay
74(1)	Beach from Jolly Fisherman to 17 The Parade 1 May to 30 September	Greatstone
74(2)	Beach from 114 The Parade to 172 The Parade	Greatstone







## **The Anti-social Behaviour, Crime and Policing Act 2014 (“the Act”) The Public Spaces Protection Order - (Folkestone and Hythe District Council) 2022**

Folkestone and Hythe District Council (in this order called “the Authority”) hereby makes the following Order:

This Order comes into force 2022 and relates to the entirety of the District known as Folkestone and Hythe.

### **1) Activities which are prohibited or required by this Order are:**

- 1.1 A person in charge of a dog shall be guilty of an offence if, at any time (during the time specified in the schedule if stated) he takes the dog onto, or permits the dog to enter or to remain on, any land to which this Order applies unless:
- a) He has a reasonable excuse for doing so, or
  - b) The owner, occupier or other person or authority having control of the land has consented (generally or specifically) to his doing so.
- 1.2 A person in charge of a dog shall be guilty of an offence if, at any time (during the time specified in the schedule if stated) on any land to which this Order applies he does not keep the dog on a lead unless:
- a) He has a reasonable excuse for failing to do so, or
  - b) The owner, occupier or other person or authority having control of the land has consented (generally or specifically) to his failing to do so.
- 1.3 For the purpose of this article a person who habitually has a dog in his possession shall be taken to be in charge of the dog at any time unless at that time some other person is in charge of the dog.
- 1.4 Nothing in this article applies to a person who
- a) Is registered as a blind person in a register compiled under section 29 of the National Assistance Act 1948, or

- b) Is deaf in respect of a dog trained by Hearing Dogs for Deaf People (registered charity number 293358) and upon which he relies for assistance; or
- c) Has a disability which affects his mobility, manual dexterity, physical co-ordination or ability to lift, carry or otherwise move everyday objects, in respect of a dog trained by a prescribed charity and upon which he relies for assistance.

1.5 For the purpose of this article

- a) A person who habitually has a dog in his possession shall be taken to be in charge of the dog at any time unless at that time some other person is in charge of the dog.
- b) Each of the following is a “prescribed charity”
  - I. Dogs for the Disabled (registered charity number 700454)
  - II. Support Dogs (registered charity number 1088281)
  - III. Canine Partners for independence (registered charity number 803680)

1.6 For the purpose of this article

- a) A person who is in charge of a dog, shall be guilty of an offence if they allow a dog to foul and do not pick the fouling up forthwith, unless they have a reasonable excuse or the permission from the land owner, to do so. This applies on any land where the public has access.

The Authority is renewing the Dog Control Public Spaces Protection Orders under section 59 of the Act as it is reasonably satisfied that two conditions are met.

**2) The first condition is that—**

- a) activities carried on in a public place within the authority’s area have had a detrimental effect on the quality of life of those in the locality, or
- b) it is likely that activities will be carried on in a public place within that area and that they will have such an effect.

**3) The second condition is that the effect, or likely effect, of the activities—**

- a) is, or is likely to be, of a persistent or continuing nature,
- b) is, or is likely to be, such as to make the activities unreasonable, and
- c) justifies the restrictions imposed by the notice.

The Public Spaces Protection Order (PSPO) legislation is being used to restrict the access of dogs in a specific place. In the past Dog Control Orders (DCO’s) have been used to restrict access to certain public spaces where there is clear evidence of environmental hazards in that locality. This legislation has now been superseded by Public Spaces Protection Order legislation under the above Act, **Crime and Policing Act 2014 (“the Act”)**



**4) Failure to comply with Activities which are prohibited or required by this Order**

Under Section 67 of the Act:

1) It is an offence for a person without reasonable excuse—

a) to do anything that the person is prohibited from doing by a Public Spaces Protection Order (PSPO), or

b) to fail to comply with a requirement to which the person is subject under a Public Spaces Protection Order (PSPO)

2) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale.

**5) Authorised Persons**

This Order will give Authorised Person(s) the power to issue a **Fixed Penalty Notice of £100** or consideration for prosecution to an individual who is witnessed to be allowing their dog to breach one or more of the conditions of this order.

An Authorised Person means a Police Constable, Police Community Support Officer or Council Officer, and must be able to present their authority upon request.

**6) Definitions**

“**Act**” means The Anti-social Behaviour, Crime and Policing Act 2014

“**Authority**” means the District Council of Folkestone & Hythe.

**This Order shall come into effect on the 18<sup>th</sup> of May 2022**

**This Order shall have effect for a period of three (3) years.**

**The Common Seal of the  
District Council of Folkestone & Hythe  
Was affixed in the presence of:**

Authorised signatory

This order applies to all land as described within the district of Folkestone and Hythe as defined in the approved schedules below, which have been directly adopted from the previously approved Dog Control Orders which have now been superseded by the Public Space Protection Order legislation.

**This Order applies to any of the following areas**

<b>Schedule 1 – Dogs Banned</b>			
<b>Map No</b>	<b>Location</b>	<b>Area</b>	<b>Consultation comments</b>
1	Moore Close Play Area	Brenzett	
2	Salthouse Close Play Area	Brookland	
3	Burmarsh Recreation Ground Play Area	Burmarsh	
4	Morehall Recreation Ground Play Area	Cheriton	
5	Naseby Avenue Play Area	Cheriton	
6	Pine Way Play Area	Cheriton	
7	Country's Field Play Area	Dymchurch	
8	Salbris Close Play Area	Dymchurch	
9	Seabourne Way Play Area	Dymchurch	
10	Meriden Walk Play Area	Etchinghill	
<b>11</b>	<b>Brabner Close Play Area</b>	<b>Folkestone</b>	<b>Proposed to have dogs on leads in all areas outside of the play area</b>
12	Canterbury Road Recreation Play area	Folkestone	
13	Cheriton Rec Ground Enclosed Play Area	Folkestone	
14	Coastal Park Play Areas	Folkestone	
15	Coniston Road Play Area	Folkestone	
16	Downs Road Play Area	Folkestone	
17	Firs Lane Play Area	Folkestone	
18	Folkestone Harbour Fountain	Folkestone	
<b>19</b>	<b>Folly Road Play Area</b>	<b>Folkestone</b>	<b>Proposed to have dogs on leads in all areas outside of the play area</b>
20	George Gurr Crescent Play Area	Folkestone	
21	Jocks Pitch Play Area	Folkestone	
22	Radnor Park Lower Play Area	Folkestone	
23	Radnor Park Upper enclosed area	Folkestone	
25	Jolly Fisherman Car Park Play Area	Greatstone	
26	Atkinson Road Play Area	Hawkinge	
27	Blenheim Drive Play Area	Hawkinge	
28	Harvest Way Play Area	Hawkinge	
29	Heron Forstal Avenue Play Area	Hawkinge	
30	Kettle Drive Play Area	Hawkinge	
<b>31</b>	<b>Widgeon Walk, Killing Wood Open Space.</b>	<b>Hawkinge</b>	<b>Proposed to have dogs on leads in all areas outside of the play area</b>
32	Millfield Play Area	Hawkinge	
33	Proctor Walk Play Area	Hawkinge	
34	St Luke's Walk Play Area	Hawkinge	
35	Stombers Lane Play Area	Hawkinge	
36	Campbell Road Play Area	Hawkinge	
37	Lyell Close Play Area, The Derings	Hythe	
38	Peregrine Close Play Area	Hythe	
39	Seapoint, Princes Parade Play Area	Hythe	
40	St John Moore Avenue Play Area	Hythe	
41	St George's Place Play Area	Hythe	
42	Turnpike Hill Play Area	Hythe	

43	Village Green Play Area	Ivychurch	
44	The Greens Play Area (Childrens)	Littlestone	
45	Megan Close Play Area	Lydd	
46	Oakham Drive Play Area	Lydd	
47	The Derings Play Area	Lydd	
48	The Green Play Area	Lydd	
49	The Rype Open Spaces	Lydd	
<b>50</b>	<b>Lade Fort Play Area</b>	<b>Lydd on Sea</b>	<b>Proposed to have dogs on leads in all areas outside of the play area</b>
51	Church Road (Tayne Field) Play Area	Lyminge	
52	Mount Pleasant Close Play Area	Lyminge	
53	Woodland Road Multi Sport Play Area	Lyminge	
54	Manor Farm Close Play Area	Lympne	
55	Octavian Drive Play Area	Lympne	
56	Lympne Village Hall Play Area	Lympne	
57	Dalglis Close Play Area	New Romney	
58	Station Road Play Area	New Romney	
59	Elmfields Play Area	Old Romney	
60	Postling Village Hall Play Area	Postling	
61	Rhodes Minnis Recreation Ground	Rhodes Minnis	
62	Freemantle Road Play Area	Sandgate	
63	Sandgate Recreation Ground	Sandgate	
64	Meads Way Play Area	St Mary's Bay	
65	Oak Drive Play Area	St Mary's Bay	
66	Densole Way Play Area	Swingfield	
75	Fairfield Recreation ground	New Romney	
<b>76</b>	Bayle pond gardens	Folkestone	
<b>77</b>	Corbett Rd play area	Hawkng	

**Schedule 1(a) - Dogs banned from beaches 1<sup>st</sup> May to 30 September  
between 09:00am – 18:00pm**

<b>Map No</b>	<b>Location</b>	<b>Area</b>	<b>Comments</b>
67	Beach Mermaid Beach 1 May to 30 September dogs banned between 09:00 to 18:00	Folkestone	
68	Beach Sunny Sands 1 May to 30 September dogs banned between 09:00 to 18:00	Folkestone	
69	Beach 1 May to 30 September dogs banned between 09:00 to 18:00	Sandgate	
70	Beach 1 May to 30 September dogs banned between 09:00 to 18:00	Hythe	
71	Beach 1 May to 30 September dogs banned between 09:00 to 18:00	Littlestone	
72	Beach 1 May to 30 September dogs banned between 09:00 to 18:00	Dymchurch	
73	Beach 1 May to 30 September dogs banned between 09:00 to 18:00	St Mary's Bay	
74(1)	Beach Jolly Fisherman 1 May to 30 September dogs banned between 09:00 to 18:00	Greatstone	
74(2)	Beach 1 May to 30 September dogs banned between 09:00 to 18:00	Greatstone	

**This Order applies to any of the following areas**

<b>Schedule 2 Dogs on leads</b>			
<b>Map No</b>	<b>Location</b>	<b>Area</b>	<b>Comments</b>
01	Brenzett cemetery	Church Lane, Brenzett	
<b>02</b>	<b>Bowling green and tennis courts</b>	<b>Wear Bay Road, Folkestone</b>	<b>Proposed to change restriction to Dogs banned</b>
03	Cheriton Road cemetery	Cheriton	
04	Cheriton sports ground (3 Hills)	Cheriton/Folkestone	
05	Kingsnorth Gardens	Folkestone	
06	The Leas	Folkestone	
07	Football pitches off The Street	Hawkinge	
08	Hawkinge cemetery	Hawkinge	
09	The Greens	Littlestone	
10	Lydd cemetery	Mill Road, Lydd	
11	Village Hall playing fields	Lympne	
12	New Romney cemetery	Church Road, New Romney	
13	New Romney Sports Field Station Road	New Romney	
14	St Martins Field, Fairfield Road	New Romney	
15	The Flagstaff Land, Littlestone Road	New Romney	
16	Spring Lane cemetery	Seabrook	
16a	The "Trim Trail", The Ridgeway	Lympne	
23	Brenzett Graveyard	Brenzett	
24	Brookland Graveyard	Brookland	
25	St Martins Cheriton Graveyard	Cheriton	
26	St Peter/ St Paul Dymchurch Graveyard	Dymchurch	
27	St Eanswyth Folkestone Graveyard	Folkestone	
28	St Leonards Hythe Graveyard	Hythe	
29	Lydd Graveyard	Lydd	
30	St Nicholas New Romney Graveyard	New Romney	
21	St Martins Cemetery	Folkestone	
32	St Eanswythe Cemetery Folkestone	Folkestone	
33	East cliff pitch and putt	Folkestone	
34	Wakefield, Lady's & Lucy's walks Hythe	Hythe	
35	Christchurch tower gardens - Folkestone	Folkestone	
36	North Rd playing field - Cheriton	Cheriton	
37	East Rype SSSI - Lydd	Lydd	

**Schedule 2 (a) Promenades - Dogs on leads from 1<sup>st</sup> May to 30<sup>th</sup> September annually**

<b>Map No</b>	<b>Location</b>	<b>Area</b>	<b>Comments</b>
17	Folkestone beach promenade	Folkestone	
18	Sunny Sands beach promenade	Sunny Sands	
19	Sandgate beach promenade	Sandgate	
20	Hythe beach promenade	Hythe	

21	Dymchurch beach promenade	Dymchurch	
22	St Mary's Bay beach promenade	St Mary's Bay	
23	Littlestone beach promenade	Littlestone	

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This Report will be made public on 15<sup>th</sup> February 2022

Report Number **C/21/83**

**To:** Cabinet  
**Date:** 23 February 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: CAPITAL STRATEGY 2022/23 AND MINIMUM REVENUE PROVISION STATEMENT 2022/23**

**SUMMARY:** This report sets out the Council's proposed strategy in relation to capital expenditure, financing and treasury management in 2022/23 to be approved by full Council. The report also sets out the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2022/23 to be approved by full Council.

**REASONS FOR RECOMMENDATIONS:**

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

- a) The Council must have regard to both CIPFA's Prudential Code for Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities' Investment Guidance when carrying out its duties under Part 1 of the Local Government Act 2003.
- b) The Council is required to approve a Capital Strategy for the forthcoming year.
- c) The Council is required to approve a Minimum Revenue Provision statement for 2022/23 in advance of the start of the financial year.

**RECOMMENDATIONS:**

1. To receive and note report C/21/83.
2. To recommend to Council that the 2022/23 Capital Strategy, including the Prudential Indicators, set out in appendix 1 to this report is approved.
3. To recommend to Council that the Minimum Revenue Provision (MRP) Statement for 2022/23 set out in appendix 2 to this report is approved.

## 1. INTRODUCTION AND BACKGROUND

1.1 The Capital Strategy is a requirement of the Chartered Institute of Public Finance's (CIPFA) Prudential Code. The Prudential Code is a framework which should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

1.2 The main purpose of the capital strategy is to provide a high level summary of how capital expenditure, capital financing and treasury management activities contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. It is intended to be written in a way to enhance stakeholders understanding of these sometimes technical areas. The capital strategy for 2022/23 is set out in appendix 1 to this report.

The areas to be covered in this strategy are:

- Capital expenditure
- Borrowing
- Minimum revenue provision
- Investments (treasury, service and commercial)
- Guarantees and loan commitments
- Knowledge and skills

1.3 The capital strategy also includes the Prudential Indicators for capital expenditure that set controls to ensure the Council's capital investment plans are affordable, prudent and sustainable, required under the Prudential Code. The Prudential Indicators are required to be approved by full Council as part of the capital strategy.

1.4 The capital strategy also sets out the Minimum Revenue Provision (MRP) Statement for 2022/23 required to be approved by full Council and is set out in appendix 2 to this report. The DLUHC is currently reviewing its MRP Guidance to local authorities. Should this impact on the proposed 2022/23 MRP Statement then this will be reported to Cabinet as soon as possible.

1.5 The capital strategy should be considered alongside the investment strategy, due to be considered separately as part of this agenda. Like the capital strategy, the investment strategy is also required to be adopted by full Council.

1.6 The capital strategy is required to be reviewed annually as part of the authority's budget setting process. However, if the nature and structure of the authority's proposed capital expenditure and financing was to change significantly during the year it may be necessary to revise the strategy at the same time.



1.7 The capital strategy contains a number of links to other documents. Several of these will also be considered by full Council on either 10 or 23 February 2022 as part of the budget process. It is therefore proposed to add these links to the capital strategy once it is adopted in February and to create to a dedicated web page to provide a link for it together with those for:

- Investment Strategy 2022/23
- Medium Term Capital Programme to 2026/27
- HRA Capital Programme 2022/23

## **2. RISK MANAGEMENT ISSUES**

2.1 A key element of the capital strategy is to consider the risks associated with our approach to the capital programme, capital financing and treasury management activity. These issues have been addressed in the body of the appendix and no other risk management issues have been identified as relevant to this report.

## **3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **3.1 Legal Officer's Comments (TH)**

There are no legal implications arising directly out of this report other than those already stated. For each financial year, the Council should prepare at least one Capital Strategy which should contain the disclosures and reporting requirements specified in the Prudential Code. The Strategy should be approved by full Council.

### **3.2 Finance Officer's Comments (LW)**

This report has been prepared by Financial Services and there are no direct financial implications arising from it.

### **3.3 Diversities and Equalities Implications (LW)**

There are no direct diversities or equalities issues arising from this report.

### **3.4 Communication Officer's Comments (JW)**

There are no communication issues arising directly from this report.

### **3.5 Climate Change Implications (AT)**

There are no climate changes implications arising directly from this report.

## **4. 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 Email: [lee.walker@folkestone-hythe.gov.uk](mailto:lee.walker@folkestone-hythe.gov.uk)

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

Arlingclose Ltd – Capital Strategy Report 2022/23 Template

Arlingclose Ltd – MRP 2022/23 Template

**Appendices:**

Appendix 1: Capital Strategy 2022/23

Appendix 2: Annual Minimum Revenue Provision Statement 2022/23

## Appendix 1

### Capital Strategy 2022/23

#### 1. Introduction

- 1.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

#### 2. Capital Expenditure and Financing

- 2.1 Capital expenditure is where the Council spends money on assets that will be used for more than one year, such as property or vehicles. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.
- 2.2 In 2022/23, the Council is planning capital expenditure of approximately £51m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
General Fund services	6.149	8.361	21.671	23.361	8.078
Council housing (HRA)	8.127	9.990	14.697	12.231	8.794
Capital investments	11.466	14.445	14.342	28.750	22.407
<b>TOTAL</b>	<b>25.742</b>	<b>32.796</b>	<b>50.710</b>	<b>64.342</b>	<b>39.279</b>

- 2.3 The main General Fund capital projects with expenditure planned for 2022/23 include profiled expenditure on the Princes Parade Leisure and Housing development (£14.7m), Coast Protection works (£1.1m), Private Sector Housing Improvement initiatives (£1.4m), funding for the East Cliff Landfill Protection scheme on land owned by the Folkestone Parks and Pleasure Grounds Charity (£1.2m) and the Coast Drive Seafront Development at New Romney (£0.9m).
- 2.4 The main capital investment projects include further expenditure on the Otterpool Park Garden Town Development (£9.4m), funding of Oportunitas Ltd (£2.2m) to support its housing and regeneration activities and the redevelopment of land at

Biggins Wood, Folkestone for employment purposes (£2.6m). Further information regarding the capital investments for services and commercial purposes is provided later in the strategy. The capital programme does not at this stage include provision for the Council's Levelling Up Fund bid. The district has been identified as a priority area and the Council is currently developing its bid proposals which is anticipated to be submitted in the summer 2022, and will be subject to a separate decision at the time.

2.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. The Council has plans to build 1,200 new homes by 2034/35, and the coming financial year includes £5.7m within the HRA Capital programme towards the delivery of this ambition. The HRA budgets for 2023/24 and 2024/25 shown in table 1, above, are based on the existing approved 30 year HRA Business Plan. The Plan is due to be revised during 2022 and this may impact the future HRA planned capital expenditure.

2.6 **Climate Change Emergency** – On 24 February 2021 Cabinet approved a Carbon Action Plan which identified themes and initiatives the Council intends to pursue to tackle climate change locally and reduce its own carbon emissions. £5m has been provided in the Climate Change Reserve to support this work. Any new capital schemes arising from the plan will need approving before including in the capital programme. To date, funding from the Climate Change Reserve has been committed towards the following General Fund capital schemes:

	Scheme	£'000
i)	Electric Vehicle Charging Points	40
ii)	District Street Lights Scheme	408
iii)	Folkestone & Hythe Green Business Grant Scheme	250
iv)	Princes Parade Leisure Centre (Solar Panels)	100
	<b>Total</b>	<b>798</b>

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

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

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

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

*Table 2: Capital financing in £ millions*

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
External sources	2.919	6.840	6.168	8.711	2.512
Own resources	12.461	11.621	22.268	13.538	18.039
Debt	10.362	14.335	22.274	42.093	18.728
<b>TOTAL</b>	<b>25.742</b>	<b>32.796</b>	<b>50.710</b>	<b>64.342</b>	<b>39.279</b>

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

*Table 3: Replacement of debt finance in £ millions*

	<b>2020/21 actual</b>	<b>2021/22 forecast</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
MRP	775	1,322	1,667	1,718	1,716
Capital resources	-	-	-	1,203	9,339
<b>TOTAL</b>	<b>775</b>	<b>1,322</b>	<b>1,667</b>	<b>2,921</b>	<b>11,055</b>

- The Council’s full minimum revenue provision statement is available here:  
See appendix 2 – link to follow

2.10 The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by about £18m during 2021/22. Based on the above figures for expenditure and financing, the Council’s estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
General Fund services	13.424	16.735	26.602	29.771	29.111
Council housing (HRA)	47.416	47.416	47.416	56.674	62.034
Capital investments	66.104	75.806	86.546	113.291	125.557
<b>TOTAL CFR</b>	<b>126.944</b>	<b>139.957</b>	<b>160.564</b>	<b>199.736</b>	<b>216.702</b>

- 2.11 In line with the approved HRA Business Plan, the HRA's CFR is expected to continue to increase as it borrows to invest in new stock to meet its aim of building 1,200 new units by 2034/35. The current business plan makes no provision to reduce the HRA CFR in the future. This helps to support the HRA's financial position over the life of the business plan. The rise in the HRA CFR is expected to be more than offset by an increase in the value of the HRA stock as new units are added.
- 2.12 From 2022/23 accounting changes to leases where the Council is the lessee will require these to be included on the Balance Sheet as assets. These leases, where they are not at a peppercorn rent, are seen as a form of borrowing and will need to be added to the Council's CFR. At this stage the impact of this change to the CFR has yet to be fully assessed although the Council does not have many leases that will be subject to this change.
- 2.13 **Asset management:** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. This strategy was adopted in July 2017 by Cabinet, covers the five year period to 2022 and sets out how property asset management is delivered for the Council to meet its long term objectives and goals. It outlines how the long term objectives for managing the asset portfolio are met, including statutory obligations, stakeholder needs & the overall performance of property within the context of any constraints such as funding. The strategy is supported by the Asset Management Policy & Asset Management Plan also adopted by Cabinet in July 2017.
- The Council's asset management strategy can be read here:  
<https://www.folkestone-hythe.gov.uk/moderngov/documents/s24171/Shepway%20AM%20Strategy%20July.pdf>
- 2.14 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2022/23 under the Flexible Use of Capital Receipts Policy. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £6.39m capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £ millions

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Asset sales – Non Housing	1.480	0	4.460	14.769	13.940
Asset Sales – HRA	0.646	0.800	1.500	1.500	1.500
Loans repaid	0.735	0.760	0.430	0.446	0.446
<b>TOTAL</b>	<b>2.861</b>	<b>1.560</b>	<b>6.390</b>	<b>16.715</b>	<b>15.886</b>

- 2.15 The Non-Housing asset sales assumes capital receipts of £20m for the disposal of land at Princes Parade, Hythe for housing and £6.6m in for the Hythe Pool site over the three period from 2022/23 to 2024/25. In both cases these capital receipts are committed towards funding the Princes Parade Leisure and Housing development.

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

- The Council’s Flexible Use of Capital Receipts Policy is available here: <https://www.folkestone-hythe.gov.uk/moderngov/documents/s20238/rcabt20160914%20MTFS%20Cabinet%20report%2014-9-16.pdf>

### 3. Treasury Management

- 3.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 3.2 Due to decisions taken in the past, the Council as at 30 November 2021 has £83.96m borrowing at an average interest rate of 2.46% and £34.4m treasury investments at an average rate of 1.96%.
- 3.3 **Borrowing strategy:** The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.5%) and long-term fixed rate loans where the future cost is known but higher (currently around 2%).

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

*Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions*

	<b>31.3.2021 actual</b>	<b>31.3.2022 forecast</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>	<b>31.3.2025 budget</b>
Debt (incl. PFI & leases)	78.955	92.857	140.864	183.736	201.202
Capital Financing Requirement	126.944	139.957	160.564	199.736	216.702

- 3.5 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.
- 3.6 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £15m at each year-end. This benchmark is currently projected to be £92.9m at 31.3.22 and is forecast to rise to £201.2m over the next three years.

*Table 7: Borrowing and the Liability Benchmark in £ millions*

	<b>31.3.2021 actual</b>	<b>31.3.2022 forecast</b>	<b>31.3.2023 budget</b>	<b>31.3.2024 budget</b>	<b>31.3.2025 budget</b>
Outstanding borrowing	78.955	92.857	140.864	183.736	201.202
Liability benchmark	78.955	92.857	140.864	183.736	201.202

- 3.7 The table shows that the Council expects its borrowing to be in line with its liability benchmark. However, this may change if, for instance, the timing of the capital expenditure changes or if it is beneficial to borrow in advance of need.
- 3.8 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. The authorised limit provides for borrowing for capital purposes for one year in advance so is higher than both the operational boundary and the figures shown in the Prudential Indicator for gross debt and the CFR in table 6, above.



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

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit
Authorised limit – borrowing	187.6	206.7	231.7	247.2
Authorised limit – PFI and leases	-	1.0	1.0	1.0
Authorised limit – total external debt	187.6	207.7	232.7	248.2
Operational boundary – borrowing	148.2	161.6	200.7	217.7
Operational boundary – PFI and leases	-	1.0	1.0	1.0
Operational boundary – total external debt	148.2	162.6	201.7	218.7

- 3.9 The proposed authorised borrowing limit for 2022/23 of £207.7m is £11.7m more than indicated in the Treasury Management Strategy Statement considered by Cabinet on 26 January 2022. The main reason for this change is the impact of revised funding required for the Princes Parade Leisure and Housing scheme.

Further details on borrowing are in pages 6 to 10 of the treasury management strategy due to be considered by full Council on 23 February 2022 – link to follow

- 3.10 **Treasury investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 3.11 The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 9: Treasury management investments in £millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
Near-term investments	(3.6)	(4.5)	(5.0)	(5.0)	(5.0)
Longer-term investments	(15.2)	(15.5)	(15.0)	(15.0)	(15.0)
<b>TOTAL</b>	<b>(18.8)</b>	<b>(20.0)</b>	<b>(20.0)</b>	<b>(20.0)</b>	<b>(20.0)</b>

- Further details on treasury investments are in pages 10 to 15 of the treasury management strategy – link to follow

3.12 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Corporate Services and staff, who must act in line with the treasury management strategy approved by Council. Half yearly reports on treasury management activity are presented to Cabinet. The Finance and Performance Sub-Committee are responsible for scrutinising treasury management decisions.

#### 4. **Investments for Service Purposes**

- 4.1 The Council can lend money to its subsidiaries, its charities where the Council is the trustee, its external service providers, local residents and its employees to support local public services and stimulate local economic growth. In the future the Council may also lend money to joint ventures it decides to enter into to help deliver its major corporate investment initiatives.
- 4.2 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the authority, upper limits on the outstanding loans to each category of borrower have been set.
- 4.3 Additionally the Council can invest in equity in its subsidiary companies it may choose to establish or other joint venture companies it decides to enter into to help deliver its corporate investment initiatives.
- 4.4 Notably, the Council invested almost £4.8m in its wholly owned Housing and Regeneration subsidiary company, Oportunitas Limited, to support the first phase of its housing for rent programme. This investment was through £4.3m in loan funding and almost £0.5m in share equity. The Council subsequently agreed a further investment package of £6.9m to Oportunitas to enable the company to expand its housing programme with £2.47m being additional loan funding and £4.43m as increased share equity funding. The Council's funding is secured against the assets of the company.
- 4.5 The Council's plans to create the Otterpool Park Garden Town Development are now at an advanced stage. Otterpool Park will provide up to 10,000 much needed new homes over a 30 year period, creating significant economic benefits to the district. The Council, as principal land owner, also expects to gain a financial return from its investment in the Otterpool Park development. The Council has created the Otterpool

Park Limited Liability Partnership (LLP) as a wholly owned subsidiary to deliver the project. Cabinet approved the latest business plan for the LLP on 26 January 2022. This will require the Council making an investment of up to £75m in the LLP through a combination of equity, through a capital contribution, and loan funding and work is currently taking place to determine the optimum mix. The LLP's prime source of income will be the receipts it generates from selling parcels of land within the development area to housing developers. However, it will be several years before the first sales are likely to be completed. The project is forecast to produce a net return to the Council of between £240m to £270m over its lifetime. The Council's funding will be secured against the assets and future cash flows of the LLP.

4.6 The equated value of investments for service purposes in 2022/23 is approximately £20.1m generating a return of about 3.14%. The return includes accrued interest anticipated to be received from the Council's investment in the LLP.

4.7 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Director of Corporate Services and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are in sections 3 & 4 of the appendix to the Investment Strategy 2022/23 report being considered separately on this agenda. The Capital Strategy 2022/23 and Investment Strategy 2022/23 will be published together on the Council's website once they are adopted.

## 5. Commercial Activities

5.1 With central government financial support for local public services declining, the Council has invested in commercial property and land with the intention of making capital gains or generating new revenue streams to spend on local public services. Total commercial investments are currently projected to be valued at £91.2m at 31 March 2022 with the largest being the land and property acquisitions required for the Otterpool Park development (£65.4m) and the Connect 38 Offices in Ashford (£17.4m). To date the most notable benefit from Otterpool Park has been an unrealised valuation gain of about £27m on the farm land acquired in late 2015.

5.2 The total net return after all costs on commercial activities for 2022/23 is projected to be a small negative return of 0.2% and there are two main reasons for this. Firstly, there is a net cost being incurred for the land and property acquired for the Otterpool Park development, mainly due to capital financing costs. Secondly, there is a net cost from the ownership of the Folca building while its future use is considered.

5.3 With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include fluctuations in future demand of the market including competition, risk of void tenancies, fall in capital values etc. These risks are managed by the project lead as well as assessed through the corporate risk register. The Council has an established a proactive risk management framework, which incorporates key projects, and

reports quarterly to the Audit & Governance Committee as well as annually to the Cabinet. The Council is also working on a council wide transformation programme to support the needs of the medium term revenue position so as to not place sole reliance on the investment plans providing the expected yields within the anticipated timeframes.

5.4 **Governance:** Decisions on commercial investments are made by Cabinet and / or Full Council in line with the criteria and limits outlined within the Constitution, in specific circumstances the Executive have delegated authority to progress certain projects to the Director of Place and the Director of Housing and Operations in consultation with the relevant Portfolio Holders. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on commercial investments, limits on their use and other risk management controls are in section 5 of the appendix to the Investment Strategy 2022/23 report being considered separately on this agenda. The Capital Strategy 2022/23 and Investment Strategy 2022/23 will be published together on the Council's website once they are adopted.

5.5 The CIPFA Prudential Code now requires a Prudential Indicator to be approved showing the net service and commercial investments income as a proportion of the Council's General Fund net revenue stream (income to be met from local taxation). The Code also recommends showing the same income as a proportion of the Council's General Fund usable reserves.

*Table 10: Prudential Indicator – Net income from service and commercial investments to net revenue stream £'millions*

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Net income from service investments	0.209	0.315	0.715	1.794	3.349
Net income from commercial investments	1.182	1.031	1.348	1.348	1.348
Total income from service and commercial investments	1.391	1.346	2.063	3.142	4.697
<b>Proportion of net revenue stream</b>	<b>9.76%</b>	<b>8.92%</b>	<b>12.97%</b>	<b>19.18%</b>	<b>27.84%</b>
<b>Proportion of usable reserves</b>	<b>2.47%</b>	<b>2.86%</b>	<b>6.95%</b>	<b>12.08%</b>	<b>18.42%</b>

## 6. Liabilities

6.1 In addition to projected debt of £141m at 31 March 2023 detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £76.6m at 31.3.21). It has also set aside £2.3m to cover risks of the business rates appeals.

6.2 **Governance:** Decisions on incurring new discretionary liabilities are taken by the Director of Corporate Services in liaison with service managers. The risk of liabilities crystallising and requiring payment is monitored by Accountancy and reported through the regular budget monitoring/projected outturn cycle to Cabinet if identified or through the Statement of Accounts process to the Audit & Governance Committee. New liabilities exceeding the auditors materiality threshold would be reported to full council for approval/notification as appropriate.

- Further details on liabilities and guarantees are on pages 36 to 40 of the 2020/21 draft statement of accounts [https://www.folkestone-hythe.gov.uk/media/3664/Draft-Statement-of-Accounts-2020-21/pdf/Draft\\_SoA\\_2020-21.pdf?m=637602382451870000](https://www.folkestone-hythe.gov.uk/media/3664/Draft-Statement-of-Accounts-2020-21/pdf/Draft_SoA_2020-21.pdf?m=637602382451870000)

## 7. Revenue Budget Implications

7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. The Prudential Code now requires the financing costs to be shown gross of any investment income resulting in the proportion of these costs to increase when compared to that approved previously, particularly for the General Fund.

Table 11: Prudential Indicator: Proportion of financing costs to net revenue stream

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
<b>Non-HRA</b> Financing costs (£m)	4.38	2.35	4.69	3.16	3.40
Proportion of net revenue stream	30.8%	15.6%	29.5%	19.3%	20.1%
<b>HRA</b> Financing costs (£m)	4.51	4.73	8.26	5.94	6.37
Proportion of net revenue stream	27.6%	29.9%	47.9%	32.2%	33.2%

7.2 The reduction in the Non-HRA financing cost in 2021/22 reflects the level of revenue funding planned to be used towards the General Fund capital programme.

7.3 The increase the HRA financing costs for 2022/23 reflects the level of revenue funding planned to be used towards the HRA capital programme and includes some reprofiling from 2021/22.

- For the General Fund the revenue implications of capital expenditure are included in the 2022/23 revenue budget – link to GF Budget 2022/23 to follow
- For the HRA the revenue implications of capital expenditure are included in the 2022/23 HRA revenue budget – link to HRA revenue budget 2022/23 to follow

7.4 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Corporate Services is satisfied that the proposed capital programme is prudent, affordable and sustainable because it has been evaluated and risk assessed, it is considered to be a balanced portfolio with minimal risks.

## 8. **Knowledge and Skills**

8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Corporate Services is a qualified accountant with 20 years' experience and The Director of Housing and Operations has a degree and post graduate certificate in strategic leadership and over 20 years' extensive and relevant experience in contract and project management. The Housing and Operations teams include suitably qualified and experienced professionals ranging from FRCIS through to MSc Engineering and senior project management qualifications. The Council pays for staff to study towards relevant professional qualifications including ACCA, ACT (treasury).

8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Savills and Montague Evans as property consultants as well as other bodies on an ad hoc basis. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- Further details on staff training can be found within the People Strategy which was considered by Personnel Committee in June 2019 <https://www.folkestone-hythe.gov.uk/moderngov/documents/s30459/Report%20-%20HR%20Annual%20Review%202018-19%20-%20App2%20People%20Strategy%20-%20June%202019.pdf>

### **Annual Minimum Revenue Provision Statement 2022/23**

1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision (MRP)**, although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Council to have regard to the Department for Levelling Up, Housing and Communities' *Guidance on Minimum Revenue Provision* (the DLUHC Guidance) most recently issued in 2018.
2. The broad aim of the DLUHC Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
3. The DLUHC Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
  - i) For capital expenditure incurred before 1<sup>st</sup> April 2008 and for supported capital expenditure incurred on or after that date MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
  - ii) For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
  - iii) For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the DLUHC Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
  - iv) Additionally the council is free to determine an alternative MRP approach provided that it is prudent. These alternatives may include a variation on

the above options or may take other forms as determined by the Chief Finance Officer. For instance, where the council acquires assets funded from unsupported borrowing for the purpose of site assembly with the aim of disposing to developers in the future, then the council may determine a nil MRP charge is prudent on the understanding that the capital receipt from the disposal is used repay the borrowing and extinguish the CFR relating to it. Any unsupported borrowing on capital expenditure falling into this category will be reviewed annually and if for any reason a capital receipt will not be received within a specified timeframe as determined by the Chief Finance Officer relating to the asset acquired then the unsupported borrowing will revert back to the normal MRP treatment applicable including an adjustment for MRP due for previous years that may not have been previously charged.

4. No MRP will be charged in respect of assets held within the Housing Revenue Account.
5. Any deviation from the approved policy in year will, as a minimum, be addressed in the MRP Policy Statement for the next financial year.
6. Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.
7. Based on the Authority's latest estimate of its capital financing requirement (CFR) on 31<sup>st</sup> March 2022, the budget for MRP has been set as follows:

	<b>31.03.2022 Estimated CFR £m</b>	<b>2022/23 Estimated MRP £m</b>
Capital expenditure before 01.04.2008	10.283	0.318
Unsupported capital expenditure after 31.03.2008	81.688	1.292
Loans to other bodies repaid in instalments	0.570	0.057
Voluntary overpayment (or use of prior year overpayments)	n/a	Nil
<b>Total General Fund</b>	<b>92.541</b>	<b>1.667</b>
Assets in the Housing Revenue Account	15.402	Nil
HRA subsidy reform payment	32.014	Nil
<b>Total Housing Revenue Account</b>	<b>47.416</b>	<b>Nil</b>
<b>Total</b>	<b>139.957</b>	<b>1.667</b>





This Report will be made public on 15<sup>th</sup> February 2022

Report Number **C/21/84**

**To:** Cabinet  
**Date:** 23 February 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:** INVESTMENT STRATEGY 2022/23

**SUMMARY:** This report sets out the Council's proposed strategy for its service and commercial investments in 2022/23 to be approved by full Council.

**REASONS FOR RECOMMENDATIONS:**

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

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

**RECOMMENDATIONS:**

1. To receive and note report C/21/84.
2. To recommend to Council that the 2022/23 Investment Strategy, including the Investment Indicators, set out in the appendix to this report is approved.

## 1. INTRODUCTION AND BACKGROUND

- 1.1 In early 2018 the Department for Levelling Up, Housing and Communities (DLUHC) revised their *Statutory Guidance on Local Government Investments* mainly as a response to the increased commercial investment activity in the sector. The DLUHC Guidance requires all local authorities to produce an annual Investment Strategy for their non-treasury management investments which has to be approved by full Council. The DLUHC Guidance also requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications of *The Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services* which both complement it.
- 1.2 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
  - to support local public services by lending to or buying shares in other organisations (**service investments**), and
  - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.3 The main purpose of the investment strategy is to identify the level of the authority's service and commercial investments and to set risk management parameters around these.
- 1.4 Treasury management investments and borrowing continue to be covered by a separate annual Treasury Management Strategy Statement which is due to be approved by full Council later today as part of the budget process in advance of each new financial year. However, the DLUHC Guidance requires some limited treasury management information to feature in the investment strategy, including the level of interest received by the General Fund. Cabinet considered the Council's Treasury Management Strategy Statement for 2022/23 on 26 January 2022 (minute 68 refers)
- 1.5 The investment strategy, set out in the appendix to this report, is based on the authority's existing and planned service-related and commercial investments and is consistent with the proposed General Fund Medium Term Capital Programme which was approved by Full Council on 10 February 2022.
- 1.6 Being a relatively new requirement on the authority, it is anticipated that the investment strategy will continue to develop and evolve over time in line with the council's own capital investment aspirations and plans. The intention is to review the investment strategy annually as part of the authority's budget setting process. However, if the nature and structure of the authority's proposed service and commercial investments was to change during the year it may be necessary to revise the strategy at the same time.

## **2. RISK MANAGEMENT ISSUES**

- 2.1 The main purpose of the investment strategy shown in the appendix to this report is to identify risks associated with the authority's service and commercial investments and to set parameters to help mitigate these. No other risk management issues have been identified as relevant to this report.

## **3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **3.1 Legal Officer's Comments (TH)**

There are no legal implications arising directly out of this report other than those already stated. For each financial year, the council should prepare at least one Investment Strategy which should contain the disclosures and reporting requirements specified in the Local Government Investment Guidance as published by the DLUHC. The Strategy should be approved by full Council.

### **3.2 Finance Officer's Comments (LW)**

This report has been prepared by Financial Services and there are no direct financial implications arising from it.

### **3.3 Diversities and Equalities Implications (LW)**

There are no direct diversities or equalities issues arising from this report.

### **3.4 Communication Officer's Comments (JW)**

There are no communication issues arising directly from this report.

### **3.5 Climate Change Implications (AT)**

There are no climate changes implications arising directly from this report.

## **4. 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

Telephone: 01303 853593

Email: [lee.walker@folkestone-hythe.gov.uk](mailto:lee.walker@folkestone-hythe.gov.uk)

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

Arlingclose Ltd – Investment Strategy Report 2022/23 Template

### **Appendices:**

Appendix 1: Investment Strategy 2022/23

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## INVESTMENT STRATEGY 2022/23

### 1. INTRODUCTION

- 1.1 The Investment Strategy is a requirement of the Department for Levelling Up and Housing and Communities (DLUHC) *Statutory Guidance on Local Government Investments*. The DLUHC Guidance also requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications of *The Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services* which both complement it.
- 1.2 The Council invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
  - to support local public services by lending to or buying shares in other organisations (**service investments**), and
  - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.3 The main purpose of the strategy is to identify the level of the Council's service and commercial investments and to set risk management parameters around these. It is based on the authority's existing and planned service-related and commercial investments and is consistent with the General Fund Medium Term Capital Programme approved by full Council on 10 February 2022.
- 1.4 During 2020 the Council created the Otterpool Park Limited Liability Partnership (LLP) as a wholly owned subsidiary to deliver the Otterpool Park development. Otterpool Park will provide up to 10,000 much needed new homes over a 30 year period, creating significant economic benefits to the district. The Council, as principal land owner, also expects to gain a financial return from its investment in the development.
- 1.5 Cabinet approved the latest business plan for the LLP on 26 January 2022 (minute 74 refers). This requires the Council to make an investment of up to £75m in the LLP through a combination of equity, in the form of a capital contribution, and loan funding and work is currently taking place to determine the optimum mix for this. For the purposes of this strategy, it has been assumed that funding will be 10% equity and 90% loan. However, a tolerance has been built into the proposed investment limits within the strategy that allows the equity to increase to 20% with the loan funding reducing to 80%. The Council will receive a market rate of interest on the loans advanced to LLP. Over time the Council expects to receive returns on its equity investment in the LLP largely generated from the sales of land to housing developers and this will be governed by the terms of the Members' Agreement.

## 2. TREASURY MANAGEMENT INVESTMENTS

- 2.1 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the CIPFA. The balance of treasury management investments is expected to fluctuate between £15m and £35m during the 2022/23 financial year.
- 2.2 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities. These investments also contribute an income stream to support the General Fund budget position annually.
- 2.3 **Further details:** Full details of the Council's policies and its plan for 2022/23 for treasury management investments are covered in a separate document, the Treasury Management Strategy Statement (TMSS), due to be approved by full Council on 23 February 2022 as part of the budget process for 2022/23. The approved TMSS will be published on the Council's website.

## 3. SERVICE INVESTMENTS: LOANS

- 3.1 **Contribution:** The Council can lend money to its subsidiaries, its charities where the council is the trustee, its external service providers, local residents and its employees to support local public services and stimulate local economic growth. In the future the Council may also lend money to joint ventures it decides to enter into to help deliver its major corporate investment initiatives. Examples of loans the Council makes are shown in the table below:

**Table 1 – Example of Loans Made for Service Investments**

Organisation	Relationship	Purpose	Service Objective
Oportunitas Ltd	Housing and Regeneration subsidiary company	Primarily for the acquisition of residential property for rent	Provision of good quality homes for rent  Generate additional revenue stream for the General Fund
Folkestone Parks and Pleasure Grounds Charity	Council is the trustee	Refurbishment and replacement of Beach Huts	Improve the appearance of the district and to improve the financial resilience of the

			Charity through additional income generated
Local property owners	Jointly funded empty homes initiative with Kent County Council	Interest free loans to property owners to bring empty properties across the district back in to residential use	Bringing empty residential properties back into use and the provision of additional good quality homes
Otterpool Park LLP	Otterpool Park Delivery Vehicle subsidiary company	Delivery of the Otterpool Park Garden Town development	Provision of new homes, generate economic benefits and provide a financial return to the Council

- 3.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 2 - Loans for service purposes in £ millions

Category of borrower	31.3.2021 actual			2022/23
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Approved Limit £m
Subsidiary – Oportunitas Ltd	4.112	0.083	4.195	<b>6.830</b>
Subsidiary – Otterpool Park LLP	-	-	-	<b>67.500</b>
FPPG Charity	0.520	-	0.520	<b>0.460</b>
Local residents/landlords (Housing)	2.452	-	2.452	<b>3.050</b>
<b>TOTAL</b>	<b>7.084</b>	<b>0.083</b>	<b>7.167</b>	<b>77.840</b>

- 3.3 The approved limits for 2022/23 not only include the estimated amounts to be lent in the year but also provide for any accrued interest and future loan commitments within the loan agreement.
- 3.4 The proposed loan limit in 2022/23 for Oportunitas Limited, the Council's wholly owned housing and regeneration company, includes the additional loan of £2.47m approved by full Council on 28 February 2018. This loan is expected to

fully utilised during 2022/23 in line with the latest approved business plan for the company.

- 3.5 The proposed loan limit for Otterpool Park LLP assumes the Council will provide loan funding of up to 90% from the budget provided for the Otterpool Park delivery within the Medium Term Capital Programme. Expert legal advice has been commissioned to ensure the loan to the LLP provides the Council with the optimum level of security to mitigate against the risk of default.
- 3.6 Accounting standards require the authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. No loss allowance has been made for the loans made to local property owners as the majority of these have been secured against property with a low risk of default. However, the authority is required to keep the position under review and the figures for loans in the Council's statement of accounts for 2021/22 onwards will continue to be shown net of any loss allowance made if applicable. The authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 3.8 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans. This includes:
- 3.8.1 Ensuring the authority has the legal power to make the loan to the entity in the first place.
- 3.8.2 Assessing loan applications against the type of market the entity is operating and competing in:
- i) Loans to the Council's subsidiary company, charities where it is the trustee, joint ventures or external service providers require a business case and, possibly, business model to be prepared in advance. This needs to demonstrate the entity's long term financial viability, its ability to meet the loan repayment terms and also the internal governance arrangements in place to support their operations. The entity also needs to demonstrate how it will evolve over time against both market conditions and its customer needs. The entity needs to identify any ongoing or future investment requirements to support it over the term of the loan. The authority's loan agreement may require the entity to provide regular performance information to enable an assessment to be made of their ability to continue to meet its terms and conditions. Unless otherwise agreed, loans made are secured against the property or other assets of the entity to help mitigate the risk of default.
  - ii) Loans to local property owners for housing improvements schemes are made in accordance with the criteria of the specific scheme agreed by the Council. All previous and existing housing improvement schemes offer interest free loans (soft loans) with the requirement that the principal sum is repaid to the authority at an agreed trigger point such as after an agreed period of time or when the property is eventually sold. Loans are secured as a charge against the property to help mitigate the risk of default.



- 3.8.3 External advisors can be used to support the Council in assessing investment opportunities and preparing loan agreements. This can include advising on investment options appraisal, business plan or case submissions, relevant commercial lending terms, compliance for State Aid, taxation and other statutory issues and reporting obligations for the borrower.
- 3.8.4 The Council has established procurement and contract management procedures to appoint and monitor the performance of external advisors it uses. This can involve;-
- interviewing potential consultants to gain a better understanding of their breadth of experience and knowledge in the specific area,
  - liaising with other local authorities through established groups and channels to discuss the suitability of consultants being considered where it is known they have been used before,
  - focusing advice on larger firms with the breadth and depth of expertise to minimise risk, and
  - utilising our own professional judgement to consider the advice received.
- 3.8.5 Credit ratings are not currently applicable as part of the assessment process for checking the financial status of entities or individuals who apply for a loan. This may alter if the nature and scope of loans made was to change in the future.
- 3.8.6 The Council may require other sources of information to help assess the suitability of the entity requesting a loan such as financial accounts or a bank reference.

#### **4. SERVICE INVESTMENTS: SHARES AND OTHER EQUITY**

- 4.1 The Council has invested in share equity for Oportunitas Limited and Otterpool Park LLP. In the future the Council may also acquire shares in either other subsidiaries companies it may choose to establish or joint venture companies it decides to enter into to help deliver its major corporate investment initiatives.
- 4.2 **Contribution Oportunitas Limited:** The Council's investment in the shares of Oportunitas supports its operational trading activities including its acquisition of residential property to increase the supply of good quality housing for rent to local people. No dividend return is expected in the medium term from this investment, however the council's overall investment in Oportunitas provides an additional revenue stream to the General Fund.
- 4.3 **Contribution Otterpool Park LLP:** The Council's equity investment in Otterpool Park LLP, as a capital contribution through the Members' Agreement, support its operational activities to act as the Master Developer for the proposed scheme. The LLP's main income stream will be from selling serviced parcels of land to housing developers and this will provide the opportunity to make a return to the Council. No return is expected to be received over the first five years of the scheme.

- 4.4 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows.

Table 3 - Shares and Capital contributions held for service purposes in £ millions

Category of company	31.3.2021 actual			2022/23
	Amounts invested £'m	Gains or losses £'m	Value in accounts £'m	Approved Limit £'m
Subsidiary – Oportunitas Ltd	3.869	(0.401)	3.468	4.909
Subsidiary – Otterpool Park LLP	1.250	-	1.250	15.000
<b>TOTAL</b>	5.119	(0.401)	4.718	19.909

- 4.5 The approved limit for 2022/23 includes;
- i) the increase in share equity of £4.43m approved by full Council on 28 February 2018 as part of its future strategy for Oportunitas, and
  - ii) the proposed equity in Otterpool Park LLP being a maximum of 20% of the agreed total equity and loan funding package profiled for the period to 31 March 2023, outlined in section one, above.
- 4.6 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares of its subsidiaries or joint ventures. This includes:
- 4.6.1 Ensuring the authority has the legal power to acquire the share capital or make the equity investment in the entity in the first place.
  - 4.6.2 Preparing a long term business case and business model for the company identifying the level, structure and time scale of the investment required to enable it to become financially viable and sustainable and provide the authority with an appropriate financial return
  - 4.6.3 Requiring the company to develop and maintain a business plan outlining how it will meet the objectives of the authority as shareholder including identifying associated risks, including market conditions, and measures to mitigate these.
  - 4.6.4 Requiring the company in the event it was to cease trading or become insolvent to dispose of its assets and transfer the net receipt to the authority or transfer the assets to the control of the authority itself, to help mitigate the risk of financial loss.
  - 4.6.5 Using external advisers if required to support the authority in preparing its business planning and modelling to support the creation and development of the company and also structure the shareholder agreement.

4.6.6 Using the authority's established procurement and contract management procedures to appoint and monitor the performance of external advisors it uses. This can involve;-

- interviewing potential consultants to gain a better understanding of their breadth of experience and knowledge in the specific area,
- liaising with other local authorities through established groups and channels to discuss the suitability of consultants being considered where it is known they have been used before,
- focusing advice on larger firms with the breadth and depth of expertise to minimise risk, and
- utilising our own professional judgement to consider the advice received.

4.6.7 Credit rating checks are not applicable as a risk assessment check to support the authority's investment in its wholly owned subsidiary company. This may alter if the nature and scope of the Council's acquisition of share capital made was to change in the future.

4.7 **Liquidity:** The Council's equity investments in Oportunitas Limited and Otterpool Park LLP are both long term commitments with no specified end date. The business cases and model supporting the council's investment in Oportunitas and Otterpool are based on original 45 year and 30 year periods respectively. The Council's future capital investment plans do not require the repayment of the equity investments. However, in the case Otterpool the long term modelling assumes the Council's total investment in the project can be met from the schemes projected net proceeds. The Council has overall control of the both companies and can decide if it wants to review the level of its equity investment. For any future share or equity investment in other subsidiary companies or joint ventures it is likely these will also be a long term commitment, however this will be determined at the time the investment is being considered for approval.

4.8 **Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the authority's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

## 5. **COMMERCIAL INVESTMENTS: PROPERTY**

5.1 **Contribution:** The Council invests in local commercial and residential land and property with the intention of making a capital gain or generating a new revenue stream that will be spent on local public services. The Council currently holds investment property for the following main reasons;

- i) Land and property to support the proposed Otterpool Park Garden Town development of up to 10,000 new homes over an approximate 30 year period. This excludes Westenhanger Castle, which while part of the

Otterpool Park Garden Town development, is planned to be used for its community benefit rather than a direct financial return.

- ii) Land for other commercial and residential development, including the Biggins Wood site in Folkestone.
- iii) Commercial and light industrial units for local businesses providing employment opportunities and the authority with a net rental stream.
- iv) The Connect 38 office accommodation in Ashford to provide the authority with an additional net revenue stream.
- v) The Folca building, Folkestone (former Debenhams) whose future use forms part of the Place Plan for Folkestone town centre.

5.2 The table below summarises the value of the Council's investment assets grouped by property type measured against the original purchase or construction cost. For some assets the original purchase or construction cost data is not available in which case the value of the asset at 1<sup>st</sup> April 2014 has been used as a proxy value with changes since then shown as a gain or loss.

Table 4 - Property held for investment purposes

Property Type	31/03/2021 (Actual)			31/03/2022 (Projection)		
	Actual Purchase Cost	Accrued Gains (Losses)	Value in Accounts	Actual Purchase Cost	Accrued Gains (Losses)	Value in Accounts
	£m	£m	£m	£m	£m	£m
Commercial and Light Industrial (existing)	1.102*	0.731	1.833	1.102*	0.731	1.833
Other Land	1.368*	(0.467)	0.901	4.858*	(0.467)	4.391
Otterpool land and property	37.914	27.015	64.929	38.444	26.993	65.437
Connect 38 Offices	17.711	(0.310)	17.401	17.711	(0.310)	17.401
Retail – Folca Building	2.340	(0.158)	2.182	2.340	(0.158)	2.182
<b>Total</b>	<b>60.435</b>	<b>26.811</b>	<b>87.246</b>	<b>64.455</b>	<b>26.789</b>	<b>91.244</b>

\* Includes assets where a proxy value has been used based on their value at 1<sup>st</sup> April 2014

5.3 All land and property classified as Investment Assets is required to be measured at its market value as at 31 March each year for inclusion in the authority's Statement of Accounts. At the time of writing, no information was available regarding potential changes in the market value of these assets as at 31 March 2022 meaning, where appropriate, they are shown at either their value as at 31 March 2021 or purchase cost if acquired in 2021/22 in table 4, above.

- 5.4 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. However, it is recognised the Council is acquiring land for development reasons and therefore its existing use value as an investment asset may be significantly lower than its future potential value.
- 5.5 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2021/22 year end accounts preparation and audit process value these properties below their purchase cost and there is no reasonable prospect of this being reversed as a result of the Council's investment plans, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 5.6 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by preparing a business case to support the proposed investment. This includes:
- 5.6.1 Assessing the current and expected future market demand and need for relevant property by reference to local, regional or national data, including rental and occupancy levels.
- 5.6.2 Assessing the current and expected future market competition for the type of property being considered.
- 5.6.3 Identifying the relevant legal power the authority is using to undertake the purchase and whether or not it may need to purchase and operate it through a separate entity such as a company or joint venture.
- 5.6.4 Identifying how the authority can recover or dispose of its interest in the property without financial loss.
- 5.6.5 Undertaking a whole-life financial assessment for the proposed scheme to identify any on-going investment that may be required.
- 5.6.6 Using specialist external advisors such as, valuers, surveyors, property agents, solicitors and taxation and other finance specialists to help evaluate the proposed investment if required.
- 5.6.7 Using the Council's established procurement and contract management procedures to appoint and monitor the performance of external advisors it uses. This can involve;-
- interviewing potential consultants to gain a better understanding of their breadth of experience and knowledge in the specific area,
  - liaising with other local authorities through established groups and channels to discuss the suitability of consultants being considered where it is known they have been used before,
  - focusing advice on larger firms with the breadth and depth of expertise to minimise risk, and
  - utilising our own professional judgement to consider the advice received.

- 5.6.8 Using credit checks if required to assess the financial strength of third parties the Council could be exposed to, for instance where the authority proposes to purchase an investment property which has existing commercial tenants. Credit ratings are not applicable as part of the assessment process for property investment.
- 5.6.9 The Council has established a proactive risk management culture within the organisation, including all key projects being required to consider risks, as well as quarterly monitoring and reporting of key corporate risks which includes, at times, key investment plans such as the delivery of Otterpool.
- 5.7 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions.
- 5.8 The Council's commercial and light industrial units' portfolio is viewed as a long term commitment providing valuable local jobs and supporting the local economy. Any decision to dispose of existing units would need to be balanced against providing alternative employment opportunities, continuing to support the local economy as well as the direct financial impact to the authority.
- 5.9 Where property is held for future development reasons the Council will identify how it intends to recover or access the cost of its capital investment as part of any proposal for the specific development.

## 6. **PROPORTIONALITY**

- 6.1 The current Medium Term Financial Strategy (MTFS) does include property and service investment income as part of its projections from schemes and initiatives already in place or agreed. The MTFS anticipates accrued interest from the capital funding being made available to Otterpool Park LLP but excludes the benefit from any potential capital gains or other new revenue streams from the proposed Otterpool Park development. However, the MTFS is over the medium term in a deficit position of about £5.7m and the authority is continuing to explore investments to support the closure of this gap (along with an internal Transformation programme). As the Council's wider investment plans continue to develop further consideration will be given to its approach to proportionality in respect of investment income to gross service expenditure. Table 5 below shows the extent to which the service delivery objects of the Authority is dependent on achieving the expected net return from its investments over the life of the MTFS.

Table 5 - Proportionality of Investments in £millions

	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2022/23 Budget</b>	<b>2023/24 Projection</b>	<b>2024/25 Projection</b>
Gross service expenditure	90.4	95.8	96.1	98.0	99.9
Net investment income to General Fund	2.0	1.9	2.6	3.7	5.3
Proportion	2.2%	1.98%	2.7%	3.8%	5.3%

## **7. CAPACITY, SKILLS AND CULTURE**

### **7.1 Elected members and statutory officers:**

7.1.1 All members have previously been provided with training on treasury management and investments by the authority's Treasury Management advisors (Arlingclose Ltd). It is planned to provide further training on this subject later in 2022 and will encompass all members and not just those on the relevant committees. Training is also held on specific issues for nominated councillors (such as on Investment Appraisals) and there are ongoing briefings for individual members with specific responsibilities such as the Finance Portfolio holder, the Chair of the Audit and Governance Committee and the Group Leaders of the political parties represented on the Council. All members have a wide exposure to investment decisions and are able to interrogate officers either formally or informally.

### **7.2 Commercial deals:**

7.2.1 The Council has a process in place whereby all proposed capital investment decisions are referred to Financial Services and Legal Services to ensure compliance with the principles of the prudential framework and of the regulatory framework for local authorities. For individual major projects, including commercial property investments, a project board or working group is established at the outset which includes officers from Financial Services and Legal Services who advise on compliance with statutory guidance and regulatory issues.

### **7.3 Corporate governance:**

7.3.1 The Council has a clearly articulated corporate plan and associated values which have recently been refreshed as part its transformation programme. It also has a long standing practice of regular and transparent decisions in relation to investments held for both treasury management purposes and also for investment purposes. The governance structure includes scrutiny of certain decisions, including those relating to the Council's budget-setting process, through the Overview and Scrutiny Committee or its Finance and Performance Scrutiny Sub-Committee prior to these being considered by Cabinet. Any new investment decisions need to be approved by Full Council with a full explanation

of the benefits, opportunities and risks associated with any proposal. The ongoing performance of investments is regularly reported back to Members and is subject to ongoing review and monitoring.

## 8. INVESTMENT INDICATORS

- 8.1 The Council proposes to set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.
- 8.2 **Total risk exposure:** The first indicator shows the authority's total exposure to potential investment losses. This includes amounts the authority is contractually committed to lend but have yet to be drawn down and guarantees it has issued over third party loans.

Table 6 - Total investment exposure in £millions

Total investment exposure £m	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Treasury management investments	18.8	20.0	20.0
Service investments: Loans	7.2	7.0	14.9
Service investments: Shares	4.7	7.4	9.1
Commercial investments: Property	87.2	91.2	101.3
<b>TOTAL INVESTMENTS</b>	<b>117.9</b>	<b>125.6</b>	<b>145.3</b>
Commitments to lend	2.5	69.7	62.1
<b>TOTAL EXPOSURE</b>	<b>120.4</b>	<b>195.3</b>	<b>207.4</b>

- 8.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by external borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.



Table 7 - Investments funded by external borrowing in £millions

<b>Investments funded by borrowing £m</b>	<b>31.03.2021 Actual</b>	<b>31.03.2022 Forecast</b>	<b>31.03.2023 Forecast</b>
Service investments: Loans	0.32	0.51	6.99
Service investments: Shares	2.89	4.51	6.63
Commercial investments: Property	38.26	42.88	54.57
<b>TOTAL FUNDED BY EXTERNAL BORROWING</b>	<b>41.47</b>	<b>47.90</b>	<b>68.19</b>

- 8.4 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. This indicator includes the impact of (unrealised) valuations gains and losses. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 8 - Investment rate of return (net of all costs)

<b>Investments net rate of return</b>	<b>2020/21 Actual</b>	<b>2021/22 Forecast</b>	<b>2022/23 Forecast</b>
Treasury management investments	2.0%	2.3%	2.3%
Service investments: Loans	3.0%	3.2%	4.0%
Service investments: Shares	1.4%*	1.6%	2.1%
Commercial investments:			
Otterpool Land and Property	0.2%*	(0.2%)	(1.7%)
Connect 38 Offices	2.4%*	1.8%	3.8%
Other Commercial & Light Industrial Property	5.2%*	4.7%	5.0%
Retail	(6.2%)*	(7.0%)	(7.0%)
<b>ALL INVESTMENTS</b>	<b>1.3%</b>	<b>1.1%</b>	<b>0.9%</b>

\* Net returns exclude unrealised valuation losses or adjustments which do not impact on the net cost to the General Fund.

- 8.4.1 The net return on loans made for service investments includes those that are interest free and are accounted for as 'soft loans', including private sector housing improvement loans.

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This Report will be made public on 15 February 2022

Report Number **C/21/85**

**To:** Cabinet  
**Date:** 23 February 2022  
**Status:** Key Decision  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Member:** Councillor David Monk, Leader

**SUBJECT: GENERAL FUND BUDGET AND COUNCIL TAX 2022/23**

**SUMMARY:** This report sets out the final General Fund budget and council tax requirement for 2022/23, including that part of the local tax covering district and parish services.

**REASONS FOR RECOMMENDATIONS:**

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

- a) The District Council's General Fund budget and council tax requirement must be approved to enable Full Council to set the budget and the council taxes for 2022/23 in accordance with the Local Government Finance Act 1992.

**RECOMMENDATIONS:**

1. To receive and note Report C/21/85.
2. To recommend to Council to approve the final 2022/23 General Fund budget, as set out at paragraph 4.
3. To recommend to Council to approve a council tax requirement for 2022/23 of £13,591,730.

## **1. BACKGROUND**

1.1 This report sets out the final general fund budget and council tax requirement for 2022/23, including that part of the local tax covering district and parish services. The council tax requirement determines the transfer from the Collection Fund in accordance with the Local Government Finance Act 1988.

1.2 It follows on from previous reports approved by Cabinet:

- 24 November 2021 - Medium Term Financial Strategy for the period 2022/23 to 2025/26
- 15 December 2021 - Budget Strategy 2022/23 and Fees & Charges 2022/23
- 26 January 2022 - Draft General Fund Original Revenue Budget 2021/22
- 10 February 2022 - Update to the General Fund Medium Term Capital Programme

1.3 Areas of the budget that remained to be confirmed when the Draft Budget was approved by Cabinet in January 2022 included:

- The Local Government Finance Settlement for 2022/23
- The council's share of the Collection Fund surplus or deficit
- Town and parish precepts, and
- The council tax base and business rates income forecast.

1.4 Cabinet's budget recommendation for 2022/23 will be considered at a meeting of Full Council (also taking place on 23 February 2022) when it will set the 2022/23 council tax after taking into account:

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

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

## **2. COUNCIL TAX 2022/23**

2.1 The budget has been prepared on the basis that the District Council's element of council tax (including the special expenses for Folkestone Parks and Pleasure Grounds) is increased by 1.96%. This is the increase that is monitored by the Government when determining whether any increase in council tax is excessive, and would require a referendum. The maximum increase permitted for the financial year 2022/23 without referendum is 1.99%, therefore the proposed increase is within this threshold.

## **3. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23**

3.1 The provisional 2022/23 settlement was announced on 16 December 2021. The main changes are outlined below.

### Local Government Funding Reform

- 3.2 Despite anticipation that the settlement would provide some clarity about future funding reform, the settlement itself was for a single year only further details on funding reform and associated consultations are expected to follow during 2022. The following statement was made:

*“Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.”*

### Folkestone & Hythe Core Spending Power

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

	2021/22 £M	2022/23 £M
<b>Core Spending Power</b>	<b>15.456</b>	<b>16.029</b>
Comprising:		
Settlement Funding Assessment	3.733	3.733
Assumed Council Tax	10.534	10.819
Other Grants	1.189	1.477
<b>Change in Core Spending Power</b>		
Annual Change		3.7%

### Folkestone & Hythe Settlement Funding Assessment

- 3.4 Settlement Funding Assessment (SFA) is the revenue received by local authorities in the form of (i) Revenue Support Grant from Government and (ii) the share of business rates retained locally.

	2021/22 £M	2022/23 £M
<b>Settlement Funding Assessment</b>	<b>3.733</b>	<b>3.733</b>
Comprising:		
Revenue Support Grant	0.000	0.000
Baseline Funding Level	3.733	3.733
<b>Change in Settlement Funding Assessment</b>		
Annual Change		0%

### Folkestone & Hythe Retained Business Rates

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

	2020/21	2021/22
Baseline Funding Level (£M)	3.733	3.733
Baseline Business Rates (£M)	9.937	9.937
Tariff/Top Up (£M)	-6.204	-6.204
Levy Rate (pence in the pound)	50	50

#### Kent Business Rates Pool

- 3.6 The settlement confirmed the continuation of the Kent and Medway business rates pool for 2022/23 which will operate under the 50% retention scheme.

#### Folkestone & Hythe New Homes Bonus

- 3.7 The provisional settlement announcement included no changes to the New Homes Bonus scheme methodology or distribution. A prudent approach had been taken regarding this funding in the draft budget due to the uncertainty regarding the funding, so this announcement has had a small positive impact on the budget for 2022/23. The 2022/23 allocation follows the 2020/21 and 2021/22 approach and is an 'in year' only payment and will not have future years' legacy payments. This assumption had already been made in the MTFs. The New Homes Bonus amount included within the budget has reduced from 2021/22 due to the legacy payment from the 2018/19 allocation falling out and the in-year allocation being lower.

#### Folkestone & Hythe Lower Tier Services Grant

- 3.8 The provisional settlement includes the proposed continuation of the un-ringfenced Lower Tier Services Grant for 2022/23 for local authorities with responsibility for lower tier services such as homelessness, planning, recycling and refuse services. This funding was first introduced for 2021/22 is in response to the current exceptional circumstances and is a one-off grant. The Council's allocation is £167k (up from the 2021/22 allocation of £159k) and this was included in the draft budget.

#### Council Tax

- 3.9 In 2020/21 and 2021/22, local authorities were able to apply an increase of less than 2% or up to £5, whichever was higher for the authority. The settlement announced that there would be no change to the referendum limits for 2022/23 for district councils. The government also announced that it will continue to defer the setting of referendum principles for town and parish councils.

#### Final Local Government Finance Settlement 2022/23

- 3.10 The final local government finance settlement was announced on 7 February 2022 with no significant changes from the provisional settlement position.

### **4. GENERAL FUND REVENUE BUDGET 2022/23**

- 4.1 Cabinet considered and approved the Draft General Fund Original Revenue Budget for 2022/23 on 26 January 2022. This took into account the £1.048m savings proposals which included a review of fees & charges and £444k growth as detailed in the Budget Strategy report that was approved in December 2021, along with the forecast 2022/23 budget changes from the Medium Term Financial Strategy.

4.2 Following the provisional settlement and final budget updates the revised Original Budget is set out below.

2021/22 Original Budget £		2022/23 Draft Original Budget January 2022 £	2022/23 Updated Original Budget February 2022 £
<b>SUMMARY OF NET EXPENDITURE</b>			
<b>Service Heads</b>			
<b>6,148,800</b>	Finance, Strategy & Corporate Services	7,657,250	<b>7,695,250</b>
<b>655,850</b>	Human Resources	626,780	<b>626,780</b>
<b>2,449,910</b>	Governance & Law	2,589,890	<b>2,589,890</b>
<b>907,520</b>	Leadership Support	1,004,220	<b>1,004,220</b>
<b>6,600,060</b>	Place	6,254,240	<b>6,254,240</b>
<b>1,304,330</b>	Economic Development	762,030	<b>762,030</b>
<b>212,940</b>	Planning	137,020	<b>137,020</b>
<b>2,487,590</b>	Operations	1,358,450	<b>1,486,040</b>
<b>70,490</b>	Strategic Development	39,670	<b>39,670</b>
<b>3,345,600</b>	Housing	3,342,840	<b>3,342,840</b>
<b>(5,559,000)</b>	Recharges to non-general fund	(5,613,000)	<b>(5,727,500)</b>
<b>(608,800)</b>	Vacancy Target & NI additional employer contributions	(224,000)	<b>74,000</b>
<b>18,015,290</b>	<b>TOTAL HEAD OF SERVICE NET EXPENDITURE</b>	<b>17,935,390</b>	<b>18,284,480</b>
<b>483,570</b>	Internal Drainage Board Levies	493,241	<b>493,241</b>
<b>739,000</b>	Interest Payable and Similar Charges	801,000	<b>801,000</b>
<b>(754,000)</b>	Interest and Investment Income	(1,320,000)	<b>(1,320,000)</b>
<b>(836,050)</b>	New Homes Bonus Grant	(744,272)	<b>(744,700)</b>
<b>(1,971,230)</b>	Other non-service related Government Grants	(1,763,462)	<b>(2,088,051)</b>
<b>15,676,580</b>	<b>TOTAL GENERAL FUND NET OPERATING EXPENDITURE</b>	<b>15,401,897</b>	<b>15,425,970</b>
<b>(2,760,260)</b>	Net Transfers to/(from) Earmarked Reserves	(3,526,170)	<b>(5,507,170)</b>
<b>886,000</b>	Minimum Revenue Provision	1,667,000	<b>1,667,000</b>
<b>1,280,000</b>	Capital Expenditure funded from Revenue	2,363,000	<b>2,363,000</b>
<b>15,082,320</b>	<b>TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS</b>	<b>15,905,727</b>	<b>13,948,800</b>
<b>2,594,250</b>	Town and Parish Council Precepts	2,646,132	<b>2,659,325</b>
<b>67,290</b>	Transfer to/(from) Collection Fund	0	<b>0</b>
<b>(3,905,100)</b>	Business Rates Income	(3,943,223)	<b>(2,815,831)</b>
<b>13,838,760</b>	<b>TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND AND GENERAL RESERVE</b>	<b>14,608,636</b>	<b>13,792,294</b>
<b>(13,128,210)</b>	Council Tax - Demand on Collection Fund	(13,494,053)	<b>(13,591,730)</b>
<b>710,550</b>	<b>(SURPLUS) / DEFICIT FOR YEAR</b>	<b>1,114,583</b>	<b>200,564</b>
<b>(710,550)</b>	Contribution from General Reserve	(1,114,583)	<b>(200,564)</b>
<b>0</b>	<b>BALANCE AT END OF YEAR</b>	<b>0</b>	<b>0</b>

#### Final Budget Changes

4.3 Reasons for changes since the draft budget was reported in January 2022 include:

- (i) Head of Service Budgets – addition of budgets for the District Wide Carbon Plan (£70k); inclusion of CMS replacement (£130k); additional utilities costs (£32k); inclusion of changes to employers NI contributions (£198k); funding previously agreed for the LED lighting

project (£70k) and confirmation of the FPPG Charity special expense (£26k). These have been partially offset by adjustments to pensions and recharges, and will also in part be offset by updates to the use of earmarked reserves.

- (ii) Other non-service related Government Grants - updated for the latest business rates forecasts
  - (iii) Net transfers to/from earmarked reserves have been amended following a review of planned earmarked reserve use
  - (iv) Updates for town and parish precepts which had not been confirmed when the December report was prepared
  - (v) Transfer to/(from) Collection Fund updated for the Council's share of the estimated council tax deficit
  - (vi) Updated Business Rates income based on the latest forecasts
  - (vii) Council Tax Demand on the Collection Fund – updated for:
    - forecast income based on the council tax base for 2022/23
    - confirmation of the special expenses for the Folkestone Parks and Pleasure Grounds Charity and
    - a 1.96% increase in the district council's council tax in 2022/23 to keep in line with current inflation rates.
- 4.4 The budgeted capital expenditure funded from revenue of £2.363m includes £1.389m for the Biggins Wood land remediation works, £0.408m towards the District Street Lights scheme and £0.25m for the Folkestone and Hythe Green Business Grant scheme.

## **5. FOLKESTONE & HYTHE BAND D EQUIVALENT COUNCIL TAX 2022/23**

- 5.1 The Local Government Finance Act 1992 (as amended) requires the Council to determine its council tax requirement for 2022/23.
- 5.2 The legal determinations in respect of the budget and council tax setting are set out in the General Fund Budget and Council Tax 2022/23 Report that is being considered at the 23 February 2022 meeting of Full Council, following this Cabinet meeting.
- 5.3 The amount to be raised by this authority from council tax payers comprises the council tax - demand on collection fund of £13,591,730.
- 5.4 This is divided by the tax base (39,172.25 Band D equivalent properties) to calculate the average district council tax, including town and parish precepts. The council tax base was approved by the Director of Corporate Services on 17 January 2022 via delegated authority through the constitution and is recommended to Full Council as part of the General Fund Budget and Council Tax 2022/23 Report that is being considered on 23 February 2022, following this Cabinet meeting.



£13,591,730 ÷ 39,172.25 = £346.97

- 5.5 The average District council tax for Band D properties, including an amount for town and parish councils, will be £346.97. This is an increase of £5.84 (1.71%) over 2021/22. This sum will vary by parish and only represents an average, there is no referendum limit placed on town or parish councils by central government.
- 5.6 The impact of town and parish precepts is excluded when comparing the increase against what the Government regards as an excessive increase.

	<b>2022/23</b> £	<b>2021/22</b> £	<b>Increase / (Decrease)</b> %
Band D Council Tax - including town and parish precepts	<b>346.97</b>	341.13	<b>1.71%</b>
Band D equivalent of town and parish precepts	<b>(67.88)</b>	(67.41)	<b>0.69%</b>
Band D Council Tax - excluding town and parish precepts	<b>279.09</b>	273.72	<b>1.96%</b>

The average council tax to finance Folkestone & Hythe's net spending plans in 2022/23, including special expenses, is proposed to be increased by £5.37 (1.96%) to £279.09. The Council is therefore not at risk of having to hold a referendum because the increase falls well below the Government threshold.

Excluding the special expenses, Folkestone & Hythe's council tax rate is £264.24; an increase of £5.04 (1.94%) from the 2021/22 rate.

## **6. SPECIAL EXPENSES – FOLKESTONE PARKS AND PLEASURE GROUNDS CHARITY**

- 6.1 The average 2022/23 council tax for Folkestone & Hythe District Council of £279.09 includes an amount that the Council has identified is in respect of special expenses i.e. the Folkestone Parks and Pleasure Grounds Charity.
- 6.2 When council tax bills are issued, the council tax (and % change in tax) for special expenses is disclosed separately from the council tax (and % change in tax) for Folkestone & Hythe District Council excluding special expenses.
- 6.3 Subject to Full Council's consideration and final approval of the budget and council tax, the following amounts will be disclosed separately on the council tax bill for a Band D property:

Based on a Band D average	Council Tax 2022/23 (Band D) £	Increase (Band D) £	Increase + /Decrease ( )	Council Tax payers that receive this information
Folkestone & Hythe District Council element of Council Tax - excluding Special Expenses	264.24	5.04	+1.94%	All Folkestone & Hythe District council tax payers
Special Expenses - Folkestone Parks and Pleasure Ground Charity	35.42	0.59	+1.69%	Folkestone and Sandgate council tax payers only

## 7. MAJOR PRECEPTS

- 7.1 Local taxpayers will also receive information in their council tax bill regarding the amount payable in respect of:
- their town or parish council
  - Kent County Council
  - Kent Police & Crime Commissioner, and
  - Kent & Medway Fire and Rescue Service.
- 7.2 The Adult Social Care precept levied by Kent County Council will be itemised separately on council tax bills.
- 7.3 Precept details are set out in the General Fund Budget and Council Tax 2022/23 report to Full Council on 23 February 2022.

## 8. GENERAL FUND RESERVES

- 8.1 The forecast reserves position for 2021/22 and 2022/23 is shown below:

Reserve	1/4/2021 Balance £000	2021/22 Movement £000	31/3/2022 Balance £000	2022/23 Movement £000	31/3/2023 Balance £000
<b>Earmarked Reserves:</b>					
Business Rates	2,722	(821)	1,901	(803)	1,098
Leisure	547	(100)	447	50	497
Carry Forward	691	(219)	472	0	472
VET <sup>2</sup> Reserve	283	34	317	(226)	91
Maintenance of Graves	12	0	12	0	12
New Homes Bonus (NHB)	2,342	(344)	1,998	(1,589)	409
Corporate Initiatives	598	(529)	69	0	69
IFRS <sup>1</sup> Reserve	8	(3)	5	0	5
Economic Development	1,991	(237)	1,754	(1,488)	266
Community Led Housing	365	(55)	310	(55)	255
Lydd Airport	9	0	9	0	9
Homelessness Prevention	488	98	586	0	586
High Street Regeneration	2,070	(1,016)	1,054	(542)	512
Climate Change	4,946	(416)	4,530	(854)	3,676
COVID Recovery	6,501	(6,201)	300	0	300
<b>Total Earmarked Reserves</b>	<b>23,573</b>	<b>(9,809)</b>	<b>13,764</b>	<b>(5,507)</b>	<b>8,257</b>
<b>General Reserve</b>	<b>3,822</b>	<b>(710)</b>	<b>3,112</b>	<b>(201)</b>	<b>2,911</b>
<b>Total General Fund Reserves</b>	<b>27,395</b>	<b>(10,519)</b>	<b>16,876</b>	<b>(5,708)</b>	<b>11,168</b>

<sup>1</sup> IFRS = International Financial Reporting Standards

<sup>2</sup>VET = vehicles, equipment and technology

- 8.2 The General Reserve is forecast to be £2.9m by 31 March 2023 and total General Fund Reserves (General Reserve plus Earmarked Reserves) are forecast to be £11.2m at 31 March 2023. The forecast use of earmarked reserves in 2022/23 is £5.5m. The main uses of reserves are £1.39m to fund capital expenditure on the Biggins Wood development project, the use of the VET reserve to fund IT enhancements, the use of the Climate Change reserve to fund the LED lights project, additional resources and the Business Grants scheme. Additionally funding is proposed to be released from the Business Rates reserve, General reserve and New Homes Bonus reserve to mitigate fluctuations in Business Rates income and provide adequate funding to services for the year 2022/23.
- 8.3 These forecasts are based on the current projected outturn position for 2021/22 and on the assumption that in-year budget variances are contained within the overall approved 2022/23 budget. Any emerging issues in 2021/22 which have a revenue impact will affect the forecast position of the General Reserve.

## 9. BUDGET CONSULTATION

- 9.1 The objectives for consultation on the 2022/23 budget proposals were 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
- 9.2 Information was placed on the website, promoted via posters, through partners, social media and feedback through email encouraged. Additionally some specific groups such as the Business Advisory Board and Joint Parish Council Committee were directly engaged with.
- Budget Consultation Responses
- 9.3 Public budget consultation ran online from mid-December to the end of January. At the time of drafting this report nineteen pieces of direct feedback were received through these means, significantly up on the four pieces of feedback received last year. We will continue to seek to explore options to obtain a more representative sample of residents' views in future years.
- 9.4 In addition an email was sent to the members of the Business Advisory Board encouraging their participation through the online consultation form. No direct feedback can be identified as being received through this process.
- 9.5 Parish councils were also briefed and invited to participate in the consultation at the meeting of Folkestone & Hythe District and Parish Councils Joint Committee on 20 January 2022.
- 9.6 There was no consensus among the feedback received, with some commenting that the council tax increase was too high and others suggesting it was acceptable in the current climate and some challenging the investment in strategic projects. Given the varying views and the small number of

responses no changes to the budget have been proposed as a result of the consultation.

## 10. BUDGET SCRUTINY

10.1 The 2022/23 budget reports that have been approved by Cabinet have been subject to review by the Overview & Scrutiny or Finance & Performance Sub-Committee at the following meetings:

- 9 November 2021 – Overview of the Budget process for 2022/23 and summary of Medium Term Financial Strategy
- 7 December 2021 – Budget Strategy 2022/23
- 18 January 2022 - Draft General Fund Original Revenue Budget 2022/23 and Update to the General Fund Medium Term Capital Programme

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

## 11. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

11.1 The 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.

11.2 The Chief Finance Officer’s statement will be presented in the General Fund Budget and Council Tax 2022/23 report to Council on 23 February 2022.

## 12. CONCLUSION

12.1 Cabinet is asked to recommend to Full Council the approval of the final General Fund budget for 2022/23 and to determine the District Council’s council tax requirement as £13,591,730.

## 13. RISK MANAGEMENT ISSUES

13.1 The risks in respect of the General Fund Budget 2022/23 have already been set out in detail in Report C/21/67 to Cabinet on 26 January 2022 but are repeated below (and updated where applicable).

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

Perceived risk	Seriousness	Likelihood	Preventative action
			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.

## 14. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 14.1 Legal Officer's Comments (NM)

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

### 14.2 Finance Officer's Comments (CS)

The Financial implications are detailed in the report.

### 14.3 Diversities and Equalities Implications (CS)

The Equality Impact Assessment will be presented in the 23 February 2022 Budget and Council Tax 2022/23 report to Council.

### 14.4 Climate Change implications (OF)

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

## 15. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

*Charlotte Spendley – Director of Corporate Services*  
 Telephone: 07935 517986

Email [charlotte.spendley@folkestone-hythe.gov.uk](mailto:charlotte.spendley@folkestone-hythe.gov.uk)

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

- Budget working papers
- 24 November 2021 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2021/22 to 2024/25
- 15 December 2021 - Reports to Cabinet - Budget Strategy 2021/22 and Fees & Charges 2021/22
- 26 January 2022 - Report to Cabinet - Draft General Fund Original Revenue Budget 2021/22
- 10 February 2022 - Update to the General Fund Medium Term Capital Programme