



AGENDA

CABINET MEETING

Date: Wednesday, 9 February 2022

Time: 7.00 pm

Venue: Council Chamber, Swale House, East Street, Sittingbourne, Kent, ME10 3HT*

Membership:

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

Quorum = 3

Pages

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1. Apologies for Absence

2. Minutes

To approve the [Minutes](#) of the Meeting held on 8 December 2021 (Minute Nos. 485 - 496) as a correct record.

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 Interests (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.

- | | | |
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| 4. | Treasury Management Strategy Statement and Investment Strategy 2022/23 | 5 - 18 |
| 5. | Medium-Term Financial Plan and 2022/23 Budget | 19 - 56 |

Part B Reports for Decision by Cabinet

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| 6. | South Thames Gateway Building Control Business Plan 2022 - 2025 | 57 - 98 |
| 7. | Procurement of Agency Staff Services | 99 - 102 |

Issued on Tuesday, 1 February 2022

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

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Cabinet	
Meeting Date	09 February 2022
Report Title	Treasury Management Strategy 2022/23
Cabinet Member	Cllr. Roger Truelove, Leader and Cabinet Member for Finance
SMT Lead	Lisa Fillery, Director of Resources
Head of Service	Phil Wilson, Head of Finance and Procurement
Lead Officer	Phil Wilson, Head of Finance and Procurement & Olga Cole, Management Accountant
Key Decision	Yes
Classification	Open
Recommendations	1. To approve the Treasury Management Strategy 2022/23 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 borrowing, 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 2022/23.
- 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 requirements of the 2018 Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance. Should the assumptions upon which this report is based change significantly, then a revised Treasury Strategy will be submitted for approval. Please note that this guidance is still referred to as MHCLG guidance despite the name change of the department to Department of Levelling Up, Housing & Communities (DLUHC).

2. Background

Interest Rate Forecast and Market Outlook

- 2.1 The ongoing impact on the UK from coronavirus, together with higher inflation, the likelihood of higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.
- 2.2 The Bank of England (BoE) held the Bank Rate at 0.10% in November 2021 and then increased the Bank Rate to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895 billion
- 2.3 The Council's treasury management adviser Arlingclose is forecasting that Bank Rate will continue to rise in calendar Quarter 1 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates. Arlingclose's forecast is set out below:

Bank Rate	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
	%	%	%	%	%	%	%	%	%	%	%	%	%
Upside Risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside Risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25

- 2.4 For the purpose of setting the 2022/23 budget, it has been assumed that new treasury investments will be made at an average rate of 0.1%, and that new short-term loans will be borrowed at an average rate of 0.5%.

Borrowing Strategy

- 2.5 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.
- 2.6 The Council currently holds £10 million of loans, a decrease of £5 million on the previous year, as part of its strategy for funding previous years' capital programmes.
- 2.7 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.

- 2.8 CIPFA has published its revised Prudential Code and Treasury Management Code of Practice and these are available for sale on the CIPFA publications website. the Revised Prudential Code takes immediate effect from December 2021, although authorities may defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. It particularly highlights that the requirement that local authorities must not borrow to invest primarily for financial return applies with immediate effect. In August 2021 HM Treasury significantly revised their PWLB guidance. This includes a statement highlighting that the government and CIPFA are clear that borrowing to invest for yield is not permitted under the prudential framework.
- 2.9 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.
- 2.10 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.
- 2.11 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.
- 2.12 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
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- 2.13 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

2.14 The Council has the following loans outstanding:

Lender	Amount (£ million)	Borrowing rate	Start Date of Loan	Maturity Date of loan	Duration
Derbyshire County Council	5	0.30 %	08/04/2021	07/04/2022	12 months
London Borough of Islington	5	0.20 %	01/03/2021	28/02/2022	12 months
Total	10				

Rainbow Homes

2.15 In March 2020, the Cabinet approved proposals to set up a housing company which will help deliver affordable homes for local people without placing 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.

Investment Strategy

2.16 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 £38m compared with £39m in the previous financial year.

2.17 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.

2.18 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.

2.19 The Council could make use of the following asset classes for both Treasury and Non Treasury investments:

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 low credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
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
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 Council maintaining operational continuity.
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.
Registered Providers (unsecured)	Loans to and bonds issued by, guaranteed by 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.
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.

Other Investments	This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk. 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.
Non-Treasury Investments	
Non-Treasury Investments	The Council invests in property in the borough and will, where there are opportunities, consider further investment, where this is primarily related to the functions of the Council such as service delivery and regeneration. However, the Council will not borrow to invest primarily for financial return.

- 2.20 The Council will retain the CCLA property fund and keep the remaining monies primarily in Money Market Funds and the Debt Management Account Deposit Facility (DMADF) (an investment facility operated by the UK Government). The Director of Resources 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.
- 2.21 Currently the Council makes no direct investments in equities or corporate bonds. If this changed in the year the Director of Resources will ensure that investments are consistent with the Council's health and climate change objectives.
- 2.22 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.
- 2.23 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.
- 2.24 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 and analysis and advice from the Council's treasury management adviser. 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.

2.25 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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, or with other local authorities. This will cause investment returns to fall, but will protect the principal sum invested.

2.26 The Council currently has the following Investments:

Counterparty	Long-Term Rating	Balance Invested at 31 December 2022 £'000
Debt Management Office (Bank of England)	AA-	12,255
Invesco Money Market Fund	AAmmf	3,000
DWS (Deutsche) Money Market Fund	AAmmf	3,000
Goldman Sachs Money Market Fund	AAmmf	3,000
Aberdeen Standard Money Market Fund	AAmmf	3,000
Black Rock Money Market Fund	AAmmf	3,000
JP Morgan Money Market Fund	AAmmf	2,180
Morgan Stanley Money Market Fund	AAmmf	3,000
SSGA Money Market Fund	AAmmf	240
CCLA Property Fund		3,000
Total Investments		35,675

2.27 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.

2.28 The definition of investments in CIPFA's revised Codes 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) 2018 Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return. The Prudential and Treasury Management Codes now have detailed definitions of treasury, service and commercial investments.

2.29 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.

- 2.30 At 31 March 2021 the Council held £3.599 million of longstanding investments in 13 directly owned properties. These investments generated £0.163 million of investment income for the Council in 2020/21 after taking account of direct costs, representing a rate of return of 4.5% and this level of income is forecast for 2021/22 and 2022/23. No significant change in this Investment is anticipated in 2021/22 or 2022/23.
- 2.31 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.
- 2.32 The loans made by the Council are shown below:

	31 March 2021
	£'000
Housing repair loans	2,002
Employee car loans	138
Other debtors	2,746
Total	4,886

- 2.33 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 2021/22 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.
- 2.34 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.
- 2.35 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.

Counterparty	Time Limit	Cash Limits
The UK Government	50 years	Unlimited
Local Authorities and other government entities	25 years	£3m
Major UK banks / building societies unsecured deposits*	13 months	£3m
Leeds Building Society unsecured deposits*	As per credit advice	£1.5m

Counterparty	Time Limit	Cash Limits
Close Brothers unsecured deposits*	As per credit advice	£1.5m
Money Market Funds*	n/a**	£3m each
Strategic Pooled Funds e.g., Absolute return, Equity income, Corporate Bond Funds, Multi Asset Funds	n/a**	£3m each
CCLA Property Fund	n/a**	£3m
Registered providers (unsecured) *	5 years	£3m in aggregate
Secured Investments*	25 years	£3m in aggregate
Other Investments *	5 years	£3m in aggregate
Non treasury investments	As per credit advice	To be agreed on a case by case basis

* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**These funds have no defined maturity dates, but are available for withdrawal after a notice period.

- 3.2 The Director of Resources in consultation with the Leader may consider longer duration depending on market conditions.
- 3.3 The Council may also purchase property for investment purposes, but the Council will not borrow to invest primarily for financial return. The Council 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. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 3.5 The Director of Resources ensures that any commercial deals meet the regulatory requirements and the CIPFA prudential framework.

Treasury Adviser

- 3.6 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.

3.7 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 Director of Resources, 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; need to ensure that this is 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.

Issue	Implications
Financial, Resource and Property	The budget for net investment income in 2022/23 is £(88,550).
Legal, Statutory and Procurement	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

Acronyms Used:

BoE	The Bank of England
CCLA	Church, Charities and Local Authorities
CFR	Capital Financing Requirement
CIPFA	The Chartered Institute of Public Finance and Accountancy
DLUHC	Department of Levelling Up, Housing & Communities
DMADF	Debt Management Account Deposit Facility
MHCLG	Ministry of Housing, Communities and Local Government
PWLB	Public Works Loan Board
STC	Sittingbourne Town Centre

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.

Gross Debt and the Capital Financing Requirement	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000
Capital Financing Requirements	47,876	72,150	70,661	69,223
Gross External Debt	(10,000)	(50,000)	(50,000)	(50,000)
Internal Borrowing	37,846	22,150	20,661	19,223

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 2022/23 Budget Report to Cabinet 9 February 2022.)

Capital Expenditure and Financing	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000
Total Expenditure	13,502	27,075	2,113	2,113
Revenue contributions	2,888	50	50	50
Capital receipts	1,573	50	0	0
Grants	7,367	2,063	2,063	2,063
Internal/ External borrowing	1,674	24,912	0	0
Total Financing	13,502	27,075	2,113	2,113

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.

Ratio of Financing Costs to Net Revenue Stream	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	%	%	%	%
General Fund Total	3.40	6.83	6.94	9.01

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).

Authorised Limit for External Debt	2021/22 Revised	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£'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
Total	62,000	72,000	72,000	72,000

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.

Operational Boundary	2021/22 Revised £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Borrowing	55,000	55,000	55,000	55,000
Other long-term liabilities	500	500	500	500
Total Operational Boundary	55,500	55,500	55,500	55,500

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:

Maturity Structure of Borrowing	Lower Limit for 2022/23 %	Upper Limit for 2022/23 %
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:

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Limit on principal invested longer than 1 year	10,000	10,000	10,000

Cabinet Meeting	
Meeting Date	9 February 2022
Report Title	2022/23 Revenue Budget/ Medium Term Financial Plan and Capital Strategy
Cabinet Member	Cllr Roger Truelove, Leader and Cabinet Member for Finance
SMT Lead	Lisa Fillery, Director of Resources
Head of Service	Phil Wilson, Head of Finance and Procurement
Lead Officer	Phil Wilson, Head of Finance and Procurement
Key Decision	Yes
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. To approve the 2022/23 Revenue Budget proposals. 2. To approve the proposed Council Tax Band D increase for 2022/23 to £189.27. 3. To note the Medium Term Financial Plan. 4. To approve the Capital Strategy. 5. To approve the Capital Programme proposals. 6. To note the additional amount of Council Tax for Parish Precepts. 7. To approve the Minimum Revenue Provision Statement as set out in Appendix VII

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the Council's Revenue and Capital budget proposals for 2022/23, the Medium Term Financial Plan (MTFP) and the Capital Strategy.
- 1.2 Cabinet received a budget report on 8 December prior to the Provisional Local Authority Grant Settlement announced on 16 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 cases are continuing to rise once again following the spread of the Omicron variant.
- 1.4 This report, if agreed by Cabinet, will then go forward to Council on 23 February.

2. Background

Provisional Local Government Finance Settlement 2022/23

- 2.1 The draft Settlement announced some additional one off grant funding for 2022/23 and a further year's allocation of New Homes Bonus. Unfortunately, the settlement was once again for one year only, despite some indications that there would be a return to multi year settlement data this time.
- 2.2 The main issues to highlight from the settlement are:

Funding Source	Amount (£)	Comments
Settlement Additional Funding		
Revenue Support Grant	2,000	
Lower Tier Services Grant	192,000	Another year's allocation of this grant - to prevent any lower tier Council having a negative Spending Power change
Service Grant	296,000	New grant allocation for one year only
New Homes Bonus	494,000	One year only
Total	984,000	

Lower Medway Internal Drainage Board Precept

- 2.3 The assumptions made in the draft budget proposal are in line with the levy due from the Board for 2022/23.

Staff Pay

- 2.4 The pay proposal will come separately to Council but the budget assumes a 2% increase and that is still the intention. The Council will continue to apply increases to the Real Living Wage, which may be in excess of the average increase applied across the pay scales.

Capital Strategy

- 2.5 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 V to this report.
- 2.6 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.
- 2.7 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. 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.
- 2.8 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.
- 2.9 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.
- 2.10 The Sittingbourne Town Centre retail and leisure developments are now complete with the cinema, bowling alley and Nandos now all open.
- 2.11 Looking ahead to 2022/23 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. 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 £1.9m, 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.
- 2.12 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. The Council's policy on MRP is set out in Appendix VII.
- 2.13 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 £33.8m 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.
- 2.14 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.
- 2.15 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 8 December Cabinet report showed a balanced position but based on a gap of £2.3m being closed by the use of £1m from the Business Rates Volatility Reserve originally earmarked for the Special Projects Fund and a further £1.3m from reserves.

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

Budget Heading	Variation £'000
Corporate Restructure	95
Take out Footway Lighting saving	20
Additional inflation costs on contracts	100
M365 licences for roll out	15
Mobile working app - Contracts	10
Government Grant allocation	(984)
NI costs	113
CT base	(34)
Total	(665)

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

	£'000
Requirement for balanced position December Cabinet	2,316
Less budget variations paragraph 3.3	(665)
New requirement for balanced position	1,651

3.5 Detailed revenue budget proposals are attached in Appendix II.

3.6 An analysis of the budget risks is detailed in Appendix VIII.

Council Tax

3.7 The budget proposals assume an increase of £4.95 in the Band D Council Tax to £189.27.

3.8 The Collection Fund and Council Tax base are set out in Appendix III.

3.9 The Council Tax base was set at 48,939.46 by the Director of Resources.

3.10 Parish precepts are shown in Appendix IV.

Capital Programme

3.11 The Capital Budget is attached in Appendix V.

Reserves

3.12 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.

3.13 When the Council is considering its budget requirement, it is the Director of Resources' 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.

3.14 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 2021 was £4.484m. The Council holds earmarked reserves for specific purposes. The remaining unallocated funds form the General Reserve. The Director of Resources' 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 VI which shows the Budget forecast, but all in-year changes will be reflected in closedown and in the Council's financial accounts.

3.15 The Council's Section 151 Officer (Director of Resources), in accordance with the Local Government Act 2003, has hereby confirmed her opinion that the 2022/23 budget is robust, and the reserves are reasonable given the risks faced by the Council. The medium term savings requirement will need to be addressed in future budget rounds as it is not sustainable to continue to rely on significant transfers from reserves to support the base budget position.

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 8 December 2021 and were examined by Scrutiny Committee on 2 February 2022.

5.2 Consultation with the business community has taken place.

5.3 An online budget consultation exercise took place and the results are summarised in Appendix IX.

6. Implications

Issue	Implications
Corporate Plan	The budget proposals support the achievement of the Council's corporate priorities.
Financial, Resource and Property	The report sets out the Council's resourcing position.
Legal, Statutory and Procurement	The Council is required to set a Council tax and a balanced budget.
Crime and Disorder	Any potential implications will be addressed by service managers in their budget proposals.
Environment and Climate/Ecological Emergency	The proposals support the Climate Change and Ecological motion agreed by Cabinet.
Health and Wellbeing	Any potential implications will be addressed by service managers in their budget proposals.
Safeguarding of Children, Young People and Vulnerable Adults	Any potential implications will be addressed by service managers in their budget proposals.
Risk Management and Health and Safety	Any potential implications will be addressed by service managers in their budget proposals.
Equality and Diversity	Any potential implications will be addressed by service managers in their budget proposals.
Privacy and Data Protection	Any potential implications will be addressed by service managers in their budget proposals.

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: Parish Precepts
- Appendix V: Capital Programme and Funding
- Appendix VI: Estimated Use of Revenue Reserves 2021/22 - 2024/25
- Appendix VII: Minimum Revenue Provision Statement

- Appendix VIII: Budget Risks
- Appendix IX: Budget Consultation

8. Background Papers

[Cabinet Agenda papers 8 December 2021](#)

2022/23 Medium Term Financial Plan (MTFP)

Service	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Chief Executive	263	240	240	240
Director of Neighbourhoods & Regeneration	224	225	225	225
Environment & Leisure	6,258	6,645	7,366	8,157
Planning	865	765	739	740
Housing & Community Services	3,472	3,440	3,440	3,440
Regeneration & Economic Development	(129)	(152)	(237)	(305)
Policy, Governance & Customer Services	2,273	2,253	2,253	2,253
Finance & Procurement	816	782	788	794
Corporate Overheads/Capital Financing	2,344	2,877	2,874	2,838
Revenues & Benefits	392	441	398	354
Environmental Health	522	521	521	521
MKS Legal	486	476	476	476
MKS Audit	182	182	182	182
MKS Human Resources	431	450	450	450
MKS Information Technology	1,362	1,377	1,377	1,377
Collection Fund Surplus	(50)	0	0	0
Pay and inflation	0	427	719	1,011
Sub Total Base Budget	19,711	20,949	21,811	22,753
Drainage Board	876	906	937	969
Historic contribution to reserves	93	93	93	93
Contribution from reserve	(662)	52	106	106
Cumulative Savings required	0	(1,651)	(2,875)	(3,318)
Grants				
Revenue Support Grant	(116)	(119)	(119)	(2)
Business Rates - Gross	(8,733)	(9,163)	(9,413)	(9,667)
Less NNDR share of homelessness funding	91	91	91	91
Local Council Tax Scheme Grant	(198)	0	0	0
Lower Tier Services Grant	(183)	(192)	0	0
Services Grant	0	(296)	0	0
Covid grant allocation	(996)	0	0	0
New Homes Bonus (assuming not just legacy payments)	(1,028)	(1,407)	(983)	(983)
Council Tax requirement	8,855	9,263	9,648	10,042
Annual savings required		(1,651)	(1,224)	(443)
Tax Base	48,040.12	48,939.46	49,673.55	50,418.65
Council Tax £	184.32	189.27	194.22	199.17
Council Tax increase %		2.69%	2.62%	2.55%
Council Tax increase £		4.95	4.95	4.95
Tax Base increase %		1.87%	1.50%	1.50%

2022/23 Medium Term Financial Plan (MTFP)

Service	2021/22	Growth	Unavoidable Pressure	Loss of income	Increased income	Price increases	Savings	Operational	2022/23	Commentary
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Chief Executive	263						(23)		240	
Director of Neighbourhoods & Regeneration	224							1	225	
Environment & Leisure	6,258	281	93	373	(596)	308	(84)	12	6,645	Growth - New Grounds & Tree contract. Pressure = replacement bin costs. Loss of Parking income. New income from Green Waste increase, charging for replacement bins and leisure contract changes. Inflation increases at £308k
Planning	865				(36)		(65)	1	765	Planning income increases and staff savings
Housing & Community Services	3,472	16					(49)	1	3,440	Staff savings
Regeneration & Economic Development	(129)	95			(101)	15	(47)	15	(152)	Increased rental income and staffing costs & Savings
Policy, Governance & Customer Services	2,273					8	(25)	(3)	2,253	
Finance & Procurement	816						(36)	2	782	
Corporate Overheads/ Capital Financing	2,344		570			11	(50)	2	2,877	Cost of Capital financing and pension costs previously funded from reserves
Revenues & Benefits	392			87			(29)	(9)	441	
Environmental Health	522							(1)	521	
MKS Legal	486				(10)				476	

2022/23 Medium Term Financial Plan (MTFP)

Service	2021/22	Growth	Unavoidable Pressure	Loss of income	Increased income	Price increases	Savings	Operational	2022/23	Commentary
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
MKS Audit	182								182	
MKS Human Resources	431	19							450	
MKS Information Technology	1,362					15			1,377	
Collection Fund Surplus	(50)		50						0	
Pay and inflation	0	314				113			427	Pay award, increment costs and increase National Insurance charge
Sub Total Base Budget	19,711	725	713	460	(743)	470	(408)	21	20,949	
Drainage Board	876	30							906	Inflationary increase to levy
Historic contribution to reserves	93								93	
Contribution from reserve	(662)	714							52	Build back one off use of reserves
Savings required	0						(1,651)		(1,651)	Savings required to balance the budget

2022/23 Medium Term Financial Plan (MTFP)

Service	2021/22	Growth	Unavoidable Pressure	Loss of income	Increased income	Price increases	Savings	Operational	2022/23	Commentary
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Grants										
Revenue Support Grant	(116)				(3)				(119)	
Business Rates - Gross	(8,733)				(430)				(9,163)	business rate growth assumption
Less NNDR share of homelessness funding	91								91	
Local Council Tax Scheme Grant	(198)			198					0	One off grant allocation for 2021/22
Lower Tier Services Grant	(183)			183	(192)				(192)	One off grant allocations for 2021/22 & 2022/23
Services Grant 2022/23	0			0	(296)				(296)	One off grant allocations for 2021/22 & 2022/23
Covid grant allocation	(996)			996					0	One off grant allocation for 2021/22
New Homes Bonus (assuming not just legacy payments)	(1,028)			115	(494)				(1,407)	End of grant payments due
Council Tax requirement	8,855	1,469	713	1,952	(2,158)	470	(2,059)	21	9,263	
CT requirement	(8,855)				(374)		(34)		(9,263)	

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
1	REED	Chief Executive	Chief Exec - Dept Management	Salaries	Salary Savings	Salary savings	(23,000)	0	0
2					Salary Savings Total		(23,000)	0	0
3		Chief Executive Total					(23,000)	0	0
4	CASELL	Environment & Leisure	Cemeteries - Swale	Interment	Additional income	Variable burial income depending upon the number of burials requested	(11,350)	0	0
5	CASELL	Environment & Leisure	various	various	Additional income	Increase in Fees & Charges income	(23,680)	(1,000)	(1,000)
6	CASELL	Environment & Leisure	Swale Community Leisure Trust Ltd	Contracts	Additional income	Contractual changes do not include RPI uplift figures as dependent upon seeing Covid recovery.	(98,759)	(79,263)	0
7	CASELL	Environment & Leisure	S/B Multistorey Car Park	Season Tickets	Additional income	Only predicted for 22-23 due to current arrangement	(45,000)	45,000	0
8	CASELL	Environment & Leisure	Civil Parking Enforcement	Suspended Parking Bays	Additional income	Revised fees and charges	(2,550)	0	0
9	CASELL	Environment & Leisure	Recycling Campaign	Garden Waste Scheme-Brown Bins (not compost bins)	Additional income	Additional income from proposed increase in annual charge	(300,000)	(27,788)	(28,690)

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
10	CASELL	Environment & Leisure	Wheeled Bins	Grants & Contributions-no supply goods or services	Additional income	New bins for new estates	(30,000)	0	0
11	CASELL	Environment & Leisure	Wheeled Bins	Domestic/Residential Wheelie Bin Charge (lost/damaged/stolen bins)	Additional income	Income from proposed new charge for replacement bin	(85,000)	0	0
					Additional income Total		(596,339)	(63,051)	(29,690)
13	CASELL	Environment & Leisure	various	various	Committed price increases	Inflation increases	31,110	14,605	14,975
14	CASELL	Environment & Leisure	Contracts Team	Mobile working app	Committed price increases	Overhead for mobile working app	10,000	0	0
15	CASELL	Environment & Leisure	Refuse & Recycling	Private Contractors	Committed price increases	Indexation on current contract up plus estimate for cost of new contract	160,831	364,944	384,245
16	CASELL	Environment & Leisure	Street Cleansing	Private Contractors	Committed price increases	Indexation on current contract up plus estimate for cost of new contract	106,705	317,065	335,004
17					Committed price increases Total		308,646	696,614	734,224
18	CASELL	Environment & Leisure	Grounds Maintenance	Maintenance - Grounds Contract	Growth items	This is based on the new contract	148,733	37,189	38,118

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
19	CASELL	Environment & Leisure	Open Spaces - Swale	Arboriculture (tree) contract	Growth items	Based on new Trees contract	31,000	980	1,000
20	CASELL	Environment & Leisure	Swale Car Parks	MKS charge for car park service	Growth items	Increase in cost for car parks partnership	15,000	0	0
21	CASELL	Environment & Leisure	Public Conveniences	Private Contractors	Growth items	Cost of new facilities	86,828	10,314	28,861
22					Growth items Total		281,561	48,483	67,979
23	CASELL	Environment & Leisure	Coast Protection	Contribution to SBC costs from KCC	Loss of income	Coast protection agreement ending	12,750	1,500	640
24	CASELL	Environment & Leisure	Open Spaces - Swale	Commuted Sums - Contracts	Loss of income	End of commuted sums provision	25,385	19,308	1,746
25	CASELL	Environment & Leisure	Beach Huts	Beach Huts - plot and hut	Loss of income	Income variations	8,000	(5,000)	(2,000)
26	CASELL	Environment & Leisure	S/B Multistorey Car Park	Fees & Chgs Vatable	Loss of income	Covid impact on parking expected to become permanent	20,000	0	0
27	CASELL	Environment & Leisure	Swale Car Parks	Fees & Chgs Vatable	Loss of income	Continued impact of Covid-19. Overall impact offset slightly by increased fees and charges	275,000	0	0
28	CASELL	Environment & Leisure	Swale Car Parks	Season Tickets	Loss of income	Continued impact of Covid-19	25,000	0	0

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
29	CASELL	Environment & Leisure	Special Collections	Fees & Chgs Vatable	Loss of income	A249 litter picking. This reduction is because SBC is not doing all of road.	6,450	0	0
30					Loss of income Total		372,585	15,808	386
31	CASELL	Environment & Leisure	Salaries	Salaries	Salary Savings	Net salary savings	(67,025)	0	0
32					Salary Savings Total		(67,025)	0	0
33	CASELL	Environment & Leisure	Public Conveniences	Business Rates	Service savings	A recent legislative change means that public conveniences no longer pay business rates.	(16,900)	0	0
34					Service savings Total		(16,900)	0	0
35	CASELL	Environment & Leisure	Wheeled Bins	Equipment Purchase	Unavoidable cost pressures	Increased cost of replacement bins	93,000	0	0
36					Unavoidable cost pressures Total		93,000	0	0
37		Environment & Leisure Total					375,528	697,854	772,899
38	FREEMAN	Planning	Development Management	PPA - Planning Performance Agreement	Additional income	New item	(25,500)	0	0

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
39	FREEMAN	Planning	Development Management	S106 Monitoring Fees	Additional income	Additional income from s106 fees anticipated	(10,000)	0	0
40					Additional income Total		(35,500)	0	0
41	FREEMAN	Planning	Development Management	Salaries	Salary Savings	Salary savings	(58,839)	(27,300)	0
42					Salary Savings Total		(58,839)	(27,300)	0
43	FREEMAN	Planning	Spatial Policy	Fees and Services	Service savings	Reduction in fees required	(6,000)	0	0
44					Service savings Total		(6,000)	0	0
45		Planning Total					(100,339)	(27,300)	0
46	HUDSON	Housing & Community Services	Housing Private Sector	Salaries	Growth items	New approved increase in establishment to deal with Empty Homes and Caravan work and Energy	16,100	0	0
47					Growth items Total		16,100	0	0
48	HUDSON	Housing & Community Services	Salaries	Salaries	Salary Savings	Salary savings	(49,210)	0	0
49					Salary Savings Total		(49,210)	0	0
50		Housing & Community Services Total					(33,110)	0	0

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
51	JOHNSON	Regeneration & Economic Development	Rental income	rental income	Additional income	Rental income increases	(100,977)	(52,223)	(78,353)
52					Additional Income Total		(100,977)	(52,223)	(78,353)
53	JOHNSON	Regeneration & Economic Development			Committed price increases	Utility costs	15,342	0	0
54					Committed Prices Total		15,342	0	0
55	JOHNSON	Regeneration & Economic Development	Salaries	Salaries	Growth items	Net salaries movement from restructure	95,000	0	0
56					Unavoidable cost pressures Total		95,000	0	0
57	JOHNSON	Regeneration & Economic Development	Business & Skills	Fees and Services	Salary savings	Salary savings	(35,515)	0	0
58					Salary savings Total		(35,515)	0	0
59	JOHNSON	Regeneration & Economic Development	Business & Skills	Fees and Services	Service savings	Reduction of the learning & skills operational budget	(11,780)	0	0
60					Service savings Total		(11,780)	0	0
61		Regeneration & Economic Development Total					(37,930)	(52,223)	(78,353)
62	CLIFFORD	Policy, Governance & Customer Services	General Democratic Costs	Allowances	Committed price increases	Increase in NI costs for members	7,257	0	0

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
63					Committed price increases Total		7,257	0	0
64	CLIFFORD	Policy, Governance & Customer Services	Operational service savings	Operational service savings	Service savings	Operational service savings	(9,000)	0	0
65	CLIFFORD	Policy, Governance & Customer Services	Swale BC Publications	Developing & Printing	Service savings	Decrease in costs for Inside Swale	(7,500)	0	0
66	CLIFFORD	Policy, Governance & Customer Services	Swale BC Publications	Postage	Service savings	Decrease in costs for Inside Swale	(8,000)	0	0
69					Service Savings Total		(24,500)	0	0
68		Policy, Governance & Customer Services Total					(17,243)	0	0
69	WILSON	Finance & Procurement	Financial Services	Salaries	Salary Savings	Salary savings	(36,640)	4,908	5,106
70					Salary Savings Total		(36,640)	4,908	5,106
71		Finance & Procurement Total					(36,640)	4,908	5,106
72	WILSON	Corporate Costs	Financial Services	Supply of Insurance Cover	Committed price increases	Increase in cost of insurance cover	11,210	11,490	11,780
73					Committed price increases Total		11,210	11,490	11,780
74	WILSON	Corporate Costs	Interest Payable	Interest Payable	Service savings	Fewer loans This does not include Rainbow loan which will be reported separately	(38,900)	0	0

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
75	WILSON	Corporate Costs	Parish Councils (Footway Lighting)	Grants & Subscriptions	Service savings	Propose to end support to Parishes as they are able to increase their precept without restrictions	0	(19,855)	0
76	WILSON	Corporate Costs	Adjustments between accounting/funding basis - GF	Pension Enhancements	Service savings	Reductions in pension payments	(11,680)	0	0
77					Service savings Total		(50,580)	(19,855)	0
78	WILSON	Corporate Costs	Corporate Costs	External Audit Fee	Unavoidable cost pressures	Increase in audit fee	11,010	1,790	1,840
79	WILSON	Corporate Costs	Treasury Mgt & Bank Charges	Broker Fees	Unavoidable cost pressures	Increase in broker fees	9,900	0	0
80	WILSON	Corporate Costs	Pension no longer funded from Reserves	Pension	Unavoidable cost pressures	Pension no longer funded from reserves	181,640	0	0
81	WILSON	Corporate Costs	Adjustments between accounting/funding basis - GF	Minimum Revenue Provision	Unavoidable cost pressures	Borrowing cost of STC	335,000	3,000	(51,000)
82	WILSON	Corporate Costs	Adjustments between accounting/funding basis - GF	Payroll - Gross Pay	Unavoidable cost pressures	Net salary adjustments	33,130	0	0

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
83						Unavoidable cost pressures Total	570,680	4,790	(49,160)
84		Corporate Costs Total					531,310	(3,575)	(37,380)
85	KENT	Revenues & Benefits	MKS Enforcement Service - Council Tax	MKS Debt Recovery Service Income	Loss of income	Reduction in income due to revised forecast of proportion of debt that can be recovered	87,000	(43,500)	(43,500)
86						Loss of income Total	87,000	(43,500)	(43,500)
87	KENT	Revenues & Benefits	Housing Benefit & C Tax Support - Administration	Housing Benefit Admin Subsidy	Service savings	Admin grant	(8,726)	0	0
88	KENT	Revenues & Benefits	Council Tax Collection	Postage	Service savings	Postage savings	(20,000)	0	0
89						Service savings Total	(28,726)	0	0
90		Revenues & Benefits Total					58,274	(43,500)	(43,500)
91	VALMOND	MKS Legal	Legal (Clientside Costs)	Legal Fees - Planning/S106 (Non-Business)	Additional income	Additional s106 income	(10,000)	0	0
92						Additional income Total	(10,000)	0	0
93		MKS Legal Total					(10,000)	0	0
94	SANDHER	MKS Human Resources	Apprenticeships	Payroll - Gross Pay	Growth items	Real living wage for apprentices	18,710	0	0
95						Growth items Total	18,710	0	0

Revenue Budget Proposals

No.	Head of Service	Service	Service Description	Type of Spend/ Income	MTFP Category	Explanation of Budget Change	22/23 Increase Over & Above 21/22 £	23/24 Increase Over & Above 22/23 £	24/25 Increase Over & Above 23/24 £
96		MKS Human Resources Total					18,710	0	0
97	WOOD-WARD	MKS ICT	ICT Software	Software licence	Committed price increases	M365 additional licences	15,000	0	0
98					Committed price increases Total		15,000	0	0
99		MKS ICT Total					15,000	0	0
100	WILSON	Collection Fund Surplus	Non-Specific Grants	Surplus/Deficit Council Tax Income (Budget)	Unavoidable cost pressures	No surplus is anticipated on the collection fund due to the after effects of covid and the reduction in C tax income	50,000	0	0
101					Unavoidable cost pressures Total		50,000	0	0
102		Collection Fund Surplus Total					50,000	0	0
103		Service Total					790,560	576,164	618,772
104		Operational Items Total					20,983	(7,151)	30,835
105		Grand Total					811,543	569,013	649,607

		To Match Appendix I:					£'000	£'000	£'000
		Grand Total (above)					811	570	650
		Base Budget					19,711	20,949	21,811
		Pay and Inflation					427	292	292
		Base Budget Total					20,949	21,811	22,753

Collection Fund and Council Tax Base

Tax Base

The tax base for 2022/23 is 48,939.46.

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 2022, 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 £9,653,000 is shared as follows:

	£'000
Central Government	4,586
Kent County Council	1,178
The Police and Crime Commissioner for Kent	53
Kent & Medway Towns Fire & Rescue Authority	113
Swale Borough Council	3,723
Total	9,653

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 3 March 2021 that the government would continue to provide eligible retail, hospitality and leisure properties with 100% business rates relief from 1 April 2021 to 30 June 2021 and that this would be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022 if certain criteria were met. The Government has compensated councils for this loss of business rate income through grants.

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 23 February 2022.

Parish Council Precepts

Parish Council precept demands have been submitted during January 2022 as and when the Parish Councils met to set their precepts. These will be expressed as an additional precept.

Parish Precepts

Parish / Town Council	Additional Council Tax for Band D 2021/22 £	Tax Base 2022/23	Parish Precept (rounded) 2022/23 £	Additional Council Tax for Band D 2022/23 £	Additional Council Tax for Band D 2022/23 % Change
Bapchild	27.76	467.78	13,379	28.60	3.03%
Bobbing	19.25	985.82	18,980	19.25	0.00%
Borden	55.80	1,104.39	64,151	58.09	4.10%
Boughton-under-Blean	85.59	698.98	65,000	92.99	8.65%
Bredgar	35.73	292.21	10,684	36.56	2.32%
Doddington	38.20	228.21	8,718	38.20	0.00%
Dunkirk	26.88	525.39	17,105	32.56	21.13%
Eastchurch	46.57	848.91	47,402	55.84	19.91%
Eastling	35.00	149.22	5,223	35.00	0.00%
Faversham Town Council	78.05	6,880.49	553,132	80.39	3.00%
Graveney & Goodnestone	61.42	185.21	11,200	60.47	-1.55%
Hartlip	21.71	364.85	8,000	21.93	1.01%
Hernhill	36.27	299.08	14,000	46.81	29.06%
Iwade	35.43	1,459.01	51,585	35.36	-0.20%
Leysdown	31.36	1164.61	35,890	30.82	-1.72%
Lower Halstow	82.59	457.35	37,740	82.52	-0.08%
Luddenham	0.00	41.82	0	0.00	0.00%
Lynsted	36.32	477.89	18,753	39.24	8.04%
Milstead	60.72	90.36	6,300	69.72	14.82%
Minster	35.00	5,643.03	197,506	35.00	0.00%
Newington	54.85	1,055.46	58,472	55.40	1.00%
Newnham	34.29	158.92	5,449	34.29	0.00%
Norton & Buckland	37.72	189.97	6,956	36.62	-2.92%
Oare	57.63	173.90	10,500	60.38	4.77%
Ospringe	28.06	285.14	7,875	27.62	-1.57%
Queenborough Town Council	76.12	900.32	69,000	76.64	0.68%
Rodmersham	42.87	241.95	11,500	47.53	10.87%
Selling	34.93	374.26	13,000	34.74	-0.54%
Sheerness Town Council	50.30	2,834.17	139,962	49.38	-1.83%
Sheldwich, Leaveland & Badlesmere	24.76	351.31	To be received		
Stalisfield	29.14	98.94	2,883	29.14	0.00%
Teynham	56.65	944.08	61,000	64.61	14.05%
Throwley	25.72	146.19	3,749	25.64	-0.31%
Tonge	5.04	444.24	3,200	7.20	42.86%
Tunstall	29.55	705.54	22,080	31.30	5.92%
Upchurch	44.93	1,030.52	36,814	35.72	-20.50%
Warden	30.02	503.02	15,000	29.82	-0.67%
TOTAL					

Capital Programme and Funding

	Detail	2021/22 Original Budget	2021/22 Revised Budget	2022/23 Original Budget	2023/24 Original Budget	Budget Later Years
		£	£	£	£	£
<u>Housing & Community Services - C. Hudson</u>						
CCTV – Reserves	R & R Reserve	15,000	45,000	15,000	15,000	15,000
CCTV Monitoring Control Centre – Reserves	R & R Reserve	0	4,960	0	0	0
Disabled Facilities Grant Mandatory – External Grant	External Grant	2,062,800	3,301,260	2,062,800	2,062,800	2,062,800
Disabled Facilities Grant – External Grant	External Grant	0	1,927,530	0	0	0
Winter Warmth Grants	External Grant	0	6,780	0		
Rainbow Homes	Internal/External	11,500,000	0	23,000,000	0	0
Rainbow Homes - Business Planning Work	Internal/External	250,000	250,000	0	0	0
Murston Old Church	Community Fund CFB 62	0	20,000	0	0	0
Sheppey Hall Improvement	Special Project SPF 11	40,000	0	0	0	0
Whistle Hill Community Centre - Solar PV installation	Special Project SPF 30	20,000	20,000	0	0	0
Land Regeneration/Improvement Works at Dolphin Barge Museum & Skatepark	Special Project SPF 18	37,920	37,920	0	0	0
Land Regeneration/Improvement Works at Dolphin Barge Museum & Skatepark	Capital Receipts	14,140	14,140	0	0	0
Total Housing & Community Services		13,939,860	5,627,590	25,077,800	2,077,800	2,077,800
<u>Environment & Leisure - M. Cassell</u>						
Gunpowder Works Oare Faversham – S106	S106	0	9,000	0	0	0
New Play Area – Iwade Schemes – S106	S106	0	45,000	0	0	0
Resurfacing Promenade, The Leas – External Grant	External Grant	0	79,970	0	0	0
Modular Toilet Kiosk - Minster Leas - Special Project	Special Project SPF 22	0	24,360	0	0	0
Milton Creek Access Road – Reserves	Reserves	0	40,000	0	0	0
Barton's Point Coastal Park - replacement bridge - Capital Receipts	Capital Receipts	0	148,400	0	0	0
Beach Huts – Capital Receipts	Capital Receipts	0	60,000	0	0	0

Capital Programme and Funding

	Detail	2021/22 Original Budget	2021/22 Revised Budget	2022/23 Original Budget	2023/24 Original Budget	Budget Later Years
		£	£	£	£	£
Sheppey Improvement Fund – Capital Receipts	Capital Receipts	250,000	250,000	0	0	0
Sheppey Improvement Fund - Loan	Loan	0	16,000	0	0	0
Faversham Recreation Ground Outdoor Gym equipment - S106	S106		4,940			
Faversham Recreation Ground Improvements – External Grants/S106	External Grant	0	15,800	0	0	0
Open Spaces Play Equipment – S106	S106	100,000	456,000	0	0	0
Leisure Centres – Internal / External Borrowing	Internal/External	0	293,850	0	0	0
Swallows Leisure Centre - Capital Works	Covid Recovery Fund	0	81,740	0	0	0
Play Improvements – Reserves	Special Projects	0	150,000	0	0	0
Play Improvements – Capital Receipts	Capital Receipts	50,000	50,000	0	0	0
Play Improvements – Diligent Drive – Reserves	Special Projects	0	18,000	0	0	0
Public Toilets for Queenborough All Tide Landing	Improvement & Resilience Fund	0	6,900	0	0	0
Public Toilets - Forum Sittingbourne - Special Project	Special Project SPF 24	0	42,080	0	0	0
Toilet Block & Shower Block - Barton Point – Special Projects	Special Project SPF 23	0	184,280	0	0	0
Wheeled Bins - Reserves	R & R	35,000	286,000	35,000	35,000	35,000
St Anne's Footbridge Lighting - Reserves	SPF 16	0	41,250			
Total Environment & Leisure		435,000	2,303,570	35,000	35,000	35,000
Regeneration & Economic Development - J. Johnson						
High Streets - Various	High Street Fund	0	780,430	0	0	0
High Streets - Various	S106	0	100,000	0	0	0
High Streets - Various	Improvement & Resilience Fund	0	106,920	0	0	0
Sittingbourne Town Centre –Internal/External Borrowing	Internal/External	0	1,079,700	0	0	0
Footpath Contribution – High Street Sittingbourne – S106	S106	0	5,660	0	0	0

Capital Programme and Funding

	Detail	2021/22 Original Budget	2021/22 Revised Budget	2022/23 Original Budget	2023/24 Original Budget	Budget Later Years
		£	£	£	£	£
Faversham Creek Basin Regeneration Project (Swing Bridge) – Capital Receipts	Capital Receipts	0	200,000	0	0	0
Queenborough & Rushenden Klondyke Land Improvement	External Grant - Housing Infrastructure Fund (HIF)	0	1,103,490	0	0	0
Swale House Refurbishment - Internal/External	Internal/External	3,000,000	50,000	1,912,400	0	0
Coronation Clock Tower Sheerness - Reserves	Reserves/ s106	0	185,000	0	0	0
Redevelopment of Master's House, Sheerness	Capital Receipts/ external grant/ reserves	0	1,550,000	0	0	0
Sheppey Capital Investments	Capital Receipts	850,000	0	0	0	0
Total Regeneration & Economic Development		3,850,000	5,161,200	1,912,400	0	0
Policy						
Council Chamber IT equipment	Capital Receipts	0	0	50,000	0	0
Total Policy		0	0	50,000	0	0
Planning – J. Freeman						
Faversham Reach Public Footpath ZF43	Faversham Creek Footpath Reserve	0	60,000	0	0	0
Total Planning		0	60,000	0	0	0
ICT - C. Woodward						
ICT Infrastructure & Equipment Replacement - Reserves	R & R	299,300	349,700	0	0	0
Total ICT		299,300	349,700	0	0	0
Total Capital Programme		18,524,160	13,502,060	27,075,200	2,112,800	2,112,800

Estimated Use of Revenue Reserves 2021/22 - 2024/25

Group Title	At 1 April 2021 including 2020/21 Rollforwards £	2021/22 £	Balance 31 March 2022 £	2022/23 £	Balance 31 March 2023 £	2023/24 £	Balance 31 March 2024 £	2024/25 £	Balance 31 March 2025 £
General Fund Reserve	(4,484,000)	2,248,598	(2,235,402)	0	(2,235,402)	0	(2,235,402)	0	(2,235,402)
Earmarked Revenue Reserves									
Business Rates Volatility Reserve	(2,826,291)	2,000,000	(826,291)	500,000	(326,291)	300,000	(26,291)	0	(26,291)
Budget Contingency Reserve	0	(2,000,000)	(2,000,000)	1,651,000	(349,000)	0	(349,000)	0	(349,000)
North Kent Housing & Commercial Growth Business Rates	(1,673,250)	50,000	(1,623,250)	100,000	(1,523,250)	0	(1,523,250)	0	(1,523,250)
Council Tax/Housing Benefits Reserve	(1,413,404)	942,000	(471,404)	114,000	(357,404)	114,000	(243,404)	114,000	(129,404)
Preceptors Council Tax Support Reserve	(1,157,677)	1,000,000	(157,677)	50,000	(107,677)	0	(107,677)	0	(107,677)
Kent Pool Economic Development Business Rates	(1,094,190)	334,000	(760,190)	0	(760,190)	0	(760,190)	0	(760,190)
Special Projects Fund Reserve	(1,055,233)	494,094	(561,139)	561,139	(0)	0	(0)	0	(0)
Improvement and Resilience Fund	(1,000,000)	1,000,000	0	0	0	0	0	0	0
Town Centres/ High Street Fund	(758,146)	258,146	(500,000)	500,000	(0)	0	(0)	0	(0)
Building Maintenance Fund	(618,644)	50,000	(568,644)	50,000	(518,644)	50,000	(468,644)	50,000	(418,644)
Communities Fund	(410,865)	184,000	(226,865)	0	(226,865)	0	(226,865)	0	(226,865)
ICT Reserve	(381,026)	145,425	(235,601)	111,850	(123,751)	111,850	(11,901)	(40,000)	(51,901)

Estimated Use of Revenue Reserves 2021/22 - 2024/25

Group Title	At 1 April 2021 including 2020/21 Rollforwards £	2021/22 £	Balance 31 March 2022 £	2022/23 £	Balance 31 March 2023 £	2023/24 £	Balance 31 March 2024 £	2024/25 £	Balance 31 March 2025 £
Disabled Facilities Grant	(316,617)	0	(316,617)	78,724	(237,894)	0	(237,894)	0	(237,894)
Wheeled Bins	(279,795)	150,000	(129,795)	129,795	(0)	0	(0)	0	(0)
Performance Fund	(271,426)	92,000	(179,426)	30,000	(149,426)	30,000	(119,426)	30,000	(89,426)
On Street Parking	(272,701)	3,780	(268,921)	268,921	0	0	0	0	0
Business Rates Growth Fund - Heritage Strategy Reserve	(225,753)	61,000	(164,753)	73,000	(91,753)	91,753	0	0	0
Financial Services	(201,520)	61,520	(140,000)	70,000	(70,000)	35,000	(35,000)	0	(35,000)
Visitor Economy Framework	(178,492)	50,000	(128,492)	50,000	(78,492)	50,000	(28,492)	28,492	0
Waste & Recycling	(171,717)	0	(171,717)	50,000	(121,717)	100,000	(21,717)	13,000	(8,717)
Local Plan Reserve	(167,321)	0	(167,321)	30,000	(137,321)	30,000	(107,321)	0	(107,321)
Homelessness/Housing Reserves	(165,817)	14,505	(151,312)	55,416	(95,897)	0	(95,897)	0	(95,897)
Regeneration Fund	(151,534)	151,534	0	0	0	0	0	0	0
Environmental Initiatives	(125,842)	10,000	(115,842)	30,000	(85,842)	30,000	(55,842)	30,000	(25,842)
Environmental Health Shared Service Reserves	(124,324)	15,637	(108,687)	63,000	(45,687)	36,730	(8,957)	3,400	(5,557)
Revenues & Benefits	(118,069)	50,000	(68,069)	63,800	(4,269)	4,269	0	0	0
Elections Reserve	(101,021)	0	(101,021)	0	(101,021)	100,000	(1,021)	0	(1,021)
HR & Training Reserve	(97,590)	13,000	(84,590)	33,000	(51,590)	8,000	(43,590)	8,000	(35,590)
Licensing Reserves	(95,627)	16,750	(78,877)	0	(78,877)	0	(78,877)	0	(78,877)

Estimated Use of Revenue Reserves 2021/22 - 2024/25

Group Title	At 1 April 2021 including 2020/21 Rollforwards £	2021/22 £	Balance 31 March 2022 £	2022/23 £	Balance 31 March 2023 £	2023/24 £	Balance 31 March 2024 £	2024/25 £	Balance 31 March 2025 £
Coast Protection	(89,596)	0	(89,596)	30,000	(59,596)	30,000	(29,596)	29,596	(0)
Insurance	(83,288)	63,288	(20,000)	10,000	(10,000)	10,000	0	0	0
Cemeteries Reserve	(80,075)	0	(80,075)	25,000	(55,075)	2,000	(53,075)	2,000	(51,075)
Milton Creek access road	(74,740)	0	(74,740)	57,000	(17,740)	0	(17,740)	0	(17,740)
Area Committees Fund	(71,746)	71,746	0	0	0	0	0	0	0
CCOV Reserves	(70,292)	5,292	(65,000)	(15,000)	(80,000)	(15,000)	(95,000)	(15,000)	(110,000)
Democratic Services	(67,500)	67,500	0	0	0	0	0	0	0
Closed Churchyards and War Memorials	(65,900)	30,000	(35,900)	30,000	(5,900)	5,900	0	0	0
Tree Surveys and works in closed churchyards	(63,000)	0	(63,000)	15,000	(48,000)	15,000	(33,000)	15,000	(18,000)
Faversham Creek Footpath	(60,000)	60,000	0	0	0	0	0	0	0
Sports Reserves	(58,900)	0	(58,900)	58,900	0	0	0	0	0
Pension & Redundancy Reserve	(52,172)	(50,000)	(102,172)	100,000	(2,172)	0	(2,172)	0	(2,172)
Audit Reserve	(51,525)	0	(51,525)	0	(51,525)	0	(51,525)	0	(51,525)
Business Rates Growth Fund - Sheppey Lower Road Improvements	(50,000)	0	(50,000)	0	(50,000)	0	(50,000)	0	(50,000)
Sittingbourne Market Relocation	(43,746)	43,746	0	0	0	0	0	0	0

Estimated Use of Revenue Reserves 2021/22 - 2024/25

Group Title	At 1 April 2021 including 2020/21 Rollforwards £	2021/22 £	Balance 31 March 2022 £	2022/23 £	Balance 31 March 2023 £	2023/24 £	Balance 31 March 2024 £	2024/25 £	Balance 31 March 2025 £
Planning Appeals	(41,220)	41,220	0	0	0	0	0	0	0
COVID recovery Reserve	0	(17,000)	(17,000)	0	(17,000)	0	(17,000)	0	(17,000)
Other reserves	(494,487)	16,911	(477,577)	252,921	(224,656)	52,756	(171,900)	0	(171,900)
Total Earmarked Revenue Reserves	(16,972,078)	5,480,093	(11,491,985)	5,227,465	(6,264,520)	1,192,258	(5,072,262)	268,488	(4,803,774)
Total Usable Revenue Reserves	(21,456,078)	7,728,691	(13,727,387)	5,227,465	(8,499,922)	1,192,258	(7,307,665)	268,488	(7,039,177)
Accounting Adjustments									
Collection Fund Reserves	(7,295,909)	7,295,909	0	0	0	0	0	0	0
Loan Fund Provision Reserve	(175,001)	106,001	(69,000)	6,000	(63,000)	6,000	(57,000)	6,000	(51,000)
Rent - accounting adjustment	(543,690)	50,000	(493,690)	50,000	(443,690)	50,000	(393,690)	0	(393,690)
CCTV - Accounting provision	(50,000)	50,000	0	0	0	0	0	0	0
Commuted Sums - Accounting Provision	(266,364)	53,000	(213,364)	53,000	(160,364)	53,000	(107,364)	53,000	(54,364)
Total Accounting Adjustments	(8,330,963)	7,554,910	(776,054)	109,000	(667,054)	109,000	(558,054)	59,000	(499,054)
Total Reserves	(29,787,041)	15,283,600	(14,503,440)	5,336,465	(9,166,976)	1,301,258	(7,865,718)	327,488	(7,538,230)

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 former Ministry of Housing, Communities and Local Government's "Guidance on Minimum Revenue Provision" (the MHCLG Guidance) most recently issued in 2018. Please note that this guidance is still referred to as MHCLG guidance despite the name change of the department to Department of Levelling Up, Housing & Communities (DLUHC).

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 2022/23 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 using 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 Instalments of Principal) Method;
- Where former operating leases have been brought onto the balance sheet on 1 April 2022 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue each year remains unaffected by the new standard;
- MRP in respect of leases and Public Finance Initiative (PFI) schemes will match the element of the rent or charge that goes to write down the balance sheet 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 Capital Financing Requirement 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 2022/23 will not be subject to a MRP charge until 2023/24. MRP is not required until an 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.

Budget Risks

Issue	Risk	Mitigation	Rating
COVID-19	Many of the council's budgets are affected by CV-19 be that directly or indirectly. The uncertainty around the ability to reduce the impact of CV-19 is very high.	The MTFP seeks to address the budget impacts as they are currently estimated. Ongoing monitoring of the position will be required as the pandemic position develops.	High
Uncertainty of future Central Government funding	New local government funding regime TBC - localisation of business rates, Fair Funding, Comprehensive Spending Review and New Homes Bonus	MTFP, engagement in local government finance reform work, advice from technical advisers LG Futures/Pixel, Local Government Association (LGA). One off funding announced for 22/23 maintains the uncertain position for future years.	High
Waste and Street Cleansing contract	<p>A) External factors leading to current contract failure requiring early or emergency re-tender</p> <p>B) Procurement of new contract at the end of the current contract term</p> <p>C) Impact of changes in government legislation on contracted service.</p>	<p>A) Engagement with the contractor</p> <p>B) Early preparation for contract renewal – working group in place to determine new contract requirements and ensure full compliance with procurement regulation</p> <p>C) Maximise use of new burdens claims for cost of legislative changes, respond to consultations</p>	High
Revenue Contribution from Reserves	The proposed budget relies on contributions of c£1.7m from reserves to deliver a balanced position. This is not sustainable in the medium term.	Early preparation of 23/24 MTFP to address the ongoing budget gap and deliver a sustainable base budget position	High
Excessive inflationary increase to contracts/projects	External market forces push prices continually higher beyond budget allocations for major contracts and utility services	Ongoing review of procurement approach and monitoring of inflation position to ensure timely and accurate financial planning	Medium

Budget Risks

Issue	Risk	Mitigation	Rating
Sittingbourne Town Centre regeneration	Loss of tenants due to difficult operating conditions, failure to let newly developed units resulting in loss of tenants and income	Project monitoring, guarantees on rental income and active marketing	Medium
Planning fee income	Reliance on majors income, relationship with cost base to service demand	Judgement in setting base budget, ongoing monitoring	Medium
Car parking income	Disruption due to STC and CV-19 reduced town centre economic activity	Judgement in setting base budget, ongoing monitoring	Medium
Homelessness	Increasing demand on service following wider statutory responsibilities of Homeless Reduction Act and impact on resident due to current economic factors	Strategy refresh, grant funding for specialist services. Xantura pilot to target prevention work, tender of nightly let accommodation. Temporary Accommodation review.	Medium
Local Plan Review	Resource to support the review, in particular external consultants e.g., highways modelling	Ongoing discussion about requirements, making use of external sources of funding where possible	Medium
Planning appeals costs	Increased legal costs from appeals	Planning Committee decisions	Medium
Business rate income	Higher appeals, businesses choosing not to locate in the borough, business failure	Provide for appeals, openness to businesses, business support and signposting.	Medium
Cyber security	Cost pressures from actions to ensure compliance	Pragmatic view on the costs of compliance and the risks associated	Low

Budget Consultation

Below are the questions raised in the online budget consultation exercise and the responses received.

The Council needs to prepare a balanced budget so that its costs are met by its income. The council intends to increase its income. How would you suggest we might do that?

- Thin out services and reduce staffing or merge fully with adjacent boroughs
- Increase Council Tax for higher band properties
- Draw on Reserves.
- not though council tax. high already.
- Council bosses take a pay cut
- Introduce residents parking permits and visitors permits in busy and central areas (London commuters parking instead of paying for the Station Car Park) or people parking their commercial vehicles in residential areas. Increase penalties for littering. Run full financial audit on expenses and costs for all council projects with third party suppliers and contractors.
- Why not reduce costs instead of increasing income
- Rather than increasing income, look at decreasing expenditure. Turn off street lighting in the early morning, cut expensive colour printed brochures and newsletters,
- Increase community events and levelling up high street to attract more people participate indirectly increase parking incomes, sustainable business improvement for business rates income.
- Turning off streetlights.
- Increase fees and charges

Do you believe the Council should reduce its spending?

Answer Choices	Responses	
Yes	73.33%	11
No	26.67%	4
	Answered	15
	Skipped	7

Budget Consultation

What services would you reduce?

- Most of these are essential services and are interlinked. Also, I am unable to answer this question without knowing the grants available from elsewhere e.g. I understand that economic development and regeneration (of high streets etc) are sometimes covered by government funding via KCC with a successful bid.
- Anything related to local economic development as I'd say this and the recent town development has failed to deliver on a number of fronts and the road layout has significantly increased town congestion.
- Reduce OAP "free travel" to 50% in order to allow more commercial management of bus services in particular as costs fluctuate for providers and ticket price rises are more evenly distributed - not resting only on the few full-ticket passengers.
- property services
- Housing benefits
- Have fewer Councillors
- Street lighting and publicity costs
- Property services
- Street lighting, property services
- planning

Do you believe the Council should reduce its spending on some services to be able to spend more on others?

Answer Choices	Responses	
Yes	71.43%	10
No	28.57%	4
	Answered	14
	Skipped	8

Which services would you reduce spending on and which services would you spend more on?

- How do you monitor the £500,000+ paid to Faversham Town Council? e.g., are they spending this wisely / what footfall do their countless events generate in reality? They are employing more and more staff but what do they all do and does it actually benefit any more than a handful of residents? Their draft budget shows a 3% increase in salaries. They are forever generating new ideas rather than concentrating on core issues, commercial realities and the time constraints they have.
- Planning. Staff in part can work from home. Sell or develop Swale House site.
- None

Budget Consultation

- Transport subsidies to OAPs (I am an OAP)
- planning, property services, economic development, regeneration
- council tax and housing benefit
- Street lighting and tourism publicity
- property services and street lighting
- heritage

The Band D Council Tax for Swale Council for this year is £184.32 and the suggested increase for 2022/2023 is £4.95. In the current financial circumstances do you think that this is an appropriate amount to charge?

Answer Choices	Responses	
Yes	50.00%	6
No	50.00%	6
	Answered	12
	Skipped	10

Please use the text box below for any general comments on the Council's budget that you would like to make.

- Why has the £200,000 for the Faversham Creek Bridge disappeared from the budget? I see a vast sum being budgeted for Sittingbourne and Sheppey - but nothing for Faversham.
- No joined up thinking. You spend our money attracting people to town, then make it difficult/expensive to park. Wardens everywhere. New car park is a joke and several times.
- I've seen boy racers racing up and down. Dangerous, so no longer take my family to local cinema and drive to Rochester instead.
- I was unable to detect the legal costs for the abortive Wises Lane legal challenge at Borden? As, I believe, the sums are large, it would be helpful to have them broken out in the Budget accounts for the 2021/22 FY.
- The subsidies for transport show little or no understanding of the impact on commercial bus travel providers.
- Council bosses should take a pay cut.
- Every single resident of Swale, regardless Council Tax band, must get the Council Tax increase. Stop discrimination of residents with Band D who are seeing increase of the Council Tax a few years in a row.
- Disagree to increase council tax on the extreme difficult years ahead to all with high inflation rate and most people have been financially affected by the pandemic and being making redundant.

Budget Consultation

- I know people whose properties were band B, then they extensively extended and now their properties are four and five bedrooms instead of the original two. Yet they are paying band B prices. How is that fare on others who only have two bedrooms still? If people extend their property, then they should have a council tax review at the same time. SBC are missing out on thousands of pounds and people are sitting pretty paying hardly any council tax while they live a huge house.

Cabinet Meeting	
Meeting Date	9 February 2022
Report Title	STG Building Control Partnership Business Plan 2022 to 2025
Cabinet Member	Cllr Mike Baldock, Cabinet Member for Planning
SMT Lead	Emma Wiggins, Director of Regeneration and Neighbourhoods
Head of Service	James Freeman, Head of Planning
Lead Officer	James Freeman, Head of Planning
Key Decision	No
Classification	Open
Recommendations	<p>1.The Draft South Thames Gateway Building Control Partnership Business and Delivery Plans for 2022 to 2025 be agreed.</p> <p>2.Agree to continue as a STG partner Authority into a fourth term.</p>

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 2022 to 2025 and to refer the comments to the Joint Committee.
- 1.2 The new three-year Business Plan will take the Council beyond the third term of the partnership and therefore a recommendation has been put forward to agree to a further term for Swale's inclusion within the partnership shared service.

2 Background

- 2.1 The 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 has been 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.
- 2.6 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. PROPOSALS

- 3.1 The Business Plan (Appendix II) outlines how the building control function will be delivered on behalf of the partnership Councils' up until 2025 and indicates what the contributions will be for 2022/23 and forecasted to 2025.
- 3.2 The Business Plan presents three agreed objectives:
- Embracing our customer needs and expectations;
 - Maximisation of technology to reduce costs and continue to improve the way the Partnership works; and
 - Valuing, supporting and development of staff.

The Plan also includes action plans and targets to achieve these objectives.

- 3.3 The key projects for 2022/23 will be:
- Improvements to the online portal to facilitate other forms of building regulation notifications;
 - Improvements required to the quality and consistency of plan checking and site inspections;
 - Development of the back-office system to improve enforcement activity; and

- Training and evidencing of surveyor competencies and capabilities to attain the required licenses under the new Building safety Bill.
- 3.4 These items will form the focal point in the year ahead and underpin the objectives for the Delivery Plan (Appendix III).
- 3.5 The new three-year Business Plan will take the Authority beyond the third term of the partnership and handle the very significant legislative changes to the building control environment following the Grenfell Inquiry.

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.
- 4.2 Additionally, many building control services are currently experiencing severe shortage in available qualified building control staff. Whilst STG has not been immune to the impacts of such a skills shortage, the combined resources available as a partnership has demonstrated clear resilience benefits and an ability to bring in training opportunities which smaller individual authority services would struggle to provide.
- 4.3 However, it should be noted that the Partnership will be undertaking a review of the Shared Service employment offer to new recruits because of the ongoing pressures arising from the national and local skills shortages and the competition for the limited available skills from the private sector.

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 £ (6.1%) from 2021/22 to 2024/25. (These figures take into account the temporary 1.25% rise in National Insurance contributions)</p> <p>The contributions for Swale BC are as follows:</p> <table border="1" data-bbox="564 846 1509 1155"> <thead> <tr> <th>Year</th> <th>Contribution (£'s)</th> <th>Change from previous year (£'s)</th> </tr> </thead> <tbody> <tr> <td>2021/22</td> <td>65,220</td> <td>+2,182(+3.5%)</td> </tr> <tr> <td>2022/23</td> <td>67,961</td> <td>+2,737(+4.2%)</td> </tr> <tr> <td>2023/24</td> <td>68,602</td> <td>+641(+0.9%)</td> </tr> <tr> <td>2024/25</td> <td>69,261</td> <td>+659 (+1.0%)</td> </tr> </tbody> </table> <p>At Swale, the Medium Term Financial Plan will accommodate the proposed contributions as stated above.</p>	Year	Contribution (£'s)	Change from previous year (£'s)	2021/22	65,220	+2,182(+3.5%)	2022/23	67,961	+2,737(+4.2%)	2023/24	68,602	+641(+0.9%)	2024/25	69,261	+659 (+1.0%)
Year	Contribution (£'s)	Change from previous year (£'s)														
2021/22	65,220	+2,182(+3.5%)														
2022/23	67,961	+2,737(+4.2%)														
2023/24	68,602	+641(+0.9%)														
2024/25	69,261	+659 (+1.0%)														
Legal, Statutory and Procurement	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.															
Environment and Climate/Ecological Emergency	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 Wellbeing	None identified at this stage.															
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage.															

Risk Management and Health and Safety	None identified at this stage.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

7 Appendices

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

- Appendix I: Three year budget build and contribution calculation for 2022-2025;
- Appendix II: Business Plan
- Appendix III: Service Delivery Plan

8 Background Papers

None

APPENDIX I

Three-year Budget Build and Contribution Calculation for 2022/23 to 2024/2025

		<u>2022/23</u> <u>Budget</u>	<u>2023/24</u> <u>Budget</u>	<u>2024/25</u> <u>Budget</u>
Staffing		1,766,825	1,784,726	1,802,627
Premises		59,850	60,960	62,643
Transport		81,526	81,867	82,216
Supplies and Services		148,250	148,710	149,175
Support Services		44,998	44,998	44,998
Total Cost:		<u>2,101,449</u>	<u>2,121,261</u>	<u>2,141,659</u>
Contributions		323,623	326,674	329,815
Income		1,777,826	1,794,587	1,811,844
Total Income		<u>2,101,449</u>	<u>2,121,261</u>	<u>2,141,659</u>
Chargeable	84.6%	1,777,826	1,794,587	1,811,844
Non-Chargeable	15.4%	323,623	326,674	329,815
		<u>2,101,449</u>	<u>2,121,261</u>	<u>2,141,659</u>
Authority and Agreed Percentage				
		<u>2022/23</u> <u>Budget</u>	<u>2023/24</u> <u>Budget</u>	<u>2024/25</u> <u>Budget</u>
Canterbury - 23%		74,433	75,135	75,858
Gravesham - 15%		48,543	49,001	49,472
Medway - 41%		132,685	133,936	135,224
Swale - 21%		67,961	68,602	69,261
		<u>323,623</u>	<u>326,674</u>	<u>329,815</u>

[Figure 1]



Building Control Partnership Business Plan 2022-2025



Director
Version No.
Last updated

Janine Weaver
2
3rd November 2021

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C O N T E N T S

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3	Partnership Overview	5
4	Partnership Strategy	9
5	Business Environment	15

1. Executive Summary

- 1.1. The Building Safety Bill represents the biggest shake up of the building regulations since the 1984 Building Act and will have a significant impact on building control teams.
- 1.2. The Bill sets up a new Building Safety Regulator (BSR) within the Health and Safety Executive and will oversee the safety and standards of all buildings, implement the new regulatory regime for higher-risk buildings and assist and encourage competence among the built environment industry and registered building inspectors.
- 1.3. All surveyors will have to be registered with the BSR regardless of whether they work on higher-risk buildings. This means all surveyors will have to have their competency assessed and validated.
- 1.4. There will be a new professional structure for building control covering both local authority and approved inspectors who will be renamed as registered building control approvers. There will be sanctions and criminal charges available that can be brought against anyone passing themselves off as this.
- 1.5. Under the proposed amendments to the Building Act, the BSR will oversee the performance of the whole building control profession through a robust process of monitoring, analysis, reporting and sanctions. This will apply across all building control work, not just on in-scope buildings and as such will impact all building control teams and professionals in England.
- 1.6. Powers will be given to the BSR to intervene and direct both public and private building control bodies to rectify any unsafe practices and they will create new operating standards for both. Specified building control functions will only be able to be executed by considering advice from a 'registered building inspector'. The building control profession will have various classes of registration dependent on complexity of work and competence.
- 1.7. Significantly, Section 38 of the Building Act 1984, Civil Liability, - for breach of the requirements of the Building Regulations will be commenced upon the enactment into law of the Building Safety Bill.

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 2021. Therefore, the financial table, in figure 1, is a forecast for 2022/2023 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 authority's medium-term financial plan.
- 2.3. All building control providers will be expecting rising salaries and training costs to be the biggest impact in the coming years as a consequence of the changes Government is bringing to the building control profession.
- 2.4. The most significant introduction under the Building Safety Bill is that of the 'Registered Building Inspectors' (RBI) where certain activities, such as inspections for the purposes of building control, will now only be able to be undertaken by an appropriately qualified and registered building inspector. Therefore, to inspect controlled work (Restricted Activity), which Government will specify in secondary legislation, and before a Restricted Function is undertaken, the Local Authority must obtain the advice of a suitably competent RBI (in-house or bought in), will have to employ staff who are RBIs at the respective grades and levels to undertake the activity at that level.
- 2.5. The mandatory registration that Government is introducing is about ensuring surveyors have the proven competence or proof of the required experience at the requisite level to work on the specific categories of developments:
 - Domestic
 - New Dwellings
 - Low Risk (Non-Residential)
 - High Risk (Residential & Non-Residential)

With specialisms potentially in:

- Building Regulation Fire Safety on Higher Risk Buildings
- Public Safety at Large Events
- Regulatory Enforcement

- 2.6. Surveyors will be required to undergo training/examination for each category in order to be licenced to work on that type of development. Timescale for registration is likely to be April 2023, but this will depend on timing of Royal Assent, with re-registration on a four-year cycle.
- 2.7. In this highly competitive market, there is already a lack of building control surveyors and the requirement to evidence competency will compound this with the more competent surveyors becoming more sought after. More experienced surveyors at the upper end of the age profile may also consider that this may be the opportune time to retire.
- 2.8. Operational standards will need to change to accommodate the required changes, compete within the market to keep and grow resources and still deliver the service.
- 2.9. To progress the partnership, there also needs to be continued investment in the development of our IT system. The expansion of alternative and complementary services reliant on customer self-serve and interaction to reduce pressure on the service.

Three-year Budget Build and Contribution Calculation for 2022/23 to 2024/2025

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		<u>323,623</u>	<u>326,674</u>	<u>329,815</u>

[Figure 1]

Re-grading and training costs as a requirement of the Government changes to surveyor licencing under the Building Safety Bill are not included within the above financial forecast.

This financial information will be provided once available.

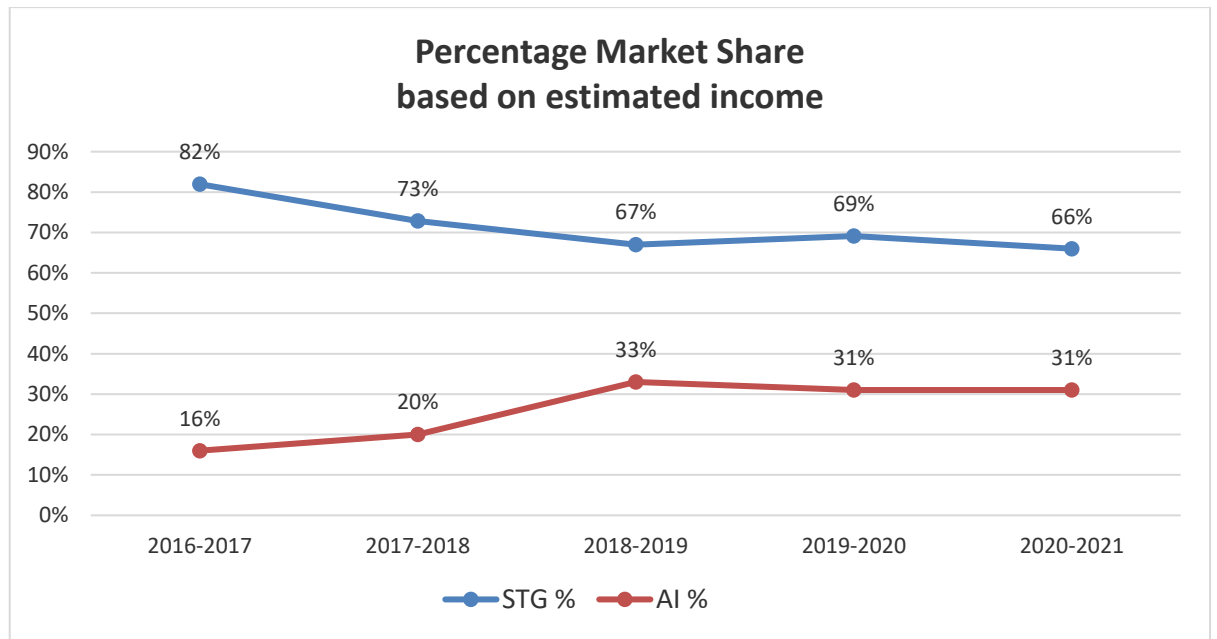
3. PARTNERSHIP OVERVIEW

- 3.1. The building control partnership's 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 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. It is extremely difficult assessing market share lost to approved inspectors. There is no information available on the fees generated from the initial notices and with the market so competitive, we know that quotes for work are now often 50%-60% less than would have been charged three years ago.
- 3.8. Also, we often have several initial notices deposited for one site, each of these must be registered but only one will win the contract to supervise the site so the other two have eventually to be cancelled. We also receive

initial notices for speculative building, shortly after they have received planning permission and again these are registered and may only be cancelled some two or three years later when the development does not go ahead.

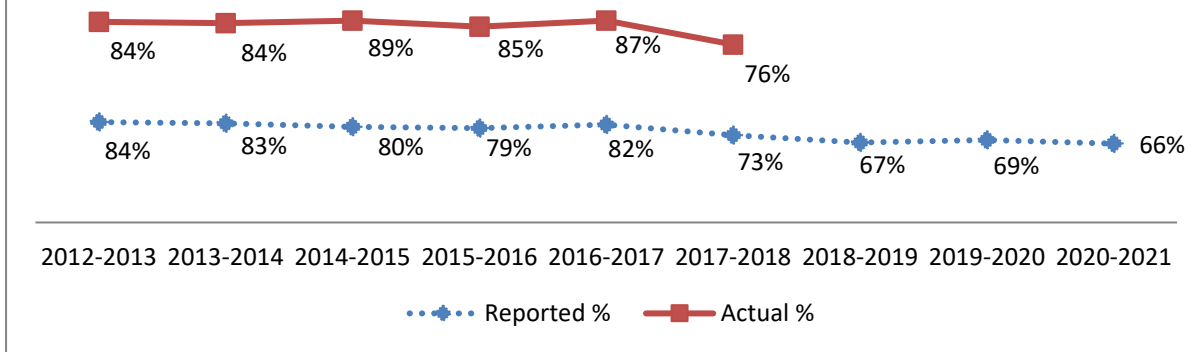


[NB: 2018/2019 incorporated fourth partner authority]

3.9. 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. Since 2016 we have had 515 initial notices with an estimated income of £276,817, cancelled or withdrawn.

3.10. 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.

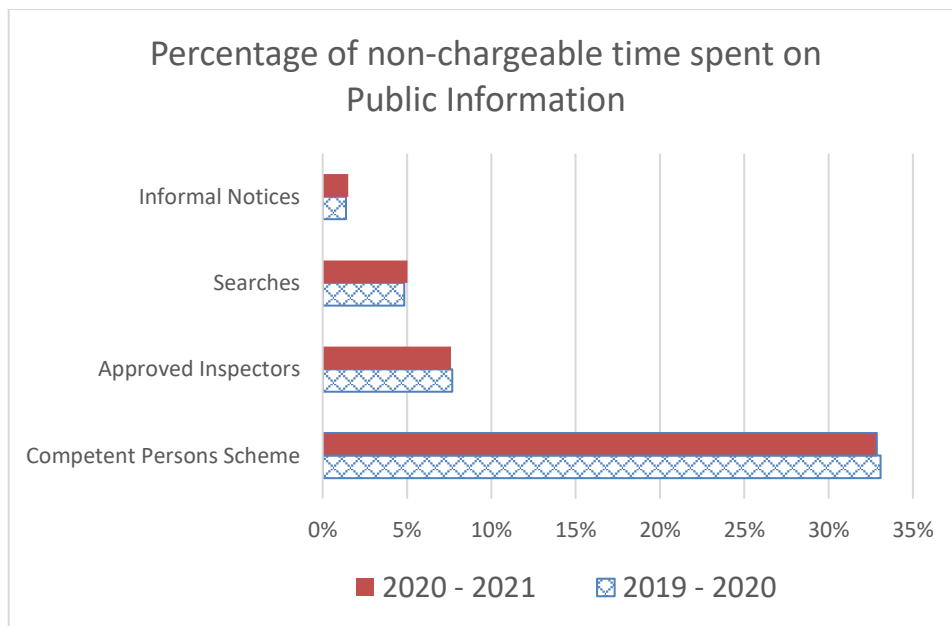
Comparison on reported & actual percentage Market Retention based on estimated income



Partner contributions

3.11. The partner contributions pay for much of the partnerships works that is designated as public protection and often falls as a duty or responsibility on the Local Authority such as: dangerous structures, demolitions, unauthorised work and enforcement and the administration of the approved inspector legislation.

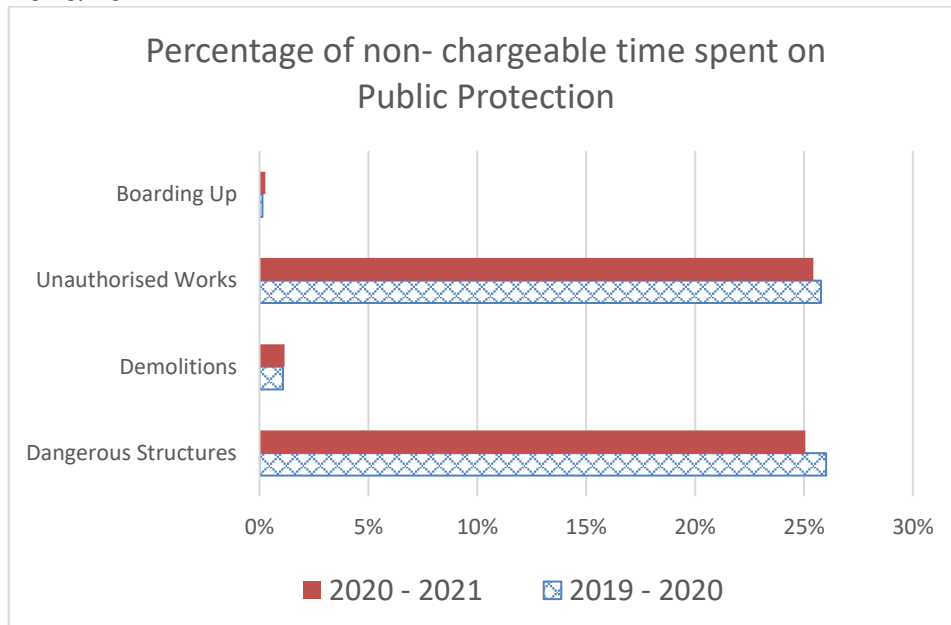
3.12. The charts below show comparisons of the time spent on the non-fee chargeable work through public information for 2019/2020 and 2020/2021.



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

3.13. 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.

3.14. The chart below shows comparisons of the time spent on some of these non-chargeable works through public protection for 2019/2020 and 2020/2021.



3.15. 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 act and resolve any dangerous issues.

3.16. 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 may place a charge on the property for recovery at some late date.

Consultancy

3.17. 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 for Medway Councils' social housing stock.

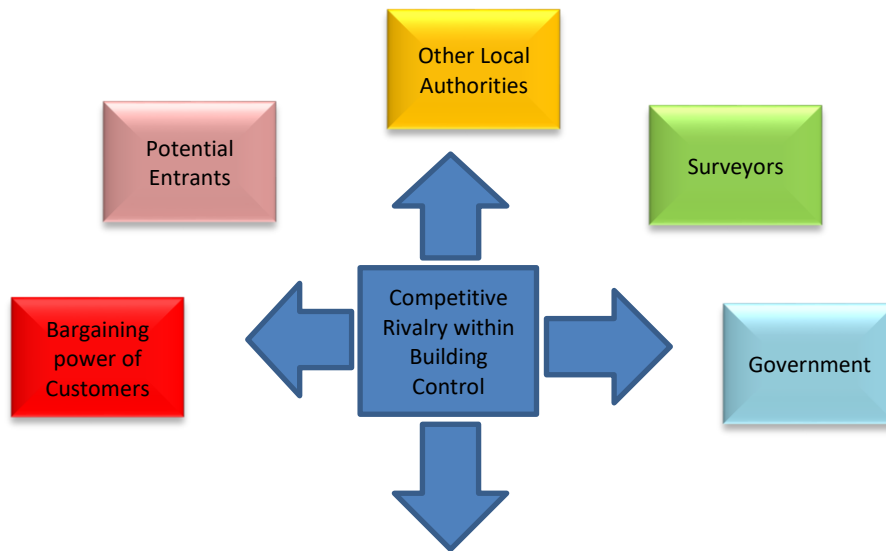
3.18. We continue to review other services which could be provided through the consultancy and have through 2020/2021 have assisted Swale Borough Council with regards to climate change on planning conditions.

4. Partnership Strategy

- 4.1. For all those involved in the construction and re-development of properties, there are changes happening to Building Regulations Part L (Conservation of Fuel & Power) and Part F (Ventilation) which will significantly impact the requirements for energy efficiency from 2021. The Government is aiming to make non-domestic buildings greener and more efficient. The plans have been many years in the making and are driven by the need for building energy regulations to align with the low and zero-carbon Government commitments.
- 4.2. Heating and powering buildings currently account for 40% of the UK's total energy usage. In 2019, the Government introduced a legally binding target to reduce greenhouse gas emissions to net zero by 2050. There is significant progress that is needed if this target is to be met. The new measures will not just apply to new-builds but to existing buildings where relevant refurbishment works are being undertaken. As many of the non-domestic buildings that will exist in 2050 have already been built.
- 4.3. The Future Buildings Standard aligns with the domestic Future Homes Standard and will regulate new homes. The new standard covers the revision of Part L for non-domestic buildings. Part L, which regulates heating, lighting, and hot water energy use in buildings, has not had any major revisions since 2013. This has been recognised for many years as hindering progress with some councils insisting on standards which exceed the regulation to grant planning permission.
- 4.4. Alongside this is the review of Part F, which regulates ventilation, which is targeting the reduction of the risk of overheating in new homes to reduce carbon emissions.
- 4.5. The Future Homes Standard proposes a ban on fossil fuel boilers from 2025 and a decrease in emissions of 75% to 80% compared with current levels. In the interim the aim is achieving a 31% reduction in 2021 and greater use of heat pumps for heating over traditional methods. The Future Buildings Standard is similar in structure and includes an interim target for 2021 but has no longer term goal for 2025.
- 4.6. In July 2020, the Government published its draft Building Safety Bill which included substantial changes to the Building Act required to make the building regulation system safer following the Grenfell tragedy. When enacted these changes will revolutionise the whole building control system and will place significant new duties and risks on all local authorities in England.
- 4.7. The draft Bill sets up a Building Safety Regulator (BSR), with three of its main functions being:

- To oversee the safety and standards of all buildings
 - To directly regulate the safety of higher-risk buildings (HRBs) during construction and after occupation
 - To improve the competence of all those involved in the construction and management of HRBs
- 4.8. The Regulator will be able to request local authorities and fire and rescue authorities to support its work by providing staff or information and if necessary, it will have the power to direct them to do so. Local authorities will be reimbursed for the costs of this support.
- 4.9. The HSE as the new Building Safety Regulator will be overseeing the performance and standards of all building control bodies (public and private sector) and professional not just for HRBs. Local authorities will be exposed to greater responsibilities and risks and local authority building control teams will take on additional work and will have stronger powers and sanctions.
- 4.10. Under the new regime, all building control teams in both public and private sector building control will have to demonstrate it has the ongoing capacity, competence, and resilience to work on all buildings and individual building control surveyors will have to be registered to practise. Teams will have to regularly report on performance and operating standards and individual surveyors will need to regularly prove their competence through a third-party accreditation scheme.
- 4.11. All local authority building control teams will require investment in:
- Additional professional surveyors
 - Recruitment of trainees
 - Formal learning and structured CPD to ensure professional staff pass their competence and registration exams and can maintain registration.
 - ISO quality management systems and independent external audits
 - Back-office processes and IT links with the BSR, fire and rescue authorities and LABC to supply mandatory application information and inspection records.
- 4.12. The resource market is shrinking, the demand for more experienced and qualified surveyors is becoming more competitive and the requirements and challenges to operate as a surveyor are becoming more multifaceted.
- 4.13. Building Control operates in a competitive market to provide the building regulation service for every building project. Our competitive environment

includes components both inside and outside the partnership, has and will continue to significantly change.



[Michael Porters, Competitive Strategy]

Bargaining power of customers

Customer bargaining power is high and influences the service in terms of price. In many cases, builders determine the building control provider and want the least intervention at the lowest cost.

Potential entrants

The scheme of Approved Inspectors was introduced by the Building Act 1984. Prior to this the role of ensuring that a project complied with Building Regulations was solely carried out by Local Authorities' building control departments. After this, the role of ensuring compliance could be carried out by either depending on what the customer decided.

Over the years approved inspector operations have shifted from a national level to a regional, engaging individuals across the country to work from home. Also, more and more individual approved inspectors are forming each year.

Other local authorities

Under the Local Authority Partnering Scheme, partner architects and developers can benefit from being able to operate in multiple locations with many local authorities. This enables work to remain within local authorities and not lost to the private sector.

Competition is also between authorities to recruit experienced and qualified surveyors to replace retiring staff or those that have left for the private sector.

Surveyors

The bargaining power of surveyors will continue to increase as they are able to leverage their circumstances to achieve the most beneficial salary packages.

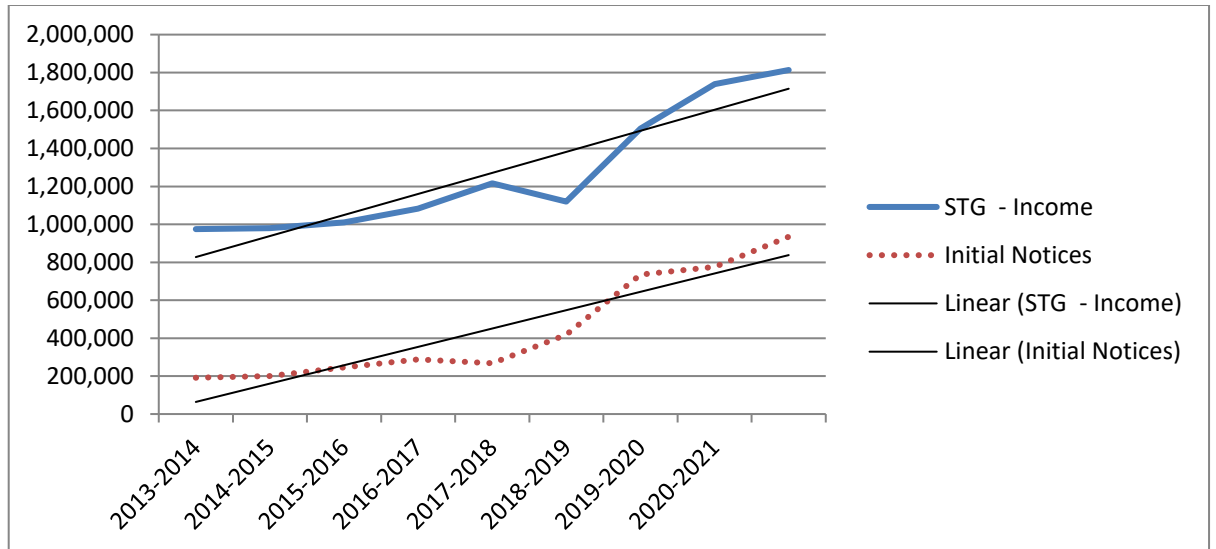
Government

The Building Safety Bill will require validation for surveyors' competency which will become an integral part of the building control surveyor role requiring greater investment and resourcing. This will ultimately lead to a proficiency tiering of surveyors; domestic, non-domestic, high-rise.

- 4.14. According to Inside Housing, the number of building control surveyors employed by councils has fallen by 27.4% in the last decade. A Freedom of Information request from 85 councils indicated that 707 surveyors were employed in December 2010, but this had fallen to 513 by December 2020. One council went from 10 surveyors to two. If the figure is replicated across the country, it would mean councils have lost around 1,400 surveyors across the decade at the time when the country is facing a major building safety crisis.
- 4.15. The research carried out showed that many other authorities have cut staffing levels in their building control departments. Around 38% of those have cut their teams by more than a third. The reduction may also have been exacerbated as a result of retirements and following a central government requirement from 2010 to make building control services 'cost neutral', alongside the freedom to set their own fees locally.
- 4.16. At the Grenfell Tower enquiry, the former surveyor for The Royal Borough of Kensington and Chelsea cited the pressure created by staff reduction from 12 to five at the council as a reason for errors.
- 4.17. When the partnership was formed in October 2007 it employed 16 site surveyors, but this has fallen to 10 (a cut of 37%) by March 2021. When Canterbury joined in April 2018, 4 surveyors were employed and this has fallen to 3, a cut of 25%. STG also has 3 trainee building control surveyors.

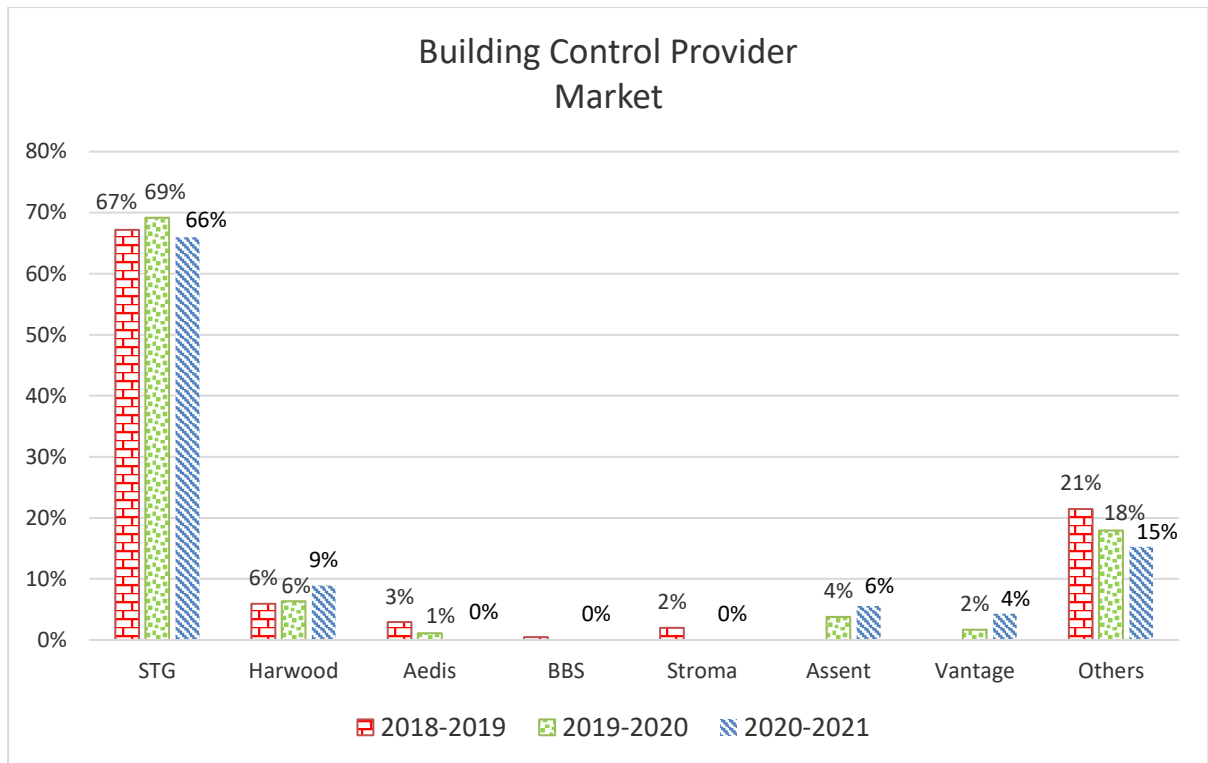
4.18. This dropped has been due to natural retirements, significant competition from the private sector for staff and to reduce operational costs. We need to be committed to developing a stronger in-house team by regrading surveyors accordingly to domestic and non-domestic as well as recruiting more staff.

4.19. 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 2020/2021, this demonstrate that the ongoing trend differences remains consistent.



4.20. The building control provider landscape has changed over time with the early years of the partnership seeing a general mix of local and regional providers. For several years our main competitors were local providers, however, the larger regional companies have progressively acquired local approved inspectors to enable them to provide national coverage.

4.21. The chart below shows our main competitors and how the share of the market has changed over the last three years.



4.22. There are more and more small non-corporate AIs' establishing themselves in the market with minimal overheads. As became evident from the collapse of Aedis Approved Inspector in 2019 and several others, the site inspection records were minimal or non-existent and largely relied upon photographic evidence. This ties in with what we see on some surveyor CVs where they record their job as 'home based site inspector'.

4.23. The other way we understand AIs are leveraging their brand, is by aligning themselves with similar providers to enable the companies to benefit from each other while escalating their reach by appearing bigger than they are.

4.24. Salaries within building control are constrained by the authorities pay scale structure. A structure that whilst it enables other services to compete on a level playing field for staff is a disincentive for building control where staff can work in the private sector for more money and without the problems of dealing with enforcement, dangerous structures, or political accountability.

4.25. We cannot compete on all levels, however, if we are to encourage staff to remain or compete for suitably experienced and qualified staff the grading structure needs to be fit for the purpose.

5. Business Environment

- 5.1. Net zero by 2050, the notion that we reduce carbon emissions to a level where we are no longer adding to the stock in the atmosphere. In April 2021, the Government announced to set in law the world's most ambitious climate change target, cutting emissions by 78% by 2035 compared to 1990 levels.
- 5.2. Retrofitting existing buildings to make them net zero carbon is the biggest challenge the construction industry will face in meeting the UK's goals. The industry needs to invest in training in how to construct and retrofit buildings to Passivhaus standards and use of heat pump technologies. Training will be required not only for installers but also occupants in terms of the new technologies required.
- 5.3. It is crucial that a fabric-first approach is taken to reduce the energy demand of buildings before changing their heat source to electric.
- 5.4. Construction companies need to identify the role of their organisation and employees in achieving the targets. Industry and individuals do not currently know what net zero requires and they also need the time to identify and then fill the skills gap.
- 5.5. A survey conducted by Construction Manager found 86% of industry professionals consider current training provisions 'inadequate'. Of those polled, 79% said it was 'not easy' to find suitable net zero training, and of those that had undertaken a course, almost two-thirds said they did not deliver the skills required. Courses on traditional (pre-1919) buildings and retrofit were seen as the weakest, with 35% and 29% respectively of respondents describing training they had taken as 'not useful'.



Building Control Partnership
Delivery Plan
2022-2025



Director
Version No.
Last updated

Janine Weaver
2
3rd November 2021

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Executive Summary

The Delivery Plan Update sets out our ongoing work and plans to meet our 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 1143 inspections carried out and with ongoing monitoring of 244 dangerous structures in 2020/2021.

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

- 3 Assistant Building Control Surveyors advance their training path to becoming Building Control Surveyors.

- 2 Building Control Surveyors progressing on the BSc (Hons) in Building Control degree at the University of Wolverhampton.
- 1 Technical Administrator completed the LABC Level 3 in Building Control Technical Administration.
- 1 Technical Administrator commenced a HNC in Construction.

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 12,354 site inspections were carried out in 2020/2021.

This Delivery Plan lays out our objectives and outputs for the 2022/2023 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 2022-2023

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 2022/2023, we will:

- 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 2022/2023, we will:

- Expanding our partnering to engage with more architects/builders to increase our client base and build long-term relationships.
- Carry out a competitor survey to either corroborate previous survey results as to who chooses the building control provider or establish any market change.

What we plan to deliver in 2022-2023

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. Our safeguarding has expanded to incorporate a direct call device to the out-of-hours control centre for surveyors attending dangerous structures out of hours.

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

During 2022/2023, 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 2022/2023, we will:

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

What we plan to deliver in 2022-2023

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.

During 2022/2023, 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 the Building Safety Bill and climate change, reducing the carbon footprint.

During 2022/2023, 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 2022/2023, we will:

- Undertake the mandatory registration of surveyors as prescribed by Government.
- Investigate operational changes to facilitate staff retention and future-proofing the partnership.
- 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:

- Place: Medway: a place to be proud of
- People: Supporting Medway's people to realise their potential
- Growth: Maximising regeneration and economic growth – growth for all

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.
- 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, Fire Risk Assessment, Energy advice on Planning applications

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

- Investing in our environment and responding positively to global – Swale priority
- Building the right homes in the right places and supporting quality jobs for all – 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
- 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
- Place: Medway a place to be proud of - 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. 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. 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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Host Directorate: RCET			Service: STG Building Control		Manager: Janine Weaver	Portfolio Holder: STG Joint Committee
Risk Title: Finance and Strategy					Description of Risk: Reduced income	
Date	Risk No	Risk Rating	Vulnerability	Trigger	Consequences if Risk Realised	Mitigation/Action Points for Risk Owners
13/08/21	01	B2	Inability to recruit staff in a competitive market from a	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

Host Directorate: RCET			Service: STG Building Control		Manager: Janine Weaver	Portfolio Holder: STG Joint Committee
Risk Title: Finance and Strategy					Description of Risk: Reduced income	
Date	Risk No	Risk Rating	Vulnerability	Trigger	Consequences if Risk Realised	Mitigation/Action Points for Risk Owners
			reducing pool of resource			continue recruitment of assistants from other areas in the construction industry.
13/08/21	02	B2	Surveyors failing the mandatory registration to achieve the necessary licence to work on various categories of developments	Unable to provide sufficient licensed surveyors to carry out inspections	Inability to deliver the service resulting in additional staff brought in from other authorities or agencies which would significantly increase costs.	Ensure staff have sufficient time to undertake examination and investigate grading structure to decrease risk of poaching from private sector.
13/08/21	03	D2	Current infrastructure unable to support development of technological advancements in service delivery	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
13/08/21	04	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

Host Directorate: RCET				Service: STG Building Control		Manager: Janine Weaver		Portfolio Holder: STG Joint Committee	
Risk Title: Finance and Strategy						Description of Risk: Reduced income			
Date	Risk No	Risk Rating	Vulnerability	Trigger	Consequences if Risk Realised		Mitigation/Action Points for Risk Owners		
13/08/21	05	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.		
13/08/21	06	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.		
13/08/21	07	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		

Host Directorate: RCET				Service: STG Building Control		Manager: Janine Weaver		Portfolio Holder: STG Joint Committee	
Risk Title: Finance and Strategy						Description of Risk: Reduced income			
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							invoicing and debt collection from the finance department.		
13/08/21	08	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.		
27/09/21	09	B2	Insufficient numbers of surveyors to maintain dangerous structure out-of-hours rota	60% operational full-time staff	Staff brought in from agencies which would significantly increase costs.		Careful monitoring of rota and if levels forecasted to drop conduct staff consultation to reach agreement on future delivery		

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Cabinet Meeting	
Meeting Date	09 February 2022
Report Title	Procurement of Agency Staff Services
Cabinet Member	Cllr Roger Truelove, Leader and Cabinet Member for Finance
SMT Lead	Larissa Reed, Chief Executive
Head of Service	Bal Sandher, Head of MKS HR
Lead Officer	Debbie Fallis, HR Manager
Key Decision	Yes
Classification	Open
Recommendations	1. That the Cabinet approves the appointment of Matrix SCM Ltd as the recommended provider for vendor neutral agency service provision for an initial three-year period with an option to extend for two years

1 Purpose of Report and Executive Summary

- 1.1 The current contract expired on 04 December 2021. The Human Resources team carried out a tender process based on the best performing tender evaluated on 40% price and 60% quality. The neutral vendor service provision is to provide agency staff to the Council.
- 1.2 This report seeks approval from Cabinet to enter into a new contract for the supply of agency staff.

2 Background

- 2.1 Swale Borough Council has been part of a Vendor-Neutral Managed Service contract, first with Comensura and now with Matrix for the supply of temporary agency staff through the Eastern Shires Purchasing Organisation (ESPO) and their Managed Services for Temporary Agency Resources (MSTAR) framework since 2012.
- 2.2 A Managed Service route provides a controlled approach to the management of agency staff. This results in the following benefits: -
 - Adherence to procurement procedures
 - A master database of the agency workers, their pay rates, the commission charged, the length of time in post
 - Comparisons can be made with respect to pay and benefits between agency workers and also between permanent staff to capture a true picture of the establishment

- Improved management control and visibility
- Improved administration procedures by reducing the volume of invoices
- Reduction in risk from the employment of agency staff
- Improved reporting procedures

2.3 'Vendor-neutral' means that the company act as a third party, they are not a direct employer and provider of agency staff but act as a matching service between a company need for temporary staff and an agency's ability to provide workers. The benefits of a vendor-neutral arrangement are: -

- Access to a number of independent recruitment agencies who submit candidates for roles
- Allows clear competition from agencies
- Allows for an equal playing field for smaller agencies to compete

2.4 The contract with our current supplier Matrix SCM Ltd ended on 04 December 2021. A temporary extension is in place.

2.5 The spend for both councils with Matrix SCM Ltd and other agency suppliers is detailed below:

2020/21	Matrix
MBC	£260,000
SBC	£353,500
Total	£613,500

2.6 In accordance with the principles of good governance and procurement standards the contract has now been re-tendered. This was undertaken using the help and assistance of the Maidstone procurement team on behalf of Maidstone and Swale councils. The decision was taken to continue with a vendor –neutral managed service provider rather than a preferred supplier agency (i.e. where that agency is the direct employer of all the agency staff supplied) as the range and access to specialist skills is greater.

2.7 The opportunity was advertised in accordance with Maidstone Borough Council's current contract standing orders, with interested parties asked to complete an Invitation to Tender. Four tenderers replied.

2.8 Three tenderers were non-compliant tenders and were excluded from the process.

2.9 The remaining compliant tenderers submission was reviewed, and it was agreed that their submission was satisfactory and met the service requirements.

2.10 Some key additions to the new current contract with Matrix will be:-

- Matrix are required to bring on board specialist agencies who have relevant skilled workers who would be able to fulfil the required roles.
- The councils will continue to have off contract spend to ensure roles are filled.
- The rates applicable to be paid by the councils if temporary staff are made permanent have reduced to the supplier only in circumstances where a charge is legitimate are:

0-5 weeks 10% (was 12.5%)

5-10 weeks 5% (was 7.5%)

10-14 weeks 2.5%

14 weeks + no charge

2.11 Matrix SCM Ltd hold contracts with authorities close to Swale and Maidstone Councils, including Ashford Borough Council, Thurrock Council, Essex County Council and Basildon Council. They are keen to ensure that the use of local agency staff is encouraged and demonstrated a good customer understanding.

3 Proposal

3.1 Cabinet is requested to approve the proposal to enter into a contract with Matrix SCM Ltd for 3 years with the option to extend the contract for a further 2 years, totalling 5 years subject to satisfactory performance.

4 Alternative Options

4.1 The decision could be to carry out a procurement exercise to appoint multiple agencies. However, this will cause additional cost implications by departments paying any agency rates that are quoted, administration of more invoices as these will no longer be managed through one central point, and increased costs of appointing agency staff to permanent roles as finders' fees will be applied.

5 Consultation Undertaken or Proposed

5.1 Managers who regularly make use of agency staff, the Procurement Team, and the Strategic Management Team have been consulted in preparation of this report.

6 Implications

Issue	Implications
Corporate Plan	Appointing a contractor that meets a good quality standard and provides good value for money contributes towards all the corporate priorities as it ensures that the staff resources of the Council's assets are optimised.

Financial, Resource and Property	Anticipated annual spend on the contract is £500,000. The total contract value for the three years is therefore, estimated as £1,500,000.
Legal, Statutory and Procurement	The contract will be the standard Council contract and undertaken using the Council's current Terms and Conditions. There is a requirement under the Agency Workers Regulations 2011 to ensure that agency workers that have a minimum 12 weeks service are given the same basic employment conditions as permanent staff. Matrix has developed software to manage the regulations and track the length of assignments so that we are compliant with the regulations.
Crime and Disorder	None identified.
Environment and Sustainability	None identified.
Health and Wellbeing	None identified.
Safeguarding of Children, Young People and Vulnerable Adults	None identified.
Risk Management and Health and Safety	Not using a neutral vendor for supply of temporary staff will have a significant impact on the control and governance of the process for resourcing agency staff. There will be a risk of not being able to accurately report on agency spend as this will no longer be reported centrally through one system, and the risk of inadequate checks being carried out before being appointed to jobs. In addition, there will be issues on providing responses to FOI requests.
Equality and Diversity	There are no equality and diversity implications in assigning the contract to Matrix.
Privacy and Data Protection	Matrix currently meet the required Privacy and Data Protection requirements.