



## AGENDA

### CABINET MEETING

Date: Wednesday, 10 February 2021

Time: 7.00 pm

Venue: Virtual Meeting Via Skype\*

Membership:

Councillors Mike Baldock (Vice-Chairman), Monique Bonney, Angela Harrison, Ben J Martin, Richard Palmer, Julian Saunders and Roger Truelove (Chairman).

Quorum = 3

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Pages

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1. Apologies for Absence
2. Minutes

To approve the [Minutes](#) of the Meeting held on 16 December 2020 (Minute Nos. 346 - 358), and the Minutes of the Extraordinary Cabinet meeting held on 26 January 2021 (Minute Nos. 426 - 428) as correct records.

3. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or other material benefits for themselves or their spouse, civil partner or person with whom they are living with as a spouse or civil partner. They must declare and resolve any interests and relationships.

The Chairman will ask Members if they have any interests to declare in respect of items on this agenda, under the following headings:

(a) Disclosable Pecuniary Interests (DPI) under the Localism Act 2011. The nature as well as the existence of any such interest must be declared. After declaring a DPI, the Member must leave the meeting and not take part in the discussion or vote. This applies even if there is provision for public speaking.

(b) Disclosable Non Pecuniary (DNPI) under the Code of Conduct adopted by the Council in May 2012. The nature as well as the existence of any such interest must be declared. After declaring a DNPI interest, the Member may stay, speak and vote on the matter.

(c) Where it is possible that a fair-minded and informed observer, having considered the facts would conclude that there was a real possibility that the Member might be predetermined or biased the Member should declare their predetermination or bias and then leave the meeting while that item is considered.

**Advice to Members:** If any Councillor has any doubt about the existence or nature of any DPI or DNPI which he/she may have in any item on this agenda, he/she should seek advice from the Monitoring Officer, the Head of Legal or from other Solicitors in Legal Services as early as possible, and in advance of the Meeting.

## **Part A Reports for recommendation to Council**

- |    |  |         |
|----|--|---------|
| 4. | Medium Term Financial Plan and 2021/22 Budget                          | 5 - 40  |
| 5. | Treasury Management Strategy Statement and Investment Strategy 2021/22 | 41 - 54 |

## **Part B Reports for Decision by Cabinet**

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|----|---|----------|
| 6. | Supplementary Litter Enforcement Contract Award               | 55 - 60  |
| 7. | South Thames Gateway Building Control Business Plan 2021-2024 | 61 - 108 |

## **Issued on Tuesday, 2 February 2021**

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEMOCRATIC SERVICES on 01795 417330**. To find out more about the work of the Cabinet, please visit [www.swale.gov.uk](http://www.swale.gov.uk)

**Chief Executive, Swale Borough Council,  
Swale House, East Street, Sittingbourne, Kent, ME10 3HT**

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<b>Cabinet Meeting</b>	
<b>Meeting Date</b>	10 February 2021
<b>Report Title</b>	2021/22 Revenue Budget/ Medium Term Financial Plan and Capital Strategy
<b>Cabinet Member</b>	Cllr Roger Truelove, Leader and Cabinet Member for Finance
<b>SMT Lead</b>	Nick Vickers, Chief Financial Officer
<b>Head of Service</b>	Nick Vickers, Chief Financial Officer
<b>Lead Officer</b>	Phil Wilson, Financial Services Manager
<b>Key Decision</b>	Yes
<b>Classification</b>	Open
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To approve the 2021/22 Revenue Budget proposals.</li> <li>2. To approve the proposed Council Tax Band D increase for 2021/22 to £184.32.</li> <li>3. To note the Medium Term Financial Plan.</li> <li>4. To approve the Capital Strategy.</li> <li>5. To approve the Capital Programme proposals.</li> <li>6. To note the additional amount of Council Tax for Parish Precepts.</li> <li>7. To approve the Minimum Revenue Provision Statement as set out in Appendix VIII</li> </ol>

## 1. Purpose of Report and Executive Summary

- 1.1 This report sets out the Council's Revenue and Capital budget proposals for 2021/22, the Medium Term Financial Plan (MTFP) and the Capital Strategy.
- 1.2 Cabinet received a budget report on 16 December prior to the Provisional Local Authority Grant Settlement announced on 17 December. This report reflects the implications of the Settlement.
- 1.3 The previous budget report to Cabinet emphasized the need for the Council to be able to support residents to cope with the Covid pandemic by maintaining the Council's core services. That report was finalised at the beginning of December and two months on the impact of Covid has, if anything, increased. The borough has seen a huge spike in cases which now seems to be receding, but we face an extended lockdown and a significant Covid impact for at least the rest of 2021. This budget is therefore focussed on protecting existing services to residents.

- 1.4 This report, if agreed by Cabinet, will then go forward to Council on 24 February.

## 2. Background

### Provisional Local Government Finance Settlement 2021/22

- 2.1 The draft Settlement and then further announcements in the following days were very supportive of the approach which was agreed by Cabinet in December to balancing the 2021/22 budget. In that report we referred to the “exceptional” financial support provided by Government to Councils and the approach taken reflected an assumption that Government would not want to see Councils cutting services at this crucial time for the country.
- 2.2 The main issues to highlight from the settlement and subsequent announcements are:

<b>Funding Source</b>	<b>Amount (£)</b>	<b>Comments</b>
<b>Settlement Additional Funding</b>		
Revenue Support Grant	15,000	
Lower Tier Services Grant	183,000	A new grant - to prevent any lower tier Council having a negative Spending Power change
New Homes Bonus	276,000	One year only
<b>Sub Total</b>	<b>474,000</b>	
<b>Covid Tranche 5 funding</b>	996,472	As with Tranche 4 needs based allocation
<b>Total</b>	<b>1,470,472</b>	

- 2.3 The Ministry of Housing, Communities and Local Government (MHCLG) are consulting on allocations of additional grant for Local Council Tax Support schemes. The indicative allocation to this Council is £198,000.
- 2.4 So these additional funding streams are very positive for the Council. It is critical that, as with Tranche 4, the Tranche 5 Covid funding is needs based and that makes a huge difference for Swale. It must be emphasised that all of this funding is one-off for 2021/22 only. The Government refers to a replacement for New Homes Bonus (NHB) but there is no detail at this point.

### **Lower Medway Internal Drainage Board Precept**

- 2.5 We had assumed a 3.6% increase in the Lower Medway Internal Drainage Board (LMIDB) but have now been informed of the Board's decision to increase by 3.5% giving a small saving of £2k.

### **Staff Pay**

- 2.6 In the Spending Review the Chancellor of the Exchequer announced a widespread pay freeze in the public sector. The pay proposal will come separately to Council but the budget assumes a 2% increase and that is still the intention.

### **Capital Strategy**

- 2.7 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. The proposed Treasury Management Strategy is reported separately to this meeting. The proposed Capital Programme and its funding are detailed in Appendix VI to this report.
- 2.8 Councils are required to balance their revenue budget annually and cannot borrow to achieve a balanced position. However, they have very far reaching powers to borrow to fund capital expenditure. This has historically been funded from borrowing from the Public Works Loan Board (PWLB), which is part of the Debt Management Office which is part of the Treasury. Borrowing can be for up to 50 years at rates which are below commercial rates.

- 2.9 Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) has taken a pretty dim view of Council borrowing to acquire assets for income generation purposes only. There has been extensive media coverage of some of the most egregious examples of this behaviour, it is very widespread. This Council has had a clear policy of not borrowing for income purposes only and the Sittingbourne Town Centre (STC) development is classified as a Regeneration project in the Council's accounts. The Government will reform the PWLB lending terms, ending the use of the PWLB for investment property bought primarily for yield, which the Government states is a risk for both national and local taxpayers. The Government will therefore cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. This is welcome as all Councils were being penalised for irresponsible behaviour by others. PWLB rates have come down and the 50 year maturity rate is 1.68% (6 January).
- 2.10 Council in February 2020 agreed the following principles:
- Investing in sustainable, affordable and social housing to increase overall supply,
  - Using the ability to borrow at low rates of interest for the benefit of the physical and social infrastructure of the borough and for broader social value, and
  - Ensuring that the costs of borrowing are manageable long term within the Revenue budget.
- 2.11 Council also agreed that in future, rather than announcing a borrowing facility with no linkage to a particular project, the specific project agreed by Cabinet will have a borrowing limit associated with it. This limit can be varied by Cabinet.
- 2.12 The Council has not made and will not make any direct commercial investments outside of the Borough. Capital funds will be used for the benefit of local residents.
- 2.13 The Sittingbourne Town Centre retail and leisure developments are now complete. The opening of the cinema, bowling alley and Nandos has been delayed by Covid but the hope is that the cinema and bowling alley will open as lockdown restrictions are lifted in the Spring. The shell changes required by Nandos due their move of unit will be undertaken in January.
- 2.14 Looking ahead to 2021/22 there will be two major capital projects which are reflected in the draft Capital Budget:



- Housing company - in October 2020 Cabinet agreed to establish Swale Rainbow Homes Ltd. The outline business case envisaged the Council providing up to £23m of funding through loans to support the delivery of 139 new homes. The exact arrangements for the drawdown of this funding will follow the detailed planning and procurement phases. No funding will be provided before 1 April 2021 and it is likely that it will be well in to 2021/22 before there are any significant drawdowns. The cost of the borrowing will be wholly met by the company. Because the company is a wholly owned by the Council its accounts will need to be incorporated into those of the Council requiring the company to have the same financial year as the Council.
  - Swale House refurbishment - in December Cabinet received an update report on this project and the intention is to bring a detailed report to Cabinet in March. At this point the Capital budget allows for £3m, this is a prudent figure reflecting energy savings and additional rental income to meet borrowing costs. Cabinet may decide on a higher figure and this will then be reflected in following years revenue budgets.
- 2.15 Debt is only a temporary source of finance, since loans must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). MRP is a charge to the revenue budget which then accrues on the Balance Sheet; it is not an external payment. Alternatively, capital receipts may be used to replace debt finance.
- 2.16 All organisations need to manage their cash flow. For most Councils their cash flow level is much larger than their reserves as they take in funds through sources such as Business Rates and Council Tax which they hold before making payments to other bodies such as Kent County Council (KCC). The Council's daily cash balances averaged £41m in the 6 months to 30 September. With short-term deposit rates continuing to be very low, where a Council is investing in a capital project, it can fund this capital investment from cash flow and this is known as internal borrowing. Internal borrowing defers the financial commitment to external borrowing. MRP still has to be made. The Finance Department closely monitors cash flow to ensure that there is no adverse impact.
- 2.17 For any significant investment the Council will supplement the expertise of Members and Officers with appropriate external specialist expertise to ensure that proposals are fully tested and risks considered.
- 2.18 The Chief Financial Officer believes that the Capital Strategy and Capital Programme proposed are sustainable.

### **3. Proposals**

#### **Medium Term Financial Plan**

- 3.1 The updated Medium Term Financial Plan is attached in Appendix I.

## Balanced Budget Proposals

3.2 The 16 December Cabinet report showed a balanced position but based upon resisting pressures of £1,137,050, £1m of additional Government funding and the use of £1.2m of revenue reserves.

3.3 The table below shows variations since the December budget report:

<b>Budget Heading</b>	<b>Variation £</b>	<b>Description</b>
Council Tax income	94,000	Reduction in tax base due to coronavirus
Collection fund surplus	(25,000)	Swale Council share of forecast surplus on Collection Fund
Minimum Revenue Provision (MRP)	114,000	Revised MRP cost of Sittingbourne Town Centre project
External interest	40,000	Reduction in external interest on investments
Lower Medway Internal Drainage Board precept	(2,000)	To reflect the 3.5% agreed by the board compared with the 2% we budgeted for
<b>Total</b>	<b>221,000</b>	

3.4 The overall effect of all the variations in this report are summarised below:

	<b>£</b>
<b>Requirement for balanced position December Cabinet</b>	<b>3,246,000</b>
Add budget variations paragraph 3.3	221,000
Less settlement announcements paragraph 2.2	(1,470,000)
Less additional grant for Local Council Tax Support schemes paragraph 2.3	(198,000)
Less total resisting pressures paragraph 3.5 in December Cabinet report	(1,137,000)
<b>New requirement for balanced position</b>	<b>662,000</b>

Detailed revenue budget proposals are attached in Appendix II.

## **Council Tax**

- 3.5 The budget proposals assume an increase of £4.95 in the Band D Council Tax to £184.32.
- 3.6 The Collection Fund and Council Tax base are set out in Appendix III.
- 3.7 The Council Tax base was set at 48,040.12 by the Chief Financial Officer.
- 3.8 The calculation of the Budget Requirement and Council Tax Requirement is shown in Appendix IV.
- 3.9 Parish precepts are shown in Appendix V.

## **Capital Programme**

- 3.10 The Capital Budget is attached in Appendix VI.

## **Reserves**

- 3.11 The key principles for the management of Reserves moving forward are:
- Maintain a prudent level of reserves to allow the Council to deal with unexpected one-off events;
  - Funding the Council's strategic priorities; and,
  - Fund one-off items of expenditure to support service delivery.
- 3.12 When the Council is considering its budget requirement, it is the Chief Financial Officer's duty under S25 of the Local Government Act 2003 to report on the adequacy of reserves. These have been reviewed in line with guidance from the Chartered Institute of Public Finance and Accountancy.
- 3.13 The Council seeks to maintain a minimum of £1.5m as its General Fund balance and there is no reason to change this - the balance at 1 April 2020 was £3,338m. The Council holds earmarked reserves for specific purposes. The remaining unallocated funds form the General Reserve. The Chief Financial Officer's view is that the level of reserves and balances held by the Council are at a reasonable level. Reserves and balances are set out in Appendix VII.
- 3.14 The Council's Section 151 Officer (Chief Financial Officer), in accordance with the Local Government Act 2003, has hereby confirmed his opinion that the 2020/21 budget is robust, and the reserves are reasonable given the risks faced by the Council.

## 4. Alternative Options

- 4.1 Do nothing - this is not recommended as the Council is legally required to set a balanced budget.
- 4.2 The December report upon which this report builds has been considered by Scrutiny Committee.

## 5. Consultation Undertaken or Proposed

- 5.1 The budget proposals were reported to Cabinet on 16 December 2020 and were examined by Scrutiny Committee on 20 January 2021.
- 5.2 Consultation with the business community has taken place.

## 6. Implications

Issue	Implications
Corporate Plan	The budget proposals for 2021/22 support the emerging Corporate Plan objectives.
Financial, Resource and Property	The report sets out the approach to the 2021/22 budget and the medium term financial plan.
Legal, Statutory and Procurement	The report reflects the legal requirement for the Council to set a balanced budget.
Crime and Disorder	Any potential impact has been assessed by service managers.
Environmental Sustainability	Any potential impact has been assessed by service managers.
Health and Wellbeing	No issues identified.
Risk Management and Health and Safety	The financial risks are reflected in the Council's Risk Register.
Equality and Diversity	Any potential impact has been assessed by service managers.
Privacy and Data Protection	No issues identified.

## **7. Appendices**

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Medium Term Financial Plan
- Appendix II: Detailed Revenue Budget Proposals
- Appendix III: Collection Fund and Council Tax Base
- Appendix IV: Budget Requirement and Council Tax Requirement
- Appendix V: Parish Precepts
- Appendix VI: Capital Programme and Funding
- Appendix VII: Reserves
- Appendix VIII: Minimum Revenue Provision Statement

## **8. Background Papers**

[Cabinet budget report 16 December 2020](#)

## 2021/22 Medium Term Financial Plan (MTFP)

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Base Budget	19,395	19,395	19,395	19,395
Growth items	0	67	69	70
Unavoidable cost pressures	0	963	1,109	1,268
Loss of income	0	383	520	515
Additional income	0	(90)	(90)	(90)
Committed price increases	0	191	430	753
Minor items	0	(1)	(4)	(3)
STC Bourne Place & Retail Park	0	48	35	(161)
Lower Medway Internal Drainage Board	847	876	906	937
<u>Salary Related:</u>				
Pay Award (2%)	0	263	530	797
Other Pay Increases	0	78	125	150
Contribution to reserves	93	93	93	93
Contribution (from) reserves	(806)	(662)	0	0
Revenue Support Grant	(115)	(116)	0	0
Business Rates <i>This does not reflect the changes from Fair Funding Review, Baseline Reset and New Approach to Business Rates.</i>	(8,750)	(8,642)	(8,690)	(8,739)
Contribution from Business Rates Reserves	(250)	0	0	0
Levy account surplus	(173)	0	0	0
Council Tax	(8,623)	(8,855)	(9,183)	(9,518)
Local Council Tax Scheme Grant	0	(198)	0	0
Lower Tier Services Grant	0	(183)	0	0
Covid grant allocation	0	(996)	0	0
New Homes Bonus	(1,633)	(1,028)	(371)	0
<b>Savings Required</b>	<b>(15)</b>	<b>1,586</b>	<b>4,874</b>	<b>5,467</b>
Service savings	0	(449)	(476)	(456)
Resisting pressures from December Cabinet report	0	(1,137)	(1,137)	(1,137)
Requirement for balanced position	0	0	(3,261)	(3,874)
<b>Committed savings</b>	<b>0</b>	<b>(1,586)</b>	<b>(4,874)</b>	<b>(5,467)</b>
<b>Contribution (to) General Fund</b>	<b>(15)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
1	Adams	Printing Section	Private Printing	-13,472	-12,000	Loss of income	External printing severely impacted due to Covid and uncertainty whether it will pick back up in 21/22	6,000	6,000	6,000
2	Adams	Swale House	Rents	-21,986	-27,580	Loss of income	Reduction in rent income	5,180	5,180	5,180
3	Adams	Miscellaneous General Fund Properties	Rents	-351,055	-350,000	Loss of income	Will be reduced by £23,000 when Mormon Church site developed	0	23,000	23,000
4	Adams							11,180	34,180	34,180
5	Beattie	Kent & Medway Air Quality Data Mgt Network	Private Contractors	13,088	17,480	Unavoidable cost pressures	Contract management transferring to Tunbridge Wells in 2021/22	-17,480	-17,480	-17,480
6	Beattie	Kent & Medway Air Quality Data Mgt Network	Fees and Charges		-17,480	Unavoidable cost pressures	Contract management transferring to Tunbridge Wells in 2021/22	17,480	17,480	17,480
7	Beattie	Environmental Protection	Tunbridge Wells recharge for Environmental Services		39,000	Service savings	Air Quality Project Officer for 2 years only (20/21 Budget Item 10 Special Projects Fund)	-39,000	-39,000	-39,000
8	Beattie	Contributions from Funds	Expenditure funded from Reserves		-39,000	Contribution from Reserves	End of reserve funding of Air Quality Project Officer (20/21 Budget Item 11 General Reserves)	39,000	39,000	39,000

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9	Beattie	Environmental Services	Tunbridge Wells recharge for Environmental Services	496,390	526,160	Unavoidable cost pressures	Increase in cost of service and increase in Council's share of total costs	85,510	97,640	110,120
10	Beattie	Environmental Services	Tunbridge Wells recharge for Environmental Services	0	0	Resisting pressure	Under discussion	-85,510	-85,510	-85,510
11	Beattie							0	12,130	24,610
12	Cassell	Head of Commissioning Economy and Community Services	Salary Savings	0	-60,000	Service savings	To confirm that these restructure 20/21 Budget savings will be achieved	0	0	0
13	Cassell	Car Park Staff	Maidstone charges for Car Parking	120,736	114,000	Unavoidable cost pressures	Revised resourcing	38,000	38,000	38,000
14	Cassell	Swale Car Parks	Fees and Charges	0	0	Resisting pressure	Fund increased charge from Maidstone Council from car parking income	-38,000	-38,000	-38,000
15	Cassell	Seafront	Undue Wear & Tear Rental Car	2,754	0	Unavoidable cost pressures	Trucks hire contract returnable standard	0	0	3,000



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16	Cassell	Swale Community Leisure Trust Ltd	Contracts	228,319	112,150	Service savings	Contract anniversary in October 2021/22.	-23,810	-38,570	-38,570
17	Cassell	Open Spaces - Swale	Commuted Sums - Contracts		-90,000	Loss of income	Change in policy of adopting open land has not resulted in additional new income	0	26,000	46,000
18	Cassell	Faversham Recreation Ground	Salaries			Growth items	Budget for 2 posts for 5 years	29,850	31,810	33,180
19	Cassell	Faversham Recreation Ground	Grants & Subscriptions	0	0	Growth items	Funding for 2 posts for 5 years on Faversham Recreation Project from Heritage Fund (Lottery) and s106	-29,850	-31,810	-33,180
20	Cassell	Environmental Initiatives	Equipment Purchase	0	15,000	Unavoidable cost pressures	Move budget for equipment to grants	-15,000	-15,000	-15,000
21	Cassell	Environmental Initiatives	Grants and Subscriptions	19,763	0	Unavoidable cost pressures	Move budget to grants from equipment	15,000	15,000	15,000
22	Cassell	Environmental Initiatives	Fixed Penalty Notice (Environmental Response)	-141,460	-152,360	Loss of income	Predicted that there will be lower level of issuing from new contractor based on industry research	12,360	12,360	12,360

## Budget Variations

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23	Cassell	Public Conveniences	Rates	16,686	22,970	Service savings	Business rates multiplier	-6,070	-6,030	-5,940
24	Cassell	Wheeled Bins	Equipment Purchase	234,637	137,000	Unavoidable cost pressures	Additional bin purchases to be offset against additional income and use of remaining reserve.	50,000	0	0
25	Cassell	Recycling Campaign	Garden Waste Scheme - Brown Bins	-580,898	-530,000	Additional income	Over achieved income in 2019/20. Small planned fee increase will balance drop in subscriptions following Covid effect.	-50,000	-50,000	-50,000
26	Cassell	Swale Car Parks	Rates	217,148	231,120	Service savings	Business rates multiplier	-11,920	-11,720	-10,620
27	Cassell	Swale Car Parks	Equipment Maintenance	20,320	15,000	Unavoidable cost pressures	Rebalanced budget and inflation	6,000	6,060	6,120
28	Cassell	Swale Car Parks	Fees - Licence	85,270	50,000	Unavoidable cost pressures	RingGo fees collected from customer for additional services and paid back to RingGo	35,620	35,980	36,340
29	Cassell	Swale Car Parks	Parking - Excess Charges	0	0	Unavoidable cost pressures	RingGo fees collected from customer for additional services and paid back to RingGo	-35,620	-35,980	-36,340

## Budget Variations

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30	Cassell	Multi-storey Car Park	Electricity	10,052	0	Unavoidable cost pressures	Operating costs of car park now known following opening 6 months last year.	12,000	12,000	12,000
31	Cassell	Multi-storey Car Park	Fees and Services	2,137	0	Unavoidable cost pressures	Operating costs of car park software	10,000	10,000	10,000
32	Cassell	Multi-storey Car Park	Private Contractors	107,102	0	Unavoidable cost pressures	Full operational costs of managing the site.	28,120	32,350	36,670
33	Cassell	Civil Parking Enforcement	Computer Equipment & Materials	7,700	0	Unavoidable cost pressures	Shared software costs	7,700	7,700	7,700
34	Cassell	Contributions from Funds	Expenditure funded from Reserves		-45,000	Contribution from Reserves	End of reserve funding for Project Support Surveyor (permanent addition to establishment) (20/21 Budget item 32 Special Projects Fund)	45,000	45,000	45,000
35	Cassell	Contributions from Funds	Expenditure funded from Reserves		0	Resisting pressure	Funding for Project Support Surveyor from Special Projects Fund	-45,000	-45,000	-45,000
36	<b>Cassell</b>							<b>34,380</b>	<b>150</b>	<b>28,720</b>

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37	Clifford	Data Protection Resource	Salaries			Growth items	Information Governance officer post for one year fixed term	62,530	0	0
38	Clifford	Contributions from Funds	Expenditure funded from Reserves			Growth items	Information Governance officer post for one year fixed term funded from Performance Fund	-62,530	0	0
39	Clifford	Data Protection Resource	Salaries		57,560	Service savings	Information Governance officer post due to end in 20/21 (20/21 (Budget item 51)	-57,560	-57,560	-57,560
40	Clifford	Contributions from Funds	Expenditure funded from Reserves		-43,170	Contribution from Reserves	End of reserve funding for Information Governance officer post due to end in 20/21 (20/21 (Budget item 52 Performance Fund)	43,170	43,170	43,170
41	Clifford	Policy & Performance	Salary Savings	0	-20,000	Service savings	To confirm that these restructure 20/21 Budget savings will be achieved.	0	0	0
42	Clifford	Forums/Local Engagement Forums (LEF's)	Hire of Premises	0	0	Unavoidable cost pressures	Required to hold Area committees	6,000	8,000	10,000
43	Clifford	General Democratic Costs	Mid Kent Services (MKS) Director	42,077	42,030	Unavoidable cost pressures	Forecast 2020/21 plus 2% indexation	5,300	6,250	7,220
44	<b>Clifford</b>							<b>-3,090</b>	<b>-140</b>	<b>2,830</b>

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
45	Hudson	Head of Housing, Economy & Community Services	Salary Savings	0	-30,000	Service savings	To confirm that these 20/21 Budget savings will be achieved.	0	0	0
46	Hudson	Temporary Accommodation (TA) (Homelessness)	NL (Nightly Lets) - Homelessness Landlord Payments	1,611,919	1,700,000	Unavoidable cost pressures	Significant increase in TA and due to recession unlikely to improve position	500,000	500,000	500,000
47	Hudson	Housing - Housing Options Team	Salaries		100,000	Service savings	End of reserve funding for Housing, Homelessness and Rough Sleepers Strategy (19/20 Budget item 59 General Reserves). Housing will be rolling forward grant monies to 21/22 to pay for staff.	-100,000	-100,000	-100,000

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
48	Hudson	Contributions from Funds	Expenditure funded from Reserves		-100,000	Contribution from Reserves	End of reserve funding for Housing, Homelessness and Rough Sleepers Strategy (19/20 Budget item 59 General Reserves). Housing will be rolling forward grant monies to 21/22 to pay for staff.	100,000	100,000	100,000
49	Hudson	Contributions from Funds	Expenditure funded from Reserves		-10,000	Contribution from Reserves	End of reserve funding for Culture Grants (20/21 Budget item 63 Communities Fund)	10,000	10,000	10,000
50	Hudson	Contributions from Funds	Expenditure funded from Reserves		0	Resisting pressure	Fund Culture Grants from other member funds	-10,000	-10,000	-10,000
51	Hudson	Contributions from Funds	Expenditure funded from Reserves		-53,800	Contribution from Reserves	End of reserve funding for Members Localism Grants 20/21 Budget item 61 Special Projects Fund)	53,800	53,800	53,800
52	Hudson	Contributions from Funds	Expenditure funded from Reserves		0	Resisting pressure	Funding for Members Localism Grants from Special Projects Fund	-53,800	-53,800	-53,800
53	<b>Hudson</b>							<b>500,000</b>	<b>500,000</b>	<b>500,000</b>

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
54	Freeman	Planning Admin team	Maidstone Charges for Planning	167,181	201,770	Unavoidable cost pressures	Forecast 2020/21 plus 2% indexation	19,760	24,190	28,710
55	Freeman	Local Land Charges	MKS Charges for Local Land Charges	57,122	75,060	Service savings	Forecast 2020/21 plus 2% indexation	-16,770	-15,600	-14,410
56	Freeman	Local Land Charges	Fees and Charges	-160,002	-236,000	Loss of income	The income budget has consistently been too high compared to actual income received	76,000	76,000	76,000
57	Freeman	Local Land Charges	Fees and Charges	0	0	Resisting pressure	Under discussion	-76,000	-76,000	-76,000
58	Freeman	Building Control - Client Side	Contracts	62,972	59,240	Growth items	In accordance with shared service business plan	5,980	8,080	8,740
59	Freeman	Development Management	Fees and Charges	0	19,370	Growth items	This increase is based on trends in previous years	30,000	30,000	30,000
60	Freeman	Contributions from Funds	Expenditure funded from Reserves	0	0	Resisting pressure	Fund Planning increased costs from Performance Fund	-30,000	-30,000	-30,000
61	Freeman	Development Management	Computer Equipment & Materials	0	0	Growth items	This is for the exacom software	10,000	10,000	10,000
62	Freeman	Development Management	Pre-application Planning advice	-59,479	-120,000	Additional income	Demand for this service is expected to increase	-10,000	-10,000	-10,000

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
63	Freeman	Development Management	Planning Fees	-974,581	-1,180,850	Loss of income	This represents the forecast income from Planning Fees	180,850	180,850	180,850
64	Freeman	Development Management	Planning Fees	0	0	Resisting pressure	Revise forecast/ staff savings	-180,850	-180,850	-180,850
65	Freeman	Local Plan	Fees and Services	166,293	151,540	Unavoidable cost pressures	The Local Plan Reserve currently absorbs any overspend on the revenue budget, but this reserve will be exhausted by March 2022 so thereafter revenue expenditure will have to be contained within this budget.	0	0	0
66	Freeman	Contributions from Funds	Expenditure funded from Reserves		-61,170	Contribution from Reserves	End of reserve funding for Heritage Conservation & Design (19/20 Budget item 52 £250k Heritage Strategy Reserve)	61,170	61,170	61,170
67	Freeman	Contributions from Funds	Expenditure funded from Reserves		0	Resisting pressure	Funding for Heritage Conservation & Design from Heritage Strategy Reserve	-61,170	-61,170	-61,170
68	<b>Freeman</b>			<b>-740,493</b>	<b>-1,091,040</b>	<b>0</b>	<b>0</b>	<b>8,970</b>	<b>16,670</b>	<b>23,040</b>



## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
69	Fackrell	Licensing	Salaries	95,195	113,860	Growth items	To restructure the team to enable an effective statutory service. Self-supporting service	21,140	21,140	21,140
70	Fackrell	Licensing	Licence Fees	0	0	Resisting pressure	Fund Licensing additional post from ring fenced income	-21,140	-21,140	-21,140
71	Fackrell	Licences (Legal)	Licence Fees (Legal)	-128,788	-120,000	Additional income	To reflect anticipated higher income than originally forecast	-5,000	-5,000	-5,000
72	Fackrell	Hackney Carriages + Private Hire	Hackney Carriage Licences	-97,899	-65,000	Additional income	Fees consistently received	-25,000	-25,000	-25,000
73	<b>Fackrell</b>							<b>-30,000</b>	<b>-30,000</b>	<b>-30,000</b>
74	Finance	Chief Financial Officer	Salary Savings	0	-21,840	Service savings	To confirm that these Resources Directorate 20/21 Budget savings will be achieved.	0	0	0
75	Finance	Chief Financial Officer	Salary Savings	0	-30,000	Service savings	To confirm that these 20/21 Budget savings will be achieved.	0	0	0
76	Finance	All Services	Pensions Future Funding	1,177,549	1,517,450	Unavoidable cost pressures	From last triennial valuation	65,590	97,250	129,540

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
77	Finance	Corporate	Pensions Backfunding	0	1,200,000	Unavoidable cost pressures	From last triennial valuation	40,000	90,000	150,000
78	Finance	Contributions from Funds	Expenditure funded from Reserves		-88,370	Contribution from Reserves	End of reserve funding for pension commitments from last revaluation (19/20 Budget item 87 General Reserves)	88,370	88,370	88,370
79	Finance	Corporate	Pension Enhancements	223,913	229,000	Service savings	Reduction in pension costs	-12,320	-12,320	-12,320
80	Finance	Contributions from Funds	Expenditure funded from Reserves	0	0	Resisting pressure	Fund pensions from Reserves	-181,640	-181,640	-181,640
81	Finance	Corporate	Minimum Revenue Provision (MRP)	286,231	292,530	Service savings	MRP costs not including retail or Bourne Place	-114,490	-113,490	-112,490
82	Finance	Contributions from Funds	Expenditure funded from Reserves		-301,660	Contribution from Reserves	End of reserve funding for Minimum Revenue Provision for capital projects (19/20 Budget item 97 General Reserves)	301,660	301,660	301,660
83	Finance	Contributions from Funds	Expenditure funded from Reserves		0	Resisting pressure	Fund MRP from Reserves	-301,660	-301,660	-301,660

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
84	Finance	Interest on Balances	Interest - External	-313,698	-208,770	Unavoidable cost pressures	Low interest rates	40,000	40,000	40,000
85	Finance	Non-Specific Grants	Collection Fund	104,930	-25,340	Unavoidable cost pressures	Swale share on balance on Collection Fund	-24,660	25,340	25,340
86	<b>Finance</b>							<b>-99,150</b>	<b>33,510</b>	<b>126,800</b>
87	Revenues	Council Tax	Salaries			Growth items	2 posts within Council Tax	57,000	0	0
88	Revenues	Contributions from Funds	Expenditure funded from Reserves			Growth items	2 posts within Council Tax are funded from the Council Tax Support Grant	-57,000	0	0
89	Revenues	Council Tax Collection	Recovery of Costs	-462,884	-413,500	Loss of income	Reduction in income from court costs due to Covid for 21/22 is met from the Revenues reserves	113,500	63,500	13,500
90	Revenues	Contributions from Funds	Expenditure funded from Reserves	0	0	Loss of income	Assume reduction in income from court costs due to Covid and the economic environment but there will be some recovery 21/22 onwards met from Revenues reserves.	-113,500	0	0

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
91	Revenues	Housing Benefit	Recovery Via Academy	-452,467	-652,370	Loss of income	Income from the recovery of overpaid housing benefit set to continue to fall due to move to Universal Credit.	102,370	127,370	152,370
92	Revenues	Fraud Partnership	MKS Fraud Partnership Charges	18,328	33,660	Service savings	Based on 2019/20	-15,330	-15,330	-15,330
93	Revenues	Housing Benefit & C Tax Support - Administration	Benefit Subsidy	-399,813	-375,840	Unavoidable cost pressures	A year on year reduction in the Benefit Subsidy received is forecast.	-3,980	15,010	33,050
94	Revenues	Contributions from Funds	Expenditure funded from Reserves		-52,280	Contribution from Reserves	End of reserve funding for reduction in benefit subsidy (20/21 Budget item 105 Revenues and Benefits Reserve)	52,280	52,280	52,280
95	Revenues	Contributions from Funds	Expenditure funded from Reserves		0	Resisting pressure	Funding for reduction in benefit subsidy from Revenues and Benefits Reserves	-52,280	-52,280	-52,280
96	Revenues	Housing Benefit & C Tax Support - Administration	Council Tax Support Grant	-163,248	-158,630	Unavoidable cost pressures	A year on year reduction in the Council Tax Support Grant received is forecast.	7,940	15,470	22,630
97	<b>Revenues</b>							<b>91,000</b>	<b>206,020</b>	<b>206,220</b>

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
98	Clarke	Internal Audit	MKS Charges for Audit Services	184,820	176,160	Unavoidable cost pressures	Forecast 2020/21 plus 2% indexation	13,480	17,270	21,140
99	<b>Clarke</b>							<b>13,480</b>	<b>17,270</b>	<b>21,140</b>
100	Narebor	Mid Kent Legal Services (MKLS) - Legal Services	Salary Savings			Service savings	A restructure to reduce staffing will produce a salary savings	-105,000	-129,000	-129,000
101	Narebor	MKLS - Legal Services	MKLS running costs	-1,205,212	-1,152,120	Service savings	As the salary savings are realised the income from the partner authorities, which is based on splitting total expenditure by the number of chargeable hours, will reduce	73,500	90,300	90,300
102	<b>Narebor</b>							<b>-31,500</b>	<b>-38,700</b>	<b>-38,700</b>
103	Sandher	Human Resources	Fees and Services	0	12,000	Service savings	This budget is to cover B-Heard survey which is delivered every 2 years. If survey is not carried out this year then the budget will be required for 2021/22.	0	-12,000	0

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
104	Sandher	Contributions from Funds	Expenditure funded from Reserves		-12,000	Contribution from Reserves	End of reserve funding for bHeard survey (20/21 Budget item 97 General Reserves)	12,000	12,000	12,000
105	Sandher	Human Resources (HR)	MKS Charges for HR Service	227,890	258,080	Service savings	Forecast 2020/21 plus 2% indexation	-15,420	-10,570	-5,620
106	<b>Sandher</b>							<b>-3,420</b>	<b>-10,570</b>	<b>6,380</b>
107	Woodward	ICT Development, Network & Support	MKS Charges for ICT	475,308	438,000	Unavoidable cost pressures	Forecast for 2020/21 plus 2% indexation.	56,580	66,470	76,560
108	Woodward	Swale House - Telephonists	Equipment Maintenance	0	15,130	Service savings	Saved on maintenance	-5,130	-5,130	-5,130
109	<b>Woodward</b>							<b>51,450</b>	<b>61,340</b>	<b>71,430</b>
110	Sittingbourne Town Centre (STC)	Princes Street Retail Park	Minimum Revenue Provision	348,000	461,310	STC	Minimum Revenue Provision costs to reflect completion of STC project	389,650	389,650	389,650
111	STC	Princes Street Retail Park	Fees and Services	10,730	23,600	STC	Management fee	-17,870	-17,700	-17,530
112	STC	Princes Street Retail Park	Service Charges - Property	9,759	0	STC	Increase in service charges for Princes Street Retail Park	17,870	17,870	17,870
113	STC	Cinema-Hotel-Restaurants, Bourne Place	Fees and Services	0	10,000	STC	Management Fee and Public Realm Costs	64,100	66,300	68,600

## Budget Variations

No.	Head of Service	Service Description	Type of Spend/ Income	Previous Year Actual 2019/20 £	Original Budget 2020/21 £	MTFP Category	Explanation of Budget Change	21/22 Increase Over & Above 20/21 £	22/23 Increase Over & Above 20/21 £	23/24 Increase Over & Above 20/21 £
114	STC	Cinema-Hotel-Restaurants, Bourne Place	Rents	0	-584,290	STC	Assume full rent from April 21	-286,400	-300,730	-504,890
115	STC	Interest Payable	Interest Payable	210,619	188,260	STC	£15m in borrowing and interest rates remain low	-119,360	-120,100	-115,160
116	<b>STC</b>							<b>47,990</b>	<b>35,290</b>	<b>-161,460</b>
117	<b>Committed Price Increase</b>							<b>191,080</b>	<b>429,580</b>	<b>753,410</b>
118	<b>Minor Items</b>							<b>-580</b>	<b>-3,910</b>	<b>-2,610</b>
119	<b>Grand Total</b>							<b>781,790</b>	<b>1,262,820</b>	<b>1,565,990</b>

## Collection Fund and Council Tax Base

### Tax Base

The tax base for 2021/22 is 48,040.12.

### Collection Fund

As the Billing Authority, Swale Borough Council had to make an estimate of the surplus or deficit on the Collection Fund for Council Tax and Business Rates in January 2021, notifying Kent County Council, the Police and Crime Commissioner for Kent and the Kent & Medway Towns Fire & Rescue Authority of their proportions. The declared deficit of £16,075,000 is shared as follows:

	<b>£'000</b>
Central Government	7,547
Kent County Council	2,077
The Police and Crime Commissioner for Kent	108
Kent & Medway Towns Fire & Rescue Authority	193
Swale Borough Council	6,150
<b>Total</b>	<b>16,075</b>

These amounts are not added to precepts or budgets but must be taken into account by each Authority when setting their basic Council Tax. One of the main causes of the deficit was the announcement in the Budget on 11 March 2020 that the retail discount would be increased from 50% to 100% in 2020/21, and expanded to retail, leisure and hospitality businesses. The Government has compensated councils for this through grants and it is estimated that Swale will receive £6.2m thereby resulting in a collection fund surplus for 2021/22 of £50,000.

### Other Preceptors

Kent County Council, the Kent & Medway Fire Authority and the Kent Police and Crime Commissioner will set their own precepting for all valuation bands. These tax levels will form part of the overall Council Tax to be set by full Council on 24 February 2021.

### Parish Council Precepts

Parish Council precept demands have been submitted during January 2021 as and when the Parish Councils met to set their precepts. These will be expressed as an additional precept.



## Budget Requirement and Council Tax Requirement

	<b>2021/22</b>
	<b>£'000</b>
<b>2021/22 Swale Operating Expenditure Budget Before Savings and Growth Items</b>	<b>20,296</b>
Growth items	67
Unavoidable cost pressures	988
Loss of income	383
Additional income	(90)
Committed price increases	191
Minor items	(1)
Sittingbourne Town Centre	48
Resisting pressures action	(1,137)
Service savings	(449)
Pay increases	78
Pay award	263
Contribution from reserves	(569)
<b>Sub total</b>	<b>20,068</b>
New Homes Bonus	(1,028)
<b>Swale Budget Requirement (to be agreed)</b>	<b>19,040</b>
Revenue Support Grant	(116)
Business Rates	(8,642)
Collection Fund surplus	(50)
Other grants	(1,377)
<b>Council Tax Requirement (to be agreed)</b>	<b>8,855</b>
Council Tax Income (assuming £184.32 for Band D)	(8,855)

## Parish Precepts

Parish / Town Council	Additional Council Tax for Band D 2020/21 £	Tax Base 2021/22	Parish Precept (rounded) 2021/22 £	Additional Council Tax for Band D 2021/22 £	Additional Council Tax for Band D 2021/22 % Change
Bapchild	27.14	467.89	12,989	27.76	2.28%
Bobbing	19.95	986.83	19,000	19.25	-3.51%
Borden	54.86	1,093.14	61,000	55.80	1.71%
Boughton-under-Blean	85.59	685.20	58,645	85.59	0.00%
Bredgar	35.92	287.51	10,273	35.73	-0.53%
Doddington	38.20	228.63	8,734	38.20	0.00%
Dunkirk	28.76	510.27	13,714	26.88	-6.54%
Eastchurch	47.31	839.25	39,085	46.57	-1.56%
Eastling	35.00	147.29	5,155	35.00	0.00%
Faversham Town Council	78.05	6,469.93	504,997	78.05	0.00%
Graveney & Goodnestone	59.33	187.71	11,530	61.42	3.52%
Hartlip	21.67	368.43	8,000	21.71	0.18%
Hernhill	36.34	289.52	10,500	36.27	-0.19%
Iwade	35.43	1,449.96	51,372	35.43	0.00%
Leysdown	31.20	1,144.60	35,890	31.36	0.51%
Lower Halstow	81.90	456.94	37,740	82.59	0.84%
Luddenham	0.00	45.44	0	0.00	0.00%
Lynsted	35.98	469.41	17,049	36.32	0.94%
Milstead	61.99	90.58	5,500	60.72	-2.05%
Minster	35.00	5,607.04	196,246	35.00	0.00%
Newington	54.85	989.17	54,256	54.85	0.00%
Newnham	34.29	152.83	5,241	34.29	0.00%
Norton & Buckland	35.70	187.86	7,087	37.72	5.66%
Oare	51.90	173.51	10,000	57.63	11.04%
Ospringe	26.35	280.61	7,875	28.06	6.49%
Queenborough Town Council	75.96	899.90	68,500	76.12	0.21%
Rodmersham	42.52	244.91	10,500	42.87	0.82%
Selling	35.15	372.15	13,000	34.93	-0.63%
Sheerness Town Council	49.42	2,782.62	139,962	50.30	1.78%
Sheldwich, Leaveland & Badlesmere	24.83	347.40	8,600	24.76	-0.28%
Stalisfield	29.14	100.71	2,935	29.14	0.00%
Teynham	54.53	908.80	51,480	56.65	3.89%
Throwley	24.19	145.75	3,749	25.72	6.32%
Tonge	5.01	436.37	2,200	5.04	0.60%
Tunstall	31.11	705.78	20,859	29.55	-5.01%
Upchurch	54.50	1,030.30	46,294	44.93	-17.56%
Warden	29.51	499.66	15,000	30.02	1.73%
<b>TOTAL</b>			<b>1,574,957</b>		

## Capital Programme and Funding

	Funding SBC/ Partner- ship	2020/21 Original Budget	2020/21 Revised Budget	2021/22 Original Budget	2022/23 Original Budget	Budget Later Years
		£	£	£	£	£
<b>Commissioning, Environment &amp; Leisure - M. Cassell</b>						
Barton's Point Coastal Park - replacement bridge - Capital Receipts	SBC	0	158,260	0	0	0
Beach Huts – Capital Receipts	SBC	60,000	60,000	0	0	0
Car Park Improvements/Enhancements – 8 Electric Charging Points – Swale House Car Park – Reserves	SBC	0	32,000	0	0	0
Car Park Improvements/Enhancements – Electric Charging Points – Rose Street Car Park – Reserves	SBC	0	29,900	0	0	0
Faversham Recreation Ground Improvements – Reserves	SBC	0	122,240	0	0	0
Faversham Recreation Ground Improvements – External Grants	P	104,080	42,731	0	0	0
Faversham Recreation Ground Improvements – S106	P	21,320	0	0	0	0
Footpath Contribution – High Street Sittingbourne – S106	P	0	18,915	0	0	0
Gunpowder Works Oare Faversham – S106	P	0	9,000	0	0	0
Leisure Centres – Internal / External Borrowing	SBC	0	293,847	0	0	0
Milton Creek Access Road – Reserves	SBC	0	40,000	0	0	0
Modular Toilet Kiosk – Minster Leas – Reserves	SBC	0	29,931	0	0	0
Modular Toilet Kiosk – Minster Leas – Special Projects Fund	SBC	0	93,000	0	0	0
New Play Area – Iwade Schemes – S106	P	0	45,000	0	0	0
Open Spaces Play Equipment – S106	P	130,000	356,000	100,000	0	0
Ospringe Brickworks Site, Western Link – S106	P	0	21,440	0	0	0
Play Improvements – Reserves	SBC	150,000	150,000	0	0	0
Play Improvements – Capital Receipts	SBC	0	0	50,000	0	0
Play Improvements – Diligent Drive – Reserves	SBC	0	18,000	0	0	0
Play Improvements – Minster Lees – Reserves	SBC	0	1,753	0	0	0
Play Improvements – Shellness Road – Reserves	SBC	0	2,250	0	0	0
Public Toilets - Forum Sittingbourne – Reserves	SBC	0	50,000	0	0	0

## Capital Programme and Funding

	Funding SBC/ Partnership	2020/21 Original Budget	2020/21 Revised Budget	2021/22 Original Budget	2022/23 Original Budget	Budget Later Years
		£	£	£	£	£
Public Toilets - Central Car Park Faversham – Reserves	SBC	0	40,000	0	0	0
Public Toilets - Milton Creek Country Park – Reserves	SBC	0	150,000	0	0	0
Public Toilets - Barton Point – Reserves	SBC	0	100,000	0	0	0
Public Toilets - Spinney Leysdown – Reserves	SBC	0	40,000	0	0	0
Resurfacing Promenade, The Leas – External Grant	P	0	79,970	0	0	0
Swallows Leisure Centre Roof – Internal/External Borrowing	SBC	0	691,800	0	0	0
Swallows Leisure Centre Roof – Direct Revenue Funding	SBC	0	51,200	0	0	0
Wheeled Bins – Reserves	SBC	157,000	251,000	35,000	35,000	35,000
<b>Total Commissioning, Environment &amp; Leisure</b>		<b>622,400</b>	<b>2,978,237</b>	<b>185,000</b>	<b>35,000</b>	<b>35,000</b>
<b>Housing, Economy &amp; Community Services - C. Hudson</b>						
CCTV – Reserves	SBC	0	30,000	15,000	15,000	15,000
Faversham Creek Basin Regeneration Project (Swing Bridge) – Capital Receipts	SBC	0	200,000	0	0	0
Land Regeneration/Improvement Works at Dolphin Barge Museum & Skatepark – Reserves	SBC	0	0	37,920	0	0
Land Regeneration/Improvement Works at Dolphin Barge Museum & Skatepark – Capital Receipts	SBC	0	0	14,140	0	0
Local Housing Company – Internal/External Borrowing	SBC	0	0	11,500,000	11,500,000	0
Local Housing Company – Reserves	SBC	0	0	250,000	0	0
Murston Old Church – Reserves	SBC	0	100,000	0	0	0
Sheppey Hall Improvement – Reserves	SBC	0	0	40,000	0	0
Sittingbourne Town Centre – Internal/External Borrowing	SBC	44,250	6,309,908	0	0	0
Thistle Hill Community Centre – Solar PV Installation – Reserves	SBC	0	0	20,000	0	0
Disabled Facilities Grant – External Grant	P	2,062,800	3,990,333	2,062,800	2,062,800	2,062,800

## Capital Programme and Funding

	Funding SBC/ Partner- ship	2020/21 Original Budget	2020/21 Revised Budget	2021/22 Original Budget	2022/23 Original Budget	Budget Later Years
		£	£	£	£	£
Sheppey Improvement – Capital Receipts	SBC	0	0	250,000	0	0
Sheppey Capital Investments – Capital Receipts	SBC	0	0	850,000	0	0
Queenborough & Rushenden Klondyke Land Improvement – External Grant	P	0	66,600	0	0	0
<b>Total Housing, Economy &amp; Community Services</b>		<b>2,107,050</b>	<b>10,696,841</b>	<b>15,039,860</b>	<b>13,577,800</b>	<b>2,077,800</b>
<b>Finance - N. Vickers</b>						
Finance System Upgrade – Reserves	SBC	0	1,410	0	0	0
Leaky Lucy Minibus Replacement – Reserves	SBC	0	10,000	0	0	0
<b>Total Finance</b>		<b>0</b>	<b>11,410</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ICT - C. Woodward</b>						
ICT Infrastructure & Equipment Replacement - Reserves	SBC	76,200	92,000	299,300	0	0
<b>Total ICT</b>		<b>76,200</b>	<b>92,000</b>	<b>299,300</b>	<b>0</b>	<b>0</b>
<b>Planning – J. Freeman</b>						
Land Charges – Online Submission Module – Capital Receipts	SBC	6,400	0	0	0	0
<b>Total Planning</b>		<b>6,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Property – A. Adams</b>						
Swale House Refurbishment – Feasibility Studies	SBC	0	200,000	0	0	0
Swale House Refurbishment	SBC	0	0	3,000,000	0	0
<b>Total Property</b>		<b>0</b>	<b>200,000</b>	<b>3,000,000</b>	<b>0</b>	<b>0</b>
Total Capital Programme Funded by SBC	SBC	493,850	9,348,499	16,361,360	11,550,000	50,000
Total Capital Programme Funded by Partners	P	2,318,200	4,629,989	2,162,800	2,062,800	2,062,800
<b>Total Capital Programme</b>		<b>2,812,050</b>	<b>13,978,488</b>	<b>18,524,160</b>	<b>13,612,800</b>	<b>2,112,800</b>

## Reserves

	Balance as at 31/03/20	Movements in Year	Balance as at 31/03/21	Movements in Year	Balance as at 31/03/22
	£'000	£'000	£'000	£'000	£'000
Special Projects	(964)	(396)	(1,360)	(718)	(2,078)
Communities	(556)	120	(436)	0	(436)
Performance	(432)	43	(389)	92	(297)
Pension & Redundancy	(94)	0	(94)	0	(94)
Regeneration	(152)	0	(152)	0	(152)
Local Loans Fund	(175)	0	(175)	0	(175)
General Reserve	(666)	666	0	0	0
Business Rates Volatility	(3,943)	1,250	(2,693)	1,000	(1,693)
Town Centres (formerly Council Priorities – Business Rates)	(800)	43	(757)	104	(653)
Kent Pool Economic Development Business Rates	(1,326)	224	(1,102)	0	(1,102)
Improvement and Resilience Fund	0	(1,000)	(1,000)	0	(1,000)
Housing & Commercial Growth Business Rates	(1,706)	0	(1,706)	0	(1,706)
Preceptors Council Tax Support	(1,071)	0	(1,071)	0	(1,071)
Revenues and Benefits	(809)	52	(757)	280	(477)
Other Earmarked Reserves	(5,653)	1,324	(4,329)	317	(4,012)
<b>Sub Total Earmarked Reserves</b>	<b>(18,347)</b>	<b>2,326</b>	<b>(16,021)</b>	<b>1,075</b>	<b>(14,946)</b>
Capital Receipts - General Fund	(407)	(1,097)	(1,504)	1,164	(340)
Capital Receipts - Housing	(952)	0	(952)	0	(952)
Capital Grants Unapplied Account	(409)	0	(409)	0	(409)
General Fund	(3,338)	190	(3,148)	484	(2,664)
<b>Total Reserves</b>	<b>(23,453)</b>	<b>1,419</b>	<b>(22,034)</b>	<b>2,723</b>	<b>(19,311)</b>

Note: This shows the Budget position, but all in-year changes will be reflected in closedown and in the Council's financial accounts.

## Minimum Revenue Provision Statement

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's "Guidance on Minimum Revenue Provision" (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

For 2021/22 it is recommended that:

- for supported expenditure, and for all capital expenditure incurred prior to 1 April 2008, MRP will, under delegated authority, be calculated under the Annuity Method over 50 years;
- MRP for all self-financed capital expenditure incurred from 1 April 2008 will, under delegated authority, be calculated under the Asset Life (Equal Instalment) Method;
- MRP in respect of leases and Public Finance Initiative (PFI) schemes will match the principal repayment for the associated deferred liability, to ensure that the impact on the revenue account is neutral; and
- where loans are made to other bodies for their capital expenditure, no MRP will be charged but the Council would apply the capital receipt arising from the principal repayments to reduce the CFR instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23. MRP on property is not required until the asset is operational.

The budget implications of MRP are detailed elsewhere in this report and the estimated Capital Financing Requirement is detailed in the Annual Treasury Strategy.

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<b>Cabinet</b>	
<b>Meeting Date</b>	10 February 2021
<b>Report Title</b>	Treasury Management Strategy 2021/22
<b>Cabinet Member</b>	Cllr. Roger Truelove, Leader and Cabinet Member for Finance
<b>SMT Lead</b>	Nick Vickers, Chief Financial Officer
<b>Head of Service</b>	Nick Vickers, Chief Financial Officer
<b>Lead Officer</b>	Phil Wilson, Financial Services Manager and Olga Cole, Management Accountant
<b>Key Decision</b>	Yes
<b>Classification</b>	Open
<b>Recommendations</b>	1. To approve the Treasury Management Strategy 2021/22 and the Prudential and Treasury Management Indicators.

## 1. Purpose of Report and Executive Summary

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services and the Prudential Code require the Council to approve a Treasury Strategy and Prudential Indicators before the start of each financial year.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined Treasury Management as: "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.3 This report sets out and seeks approval of the proposed Treasury Management Strategy, the Prudential and Treasury Management Indicators for 2021/22 and the Treasury Management Policy.
- 1.4 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Ministry of Housing, Communities and Local Government (MHCLG) Guidance. Should the assumptions upon which this report is based change significantly, then a revised Treasury Strategy will be submitted for approval.

## 2. Background

### Interest Rate Forecast and Market Outlook

- 2.1 The Bank of England (BoE) maintained the Bank Rate at 0.10% in November 2020. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.
- 2.2 The Council's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE kept Bank Rate on hold in its November 2020 meeting. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast. Arlingclose's forecast is set out below:

Bank Rate	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
	%	%	%	%	%	%	%	%	%	%	%	%	%
Upside Risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside Risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

- 2.3 For the purpose of setting the 2021/22 budget, it has been assumed that new treasury investments will be made at an average rate of 0.1%, and that new long-term loans will be borrowed at an average rate of 0.27%.

### Borrowing Strategy

- 2.4 The Council's chief objective, when borrowing money, is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.
- 2.5 Councils are required to balance their revenue budget annually and cannot borrow to achieve a balanced position. However, they have very far reaching powers to borrow to fund capital expenditure. This has historically been funded from borrowing from the Public Works Loan Board (PWLB), which is part of the Debt Management Office which is part of the Treasury. Borrowing can be for up to 50 years at rates which are below commercial rates.

- 2.6 Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) has taken a pretty dim view of Council borrowing to acquire assets for income generation purposes only. There has been extensive media coverage of some of the most egregious examples of this behaviour, it is very widespread. This Council has had a clear policy of not borrowing for income purposes only and the Sittingbourne Town Centre (STC) development is classified as a Regeneration project in the Council's accounts. The Government will reform the PWLB lending terms, ending the use of the PWLB for investment property bought primarily for yield, which the Government states is a risk for both national and local taxpayers. The Government will therefore cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. This is welcome as all Councils were being penalised for irresponsible behaviour by others. PWLB rates have come down and the 50 year maturity rate is 1.68% (6 January 2021).
- 2.7 With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead of borrowing at fixed rates for long periods. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal/short-term borrowing will be monitored regularly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. The advice from Arlingclose is to continue to borrow short term from other local authorities.
- 2.8 The Council may also consider forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a "cost of carry" in the intervening period. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 2.9 In March 2020, the Cabinet approved proposals to set up a housing company which will help deliver affordable homes for local people without placing a financial burden on the Council. Council-owned land would be transferred to the company to provide around 139 new properties, in exchange for an equity share in the company. The estimated build costs, energy efficiency and lifecycle costs of developing, managing and maintaining the initially planned 139 properties to be up to £23 million, which would be initially paid for through a 50-year loan to the company.
- 2.10 The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB Lending facility;
  - Any institution approved for investments;
  - UK Local Authorities;
  - Any other UK public sector body
  - Any other bank or building society authorised to operate in the UK;
  - UK public and private sector pension funds (except the Kent Pension Fund); and,
  - Capital market bond investors.

2.11 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire Purchase
- Private Finance Initiative
- Sale and Leaseback

2.12 The Council has the following loans outstanding:

<b>Lender</b>	<b>Amount (£ million)</b>	<b>Borrowing rate</b>	<b>Start Date of Loan</b>	<b>Maturity Date of loan</b>	<b>Duration</b>
London Borough of Havering	5	0.27 %	20/08/2020	24/08/2021	12 months
London Borough of Islington	5	1.10 %	30/08/2019	01/03/2021	18 months
Brighton & Hove City Council	5	1.25 %	20/01/2020	20/07/2021	18 months
<b>Total</b>	<b>15</b>				

### **Investment Strategy**

2.13 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has averaged £39m compared with £31m in the previous financial year.

2.14 In considering investing in assets, the Council proposes three overriding principles to be applied:

- Investing in sustainable, affordable and social housing to increase overall supply;
- Using the ability to borrow at low rates of interest for the benefit of the physical and social infrastructure of the borough and for broader social value; and,
- Ensuring that the costs of borrowing are manageable long term within the Revenue budget.

2.15 The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

- 2.16 Negative interest rates: The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 2.17 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council largely uses Money Market Funds for short-term investments. The only long-term investment remains the £3 million in the Church, Charities and Local Authorities (CCLA) Property Fund.
- 2.18 The Council could make use of the following asset classes for both Treasury and Non Treasury investments:

Government	Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years. Supranational bonds are instruments issued by supranational organisations created by governments through international treaties.
Banks and Building Societies (unsecured)	Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
Secured investments	Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
Corporates	Loans, bonds and commercial paper issued by organisations other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £1 million per company as part of a diversified pool in order to spread the risk widely.
Registered Providers (unsecured)	Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed.

Money Market Funds	Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
Strategic Pooled Funds	Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
Operational Bank Accounts	The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
Non-Treasury Investments	The Council is a significant owner of assets in the borough and will, where there are opportunities, invest either to generate an income stream or for a capital gain.

- 2.19 The strategy for the coming year will not change significantly. The Council will retain the CCLA fund and keep the remaining monies primarily in Money Market Funds. The Chief Financial Officer does not believe that investing in equity or bond funds is advisable at the current time, given equity market valuations and the impact on bond investments. This will be reviewed as market conditions develop.
- 2.20 Currently the Council makes no direct investments in equities or corporate bonds. If this changed in the year the Chief Financial Officer will ensure that investments are consistent with the Council's health and climate change objectives.
- 2.21 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded, so that it fails to meet the approved investment criteria then:
- no new investments will be made;
  - any existing investments that can be recalled or sold at no cost will be; and,
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

- 2.22 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel, rather than an imminent change of rating.
- 2.23 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will, therefore, be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 2.24 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.
- 2.25 The Council currently has the following Investments:

<b>Counterparty</b>	<b>Long-Term Rating</b>	<b>Balance Invested at 05 January 2021 £’000</b>
Debt Management Office (Bank of England)	AA	12,795
Invesco Money Market Fund	AAAmf	3,000
Deutsche Money Market Fund	AAAmf	3,000
Goldman Sachs Money Market Fund	AAAmf	3,000
Aberdeen Money Market Fund	AAAmf	3,000
Black Rock Money Market Fund	AAAmf	3,000
JP Morgan Money Market Fund	AAAmf	3,000
Morgan Stanley Money Market Fund	AAAmf	3,000
SSGA Money Market Fund	AAAmf	200
CCLA Property Fund		3,000
<b>Total Investments</b>		<b>36,995</b>

- 2.26 The ratings above are from Fitch credit rating agency. A description of the grading is provided below:
- AA Investments are judged to be of a high quality and are subject to very low credit risk.

- AAmmf Funds have very strong ability to meet the dual objectives of providing liquidity and preserving capital.

- 2.27 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Ministry of Housing, Communities and Local Government's (MHCLG's) Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 2.28 The Council has not made, and will not make, any direct commercial investments outside of the Borough. Capital funds will be used for the benefit of local residents.
- 2.29 At 31 March 2020 the Council held £3.6 million of longstanding investments in 14 directly owned properties. These investments generated £0.2 million of investment income for the Council in 2019/20 after taking account of direct costs, representing a rate of return of 6% and this level of income is forecast for 2020/21 and 2021/22. No significant change in this investment is anticipated in 2020/21 or 2021/22.
- 2.30 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments carry similar risks to the Council and are included here for completeness.
- 2.31 The loans made by the Council are shown below:

	<b>31 March 2020</b>
	<b>£'000</b>
Housing repair loans	2,047
Employee car loans	165
Other debtors	1,765
<b>Total</b>	<b>3,977</b>

- 2.32 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, a loss allowance is calculated for each debt reflecting the statistical likelihood that the debtor will be unable to meet their contractual commitments to the Council, which for 2019/20 was £0.2 million. The loss allowance was been calculated by reference to the Council's historic experience of default. In addition, to mitigate risk, all debts have to be managed in accordance with the Council's Financial Regulations.
- 2.33 The most significant loans shown are the Housing Repair Loans which are loans for private sector housing home adaptations – landlords and owner-occupiers can apply for a loan for adaptations that will enable them to stay in their own homes. The risk relating to these loans is low as they are a charge of the property and are repayable when a property is sold.
- 2.34 An analysis of short-term debtors is reported to Cabinet as part of the quarterly Financial Management Report.



### 3. Proposal

- 3.1 The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

<b>Counterparty</b>	<b>Cash Limits</b>
The UK Government (Debt Management Account Deposit Facility) and Treasury Bills	Unlimited
Local Authorities and other government entities	£3m
Major UK banks / building societies. (Barclays, HSBC, Lloyds Banking Group, RBS Group, Santander UK, Nationwide, Standard Chartered) unsecured deposits	£3m
Svenska Handelsbanken unsecured deposits	£3m
Leeds Building Society unsecured deposits	£1.5m
Close Brothers unsecured deposits	£1.5m
Money Market Funds	£3m each
Strategic Pooled Funds e.g. Absolute return, Equity income, Corporate Bond Funds	£3m each
CCLA Property Fund	£3m
Supranational Bonds	£3m in aggregate
Corporate Bonds	£3m in aggregate
Covered Bonds	£3m in aggregate with £1m limit per bank
Non treasury investments	To be agreed on a case by case basis

- 3.2 Currently the maximum duration for unsecured term deposits is 13 months. The Chief Financial Officer in consultation with the Leader and Cabinet Member for Finance may consider longer duration depending on market conditions. For bonds, the maximum duration will be five years including, where applicable, the 5-year benchmark government bond, which may at the point of issue, have a maturity a few months in excess of five years.
- 3.3 The Council may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses and landlords, or as equity investments and loans to the Council's owned companies.
- 3.4 The Council does not directly invest in financial derivatives although these may be present in pooled funds and will be managed in line with the overall treasury strategy.
- 3.5 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sum borrowed.

3.6 The Chief Financial Officer ensures that any commercial deals meet the regulatory requirements and the CIPFA prudential framework.

### Treasury Adviser

3.7 The Council has appointed Arlingclose Limited as its treasury management adviser and receives specific advice on investment, debt and capital finance issues. Officers meet with Arlingclose on a quarterly basis, receive information daily and attend relevant training courses.

3.8 The day to day treasury management activity is undertaken on the Council's behalf by Kent County Council's Treasury & Investments team to the criteria set out in this report. This has been particularly beneficial in using their relationships to obtain the low cost loans from other Councils.

## 4. Alternative Options

4.1 The Strategy is intended to give flexibility with regard to borrowing and investment options.

4.2 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Leader and Cabinet Member for Finance, believes that the above Strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on Income and Expenditure	Impact on Risk Management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain

## 5. Consultation Undertaken or Proposed

5.1 Consultation has been taken with Arlingclose.

## 6. Implications

Issue	Implications
Corporate Plan	Good management of the Council's cash balances assists the overall financial position of the Council and this helps to meet the emerging Corporate Plan objectives.
Financial, Resource and Property	The budget for net investment income in 2021/22 is £20,000.
Legal, Statutory and Procurement	Ministry of Housing, Communities and Local Government and CIPFA requirements complied with.
Crime and Disorder	Not applicable
Environmental Sustainability	Not applicable
Health and Wellbeing	Not applicable
Risk Management and Health and Safety	Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice and Cross-Sectoral Guidance Notes. The principle of security of funds over-rides investment performance considerations.
Equality and Diversity	Not applicable
Privacy and Data Protection	Not applicable

## 7. Appendices

7.1 The following appendices are published with this report and form part of the report.

- Appendix I Prudential and Treasury Management Indicators

## 8. Background Papers

None

## Prudential and Treasury Management Indicators

### Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

### Gross Debt and the Capital Financing Requirement (CFR)

This is a key indicator of prudence. Statutory guidance states that external debt should not exceed the capital financing requirement in the previous year plus the estimates of any increase in the CFR at the end of the current year and the next two years. The table below demonstrates that the Council is complying with this aspect of the Prudential Code.

<b>Gross Debt and the Capital Financing Requirement</b>	<b>2020/21 Revised</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Financing Requirements	42,475	61,789	71,969	70,418
Gross External Debt	(15,000)	(35,000)	(50,000)	(50,000)
<b>Net Investments</b>	<b>27,475</b>	<b>26,789</b>	<b>21,969</b>	<b>20,418</b>

### Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. (See Capital Programme in 2021/22 Budget Report to Cabinet 10 February 2021).

<b>Capital Expenditure and Financing</b>	<b>2020/21 Revised</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total Expenditure</b>	<b>13,978</b>	<b>18,524</b>	<b>13,613</b>	<b>2,113</b>
Revenue contributions	1,435	447	50	50
Capital receipts	418	1,164	0	0
Grants	4,630	2,163	2,063	2,063
Internal/ External borrowing	7,495	14,750	11,500	0
<b>Total Financing</b>	<b>13,978</b>	<b>18,524</b>	<b>13,613</b>	<b>2,113</b>

## Prudential and Treasury Management Indicators

### Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>	<b>2023/24 Estimate</b>
	%	%	%	%
<b>General Fund Total</b>	<u>4.21</u>	<u>5.11</u>	<u>5.32</u>	<u>5.43</u>

### Authorised Limit for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing, and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

<b>Authorised Limit for External Debt</b>	<b>2020/21 Revised</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
	£'000	£'000	£'000	£'000
Borrowing	60,000	70,000	70,000	70,000
Other long-term liabilities	2,000	2,000	2,000	2,000
<b>Total</b>	<u>62,000</u>	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>

## Prudential and Treasury Management Indicators

### Operational Boundary for External Debt

The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease and other liabilities that are not borrowing but form part of the Council's debt.

<b>Operational Boundary</b>	<b>2020/21 Revised £'000</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>
Borrowing too low	55,000	55,000	55,000	55,000
Other long-term liabilities	500	500	500	500
<b>Total Operational Boundary</b>	<b>55,500</b>	<b>55,500</b>	<b>55,500</b>	<b>55,500</b>

### Interest Rate Risk

The Council regularly reviews its interest rate exposures with its Treasury adviser Arlingclose and this is reflected in the monitoring of the budget. It is the aim of the Council to minimise interest paid on borrowing and maximise the interest earned on investments, but in the case of investments, protection of the capital sum must take precedence over the rate of return. As reported in the 2020/21 Half Year Treasury Report the Council had achieved a return of 0.43% on its investments and therefore an estimate of the impact of a 0.5% change in this return would be worth £206,000.

### Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

<b>Maturity Structure of Borrowing</b>	<b>Lower Limit for 2021/22 %</b>	<b>Upper Limit for 2021/22 %</b>
Under 12 months	0	100
12 months and within 24 months	0	100
24 months and within 5 years	0	100
5 years and within 10 years	0	100
10 years and above	0	100

### Principal Sums Invested for Periods Longer than a Year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	<b>2021/22 Estimate £'000</b>	<b>2022/23 Estimate £'000</b>	<b>2023/24 Estimate £'000</b>
Limit on principal invested longer than 1 year	10,000	10,000	10,000

<b>CABINET Meeting</b>		<b>Agenda Item: 6</b>
<b>Meeting Date</b>	10 February 2021	
<b>Report Title</b>	Procurement of Supplementary Litter Enforcement services	
<b>Cabinet Member</b>	Cllr. Julian Saunders Cabinet Member for Environment	
<b>SMT Lead</b>	Emma Wiggins, Director of Regeneration	
<b>Head of Service</b>	Martyn Cassell, Head of Commissioning, Environment and Leisure	
<b>Lead Officer</b>	Jo Mapp, Environmental Enforcement Manager	
<b>Key Decision</b>	Yes	
<b>Classification</b>	<b>Open</b>	
<b>Recommendations</b>	1. That the Cabinet approves the appointment of LA Support Ltd as Supplementary Environmental Enforcement Services from 1st April 2021 for an initial period of 3 years with the option of two further one-year extensions (3+1+1 years).	

## 1 Purpose of Report and Executive Summary

- 1.1 The Council takes a strong stance on enforcement when it comes to environmental issues. By awarding the Supplementary Litter Enforcement contract to the successful contractors, the Council will continue providing a robust enforcement service that issues Fixed Penalty Notices (FPN's) across the Borough for littering & dog fouling. There is scope to expand the range of environmental offences tackled by this team as the contract develops.
- 1.2 The current Supplementary Litter Enforcement contract expires on 31 March 2021. The Environmental Enforcement team carried out a one stage tender process based on the most economically advantageous tender (MEAT) which was evaluated on 60% quality and 40% price.
- 1.3 This report summarises the procurement process and its results and seeks Cabinet approval of the recommended contractor.

## 2 Background

- 2.1 Swale Borough Council originally entered a contract with Kingdom Services Group in 2015 as a trial and they were awarded the contract in 2016 to tackle litter and dog fouling. In 2019 Kingdom Services Group set up a new company

called 'LA Support Limited' to manage these types of Local Authority contracts. The contract was subsequently novated to the new company who continued with delivering the service. This was a five-year contract that was fully funded by the FPNs issued. The contract involved Environment Officers patrolling all areas of the borough (including the remote villages) in a highly visible uniform. They would challenge anyone dropping litter or failing to clean up after their dog. Offenders would be issued with a fixed penalty notice between £100 and £150 depending on the offence. The five-year partnership resulted in over 7500 FPNs being issued and 460 offenders being prosecuted for littering or dog fouling offences.

- 2.2 Any income received above the costs of operating the scheme is ring fenced for environmental improvements within the borough. Funds went towards schemes such as cameras to catch fly tippers and to provide funding for the Environmental Grants scheme.
- 2.3 Around 90% of litter offences were for smoking related litter. This statistic has been well publicised as it reflects the fact that a large proportion of items that make up litter on our streets are smoking related (according to Keep Britain Tidy statistics). To tackle smoking related litter, the scheme funded thousands of pocket ashtrays that were issued to smokers for free.
- 2.4 In 2018 an initiative was also launched to refund £100 to any person who received and paid an FPN for smoking related litter, if they attended a partnership NHS smoking cessation course and successfully quit. This is still in place today.
- 2.5 As the existing contract could not be extended any further, a tender exercise was completed. The opportunity was advertised in accordance with current contract standing orders, with interested parties asked to complete an Invitation to Tender. Four submissions were received but two applications were subsequently dismissed due to errors in their submissions.
- 2.6 The tender evaluation panel consisted of the Environmental Services Manager, Environmental Enforcement Manager & the Environment Warden Supervisor.

	<b>Price</b>	<b>Non Price</b>	<b>Total</b>
<b>LAS Ltd</b>	40.00	46.33	86.33
<b>Company B</b>	32.01	43.33	75.35

Table 1 – Results of the evaluation scores

- 2.7 The winning company scored highest on both price and quality. They provided the best added value with some extras included as well as scope to expand to other areas in the future.
- 2.8 LA Support Ltd are the incumbent contractor and therefore know the Borough well. They currently provide services to over 35 other local authorities within the



UK. Within the southeast LAS currently deliver similar contracts for Dartford, Greenwich and Bexley.

### **3 Proposals**

- 3.1 This report recommends that the Council enters into a contract with LA Support Ltd for an initial 3-year period with the option to extend the contract for two further periods of one year each.

### **4 Alternative Options**

- 4.1 The alternative is not to award the contract and to cease delivering the service. This is not recommended as the contract has proved to be successful with residents regularly recognising its impact in improving the street scene and income being used to fund projects that support the Council's climate and ecological emergency action plan.
- 4.2 The service often receives public support when successful prosecution cases are publicised. Cleaner streets are a priority for residents and this project tackles the source of the problem by challenging the offenders directly. The withdrawal of the service may have a detrimental effect on street cleanliness within the area as well as the reputation of Swale BC in tackling customer priorities.
- 4.3 The scheme is self-funding, but it also generates a reasonable income that funds further positive environmental outcomes. This income is ring fenced and some of it gets re-distributed to communities and charities via the environmental grants scheme. If the project stops then funding for environmental grants will need to be found from another source or the awards will need to stop.
- 4.4 The Council could deliver this in-house, however it will be more expensive to operate and we would lose the resilience that a specialist company brings such as resilience to staff turnover and management capacity shared across contracts.

### **5 Consultation Undertaken or Proposed**

- 5.1 The outcomes of this scheme have been regularly publicised over the years and the majority of the feedback has been positive.
- 5.2 When the Environment Wardens were undertaking community and online public surgeries, the theme of issuing more on the spot fines for littering and dog fouling was always popular.
- 5.3 A short public survey is currently being planned to assist the Members working group on developing a specification for the future waste contract. Some of the questions on the survey are litter related. Although the survey may not be

completed until after this contract has been awarded, any comments or suggestions from the survey can be considered for implementation.

## 6 Implications

Issue	Implications
Corporate Plan	<p>This project sits best with Priority 2 of the current corporate priorities - Investing in our environment and responding positively to global challenges (specifically 2.3 &amp; 2.5). It is an SBC initiative that encourages positive behaviour from communities and enhances the environmental quality of the borough.</p>
Financial, Resource and Property	<p>The Council have set the fee for littering FPN's at the maximum allowed by law, which is £150. This serves as a strong deterrent. It also ensures that the FPN's issued fund the officers who deliver the service as well as the other environmental initiatives previously listed.</p> <p>Some of the legal costs and officer costs are reclaimable if we are successful in court. However, previous experience suggests that not all of these costs are recovered in full.</p> <p>By reducing littering, further savings may be possible when reviewing agreements such as the waste cleansing contract.</p> <p>Based upon an estimate of 2 Officers each issuing 1000 FPN's a year, it is estimated that the annual contractor costs will be £103,500 pa. Based upon an estimated payment rate of 65%, the FPN income will be £195,000. Once all costs have been deducted then this project could contribute around £70k per annum for environmental improvements (plus the added value from the contractor's other initiatives).</p> <p>One of the added benefits of this contractor will be that they accept and monitor the FPN payments. This will save the council time and money.</p> <p>VAT will be chargeable on the contractor's services, but not on the FPN income. Income will be invoiced each month to reduce any financial risk to the Council. The usual pre-award financial checks were conducted on the company using a credit checking organisation. A number of financial elements are rated including Director checks and the company passed these.</p> <p>The Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended ("TUPE") do not apply to this contract and the implications of this have been addressed in the procurement process.</p>

<p>Legal, Statutory and Procurement</p>	<p>Swale BC has powers under the Environmental Protection Act 1990 to issue FPN's to anyone dropping litter. The Clean Neighbourhoods and Environment Act 2005 allowed local councils to set the financial penalties for these FPNs within prescribed limits. We set these fees at the maximum level of £150 for littering and £100 for dog fouling.</p> <p>The legal team have already been involved and offered advice in the procurement process to date. The contract will be the standard Council contract and undertaken using the Council's current Terms and Conditions.</p> <p>Offenders who fail to pay the FPN are prosecuted in the Magistrates Court under the Single Justice procedure which is a streamlined process for tackling offences of this nature.</p> <p>The contractors will recruit local &amp; NEET candidates and offer apprenticeships.</p>
<p>Crime and Disorder</p>	<p>The recommendations should have a positive impact under section 17 of the Crime and Disorder Act 1998, as this will tackle litter and dog fouling offences and as such reduce anti-social behaviour.</p>
<p>Environment and Sustainability</p>	<p>Cleaner streets are a key priority for residents. The scheme can be reviewed and adjusted according to demand and support.</p> <p>If a vehicle is deemed necessary for transport, an electric vehicle will be provided by the contractors for staff on site to use.</p> <p>The resource will be flexible which allows officers to focus on hot spot areas such as the beaches in the summer.</p> <p>Public Services (Social Value) Act 2012 – A number of social value provisions will be met by this contractor as mentioned in other parts of this report. In addition, the contractors will provide 2% of their profit to local litter picking groups (or similar) to assist with their work.</p> <p>The contractors are able to complete school educational presentations.</p>
<p>Health and Wellbeing</p>	<p>Cleaner streets make Swale a better place to live and therefore improves the health and well-being of its residents.</p> <p>Swale BC partnered up with the NHS to run a 'stop smoking' course which offered a refund on any paid FPN's that were issued for smoking related litter if they successfully quit smoking.</p>
<p>Risk Management and Health and Safety</p>	<p>Part of the procurement process ensures that contractors are fully competent, particularly in the area of health and safety. LA Support Ltd competence is evidenced through their membership/s of ISO 450011/Safe Contractor/CHAS and Constructionline Gold. Specific RA's will be completed for the overall tasks and all interactions with the public will be filmed using body worn cameras.</p>

Equality and Diversity	No FPN will be issued to any person under the age of 18 or those suspected of suffering mental ill health or displaying any lack of capacity to understand.
Privacy and Data Protection	As an ISO27001/Data Protection/Cyber Essentials accredited company, LA Support Ltd recognise that the correct treatment and transfer of data/privacy is critical to the lawful operation of this contract. All LAS data is stored on a secure cloud-based server within the UK. All external users access this data via a remote desktop connection to a secure server, ensuring data never leaves the building. Dual backups are completed daily.

## 7 Appendices

None

## 8 Background Documents

None

<b>Cabinet Meeting</b>	<b>Agenda Item: 7</b>
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<b>Meeting Date</b>	10 February 2021
<b>Report Title</b>	STG Building Control Partnership Business Plan 2021 to 2024
<b>Cabinet Member</b>	Cllr Mike Baldock, Cabinet Member for Planning
<b>SMT Lead</b>	Emma Wiggins, Director of Regeneration
<b>Head of Service</b>	James Freeman, Head of Planning
<b>Lead Officer</b>	James Freeman, Head of Planning
<b>Recommendations</b>	<p>The Draft South Thames Gateway Building Control Partnership Business and Delivery Plans for 2021 to 2024 be agreed.</p> <ol style="list-style-type: none"> <li>1) That the Draft STGBCP business and delivery plans be considered and approved or comments referred to the Joint Committee</li> <li>2) That should there be any amendments following consideration by the Joint Committee the final plans be reported back for final approval.</li> </ol>

## 1 Purpose of Report and Executive Summary

- 1.1 The purpose of this report is to consider and make any comments on the draft STG shared Building Control Partnership (STG) Business and Delivery Plans 2021 to 2024 and to refer the comments to the Joint Committee.

## 2 Background

- 2.1 STG Building Control Partnership (involving Medway, Canterbury, Gravesham and Swale) went live in October 2007 with Canterbury joining in April 2018. Under the terms of the Memorandum Agreement between the four partner authorities, a three year rolling business plan needs to be agreed.
- 2.2 Each partner authority must advise the Secretary to the Joint Committee whether it approves or rejects the revised draft business plan by no later than 10 days before the Annual Meeting of the Joint Committee in June each year
- 2.3 Whilst much of the Building Control Partnership operation is subject to competition from Approved Inspectors, the service retains statutory responsibilities regarding public protection e.g. dangerous structures, demolitions, unauthorised works and maintaining registers etc.

- 2.4 Over the past few years, the service has had to compete with 'Approved Inspectors' within an increasingly competitive and shrinking market, which has put pressure on income generation within the service and correspondingly has put pressure on the resourcing of the service itself. This has been further compounded by the Covid 19 impacts, although the shared service will be able to recuperate much of the lost income costs through Government Covid-19 support funding. The service has also been able to withstand the fall in income not covered by the Government by the use of existing reserves.
- 2.5 The ability to adapt to this new competitive environment has been a major benefit of a combined authority shared service and has facilitated significant improvements on embracing digital transformation, including the freedoms and accessibility that remote and agile working operations deliver, improving the customer experience and introducing efficiencies and savings to service delivery.
- 2.7 Whilst there has been some impact on service delivery during this difficult period, communication with customers has been paramount to service delivery and there has been no discernible increase in customer dissatisfaction being recorded.

### **3. Proposal**

- 3.1 The Business Plan outlines how the building control function will be delivered on behalf of the four Partnership Councils up until 2024 and indicates what the contributions will be between 2021-2024.
- 3.2 The partnership has already begun a training programme to develop surveyors to ensure they are able to demonstrate the required skills and competencies to practice on all categories of work. It is this investment which is critical to the future delivery of the partnership.
- 3.3 Incentivising individuals to develop more specialist skills will not only present opportunities for taking on more complex developments but potentially provide an additional income stream through the consultancy.
- 3.4 Under the Building Safety Bill, there is an opportunity for specialised surveyors, who meet the minimum standard criteria, to be registered building inspectors. The registered building inspector that building control authorities can use to provide advice on specified functions.
- 3.5 Training is not simply a tick box exercise; this must happen before it is forced on all building control bodies. STG need to ensure they are the building control body in Kent recognised for the experience and skills of the staff as well as the ability to provide specialist advice.

- 3.6 Over the past years, the contributions from each partner has seen year on year savings and in recent years that has been secured via the use of a small reserve fund. However, given the pressures being experienced by the service, there are limited opportunities for further reductions without impacting significantly on service delivery and performance. Accordingly, a small additional contribution of just under £5,000 will be required over the business plan period beyond that currently funded by the Council.

## 4 Alternative Options

- 4.1 The Council could consider removing itself from the partnership. However, whilst the Council is facing significant pressures on its revenue budget over the next few years, the success of the building control partnership has been recognised in that the efficiencies secured since its inception would have significantly exceeded any potential savings as a single authority service given the economies of scale a shared partnership presented. This has been borne out through separate reviews undertaken at the respective partner authorities, particularly in Canterbury City Council's recent decision to join the service. There are proposals to review how consultancy services can be promoted to increase potential income and how best to make use of the existing staff abilities and experience to achieve efficiencies.

## 5 Consultation Undertaken or Proposed

- 5.1 The Business Plan has been considered and agreed by the Joint Authorities Committee overseeing the operation of the Building Control partnership. This has involved Councillor Tim Gibson as the authority's representative on the Joint Committee.

## 6 Implications

Issue	Implications		
Corporate Plan	The Partnership has built resilience into the service that supports the Council's aim to provide well run customer focussed services.		
Financial, Resource and Property	<p>Appendix I sets out the details of the financial plan accompanying the Business Plan.</p> <p>It is proposed to increase the total partner contribution over the three year plan by £4,933(7.8%).</p> <p>The contributions for Swale BC are as follows:</p>		
	Year	Contribution (£'s)	Change from previous year (£'s)

	2020/21	63,042	
	2021/22	65,224	+2,182(+3.4%)
	2022/23	67,316	+2,092(+3.2%)
	2023/24	67,975	+659 (+0.9%)
	At Swale, the medium term financial plan will accommodate the proposed contributions as stated above.		
Legal and Statutory	The Partnership and Joint Committee operate under a memorandum of agreement signed by each of the partner authorities.		
Crime and Disorder	Effective control and enforcement of building standards and dealing with dangerous structures is consistent with an increased perception of security and wellbeing.		
Risk Management and Health and Safety	This is detailed in Section Three of the Service Delivery Documentation, focussing on the highly competitive market the partnership operates within as well as a lack of investment in staff development and IT solutions.		
Health and Well Being	None identified at this stage.		
Equality and Diversity	None identified at this stage.		
Sustainability	None identified at this stage.		

## 7 Appendices

The following documents are to be published with this report and form part of the report

- Appendix I: South Thames Gateway Building Control Partnership – Business Plan 2021 – 24
- Appendix II: South Thames Gateway Building Control Partnership – Service delivery Plan 2021-24

## 8 Background Papers

None.





# Building Control Partnership Business Plan 2021-2024



Director  
Version No.  
Last updated

Janine Weaver  
3  
15 October 2020

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## 1. Executive Summary

- 1.1. The Government's draft Building Safety Bill represents the most radical legislative reform to building safety in decades, providing for greater accountability, a new stricter regime for high rise buildings and a new Building Safety Regulator amongst a range of other changes to the laws surrounding the planning, construction and management of buildings.
- 1.2. Everyone working in the built-environment sector in the UK will be aware of the tragic policy background to the Building Safety Bill, following in the wake of the Grenfell disaster. Taken together with various accompanying measures relating to building safety - such as the Fire Safety Bill currently passing through Parliament, various changes to the Building Regulations and the establishment of two significant funds for the replacement of both ACM and Non-ACM cladding, worth £1.6bn - there is no doubt that the measures comprise the most wide-ranging reforms in building safety for 40 years.
- 1.3. Underpinning the various legislative changes set out in the draft Bill is the establishment of a new Building Safety Regulator (BSR), which will operate within the Health and Safety Executive. The BSR will undertake various regulatory functions, applicable to all buildings, with a view to improving the safety of people in and about buildings and improving the standard of the buildings themselves, as well as the competence of all those that work in the built environment industry.
- 1.4. The impact will be considerable and will affect all building control teams, whether their authority has high rise buildings or not. All building control surveyors will have to prove their competence by regular examinations and assessments, and they will have to be licensed to practice for all building work, not just work in scope.
- 1.5. The partnership has already embarked on a programme of competency review and training. Embedded within the Local Authority Building Control (LABC) ISO 9001 accredited Quality Management System, is a Competency Matrix which was developed by the LABC as both a learning framework for creating learning and qualifications, and against which an individual's competency can be assessed.
- 1.6. Since July 2018, the LABC have regularly run the Competency Validation assessments for 'Level 6' Fire Safety Specialists which was developed in conjunction with the Institution of Fire Engineers to prove the competency of our most experienced surveyors. In the future it is likely that there will be various bodies created to certify the competency of individuals against the British Standard 'Overarching Competence Framework' and the sector specific frameworks.
- 1.7. The LABC are looking to create a 'LABC Certification' which will be UKAS ISO17024 accredited and certified. Under this they must demonstrate impartiality which means that the scheme cannot be made solely for public service building control. As such, the LABC Certification scheme for assessing

Fire Safety (Level 6 Fire Safety Specialists) must validate the competency of both public and private sector building control professionals.

- 1.8. The partnership needs to invest in the skills and competencies of the surveyors to ensure they have proven and measured competency. That they can work on all categories of developments within our partner authorities' areas, but to be ideally placed to provide a service for higher risk building projects countywide.
- 1.9. There is an acute skills shortage of qualified, experienced building control surveyors. The competency validation will impact on employment, retention and succession planning especially as high-risk competence surveyors affects salaries and the grading of other surveyors within local authorities.

## 2. Financial Plan

- 2.1 To meet the timetable required by the Constitution, the first draft of the business plan is required to be presented to the Joint Committee in September 2020. Therefore, the financial table, in figure 1, is a forecast for 2021/2022 as the Plan is being developed using half yearly comparative data. Monthly financial monitoring is reported back to both the Steering Group and Joint Committee and revisions are therefore possible given more up to date information.
- 2.2 The business plan format is a 3-year rolling programme, which will take the forecast beyond the end of the current third term which finishes in September 2022. However, Members have endorsed the likely progression of the partnership beyond that period and the new arrangement will allow for the agreed contributions to feed into each authorities' medium-term financial plan.
- 2.3 Building Control is a very busy service which dealt with 2,691 income related applications in 2019/2020. This generated £1,299,859 of building control fee income and represented 71% of the overall workload.
- 2.4 There is a large proportion of non-fee earning work (eg, dangerous structures, unauthorised works) which the Partnership is required to carry out to fulfil the public protection duties of the four Partner authorities as well as maintaining certain registers which are required by law. This non fee-earning work is resourced through the contributions from each Local Authority and is estimated to equate to 24% of the Partnership staff time for 2019/2020.
- 2.5 These areas of work are regularly monitored in accordance with the Constitution of the Partnership to ensure that the contributions of the Councils are cost effective and give good value for money. In 2019/2020 the contribution costs were £299,866, if based on the time analysis the costs would equate to £464,788.
- 2.6 The contributions for each authority for non-fee earning work will represent 15.4% in 2021/2022 of total activity. Half yearly time analysis reports for 2020/2021 suggest the split between fee earning and non-fee earning work was 72%/26%, however, the percentages are likely to change as the number of building regulation applications increases.
- 2.7 The building control charges key principles, under the Charges Legislation 2010, is the need to fix charges by means of a scheme, full cost recovery and the fact that the user should pay for the actual service that they receive. Local authorities (LAs) should continue to make every effort to keep their costs to a minimum to ensure that charges remain affordable and competitive and do not encourage people to circumvent the building regulations. There is an expectation that LAs will not set their charges artificially low to win work from Approved Inspectors (AIs) and then routinely increase them later on, nor to set charges high where they are operating in effect as a monopoly and routinely need to give refunds.

- 2.8 Whilst the partnership over the years has been able to achieve a balanced budget, the building control fee income has rarely achieved its target with a shortfall ranging between 8%-18%. Reduction in partner contributions by 14.6%, cost increases on premises, supplies/services, transport and reduced building control income were mitigated through a reduction in staff, streamlining processes through investment in technology, savings in other areas, as well as gaining additional work delivered through the consultancy.
- 2.9 In 2019/2020, the partnership increased its fees by 4% and currently the building control service, is equal fourth highest in Kent.

### The Future of Building Control

- 2.10 In July 2020, the Government published its draft Building Safety Bill which lays out the framework and enabling powers to implement their new approach to building safety regulation.
- 2.11 All building control surveyors will have to prove their competence by regular examination and assessment, and they will have to be licensed to practice for all building control work, not just in scope. Local authority building control will be expected to work according to defined standards following defined processes and will be measured regularly by the regulator.
- 2.12 The impact of these changes will be substantial with building control needing investment and additional learning. We are on the cusp of a future where building control can create immense opportunities for all, and we need to be ready to realise it. If we do not radically overhaul the way we prepare, develop, and manage surveyors, we are in danger of sleepwalking into a skills crisis.
- 2.13 Resourcing, competence, standards, and resilience will need to be proved to be the right level. There will be a knock-on effect into recruitment, employment, retention, and succession planning especially as the national shortage of surveyors and especially high-risk competence surveyors affects salaries and the grading of surveyors in local authorities.
- 2.14 In our June 2020 staff engagement survey surveyors were asked “if they were to leave tomorrow what would be the reason, they would give in their exit interview?” Over half of them, 54%, listed increased salary and the opportunity of advancing skills and competency as the two main reasons for leaving.
- 2.15 The partnership operates a progression grade for surveyors whereby as they reach various stages in their training they qualify for re-grading. The chart shown in Appendix A, demonstrates our training timeline where we recruit from other areas of the construction industry to develop an individual into a qualified building control surveyor.
- 2.16 Once they have become fully qualified, they automatically pass a salary bar and re-grade as a senior building control surveyor. The impact on the salary budget is indeterminable as training can take anywhere between two and four years depending on their current level and their drive to achieve as well as the

yearly pay awards. The new Building Safety Bill will have an influence in the future on the qualification of surveyors and expected salaries.

- 2.17 Our current training programme projection would enable all our surveyors to be able to carry out unsupervised inspections on all domestic works from 2021. The senior surveyors, which account for 58% of the team, able to carry out inspections on more complex developments, given sufficient training and exposure to complex/commercial sites, from 2021/2022.
- 2.18 To continue to build resilience into the partnership, we need our surveyors to be focused, ambitious and able. We cannot become overly reliant on one or two key members of staff to deliver the complex and specialist work. Staff development is a key element to our succession planning.
- 2.19 Our only qualified LABC fire safety specialist, is in the top quartile of staff who could potentially retire or leave in the next few years. Over reliance on one individual exposes the partnership to risk of:
- Having to buy-in the expertise to enable the continuation of current work or the opportunity to win work.
  - Overstretched resource covering four authority areas which could have an unhealthy effect on the individual.
  - Inability to resource during periods of leave/absences.
- 2.18. Surveyors already have a heavy workload in addition having to cover colleague's areas when on leave, sickness absence and training. They have always had to maintain a certain level of continuous professional development (CPD) to retain membership of their professional body and this has become more important with expectations on professional organisations within the industry to demonstrate ongoing competency.
- 2.19. Despite the level of commitment already being delivered by staff, we need more, and we need them to develop. This will have a significant impact on performance, expenditure, and staff morale. The risk if we do not develop is an inability to deliver our service and retention of staff.
- 2.20. Taking into account potential re-grades through qualified progression, the staffing budget could potentially increase by 10% by 2023.
- 2.21. Specialist skills, such as fire safety or energy assessment, need to be encouraged to enable the partnership to oversee complex sites or be in a position to market those skills to neighbouring authorities or be 'registered building inspector' to work on projects overseen by the Building Safety Regulator.
- 2.22. The inclusion of a specialist payment within the surveyors' market premia of £2,000 could have the potential to encourage individuals to attain a higher level of competency. Whilst they maintain this level and deliver the skill on the partnerships or neighbouring authority projects the payment would continue.



2.23. Whilst the effects of the coronavirus pandemic have reduced income levels for this financial year, it is important that the partnership continues to look to future delivery. Members have agreed that the specialist payment is to be funded from the reserve at a cost of around £6,000 per surveyor (inclusive of on-costs) for the first 3 years to enable a surplus to be achieved to cover future payments.

2.24. The financial plan, in figure 1, is based on the following pressures:

- An increase in salary costs of 2% per annum
- An increase in transport costs associated with increased visits by surveyors
- Re-grading of surveyors attaining required competency and standard

2.25. With increasing costs, whilst we will look to mitigate these pressures with reductions in other areas, there will be every increasing pressure on our staffing budget. The recommendations on the future of the building control sector and profession in England, which is being proposed by Government, is not just something that would be beneficial for the Partnership to introduce but is going to be forced on all building control bodies.

2.26. Our current business plan as well as this one and all future plans must prioritise training to ensure the Partnership stays ahead of the game and is in the best position possible for when these legislative changes are enacted.

2.27. It has been consistently proven, that staff retention is a more economical way of retaining skills, local knowledge, relationships with builders, designers, and developers. We know there is a national shortage of surveyors and if we want to work on just more than domestic extensions, we need surveyors at the right competency level. Investment in training is critical to securing the Partnerships future delivery but will come at a cost as competence affects salaries and grading of surveyors.

### Three-year Budget Build and Contribution Calculation for 2021/22 to 2023/2024

		<u>2021/22</u> <u>Budget</u>	<u>2022/23</u> <u>Budget</u>	<u>2023/24</u> <u>Budget</u>
Staffing		1,689,273	1,750,975	1,768,876
Premises		58,514	59,159	59,817
Transport		79,802	81,526	82,774
Supplies and Services		144,232	144,849	145,427
Support Services		44,998	44,998	44,998
<b>Total Cost:</b>		<u>2,016,819</u>	<u>2,081,507</u>	<u>2,101,892</u>
Contributions		(1,706,229)	(1,760,955)	(1,778,201)
Income		<u>(310,590)</u>	<u>(320,552)</u>	<u>(323,691)</u>
<b>Total Income</b>		<u>(2,016,819)</u>	<u>(2,081,507)</u>	<u>(2,101,892)</u>
Chargeable	84.6%	(1,706,229)	(1,760,955)	(1,778,201)
Non-Chargeable	15.4%	<u>(310,590)</u>	<u>(320,552)</u>	<u>(323,691)</u>
		<u>(2,016,819)</u>	<u>(2,081,507)</u>	<u>(2,101,892)</u>
<b>Authority and Agreed Percentage</b>		<u><b>2021/22</b></u> <u><b>Budget</b></u>	<u><b>2022/23</b></u> <u><b>Budget</b></u>	<u><b>2023/24</b></u> <u><b>Budget</b></u>
Canterbury - 23%		(71,436)	(73,727)	(74,449)
Gravesham - 15%		(46,589)	(48,083)	(48,554)
Medway - 41%		(127,342)	(131,426)	(132,713)
Swale - 21%		(65,224)	(67,316)	(67,975)
		<u>(310,590)</u>	<u>(320,552)</u>	<u>(323,691)</u>

[Figure 1]

### 3. PARTNERSHIP OVERVIEW

- 3.1. The building control partnerships role is to ensure, as far as is reasonable, that building work undertaken in the council areas of Canterbury, Gravesham, Medway, and Swale comply with the requirements of the building regulations.
- 3.2. The building regulations are national standards that apply to all types of buildings from major developments to house extensions. They cover all aspects of construction from foundations to roof coverings, including drainage, energy conservation, fire protection and means of escape in case of fire. In addition, they also ensure that buildings are accessible to all people.
- 3.3. The Building control Partnership has three elements to its business;
  - Building Regulations applications
  - Public Protection services
  - Consultancy services

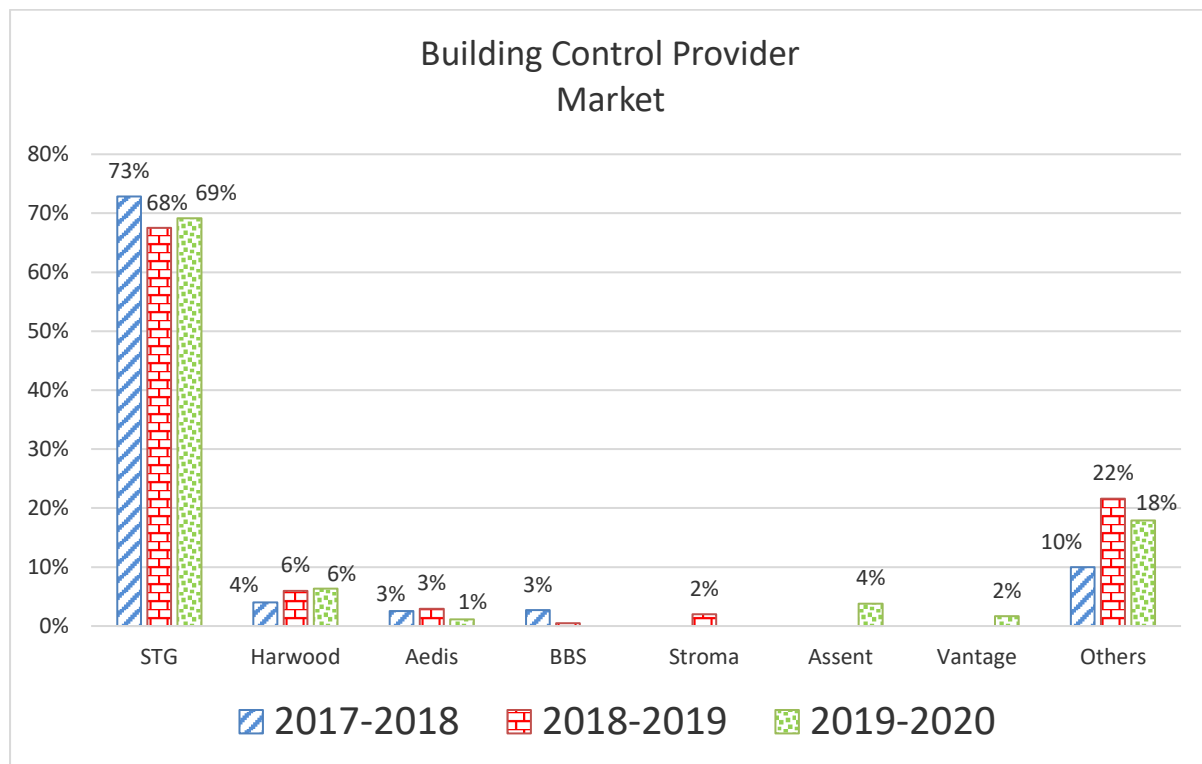
#### Building Regulations

- 3.4. The partnership ensures that building construction complies with the various requirements by checking proposals submitted and carrying out site inspections of building work. Where necessary it also undertakes enforcement action, however, by being proactive in the way it operates such action is minimised.
- 3.5. We are a major provider of building control within the four council areas and customers can use our expertise in conjunction with other local authorities under the LABC Partner Authority Scheme.
- 3.6. The building regulation service is in direct competition with the private sector. Over the last number of years there has been a major change in the work that approved inspectors undertake away from majorly commercial/residential developments towards the domestic market, including some quite minor works. There is now widespread competition for domestic extensions, loft conversions and conversions to dwellings, work which was traditionally carried out by the Local Authority.
- 3.7. In May 2019, several approved inspectors (AIs) experienced difficulties in obtaining or renewing their insurance cover. Under the Building Act 1984, the Building (Approved Inspectors etc) Regulations 2010 as amended an AI must hold the relevant insurance approved by the Secretary of State to be able to operate. This affected 7 AI's one of which was one of our main competitors and one which was operated by a council.
- 3.8. The building control landscape is always changing with a mix of local and regional providers. 10 years ago, Studios and BBS were our main competitors (both local AI's) and 6 years ago it changed to Aedis (regional AI) and Studios. Our competitor market shifted again 3 years ago with a local

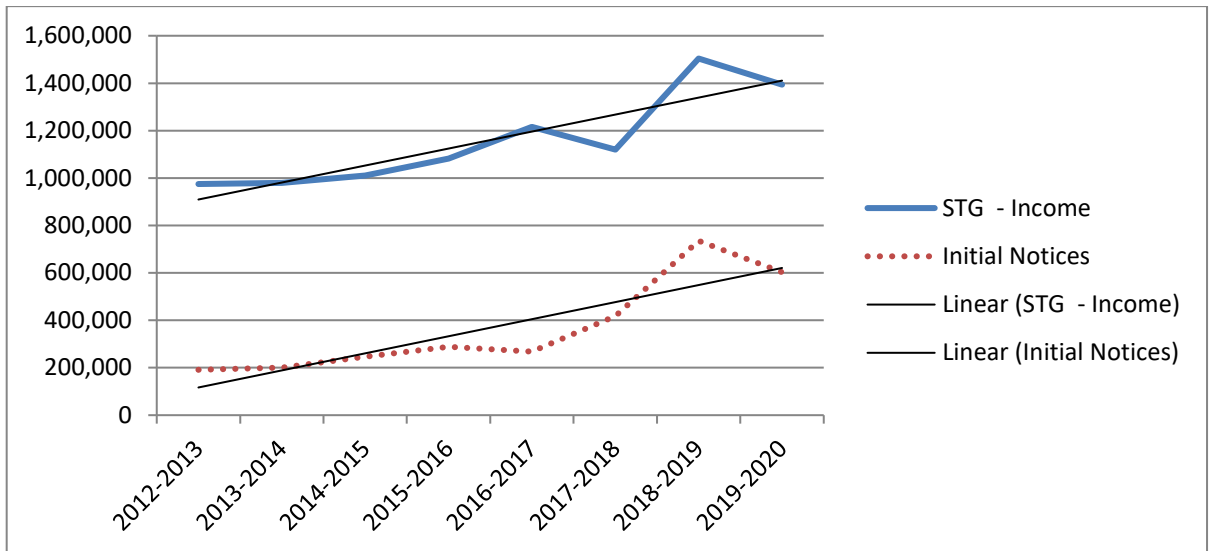
provider, Harwood becoming our main competitor together with BBS and Aedis.

3.9. In 2018 we saw Stroma intensify their position within the sector with the acquisition of two further building control providers. Stroma has been a national approved certification body for delivering energy assessments for many years', and then in 2015, they diversified into the market they were delivering to by acquiring an established building control company, Greendoor Building Control & Specialist Services Limited. The acquisition of two further established providers Approved Design Consultancy Limited and BBS Building Control Ltd in October 2018 formed one multidisciplinary national building control service provider called Stroma Building Control.

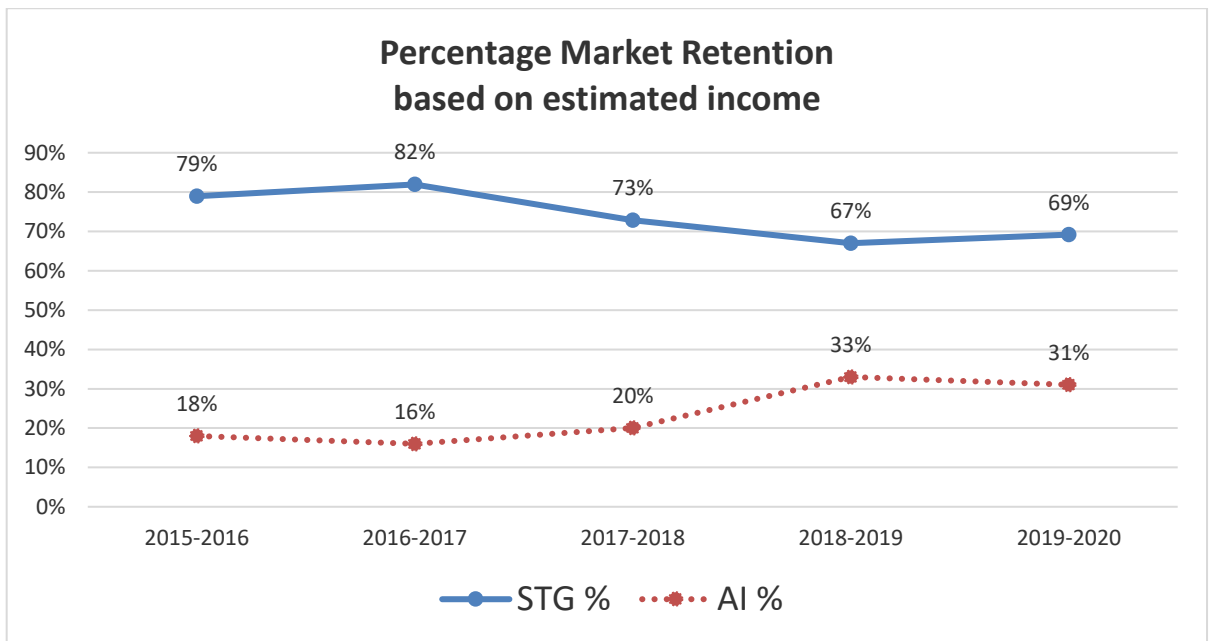
3.10. The acquisition of local building control providers by larger regional companies to expand their market is becoming more familiar. In 2019 Assent Building Control acquired Oculus Building Consultancy who will now benefit from a larger network of resources.



3.11. The graph below indicates the application trends of both STG applications and Initial Notices served by AI's. Despite our market share dropping in 2018/2019 to 67% and rising to 69% in 2019/2020, this demonstrate that the ongoing trend differences remains consistent.



3.12. Confidence in building control providers and the activity in reversions, saw a 2% improvement in our market retention for 2019/2020 compared to 2018/2019.

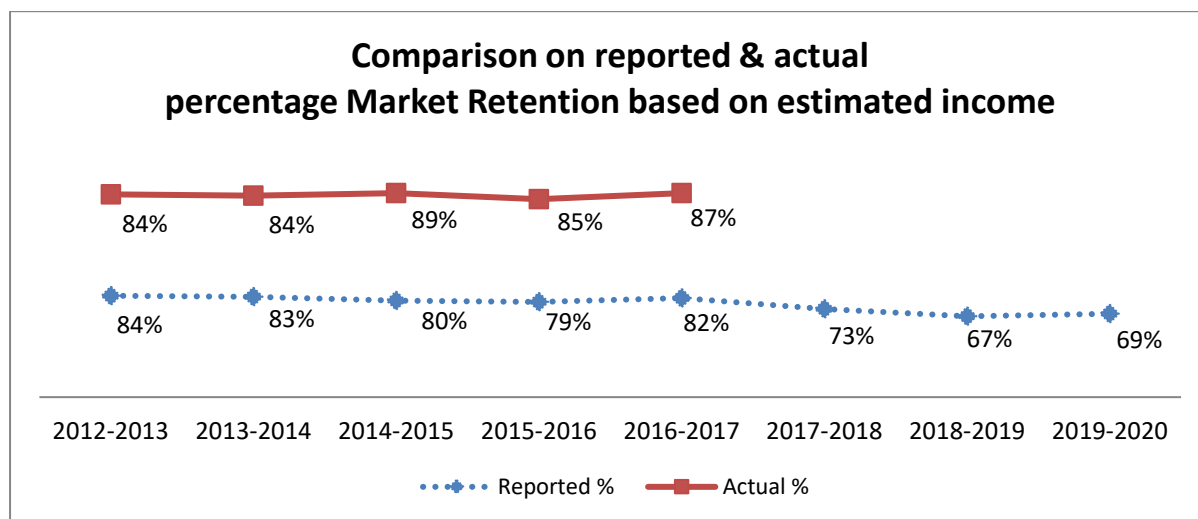


[NB: 2018/2019 incorporated fourth partner authority]

3.13. Estimating our market size is by no means an exact science and years ago building control providers measured this by the number of applications received. However, the value of loss of income on a load-bearing wall against a two-storey extension does not equate.

3.14. A benefit of a larger administrative team means we can carry out our duties under Section 52(5) of the Building Act 1984 (As Amended) and The Building (Approved Inspectors etc.) Regulations 2010 (As Amended) and where an initial notice has not commenced within the prescribed three years, cancel that notice. This also ensures our only public register is kept up to date.

3.15. Whilst we are unable to gauge our market explicitly, this exercise allows a review to be undertaken on what information we have and how that translates to a difference in market retention.

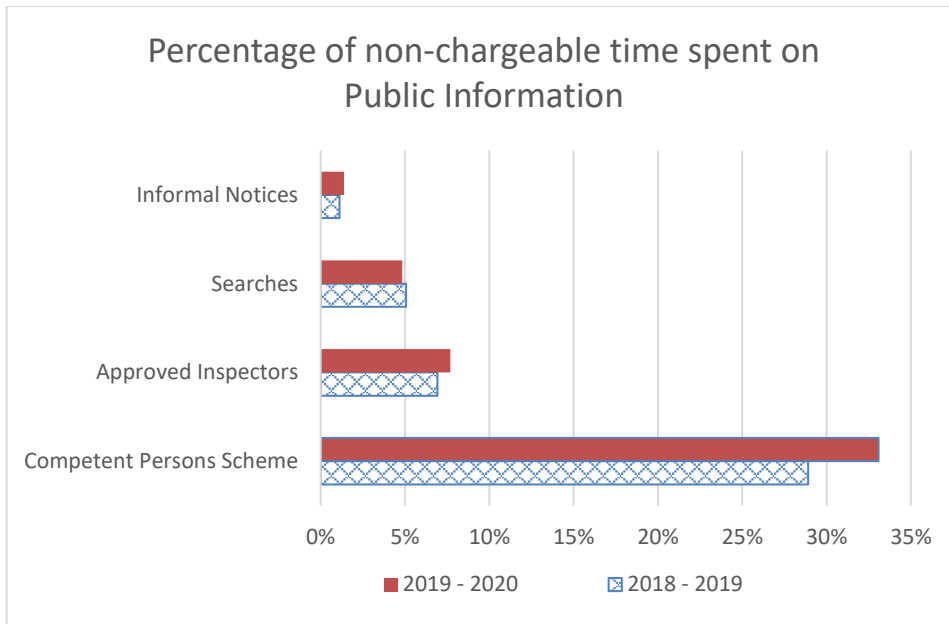


### Public Information & Protection Service

3.16. There are other aspects of the building regulation work for which the partnership cannot charge a fee and this cost is one of the elements paid for by the contributions from the four partner authorities. This covers such things as: administration of approved inspector legislation, applications for disabled people and their carer's, maintaining the initial notice public register and maintaining details of approved installer schemes through competent persons' registration.

3.17. The Government has made transparency and open data a key priority as it fosters accountability and looks to drive improvements in public sector services. Whilst building control records are not public records which mean there is no public right to view or obtain information submitted under the Building Regulations, our online building control register is a useful tool which provides property information in respect of building regulation work and is freely available for owners and agents alike.

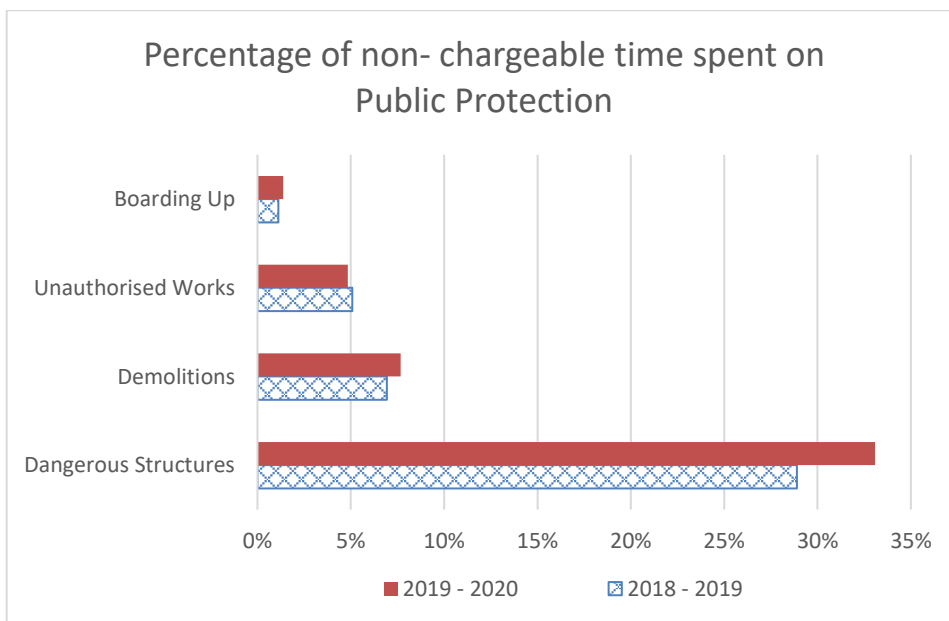
3.18. The chart below shows comparisons of the time spent for 2018/2019 and 2019/2020 on non-chargeable works through public information.



[NB: total percentage of time for non-chargeable works shown in the two charts above and below]

3.19. Effective public protection is important to ensure within the partnerships areas that any building works are constructed in a safe, healthy manner and are also provided with adequate access for the disabled, and have provision for energy conservation.

3.20. The chart below shows comparisons of the time spent on some of these non-chargeable works through public protection for 2018/2019 and 2019/2020.



3.21. A duty of the local authority which is extremely time consuming and expensive is carrying out inspections and monitoring the situation with dangerous structures. Endeavouring to establishing ownership can take a long time and where no proof of ownership, it is often reliant on the local authority to take action and resolve any dangerous issues.

3.22. The constitution designates the authority in which the dangerous structure exists, is liable for the cost of any remedial or repair work to be carried out in emergency situations, however, even when an owner can be traced these structures are normally uninsured and again the cost of the work is borne by the local authority, which places a charge on the property for recovery at some late date.

#### Consultancy

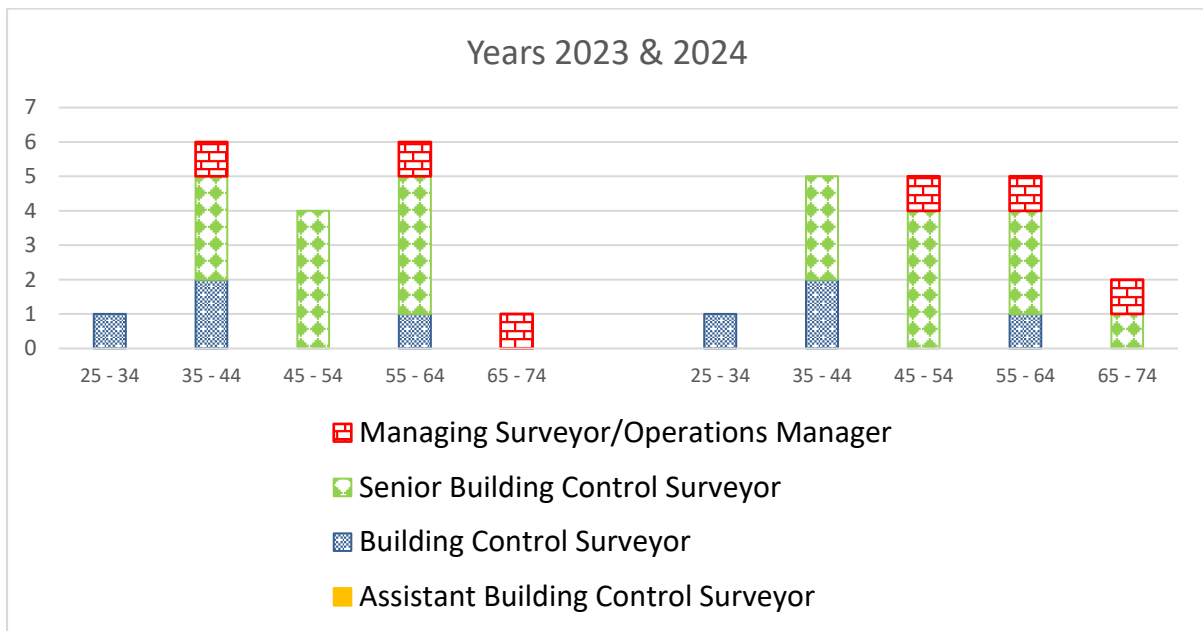
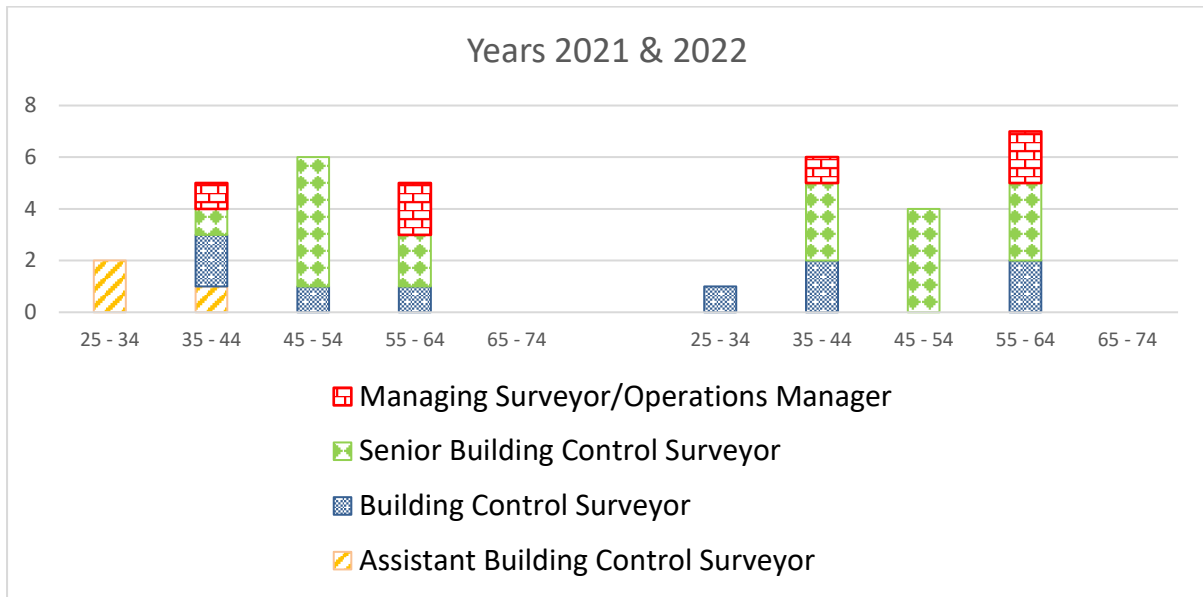
3.23. The consultancy delivers additional discretionary services which either complement the building control service and assist us in being competitive with the private sector or provide services to other parts of the authority requiring a building surveying skill. In this way we currently deliver energy and fire risk assessments together with SAP calculations. The partnership also provides a clerk of works service overseeing decent homes and stock condition surveys for social housing stock.

3.24. We continue to review other services which could be provided through the consultancy and have recently assisted Swale Borough Council with regards to climate change on planning conditions.



## 4. Partnership Strategy

- 4.1. There is an acute skills shortage in the building control sector. With a lack of investment in training by building control bodies, for years, the pool of building control surveyors is growing older, with increasing numbers reaching retirement.
- 4.2. Skills shortages have been exacerbated by a poor pipeline of new recruits. Young people who may have a limited understanding of building control and its opportunities are unlikely to pursue it as a career. According to the 2019 Patterns and Trends report published by Universities UK, the number of undergraduate students studying HNC/HND fell in 2018/2019 to 10,865, a decrease of 22.3% on 2017/2018.
- 4.3. As a result, building control bodies have been accelerating their efforts to attract new talent. In March 2019, the UK's first ever building surveyor qualification pathway was launched by the LABC (Local Authority Building Control) in partnership with the University of Wolverhampton and the Chartered Institute of Building (CIOB).
- 4.4. The recruitment challenge for building control is all the greater when it comes to inclusivity. In 2016, the Royal Institution of Chartered Surveyors (RICS) reported that 13% of the workforce in the land, property and built environment profession were female, and just 1.2% were Black, Asian, and Minority Ethnic (BAME). Those with disabilities were at less than 1%, and there was no data for Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) representation. The number of qualified female building control surveyors working for local authorities has grown from just 26 in 1986, but the proportion today is still a disappointing 15%. The partnership is performing higher than the national average, with 17% of surveyors being female.
- 4.5. Indicated in the charts below, are the age profiles of the partnership's surveyors against their respective posts over the period of this business plan and incorporates the career graded which exists for the surveyors. There is a qualification bar towards the top of the range to encourage surveyors to become fully qualified. One of the major benefits of the range is that the partnership can be more responsive to rewarding endeavour and increase capability, unlike most authorities where promotion is reliant on someone else leaving.
- 4.6. In the next three years, 28% of our senior and most experienced surveyors will be nearing or have indicated they are looking to have retired. With finances only enabling the opportunity to recruit when a position becomes available, and the inability to recruit experience/qualified surveyors, means we recruit from other sectors of the construction industry which require at least four years of training to achieve their professional qualifications.
- 4.7. It is critical to our service delivery that our surveyors within the ranges 25-54 have the opportunity and are provided with the necessary training to deal with domestic through to complex sites.



4.8. In April 2020, the Government set out its proposals for a reformed building safety system and looking to introduce a consistent approach to assuring competence across all disciplines. The professional structure would be designed to increase regulatory standards across the sector under a single robust set of standards for competence.

4.9. The partnership has already commenced a holistic approach to upskill and build resilience into the team. We successfully transferred our BSI ISO 9001:2015 to the LABC's ISO 9001 to co-ordinate with the LABC's quality management system and competency model to gather collectively both team and individual surveyor capability to ensure the team is competent to deliver the service in accordance with the LABC performance criteria and standards. This matrix is in line with the Industry Response Group Competency

Framework for Building Standards Surveyors and aligns with the national programme that will be coming out.



4.10. The LABC competency framework ensures those attaining an LABC level are competent to practise and meet the highest standards of professionalism required by LABC and will enable us to benchmark ourselves against our equivalent providers in the future. This will link to the competency and professional register that will be developed for all public and private building control surveyors and overseen by the BSR (Building Safety Regulator) and the HSE.

4.11. If the partnership wants to deliver on all categories of work we need to ensure our team has the required licence to practise on these as well as for specialist skills including: fire safety, safety at sports grounds and regulatory enforcement. If we are unable to evidence the necessary competence to deliver a particular level of building control work, then we would have to look to an adjacent authority that has all of those skills (eg, high rise project requiring a Level 6 specialist).

4.12. Worryingly, with a lack of qualified building control surveyors available there is no incentive for the team to:

- Undertake training to become a specialist surveyor
- Undertake training to progress to become qualified

- Undertake training to evidence their current competency to work on, for example, domestic, non-residential, educational sites until a formal licence is introduced

4.13. Currently we have one of the two Level 6A (fire specialist) surveyors in Kent. However, this individual is within the 28% looking to retire and with no incentive to take on the extra training and difficulty of the projects involved, or the fact they are near retirement age, none of our current senior surveyors are willing to progress.

4.14. Our team of surveyors are at varying stages of their careers, mainly experienced in domestic construction due to the lack of exposure to more complex sites and will have different preferred learning styles. If we are to evidence competency and ongoing competency they need to be always learning. Whilst for some this will not change, however, there are those that only carry out the necessary CPD to retain their professional membership.

4.15. Our training programme will ensure individuals:

- Cover the core of their job role which can be applied to real-life situations and to which they can receive immediate feedback to refine their understanding.
- Guided learning which has been personalised from their PDRs and 1:1 meetings.
- Virtual learning through the LABC training site which makes it easier for the individual to take part in training, be in control of their personal development and improve and evidence their competencies.
- Peer to peer learning to facilitate continuous development by encouraging individuals to engage in knowledge/experience exchange through collaboration, technical meetings, discussion, and information sharing.
- Attending external training courses to learn specific specialist/technical skills or evidence their competencies.
- Provided with ongoing support through the operations manager, their line manager, mentor, and colleagues.

4.16. Members have agreed the inclusion of a specialist payment within the surveyors' market premia which may have the potential to encourage individuals to attain a higher level. Whilst they maintain this level and deliver the skill on behalf of the partnership's or neighbouring authority projects the payment will continue.

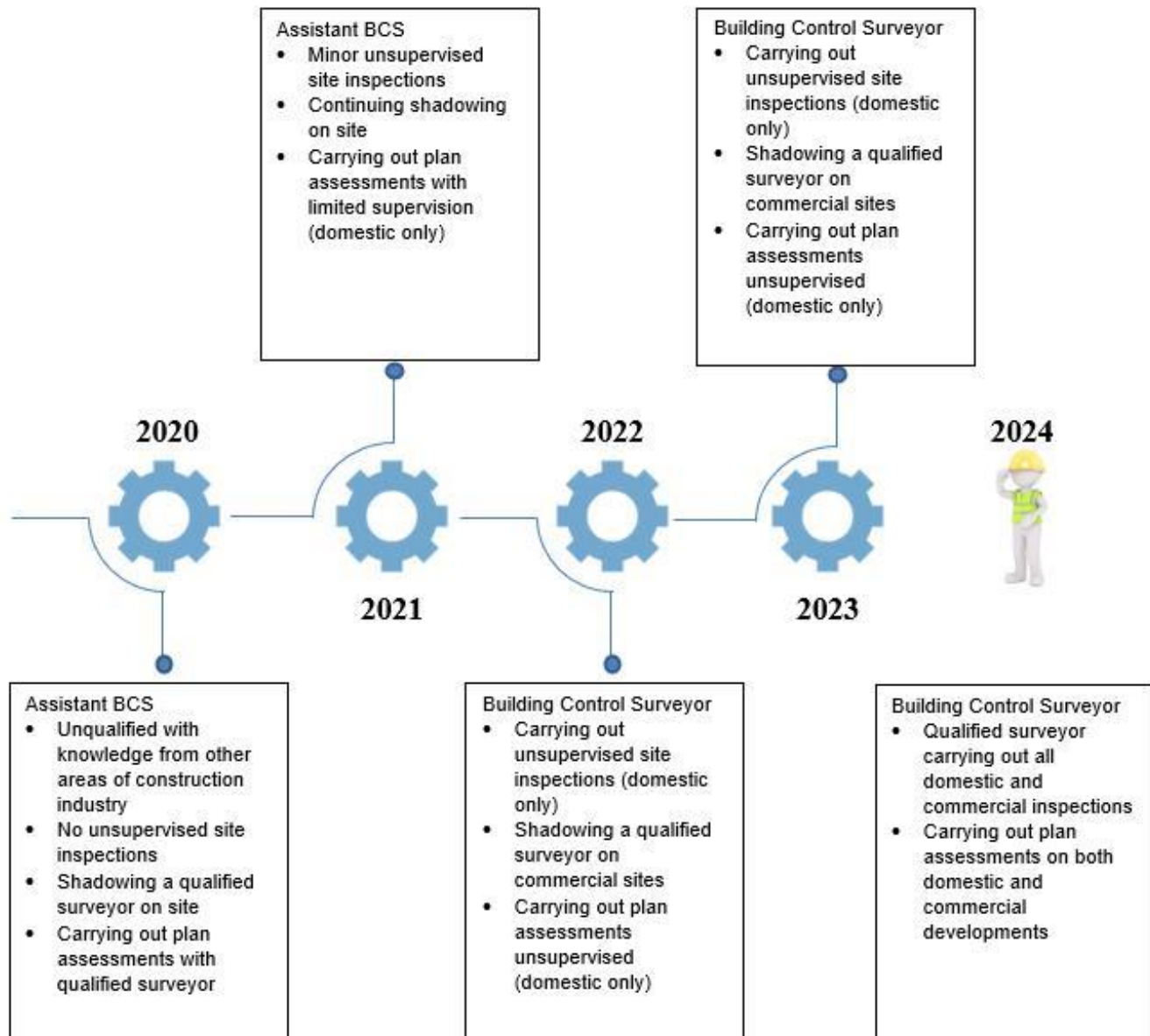
## 5. Business Environment

- 5.1. You will constantly hear about building regulations not going far enough, but over the last 40 years they have improved considerably. One area often talked about is the energy efficiency of buildings.
- 5.2. The first building regulations that had an impact on energy waste in the home came into force in 1965 where limits on the amount of energy that could be lost through certain elements of the fabric of a new house were introduced. As the building regulations are regularly updated, the requirements on the building envelope (ie roof, walls, windows, and floor) are amended to reflect the improvements in building design and government policy for sustainable construction.
- 5.3. In 2019 more than half of UK councils committed, including all four of our partner authorities, to reducing carbon emissions by declaring a 'climate emergency'. Many have set 2030 as a target date for reducing carbon emissions to zero, 20 years ahead of the Government's 2050 target.
- 5.4. A key challenge for regulators, developers and contractors is the need to bridge the performance gap between modelled energy consumption at design stage, and the actual metered output of energy use in the operation of new buildings. With the built environment accounting for around 40% of carbon dioxide emissions as well as impacting on habitats and biodiversity, the issue is this current built estate with the vast majority of 2050's homes, offices and commercial buildings already constructed and in occupation.
- 5.5. In April 2020, the MHCLG published the government's proposals for reforming the building safety regulatory system. The government will legislate for these reforms in new primary legislation through the Building Safety Bill, which was published in July 2020, further secondary legislation where necessary and will deliver this by the establishment of a new, national Building Safety Regulator within the Health and Safety Executive.
- 5.6. The Building Safety Bill's key recommendations include:
  - Steps to simplify and unify building control legislation, process, and procedures
  - An independent designated body to oversee professional registration and organisational audit
  - Introduction of a new competence framework to cover all persons working in building control including those working on higher risk buildings in scope of the new regulator
  - A unified pan-industry Code of conduct for all Building Control Bodies and professionals
  - A unified pan-industry career structure to set clear expectations of competence across the building control sector.
- 5.7. The Future of Building Control Working group see these recommendations as a potentially key part of the reform of the construction sector. They suggest a

consistent plan to make sure building control professionals and the bodies they work for are competent and effective.

- 5.8. The skills, expertise and capacity of local authority building control will provide the main support for the new regulator and be complemented by approved inspectors where required.

## Timeline – 4 Years of Training



# Building Control Partnership Delivery Plan 2021-2024





Director	Janine Weaver
Version No.	3
Last updated	15 October 2020

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## Executive Summary

The Delivery Plan Update sets out our ongoing work and plans to meet out three objectives:

- Embracing our customer needs and expectations
- Maximisation of technology to reduce cost and continue to improve the way we work
- Valuing, supporting and development of staff

Our objective is to improve the partnerships performance for our customers by developing our service delivery through customer feedback – which remains our main purpose and underpins everything we do – exploit technology for the benefit of staff and provide savings – appreciating our team and assisting them to grow.

We continue to deliver public protection to the community with 1107 inspections carried out and with ongoing monitoring of 121 dangerous structures in 2019/2020.

Supporting our staff with their career development has seen the achievement of:

- 3 new Assistant Building Control Surveyors commenced their training path to become Building Control Surveyors.

- 1 Assistant Building Control Surveyor and 1 Building Control Surveyor enrolled on the first apprenticeship for a BSc (Hons) in Building Control degree.
- 3 Administrators began their training as Technical Assistants.
- 1 Administrator commenced training as a Scanning Assistant.
- In 2019/2020, the administration team received 133.20 hours of training and the surveying team obtained 695.60 hours.

We continue to ensure that buildings, within our partnerships area, are designed and built in accordance with the Building Regulations and associated legislation. In delivering this around 12,500 site inspections were carried out in 2019/2020.

This Delivery Plan lays out our objectives and outputs for the 2021/2022 year. Our past record shows that we take these commitments seriously. We recognise that we still have much to do to improve our performance and we believe that we will continue to deliver against our objectives of our Business Plan, the expectations of our stakeholders and for the benefit of our customers.



# What we plan to deliver in 2021-2022

## Embracing our customer needs and expectations

We have been listening to our customers and stakeholders to better understand their needs and concerns. This insight, supported by our surveys, is helping us to deliver our objectives more efficiently and meet the needs of our customers.

We have already delivered several initiatives aimed at improving our customers' experience including:

- Inspection reports deliverable through the Tascomi mobile app for owners / builders detailing:
  - the stage of works inspected
  - inspection result: satisfactory / unsatisfactory
  - details of any contraventions
  - next stage of works to be inspected

During 2021/2022, we will:

- Develop customer site inspection booking capability through the website.

- Investigate feasibility of modifications to current online submission portal to accept other types of application submissions.

- Continue to improve consistency to plan vetting and site inspection through mobile app to reduce variances in interpretation of the building regulations.
- Expand our technical seminars for architects, agents, and builders to improve understanding of legislative changes, clarify issue on interpretation and use of building products.

## Working with others

In 2021/2022, we will:

- Undertake a survey of our partner architects to review our performance and understand how they are looking to operate in the future. How those requirements will impact on our service delivery and what we can do to make our working relationship better.

- Carry out a competitor survey to either corroborate previous survey results as to who chooses the building control provider or establish any market change.

We will review our customer strategy to ensure that we mature our understanding of our customers' needs and develop improvements to meet these.

# What we plan to deliver in 2021-2022

## Maximisation of technology to reduce cost and continue to improve the way we work

We remain focused on continuous improvement of our IT to ensure we retain the capability to adapt in our competitive market.

In 2020/2021 we introduced enhancements to our mobile app to enable GIS route planning and check-in/check-out facility to safeguard surveyors as lone workers.

We aspire to enhance our service to customers by increasing the accessibility of information 24/7 and automated notifications.

During 2021/2022, we will:

- Develop an enforcement module incorporating legislative action target points.
- Continue to improve work allocation module by enabling the prioritisation on individual surveyors' workflow.
- Development of an individualised dashboard presenting visual data on performance and current workload.

- Restricting data access to partner authority information by custodian code to provide additional protection on our partner authorities' information.
- Develop our online facilities to enable other types of applications to be submitted, such as initial notices to deliver further savings.
- We will continue to improve performance, generate efficiencies, and achieve cost savings, supporting our drive to achieve a balance budget.

## Working with others

We are committed to work with our customers and back-office provider to assess opportunities to improve IT performance, identifying the resources and capabilities necessary to ensure lasting results

In 2021/2022, we will:

- Continue to demonstrate to other potential users our advancements and collectively seek best practice.





# What we plan to deliver in 2021-2022

## Valuing, supporting and development of staff

Ultimately, we can only optimise our ability to deliver if we have the right people, processes, and systems. We will increase our efforts to retain, develop and attract the best talent to meet our evolving needs and to continue to strengthen our position as a building control provider.

As a reactive service it can have a negative impact with constantly changing priorities which can exhaust staff trying to do a good job and leaving them feeling undervalued and experiencing low morale.

We know for a wide range of reasons, many staff are increasingly seeking more flexibility in their work, training, and career pathway. Cultural change is perhaps our biggest barrier. Team building in an agile environment is a more complex challenge than fostering high morale in individual surveyors.

During 2021/2022, we will continue to embed:

- Trust which underpins our partnerships principles

- Autonomy to manage their own workload
- Responsibility and ownership to strengthen their resolve to achieve the partnerships goals
- Interpersonal skills to engender team working and prevent disengagement through agile working

The Regulations are becoming more involved and complex. The main driving force of the changes is climate change, reducing the carbon footprint and the Hackitt report.

During 2021/2022, we will continue our programme of:

- Mentorship to ensure skills and knowledge of senior staff are transferred to others.

- Expanding surveyor's competencies and capabilities to deal with all categories of work through:
  - Peer to peer learning
  - Virtual learning
  - External training
  - Guided learning
  
- Encourage autonomous learning so staff take ownership of their career development.

During 2021/2022, we will:

- Investigate the inclusion of a specialist payment to encourage individuals to attain a higher specialist skill level.
  
- Encourage and support staff in achieving the LABC Level 6A and other relevant specialisms.

## Working with others

We recognise the importance of having a work-life balance and we are committed to supporting staff in achieving this.

- Work with staff to manage their work-life balance.
  
- Monitor levels of development to prevent training fatigue.

## 5. CONTRIBUTION AND SUPPORT FOR COUNCILS PRIORITIES

5.1. As STG is a Partnership of four authorities, it is important that its values reflect those of the four councils. The four partner authority priorities are:

Canterbury's priorities are:

- People – residents enjoy a good quality of life and those in need are supported
- Places – we make most of our unique built and natural environment
- Prosperity – the district has a resilient, diverse economy which supports job growth

Gravesham's priorities are:

- People: a proud community; where residents can call a safe, clean, and attractive borough their home
- Place: a dynamic borough; defined by a vibrant and productive local economy taking advantage of growth in the area, supported by its strong and active community
- Progress: an entrepreneurial authority; commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment

Medway's priorities are:

- Medway: a place to be proud of
- Supporting Medway's people to realise their potential
- Maximising regeneration and economic growth

Medway ways of working

- Giving value for money
- Digital services so good that everyone who can use them prefers to do so
- Working in partnership where this benefits our residents

Swale's priorities are:

- Building the right homes in the right places and supporting quality jobs for all
- Investing in our environment and responding positively to global challenges
- Tackling deprivation and creating equal opportunities for everyone
- Renewing local democracy and making the council fit for the future

5.2. There are clear links between the four and all revolve people and place, maximising opportunities for local communities and delivering quality services. These are also

encompassed in the values of putting the customer at the heart of everything we do and giving value for money.

## **People**

### **Linked to Council Priorities:**

- People – residents enjoy a good quality of life and those in need are supported – Canterbury priority
- People: a proud community; where residents can call a safe, clean, and attractive borough their home - Gravesham priority
- Supporting Medway's people to realise their potential – Medway priority
- Tackling deprivation and creating equal opportunities for everyone – Swale priority

5.3. We work cooperatively with building owners, homeowners, architects, developers, building contractors and other professionals to ensure buildings are safe, healthy, and efficient to meet the standards set by the building regulations.

5.4. Our consultancy is able to offer a range of services to the major regeneration projects in the area. Early intervention in the design process will eliminate issues that could provide conflicts with legislation at a later date. Our range of services include:

SAP calculations, Sbem calculations, Display Energy Certificates and Fire Risk Assessments.

We have also teamed up with colleagues LABC Services, the commercial arm of Local Authority Building Control (LABC) through whom we are able to offer air pressure testing, acoustic testing and have access to CDM co-ordinators together with other expertise and specialism's which we are now able to facilitate.

5.5. We work with colleagues in Private Sector Housing and Environment Health to aid the transformation of areas through social regeneration, providing advice on bringing back into use empty and dilapidated properties, giving advice on houses in multiple occupation and the refurbishment and repair of commercial premises.

### **Links to STG Delivery Plan Reference:**

- Objectives 1 (see page 2)

## **Place**

### **Linked to Council Priorities:**

- Places – we make most of our unique built and natural environment – Canterbury priority
- Prosperity – the district has a resilient, diverse economy which supports job growth - Canterbury priority
- Place: a dynamic borough; defined by a vibrant and productive local economy taking advantage of growth in the area, supported by its strong and active community – Gravesham priority
- Medway: a place to be proud of – Medway priority
- Building the right homes in the right places and supporting quality jobs for all – Swale priority
- Investing in our environment and responding positively to global challenges – Swale priority

5.6. The outcomes from the Hackett report clearly indicated that neither the building regulations nor fire safety legislation were fit for purpose, in particularly with regards high rise buildings. A holistic review will generate significant changes to both the legislation and the way it operates. The degree of competency of those carrying out inspections on such buildings will be tested via a new body, however, significant changes to the way products are identified and procured throughout the supply chain will also be challenged.

5.7. The roles and responsibilities of those engaged in this form of construction will be more clearly defined and there will be greater clarity and transparency through both the construction side of the industry and that of those carrying out enforcement.

### **Links to STG Delivery Plan Reference:**

- Objective 2 & 3 (see pages 3 & 4)

## **Maximising Opportunities for local communities**

### **Linked to Council Priorities:**

- People – residents enjoy a good quality of life and those in need are supported - Canterbury priority
- Place: a dynamic borough; defined by a vibrant and productive local economy taking advantage of growth in the area, supported by its strong and active community – Gravesham priority

- Progress - an entrepreneurial authority; commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment' – Gravesham priority
- Children and young people having the best start in life – Medway priority
- Medway's people to realise their potential – Medway priority
- Investing in our environment and responding positively to global challenges – Swale priority
- Tackling deprivation and creating equal opportunities for everyone – Swale priority

5.8. Through our work with the housing sections of Medway Council we help to deliver improvements to council owned properties through the Decent Homes, condition surveys and fire risk assessments. During these surveys we also assess health and safety requirements of the occupants and impacts on the community. These opportunities are available to all partners either directly or indirectly involved in social housing.

5.9. With joint training, guidance, and information sheets, together with builder and architect forums, the Partnership aims to support all our customers in their building projects. By interlinking through our website to the LABC we can ensure our customers have the latest and most up-to-date guidance available. This will assist in ensuring a consistent approach to the many challenges, the multitude of complex and interactive regulations now presents to every development.

5.10. Inclusive design is a paramount requirement of both new build and refurbishment works. Advising on compliance with The Equalities Act and Part M of the Building Regulations is a major part of public protection inspection services non-chargeable work. This not only delivers a more suitable environment for disabled people, but also transfers the benefits to the greater community, i.e. young families, older people, and those caring for others.

5.11. The majority of the work of the Partnership is concerned with protecting the community through health and safety requirements in the regulations or in other sections of the Building Act.

5.12. Important examples of health and safety requirements include fire safety (means of escape, fire spread and access for the fire service) structural safety and satisfactory drainage. In addition, the Partnership deals with dangerous structures, demolitions, dilapidated buildings, and contraventions of the Building Regulations

5.13. We assist with a number of local agents and private sector housing sections to ensure adaptations comply with the Regulations to enable older and vulnerable people to stay in their homes and maintain their independence.

**Links to STG Delivery Plan Reference:**

- Objectives 1 - 3 (see pages 2 - 4)



## Delivering quality services

### **Linked to Council Priorities:**

- People – residents enjoy a good quality of life and those in need are supported – Canterbury priority
- An entrepreneurial authority: commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment – Gravesham priority
- Giving value for money - Medway priority
- Digital services so good that everyone who can use them prefers to do so – Medway priority
- Working in partnership where this benefits our residents – Medway priority
- Renewing local democracy and making the council fit for the future – Swale priority

5.14. Quality of our services has been tested through agent's focus groups and customer feedback together with a mystery shopper exercise. Each have fed back excellent results which emanate from our digital transformation programme. Agents and customers enjoy the availability of being able to submit applications and pay for them at a time of their choosing and the savings in costs through digital application rather than printing and posting.

5.15. They have also praised the availability of the search facility on the website which allows them to track applications as well as the provision of drop-box technology in order to accept larger applications, particularly from commercial, industrial and educational providers.

5.16. The mystery shopper exercise demonstrated both ease of application and the ability to receive consistent and precise answers to enquiries. There were also some improvements captured through the exercise, particularly around the depth of response and the reasoning behind. Further work has been identified through this and other consultation meetings around a wider explanation of the building control service and the difference between private and public sector provision.

5.17. Our agile working solution provides surveyors with far greater access to wider streams of information which can be discussed and relayed to customers on site and has been seen as an improvement to the range of advice that surveyors can provide.

### **Links to STG Delivery Plan Reference:**

- Objectives 1 – 3 (see pages 2 - 4)

## 6. SERVICE RISKS

### Risk rating key

<u>Likelihood</u>	<u>Impact</u>
A. Very high	1. Catastrophic (showstopper)
B. High	2. Critical
C. Significant	3. Marginal
D. Low	4. Negligible
E. Very low	
F. Almost impossible	

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<b>Host Directorate: RCET</b>		Service: STG Building Control			Manager: Janine Weaver		<b>Portfolio Holder: STG Joint Committee</b>	
<b>Risk Title: Finance and Strategy</b>					<b>Description of Risk: Reduced income</b>			
Date	Risk No	Risk Rating	Vulnerability	Trigger	Consequences if Risk Realised	Mitigation/Action Points for Risk Owners		
31/08/20	01	B2	Inability to recruit staff in a competitive market from a reducing pool of resource	13 operational qualified surveyors	Additional staff brought in from agencies which would significantly increase costs.	Continuance of market premia. Development of assistant building control surveyors and continue recruitment of assistants from other areas in the construction industry.		
31/08/20	02	D2	Current infrastructure unable to support development of	Inability to access back-office system and meet customer demands	Inefficient service delivery resulting in further loss of market and inability to compete.	Data to be transferred to a partner authorities IT for in-house delivery		

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			technological advancements in service delivery						
31/08/20	03	B2	Contributions reducing beyond the requirements of the Charges Legislation 2010	Percentage time spent exceeds contributions income	Further call on contributions from partners. Reduction in service to partners.	Agree deminimus percentage of time allocated to public protection by partners			
31/08/20	04	C2	Highly competitive and unpredictable market. Diminishing income through lack of building regulation applications.	50% of market share	Insufficient income to cover expenditure on chargeable account resulting in an increase on the followings year's chargeable rate which may make us uncompetitive.	Reduced expenditure to limit income deficiency. Look for alternative income streams through consultancy service. Improve marketing strategy and rationale services provided.			
31/08/20	05	C3	Inability to sustain growth and acquire additional business.	Reduction in market share and consultancy services income	Inability to match income with expenditure resulting in increase in following year's chargeable rate. Surveyor's chargeable time transfers to enforcement activity which would not be sustainable from the contributions. Consultancy losing income and not sustainable.	Invest in training and development of staff to diversify resources into consultancy work. Develop customer experience strategy.			

<b>Host Directorate: RCET</b>			Service: STG Building Control		Manager: Janine Weaver		<b>Portfolio Holder: STG Joint Committee</b>	
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Date	Risk No	Risk Rating	Vulnerability	Trigger	Consequences if Risk Realised	Mitigation/Action Points for Risk Owners		
31/08/20	06	D3	Current economic situation leading to increased debt arising from unpaid invoices.	Increased number of applicants unable to pay invoices.	Number and value of debtors increased affecting the budgeted income figure. Unpaid invoice provision within budget would need to be increased.	Careful monitoring of debtors list. Vigorous pursuit of large debts. Database clearly marked where invoice remains unpaid so as site surveyor can pursue on inspection. Taking over the functions of invoicing and debt collection from the finance department.		
31/08/20	07	D3	Failure to suitably develop staff to meet the needs of the business and match personal self-improvement expectations.	The market is regularly changing to offer alternative services to client's which compliment building regulation work. The Partnership requires staff to be trained to deliver a more diverse service and remain competitive.	Insufficient skill base would result in customers being more attracted to the competition with a resultant loss in work.	Ensure staff are well trained and able to compete with the services offered by the private sector.  Develop training matrix to ensure staff development through PDR process.		