



Agenda

Meeting: **Extraordinary meeting of the Cabinet**
Date: **10 February 2022**
Time: **6.00 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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Email: committee@folkestone-hythe.gov.uk or download from our website
www.folkestone-hythe.gov.uk

c) voluntary announcements of other interests.

3. **Folkestone and Hythe District Green business grant scheme (Pages 5 - 14)**

This report seeks 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.

4. **Greatstone Holiday Lets (The Varne) - Development Update (Pages 15 - 22)**

The report provides 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.

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

5. **Update to the General Fund Medium Term Capital Programme (Pages 23 - 40)**

This report updates 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 updates 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.

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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This Report will be made public on 2 February 2022

Report Number **C/21/80**

To: Cabinet
Date: 10 February 2022
Status: Key Decision
Responsible Officer: Ewan Green, Director of Place
Cabinet Member: Councillor Wimble – Cabinet Member for the District Economy and Councillor Lesley Whybrow – Cabinet Member for the Environment

SUBJECT: FOLKESTONE AND HYTHE DISTRICT GREEN BUSINESS GRANT SCHEME

SUMMARY: This report seeks 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.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because approval is 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.

RECOMMENDATIONS:

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

1. Introduction

- 1.1 Folkestone and Hythe District Council has committed to reducing its own carbon footprint to a net zero target by 2030. The F&HDC Carbon Action Plan advocates that the council be an influencer of change within the district and proposes to support local communities, organisations and businesses in the implementation of measures designed to reduce the CO2 footprint to net zero by 2030 in the district as a whole.
- 1.2 In February, the council agreed a budget to support the Carbon Action Plan which included allocating £5 million to a Climate Change Reserve.
- 1.3 The UK's low-carbon economy is worth more than £200bn, four times the size of the manufacturing sector. The low-carbon sector grew by 7.4% during the financial year 2018-19 to 2019-20 and, while this contracted by -9% over the period of the pandemic, it is expected to bounce back in the post-Covid recovery. More than 75,000 businesses, from wind turbine manufacturers to recycling plants, employ more than 1.2m people in the green economy, so it is important therefore that we support this sector and the economic growth opportunities it presents for the district.
- 1.4 There are a number of business grant schemes available across Kent & Medway, with some available to businesses in the district and a summary of these is provided below.
 - **Clean Growth Funding** – this UK-wide scheme is run by BEIS. Provides financial support for innovations that reduce greenhouse gas emissions or improve resource efficiency across power, transport, industry, buildings, waste and water.
 - **LoCASE** – this KCC-run ERDF project provides grants £1,000 - £10,000 (40% total project cost) to any SME to improve energy efficiency or produce goods or services in a more environmentally sustainable way and to LCEGS firms to further develop their business.
 - **Green Recovery Voucher Scheme** – KCC's C-Care Interreg programme provides business grants for sectors hard-hit by the pandemic to develop new business models to respond market changes and ensure a green, inclusive and sustainable economic recovery.
 - **Upcycle Your Waste** - this KCC-run Interreg project provides SMEs with support to turn company waste into a valuable resource. SMEs are taken through a step-by-step process to maximize profit from business waste, and given tools to improve general knowledge on circular economy, the value of waste, waste legislation and upcycling solutions.
 - **I-Construct** – available to construction and built environment sector SMEs in the SE LEP area to access new business opportunities and new ways of doing business (such as offsite construction, renewable energy, digital technology) to improve their profitability and sustainability, and overcome barriers to innovation. The support includes business mentoring, grant funding of up to £25,000 and networking opportunities via physical and virtual forums.
 - **South East New Energy** - project supports local enterprises (private and social) and other organisations in preparing and implementing “Net Zero Carbon” action plans, reducing emissions, and in the innovation and development of low carbon products, technologies and services. For SMEs the project can help with: Developing and commercialising low carbon products, technologies and services; Growing and developing the

business to take advantage of rapidly growing 'green' market sectors; and Retrofitting affordable low/zero carbon homes.

- **Tonbridge & Malling Green Grant scheme** – TMBC provides grants up to £8,000 for local businesses in the district operating in the green economy to develop new ideas and grants up to £5,000 for businesses in the food production, tourism and hospitality, distribution and logistics, construction and independent retail sector to reduce their carbon footprint. For both types, grants are available for up to 40% of the total cost and a LoCASE grant is eligible at match funding.
- **Dover Green Energy Grant** – DDC provides grants up to £10,000 to local businesses (with up to 10 employees) in the district for up to 50% of the total project costs. This grant is available for items such as insulation and draft proofing, solar panels and solar thermal, upgraded windows and LED lighting (subject to planning conditions).

2. Proposed scheme

- 2.1 It is proposed that Folkestone & Hythe High Green Business Grant Scheme Fund will be for businesses currently located or seeking to establish new premises in the district that are in the LCEGS sector and looking to develop new products or services that will help others to reduce their carbon footprint. The definition of the LCEGS sector is as defined by KCC and it is estimated that there are around 600 businesses employing about 4000 in 2018 in the Folkestone & Hythe district¹.
- 2.2 The grant scheme will also be available to any other business currently located or seeking to establish new premises in the district that is looking to:
- invest in more energy efficient equipment and machinery which improves the carbon footprint; or
 - undertake energy audits to identify where the business can make carbon savings.
- 2.3 The scheme will normally provide a grants of up to £10,000, but up to £25,000 in exceptional circumstances. Grants are required to cover up to 40% of the total project costs, with the remaining 60% coming from other grant schemes (such as LoCASE) or from the company's own resources, including bank loans.
- 2.4 A single business will be normally eligible for a single grant award. However, where a grant is provided for an Energy Audit, a further grant to undertake further investment based on the outcome of the audit will be considered on a case by case basis.
- 2.5 It is proposed that £250,000 of the Climate Change Reserve is allocated for the Folkestone & Hythe Green Business Grant scheme and that these funds made available until 31st March 2024 or until the funds are allocated.
- 2.6 The grant scheme will be advertised on the Folkestone & Hythe Council and Folkestone.Works websites and an electronic application form will be made available for applications (see Appendix 1). The scheme will also be promoted through direct emails to local businesses, through social media and through other means of communication available from working closely with the council's Communications team and other external organisations.

¹ https://www.kent.gov.uk/data/assets/pdf_file/0017/102149/Business-environmental-statistics.pdf

- 2.7 The scheme will be administered by the Economic Development Team who will be responsible for assessing applications against an agreed criteria.
- 2.8 The full cost of administering the scheme by the ED team will be borne from the funding allocated to this scheme over its duration. It is estimated this will be in the order of £25,000 which will be monitored and reported through the normal performance and budget monitoring frameworks.

3. Proposed application Process

- 3.1 Grant applications from businesses will be made via an online application form and the criteria for assessing applications will include:
- Eligibility of business
 - The nature and timing of the proposed works/project
 - Size of grant required
 - Match funding source
 - Impact of the project on the Carbon Footprint of the business
 - Value for money – size of grant versus impact
 - Likelihood of further investment by the business to reduce Carbon Footprint further.
- 3.2 Guidance will be provided on the type of project that will be supported by the scheme and the information required support the application, such as how to estimate any carbon savings. Further to any grant being awarded, the council will follow-up with checks to determine what carbon savings have been achieved.
- 3.3 The scheme could be launched at the beginning of the 2022/23 financial year, if Cabinet approval is granted, and council approve the budget. This demonstrates the council's firm commitment in supporting businesses and to address the climate emergency. The scheme will run until either 31st March 2024 or until the funds are allocated.
- 3.4 Applications will be considered on a first come first served basis and assessed according to criteria set out in paragraph 3.1 above. Applications will be assessed by the Economic Development team in conjunction with the Low Carbon Senior Specialist.
- 3.5 Final decisions on individual applications will be made by the Leader of the Council in collaboration with the Lead Cabinet Member for the District Economy, Lead Cabinet Member for the Environment and a Ward Member determined by the location or proposed location of the business.

4. RISK MANAGEMENT ISSUES

Perceived risk	Seriousness	Likelihood	Preventative action
A high number of applications puts resource pressure on the ED team	High	Low	The number of applications will be closely monitored and the impact on the ED kept under review
A low number of applications due to a	High – lack of capacity due to	Low	Grants will be available to undertake energy

<p>lack of resource within organisations to consider measures to reduce the carbon footprint</p>	<p>focus on economic recovery.</p>		<p>audits and will align with the support offered by the Kent & Medway Growth Hub which can advise and direct businesses to relevant suppliers. The scheme will be promoted that the KCC officers running the LoCase scheme, as well as by FHDC and the Kent & Medway Growth Hub.</p>
<p>A low number of applications due to a lack of resource to provide match funding for projects</p>	<p>High – lack of finance available due to limited funds for investment</p>	<p>Low</p>	<p>The scheme operates on a similar basis to LoCase and so there is a potential for a further 40% of the total project cost to be provided through that scheme. This would result in the business only being required to provide 20% of the total cost.</p>
<p>Funding is used to support small projects which have limited impact</p>	<p>High</p>	<p>Low</p>	<p>The provision of grants for energy audits will encourage investment in those measures that have the greatest environmental impact and cost savings for the business. Grant funding is available to support growth of the LGEES sector which will support further growth in new technologies to support environmental sustainability. The criteria used to assess projects and the size of grant awarded will consider value for money and the potential impact on the carbon footprint of the business. While this scheme might only fund changes to a business that result in only a small reduction to the carbon footprint, the</p>

			impact on cost savings and greater efficiency may encourage further investment that has a greater impact.
Not enough businesses hear about the grant scheme and there is limited recognition of this council initiative	Medium	Low	The ED team will work closely with the Communications team to ensure that the council gets maximum positive publicity. The grant agreement will stipulate a requirement for the council to be able to publicise the investment which will help the council to publicise how this grant can benefit businesses.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (NM)

There are no legal implications arising directly from this report. However Legal Services will assist in relation to any grant agreements issued as and when required.

5.2 Finance Officer's Comments (RH)

I can confirm that the funds (£250k) are available in the Climate Change Reserve to be drawn down when needed.

5.3 Diversities and Equalities Implications (GE)

There are no negative equality and diversity implications directly arising from this report. The grant scheme will support business across the district and has the potential to create employment opportunities for residents.

5.4 Climate Change Implications (OF)

The Climate Change Impact of this proposal would be positive including:

Social and economic impact: The aim of the grant is 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 which should have an overall positive social and economic impact.

This scheme supports the priorities and objectives of the council's Carbon Action Plan by addressing the need to promote and support green business and decarbonisation efforts across the district.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Dr Katharine Harvey

Telephone: 01303 853287

Email: katharine.harvey@folkestone-hythe.gov.uk

7. Appendices

Appendix - Folkestone & Hythe Green Business Grant Scheme Application Form

**Appendix 1: Folkestone & Hythe Green Business Grant Scheme
Application Form**

BUSINESS DETAILS		
Name of applicant		
telephone:		
email address:		
Position within business:		
Business name		
Business address		
Is this the address where the project will be undertaken?	YES/NO	If NO, please give address:
What is your business legal status?	Sole Trader	YES/NO
	Limited Company	YES/NO
	Limited Liability Partnership (LLP)	YES/NO
	Other (please specify)	YES/NO
If relevant, are you a 'parent' or 'single' company?	Parent	YES/NO
	Single	YES/NO
Date business established <i>(If incorporated, please state date of incorporation)</i>		
Type of business <i>(if registered with Companies House, please indicate your registered SIC code/s)</i>		
Total Employment <i>(if relevant, please indicate FT/PT split):</i>		
Business turnover (£):	2019/20	
	2020/21	
Please provide the following where applicable:		
Company Registration Number and/or Charity Reference Number		
VAT Registration Number		
Business website address <i>(if available)</i>		
Have you received funding from Central Government or Local Government over the last 3 years?	YES/NO	If Yes, please provide details including date, amount and awarding body

PROJECT DETAILS			
Project description:			
Please tick if the project includes any of the following	LED Lighting	<input type="checkbox"/>	Draught Proofing
	Lighting sensors/ controls	<input type="checkbox"/>	Double/ Triple Glazing
	Efficient boiler replacement	<input type="checkbox"/>	Variable Speed Drives
	Efficient Air Conditioning	<input type="checkbox"/>	Solar PV
	Heating/ Cooling controls	<input type="checkbox"/>	Wind, Biomass or Hydro
	Pipework/ valve/ cylinder insulation	<input type="checkbox"/>	Employee engagement
	Roof/ Wall Insulation	<input type="checkbox"/>	Waste Management
	Energy Audits	<input type="checkbox"/>	Other (Please detail below)
Has an energy audit previously been undertaken for your business?	YES/NO	If NO, is this something that you would be interested in receiving funding towards?	YES/NO
Please outline the expected carbon savings of this project to your business.			
Do you require any permissions (such as planning, licenses or building control) before you can deliver this project?	YES/NO	If YES, please whether these permissions have already obtained or explain permissions are required and when you expect to secure these	
Total Project Cost (£)			
F&H Green Business Grant sought (£) <i>(Note: potential award is up to a maximum of 40% of total project cost)</i>			
Sources of match funding <i>(Note: please indicate whether any of this is from other grant scheme such as LoCASE)</i>			
Please state the environmental benefits expected from project			
Please state the economic benefits for your business that are expected from this project <i>(such as greater efficiencies and cost savings, or new market opportunities)</i>			
What is the expected start date for this project?			
When do you expect to complete the project?			

DECLARATION	
I confirm that within the past 5 years my organisation or any person who has powers of representation, decision or control in the organisation has not been convicted anywhere in the world of any offence listed in the List of Mandatory and Discretionary Exclusions document.	<input type="checkbox"/>
I confirm that in the last 5 years, my organisation has not been subject to formal investigation which resulted in a proven case of 'blacklisting'	<input type="checkbox"/>
I confirm that my organisation has relevant policies and procedures in place to prevent Tax Evasion to ensure the elimination of offences covered by the Criminal Finances Act 2017 from my organisation supply chains	<input type="checkbox"/>
I confirm that I have read the requirements for the Green Business Grants Scheme and am authorised to submit this application form on behalf of this business	<input type="checkbox"/>
I declare that my business meets the criteria for the grant I am applying for, and the information I have provided is complete and accurate. If any circumstances change, I will notify the council of this change immediately.	<input type="checkbox"/>
I confirm that, including the payment of this grant, my business will not breach State subsidy regulations	<input type="checkbox"/>
I confirm that this business is engaged in business activity and is not in Liquidation, Administration, Insolvent or has a Striking-Off Notice made against it	<input type="checkbox"/>
Name of person making declaration	
Signature	
Position in the business	

BANK DETAILS FOR RECEIPT OF GRANT	
Name of Bank or Building Society	
Account Holders Name	
Account Number	
Sort Code	

This report will be made public on 2 February 2022



Report Number **C/21/78**

To: Cabinet
Date: 10 February 2022
Status: Key Decision
Responsible officer: Andy Blaszkowicz – Director Housing & Operations
Cabinet Members: Councillor John Collier, Cabinet Member for Property Management & Grounds Maintenance.

Subject: Greatstone Holiday Lets (The Varne) – Development Update

SUMMARY: The report provides 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.

This report updates 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 (PWL) borrowing regime.

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

REASONS FOR RECOMMENDATIONS:

The council has received a number of offers for the disposal of the site which need to be considered by Members. The report also updates Members on the project’s planning status.

RECOMMENDATIONS:

1. **To receive and note report number C/21/78.**
2. **To note that a Reserved Matters application was submitted and full detailed planning permission was granted in November 2021.**
3. **To agree 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.**

1 BACKGROUND

- 1.1 In September 2017 Cabinet agreed to develop the site for Holiday Letting as a revenue generating opportunity. The report detailed a business case based on a cost plan prepared by B&M cost consultants in March of the same year. Full Council approved the budget for the scheme of £1.959m on 15 November 2017 (minute 54 refers).
- 1.2 An open tender procurement for lead consultant was completed in May 2018 resulting in Y&N being appointed. Following extensive exploration of their design and extensive value engineering to reduce cost, the final cost plan in August 2019 showed a total budget requirement of £2.373m. This was in excess of £400k of the approved budget agreed in the Medium Term Capital Plan (MTCP).
- 1.3 It was decided to re-procure ON Architecture, who were responsible for the outline planning design to try and design the scheme within the agreed budget. The cost plan completed in September 2020 valued the scheme at a total budget of £2.344m. Leaving the scheme over budget by some £385k from the 2017 cost plan. This demonstrated that it would not be possible to deliver the scheme within the agreed budget.
- 1.4 A significant pressure on the cost (as at December 2020) was the inflation within the construction industry in the period between the B&M cost plan and the final cost plan. According to the BCIS index an inflation rate of 10.63% would need to be applied to the B&M total raising it from £1.959m to £2.120m. This suggests the location and site specific cost pressures and the implications relating to Brexit and Covid-19 are in the region of £223k and inflation of £161k on the BCIS national rate.
- 1.5 Officers are aware of further significant inflationary rises in the construction market since the On Architecture cost plan was completed which will add further significant budget pressures to the project.
- 1.6 The financial modelling tool used to assess the initial holiday let viability has been re-run (Dec 2020) using the latest cost plan information. A risk allowance for Brexit and Covid-19 and inflation rates as estimated by the cost consultant were added. With the total budget value of £2.45m and fresh rental figures the scheme would show a revenue deficit of £20,630 in year 1 followed by a positive revenue return rising from £10,076 in year 3 to £122,755 by year 10. This represents 3.9 % return on investment from year 7 onwards. However the average return over the 10 year period of the model is a modest 2.54%. This does not include further inflationary price increases seen in the last year (2021).

The modelling assumes the scheme is financed from prudential borrowing over 50 years at an interest rate of 2% with an annual capital financing cost of £77,700.

- 1.7 It should be noted that the government's recent changes to the PWLB borrowing regime now explicitly prevent local authorities using prudential borrowing to finance capital expenditure on schemes where the main intention is to generate a commercial return. The changes permit borrowing for housing but in this case the provision of luxury holiday accommodation may be viewed as a project for commercial return. This could potentially jeopardise the council from being able to access relatively cheap PWLB borrowing for its wider capital programme. The risk free option would be to dispose of the undeveloped land now that it has full planning permission and achieve the capital receipt to support the council's future capital investment plans.
- 1.8 The site was valued by Sibley Pares in November 2020 at £460k with full planning permission, set against the value of the site without planning estimated at £30k. The value of the houses completed is estimated at £2m although due to the premium nature of the houses a higher value may be realised. Officers contacted Sibley Pares in November 2021 to request that the valuation was updated – The RICS registered valuer confirmed that the value of £460k still represented market value.

2. PLANNING

- 2.1 A Reserved Matters application was considered at the November 2021 Planning Committee and full planning permission was granted with the decision notice being dated 6th December 2021.
- 2.2 The planning consent will lapse in 2 years from the above date.

3. OFFERS RECEIVED FOR THE SITE

- 3.1 An approach was made to the Council in autumn 2021 to see if we would consider selling the freehold interest in the site. Following this initial approach an offer of £600k was made in October 2021. Whilst this offer was far in excess of the Council's independent valuation for the site it was decided to appoint Motis Estates to see if a higher value could be realised should members decide to dispose of the site.
- 3.2 Motis Estates were engaged in late November 2021 and marketed the site for a period of 6 weeks. A further 5 offers were received for the site. The offers are shown in the table below at 3.3.

3.3

Offer	Value
1	£600,000
2	£621,000
3	£675,000 + 1.5% of GDV after sale of units
4	£700,000
5	£705,500
6	£711,000

3.4 Motis Estates recommendation is to proceed with **Offer 6** as although Offer 3 has a potential higher figure (depending on final sales figures), they have calculated that the potential GDV of £2,400,000 would equate to £36,000 (1.5%) at the end of the project. This would match the total figure of Offer 6 but add an element of risk.

3.5 The agent’s fee for marketing the site is 0.75%.

4. AGREEMENTS NECESSARY

4.1 It is suggested that the Director, Housing & Operations be authorised with the agreement of the Cabinet Member for Property Management and Grounds Maintenance to conclude the disposal contract for the land.

4.2 The Council has incurred £111k in design fees and other preliminary costs for the project to date which have been met from the capital budget of £1.959m and financed from prudential borrowing. The decision to dispose of the site will mean these costs are required to be written off to the General Fund in the current financial year.

5. RISK MANAGEMENT ISSUES

5.1 The following risk management areas are highlighted.

Risk	Seriousness	Likelihood	Preventative Action
Rising construction costs leading to the project being unviable for the Council to proceed with the development.	High	High	Dispose of the site for the highest offer leading to a substantial capital receipt for the Council.

Recent changes to the PWLB borrowing regime could potentially jeopardise the council from being able to access relatively cheap PWLB borrowing for other capital projects within its wider capital programme.	High	High	Dispose of the site for the highest offer leading to a substantial capital receipt for the Council removing the requirement to borrow funds for the project.
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6. CONCLUSION

- 6.1 Following two cost plans the project costs have escalated to a point where they are outside of the current budgetary framework.
- 6.2 Recent changes to the PWLB borrowing regime could potentially jeopardise the Council from being able to access relatively cheap PWLB borrowing for other capital projects within its wider capital programme.
- 6.3 Offers have been received from the market for the freehold acquisition of the site that are in excess of the market valuation received from Sibley Pares.
- 6.4 Officers recommend that **Offer 6** is accepted and the Council dispose of the site.
- 6.5 The preliminary cost of £111k incurred to date for the scheme is required to be written off to the General Fund.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Implications: (NM)

The Council has a duty not to dispose of an interest in land for less than the best consideration reasonable obtainable without the consent of the secretary of state. The contents of the report adequately deals with this duty.

Legal Services will be involved with the sale of the land once terms have been agreed.

7.2 Financial Implications: (LW)

The key financial implications are outlined in the report. Although the preliminary cost incurred of £111k will have to be charged to the General

Fund in the current financial year, the proposed capital receipt from the sale of the land will qualify under the government's 'Flexible Use of Capital Receipts' Guidance and could be used towards one-off revenue costs delivering ongoing revenue savings or efficiencies. Alternatively the capital receipt will be available to meet the Council's future capital investment plans.

7.3 Diversities and equalities implications: (AB)

There are no diversity or equalities issues arising from this report.

7.4 Environmental Implications: (AT)

There are no direct climate change implications arising from this report. The report provides an update for Cabinet on progress with the project and puts forward a proposal for the disposal of the site. The proposed development has approval through outline planning permission 15/1132/SH and reserved matters permission 19/0049/FH. Emissions from the development (construction, energy use, waste, water consumption, etc) would be determined by the requirements of the planning permissions already in place.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Andy Blaszkowicz – Director, Housing & Operations
Telephone: 01303 853684
Email: andy.blaszkowicz@folkestone-hythe.gov.uk

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

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This Report will be made public on 2 February 2022



Report Number **C/21/79**

To: Cabinet
Date: 10 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: UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME

SUMMARY: This report updates 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 updates 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.

REASONS FOR RECOMMENDATIONS:

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

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

RECOMMENDATIONS:

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

1. INTRODUCTION AND BACKGROUND

- 1.1 In line with the council's approved Budget Strategy for 2022/23, this report updates the General Fund Medium Term Capital Programme (MTCP) for the five year period ending 31 March 2027. The report;-
- i) reviews and updates the existing approved Medium Term Capital Programme and incorporates the capital investment proposals agreed by Cabinet during the budget process for 2022/23,
 - ii) introduces proposed new schemes and initiatives identified during the budget process but yet to be considered by Cabinet,
 - iii) provides details of those existing capital schemes proposed to be extended by one year into 2026/27,
 - iv) summarises the impact the proposed changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 The report also updates 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 considered by Cabinet on 26 January 2022 (minute 75 refers).
- 1.3 The capital expenditure plans for the Housing Revenue Account (HRA) were considered by Cabinet in a separate report on 26 January 2022 as part of the current budget process for 2022/23.
- 1.4 The overall capital expenditure plans for both the General Fund and HRA are required to be submitted to full Council for consideration and approval as part of the budget process.
- 1.5 Additionally, the Council's General Fund and HRA capital investment plans will feature in the Capital Strategy and Investment Strategy both of which are planned to be reported to Cabinet on 23 February 2022 ahead of being submitted to full Council for approval on the same day. This is a requirement of the CIPFA Prudential Code for Capital Finance in Local Authorities.

2. UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME

- 2.1 The latest projection for the total cost and funding of the General Fund capital programme from 2021/22 to 2026/27 is £149,784,000. Compared to the latest approved budget of £132,586,000 this represents an increase of £17,198,000. Full details are shown in **appendix 1** to this report and the following table summarises the position across the service units and also outlines the impact on the capital resources required to fund the programme:

General Fund Capital Programme	Latest Approved Budget	Latest Projection	Variance
	£'000	£'000	£'000
Service Units			
Operations	12,133	9,976	(2,157)
Corporate Services	3,966	4,503	537
Housing	7,527	8,587	1,060
Transformation & Transition	32,255	49,031	16,776
Place	76,705	76,705	-
Economic Development	0	951	951
Governance, Law and Service Delivery	0	31	31
Total Capital Expenditure	132,586	149,784	17,198
Capital Funding			
Capital Grants	(11,575)	(15,452)	(3,877)
External Contributions	(2,387)	(10,817)	(8,430)
Capital Receipts	(24,867)	(31,632)	(6,765)
Revenue	(3,209)	(3,870)	(661)
Borrowing	(90,548)	(88,013)	2,535
Total Funding	(132,586)	(149,784)	(17,198)

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

	£'000	£'000
1 Capital investments decisions approved by Cabinet on 15 December 2021 (Budget Strategy 2022/23)		
i) Replacement Asset Management System	60	
ii) Radnor Park Footpath Resurfacing	40	
iii) The Stade, Folkestone Rental Huts - fishermans style huts for rent on the Stade	100	
iv) Additional Toilet Cleaner's Van	20	
v) Replacement Park Keeper's Vehicle	40	
vi) Electoral Management System replacement	31	
vii) ICT improvement costs - externally hosted Revenues & Benefits system	192	
viii) Parking Services – upgrade of payment options	60	
	<hr/>	543
2 Existing annual programmes extended by one year to 2026/27		
i) Coast Protection - Annual monitoring of Coronation Parade, Folkestone met from Environment Agency grant.	4	

ii)	Coast Protection – Greatstone Dunes Management and Study met from Environment Agency grant.	15	
iii)	Royal Military Canal - Footpath improvement scheme.	20	
iv)	Lifeline units for customers.	50	
v)	Empty Properties Initiative (KCC) - Loans to landlords	300	
vi)	Disabled Facilities Grants, subject to Government funding.	1,000	
vii)	Home Safe Loans met from repaid Decent Homes Loans.	100	
viii)	Replacement technology	95	
		<hr/>	1,584
3	Other new schemes to approve		
i)	Folkestone and Hythe Green Business Grant Scheme	250	
ii)	CLLD ERDF 'Folkestone Community Works' Capital Projects met from Government Grant.	951	
iii)	Capitalised Transformation Costs	105	
		<hr/>	1,306
4	Other changes		
i)	Princes Parade Scheme – explained in section 3, below	16,335	
ii)	Removal of Greatstone Varne Holiday Lets Scheme as per separate report to Cabinet on 10 February 2022	(1,847)	
iii)	Coast Protection Beach Management – Budget adjusted to reflect the grant awarded by the Environment Agency for a 5 year programme of works from April 2020 to March 2025	(728)	
iv)	General Fund Property - Health and Safety Enhancements saving in 2021/22	(10)	
v)	Royal Military Canal footpath enhancements saving in 2021/22	(10)	
vi)	Lower Sandgate Road Beach Huts additional cost (loan to FPPG Charity)	27	
vii)	Disabled Facilities Grants - Occupational Therapist Service recommenced their home assessment visits part way through 2021/22.	(400)	
viii)	New Business Hub - Mountfield Road, New Romney budget adjustment for capital grant received in 2020/21	336	
ix)	Additional Home Safe Loans met from DFG grant not required for 2021/22.	60	
x)	Other small changes	2	
		<hr/>	

	13,765
Total net increase	<u>17,198</u>

2.3 **Otterpool Park** – the overall budget to deliver the scheme remains unchanged from the existing approved position. The majority of the budget will be used to support the delivery of the scheme by the Otterpool Park LLP with some provision made for further property acquisitions that may be required. In summary, the remaining budget is planned to be used towards the following elements of the scheme:

	£'000
i) Property acquisition	8,682
ii) Masterplanning	2,263
iii) Delivery – funding of Otterpool Park LLP	63,750
iv) Other consultancy costs	90
Total	<u>74,785</u>

2.4 **Folkestone and Hythe Green Business Grant Scheme** – The Council's Climate and Ecological Emergency Working Group recently agreed to support the allocation of £250,000 from the Climate Change Reserve to set up the Folkestone and Hythe Green Business Grant Scheme. The scheme is to support businesses that are located, or seeking to locate, in the district with implementing carbon reduction measures. Further information about this scheme is available on the Council's website.

2.5 **Community Led Local Development European Regional Development Fund (CCLD ERDF) Capital Grants** – The Council acts as the accountable body for the CLLD ERDF grant being used to support the Folkestone Community Works Programme. It is projected that £951,000 of capital funding will be utilised by the Programme during 2021/22 and it is an accounting requirement for this to be included within the Council's capital programme.

2.6 **Transformation Costs** - A temporary statutory provision allows local authorities incurring revenue expenditure for staff transformation programmes and other similar initiatives generating ongoing savings to be met from capital receipts received from the disposal of surplus assets. These costs are required to be classified as capital expenditure for accounting purposes. The proposed budget of £105k provides for staff redundancy and related pension costs.

2.7 **Inflation** - The construction and engineering sector is expected to see inflation peak around 5% to 6% in 2022 due, in part, to a rise in the cost of materials. The construction related capital schemes in the General Fund capital programme typically have a 5% contingency sum included within their

budgeted cost. For those schemes expected to be completed over the next year inflation is unlikely to have a material impact to the budget. With Princes Parade the detailed work undertaken by the cost consultant has factored in the likely impact of inflation over the contract period. In the case of Otterpool Park it is anticipated the inflation risk from delivering the infrastructure for the proposed scheme can be mitigated by similar increases in land values as plots are sold for development.

- 2.8 The profiling of the capital programme budget is likely to be subject to some change over the medium term. Notably, the timing and profiling of the Otterpool Park Garden Town and Princes Parade schemes may be subject to change as the Council's plans for these develop going forward. Cabinet will be kept informed of any changes to the proposed profiling of expenditure for the capital programme through the budget monitoring process and future updates to the MTCP.
- 2.9 All proposed changes to the Council's General Fund MTCP are required to be approved by full Council as part of the budget setting process. The revenue implications of the of the MTCP are contained in either the proposed General Fund budget for 2022/23 or feature in the Council's approved Medium Term Financial Strategy.

3. PRINCES PARADE DEVELOPMENT

- 3.1 The Leisure centre, housing and open space development at Princes Parade is already included within the council's MTCP. Following significant preparatory work and investigations, an updated position was presented to Cabinet on the 26 January 2022. The respective report (C/21/75) can be found on the council's website at: [Agenda for Cabinet on Wednesday, 26th January, 2022, 5.00 pm - Folkestone & Hythe District Council \(folkestone-hythe.gov.uk\)](https://www.folkestone-hythe.gov.uk/agenda-for-cabinet-on-wednesday-26th-january-2022-5.00-pm-folkestone-hythe-district-council).
- 3.2 The report has provided the latest position on the development following site investigations, greater clarity on the costs of the scheme and also the result of procurement exercises which relate to the funding of the scheme. A number of other matters are considered within the report which were determined by Cabinet and do not directly impact on the MTCP.
- 3.3 The report sets out the increase in the required budget for the scheme, the changes in funding and the reasons for those changes. The overall cost of the scheme has risen to £45,400,579 as shown below. This includes the additional funding for solar panels for the leisure centre.

Table 1 – Costs of Project

Cost Heading	Cost
Construction Costs	£40,518,210
Consultant Fees, license fees, and other Council direct costs	£3,566,823

Contingency (3% of construction costs)	£1,215,546
Additional funding agreed for solar panels to leisure centre	£100,000
Total	£45,400,579

- 3.4 This is an increase in the project budget of £16,335,579 which was agreed in the 2019/20 MTCP. The main reasons for this increase are set out in the table below which compares current costs to the original capital programme budget agreed in 2019.

Table 2 – Cost Differences from January 2019

High Level Cost Differences between Jan 2019 and Jan 2022	Cost	Comment
January 2019 Cost Plan	£29,065,000	
Site remediation and ground works	£5,339,575	Costs now based on more extensive detailed ground investigations. These are the remediation costs required for the planned site.
Utility infrastructure (on and off site)	£1,433,075	Offsite reinforcement works are now required following detailed capacity assessments by utility companies.
Leisure centre cost	£1,057,019	Design detail improvements required to provide a high-quality leisure centre within the detailed planning consent.
Western open space and linear park	£1,529,117	These are now being completed directly by the Council rather than the residential developer to provide certainty to secure better land sales values for the council and complete these works at an earlier date.
Promenade	£916,553	
Seapoint Canoe Centre (SCC) works	£200,000	Enabling works to the Charity's facility which are required to allow the road to be built.
Normal inflation	£1,902,788	Increased inflation due to delay in delivering the project as a

		result of the planning Judicial Review.
Current market conditions	£3,857,452	Extraordinary inflation due to delay in delivering the project as a result of Covid, Brexit, material and labour shortages, energy prices, etc.
Additional funding for solar panels	£100,000	Agreed at Cabinet meeting of 26 January 2022
Total Increase	£16,335,579	
Total Project Cost (Excl VAT)	£45,400,579	

- 3.5 The associated funding has also increased to £38,775,010 and this is also explained below.
- 3.6 The overall funding required for the project has changed significantly since the project was last considered in the 2019 Cabinet report. The delay in the project, together with inflation alongside other factors, has increased the costs as described above. In addition, the delay in the project resulted in the loss of the Homes England Accelerated Construction Programme Grant of £1,977,879 that was awarded in 2019. During the summer of 2021, a new grant was made available for local authorities to bid for through One Public Estate (DLUHC / formally MHCLG). This was the Brownfield Land Release Fund (BLRF) and the Council was successful in applying for a grant of £2 million to support the project and the costs of remediation. This was not a like-for-like replacement however it has helped the overall funding of the project. Further grant funding opportunities will continue to be sought, with approval for submitting and accepting funds being delegated to the Director for Housing and Operations in consultation with the Leader of the Council, and reported to council as part of the normal budget monitoring processes.
- 3.7 The ongoing work has sought to identify all sources of relevant funding to address the current position of the project. In particular, the residential land values have increased and provide a greater level of financial support for the scheme (see above in relation to residential values) and the successful leisure centre operator means the Council will receive an average positive cash flow in addition to removing the heavy liability of the current pool. Set out below are the key funding sources to meet the overall costs of the project:

Table 3 – Funding

Item	£
Nickolls Quarry – Section 106 (with indexation as at the time of writing)	5,309,010
Hythe Imperial Section 106 (Affordable Housing)	1,416,000

CIL Funding	2,500,000
Play area funding (CIL)	650,000
SCC funding (offset expenditure)	200,000
Income from residential sales	26,600,000
BLRF Grant	2,000,000
Funding for solar panels from Climate Change reserve	100,000
Total Funding	38,775,010

- 3.8 The detail above identifies a funding gap of £6,625,569. The award of the new leisure centre contract will generate an average positive cash position estimated at £175,000 per annum over the period of the contract. Also, there will be no requirement to fund the existing Hythe Pool once this closes. This will save a further £165,000 per annum (excluding fixed costs and any exceptional costs, such as emergency / unplanned maintenance which is increasingly found to be necessary due to the age and deteriorating condition of the building). Overall this will provide a revenue turnaround estimated at £340,000 per annum which will be sufficient to cover the costs of funding approximately £10 million of additional borrowing if required. Revenue turnaround has not been included in the tabulated figures above but is part of the overall business case for consideration.
- 3.9 In summary, the above sets out the project requiring an increase in its capital budget and has a funding gap of £6,625,569. It should be noted that the costs include an allowance of £430,000 for interest charged whilst the development is being undertaken. The total budget required for the development is £45,400,579.

4. IMPACT ON CAPITAL RESOURCES

- 4.1 The proposed MTCP requires approximately £88m of prudential borrowing to support it with about £75m of this for the Otterpool Park scheme. Ordinarily the investment in Otterpool Park would put a significant pressure on the General Fund budget for additional interest costs. However, the Council is able to capitalise its borrowing cost for expenditure on the land assembly for the site until the land is ready for its intended use. As the land is sold the Council can then look to repay its borrowing. Additionally, the Council is receiving a net rental income stream from some of the properties it has acquired to date. The borrowing cost to the Council for the planned loan and equity investment in Otterpool Park LLP, the delivery vehicle for the project, will be covered by the accrued interest to be charged on the loan in the first instance.
- 4.2 Prudential borrowing is also planned to be used to fund the following capital schemes where the Council will receive a net revenue benefit after allowing for interest costs:

Scheme	Borrowing
	£'000
Princes Parade Leisure & Housing	6,625
Otterpool Park	74,785
Oportunitas Phase 2 Funding	3,510
Waste Contract Vehicles Funding	1,729
Lower Sandgate Road Beach Huts	47
Temporary Accommodation	274
Coast Drive Seafront Development	893
Coastal Park Toilets & Concession	150
Total	88,013

- 4.3 The borrowing cost to the Council for the Princes Parade scheme during the construction phase will be capitalised and has been factored into the proposed capital budget for the scheme. In the long term the annual capital financing cost for the scheme is expected to be contained within the net revenue savings to the General Fund to be generated from it.
- 4.4 The latest position regarding the Council's available capital receipts to fund capital expenditure is shown in the following table:

General Fund Capital Receipts Position Statement	£'000
Receipts in hand at 30 November 2020	(10,145)
Less, HRA capital receipts	5,669
General Fund capital receipts in hand	(4,476)
Contingency for urgent or unforeseen capital expenditure	500
Ring-fenced for specific purposes:	78
*Applied to capital expenditure in 2021/22 & 2022/23	3,424
Balance available to support new capital expenditure	(474)

*Excludes Princes Parade

- 4.5 The Princes Parade Leisure and Housing scheme relies on the Council receiving about £26.6m in capital receipts from the sales of serviced land for housing development adjacent to the proposed leisure centre and from the disposal of the existing Hythe Pool site. The planned continued capital investment in the 'No Use Empty' joint initiative with Kent County Council and also the Home Safe Loans scheme are to be met from investing repaid loans from previous tranches of these schemes.
- 4.6 Additionally, the council's continuing prudent financial management means it is in a position to use its other internal resources (cash reserves and balances) to fund the MTCP that is not already met from external grants and contributions without resorting to new borrowing. The table below

summarises the council's revenue resources of £3.87m committed towards funding the MTCP.

Revenue Resources to Fund the MTCP	£'000
Vehicle, Equipment and Technology Reserve	702
Economic Development Reserve	1,960
Climate Change Reserve	798
General Reserve	410
Total	3,870

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

5. CONCLUSIONS

- 5.1 The MTCP has been reviewed and updated in accordance with the approved budget strategy for 2022/23.
- 5.2 The revenue consequences of the MTCP are reflected in the Council's General Fund budget and Medium Term Financial Strategy.
- 5.3 The proposed General Fund MTCP requires a substantial level of prudential borrowing to fund it. The impact to the General Fund of this will be mitigated through a combination of capitalising interest costs where permissible, charging interest to third parties on capital loans met from borrowing and generating additional net revenue streams from capital investments met from borrowing.
- 5.4 The level of new capital investment in the proposed MTCP will be a significant draw upon on the Council's available reserves and balances and is unlikely to be repeated in the future. Future major capital investment initiatives are likely to require further prudential borrowing to help fund them.
- 5.5 Cabinet is asked to recommend full Council to approve the changes to the MTCP outlined in this report to reflect the latest projected outturn shown in appendix 1 to this report.

6. RISK MANAGEMENT ISSUES

- 6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital resources not available to meet the cost of the new projects.	High	Low	Schemes or elements of those schemes relying on future capital receipts or external grants and contributions will not commence until an agreed disposal plan or funding agreement is in place.
Cost of new projects may exceed the estimate	High	Medium	A review of existing approved capital schemes has been undertaken as part of the update to the MTCP to assess the impact of current inflationary pressures affecting construction and engineering sector. Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.
Expenditure planned to be met by grant is ineligible under the terms of the funding agreement	High	Low	Prior to commitments being made the project manager to agree in advance grant eligible expenditure with the funding body.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (TH)

There are no legal implications arising directly out of this report. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act

prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. Generally the Council must take into account its fiduciary duties to local tax payers and its continuing obligation to ensure it has the funding required to perform its statutory undertakings.

7.2 Finance Officer's Comments (LW)

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

7.3 Diversities and Equalities Implications (DA)

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

7.4 Communication Officer's Comments (JW)

There are no communication issues arising directly from this report.

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

There are no climate change implications arising directly from this report. It updates Cabinet on this position following decisions taken at Cabinet and Full Council. Climate change implications of the various projects referenced in the report will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making process.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

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

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

None

Appendix:

- 1) Proposed General Fund MTCP to 2026/27

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General Fund Medium Term Capital Programme to 2026/27											
Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Latest Projection 2026/27	Total Projection 2021/22 - 2026/27	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Andy Blaszkowicz - Operations											
1	Coast Protection - Coronation Parade, Folkestone	760	30	730	0	0	0	0	760	0	
2	Coast Protection - Coronation Parade annual monitoring	20	4	4	4	4	4	4	24	4	Scheme externally funded by the Environment Agency and extended by one year to 2026/27.
3	Coast Protection - Greatstone Dunes Management & Study	75	15	15	15	15	15	15	90	15	Annual programme funded by Environment Agency extended by one year to 2026/27.
4	Coast Protection - Hythe to Folkestone Beach Management	2,100	343	343	343	343	0	0	1,372	(728)	The Environment Agency has approved funding for a 5 year programme of works from April 2020 to March 2025. Budget adjusted to reflect the grant awarded by the Environment Agency to meet the cost of works to maintain the beach levels between Hythe and Folkestone. A further funding bid to the EA for future years will be required.
5	General Fund Property - Health and Safety Enhancements	13	3	0	0	0	0	0	3	(10)	Saving.
6	Royal Military Canal footpath enhancements	100	10	20	20	20	20	20	110	10	Ongoing 10 year programme of improvements 2016/17-2026/27
7	Lifeline Capitalisation	250	50	50	50	50	50	50	300	50	Annual programme to purchase new/replacement units extended by one year to 2026/27 (£50k)
8	Public Toilet Enhancement Programme	397	200	197	0	0	0	0	397	0	Scheme to refurbish the council's public toilets portfolio.
9	Lower Sandgate Road Beach Huts (FPPG Charity)	20	47	0	0	0	0	0	47	27	The main reason for the variance is the cost to renovate the 27 existing beach huts was more than originally anticipated. Additional loan funding to be met by FPPG Charity.
10	Parking Services	27	13	75	0	0	0	0	88	61	Replacement of 15 on-street pay and display machines in Folkestone. £60k growth provision to upgrade parking payment options.
11	Biggins Wood Site Land Remediation Works	2,760	200	2,560	0	0	0	0	2,760	0	Works to enable commercial and housing developments to proceed funded in part from a Homes England grant of £1.016m agreed in principle
12	Greatstone Varne Holiday Lets	1,847	0	0	0	0	0	0	0	(1,847)	Scheme withdrawn and land planned to be sold.
13	Electric Vehicle Charging Points	40	40	0	0	0	0	0	40	0	To provide 15 on-street charging points, pending approval from KCC to use their lamp columns.
14	District Street Lights	745	0	745	0	0	0	0	745	0	Upgrade all district street lights.
15	Coast Drive Seafront Development	893	0	893	0	0	0	0	893	0	Project includes new beach huts, toilet facilities including a changing places toilet, a concession/café, car parking facilities and public realm improvements.
16	Coastal Park Play Equipment (FPPG Charity)	62	62	0	0	0	0	0	62	0	Replace Pirate Ship and undertake urgent repairs to the main tower structure to prevent the closure of the facilities on health and safety grounds

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Latest Projection 2026/27	Total Projection 2021/22 - 2026/27	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
17	Coastal Park Toilet and Concession	150	150	0	0	0	0	0	150	0	Construction of larger purpose built toilet block with adjoining concession to ease demand on existing facility and provide a new sustainable revenue stream
18	East Cliff Landfill Protection (FPPG Charity)	1,200	30	1,170	0	0	0	0	1,200	0	Work to remediate disused landfill site causing an environmental hazard to a high profile SSSI site. Initial surveys undertaken have helped to clarify the extent and context of the landfill site. Further studies are ongoing to quantify risk and appropriate mitigation measures .
19	Hawkinge Depot Upgrade	74	75	0	0	0	0	0	75	1	Enhancements to staff welfare facilities and to provide covered storage to protect equipment from the elements
20	Replacement Asset Management System	0	0	60	0	0	0	0	60	60	Growth - Replace existing defunct 'Badger' software to support robust Asset Compliance and provide DLO management software capability
21	Radnor Park Footpath Resurfacing (FPPG Charity)	0	0	40	0	0	0	0	40	40	Growth - Survey has identified a need to resurface the footpaths around the perimeter of the upper Radnor Park area to mitigate the risk of trip hazards. Delaying the resurfacing is likely to lead to additional maintenance works
22	The Stade, Folkestone Rental Huts	0	0	100	0	0	0	0	100	100	Growth - Provision of fishermans style huts for rent on the Stade in a prominent harbourside position. Scheme to include public realm improvements
23	Additional Toilet Cleaner's Van	0	0	20	0	0	0	0	20	20	Growth - Revenue growth bid submitted for additional toilet cleaner's post and van required for this.
24	Replacement Park Keeper's Vehicle	0	0	40	0	0	0	0	40	40	Growth - Existing vehicle which is used daily is 17 years old and has become increasingly unreliable. Vehicle provides essential waste carrying capacity for the Parks & Open Spaces Team.
25	Units 1-5 Learoyd Road New Romney	200	200	0	0	0	0	0	200	0	Major refurbishment of units to maintain the existing income stream from leasing to local businesses
26	Connect 38 CAT A Works	400	160	240	0	0	0	0	400	0	Necessary Cat A works to the Connect 38 building.
	Total - Operations	12,133	1,632	7,302	432	432	89	89	9,976	(2,157)	
	Amandeep Khroud - Governance, Law and Service Delivery										
27	Electoral Management System	0	0	31	0	0	0	0	31	31	Growth - Replacement Electoral Management System (Onsite Software Option)
	Total - Governance, Law and Service Delivery	0	0	31	0	0	0	0	31	31	
	Katharine Harvey - Head of Economic Development										
28	CLLD ERDF Capital Projects	0	625	286	40	0	0	0	951	951	Folkestone Community Works classified as capital expenditure and met from Government Grant.
	Total - Head of Economic Development	0	625	286	40	0	0	0	951	951	

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Latest Projection 2026/27	Total Projection 2021/22 - 2026/27	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Ewan Green - Place										
29	Waste Contract - Acquisition of Vehicles and Equipment	1,729	1,484	0	0	245	0	0	1,729	0	Purchase of vehicles and equipment for the new Waste contract with Veolia partly reprofiled. Purchase will achieve a net annual saving of £100k to the General Fund
30	Otterpool Park	74,785	9,055	9,372	28,750	22,407	5,201	0	74,785	0	Land and property assembly, masterplanning costs and funding of the Otterpool LLP to deliver the infrastructure for the scheme
31	Ship Street Site Folkestone	161	50	111	0	0	0	0	161	0	The redevelopment of site is being progressed from initial feasibility stage to market testing with a the intent to secure a development partner for the Council. This will take place over the period to June 2022.
32	Area Officer Vans	30	30	0	0	0	0	0	30	0	Delayed and now considering electric vehicles which may require an increase to the budget
	Total - Place	76,705	10,619	9,483	28,750	22,652	5,201	0	76,705	0	
	John Holman - Housing										
33	Empty Properties Initiative (KCC) - Loans to landlords	1,500	300	300	300	300	300	300	1,800	300	The £300K budget for 2021/22 and future years to be met from repaid loans from previous years. Scheme extended by one year to 2026/27
34	Temporary Accommodation (invest to save)	527	527	0	0	0	0	0	527	0	Acquisition and refurbishment of properties to provide temporary accommodation for homeless households. Officers are currently seeking further suitable acquisition opportunities to complete during 2021/22.
35	Disabled Facilities Grant	5,000	600	1,000	1,000	1,000	1,000	1,000	5,600	600	Saving anticipated for 2021/22 due to lower than anticipated demand. Scheme met entirely from Government grant and extended by one year to 2026/27.
36	Home Safe Loans	500	160	100	100	100	100	100	660	160	21/22 additional expenditure can be met from DFG grant and scheme extended by one year to 2026/27.
	Total - Housing	7,527	1,587	1,400	1,400	1,400	1,400	1,400	8,587	1,060	
	Charlotte Spendley - Corporate Services										
37	PC Replacement Programme	156	16	35	35	35	35	35	191	35	Scheme extended by one year to 2026/27.
38	Server Replacement Programme	300	60	60	60	60	60	60	360	60	Provision for an annual replacement programme over the medium term. Scheme extended by one year to 2026/27.
39	ICT improvement costs (externally hosted Revenues & Benefits system)	0	0	192	0	0	0	0	192	192	Growth - Migration of Revenues and Benefits to externally hosted service including the replacement of the Civica document management system. Funded from Flexible Use of Capital Receipts
40	Folkestone & Hythe Green Business Grant Scheme	0	0	250	0	0	0	0	250	250	Growth - Support for Local Business met from the Climate Change Reserve
41	Oportunitas Loan and Share Capital Phase 2	3,510	1,340	2,170	0	0	0	0	3,510	0	To invest in the company's expansion of its residential property portfolio primarily for the former Royal Victoria Hospital site development. Phase A completed October 2021. Phase B projected completion Autumn 2022.
	Total - Corporate Services	3,966	1,416	2,707	95	95	95	95	4,503	537	

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Latest Projection 2026/27	Total Projection 2021/22 - 2026/27	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Tim Madden - Transformation & Transition										
42	Princes Parade Leisure & Housing development	28,468	2,804	14,699	21,394	5,906	0	0	44,803	16,335	Updated position as reported to Cabinet on 26 January 2022
43	Mountfield Road Industrial Estate Phase 2	3,490	3,490	0	0	0	0	0	3,490	0	Infrastructure and services to 5 hectare site to enable development of employment space for up to 450 jobs. Final SELEP grant award slightly higher than previously anticipated
44	New Business Hub - Mountfield Road Industrial Estate	297	633	0	0	0	0	0	633	336	Joint development with East Kent Spatial Development Company to construct the new facility on the Council's land. Facility completed and now open.
48	FHDC Transformation	0	0	105	0	0	0	0	105	105	Capitalised redundancy and pension strain costs able to be met from the Flexible Use of Capital Receipts Guidance
	Total - Transformation & Transition	32,255	6,927	14,804	21,394	5,906	0	0	49,031	16,776	
	Total General Fund Medium Term Capital Programme	132,586	22,806	36,013	52,111	30,485	6,785	1,584	149,784	17,198	
49	Government Grant	(11,575)	(5,652)	(4,998)	(1,402)	(1,362)	(1,019)	(1,019)	(15,452)	(3,877)	
50	Other External Contributions	(2,387)	(1,188)	(1,170)	(7,309)	(1,150)	0	0	(10,817)	(8,430)	
51	Capital Receipts	(24,867)	(884)	(5,208)	(10,400)	(14,340)	(400)	(400)	(31,632)	(6,765)	
52	Revenue Contributions	(3,209)	(747)	(2,363)	(165)	(265)	(165)	(165)	(3,870)	(661)	
53	Borrowing	(90,548)	(14,335)	(22,274)	(32,835)	(13,368)	(5,201)	0	(88,013)	2,535	
	Total Funding	(132,586)	(22,806)	(36,013)	(52,111)	(30,485)	(6,785)	(1,584)	(149,784)	(17,198)	