

Overview and Scrutiny Committee

Held at:	Council Chamber - Civic Centre, Folkestone
Date	Tuesday, 21 January 2020
Present	Councillors Danny Brook, Miss Susan Carey, Laura Davison, Gary Fuller (In place of Tim Prater), Michelle Keutenius (Vice-Chair), Terence Mullard, Patricia Rolfe, Rebecca Shoob (Chairman) and Lesley Whybrow
Apologies for Absence	Councillor Peter Gane and Councillor Tim Prater
Officers Present:	Andy Blaszkowicz (Director of Housing and Operations), Kate Clark (Committee Services Officer), Katharine Harvey (Chief Economic Development Officer), Cheryl Ireland (Lead Accountant), Sue Lewis (Committee Services Officer), Susan Priest (Head of Paid Service), Charlotte Spendley (Director of Corporate Services) and Lee Walker (Capital and Treasury Senior Specialist)
Others Present:	Councillor David Godfrey and Ian Parry (Centre for Public Scrutiny)

Prior to the start of the meeting, the Chairman, Councillor Rebecca Shoob, introduced Mr Ian Parry from the Centre for Public Scrutiny. Councillor Shoob explained Mr Parry was in attendance to observe the meeting, subsequent to this a survey will be sent to members along with an invite to attend workshops as part of the governance review overseen by the Governance Working Group.

Councillor Laura Davison sought clarification on the mechanics of this committee in scrutinising Cabinet reports. Councillor Shoob explained that Cabinet papers are presented to this committee prior to the Cabinet meeting to read, review, note the contents and suggest recommendations for consideration by Cabinet.

46. **Declarations of Interest**

Councillor Patricia Rolfe and Councillor Terry Mullard declared a disclosable pecuniary interest each in that they are directors of Oportunitas Ltd, dispensations are applied.

Councillor Patricia Rolfe made a voluntary announcement as she owns a business in New Romney High Street.

Councillor Gary Fuller declared a disclosable pecuniary interest with regard to the Draft Housing Revenue Account Revenue and Capital Budget as he is a council house tenant. He did not take part in discussions or voting on this item.

47. **Minutes**

The minutes of the meeting held on 10 December 2019 were approved and signed by the Chairman.

48. **The Step Short Commemoration Memorial Arch**

Report C/19/56 seeks Cabinet agreement to take on the responsibility for maintaining the Step Short commemoration Memorial Arch, including paying for its maintenance.

Members were given a brief background history to the memorial along with its significance to World War One. It was agreed this is an important and iconic asset to Folkestone town which in turn promotes tourism for the whole district.

A maintenance figure of approximately £6K per annum is required which is made up of around £2,200 for the insurance premium, £2,000 yearly maintenance costs with the remaining funds set aside for contingencies. Due diligence would be implemented as expected.

Members were keen to receive further up to date information with regard to the Step Short charity financial accounts. Dr Katharine Harvey, Chief Economic Development Officer, advised the latest set of accounts up to 31 March 2019 would be circulated to members.

Councillor Gary Fuller mentioned the website transfer and he was keen to know whether the Step Short App and responsibility for the Footsteps project would be taken on by the Council. Dr Harvey advised that it is uncertain whether the App and this project would continue at this stage and that further information will be provided after consideration.

Members, assured by Mr Andy Blaszkowicz (Director of Housing and Operations), were reminded that the Council's proposal is to take possession and maintenance of the arch, website and potentially the App, and that proposed costings are accurate and reasonable.

Proposed by Councillor Danny Brook
Seconded by Councillor Patricia Rolfe and

RESOLVED:
To receive and note report C/19/56.

(Voting: For 5; Against 3; Abstentions 1)

49. **Proposed Disposal of Fernfield Lane**

In December 2018, Folkestone & Hythe District Council (“FHDC” / “the Council”) was granted outline planning permission for 19 houses at its development site at Fernfield Lane, Hawkinge. This report is seeking approval for the disposal of the whole of the site, recommending that marketing of the site commences at the start of 2020 aiming to obtain capital receipts in the 2020/21 financial year.

Mr Blaszkowicz presented the background to the project and arranged for members to receive a confidential valuation of the site.

He advised members planning permission has been obtained to maximise sale price and the residential development would include affordable properties.

Proposed by Councillor Danny Brook
Seconded by Councillor Patricia Rolfe and

RESOLVED:
To receive and note report C/19/63.

(Voting: For 8; Against 0; Abstentions 1)

50. **Update to General Fund Medium Term Capital Programme and Budget Monitoring 2019/20**

Report C/19/58 updated the General Fund Medium Term Capital Programme for the five year period ending 31 March 2025. The report provided an updated projected outturn for the General Fund capital programme in 2019/20, based on expenditure to 30 November 2019. 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. This report also set out the Minimum Revenue Provision Statement for 2020/21 to be approved by full Council.

Mr Lee Walker, Capital and Treasury Senior Specialist, presented this report and highlighted pertinent figures to members.

Members asked about the Minimum Revenue Provision (MRP) and its appropriateness as it is a Government guideline only. Mr Walker explained this is a prudent provision as loans are required to be repaid over a reasonable time.

For example, Otterpool Park requires a large amount of borrowing, however this project is central to the Council, in this respect it is important that essential funding is in place with timely repayment plans.

Proposed by Councillor Gary Fuller
Seconded by Councillor Lesley Whybrow and

RESOLVED:

To recommend to Cabinet that as Full Council has been opposed to progressing the project at Princes Parade, Hythe, that funds could be re-routed to providing a leisure centre at Martello Lakes, Dymchurch Road, Hythe.

(Voting: For 5; Against 4; Abstentions 0)

Proposed by Councillor Miss Susan Carey
Seconded by Councillor Danny Brook and

RESOLVED;

To receive and note report C/19/58.

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

51. **General Fund Revenue Budget Monitoring - 3rd Quarter 2019/20**

This monitoring report C/19/64 provided a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 30 November 2019.

Susan Priest, Head of Paid Service, briefly explained the Corporate Priorities referred to in the report, giving examples as follows:

- Climate Change agenda and the need for project resources to progress the actions arising.
- Work arising from Motions passed at Full Council, such as Modern Day Slavery, which necessitates a dedicated piece of work.
- Deploying more swiftly the capital held for Disabled Facilities Grants, where revenue is required to provide resources for assessments and processing grant applications.

It was noted that, in the main, motions passed at Full Council have been taken without officer or financial input, however finances can now be put in place and activities progressed. Officers were thanked for identifying funds to carry out these proposals.

At this point Councillor Lesley Whybrow left the chamber and did not take part in voting on the following resolution.

Proposed by Councillor Laura Davison
Seconded by Councillor Rebecca Shoob and

RESOLVED:

To recommend to Cabinet that feedback is given on the deployment of the Q3 underspend monies against corporate priorities.

(Voting: For 5; Against 4; Abstentions 0)

The Chairman exercised a casting vote for this resolution. (Constitution Part 4, 17.2).

Councillor Lesley Whybrow returned to the chamber and took part in voting on the following resolution.

Proposed by Councillor Patricia Rolfe
Seconded by Councillor Michelle Keutenius

RESOLVED:
To receive and note report C/19/64.

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

52. Draft Housing Revenue Account Revenue and Capital Budget (2020/21

Report C/19/60 set out the draft Housing Revenue Account Revenue and Capital Budget for 2020/21 and proposed an increase in weekly rents and an increase in service charges for 2020/21.

It was confirmed to members that although there is a proposal for East Kent Housing services to come in-house, a decision with regard to the future of East Kent Housing would be presented to Cabinet and Council on 19 February 2020. This is referred to in the report.

Members felt that the heating and water charges for a one bed flat of £1,174 were high, albeit the approach was no more than moving towards full cost recovery. It was suggested that a more affordable solution be explored for all sheltered housing tenants. Dr Susan Priest, Head of Paid Service, said this would be looked into.

Proposed by Councillor Michelle Keutenius
Seconded by Councillor Patricia Rolfe and

RESOLVED:
To receive and note report C/19/60.

(Voting: For 8; Against 0; Abstentions 1*)
*Cllr Fuller

53. Treasury Management Strategy Statement 2020/21

Report C/19/59 set out the proposed strategy for treasury management for 2020/21 including Treasury Management Indicators.

Mr Lee Walker, Capital and Treasury Senior Specialist, provided the following information to members:

1. Introduction

- Requirement for Cabinet to approve a TMSS before the start of each financial year.
- TMSS based on spending plans in current budget cycle.

2. Economic Outlook (Section 2 – Arlingclose View)

- The main influence on the UK economy will be the exit from the European Union, in particular uncertainties around the future trading relationship with the EU.
- UK growth is currently weak although it is forecast to slowly improve over the coming year as Brexit-related uncertainties gradually dissipate.
- CPI inflation is currently around 1.4% (December 2019) and is forecast to remain below the Bank of England's target of 2% during 2020. Commodity prices, in particular oil prices, continue to have a significant bearing on inflation.
- The Bank base rate is forecast to remain at 0.75% over the next two years with downside risks to this actually happening. Longer term borrowing rates are expected to remain broadly unchanged from current levels but subject to periods of short term volatility.
- Further detail on interest rates in Appendix 1.

3. Borrowing & Investment Position (Section 3)

- Table at 3.1 shows the council's underlying borrowing need (Capital Financing Requirement) is forecast to rise significantly through to 2023 to £190.2m reflecting the council's capital investment plans for both the General Fund and HRA.
- New borrowing of £52m is expected to be required in 2020/21 to meet the increase in the CFR.
- Further new borrowing of about £30m per year is forecast to be required in the two following financial years.

4. Borrowing Strategy (Section 4)

- PWLB, previously the preferred source for longer term borrowing, increased its borrowing rates by 1% from October 2019 making this option relatively expensive.
- Alternative lending sources now appear much more attractive, particularly borrowing from other local authorities.
- Currently more attractive to borrow for shorter periods where interest are much lower than longer term rates.

- Exposes a refinancing risk but interest rates not expected to change significantly over the medium term.

5. Investment Strategy (Section 5)

- With the emphasis on borrowing, investment balances are forecast, on average, to reduce significantly from existing levels.
- However, the investment strategy remains broadly unchanged from the one currently approved.
- Priority remains security then liquidity of cash invested before yield.
- Low interest rate environment continues to erode some capital value over time so the strategy proposes to continue with £15m of strategic investments providing above inflation returns to help mitigate this.
- Propose to continue to follow Arlingclose's recommended asset classes, counterparty list and credit quality information when making investment decisions and monitoring the portfolio.

6. Treasury Management Indicators (Section 6)

- Requirement of the CIPFA's Treasury Management Code
- Designed to help control risk from TM activities.
- No material change from the current indicators.

7. Financial Implications (Section 8)

- The net cost to the General Fund in 2020/21 from the council's treasury management activities is forecast to increase by £108k compared to 2019/20 budget due to the increased borrowing requirement.
- However, this does not include the additional interest costs from the extra £100m in prudential borrowing recently agreed for the Otterpool Park scheme. These costs are planned to be capitalised and charged directly to the scheme itself while the site is being acquired and infrastructure works are undertaken.

Members commended officers on the report produced and were also keen to show their admiration for Arlingclose's work.

Proposed by Councillor Rebecca Shoob
Seconded by Councillor Michelle Keutenius and

RESOLVED:

To receive and note report C/19/59

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