

## Overview and Scrutiny Committee

Held at:	Council Chamber - Civic Centre, Folkestone.
Date	Tuesday, 8 November 2022.
Present	Councillors Miss Susan Carey, Peter Gane, Michelle Keutenius (Chairman), Connor McConville, Terence Mullard, Patricia Rolfe, Rebecca Shoob (Vice-Chair) and John Wing.
Apologies for Absence	None
Officers Present:	Simon Baxter (Chief Officer - Development), James Clapson (Case Officer (Committee)), Ewan Green (Director of Place), Jyotsna Leney (Health, Wellbeing and Partnership Senior Specialist), Susan Priest (Chief Executive), Jonathan Smith (Senior Accountant), Charlotte Spendley (Director of Corporate Services) and Brian Thompson (Interim Chief Financial Services Officer).
Others Present:	Andy Jarrett, Managing Director, Otterpool Park LLP, Mark Dodson, Head of Finance, Otterpool Park LLP.  Councillor Clive Goddard and Councillor Lesley Whybrow (Leader of the Green Party)

### 1. **Declarations of Interest**

Councillor Shoob declared a DPI in item 4 Otterpool Park LLP Business Plan 2023-24, as she is a Director of Otterpool Park LLP. She left the meeting for the consideration of this item.

Councillor Carey declared a voluntary interest in item 4, Otterpool Park LLP Business Plan 2023-24, as she represents the Council on the Otterpool Park LLP Board.

### 2. **Minutes**

The minutes of the meeting dated 6 September 2022 were agreed and signed by the Chairman.

### 3. **Minutes of the Finance and Performance Scrutiny Sub Committee**

The minutes of the meeting held on 11 October 2022 were agreed and signed by the Chairman.

4. **Otterpool Park LLP Business Plan 2023-24**

Councillor Shoob left the meeting for the duration of this item as she had declared a pecuniary interest in Otterpool Park LLP.

Mr Jarrett provided Members with a presentation on the strategic business plan that looked back at the progress achieved to date, and forward at plans for the future. The presentation detailed the key milestones and finances for Otterpool Park LLP (OP), and set out proposals for its future priorities. The presentation slides have been included with the minutes for reference.

During consideration of the item it was noted that:

- Early drafting was underway, and discussions were taking place with statutory agencies to help finalise the S106 agreements by June 2023.
- Health service provision should be considered at an early stage in the planning process. Discussions were taking place with GP practices.
- Although the economic environment was volatile, the project remained viable and had been expected to experience several recessions during its lifetime. A collaboration with Homes England would help to further strengthen OP's position.
- The recent legislative requirement to ensure that new building projects were nutrient neutral could be accommodated on the site. However this may have caused a problem for some projects in the district, leading to a reduction in the number of new buildings constructed in the area.
- The negotiations with Homes England would include an equalisation of assets agreement, it was likely that Homes England would have between 20% and 40% of the land.
- The discussions with Southeastern Railways about the extension of Westenhanger Station had been going very well.
- OP would produce a standalone document noting the changes to the Plan and financial forecasts.
- The Chancellor of the Exchequer's Autumn statement may help to provide some certainty going forward, and collaboration with Homes England would help to spread the risks faced by the project.
- OP currently had 13 full time equivalent positions, and would employ a commercial director in the near future. OP also used consultants who provided specialist knowledge.
- It should be publicised more that the project was to meet a housing need for local people.
- A lot of community based promotional work had taken place, and more was programmed for 2023.
- It was expected that the first house would be up for sale in 2025, however there were a number of milestones to be met along the way to meet this target, and these milestones were often reliant upon the actions of third parties.

## 5. **Medium Term Financial Strategy**

Councillor Shoob returned to the meeting.

Ms Spendley provided Members with a presentation that covered the following areas:

- The budget setting process for 2023/24 and consultation process.
- An update on the local and national funding position.
- An update on the preparation of the Council's Medium Term Financial Strategy (MTFS).
- An outline of the process for council tax setting.

The slides have been attached to the minutes for reference.

During consideration of the item it was noted that:

- The Council's efforts to engage with residents about the budget had not seen many responses in the past. Suggestions on how to improve the consultation were welcomed.
- The opportunity for residents to participate in the consultation would be promoted in libraries, where residents could also use the onsite computers to take part.
- Thanks were offered to the finance team for their efforts.
- The MTFS had been recalculated several times over the last few months in response to global and national financial predictions. It was likely that further recalculations would be required before it was considered by Full Council in February 2023.
- Global and national financial volatility had led to increased uncertainty, this has been recognised in the risk management appraisal that will form part of the report considered by Full Council.
- A position statement will be produced following the Chancellor of the Exchequer's Autumn Statement.
- Three scenarios were modelled, a worst case, middle case and best case. They were based upon projections from the Bank of England and the Council's external financial advisors.

## 6. **Cost of Living Summit**

Councillor Godfrey, Cabinet Member for Housing and Special Projects, introduced the item on behalf of Councillor Hollingsbee, Deputy Leader and Cabinet Member for Communities, who was unable to attend the meeting. He advised that the summit had been well attended and successfully brought a number of key organisations together. He offered thanks to everyone who attended, and to the Officers who helped arrange the event.

During consideration of the item it was noted that:

- There were currently 17 warm spaces locations being developed in the district, and a link to a platform where warm spaces were being registered would be included in the 'Your District Today' publication.

- There was a small amount of funding available to help support the setup of warm spaces.
- Once the list of warm spaces had been finalised, the details would be publicised and circulated.
- It was suggested that the Green Doctors and a link to wellbeing support should be added in the leaflet.
- The Winter Well event, to be held on 12 November, was the next major event to take place following the summit.
- It could be useful to provide a date of publication or version number on the leaflet to ensure people had the latest version.
- Information on the Share the Warmth Campaign could be added, and details of some KCC initiatives such as the social tariffs for broadband, and opportunities to receive a computer could also be added.
- The Kent Support and Assistance Service (KSAS) was a KCC led household support scheme for vulnerable households in Kent who needed help due to rising energy costs. There needed to be effective signposting to the support that was already available.
- An application had been made to Government for an allocation of the UK Shared Prosperity Fund. The proposed use of the funding includes support for those most in need of assistance to make their homes as energy efficient as possible. This could be through initiatives such as boiler servicing, or the provision of energy efficient appliances.
- If Members had any Ward Grant spare, they could consider putting it towards one of the cost of living support initiatives.

Proposed by Councillor Keutenius  
Seconded by Councillor Gane, and

**RESOLVED:**

That the Committee:

- Receive and note report OS/22/07
- Endorse the Cost-of-Living leaflet and the ongoing activity following the summit.

(The recommendation was agreed by affirmation of the meeting).

**7. Closure of Footpath South of Seaview Bridge Petition**

Mr Baxter introduced the item. He advised that Council had resolved, at its meeting on 28.9.2022, that the petition be referred to the Overview and Scrutiny Committee for their observations before deciding whether to examine the issues raised by the petition.

The wording of the petition was as follows:

‘We, the undersigned, request that the path between the first bridge (Seaview Bridge) and the Tram Shelter remains accessible after work is completed daily and at weekends.’

Mr Baxter then provided Members with an overview of the planned work that would impact upon the footpath and explained why it was not possible to reopen the footpath while these works were underway. The presentation slides can be seen in the agenda pack for reference.

During consideration of the item, it was noted that:

- The footpath was currently open and would remain open until works commenced.
- The work was expected to take around 17 months. The contractor would minimise the amount of time that access to the seafront was restricted.
- Once the work was completed, there would be steps and a ramp that would provide disabled access to the seafront.
- During the construction, construction vehicles would pass over the footpath area, and the ground would be reprofiled. This excavation would destroy the delineation of the path. The path would not exist, and therefore it could not be reopened in the evening and at weekends.
- The footpath should remain open until the last possible moment, and residents should be given a reasonable amount of notice before the commencement of works and its closure.
- Consideration should be given to providing a nearby alternative tarmacked path to the seafront, while the footpath was unavailable.

Proposed by Councillor Mullard  
Seconded by Councillor Carey; and

**RESOLVED:**

That the petition had been considered and the Committee felt that the closure must be implemented when works commenced.

(Voting: For 3; Against 0; Abstentions 5)

Following the Committee's resolution, the Chairman urged officers to ensure that residents were given timely notification if work was to commence on the site, leading to the closure of the footpath.

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OTTERPOOL PARK

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Otterpool Park LLP  
Business Plan, 2023 -2024

FHDC Overview and Scrutiny Committee

Andy Jarrett, Managing Director, Otterpool Park LLP

# Introduction

Business Plan process  
Planning Review  
Collaboration Agreement - Homes England  
Infrastructure Programme  
    Physical  
    Social  
Land Disposal(Housebuilder Negotiations}  
Market Appraisal  
Community Engagement  
Next steps





# Business Plan Process:-

1. Otterpool Park Board – 4 November 2022
2. FHDC Overview and Scrutiny Committee – 8 November 2022
3. FHDC Cabinet – January 2022
4. Therefore Draft Plan is required 5 months ahead of current year end.
5. Assumptions
6. Work in progress shown in red



# Review – Planning

2022/23

## Achievements

- Folkestone and Hythe DC Local Plan Adopted March 2022
- Application resubmitted June 2022
- Nutrient neutrality proposal agreed with Natural England November 2022
- Motorway improvements agreed January 2023
- Newingreen arrangements agreed December 2022



- Planning Committee resolution to approve February/March 2023
- S106 agreement signed June 2023

## Disappointments

Ongoing delays with planning application

Inability of Statutory Agencies to respond in a timely manner

# Review – Planning

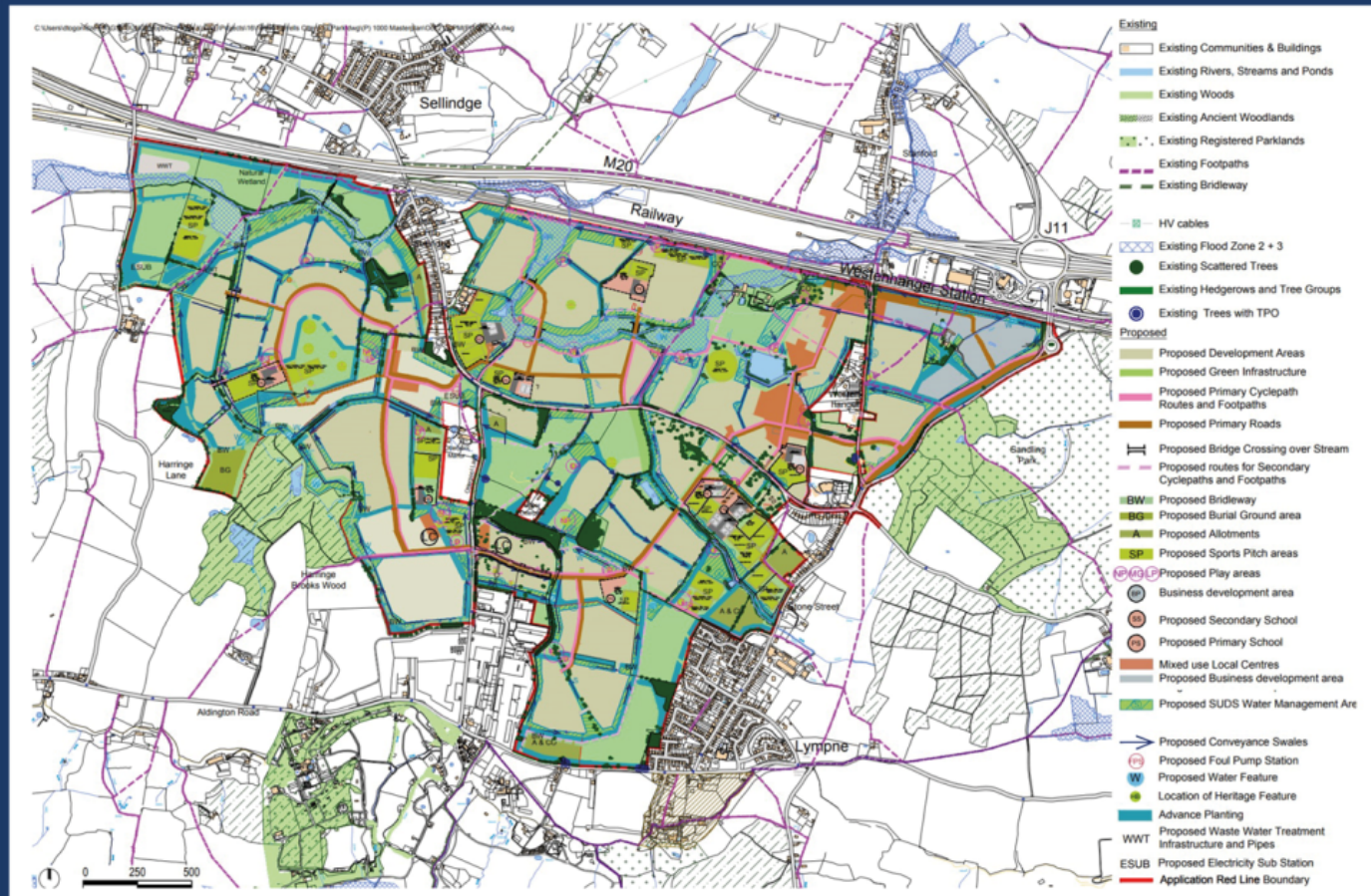
## 2023/2024

- Discharge of pre-commencement planning conditions
- The development and submission of the Phase 1/Tier 2.
- The development and submission of reserved matters (Tier 3) applications

including:

- Roads
- SUDs
- Rail – HS1 improvements
- First primary school
- Bus Interchange
- Mobility Hubs
- Castle Park
- Castle and Barns
- Support 7 housebuilders

# Proposed Collaboration Agreement with Homes England



# Collaboration Agreement Homes England

## Purpose – homes and jobs

- Substantial injection of capital
  - Assist with management of peak debt
  - Accelerate land acquisition
  - Accelerate delivery of
- Accelerate delivery of key infrastructure (including HS1)
  - Broaden skills base and experience

## Way Forward

- Principle agreed
  - Board, Sept 2022
  - Cabinet , Oct 2022
- Heads of terms to be reported for approval
  - Board, 24 January (provisional date) 2023
  - Cabinet on 25 January 2023 (OSC 17 January 2023)
- Business plan written on assumption that Homes England is acceptable

# Working with Government

Throughout the year the staff of the LLP have engaged with various stakeholders including government (shown in the next slide)

April 2022	May/June 2022	July/August 2022	September/October 2022
<p>Page 14 Meeting with senior team at Department for Levelling Up, Housing and Communities</p>	<p>Site visit by Directors and entire team at DLUHC, DFT, BEIS, DIT, and Homes England</p>	<p>Meeting with Housing and Planning Team, DfT</p>	<p>Meeting with Defra</p>
<p>Infrastructure roundtable with Homes England, DLUHC, DFT and others</p>	<p>Initial meeting with Active Travel England</p>	<p>Meeting with Cities and Local Growth Team, BEIS</p>	<p>Meeting with Active Travel England</p>
	<p>Meeting with Area Director, National Highways</p>	<p>Meeting with DLUHC</p>	<p>Meeting with 1922 Committee Chairman</p>
			<p>Meeting with Deputy Prime Minister</p>

# Infrastructure

2022/23

Stantec preparing technical designs

WWTW and SUDs contract agreed with Severn Trent

2023/24

Priority infrastructure elements are programmed to commence in November 2023:

- Newingreen Junction
- A20 improvements (various schemes)
- Otterpool Avenue
- Wastewater Treatment Works (and associated wetland)
- On-plot enabling works (reprofiling, strategic drainage and utilities)
- Advanced planting

# Social Infrastructure

2022/23

- Raft of requirements under Section 106 agreement
  - Schools
  - Heritage
  - Health and well being
    - Integrated Care Board
    - (Health Impact Assessment)
  - Community
    - Meeting places
    - sports

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2023/24

- Sign Section 106
- Develop plans and proposals
  - 1<sup>st</sup> primary school
  - Future of Castle and Barns
  - Heritage Trail
  - Castle Park
  - Community meeting place
  - Skills Development





# Review – Land Disposal

## 2022/23

- Open market testing – invitation to housebuilders to make submissions
- Bids assessed on quality and price
- Winning bidders selected
- Phase 1 Housebuilder deals concluded
- Joint venture entered into (with Council approval)
- Agree Land Acquisition Strategy

## 2023/24

- Any outstanding Phase 1 deals concluded



# The Market – Analysis by Strutt and Parker (BNP)

- **Land values equal or above those in the Business Plan.**
  - Q3 2021 to Q2 2022, housebuilders particularly active in Kent
  - East Kent is one of the worst affected areas for water neutrality
  - Land values up exponentially for land driven by nutrient neutrality and post-pandemic demand for homes
  - Folkestone and Hythe has 17.1% increase in house prices for 12-months to July 2022
- **Headwinds** - rising construction costs, inflation, wider geo-political and economic uncertainty.
- **Softening of land markets** as approach Q4 2022, values remain at or above 2021 levels, outlook cautiously optimistic.
- **Outlook for Otterpool, prices to be significantly above the original Business Plan.**

# Review – Legal and Governance

2022/23

Agreed preferred form of stewardship vehicle and recommended to cabinet

Establishing financial instruments

Preparing first business plan for stewardship vehicle

Preparing Phase Delivery Strategy for approval

Regular financial updates

2023/24

Stewardship vehicle to become operational

Comprehensive training programme for Board after May 2023

Embed governance structures with Homes England

Agree land acquisition strategy

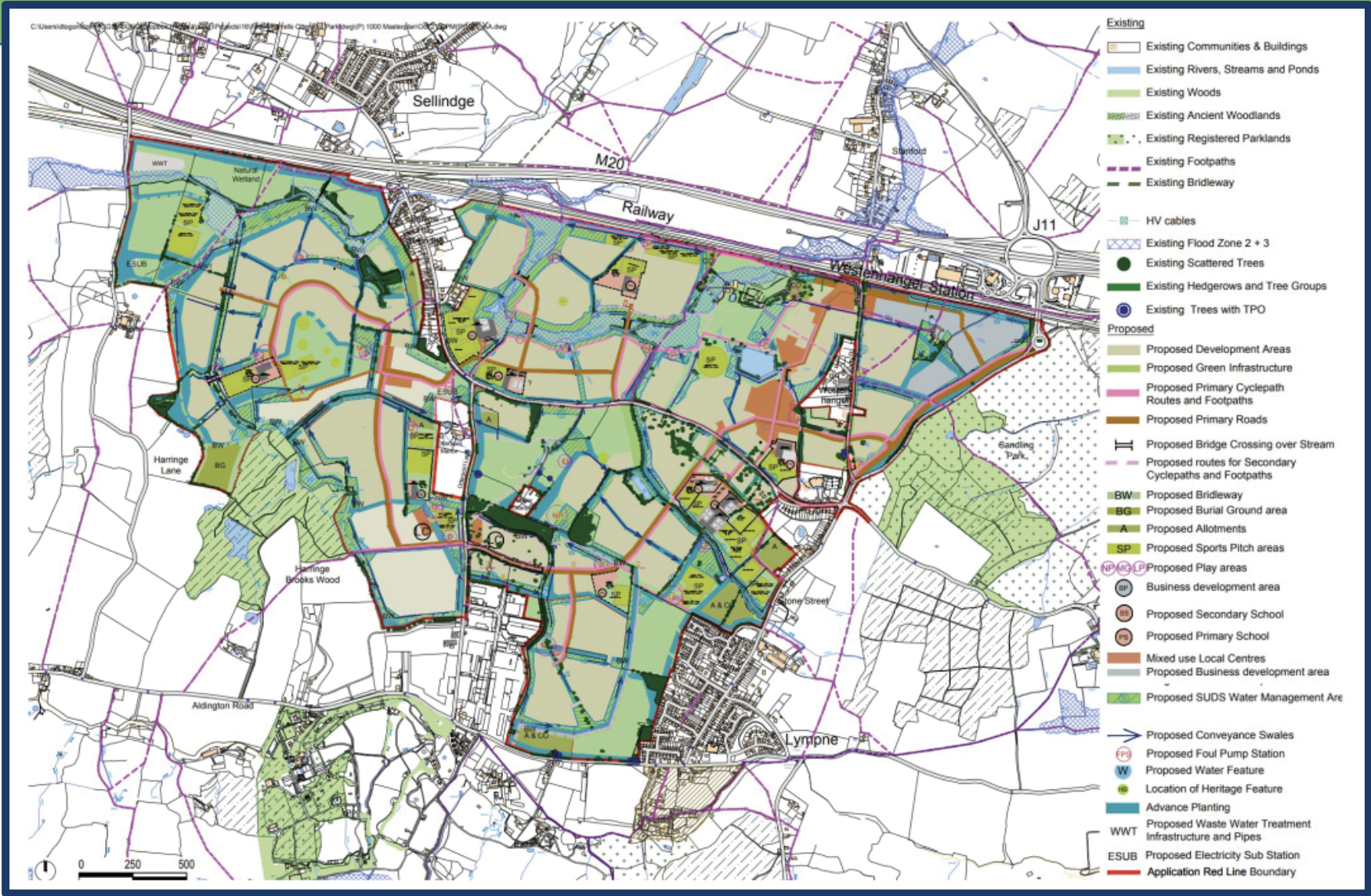
# Next Steps – Strategic Deliver Programme

	2023	2024	2025	2050
Outline Planning Permission	Spring			
Site enabling works begin	Winter			
Key Phase One infrastructure completed		Winter		
Housing begins on site			Spring	
First occupation				
First primary school opens			Winter	
Last house occupied				OR THEREABOUTS

# Any Questions?



# Illustrative Masterplan, October 2021



# Budget setting process 2023/24

Oversight & Scrutiny Committee (OSC)  
8 November 2022

# Key themes for the presentation

- Overview of the budget setting process for 2023/24
- Update on national and local funding position for Government
- Update - Medium Term Financial Strategy ('MTFS')
- Outline Council process for Council Tax setting in February 2023
- Discuss the consultation process for the Budget 2023/24



# Terms of Reference for OSC

- To review and scrutinise the executive's decisions, including prior scrutiny of proposed executive decisions and decisions made by committees and officers.
- To contribute to the development of the Budget and other financial strategies, and review the performance of the executive against the Budget and other financial targets.

# District budget context (2022/23 Base)

- General Fund Gross Annual Revenue Spend £104.5 million
- General Fund Gross Annual Income £91 million
- Council tax requirement – £13.5m
- Band D Council Tax - £279.09 (excluding Parish precepts)
- Number of Council Tax Bills sent out – 53,358 (97% collected)
- Number Business Rates Bills sent out – 3,987 (98% collected)

# District budget context cont'd

- HRA (Housing Revenue Account):
  - Gross Annual Revenue Spend - £13.1 million (before contribution to capital)  
Gross Annual Income - £17.3 million
- Capital Programme to 2026/27: £148 million (prudential borrowing)
- Budget lines circa 4,000-5,000

# General Fund Revenue Budget requirement

There are 4 core funding streams for this :

- Council Tax – decided by Council but limited by central government
  - Referendum limit: 1.99% or £5 (whichever greater)
- Business Rates (after Government and County shares)
- Government Grant (e.g. S31 Grant but no Revenue Support Grant and no New Homes Bonus from 2023/24)
- Other income (e.g. fees and charges, investment income)

# National picture – Budget pressures

Pressures and challenging times:

- The war in Ukraine and its impact on the world economy and financial climate
- Unprecedented increases in the price of utility costs such as electricity and gas
- Huge fluctuations in the price of crude oil and supply side pressures
- Significant increases in consumer price inflation (CPI) now at 10.1% in the U.K.
- Rapidly increasing Bank of England base rates, now at 3.00% with further increases possible to combat inflation
- Increases in the cost of borrowing due to higher interest rates
- Turbulent political times recently at Westminster level – funding gap of £28bn - £40bn post ‘Mini Budget’
- Volatility in the bond and currency markets affecting the financial climate.

The Chancellor of the Exchequer, the Right Honourable Jeremy Hunt MP will be announcing a range of fiscal measures in the new Medium-Term Fiscal Plan on 17 November 2022.

The Chancellor also signalled further savings may be required as the Government may have to bridge a funding gap of £28bn+ if it is going to meet its fiscal target of falling debt by the medium term. Government departments will be asked to find efficiency savings within their budgets.

# National picture – Budget pressures cont'd.

## Current Local Government Financial pressures

- **Spending Round (review) 21 allocations from 2022/23** – flat cash in 2023-24 and 2024-25 – so essentially no further growth for inflation pressures or pay award
- **National Insurance Contributions reduction by 1.25%** – savings of around £400m for local government – assuming no reversal (RISK)
- **Business rates multiplier** – increase with CPI inflation (10%+) is unlikely, so cap or freeze – will local government be fully compensated? £1.5bn cost to Central Government if Local Government compensated.
- **Council tax** – 2% core plus 1% ASC precept – reasonable forecasting assumption but case for either higher or lower thresholds
- **Re-purposing existing grants within Core Spending Power** (22-23 Services Grant, Lower Services Grant, New Homes Bonus)
- **Provisional local government settlement still anticipated in December 2022**

# Medium Term Financial Strategy (“MTFS”)

- Key strategic document driving the Council
- Key 4 year financial strategy for the Council
- Includes Corporate Plan priorities, key aims & service objectives
- Projects cumulative funding position on a rolling year basis
- Forecasts external economic and funding factors
- Modelled and stress tested
- Key part of the budget process and Council Tax setting

# Key MTFS headlines

Medium Term Financial Forecast (excludes growth & savings)

Financial Forecast	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Net Revenue Expenditure Forecast	19,696	20,353	20,997	21,612
Deficit / (Surplus)	4,286	4,501	4,961	4,751
Cumulative Deficit	4,286	8,787	13,478	18,499

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	£'000
Inflationary pressures	1,601
Net interest payable	386
Collection fund adjustments	(1,599)
Energy cost increases	211
Revenue contribution to capital	(1,622)
Other service / technical changes	384
Net Movement in Reserves (removal from 22/23 base budget)	4,924
<b>Forecast MTFS Budget Deficit Before Growth and Savings Proposals</b>	<b>4,286</b>



# MTFS Assumptions / indices used

MTFS Assumptions used	BASE £'000	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
General inflation – prices*		7.0%	5.0%	4.0%	4.0%
Pay bill growth (excl. on costs)	13,832	In negotiation	2.0%	2.0%	2.0%
CPI (where applicable)		10.1%	7.0%	4.0%	2.0%
Interest rate used - medium term investments		5.0%	4.9%	3.8%	3.8%
Interest rate used for borrowing assumptions	5%	5.2%	4.9%	4.7%	4.7%
Increase in Council Tax		1.99% on Band D	1.99% on Band D	1.99% on Band D	1.99% on Band D
Band D equivalent Council Tax (incl. special expense)	279.09	284.64	290.30	296.08	301.97

\*N.B. Major contracts have been inflated based on embedded contractual terms

# Future strategies to reduce MTFS gap

- **In-year savings:**
  - 2022/23 savings to be identified to ease pressures in future financial years.
- **Re-focusing of Priorities:**
  - The Council needs to prioritise and rephrase the work it is undertaking to recognise the financial & capacity challenges it faces.
  - A holistic review of services will be performed to identify opportunities to improve the efficiency and effectiveness of service delivery and improve ways of working.
- **Strategic Investments:**
  - The Council is looking to take advantage of its position with a number of developments to produce financial returns whilst at the same time supporting the delivery of housing, regeneration and sustainable growth across the district.
- **Reserves:**
  - Using reserves in a sustainable and prudent manner to support the Council's strategies and priorities. These are informed by the reserves strategies approved annually by the Council.
- **Maximise Opportunities:**
  - Review of available underutilised assets to deploy funds for investment in capital schemes and through flexible capital receipts policy for efficiency improvements.
  - Using opportunities as they arise including government initiatives or incentives. In particular, the Council will seek to participate in the Business Rates Pooling scheme to maximise the financial benefit from this area.

# General Fund reserves update

Reserves available at Q2 – 2022/23 as reported to Cabinet in October 2022

Reserve	Balance at 1/4/2022	Latest Budget	Projection	Change	Balance at 31/3/2023
	£'000	£'000	£'000	£'000	£'000
<b>Earmarked</b>					
Business Rates	2,662	(803)	(1,021)	(218)	1,641*
Leisure Reserve	447	50	50	0	497
Carry Forwards	1,356	(144)	(144)	0	1,212
VET Reserve	287	(217)	(214)	3	73
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	1,997	(1,589)	(1,589)	0	408*
Corporate Initiatives	960	(18)	26	44	986
IFRS Reserve	5	0	0	0	5
Economic Development	1,985	(1,546)	(915)	631	1,070
Community Led Housing	310	(55)	(55)	0	255
Lydd Airport	9	0	0	0	9
Homelessness Prevention	958	(21)	(21)	0	937
High Street Regeneration	1,575	(543)	(418)	125	1,157*
Climate Change	4,880	(854)	(880)	(26)	4,000*
Covid Recovery	3,526	0	(874)	(874)	2,652
<b>Total Earmarked Reserves</b>	<b>20,969</b>	<b>(5,740)</b>	<b>(6,055)</b>	<b>(315)</b>	<b>14,914</b>
<b>Total General Fund Reserve</b>	<b>3,112</b>	<b>2,911</b>	<b>6,058</b>	<b>3,147</b>	<b>6,058</b>

\* = earmarked reserves which are uncommitted and without conditions around use

# What is the “right” level of reserves?

- No statutory minimum, Council sets own policy. Currently:
  - General Fund £1.5m
  - HRA £2.0m
- Important for future pressures or unexpected events
- Maintain working capital requirements
- Long term planning and sustainability, earmark for plans

# Next steps - Budget Strategy - December

- Aligned to direction & objectives of the MTFS
- Outlines path to balanced budget for coming financial year
- Budget Growth
- Savings & efficiencies
- Emerging issues e.g. legislation or Autumn Statement changes
- Provide a revised (or improved) deficit position following officer work
- Annual Fees and Charges review
- The Budget Strategy will be considered in December/January by Scrutiny Committees

# Setting the detailed Budget - January

- Detailed GF Revenue & HRA Budget considered in January
  - (Heads of Service attend meeting for deeper dive scrutiny)
- Local Government Finance Settlement
  - Provisional position pre-Christmas
  - Outcome reported in February
  - Referendum limits, grant funding, reliefs for NNDR etc

# Council Tax setting - February

- Local Government Finance Act 1992
  - Requirement for Council Tax
  - Council Tax base (taxable capacity of the district)
  - Final resolutions agreed
- Legal duty to set balanced budget
- LG Act 2003 S151 Officer must advise the council about the robustness of budget estimates & adequacy of reserves
- Council tax billing

# Budget Consultation

- Questionnaire online for public contributions, promoted on social media channels
- Business Advisory network
- Joint Parish Council Committee
- Responses
  - 20/21 Budget – 3 individual pieces of feedback
  - 21/22 Budget – 4 individual pieces of feedback plus one from business community
- Ideas?



# Questions?

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