Folkestone & Hythe District Council

Minutes

Finance and Performance Scrutiny Sub-Committee

Held at:	Council Chamber - Civic Centre Folkestone
Date:	Tuesday, 4 February 2025
Present:	Councillors Chapman (In place of Laura Davison), Alan Martin, Connor McConville (Chair) and John Wing.
Apologies for Absence:	Councillor James Butcher and Councillor Laura Davison.
Officers Present:	Jake Hamilton (Committee Services Officer), Andy Blaszkowicz (Director – Housing & Operations), Lydia Morrison (Interim Director – Governance & Finance (S151)), Jonanthan Smith (Head of Financial Reporting), Daniella Loxton (Capital & Treasury Accountant), and Monisola Omoni (Principal Accountant (Financial Planning)).
Others Present:	Councillor Tim Prater and Rebecca Shoob.

1. **Declarations of interest**

Councillor John Wing made a voluntary declaration as a Director of Oportunitas.

2. **Draft General Fund Revenue Budget Monitoring - Quarter 3 (Q3) 2024/25**

Lydia Morrison, Interim Director for Governance and Finance introduced the item and outlined the report.

The report set out the financial monitoring information for the Council as at the end of the 3rd Quarter (Q3) in 2024/25. The report provided Members with an overview of budget performance, including an overview of reserves and balances, to enable the Cabinet to take ownership of the budgets and provide robust challenge and scrutiny to the officers on the performance of those budgets. At the end of Quarter 3, there is an end of the financial year projected position of £94k overspend on the Council's revenue budget, of £19.5m before the use of earmarked reserves. The position was based on activity at the end of December 2024, projected trends in income and expenditure and changes to Council funding.

It was noted that when this report was produced the council was awaiting confirmation from the pension administrators. This has since been received and the figure detailed in 3.1 of the report slightly differs to the one detailed in the Cabinet report. There is an £18k improvement.

Following the introduction, Members raised several points, including:

- Members sought clarification for the £55k 'Taking Stock' figure presented at 3.3 of the report – It was explained that this expense was incurred as part of the decision made by the council that staff must return to the office for at least one day per week. This was due to re-mobilising use of the first floor and the costs for new monitors, chairs and a booking system.
- Members were keen to understand whether the restructure costs throughout the report were paid from the transformation reserve – It was confirmed that all exit costs were paid from the transformation reserve.
- Members asked for clarity on the predicted £249k overspend in Corporate Estates and Development as detailed at 3.9 of the report – It was advised that the finance team would seek clarification.

Members resolved to receive and note report C/24/73.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

3. **Draft General Fund Capital Programme budget Monitoring (Q3) 2024/25**

Lydia Morrison, Interim Director for Governance and Finance introduced the item and outlined the report.

The monitoring report provided an initial projection of the current financial position for the General Fund capital programme for 2024/25, based on expenditure to 31 December 2024, and identified variances compared to the latest approved budget.

Following the introduction, members raised several points, including:

- Members asked whether consideration should be given in light of devolution and local government reorganisation (LGR). It was noted that under the local government reform bill, guidance would be given to councils; however, until then it is business as usual.
- Following on from the above, a question was raised surrounding the finance system and whether consideration is being given to the options and risks – It was noted that a report will be presented to the corporate leadership team outlining the options and risks. Members will receive a report in due course.

Members resolved to receive and note report C/24/72.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

4. HRA Budget Monitoring Quarter 3

Lydia Morrison, Interim Director for Governance and Finance introduced the item and outlined the report.

The monitoring report provided the Finance and Performance Scrutiny Sub-committee ('F&PSC') with a draft of the Cabinet report for the projection of the end of year financial position for the Housing Revenue Account ("HRA") revenue expenditure and HRA capital programme based on net expenditure to 31 December 2024.

Following the introduction, members raised several points, including:

- Members were keen to understand the costs surrounding 2.6 of the report – it was explained that the council budgets for CPI; however, the 8% contractor inflation was higher than expected. It was also noted about the increase in disrepair claims across the sector.
- Members expressed their appreciation for the current position of the capital budget; they were happy to see that the council is on track to spend the entirety of the budget.

Members resolved to receive and note report C/24/69.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

5. Draft Housing Rent Setting Budget Report 2025/26

Jonathan Smith, Head of Financial Reporting introduced the item and outlined the report.

The report set out the draft Housing Revenue Account ('HRA') Rent Setting for 2025/26 for approval and proposes an increase in weekly rents and an increase in service charges for 2025/26 both for approval by both Cabinet and Council.

Councillor Tim Prater highlighted paragraphs 3.1.2 and 3.1.3 and explained that it is always a balancing act between the increase in rent and managing the HRA costs.

Following the introduction, members raised several points, including:

- Members sought clarity surrounding the potential effects to rent considering local government reorganisation (LGR) – It was explained that the rent is set centrally and capped by Local Housing Allowance (LHA) rates, and until these are amended, the councils' rents should remain the same.

Members resolved to receive and note report C/24/70.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

6. **Draft Housing Revenue Account Revenue And Capital Original Budget 2025/26**

Jonathan Smith, Head of Financial Reporting introduced the item and outlined the report.

Following the introduction, members raised several points, including:

The report set out the Draft Housing Revenue Account ('HRA') Revenue and Capital Budget for 2025/26. Members were asked for comments or recommendations for Cabinet.

- Members sought clarity surrounding the revenue contribution to capital expenditure – It was noted the changes were due the financing of the capital programme, meaning other capital streams would be used to support the new build aspirations as set out in the HRA business plan.
- Members were keen to understand what effects the increased budget for new builds would have on the long-term business plan – It was explained that a HRA pipeline had been introduced within the framework, giving the council scope to flex between capital receipts, capital financing and other income sources. It was also noted this will allow the council to take advantage of s106 acquisition opportunities in new developments throughout the district.

Members resolved to receive and note report C/24/70.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

7. **Draft General Fund Budget 2025/26**

Lydia Morrison, Interim Director for Governance and Finance introduced the item and outlined the report.

The report set out the Council's Draft General Fund budget for 2025/26 and the updated MTFS.

It was noted that the council received its final settlement from central government yesterday, which has resulted in minor movements between this report and the report to be presented at Cabinet.

Councillor Tim Prater reiterated the above and highlighted potential pressures i.e. the current pay award negotiations for 2025/26, and the potential sea front development appeal.

Following the introduction, members raised several points, including:

- Members sought clarity surrounding the restructure points throughout the report – It was explained the variances were due to the realignment of staff and budgets.
- Members were keen to understand the inflation on outsourced contracts and household waste and whether the national insurance changes had been reflected in that as detailed on CE11 of the report – It was advised that the figures detailed on under CE11 (pg 112) were confirmed figures and not assumptions.
- Members reviewed appendix 1 and sought clarity on specific cost codes, including:

  GH11 (Retrofit Decarbonisation) – It was confirmed this is built in to retain the services of the retrofit decarbonisation team. This will be recharged to the HRA.
  CE45 (On-street parking enforcement) – It was confirmed that the £200k budget increase was due to fees and charges, along with extended operating hours.
  EE25 (Folkestone Sports Centre) – Members were keen to understand whether the grant would continue? It was noted that the expectation is that the grant would continue for 25/26 with the new proprietor providing the services as detailed in the agreement.
  ED02 (Princes Parade Planning Project) – It was confirmed this budget is for the continued work being conducted on-site i.e. the removal on fences and public engagement.
  GX81 (Connect 38) – It was noted that the building is now fully tenanted.
  ED41 and FH18 (Community Grants & General Grants) – Members asked whether thought had been given to merge these grants? It was confirmed that work is underway.

Members resolved to receive and note report C/24/74.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

8. **Update to the General Fund Medium Term Capital Programme 2025/26**

Lydia Morrison, Interim Director for Governance and Finance introduced the item and outlined the report (presented as business as usual).

The report updates the General Fund Medium Term Capital Programme for the five-year period ending 31 March 2029. 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.

Members resolved to receive and note report C/24/75.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

9. **Investment Strategy 2025/26**

Lydia Morrison, Interim Director for Governance and Finance introduced the item and outlined the report.

The report set out the Council's proposed strategy for its service and commercial investments in 2025/26 to be approved by full Council.

Members resolved to receive and note report C/24/76.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

10. **Capital Strategy 2025/26 and Minimum Revenue Provision Statement 2025/26**

Lydia Morrison, Interim Director for Governance and Finance introduced the item.

The report set out the Council's proposed strategy in relation to capital expenditure, financing, and treasury management in 2025/26 to be approved by full Council. The report also sets out the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2025/26 to be approved by full Council.

Following the introduction, members raised several points, including:

- Members asked whether a tracked document could be shared going forward, allowing members to easily identify year on year changes – It was confirmed that this should be possible.

Members resolved to receive and note report C/24/77.

(Voting figures: 4 For, 0 Against, 0 Abstentions)

11. **Treasury Management Strategy 2025/26**

The Treasury Management Strategy Statement sets out the Council's proposed strategy for its treasury management activities for 2025/26, including Treasury Management Prudential Indicators.

Members resolved to receive and note report C/24/78.

(Voting figures: 4 For, 0 Against, 0 Abstentions)