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TONBRIDGE & MALLING BOROUGH COUNCIL

EXECUTIVE SERVICES

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NB - This agenda contains proposals, recommendations and options. These do not represent Council policy or decisions until they have received proper consideration through the full decision making process.

Contact: Democratic Services
committee.services@tmbc.gov.uk

3 February 2021

To: MEMBERS OF THE CABINET
(Copies to all Members of the Council)

Dear Sir/Madam

Your attendance is requested at a meeting of the Cabinet to be held online via Microsoft Teams on Thursday, 11th February, 2021 commencing at 7.30 pm. Information on how to observe the meeting will be published on the Council's website.

Yours faithfully

JULIE BEILBY

Chief Executive

A G E N D A

PART 1 - PUBLIC

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Members in any doubt about such declarations are advised to contact Legal or Democratic Services in advance of the meeting

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Due to the deadlines for preparing the agenda, the Notes of any meetings held between 26 January and 11 February 2021 will be reviewed by Cabinet at the meeting to be held on 16 March 2021.

Matters for Recommendation to the Council

6. Setting the Budget 2021/22 21 - 120

Further to reports to the meeting of the Finance, Innovation and Property Advisory Board and Overview and Scrutiny Committee earlier in the cycle, this report updates Cabinet on issues relating to the Medium Term Financial Strategy. It also takes Members through the necessary procedures in order to set the Budget for 2021/22.

7. Setting the Council Tax 2021/22 121 - 130

This report takes Cabinet through the process of setting the level of Council Tax for the financial year 2021/22 and seeks Cabinet's recommendations.

8. Local Council Tax Reduction Scheme 2021/22 131 - 132

A report providing the link to view the Draft Tonbridge & Malling Borough Council Local Council Tax Reduction Scheme 2021/22, requesting Cabinet Members to approve and recommend the updated draft Scheme to Full Council.

9. Risk Management 133 - 172

The report asks Members to review the Risk Management Strategy and accompanying Risk Management Guidance and to recommend its adoption by Full Council.

The report also provides an update on the risk management process and the Strategic Risk Register.

Item PE 20/26 referred from Planning and Transportation Advisory Board of 11 November 2020

Item SSE 20/24 referred from Street Scene and Environment Services Advisory Board of 8 December 2020

Item FIP 21/6 referred from Finance, Innovation and Property Advisory Board of 6 January 2021

Matters submitted for Information

The Decisions taken under Emergency Provisions since the last meeting of Cabinet are attached:

- D210001EM (Business Support Grants – Tier 4 and Lockdown)
- D210002EM ((Revised) Additional Restrictions Grant (ARG) Scheme – January 2021 (Lockdown Support)

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

Matters for consideration in Private

The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

PART 2 - PRIVATE

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

MEMBERSHIP

Councillor N J Heslop, (Leader) and (Economic Regeneration)
Councillor R P Betts, (Street Scene and Environment Services)
Councillor M A Coffin, (Finance, Innovation and Property)
Councillor D Lettington, (Strategic Planning and Infrastructure)
Councillor P J Montague, (Housing)
Councillor M R Rhodes, (Community Services)

Members of the Council who are not members of the executive may attend meetings of the Cabinet. With the agreement of the Leader, any such Member may address the Cabinet on any item on the agenda but may not vote.

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Apologies for absence

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Declarations of interest

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TONBRIDGE AND MALLING BOROUGH COUNCIL

CABINET

Tuesday, 26th January, 2021

Present: Cllr N J Heslop (Chairman), Cllr R P Betts, Cllr M A Coffin, Cllr D Lettington, Cllr P J Montague and Cllr M R Rhodes

Councillors Mrs J A Anderson, M C Base, Mrs S Bell, J L Botten, M D Boughton, V M C Branson, G C Bridge, A E Clark, M A J Hood, F A Hoskins, S A Hudson, D W King, K King, J R S Lark, Mrs A S Oakley, W E Palmer, H S Rogers, R V Roud, J L Sergison and T B Shaw were also present pursuant to Access to Information Rule No 23.

PART 1 - PUBLIC

CB 21/1 DECLARATIONS OF INTEREST

There were no declarations of interest made in accordance with the Code of Conduct.

CB 21/2 MINUTES

RESOLVED: That the Minutes of the meeting of the Cabinet held on 14 October 2020 be approved as a correct record and signed by the Chairman.

CB 21/3 MATTERS REFERRED FROM ADVISORY BOARDS

The Notes of the meetings of the following Advisory Boards were received, any recommendations contained therein being incorporated within the decisions of the Cabinet reproduced at the annex to these Minutes. Any financial matters were referred to the Budget meeting of the Cabinet to be held on 11 February 2021.

- Economic Regeneration Advisory Board of 3 November 2020
- Communities and Housing Advisory Board of 10 November 2020
- Planning and Transportation Advisory Board of 11 November 2020
- Street Scene and Environment Services Advisory Board of 8 December 2020
- Finance, Innovation and Property Advisory Board of 6 January 2021

RESOLVED: That the report be received and noted.

CB 21/4 MATTERS REFERRED FROM ADVISORY PANELS AND OTHER GROUPS

The Minutes of the meetings of the following Advisory Panels and other Groups were received, any recommendations contained therein being incorporated within the decisions of the Cabinet reproduced at the annex to these Minutes.

- Parish Partnership Panel of 12 November 2020

RESOLVED: That the report be received and noted.

MATTERS FOR RECOMMENDATION TO THE COUNCIL

CB 21/5 REVIEW OF CCTV - RECOMMENDATIONS FROM OVERVIEW AND SCRUTINY COMMITTEE

Decision Notice D210010CAB

The Cabinet reviewed the recommendations of the Overview and Scrutiny Committee of 3 December 2020 regarding the CCTV operation. Consideration was also given as to whether the recommendations presented an opportunity to identify funding to support wider Community Safety Partnership initiatives, such as those identified at the previous meeting of Cabinet on 14 October 2020.

Subsequent to the publication of the agenda, the Monitoring Officer had confirmed that as the proposals did not make any changes to the approved Budget and Policy Framework, the recommendations were the responsibility of the Executive and not Council.

RESOLVED: That

(1) the recommendations of the Overview and Scrutiny Committee of 3 December 2020, as set out in paragraph 1.1.5 of the report, be noted; and

(2) prior to a final decision being taken, the further work set out below be undertaken and reported back to Cabinet:

    (i) a review of the appropriate locations for passive only cameras. This to include statistics on the number of times live monitored CCTV had been used by all agencies within the Community Safety Partnership and an analysis of the impact of moving to passive CCTV on those key cameras which were subject of the most reports;

    (ii) a detailed financial analysis to include any possible exit costs; and

    (iii) an evaluation as to whether any savings achieved could contribute to ongoing funding of the Community Safety Partnership priorities and resources.

DECISIONS TAKEN IN ACCORDANCE WITH PART 3 OF THE CONSTITUTION (RESPONSIBILITY FOR EXECUTIVE KEY DECISIONS)

CB 21/6 SECTION 106 PROTOCOL AND MONITORING

Decision Notice D210009CAB

In order to mitigate the impact of development taking place across the Borough, consideration was given to the adoption of a planning obligations protocol and associated monitoring fee. This was intended to provide a clear and transparent framework in respect of how planning obligations, under Section 106 of the Town and Country Planning Act 1990, would be negotiated and secured.

The Planning and Transportation Advisory Board at its meeting of 11 November 2020 had recommended that the Protocol be amended to maintain a level of flexibility to assist and support all types of applicants. A revised Protocol reflecting these comments was attached at Annex 1.

RESOLVED: That

(1) the Planning Obligations Protocol in its revised form be adopted; and

(2) the associated monitoring fee of £300 per planning obligation (as set out at Annex 1 to the report) be adopted.

DECISIONS TAKEN IN ACCORDANCE WITH PART 3 OF THE CONSTITUTION (RESPONSIBILITY FOR EXECUTIVE NON-KEY DECISIONS)

CB 21/7 INNOVATION PARK MEDWAY - ADOPTION OF THE LOCAL DEVELOPMENT ORDER AND MASTERPLAN

Decision Notice D210011CAB

The report sought permission to recommend to Council that the Innovation Park Medway Local Development Order (LDO) was adopted. The LDO set out the principles to bring forward a high quality development that supported growth in the high-value technology, engineering, manufacturing and knowledge-intensive sectors.

In addition, approval was also sought to adopt the Innovation Park Medway masterplan for economic development and marketing purposes.

RESOLVED: That

(1) the content of the report be noted;

(2) the Innovation Park Medway Masterplan be adopted for economic development and marketing purposes;

(3) subject to no legal challenge being lodged against the Medway Council LDO, the Local Development Order, as set out in Appendix A, be commended to the Council for adoption; and

(4) the Council be commended to delegate authority to the Director of Central Services and the Director of Planning, Housing and Environmental Health, in consultation with the Leader and Cabinet Member for Strategic Planning and Infrastructure, to approve any necessary minor amendments to the LDO for the purposes of presentation, improving clarity and consistency with Medway Council.

CB 21/8 CORONAVIRUS UPDATE

Decision Notice D210012CAB

The report of the Chief Executive and the Management Team provided an overview on a number of aspects as the Borough Council and its communities continued to adapt to living with coronavirus. Updates were provided on the key issues, priorities and risks associated with the new national lockdown measures introduced in January 2021.

As a result of the ongoing pandemic, it would be necessary to review the progress of the 1 year Addendum to the Corporate Plan (adopted by Cabinet on 3 June 2020) and reflect on the need for a further Addendum.

Particular reference was made to the financial support provided to businesses and a number of decisions taken under emergency provisions had enabled the Borough Council to distribute grant funding as quickly as possible. It was reported that an additional £3.6 million was due to be distributed to approximately 500 businesses in the forthcoming week.

The Cabinet recorded its appreciation to the Chief Executive, the Management Team and all staff at the Borough Council for their valuable contribution in supporting residents, businesses and communities at this extremely difficult time.

RESOLVED: That

(1) the Borough Council’s ongoing response in respect to Covid-19 be endorsed; and

(2) the Corporate Plan Addendum be reviewed at the end of the first year, in Summer 2021.

CB 21/9 BOROUGH ECONOMIC RECOVERY STRATEGY 2021-23

Decision Notice D210013CAB

Consideration was given to the recommendations from the meeting of the Economic Regeneration Advisory Board of 3 November 2020 (as set out at Minute Number ERG 20/14).

RESOLVED: That the Borough Economic Recovery Strategy 2021-23 be approved.

CB 21/10 RECOVERY OF VOLUNTARY AND COMMUNITY SECTOR

Decision Notice D210014CAB

Consideration was given to the recommendations from the meeting of the Overview and Scrutiny Committee of 3 December 2020 (as set out at Minute Number OS 20/26).

RESOLVED: That the Borough Council continued to:

- Work with voluntary and community sector organisations;
- Develop opportunities to support the sector; and
- Explore new opportunities to provide assistance where appropriate.

CB 21/11 KINGS HILL PARISH COUNCIL - REQUEST FOR ADVANCE OF PRECEPT MONIES

Decision Notice D210015CAB

Consideration was given to the recommendations from the meetings of the Finance, Innovation and Property Advisory Board and Overview and Scrutiny Committee of 6 and 19 January 2021 respectively (as set out at Minute Numbers FIP 21/5 and OS 21/5).

RESOLVED: That

(1) due to the exceptional circumstances, the request from Kings Hill Parish Council for an advance of £60,000, and repayment as set out in the report, be approved so that the payment timescale of 31 January 2021 could be met; and

(2) the recommendations from the Finance, Innovation and Property Advisory Board of 6 January 2021 and the Overview and Scrutiny Committee of 19 January 2021 be noted.

CB 21/12 LEYBOURNE LAKES COUNTRY PARK LEASE

Decision Notice D210016CAB

(Reasons: LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

Consideration was given to the recommendations from the meeting of the Finance, Innovation and Property Advisory Board of 6 January 2021 (as set out at Minute Number FIP 20/19).

RESOLVED: That

(1) a lease for Leybourne Lakes Country Park to the Tonbridge and Malling Leisure Trust be supported in principle;

(2) the decision be deferred to enable a detailed evaluation of the overall transfer proposal to be considered by the Communities and Housing Advisory Board; and

(3) the recommendations arising from the Communities and Housing Advisory Board be considered at a future meeting of the Cabinet.

MATTERS SUBMITTED FOR INFORMATION

CB 21/13 DECISIONS TAKEN UNDER EMERGENCY PROVISIONS

Details of the Decisions taken in accordance with Emergency Provisions were presented for information.

RESOLVED: That the report be received and noted.

CB 21/14 EXCLUSION OF PRESS AND PUBLIC

There were no items considered in private.

The meeting ended at 8.25 pm

Due to the deadlines for preparing the agenda, the Notes of any meetings held between 26 January and 11 February 2021 will be reviewed by Cabinet at the meeting to be held on 16 March 2021.

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 February 2021

Report of the Chief Executive, Director of Finance and Transformation, Leader of the Council and Cabinet Member for Finance, Innovation and Property

Part 1- Public

Matters for Recommendation to Council

1 SETTING THE BUDGET 2021/22

Further to reports to the meeting of the Finance, Innovation and Property Advisory Board and Overview and Scrutiny Committee earlier in the cycle, this report updates Cabinet on issues relating to the Medium Term Financial Strategy. It also takes Members through the necessary procedures in order to set the Budget for 2021/22.

***Members are asked to note that at the time of writing this report, the final settlement has not been received. All figures contained in the report are based on the provisional settlement*.**

1.1 Introduction and Foreword

1.1.1 At the Full Council meeting on 23 February, Members will determine both the Budget and the level of council tax for 2021/22. The detailed Estimates for 2021/22 prepared by your Officers have been carefully considered by the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee. Details are set out at paragraph 1.4 below.

1.1.2 Whilst the primary purpose of this report is for Cabinet to recommend the Budget and resultant level of council tax for 2021/22; as ever, this one year cannot be viewed in isolation. This budget sits within the context of our Medium Term Financial Strategy (MTFS) covering a ten-year period. Financial decisions made in respect of the year 2021/22 will have an impact across the MTFS and upon the required savings and transformation contributions the Council will need to achieve in order to ‘balance its books’ and we must not lose sight of the scale of this particular challenge.

1.1.3 In addition, this year’s budget setting process has had to incorporate the difficult task of estimating the scale of the impact of the Covid-19 pandemic on the Council’s finances both in the short term and over the medium term.

1.1.4 The latest projected funding gap is £475,000. Adding to this sum those initiatives already built into the MTFS, **but not yet delivered**, totalling in excess of £500,000 gives a daunting figure of **£975,000** to be found and delivered within the next four years. The MTFS including the latest project funding gap is discussed in more detail later in this report.

1.1.5 The Localism Act requires a local authority to seek the approval of their electorate via a local referendum if it proposes to raise council tax above the threshold set by the Secretary of State. For the year 2021/22, a referendum will be triggered where council tax is increased by **2%, or more than 2% and more than £5**.

1.1.6 This time last year the MTFS assumed a council tax increase of £5 representing a 2.3% increase in council tax. For the purposes of preparing the budget papers and updating the MTFS an **increase of £5 in 2021/22** has been assumed and each year thereafter.

1.1.7 Attached at **[Annex 1a]** for Members' information is a copy of the Referendums Principles setting out the level of council tax increase for 2021/22 above which the local authority would be required to seek approval of their electorate via a local referendum.

1.1.8 This report necessarily touches on a number of related areas (some of which are complex) that the Director of Finance and Transformation is required to draw to Members' attention in order to provide assurance and advice to aid decision making. The report is, therefore, broken down into sections dealing with the following areas:

- Local Government Finance Settlement
- Kent Business Rates Pool
- Revenue Estimates 2021/22
- Fees and Charges
- Capital Plan
- Treasury Management and Annual Investment Strategy
- Consultation with Non-Domestic (Business) Ratepayers
- Medium Term Financial Strategy Update
- Savings and Transformation Strategy
- Collection Fund Adjustments
- Special Expenses and Parish Council Precepts

- Robustness of the Estimates / Adequacy of the Reserves

- The Chartered Institute of Public Finance and Accountancy Financial Management Code and Financial Resilience Index

- Calculation of Borough Council's Tax Requirement

1.2 Local Government Finance Settlement

Settlement Funding Assessment (Core Funding)

1.2.1 On 17 December 2020, the Secretary of State for the Ministry of Housing, Communities and Local Government, Robert Jenrick MP, made a statement to Parliament on the provisional local government finance settlement for 2021/22. The consultation in respect of the provisional settlement closed on 16 January 2021 and at the time of writing, we have not received the final settlement. We do not, however, anticipate that the final settlement, if not the same as, will be significantly different to, the provisional.

1.2.2 Unsurprisingly the Settlement Funding Assessment (SFA) is for one year only (2021/22) and the Fair Funding Review deferred a further year. This again prolongs the period of 'limbo', which does little to aid medium term financial planning. Furthermore, Business Rates Reforms and the proposed move to a 75% Business Rates Retention Scheme have also been deferred a further year.

1.2.3 Our provisional SFA for the year 2021/22 as shown in the table below is £2,301,752, the same as that received in 2020/21 with the Government again funding what has been referred to as 'Negative RSG'. To put this into context in our case 'Negative RSG' is around £1m and, in turn, giving a SFA of either £1.3m or £2.3m. However, it is important to stress that **funding beyond 2021/22 will be dependent** on the outcome of the expected multi-year settlement to follow and the Fair Funding Review.

New Homes Bonus

1.2.4 Last year legacy payments plus an allocation for the year 2020/21 was paid under the New Homes Bonus (NHB) scheme. This approach has again been adopted comprising legacy payments of £1,849,051 plus an allocation for the year 2021/22 of £360,767 giving a total sum awarded of £2,209,818. This represents a cash decrease of £1,165,245 or 34.5% when compared to the equivalent figure of £3,375,063 in 2020/21.

The future of NHB or a replacement remains the subject of discussion, but at the very least will not continue in its current form leaving one of two options. Firstly, the scheme is withdrawn and not replaced; or alternatively it is replaced, but where the funding stream and sum awarded is much reduced (our working assumption).

Lower Tier Services Grant

1.2.5 This is a new (one-off) grant allocation in the sum of £665,485 to ensure no council sees a year on year reduction in core spending power as calculated by the government.

Government Grant Funding (SFA + NHB + LTSG)

1.2.6 Government grant funding for the year 2021/22 as shown in the table below is £5,177,055, a cash decrease of £499,760 or 8.8% when compared to the equivalent figure of £5,676,815 in 2020/21.

	2020/21	**2021/22**	**Cash Increase/ (Decrease)**	
	£	**£**	**£**	**%**
Local Share of Business Rates (baseline)	2,301,752	2,301,752	-	-
Tariff Adjustment ('negative RSG')				
Settlement Funding Assessment	**2,301,752**	**2,301,752**	**-**	**-**
New Homes Bonus	**3,375,063**	**2,209,818**	**(1,165,245)**	**(34.5)**
Lower Tier Services Grant	**-**	**665,485**	**665,485**	**-**
Government Grant Funding	**5,676,815**	**5,177,055**	**(499,760)**	**(8.8)**

1.2.7 In addition, the payment for the under indexing of the business rates multiplier is £119,931 in 2021/22 compared to £92,255 in 2020/21.

1.2.8 Of the twelve district councils in Kent, Tonbridge & Malling Borough Council receives the lowest Settlement Funding Assessment both in total and per head. A comparison of our Settlement Funding Assessment with those of other Kent district councils is provided at **[Annex 1b]**.

1.3 Kent Business Rates Pool

1.3.1 The Council is a member of the Kent Business Rates Pool in 2020/21, and previously was a member of the "one-off" Business Rates Pilot. However, as reported to Cabinet in October, the pandemic and the consequent economic upheaval brought into question whether the Council should continue to be in the official Kent-wide pool for 2021/22.

1.3.2 Adopting a risk based approach and considering the wider Kent position the view of officers was that the Council should not be part of the formal Kent Business Rates Pool in 2021/22 and subsequently endorsed by Cabinet at the meeting in October.

1.3.3 Business Rates Reforms and the proposed move to a 75% Business Rates Retention Scheme have been deferred a further year.

1.4 Revenue Estimates 2021/22

1.4.1 As mentioned in the Foreword, the draft Revenue Estimates for 2021/22 were presented to the meetings of the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee earlier in the cycle. The role of the Advisory Board and of the Committee is to assist both the Cabinet and the Council in the development of its budget within the context of the Medium Term Financial Strategy and the Council's priorities. Whilst a number of questions were posed by Members at these meetings, the Revenue Estimates as presented were endorsed.

1.4.2 Adjustments made to the Revenue Estimates presented to the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee are detailed in the table below.

	Revised Estimate 2020/21 £	**Original Estimate 2021/22 £**
Summary Total reported to Finance, Innovation and Property Advisory Board on 6 January 2021	22,739,400	4,536,700
Housing Services Temporary Staff	3,100	35,600
External Audit Fees	14,400	
Establishment Changes		20,750
Self-Isolation Payments	23,050	
Homelessness Reserve		123,900
Business Rates Retention Scheme / Reserve	179,000	61,000
Business Support Grants	7,803,800	
Council Tax Annexe Grant	(6,900)	
Housing Benefits / CTS Administration Grant		(12,000)
Licensing Income		(20,350)
Self-Isolation Payments Grant Funding	(23,050)	
New Burdens Grant	(42,050)	
National Leisure Recovery Fund	(50,000)	
Homelessness Prevention Grant		(159,500)
Business Support Grant Funding	(7,803,800)	
Current Summary Total	**22,836,950**	**4,586,100**

1.4.3 The difference between the two years is in large part due to how grant received in respect of business rates relief measures and the resultant reduced business rates income is to be accounted, the former in 2020/21 and the latter in 2021/22.

1.4.4 Cabinet is accordingly **RECOMMENDED** to endorse the Revenue Estimates as presented to the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee earlier in the cycle, together with the subsequent adjustments detailed above and recommend to Council that they be adopted.

1.5 Fees and Charges

1.5.1 During the course of this budget cycle Members have, via the appropriate Advisory Boards, made recommendations regarding the levels of fees and charges to be implemented.

1.5.2 Proposals in respect of fees and charges recommended via the appropriate Advisory Boards have been reflected in the Budget. A summary of these recommendations, together with the resolution of Licensing and Appeals Committee in respect of licensing fees is set out at **[Annex 2]**.

1.5.3 Cabinet is accordingly **RECOMMENDED** to endorse the fees and charges set out in **[Annex 2]** as recommended by the appropriate Advisory Boards.

1.6 Capital Plan

1.6.1 The Capital Plan Review process started at the Finance, Innovation and Property Advisory Board on 6 January followed by the Overview and Scrutiny Committee on 19 January.

1.6.2 Members' attention was drawn to the difficult financial landscape and the impact this has on the ability of the Council to invest in capital schemes. It was, however, also acknowledged that some capital projects can have a beneficial effect on the revenue position by either generating additional or new income, or alternatively producing cost savings in due course.

1.6.3 Members were reminded of the criteria established to guide the inclusion of new schemes to List C (holding list of schemes not yet fully worked up) and ultimately the inclusion of schemes on List A (schemes assigned budget provision). The criteria are:

- to meet legislative requirements including health and safety obligations;
- funded from external resources; and
- reduce revenue expenditure and or generate income.

1.6.4 The subsequent recommendations where appropriate have regard to these criteria.

1.6.5 Capital expenditure is currently funded from the revenue reserve for capital schemes, grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets.

1.6.6 It is important to ensure that the revenue reserve for capital schemes can continue to fund capital expenditure at least until we reach a position where the annual contribution to the reserve matches the funding required for the replacement of existing assets (vehicles, plant and equipment) and recurring capital expenditure. The annual contribution is expected to match the funding required for the replacement of existing assets and recurring capital expenditure in 2021/22.

1.6.7 There remains an annual capital allowance for all other capital expenditure not least in light of the current economic climate and challenging financial outlook. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. **The annual capital allowance is currently set at £250,000** and it is proposed that the annual allowance continue to be set at that level.

1.6.8 It should be noted, based on current projections, that from 2027/28 the Council may need to borrow to fund such expenditure. This does not however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Any such opportunity to be considered on a case by case basis as appropriate.

1.6.9 In addition, the Invest to Save Reserve or Transformation Reserve (made up of specific grants received from government in respect of revenues and benefits functions) amongst other Reserves could be used to fund in full or in part appropriate capital plan schemes.

1.6.10 The Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee endorsed the recommendations as detailed in the papers. The recommendations were:

1) Cabinet be asked to endorse the Capital Plan (List A) position at Annex 1 (FIPAB agenda) and summarised at **[Annex 3]**.

2) The schemes listed in **[Annex 4]** are added to List C or deleted from List C as detailed.

3) The schemes listed in **[Annex 5]** are selected for evaluation over the coming year. On this occasion, three new schemes have been recommended for evaluation including one for Fast-Track evaluation. In addition, there are three schemes selected for evaluation in a previous Review that are either on hold following evaluation, subject to further evaluation or yet to be evaluated as follows: Tonbridge Farm Sportsground – Provision of Toilets, Tonbridge Racecourse Sportsground – Improvement

Works Phase 3 and River Medway – Riverside Environmental Improvements, Tonbridge.

4) The evaluated List C schemes are progressed in accordance with the recommendation shown in **[Annex 6]**.

5) Cabinet be asked to endorse the Capital Strategy at Annex 4 (FIPAB agenda) for adoption by Council and publication on the Council's website.

1.6.11 The estimated annual revenue costs of the evaluated List C scheme is given in the table below. The amount and timing of any revenue impact depends on the profiling of the capital expenditure and the timing of any changes in activity levels which generate changes to running costs or income. It can be seen that if the scheme is progressed as recommended the estimated revenue consequences are £2,500 in 2021/22 and £5,000 in subsequent years.

Scheme	**Capital Cost £**	**Revenue Impact**	
		2021/22 £	**2022/23 £**
Electric Pool Car	24,000	2,500	5,000
Total	**24,000**	**2,500**	**5,000**

1.6.12 The estimated capital cost to be met from the annual capital allowance of £250,000.

1.6.13 An updated summary of the Capital Plan incorporating the schemes listed in paragraph 1.6.11 is attached at **[Annex 7]**.

1.6.14 A funding statement based on **[Annex 7]** is attached at **[Annex 8]**. The main source of funding is the Revenue Reserve for Capital Schemes and the impact on the Revenue Reserve for Capital Schemes is illustrated in **[Annex 9]**.

1.6.15 Accordingly, it is **RECOMMENDED** that:

1) Cabinet approves the existing Capital Plan (List A) position at Annex 1 (FIPAB agenda) and summarised at **[Annex 3]**.

2) Cabinet approves that the schemes listed in **[Annex 4]** are added to List C or deleted from List C as detailed.

3) Cabinet approves the selection of those schemes listed in **[Annex 5]** for evaluation over the coming year. On this occasion, three new schemes have been recommended including one for Fast-Track evaluation.

4) Cabinet approves the transfer of schemes detailed in **[Annex 6]** to List A.

5) Cabinet approves the updated Capital Plan (List A) as summarised in **[Annex 7]**.

6) Cabinet endorse the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board on 6 January and Overview and Scrutiny Committee on 19 January.

1.7 Treasury Management and Annual Investment Strategy

1.7.1 The Local Government Act 2003 and its subsidiary regulations set out the framework for the system of capital controls which applied from 1 April 2004 whereby local authorities must set their own borrowing limits with regard to affordability, prudence and sustainability. Underpinning this is a requirement to follow the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.7.2 The Prudential Code requires that the CIPFA Treasury Management Code of Practice is adopted and that a number of prudential indicators are set.

1.7.3 An updated Prudential Code and Treasury Management Code were published by CIPFA in December 2017. The focus of both updates is to ensure the risks associated with investment in 'non-financial assets which are held primarily for financial returns' are properly evaluated, reported, subject to scrutiny and managed over time.

1.7.4 Council adopted the December 2017 edition of the Codes in October 2018 and the requirements of the Codes have been taken into account and reflected as appropriate in the annual review and update of both the Capital Strategy and the Treasury Management and Annual Investment Strategy 2021/22.

1.7.5 The approval of the Treasury Management and Annual Investment Strategy and determination of the prudential indicators has to be made by Full Council, as do amendments to either the Strategy or indicators during the year.

1.7.6 The Prudential Code under the auspices of the Local Government Act 2003 and subsidiary regulations requires that a number of treasury management prudential indicators are set. These are set out below along with any discretionary – local (L) indicators used.

1) The capital financing requirement - the extent to which the authority needs to undertake external borrowing to support its capital programme.

2) The operational boundary for external debt.

3) The authorised limit for external debt.

4) The actual external debt.

5) The upper limit for fixed interest rate exposure.

6) The upper limit for variable rate exposure.

7) The upper limit for total principal sums invested for over 365 days.

8) The maturity structure for new fixed rate borrowing during 2021/22.

1.7.7 A summary of the indicators appears in the table below.

Treasury Management Prudential Indicators					
Prudential Indicator	**2019/20 Actual £'000**	**2020/21 Revised Estimate £'000**	**2021/22 Estimate £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**
The capital financing requirement	NIL	NIL	NIL	NIL	NIL
The operational boundary for external debt	NIL	4,000	4,000	4,000	4,000
The authorised limit for external debt	NIL	7,000	7,000	7,000	7,000
Actual external debt	NIL	NIL	NIL	NIL	NIL
The upper limit for fixed interest rate exposure >1 year at year end	NIL	It is anticipated that the net exposure will range between 0% to 60%			
The upper limit for variable rate exposure < 1 year at year end	19,610 49.5%	It is anticipated that the net exposure will range between 40% to 100%			
The upper limit for total principal sums invested for over 365 days at year end	5,000 12.6%	60% of funds			
The maturity structure for new fixed rate borrowing during 2021/22		Upper Limit		Lower Limit	
Under 12 months		100%		NIL	
Over 12 months		NIL		NIL	

1.7.8 The capital financing requirement measures the amount of external borrowing that the Council expects to have to undertake in support of its capital programme. A nil figure indicates that no borrowing is required. As this Council is debt free and does not expect to have to borrow to support its capital programme over the period covered, this indicator is nil.

1.7.9 The operational boundary is designed to cover all day to day borrowing requirements. As this Council is debt free, borrowing is only undertaken on a short-term basis to cover cash flow management.

1.7.10 The authorised limit is intended to provide a degree of headroom above the operational boundary to cover unexpected and unusual borrowing requirements.

1.7.11 As mentioned at paragraph 1.6.8 this does not however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Any such opportunity to be considered on a case by case basis as appropriate and the prudential indicators updated and approved accordingly.

1.7.12 The other prudential indicators we are required or choose to set are shown in the table below.

Prudential Indicators

1. Ratio of actual and estimated financing costs to the net revenue stream		(Interest payable with respect to borrowing less interest and investment income) ÷ (government grants plus call on local taxpayers) x 100%.					
2019/20 actual -4.24%	2020/21 estimated -1.88%	2021/22 estimated -4.89%	2022/23 estimated -2.29%	2023/24 estimated -2.46%	2024/25 estimated -3.22%	2025/26 estimated -3.51%	2026/27 estimated -3.76%
2. Estimates of the incremental impact of capital investment decisions on the council tax (L)		The revenue impact of capital schemes added to the capital plan on the council tax Band D equivalent. The figures below show the estimated effect on the Borough Council's Band D equivalent of the addition of List B schemes to list A. A more detailed version of this indicator appears in **[Annex 10]**.					
Total		2021/22 estimated £ 0.05	2022/23 estimated £ 0.10	2023/24 estimated £ 0.00	2024/25 estimated £ 0.00	2025/26 estimated £ 0.00	2026/27 estimated £ 0.00
3. Actual and estimated capital expenditure		This indicator is based on the updated capital plan position. The figures are based on those shown in **[Annex 8]**.					
2019/20 actual £'000 6,407	2020/21 estimated £'000 3,463	2021/22 estimated £'000 4,693	2022/23 estimated £'000 2,144	2023/24 estimated £'000 2,997	2024/25 estimated £'000 2,079	2025/26 estimated £'000 1,907	2026/27 estimated £'000 2,027

1.7.13 We, therefore, **RECOMMEND** that for the financial year 2021/22 the prudential indicators listed in paragraphs 1.7.7 and 1.7.12 be recommended to Council for adoption.

1.7.14 A local authority has a statutory duty to *"determine for the current financial year an amount of minimum revenue provision that it considers to be prudent*" in relation to its capital expenditure. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try and match the years over which such assets benefit the local community through their useful life.

1.7.15 The spreading of these costs is through what is termed an *annual minimum revenue provision*. As the Council is debt free and, at least in the short term, does not expect to borrow to support its capital programme the minimum revenue provision is nil. Guidance issued by the Government also recommends that a Minimum Revenue Provision Policy Statement be prepared. We propose to prepare such a Statement at a time when our capital expenditure plans cannot be met without recourse to borrowing. Based on current estimates, this is not anticipated to be before 2027/28.

1.7.16 Members are asked to **Note** that for the financial year 2021/22 our *annual minimum revenue provision* is nil subject to the comment at paragraph 1.7.11.

1.8 Consultation with Non-Domestic (Business) Ratepayers

1.8.1 Representatives of the Council's Non-Domestic Ratepayers have been consulted in respect of the draft revenue budget and capital plan. The consultees, who include the local Chambers of Commerce as well as a group of the larger ratepayers in the Borough receive on request information and copies of the draft budgets and are invited to make written representations if they deem it appropriate. The deadline given for responses was 15 January 2021. ***Cabinet is advised that no comments have been received***.

1.9 Medium Term Financial Strategy Update

1.9.1 To recap, the Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities.

1.9.2 The Strategy also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans. Underneath the Strategy for the budget setting year sits detailed estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures.

1.9.3 The MTFS sets out the high level objectives the Council wishes to fulfil over the agreed time span. These are:

- To achieve a **balanced revenue budget** that delivers the Council's priorities by the end of the strategy period.
- To retain a **minimum of £3.0m** in the General Revenue Reserve by the end of the strategy period and **not to fall below £2.0m** at any time during the 10-year period.
- Seek to set future increases in council tax having regard to the **guidelines** issued by the Secretary of State.

- Continue to **identify efficiency savings** and **opportunities for new or additional income sources** and to **seek appropriate reductions in service costs** in delivery of the Savings and Transformation Strategy (STS) approved by Members.

- Subject to there being sufficient resources within the capital reserve, set a **maximum 'annual capital allowance'** each year as part of the budget setting process for all new capital schemes (currently set at £250,000 from the Council's own resources) and give priority to those schemes that generate income or reduce costs.

1.9.4 The budget for 2021/22 is, naturally, the starting point for updating the MTFS. Referring to paragraph 1.4.2, Members will note that the Summary Total for the 2020/21 Revised Estimates is £22,836,950; and for the 2021/22 Estimates is £4,586,100 and is used in the budget projections in the Medium Term Financial Strategy at **[Annex 11a]**.

1.9.5 When updating the MTFS we need to take into account the following (not exclusive) factors:

Covid-19 Pandemic

1.9.6 The one issue overshadowing everything else is the impact of Covid-19 on the Council's finances and the consequent increase in the funding gap.

1.9.7 We will not know the full extent of the impact on the Council's finances for some time. Much will depend on the extent and speed of the recovery, impact of current and further 'lockdown' measures, societal changes brought about by the response to the pandemic and financial support provided by central government.

1.9.8 The revised estimates suggest the net adverse impact in 2020/21 has not been as severe as had been assumed earlier in the year, albeit this can change at short notice. This can in part be attributed to increased government grant funding in various forms, e.g. income compensation scheme, sharing of business rates and council tax losses, national leisure recovery fund where an assessment/ notional allocation as to the grant funding to be received has had to be made.

1.9.9 Furthermore, the measures introduced by the government to support businesses and jobs may have only deferred some of the adverse impact to a later date. As a result the sum of £3.5m is to be transferred to a budget stabilisation reserve as originally intended, albeit over the two-year period 2020/21 to 2021/22. This can then be used in the first instance to support the budget dependent on how things 'play out' over the coming year where some or all of this sum is found to be required.

1.9.10 It is also **important to note** that in arriving at the latest projected funding gap it is assumed that:

- sources of income will in large part return to pre Covid-19 levels over the next two years – the question is will income return to the levels and in the timescale assumed?

- the marked increase in homelessness caseload and the associated increased net cost will be pulled back to pre Covid-19 levels over the next four years – the question is will costs be pulled back to the extent and in the timescale assumed?

1.9.11 What is certain is we need to be prepared to take corrective action in an agile manner if and when required as the situation becomes clearer/unfolds.

Government Grant Funding (Settlement Funding Assessment + NHB)

1.9.12 **Funding beyond 2021/22 will be dependent** on the outcome of the expected multi-year settlement to follow and the Fair Funding Review. Notwithstanding the continuing uncertainty and volatility surrounding local government finances with the increased risk of significant variations compared to projections, we still need to plan ahead as best we can. To put this into context at one end of the spectrum government grant funding could be £1.5m and at the other £3.2m.

1.9.13 In the latest iteration of the MTFS it is assumed government grant funding will reduce from circa £4.4m in 2021/22 to £2.4m in 2023/24 uplifted for inflation year on year thereafter. A cash decrease of £2.0m or 45.5% over the period.

1.9.14 A hypothetical example of how the assumed overall government grant funding of £2.4m in 2023/24 might be made up is business rates baseline (£1.5m) business rates growth (£200,000) and NHB replacement (£700,000).

Business Rates Retention Scheme

1.9.15 Business Rates Reforms and the proposed move to an ‘interim’ 75% and an ‘eventual’ 100% Business Rates Retention Scheme.

1.9.16 Beyond 2021/22, however, the **question remains** as to what will our business rates baseline and baseline funding level be under a revamped Business Rates Retention Scheme and how this then compares to that reflected in the MTFS taking into account transfer of any new responsibilities?

Council Tax Referendum Principles

1.9.17 The MTFS sets out, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council’s spending plans.

1.9.18 For the year 2021/22, a referendum will be triggered where council tax is increased by **2%, or more than 2% and more than £5**. This time last year the MTFS assumed a council tax increase of £5 representing a 2.3% increase in council tax.

1.9.19 For the purposes of preparing the budget papers and updating the MTFS an **increase of £5 in 2021/22** has been assumed and each year thereafter.

Funding Gap

1.9.20 As we know, the funding gap is not static and constantly changes in response to both internal and external factors. When setting the budget for 2020/21 in February 2020, projections at that time suggested a funding gap between expenditure and income of circa £320,000. A report to Cabinet in October on the impact of the Covid-19 pandemic on the Council's finances gave a figure of £875,000 and following this year's budget setting process the latest projected funding gap is £475,000.

1.9.21 Adding to this sum those initiatives already built into the MTFS, **but not yet delivered**, totalling in excess of £500,000 gives a daunting figure of **£975,000** to be found and delivered within the next four years. **Not forgetting**, amongst other things, the assumptions highlighted at paragraph 1.9.10 a further critical piece of the jigsaw.

1.9.22 The initiatives already built into the MTFS include:

- Transfer of ownership and responsibility for public conveniences to the relevant town or parish council or sale if that not the case;
- Annual increase in car park charges from April 2021 and introduction of car parking charges in 2022 and 2023;
- Sale of River Walk Offices and River Lawn;
- Garden waste annual increases moving towards Kent average;
- Scaling down of office accommodation and associated costs to reflect increased home working by 2023.

1.9.23 The movement in the figure reported to Cabinet in October and the latest projected funding gap is detailed below.

	£	£
Savings Target – Cabinet October 2020		875,000
Ongoing Savings Identified in Year	(132,000)	
Disabled Facilities Grants	(71,000)	
Establishment Changes	(58,000)	
Garden Waste Charge	(53,000)	(314,000)
Other Factors Impacting on MTFS		
Recycling Performance Payment	100,000	
Investment Income	50,000	
Garden Waste Service Take-up	(30,000)	

Contractual and General Inflation	(76,000)	
Pay Inflation	(111,000)	
Other Factors	(19,000)	(86,000)
Latest Projected Funding Gap		**475,000**
Initiatives Already Built into the MTFS		**500,000**
Total		**975,000**

1.9.24 **[Annex 11a]** sets out the picture for the MTFS.

1.10 Savings and Transformation Strategy

1.10.1 Alongside the MTFS sits a Savings and Transformation Strategy (STS). The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale.

1.10.2 A number of key themes have been identified, together with outline targets and timescales which will need to be revisited and aligned with the latest projected funding gap.

Savings and Transformation Contributions

1.10.3 Management Team and endorsed by Cabinet imposed an 'Essential Spend Only' policy for the year 2020/21 and set a one-off savings target of £500,000 to be delivered as a result of the policy. A high level review of the 2020/21 revised estimates suggest the policy has delivered one-off savings of £547,000.

1.10.4 Cabinet in June also set an ongoing savings target of £100,000 to be delivered by April 2021 from an in-year review of service budgets. To date ongoing savings in the order of £132,000 have been identified.

1.10.5 This time last year the projected funding gap was £320,000 and a year on, all other things being equal, was expected to be £300,000. At the end of this year's budget process the MTFS is showing net budget growth of £155,000 and the latest projected funding gap is £475,000 (£320,000 + £155,000).

1.10.6 ***It is again important to note that this assumes all the initiatives already built into the MTFS are delivered and achieve the saving and in the timescale assumed. Furthermore,*** **that the reductions in income and increased costs seen as a result of the pandemic in large part will return to pre Covid-19 levels in the short to medium term.**

1.10.7 As in previous iterations of the MTFS the latest projected funding gap can be broken down into tranches. The proposed number, scale and timing of requisite future savings and transformation contributions is given below.

1) Tranche 1 - £100,000 to be achieved by April 2022.

2) Tranche 1 - £100,000 to be achieved by April 2023.

3) Tranche 2 - £275,000 to be achieved by April 2024.

1.10.8 The table below summarises the net savings / budget growth and, in turn, the closing funding gap each year since the inception of the STS.

Theme	Savings and Transformation Contributions						
	By April 2016	By April 2017	By April 2018	By April 2019	By April 2020	By April 2021	Total
	£000	£000	£000	£000	£000	£000	£000
Income Generation & Cost Recovery	60	146	88	0	168	220	**682**
In-Service Efficiencies	200	77	50	0	0	203	**530**
Service Change & Reduction	0	100	3	65	201	8	**377**
Contracts	0	0	200	585	0	0	**785**
Organisation Structure Change	15	129	119	0	0	(95)	**168**
Partnership Funding	0	431	0	0	0	0	**431**
Asset Management	0	0	186	0	0	200	**386**
Total Savings and Transformation Contributions	**275**	**883**	**646**	**650**	**369**	**536**	**3,359**
Other Factors Impacting on the MTFS	(700)	(658)	(46)	(200)	(139)	(691)	**(2,434)**
Net Savings / (Budget Growth)	**(425)**	**225**	**600**	**450**	**230**	**(155)**	**925**
Opening Funding Gap	**(1,400)**	**(1825)**	**(1,600)**	**(1,000)**	**(550)**	**(320)**	**(1,400)**
Net Savings / (Budget Growth)	(425)	225	600	450	230	(155)	**925**
Closing Funding Gap	**(1,825)**	**(1,600)**	**(1,000)**	**(550)**	**(320)**	**(475)**	**(475)**

1.10.9 An updated copy of the STS, recommended by Management Team, including revised outline targets and timescales for each of the themes totalling £475,000 can be found at **[Annex 11b]**.

1.10.10 At paragraph 1.9.8, it was noted that the impact on the revised estimates for 2020/21 has not been as severe as we first thought, primarily due to the government funding that has been forthcoming during the course of the year. Members have, through different Advisory Boards and Committees, been advised of various Covid-19 funding streams than have been allocated to Tonbridge & Malling Borough Council. Some of this funding is designed to support TMBC's own service delivery; whilst some is simply allocated in the first instance to the Council for direct award to other organisations, businesses and individuals. For completeness, a list of the funding allocations at it stands at the time of writing is attached at **[Annex 11c]**.

1.10.11 Cabinet is **RECOMMENDED** to:

1) Note and endorse the updated MTFS **[Annex 11a]**.

2) Give guidance to Full Council as to the best way forward in updating the MTFS for the next ten-year period, and setting the council tax for 2021/22.

3) Note and endorse the updated STS **[Annex 11b]** including the proposed scale and timing of each of the required savings and transformation contributions set out at paragraph 1.10.7.

4) Note the list of Covid-19 funding allocations **[Annex 11c]** that have been granted during 2020/21 to support both the Council's own services, and to be awarded to businesses, organisations and individuals.

1.10.12 Turning back to the specific budget year 2021/22. The budget for 2021/22 includes a contribution **to** the general revenue reserve of £405,050 and a Summary of the Revenue Estimates Booklet is attached at **[Annex 12]**.

1.11 Collection Fund Adjustments

1.11.1 As the billing authority for the area, this Council has responsibility for maintaining the 'collection fund' accounts into which council tax and business rates are paid.

1.11.2 Before we can finalise our calculations in respect of the tax requirements, we have to:

- Estimate the surplus / deficit on the collection fund for 2020/21 in respect of council tax and then share this between the major precepting authorities (including ourselves).

- Estimate the surplus / deficit on the collection fund for 2020/21 in respect of business rates and then share this between the relevant parties in accordance with the business rates retention scheme.

1.11.3 These are known as collection fund adjustments (by exception for the year 2020/21 any in-year deficit is to be spread over three years rather than accounted for in full in the year 2021/22).

- The **surplus** on the collection fund for 2020/21 in respect of council tax is estimated to be £135,704. Our share, to be reflected in the 2021/22 Estimates is £19,582 followed by a deficit of £8,164 in each of the two years 2022/23 and 2023/24 **[Annex 13a]**.

- The **deficit o**n the collection fund for 2020/21 in respect of business rates is estimated to be £21,112,403. Our share, to be reflected in the 2021/22 Estimates is £8,444,961 followed by a deficit of £449,867 in each of the two years 2022/23 and 2023/24 **[Annex 13b]**. A large part of the deficit met by central government via what is referred to as Section 31 Grant payments.

1.12 Special Expenses and Parish Council Precepts

1.12.1 A Special Expenses Scheme was introduced on the 1 April 2017 **[Annex 14a]**.

1.12.2 Details of the Special Expenses for 2021/22 are set out at **[Annex 14b]**. The basic amount of council tax of £202.29 plus the special expenses Band D charge, where applicable, gives the total Borough Council Band D charge for that area.

1.12.3 When publishing the Borough Council's level of council tax at Band D for "official" purposes in accordance with the prescribed methodology from the Ministry of Housing, Communities and Local Government (MHCLG), we are required to aggregate all expenditure (as if special expenses did not exist) and calculate a ***notional*** Band D figure. (This is so that the MHCLG can see that the referendum principles have been adhered to).

1.12.4 The resultant published (notional) council tax at Band D for 2021/22 is £219.50, being £5 or 2.3% higher than the published Band D council tax for 2020/21. As Members will note, no resident will actually pay this exact amount as the Borough Council's Band D – unless it is by coincidence.

1.12.5 Cabinet is requested to **ENDORSE** the special expenses calculated in accordance with the Special Expenses Scheme and set out at **[Annex 14b]**.

1.12.6 Details of Parish Council precepts notified to the Borough Council are given at **[Annex 15]**.

1.12.7 Members will recall that at its meeting on 26 January 2021, Cabinet agreed to advance a sum of £60,000 to Kings Hill Parish Council from its 2021/22 local precept. The advance was made on 29 January 2021. As agreed, the sum will be recovered by two automatic deductions of £30,000 from the local precept payments to Kings Hill Parish Council in April and September 2021.

1.13 The Robustness of the Estimates and the Adequacy of the Reserves

1.13.1 The Council is required to have regard to the level of its balances and reserves before determining its council tax requirement. **[Annex 16]** sets out the projected general fund and general revenue reserve balances based on an increase of £5 to the notional council tax level.

1.13.2 The Local Government Act 2003 requires the Chief Financial Officer (in our case the Director of Finance and Transformation) to report to an authority, when making the statutory calculations required to determine its council tax, on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

1.13.3 What is required is the professional advice of the Director of Finance and Transformation on these two questions. This responsibility is discharged by way of a certified Statement.

1.13.4 The Director of Finance and Transformation advises that she is satisfied as to the robustness of the estimates and the adequacy of reserves on the understanding that the **required savings and transformation contributions based on latest projections in the sum of £475,000, together with the initiatives already built into the MTFS as detailed at paragraph 1.9.22 are delivered in the timeframe assumed in the Medium Term Financial Strategy**.

1.13.5 The Statement referred to above is appended at **[Annex 17a]**. Members will note that overall the Director of Finance and Transformation signifies that, in her professional opinion, the estimates are robust and the level of reserves adequate.

1.13.6 A schedule of the reserves held by the Council at 1 April 2020 and proposed utilisation of those reserves to 31 March 2022 is provided at **[Annex 17b]**. As this Council's Chief Finance Officer, the Director of Finance and Transformation has undertaken a review of the earmarked reserves held and is satisfied as to the position depicted and will revisit the position as part of the closedown process for 2020/21.

1.13.7 Members are **RECOMMENDED** to note and endorse the Statement **[Annex 17a]** provided by the Director of Finance and Transformation.

1.14 The Chartered Institute of Public Finance and Accountancy Financial Management Code and Financial Resilience Index

1.14.1 In October 2019 the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code (FM Code) to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code is based on a series of principles supported by specific standards and statements of practice considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances
- manage financial resilience to meet unforeseen demands on services

- financially manage unexpected shocks in their financial circumstances.

1.14.2 The Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances and sought to rely on the local exercise of professional judgement backed by appropriate reporting.

1.14.3 Compliance will typically but not always be demonstrated by documenting compliance with the Statements of Standard Practice which underpin each of the Financial Management Standards. None of this should be of particular concern as we believe good financial management is in all significant respects already embedded at Tonbridge and Malling.

1.14.4 In addition, the CIPFA Financial Resilience Index aims to provide a tool with a group of indicators able to illustrate the trajectory of an authority's financial position and resilience within the context of each authority's own comparator tier and nearest neighbour group. CIPFA has designed the index to provide reassurance and prompt challenge where it may be needed.

1.14.5 The Index, incorporating the year ended 31 March 2020, has yet to be published due to the delay nationally in the audit of the 2019/20 accounts. There were, however, no particular concerns to draw to Members attention from the review of the Financial Resilience Index published in December 2019 and we believe that, one year on, the position has not changed albeit acknowledging, at the same time, that the impact of Covid-19 on the Council's finances and reserve balances will feed into later versions of the Index. Members will be updated in this regard as and when data is published.

1.15 Calculation of Borough Council's Tax Requirement

1.15.1 The Council is required to calculate:

- Its aggregate expenditure which, for this purpose, includes our share of any Collection Fund deficit and the Parish Council precepts.

- Its aggregate income which, for this purpose, includes our share of any Collection Fund surplus and the Local Government Finance Settlement (see paragraph 1.2).

- The amount by which the aggregate expenditure exceeds the aggregate income is to be its council tax requirement for the year.

1.15.2 Assuming Cabinet's concurrence with the recommendations set out in paragraph 1.10.11, the calculation is set out at **[Annex 18]**. It should be noted that, for this purpose, the Borough Council's council tax requirement includes the Parish Council precepts.

1.16 Legal Implications

1.16.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

1.16.2 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to raise council tax above this limit they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise.

1.16.3 The Local Government Finance Act 2012 and regulations that followed introduced the current Business Rates Retention scheme.

1.17 Financial and Value for Money Considerations

1.17.1 The scale of the financial challenge places financial sustainability at increased risk.

1.17.2 The expected multi-year settlement to follow, the Fair Funding Review and Business Rates Reforms brings further uncertainty in addition to the adverse impact of the Covid-19 pandemic.

1.17.3 The 2021/22 provisional local government finance settlement is relatively positive for TMBC, which is welcome news. However, this is a further standalone “holding year” and two key questions remain. Firstly, what will our business rates baseline and baseline funding level be under an ‘interim’ 75% and ‘eventual’ 100% Business Rates Retention scheme, and how will this compare to that reflected in the MTFS taking into account transfer of any new responsibilities? Secondly, what is the extent to which NHB will feature in future government grant funding and if replaced what level of funding would we receive in its place?

1.17.4 A further key question is, will the reductions in income and increased costs seen as a result of the pandemic in large part return to pre Covid-19 levels to the extent and in the timescale assumed?

1.17.5 In addition, the impact of current economic conditions on Council finances / financial assumptions in respect of inflation, interest rates, etc. and the scale of the impact over the medium term is uncertain and difficult to determine.

1.18 Risk Assessment

1.18.1 The Local Government Act 2003 requires the Chief Financial Officer, when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. To mitigate the risks detailed estimates are formulated in conjunction with

Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external advice on assumptions obtained where appropriate.

1.18.2 The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team. In addition, not identifying and implementing the requisite savings and transformation contributions will put at risk the integrity of the MTFS.

1.18.3 The pandemic has and continues to have a significant adverse impact on the Council's finances and, in turn, on the scale and timing of the savings and transformation contributions required to 'balance the books'. The scale of the financial challenge places financial sustainability at increased risk.

1.18.4 The continuing uncertainty and volatility surrounding local government finances does not aid financial planning with the increased risk of significant variations compared to projections; and the consequent implications on the level of reserves held.

1.18.5 The projected figures for New Homes Bonus or its replacement are at risk of further revision downwards which would, in turn, increase the required savings and transformation contributions.

1.18.6 The Inter Authority Agreement with KCC as part of the Waste Services Contract may not be extended beyond the initial 8 year contract period, albeit this is considered unlikely. The Waste Services Contract may also not be extended beyond the initial 8 year contract period with potential significant adverse budget implications.

1.18.7 Members are reminded that there are factors not reflected in the MTFS, e.g. the cost of borrowing for new capital plan schemes when and if required.

1.18.8 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.

1.19 Equality Impact Assessment

1.19.1 Where there is a perceived impact on end users an equality impact assessment has been carried out and as further savings and transformation options emerge, further equality impact assessments will need to be carried out as appropriate.

1.20 Policy Considerations

1.20.1 Budgetary and policy framework is relevant to all areas of the Council's business.

1.21 Summary of Recommendations

1.21.1 Cabinet is **RECOMMENDED** to:

1) Endorse the Revenue Estimates as presented to the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee earlier in the cycle, together with the subsequent adjustments detailed at paragraph 1.4.2 and recommend to Council that they be adopted.

2) Endorse the fees and charges set out in **[Annex 2]** as recommended by the appropriate Advisory Boards.

3) Update the Capital Plan as set out in paragraph 1.6.15 and recommend that Council adopt the Capital Plan accordingly.

4) Endorse the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee earlier in the cycle and recommend to Council it be adopted.

5) Endorse the prudential indicators listed in paragraphs 1.7.7 and 1.7.12 and recommend to Council that they be adopted.

6) Note that for the financial year 2021/22 our *annual minimum revenue provision* as set out at paragraph 1.7.15 is *nil* subject to the comment at paragraph 1.7.11.

7) Note and endorse the updated MTFS **[Annex 11a]**.

8) Give guidance to Full Council as to the best way forward in updating the MTFS for the next ten-year period, and setting the council tax for 2021/22.

9) Note and endorse the updated STS **[Annex 11b]** including the proposed scale and timing of each of the required savings and transformation contributions set out at paragraph 1.10.7.

10) Note the list of Covid-19 funding allocations **[Annex 11c]** that have been granted during 2020/21 to support both the Council's own services, and to be awarded to businesses, organisations and individuals.

11) Endorse the special expenses calculated in accordance with the Special Expenses Scheme and set out at **[Annex 14b]**.

12) Note and endorse the Statement **[Annex 17a]** provided by the Director of Finance and Transformation as to the Robustness of the Estimates and the Adequacy of the Reserves.

Background papers:

Nil

contact: Neil Lawley
Sharon Shelton

Julie Beilby Chief Executive	Sharon Shelton Director of Finance and Transformation
Nicolas Heslop Leader of the Council	Martin Coffin Cabinet Member for Finance, Innovation and Property and Deputy Executive Leader

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The Referendums Relating to Council Tax Increases (Principles) (England) Report 2021/22

Legislative background

General

1. Under section 52ZB of the Local Government Finance Act 1992(**a**) ("the 1992 Act") each billing authority and precepting authority must determine whether its relevant basic amount of council tax(**b**) for a financial year ("the year under consideration") is excessive. In essence, the relevant basic amount of council tax for an authority is that authority's average band D council tax, excluding local precepts. If an authority's relevant basic amount of council tax is excessive a referendum must be held in relation to that amount.

2. Under section 52ZC(**c**) of the 1992 Act the question of whether an authority's relevant basic amount of council tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State. A set of principles —

    - may contain one principle or two or more principles, and

    - must constitute or include a comparison between the authority's relevant basic amount of council tax for the year under consideration and its relevant basic amount of council tax for the financial year immediately preceding the year under consideration(**d**).

3. In setting principles for the year under consideration the Secretary of State may determine categories of authority. If the Secretary of State does so the same principles must be determined for all authorities falling within the same category and if an authority does not fall within any of the categories its relevant basic amount of council tax is not capable of being excessive for the year under consideration(**e**).

4. If the Secretary of State does not determine categories of authority for the year under consideration, any principles determined for the year must be such that the same set is determined for all authorities(**f**).

5. The principles for a financial year must be set out in a report which must be laid before and approved by the House of Commons. If the report for a financial year is not approved on or before the date on

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a 1992 c.14. Section 52ZB was inserted into the 1992 Act by Schedule 5 to the Localism Act 2011 (c.20).
b The term "relevant basic amount of council tax" is defined in section 52ZX of the 1992 Act (inserted as above and amended by section 41(1) and (9) to (13) of the Local Audit and Accountability Act 2014 (c.2) and modified by S.I. 2017/611).
c Section 52ZC was inserted into the 1992 Act by Schedule 5 to the Localism Act 2011 and is modified by S.I. 2017/611.
d Section 52ZC(2) and (3) of the 1992 Act.
e Section 52ZC(4) of the 1992 Act.
f Section 52ZC(5) of the 1992 Act.

which the local government finance report for the same year is approved by the House of Commons, no principles have effect for that year and accordingly no authority's relevant basic amount of council tax is capable of being excessive for that year(**a**).

The Greater London Authority

6. The Greater London Authority ("the GLA") calculates two different basic amounts of council tax for a financial year —
   (a) an amount which applies to the City of London and which does not include any amount in respect of the Mayor's Office for Policing and Crime, and
   (b) an amount which applies to all parts of Greater London other than the City of London and which includes an amount in respect of the Mayor's Office for Policing and Crime(**b**).

7. The GLA's relevant basic amount of council tax is defined by reference to these two amounts. In particular —

   - the relevant basic amount derived from the amount mentioned in paragraph 6(a) above is referred to in the 1992 Act as the GLA's unadjusted relevant basic amount of council tax, and

   - the relevant basic amount derived from the amount mentioned in paragraph 6(b) above is referred to in the 1992 Act as the GLA's adjusted relevant basic amount of council tax(**c**).

8. A principle that applies to the GLA, and that constitutes or includes a comparison between the GLA's relevant basic amount of council tax for the year under consideration and the financial year immediately preceding that year, may only provide for —

   - a comparison between unadjusted relevant basic amounts of council tax,

   - a comparison between adjusted relevant basic amounts of council tax, or

   - both(**d**).

An authority which has power to calculate its council tax under the Local Government (Structural Changes) (Finance) Regulations 2008

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a See generally section 52ZD of the 1992 Act, inserted as above.
b Sections 88(2) and 89(3) of the Greater London Authority Act 1999. Section 88(2) was substituted by section 77(1) and (3) of the Localism Act 2011 and section 89(4) (which is mentioned in section 89(3)) was substituted by section 77(1) and (7) of that Act. The Mayor's Office for Policing and Crime was established by section 3 of the Police Reform and Social Responsibility Act 2011.
c Section 52ZX(4) of the 1992 Act.
d Section 52ZC(6) of the 1992 Act.

9. Where structural change occurs under the Local Government and Public Involvement in Health Act 2007, in order to equalise more equitably the council tax payable in the predecessor areas an authority is able to calculate its council tax under Part 4 (equalisation of council tax) of the Local Government (Structural Changes) (Finance) Regulations 2008 (“the 2008 regulations”)(**a**) for a transitional period.

10. If an authority has the power to calculate its council tax for a financial year under Part 4 of the 2008 Regulations, those Regulations modify the operation of the council tax referendums provisions in the 1992 Act in relation to that year. In particular, section 52ZC of the 1992 Act is modified to allow the authority to use different methods of comparison to determine whether its council tax increase is excessive in accordance with its preferred approach to equalisation. The modifications which apply also depend on how the financial year for which principles are being set relates to the date of the structural change(**b**).

11. In relation to the financial year 2021-22, West Suffolk District Council, Bournemouth, Christchurch and Poole Council, North Northamptonshire Council and West Northamptonshire Council have the power to calculate their council tax under Part 4 of the 2008 Regulations. In relation to North Northamptonshire Council and West Northamptonshire Council the modifications in Part 1 of Schedule 3 to the 2008 Regulations apply for 2020-21(**c**). In relation to West Suffolk District Council, and Bournemouth, Christchurch and Poole Council the modifications in Part 2 of that Schedule apply for 2020-21(**d**).

The Report

12. This Report is made by the Secretary of State for Housing, Communities and Local Government and laid before the House of Commons under section 52ZD(1) of the 1992 Act.

13. The Report applies to all billing authorities, major precepting authorities falling within section 39(1)(a), (aa) and (b) to (db) of the 1992 Act and the Greater Manchester Combined Authority(**e**). No principles are specified for local precepting authorities or other mayoral combined authorities.

Principles for the financial year beginning on 1st April 2021

14. The principles which apply for 2021-22 are set out in Annex A to this Report. If this Report is approved by resolution of the House of Commons the principles will have effect for that financial year.

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a S.I. 2008/3022, as amended by S.I. 2012/20 and S.I. 2018/1296.
b See regulation 15A of, and Schedule 3 to, the 2008 Regulations, as amended by S.I. 2018/1296. Different modifications apply for the first, second to seventh, and eighth years following the date of the structural change.
c See paragraphs 1 to 8 of that Schedule, as amended by S.I. 2018/1296.
d See paragraphs 9 to 16 of that Schedule, as amended by S.I. 2018/1296.
e The Greater Manchester Combined Authority was created by the Greater Manchester Combined Authority Order 2011, S.I. 2011/908.

Signed by authority of the Secretary of State for Housing, Communities and Local Government

[ ] 2021

<u>Principles for the financial year beginning on 1st April 2021</u>

The set of principles determined by the Secretary of State under section 52ZC(1) of the Local Government Finance Act 1992 for the financial year beginning on 1st April 2021 is as follows:

Interpretation

1.—(1) In this set of principles—

"2020-21" means the financial year beginning on 1st April 2020;

"2021-22" means the financial year beginning on 1st April 2021;

"the 1992 Act" means the Local Government Finance Act 1992(**a**);

"the 2008 Regulations" means the Local Government (Structural Changes) (Finance) Regulations 2008(**b**);

"the GLA" means the Greater London Authority;

"predecessor area" has the same meaning as in regulation 12(1) of the 2008 Regulations;

"a relevant local authority" means—

(a) an authority falling within section 1(4) of the Care Act 2014(**c**) (other than Bournemouth, Christchurch and Poole Council, North Northamptonshire Council and West Northamptonshire Council); and

(b) the Council of the Isles of Scilly;

(2) In this set of principles any reference to an authority is a reference to a billing authority, a major precepting authority falling within section 39(1)(a), (aa) and (b) to (db) of the 1992 Act, and the Greater Manchester Combined Authority.

(3) Terms used in this set of principles which are also used in the 1992 Act have the same meanings as in that Act.

Categories of authority for 2021-22

2. For 2021-22, the Secretary of State determines that the following are categories of authority for the purposes of section 52ZC of the 1992 Act—

(a) any relevant local authority(**d**);

(b) the GLA;

(c) any shire district council (other than West Suffolk District Council);

(d) any police and crime commissioner;

(**a**) 1992 c.14.

(**b**) S.I. 2008/3022, as amended by S.I. 2012/20 and 2018/1296.

(**c**) 2014 c.23. The definition in section 1(4) of the Act covers (a) county councils in England; (b) district councils for an area in England for which there is no county council; (c) London borough councils, and (d) the Common Council of the City of London.

(**d**) The bodies that are within this category are set out, for information, in Annex B to this Report.

(e) the Greater Manchester Combined Authority(a);

(f) West Suffolk District Council;

(g) Bournemouth, Christchurch and Poole Council;

(h) North Northamptonshire Council and West Northamptonshire Council; and

(i) any other authority.

Principles for 2021-22 for authorities belonging to the category mentioned in paragraph 2(a)

3. For 2021-22, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(a) is excessive if the authority's relevant basic amount of council tax for 2021-22 is 5% (comprising 3% for expenditure on adult social care, and 2% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2020-21.

Principles for 2021-22 for the Greater London Authority

4. For 2021-22, the GLA's relevant basic amount of council tax is excessive if—

(a) the GLA's unadjusted relevant basic amount of council tax for 2021-22 is 2%, or more than 2%, greater than its unadjusted relevant basic amount of council tax for 2020-21; or

(b) the GLA's adjusted relevant basic amount of council tax for 2021-22 is £16.59, or more than £16.59, greater than its adjusted relevant basic amount of council tax for 2020-21.

Principles for 2021-22 for authorities belonging to the category mentioned in paragraph 2(c)

5. For 2021-22, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(c) is excessive if the authority's relevant basic amount of council tax for 2021-22 is—

(a) 2%, or more than 2%, greater than its relevant basic amount of council tax for 2020-21; and

(b) more than £5 greater than its relevant basic amount of council tax for 2020-21.

Principles for 2021-22 for authorities belonging to the category mentioned in paragraph 2(d)

6. For 2021-22, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(d) is excessive if the authority's relevant basic amount of council tax for 2021-22 is more than £15 greater than its relevant basic amount of council tax for 2020-21.

(**a**) Where the mayor of a combined authority exercises PCC functions Chapter 4ZA of Part 1 of the Local Government Finance Act 1992 is modified by paragraphs 7 to 10 of the Schedule to the Combined Authorities (Finance) Order 2017, S.I. 2017/611.

Principles for 2021-22 for the Greater Manchester Combined Authority

7. For 2021-22, the PCC component relevant basic amount of council tax of the Greater Manchester Combined Authority is excessive if the authority's PCC component relevant basic amount of council tax for 2021-22 is more than £15 greater than its PCC component relevant basic amount of council tax for 2020-21.

Principles for 2021-22 for West Suffolk District Council

8.—(1) If West Suffolk District Council calculates its basic amount of council tax for 2021-22 under section 31B(1) of the 1992 Act, West Suffolk District Council's relevant basic amount of council tax for 2021-22 is excessive if the amount mentioned in section 52ZC(3A)(a)(**a**) of the 1992 Act is—

(a) 2%, or more than 2%, greater than the amount mentioned in section 52ZC(3A)(b) of that Act; and

(b) more than £5 greater than the amount mentioned in section 52ZC(3A)(b) of that Act.

(2) If West Suffolk District Council calculates basic amounts of council tax for its predecessor areas for 2021-22 under Part 4 of the 2008 Regulations, the authority's relevant basic amount of council tax for that year is excessive if —

(a) for any of West Suffolk District Council's predecessor areas, the amount mentioned in section 52ZC(3C)(a) in the 1992 Act is—

(i) 2%, or more than 2%, greater than the amount mentioned in section 52ZC(3C)(b) of that Act; and

(ii) more than £5 greater than the amount mentioned in section 52ZC(3C)(b) of that Act; and

(b) the amount mentioned in section 52ZC(3F)(a) of the 1992 Act is—

(i) 2%, or more than 2%, greater than the amount mentioned in section 52ZC(3F)(b) of that Act; and

(ii) more than £5 greater than the amount mentioned in section 52ZC(3F)(b) of that Act.

Principles for 2021-22 for Bournemouth, Christchurch and Poole Council

9.—(1) If Bournemouth, Christchurch and Poole Council calculates its basic amount of council tax for 2021-22 under section 31B(1) of the 1992 Act, Bournemouth, Christchurch and Poole Council's relevant basic amount of council tax for 2021-22 is excessive if the amount mentioned in section 52ZC(3A)(a)(**b**) of the 1992 Act is 5% (comprising 3% for expenditure on adult social care and 2% for other expenditure), or more than 5%, greater than the amount mentioned in section 52ZC(3A)(b) of that Act.

(2) If Bournemouth, Christchurch and Poole Council calculates basic amounts of council tax for its predecessor areas for 2021-22 under Part 4 of the 2008

(**a**) For 2021-22, the modifications in paragraphs 9 to 16 of Schedule 3 to the 2008 Regulations (as amended by S.I. 2018/1296) apply to the 1992 Act in relation to West Suffolk District Council. See paragraph 9 of that Schedule for modifications to section 52ZC of the 1992 Act.

(**b**) For 2021-22, the modifications in paragraphs 9 to 16 of Schedule 3 to the 2008 Regulations (as amended by S.I. 2018/1296) apply to the 1992 Act in relation to Bournemouth, Christchurch and Poole Council. See paragraph 9 of that Schedule for modifications to section 52ZC of the 1992 Act.

Regulations, the authority’s relevant basic amount of council tax for that year is excessive if—

(a) for any of Bournemouth, Christchurch and Poole Council’s predecessor areas, the amount mentioned in section 52ZC(3C)(a) of the 1992 Act is 5% (comprising 3% for expenditure on adult social care, and 2% for other expenditure), or more than 5%, greater than the amount mentioned in section 52ZC(3C)(b); and

(b) the amount mentioned in section 52ZC(3F)(a) of the 1992 Act is 5% (comprising 3% for expenditure on adult social care, and 2% for other expenditure), or more than 5%, greater than the amount mentioned in section 52ZC(3F)(b);

Principles for 2021-22 for North Northamptonshire Council and West Northamptonshire Council

10.—(1) If North Northamptonshire Council or West Northamptonshire Council calculates its basic amount of council tax for 2021-22 under section 31B(1) of the 1992 Act, the authority’s relevant basic amount of council tax for 2021-22 is excessive if the amount mentioned in section 52ZC(3A)(a)(**a**) of the 1992 Act is 5% (comprising 3% for expenditure on adult social care and 2% for other expenditure), or more than 5%, greater than the amount mentioned in section 52ZC(3A)(b) of that Act.

(2) If North Northamptonshire Council or West Northamptonshire Council calculates basic amounts of council tax for its predecessor areas for 2021-22 under Part 4 of the 2008 Regulations, the authority’s relevant basic amount of council tax for that year is excessive if—

(a) for any of the authority’s predecessor areas, the amount mentioned in section 52ZC(3C)(a) of the 1992 Act is 5% (comprising 3% for expenditure on adult social care, and 2% for other expenditure), or more than 5%, greater than the amount mentioned in section 52ZC(3C)(b); and

(b) the amount mentioned in section 52ZC(3D)(a) of the 1992 Act is 5% (comprising 3% for expenditure on adult social care, and 2% for other expenditure), or more than 5%, greater than the amount mentioned in section 52ZC(3D)(b).

Principles for 2021-22 for authorities belonging to the category mentioned in paragraph 2(i)

11. For 2021-22, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(i) is excessive if the authority’s relevant basic amount of council tax for 2021-22 is 2%, or more than 2%, greater than its relevant basic amount of council tax for 2020-21.

(**a**) For 2021-22, the modifications in paragraphs 1 to 8 of Schedule 3 to the 2008 Regulations (as amended by S.I. 2018/1296) apply to the 1992 Act in relation to North Northamptonshire Council and West Northamptonshire Council. See paragraph 1 of that Schedule for modifications to section 52ZC of the 1992 Act.

Annex B

Local authorities for the following areas fall within the definition of “relevant local authority” in the *Principles for the financial year beginning on 1st April 2021*

(INNER LONDON)
City of London
Camden
Greenwich
Hackney
Hammersmith & Fulham

Islington
Kensington & Chelsea
Lambeth
Lewisham
Southwark

Tower Hamlets
Wandsworth
Westminster

(OUTER LONDON)
Barking & Dagenham
Barnet
Bexley
Brent
Bromley

Croydon
Ealing
Enfield
Haringey
Harrow

Havering
Hillingdon
Hounslow
Kingston-upon-Thames
Merton

Newham
Redbridge
Richmond-upon-Thames
Sutton
Waltham Forest

(GREATER MANCHESTER)
Bolton
Bury
Manchester
Oldham
Rochdale
Salford
Stockport
Tameside

Trafford
Wigan

(MERSEYSIDE)
Knowsley
Liverpool
St Helens
Sefton
Wirral

(SOUTH YORKSHIRE)
Barnsley
Doncaster
Rotherham
Sheffield

(TYNE AND WEAR)
Gateshead
Newcastle-upon-Tyne
North Tyneside
South Tyneside
Sunderland

(WEST MIDLANDS)
Birmingham
Coventry
Dudley
Sandwell
Solihull
Walsall
Wolverhampton

(WEST YORKSHIRE)
Bradford
Calderdale
Kirklees
Leeds
Wakefield

(COUNTY COUNCILS)
Cambridgeshire
Cumbria
Derbyshire
Devon

East Sussex
Essex
Gloucestershire
Hampshire
Hertfordshire

Kent
Lancashire
Leicestershire
Lincolnshire
Norfolk

North Yorkshire

Nottinghamshire
Oxfordshire
Somerset

Staffordshire
Suffolk
Surrey
Warwickshire
West Sussex
Worcestershire

(UNITARY AUTHORITIES)
Bath & North East Somerset
Bedford
Blackburn with Darwen
Blackpool

Bracknell Forest
Brighton & Hove
Bristol
Buckinghamshire
Central Bedfordshire
Cheshire East

Cheshire West and Chester
Cornwall
Darlington
Derby
Dorset

Durham
East Riding of Yorkshire
Halton
Hartlepool
Herefordshire

Isle of Wight Council
Isles of Scilly
Kingston-upon-Hull
Leicester
Luton

Medway
Middlesbrough
Milton Keynes
North East Lincolnshire
North Lincolnshire

North Somerset
Northumberland
Nottingham
Peterborough
Plymouth

Portsmouth
Reading

Redcar & Cleveland
Rutland
Shropshire

Slough
South Gloucestershire
Southampton
Southend-on-Sea
Stockton-on-Tees

Stoke-on-Trent
Swindon
Telford & Wrekin
Thurrock
Torbay

Warrington
West Berkshire
Wiltshire
Windsor & Maidenhead
Wokingham
York

Annex 1b

Local Government Finance Settlement 2021/22

	2021/22				
	Revenue Support Grant £	**Business Rates Baseline £**	**Settlement Funding Assessment £**	**Estimated Population mid-2019**	**Per Head £**
Ashford	-	2,877,629	2,877,629	130,032	22.13
Canterbury	-	4,687,349	4,687,349	165,394	28.34
Dartford	-	2,715,907	2,715,907	112,606	24.12
Dover	57,777	3,705,016	3,762,793	118,131	31.85
Folkestone and Hythe	-	3,732,549	3,732,549	112,996	33.03
Gravesham	-	2,964,812	2,964,812	106,939	27.72
Maidstone	-	3,259,829	3,259,829	171,826	18.97
Sevenoaks	-	2,304,245	2,304,245	120,750	19.08
Swale	115,623	4,290,310	4,405,933	150,082	29.36
Thanet	99,589	5,053,855	5,153,444	141,922	36.31
Tonbridge and Malling	-	**2,301,752**	**2,301,752**	**132,153**	**17.42**
Tunbridge Wells	-	2,374,684	2,374,684	118,724	20.00

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REVIEW OF FEES AND CHARGES 2021/22 – SUMMARY OF RECOMMENDATIONS

(1) REVIEW OF CHARGES AND FEES 2021/22 – HMOs and Caravan Licences

Item CH 20/26 referred from Communities and Housing Advisory Board of 10 November 2020

The report of the Director of Planning, Housing and Environmental Health provided an update on existing fees for licensing a house in multiple occupation (HMO) or caravan site together with recommended charges following a review of the costs of processing the respective applications. The proposed fee increases had been benchmarked against neighbouring authorities.

RECOMMENDED: That the following charges be approved with effect from 1 April 2021:

£545 for processing a new mandatory HMO licence application;
£500 for the processing of a renewal application for a mandatory HMO licence;
£395 for processing a new caravan site licence application where the use of the site is for permanent residential use; and
£190 for the transfer of a caravan site licence for a permanent residential use site.

***Referred to Cabinet**

(2) REVIEW OF CEMETERY CHARGES 2021/22

Item CH 20/27 referred from Communities and Housing Advisory Board of 10 November 2020

Consideration was given to the joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Finance and Transformation setting out charging proposals for 2021/22 regarding Tonbridge Cemetery. Details of the proposed charges were set out at Annex 2 to the report. A comparison with other Kent district councils' charges was provided and it was anticipated that the proposals would generate additional net income of approximately £700.

A number of Members expressed concern that the low level of income in comparison to expenditure meant that Tonbridge Cemetery was, effectively, being subsidised and suggested that a strategic and comprehensive review of the charges should be undertaken. It was hoped that, as the facility became more self-sustained, the burden on the general tax-payer could be reduced in the longer term.

RECOMMENDED: That Cabinet be asked to consider whether the Overview and Scrutiny Committee should undertake a broad, strategic review of the charges applied at Tonbridge Cemetery.

***Referred to Cabinet**

(3) REVIEW OF PLANNING APPLICATION CHARGING REGIME

Item PE 20/24 referred from Planning and Transportation Advisory Board of 11 November 2020

The report of the Director of Planning, Housing and Environmental Health provided a review of the pre-application charging regime and set out proposed new charges for 2021/22. It was necessary to review the protocol annually to ensure that the Borough Council continued to provide a comprehensive, high quality service and that the evidence base remained up to date. The charging schedule was also considered annually and to ensure that this was applied fairly and cost recovery continued to take place proportionately, an increase in fees was proposed.

Attention was drawn to a drafting error in the pre-application charging schedule 2021/22 (Annex 1) and it was confirmed that the fee for large scale, strategic development should read £1,200.

RECOMMENDED: That the updated Pre-application Charging Schedule 2021/22 (as attached at Annex 1 to the report) be adopted; subject to

(1) the correction of a drafting error (as set out above) and that the fee for large scale, strategic development was £1,200 plus VAT.

***Referred to Cabinet**

(4) REVIEW OF PLANNING PERFORMANCE AGREEMENT AND CHARGING SCHEDULE

Item PE 20/25 referred from Planning and Transportation Advisory Board of 11 November 2020

The report of the Director of Planning, Housing and Environmental Health provided a review of the planning performance agreement protocol and set out proposed new charges for 2021/22. To ensure that the Borough Council continued to provide a comprehensive, high quality service and that the evidence based remained up to date it was necessary to review the protocol and charging schedule annually.

RECOMMENDED: That the updated Planning Performance Agreement Charging Schedule 2021/22 (attached at Annex 1 of the report) be adopted.

***Referred to Cabinet**

(5) REVIEW OF BUILDING CONTROL FEES 2021/22

Item PE 20/26 referred from Planning and Transportation Advisory Board of 11 November 2020

Members were provided with an update on the working arrangement with Sevenoaks District Council and following internal discussions the Borough Council had been given notice to dissolve this partnership. A full assessment of service requirements was being undertaken and revised arrangements would be presented to Members in due course.

The report also recommended Building Control fees for 2021/22 for the Borough Council only.

RECOMMENDED: That a 1% increase to the Building Control Charges from 1 April 2021, as per the list of fees attached at Annex 1 to the report, be approved.

***Referred to Cabinet**

(6) REVIEW OF FEES AND CHARGES – STREET SCENE, WASTE AND ENVIRONMENTAL

Item SSE 20/24 referred from Street Scene and Environment Services Advisory Board of 8 December 2020

The joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Planning, Housing and Environmental Health set out the proposed fees and charges for the provision of services in respect of garden waste subscriptions, fixed penalty notices for littering, household bulky refuse and fridge/freezer collections, 'missed' refuse collections, stray dog redemption fees, pest control, food certificates, contaminated land monitoring and private water supplies with effect from 1 April 2021.

Consideration had been given to a range of factors, including the Borough Council's overall financial position, market position, trading patterns, the current rate of inflation and customer feedback. In addition, the set of guiding principles for the setting of fees and charges approved by the Finance, Innovation and Property Advisory Board had also been taken into account.

RECOMMENDED: That

(1) the proposed scale of charges for garden waste subscriptions, fixed penalty notices for littering, household bulky refuse and fridge/freezer collections, 'missed' refuse collections, stray dog redemption fees, pest control, food certificates, contaminated land monitoring and private waste supplies, as detailed in the report, be approved; and

(2) the proposed scale of charges be implemented from 1 April 2021.

***Referred to Cabinet**

(7) REVIEW OF FEES AND CHARGES 2021/22

Item FIP 21/6 referred from Finance, Innovation and Property Advisory Board of 6 January 2021

The report of the Management Team brought forward for consideration, as part of the Budget setting process for 2021/22, proposals in respect of those fees and charges that were the responsibility of the Cabinet Member for Finance, Innovation and Property or not reported elsewhere.

RECOMMENDED: That

(1) in respect of the recovery of legal fees payable by third parties, the Council's charges remain the same for 2021/22 and continue to reflect existing practices as highlighted in paragraph 1.2 of the report;

(2) the proposed scale of fees for local land charges searches and enquiries set out at Annex 1 to the report be adopted with effect from 1 April 2021;

(3) the current photocopying charges of £0.10 (inclusive of VAT) for each page of the same document or additional copies of the same page plus postage as appropriate be retained;

(4) the fee Schedule for Street Naming and Numbering set out in section 1.5 of the report be adopted with effect from 1 April 2021;

(5) the amount of council tax and business rates Court costs recharged remain the same for the 2021/22 financial year (as set out at paragraph 1.6.4 of the report); and

(6) the fees and charges 2021/22 related to Tonbridge Castle tours (as set out at paragraph 1.7.2), fees for schools (as set out at paragraphs 1.7.6 and 1.7.7) and the fee models for ceremonies (as set out at paragraphs 1.7.8 to 1.7.12 of the report) be approved.

***Referred to Cabinet**

(8) REVIEW OF FEES AND CHARGES 2021/22 – LICENSING FEES

Item LA 20/15 decision taken by Licensing and Appeals Committee of 17 November 2020

Following a review of the existing fee structure the report of the Director of Central Services and Deputy Chief Executive set out details of the proposed licensing fees and charges for 2021/22 in respect of Hackney Carriage and Private Hire, Pleasure Boats and Boatmen, Scrap Metal Dealers, Animal Welfare, Street Trading Consents in Tonbridge, Sex Establishments and the licensing of premises and practitioners providing Acupuncture, Tattooing, Ear Piercing, Semi-permanent make-up and Electrolysis.

RESOLVED: That the proposed scale of fees for licences, consents and registrations, as set out at Annex 1 to the report, be adopted with effect from 1 April 2021.

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Annex 3

Capital Plan: List A
Service Summary

	Expenditure To 31/03/20	2020/21 Estimate inc Prior Year Slippage	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	Scheme Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Plan Schemes									
Planning, Housing & Environmental Health	1,453	736	155	84	84	84	84	84	2,764
Street Scene, Leisure & Technical Services	1,803	900	1,107	143	1,265	159	159	159	5,695
Corporate	83	202	30	90	30	30	30	30	525
Sub-total	3,339	1,838	1,292	317	1,379	273	273	273	8,984
Capital Renewals									
Planning, Housing & Environmental Health	n/a	0	0	0	13	0	0	0	13
Street Scene, Leisure & Technical Services	n/a	205	1,277	571	370	358	231	506	3,518
Corporate	n/a	228	237	190	169	382	337	182	1,725
Sub-total	n/a	433	1,514	761	552	740	568	688	5,256
Total	3,339	2,271	2,806	1,078	1,931	1,013	841	961	14,240

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Capital Plan Review 2020/21

Recommendations in respect of List C

	Annex 2 Page
Schemes to be added to List C	
Street Scene, Leisure and Technical Services	
Larkfield Leisure Centre – Sports Hall Roof Renewable Energy Technology	CP 26
Swanmead Sportsground – Flood Alleviation Works	CP 33
Corporate Services	
Electric / Hybrid Pool Car	CP 34

Capital Plan Review 2020/21

Schemes selected for evaluation from List C

	Annex 2 Page
Street Scene, Leisure and Technical Services	
Larkfield Leisure Centre – Sports Hall Roof Renewable Energy Technology	CP 26
Tonbridge Castle – Site Improvements	CP 31
Corporate Services	
Electric / Hybrid Pool Car (Fast-Track)	CP 34

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Capital Plan Review 2020/21

Recommendations in respect of evaluated schemes

	Capital Cost	Estimated Annual Revenue/ Renewals Cost		Annex 3 Page
	£'000	**£'000**		
Corporate Services				
Electric Pool Car	24	5	Transfer from List C to List B	CP 35
Total	**24**	**5**		
The estimated capital cost to be met from the annual capital allowance of £250,000.				

Annex 7

Capital Plan: List A
Service Summary

	Expenditure To 31/03/20	2020/21 Estimate inc Prior Year Slippage	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	Scheme Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Plan Schemes									
Planning, Housing & Environmental Health	1,453	736	155	84	84	84	84	84	2,764
Street Scene, Leisure & Technical Services	1,803	900	1,107	143	1,265	159	159	159	5,695
Corporate	83	202	54	90	30	30	30	30	549
Sub-total	3,339	1,838	1,316	317	1,379	273	273	273	9,008
Capital Renewals									
Planning, Housing & Environmental Health	n/a	0	0	0	13	0	0	0	13
Street Scene, Leisure & Technical Services	n/a	205	1,277	571	370	358	231	506	3,518
Corporate	n/a	228	237	190	169	382	337	182	1,725
Sub-total	n/a	433	1,514	761	552	740	568	688	5,256
Total	3,339	2,271	2,830	1,078	1,931	1,013	841	961	14,264

Annex 8

Capital Plan Review 2020/21 : Funding the Draft Capital Plan

	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Capital Plan Schemes							
Capital Renewals	433	1,514	761	552	740	568	688
Other Recurring Expenditure (net of grants)	235	321	257	264	273	273	273
One-Off Schemes (net of grants & contributions)	1,603	995	60	1,115			
Capital Plan Totals	**2,271**	**2,830**	**1,078**	**1,931**	**1,013**	**841**	**961**
Add back grants / contributions	1,192	1,863	1,066	1,066	1,066	1,066	1,066
Total to be funded	3,463	4,693	2,144	2,997	2,079	1,907	2,027
Funded from:							
Grants							
BCF (Disabled Facilities Grant)	890	1,103	1,026	1,026	1,026	1,026	1,026
Environment Agency TRSG Revetment		14					
Sport England TRSG Rugby Pitch Drainage	10						
Developer Contributions							
Temporary Accommodation	157						
Tonbridge School Athletics Track	21						
Tonbridge Racecourse SG Rugby Pitch Drainage		8					
Tonbridge Racecourse SG Swimming Pool Bridge	1						
Haysden Country Park Sewage Treatment Facility	30						
Leyborne lakes Facility Improvements	43	698					
Capital and Other Receipts							
DFG Grant Repayments	10	10	10	10	10	10	10
Housing Assistance Grant Repayments	30	30	30	30	30	30	30
Bal met from Revenue Reserve for Capital Schemes	**2,271**	**2,830**	**1,078**	**1,931**	**1,013**	**841**	**961**
Total funding	3,463	4,693	2,144	2,997	2,079	1,907	2,027

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Annex 9

Capital Plan Review 2020/21 :Revenue Reserve for Capital Schemes

	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Balance at 1st April	7,456	6,592	4,554	4,468	3,551	3,576	3,788
Contribution from Revenue to meet Capital Renewals and other Annually Recurring Expenditure	500	542	992	1,014	1,038	1,053	1,069
Revenue contribution for new Capital Plan Schemes	250	250	250	250	250	250	250
Less assumed spend			(250)	(250)	(250)	(250)	(250)
Other Revenue & Earmarked Reserve Contributions							
Invest to Save Reserve - Corporate DMS	17						
Various Reserves/Contributions - Homeless Accommodation	640						
Available for application	8,863	7,384	5,546	5,482	4,589	4,629	4,857
Amount applied to fund capital	(2,271)	(2,830)	(1,078)	(1,931)	(1,013)	(841)	(961)
Balance at 31st March	6,592	4,554	4,468	3,551	3,576	3,788	3,896

No **borrowing** requirement until 2027/28 subject to net bids for new schemes being met from the £250k per annum capital allowance.
Contributions to the reserve to meet future capital renewals and other recurring expenditure **match** the average annual level of expenditure uplifted by CPI in 22/23 and beyond

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Estimates of the incremental impact of capital investment on Band D equivalent Council Tax	2021/22 est. £	2022/23 est. £	2023/24 est. £	2024/25 est. £	2025/26 est. £	2026/27 est. £
Electric Pool Car	0.05	0.10				
Total: (Increase in Band D equivalent Council Tax attributable to new capital schemes)	**0.05**	**0.10**				

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Medium Term Financial Strategy

	Estimate	Projection								
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE										
Employees	12,244	12,473	12,715	12,992	13,214	13,477	13,748	14,022	14,302	14,590
Transfer Payments	26,457	26,854	15,089	15,391	15,699	16,013	16,333	16,660	16,993	17,333
Other Expenditure	15,079	12,294	12,268	12,474	12,689	13,056	14,114	14,544	14,982	15,436
Capital Charges	3,622	3,676	3,750	3,825	3,901	3,979	4,059	4,140	4,223	4,307
Total Expenditure	**57,402**	**55,297**	**43,822**	**44,682**	**45,503**	**46,525**	**48,254**	**49,366**	**50,500**	**51,666**
INCOME										
Fees & Charges	(9,070)	(9,563)	(9,949)	(10,070)	(10,264)	(10,492)	(10,808)	(11,044)	(11,286)	(11,532)
Other Specific Grants & Miscellaneous	(28,159)	(27,405)	(15,595)	(15,905)	(16,222)	(16,545)	(16,874)	(17,209)	(17,553)	(17,903)
Investment Income	(250)	(306)	(344)	(480)	(539)	(596)	(659)	(705)	(795)	(842)
Total Income	**(37,479)**	**(37,274)**	**(25,888)**	**(26,455)**	**(27,025)**	**(27,633)**	**(28,341)**	**(28,958)**	**(29,634)**	**(30,277)**
Appropriations										
Capital Renewals	542	992	1,014	1,038	1,053	1,069	1,085	1,101	1,118	1,134
Provision for new Capital Schemes	250	250	250	250	250	250	0	0	0	0
Other Appropriations	(13,133)	(4,126)	(4,202)	(3,830)	(3,889)	(3,874)	(3,954)	(4,035)	(4,118)	(4,202)
SAVINGS & TRANSFORMATION TARGET	**0**	**(100)**	**(102)**	**(104)**	**(106)**	**(108)**	**(110)**	**(113)**	**(115)**	**(117)**
SAVINGS & TRANSFORMATION TARGET	**0**	**0**	**(100)**	**(102)**	**(104)**	**(106)**	**(108)**	**(110)**	**(113)**	**(115)**
SAVINGS & TRANSFORMATION TARGET	**0**	**0**	**0**	**(275)**	**(281)**	**(286)**	**(292)**	**(298)**	**(304)**	**(310)**
NET BUDGETED SPEND	**7,582**	**15,039**	**14,794**	**15,204**	**15,401**	**15,837**	**16,534**	**16,953**	**17,334**	**17,779**
FUNDING										
Revenue Reserves	(405)	839	814	303	42	0	226	152	47	(15)
Government Grant	5,136	3,001	2,395	2,443	2,492	2,542	2,592	2,644	2,697	2,751
Council Tax	11,277	11,657	12,043	12,458	12,867	13,295	13,716	14,157	14,590	15,043
Collection Fund Adjustment	(8,426)	(458)	(458)	0	0	0	0	0	0	0
Total Funding	**7,582**	**15,039**	**14,794**	**15,204**	**15,401**	**15,837**	**16,534**	**16,953**	**17,334**	**17,779**
Council Tax Level at Band D	£219.50	£224.50	£229.50	£234.50	£239.50	£244.50	£249.50	£254.50	£259.50	£264.50
Increase on Previous Year	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00
RESERVES BALANCE CARRIED FORWARD	**7,426**	**6,587**	**5,773**	**5,470**	**5,428**	**5,428**	**5,202**	**5,050**	**5,003**	**5,018**

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Savings & Transformation Strategy 2021/22 – 2030/31

INTRODUCTION

By way of context, since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 65% or £4.3m (from £6.6m in 2010/11 to £2.3m in 2021/22).

The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2021/22 is around £2.2m. However, the future of NHB or a replacement remains the subject of discussion, but at the very least will not continue in its current form leaving one of two options. The scheme is withdrawn and not replaced or is replaced, but where the funding stream and sum awarded is much reduced (our working assumption).

We are fortunate that we do not have to make all the required savings and transformation contributions in one year and can spread the challenge into 'tranches' as set out within the Council's Medium Term Financial Strategy (MTFS). Nevertheless, the Council have acknowledged that we need to balance customer expectations with the need to make these savings and transformation contributions and achieve as much as possible in the earlier years to provide the best long-term financial sustainability.

In the latest iteration of the MTFS it is assumed government grant funding (core funding + NHB or its replacement) will **steadily** reduce to £2.4m in 2023/24 uplifted by inflation thereafter and that the reductions in income and increased costs seen as a result of the pandemic in large part **will return** to pre Covid-19 levels in the short to medium term; where the latest projected funding gap between expenditure and income is **circa £475,000**. In updating this Strategy, it is noted that the 'tranches' assumed within the MTFS are: *Tranche 1* – £100,000 to be achieved by April 2022; *Tranche 2* – £100,000 to be achieved by April 2023 and *Tranche 3* – £275,000 to be achieved by April 2024. **Plus** the initiatives already built into the MTFS, but yet to be delivered, totalling in excess of **£500,000**.

OBJECTIVES

In developing this Strategy, the Council has set the following objectives:

1. To deliver sufficient savings and transformation contributions in order to bridge the funding gap identified in the MTFS, and to deliver as much as possible in the earlier years in order to minimise risk to the Council's finances.

2. To direct resources in line with the principles of the Council's Corporate Strategy.

3. To maintain the Council's reputation of good front line service provision.

4. To adopt a ‘mixed’ approach to addressing the funding gap through a series of ‘themes’.

5. To be open to accept ‘cultural’ change/transformation in the ways we work and offer services to the public in order to release efficiencies and savings.

6. To engage, as appropriate, with stakeholders when determining how savings and transformation contributions will be achieved.

THE STRATEGY

It is recognised that there is no one simple solution to addressing the financial challenge faced. The Council will need to embrace transformation in a multitude of ways in order to deliver the savings and transformation contributions within an agreed timescale.

This Strategy sets out a measured structure and framework for delivering the necessary savings and transformation contributions through a series of ‘themes’. Each theme has a deliverable target within a timeframe.

Whilst the framework includes some major areas where savings can be made without direct effect on services, by adopting this Strategy the Council has recognised that it may need to decide that some service areas should change/transform to accommodate saving requirements. That might mean doing things differently, with even greater efficiency – for example, with the help of new technology – and with increased income opportunities where circumstances allow this. It might also mean that services will simply need to be run with fewer resources. All these approaches will require a shift in culture for the organisation so that we can be focused and flexible in the way in which we deliver services to our communities.

The Themes, Targets, and Timeframes for the Strategy are set out in the table below, and will be the subject of review at least annually.

Progress on identifying and implementing savings and transformational opportunities across the various themes will be regularly reported to and reviewed by Management Team and in-year update reports presented to Members as appropriate. The Council is committed to engagement with relevant stakeholders as proposals are brought forward.

Julie Beilby Chief Executive	Sharon Shelton Director of Finance and Transformation
Nicolas Heslop Leader of the Council	Martin Coffin Cabinet Member for Finance, Innovation and Property and Deputy Executive Leader

Annex 11b

Savings & Transformation Strategy 2021/22 - 2030/31

Savings and Transformation Contributions in Previous Years of STS £000	Theme	Indicative Years	Target £000	Savings and Transformation Contributions Identified after Setting of 2021/22 Budget £000	Balance of Target to be Achieved £000
682	Income Generation & Cost Recovery	2021 - 2024	70	0	70
530	In-Service Efficiencies	2021 - 2024	20	0	20
377	Service Change & Reduction	2021 - 2024	250	0	250
785	Contracts	2021 - 2024	10	0	10
168	Organisation Structure Change	2021 - 2024	100	0	100
431	Partnership Funding	2021 - 2024	5	0	5
386	Asset Management	2021 - 2024	20	0	20
3,359	TOTAL		475	0	475

Note: This Strategy will be updated on at least an annual basis to reflect challenges set out in the Medium Term Financial Strategy.

Savings & Transformation Strategy updated February 2021

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Annex 11c

		2020/21 Allocation/ Estimate £	2020/21 Received £	2021/22 Allocation/ Estimate £
Covid-19 Grant Allocation	General Fund Summary	1,776,566	1,776,566	605,170
Income Compensation Scheme - subject of a 4-monthly claim	General Fund Summary	1,200,000	565,500	200,000
Sharing of Collection Fund Deficits	General Fund Summary	200,000		
Self-isolation payments – standard	Housing Benefits	45,500	45,500	
Self-isolation payments – discretionary	Housing Benefits	27,450	27,450	
Self-isolation payments top-up – discretionary	Housing Benefits	23,050	23,050	
New Burdens Grant for administering SIPs	Housing Benefits	26,770	26,770	
Small Business / Retail Hospitality and Leisure Sector Grant Fund	Local Revenue & NNDR Collection	20,120,000	20,120,000	
New Burdens Grant for administering business grants	Local Revenue & NNDR Collection	188,500	188,500	
New Burdens Grant for business rate reliefs	Local Revenue & NNDR Collection	11,700	11,700	
Local Restrictions Support Grant Closed (Addendum)	Local Revenue & NNDR Collection	1,413,378	1,413,378	
Local Restrictions Support Grant Closed Tier 3 (2 Dec - 15 Dec)	Local Revenue & NNDR Collection	180,732	180,732	
Local Restrictions Support Grant Open	Local Revenue & NNDR Collection	26,036	26,036	
Tier Change pro-rata payment (16 Dec - 19 Dec)	Local Revenue & NNDR Collection	6,400	6,400	
Wet-led Pub Scheme	Local Revenue & NNDR Collection	57,600	57,600	
Local Restrictions Support Grant Closed	Local Revenue & NNDR Collection	4,239,000	4,239,000	
Local Restrictions Support Grant Closed (Addendum)	Local Revenue & NNDR Collection	2,120,067	2,120,067	
Council Tax Hardship Fund	Council Tax Support	866,829	866,829	
New Burdens Grant for administering hardship fund	Council Tax Support	11,859	11,859	
LCTS Grant				224,442
Emergency Assistance Grants via KCC	Grants and Payments	47,356	47,356	
Discretionary Business Grant Fund	Economic Development & Regeneration	1,006,000	1,006,000	
Additional Restrictions Grant (Discretionary)	Economic Development & Regeneration	1,321,530	2,643,060	1,321,530
Additional Restrictions Grant Top-up (Discretionary)	Economic Development & Regeneration	1,173,922	1,173,922	
Reopening High Streets Safely Fund		117,531		
Test & Trace Grant via KCC	Licences / Food Safety	35,000	50,000	15,000
Next Steps Accommodation Programme	Homelessness	125,086	125,086	
Homelessness & Rough Sleeping Covid-19 Contingency Fund	Homelessness	4,500	4,500	
National Leisure Recovery Fund – application process	Tonbridge & Malling Leisure Trust	250,000		
Covid-19 Enforcement and Compliance	Civil Contingencies	54,863	54,863	
Containment Outbreak Management Fund (Lockdown) via KCC	Civil Contingencies	272,591	272,000	
Winter Grant Scheme via KCC	Civil Contingencies	58,018		
Clinically Extremely Vulnerable via KCC	Civil Contingencies	61,214		

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Cabinet 11 February 2021
General Fund Revenue Estimates 2021/22
SUMMARY

	2020/21 ESTIMATE		2021/22
	ORIGINAL	**REVISED**	**ESTIMATE**
	£	**£**	**£**
Corporate Services	3,568,250	3,323,350	3,534,700
Chief Executive	968,750	(543,200)	2,544,300
Director of Central Services	458,150	637,950	277,750
Director of Finance & Transformation	1,404,150	1,658,800	1,835,800
Director of Planning, Housing & Environmental Health	4,306,900	4,382,950	4,523,000
Director of Street Scene, Leisure & Technical Services	6,794,800	9,732,050	8,012,700
Sub Total	17,501,000	19,191,900	20,728,250
Capital Accounting Reversals			
Non-Current Asset Depreciation	(3,165,850)	(2,860,800)	(2,966,650)
Contributions to / (from) Reserves			
Building Repairs Reserve			
Withdrawals to fund expenditure	(1,410,400)	(1,352,900)	(809,400)
Contribution to Reserve	1,075,000	1,075,000	725,000
Earmarked Reserves (see page S 2)			
Contributions from Reserves	(912,450)	(1,209,200)	(11,529,200)
Contributions to Reserves	3,949,300	13,419,250	2,101,500
Revenue Reserve for Capital Schemes			
Withdrawals to fund expenditure			
Non-Current Assets	(2,587,000)	(2,241,000)	(2,175,000)
Revenue Expenditure Funded from Capital	(155,000)	(30,000)	(655,000)
Other contributions to / (from) Reserve (net)	850,000	1,407,000	792,000
Capital Expenditure Charged to General Fund	2,587,000	2,241,000	2,175,000
Government Grants			
New Homes Bonus	(3,375,050)	(3,375,050)	(2,209,800)
Under-indexing Business Rates Multiplier	(92,250)	(92,250)	(119,950)
Covid-19 Support Grant	-	(1,736,000)	(605,150)
Income Compensation Scheme	-	(1,200,000)	(200,000)
Sharing of Collection Fund Deficits	-	(200,000)	-
Lower Tier Services Grant	-	-	(665,500)
Contributions from KCC	-	(200,000)	-
Sub Total	14,264,300	22,836,950	4,586,100
National Non-Domestic Rates			
Share of National Non-Domestic Rates	(22,918,471)	(22,918,471)	(22,398,263)
Tariff	21,310,255	21,310,255	21,310,255
Safety Net	22,100	(440,000)	-
Business Rates Pool	100,850	-	-
Small Business Rate Relief Grant	(931,000)	(1,141,000)	(1,042,729)
Covid-19 Business Rates Relief Measures	-	(7,893,750)	-
Retail Relief Grant	(281,800)	(281,800)	-
Supporting Small Business Grant	(11,250)	(6,400)	(9,030)
Public House Relief Grant	-	(200)	-
Discretionary Relief Grant	(17,950)	(1,100)	-
Collection Fund Adjustments			
Council Tax (Surplus) / Deficit	(66,826)	(66,826)	(19,582)
National Non-Domestic Rates (Surplus) / Deficit	(823,094)	(823,094)	8,444,961
Sub Total	10,647,114	10,574,564	10,871,712
Contribution to / (from) General Revenue Reserve	371,950	444,500	405,050
Balance to be met from Council Tax Payers	**11,019,064**	**11,019,064**	**11,276,762**

Cabinet 11 February 2021
General Fund Revenue Estimates 2021/22
EARMARKED RESERVES

	2020/21 ESTIMATE		2021/22
	ORIGINAL £	REVISED £	ESTIMATE £
Contributions from Earmarked Reserves			
Additional Restrictions Support Reserve	-	-	(1,321,500)
Asset Review Reserve	-	(3,000)	-
Business Rates Retention Scheme Reserve	(190,400)	(112,700)	(8,876,150)
Climate Change Reserve	-	(17,000)	(50,000)
Covid-19 Reserve	-	(40,550)	(15,000)
Economic Development Reserve	(5,900)	(7,250)	-
Homelessness Reserve	(116,500)	(462,000)	(329,150)
Housing Assistance Reserve	(91,600)	-	-
Housing Survey Reserve	-	(26,450)	-
Invest to Save Reserve	(45,000)	(83,450)	-
Local Development Framework Reserve	(317,500)	(316,200)	(214,500)
Public Health Reserve	(5,550)	(17,150)	(20,900)
Repossessions Prevention Fund Reserve	(2,000)	(2,000)	(2,000)
Tonbridge & Malling Leisure Trust Reserve	(138,000)	(59,500)	(700,000)
Transformation Reserve	-	(39,350)	-
Waste & Street Scene Initiatives Reserve	-	(22,600)	-
	(912,450)	**(1,209,200)**	**(11,529,200)**
Contributions to Earmarked Reserves			
Additional Restrictions Support Reserve	-	1,321,500	-
Budget Stabilisation Reserve	3,500,000	2,000,000	1,500,000
Business Rates Retention Scheme Reserve	75,650	9,345,000	-
Covid-19 Reserve	-	15,000	-
Election Expenses Reserve	25,000	25,000	25,000
Homelessness Reserve	268,650	562,750	346,500
Invest to Save Reserve	-	-	150,000
Local Development Framework Reserve	80,000	80,000	80,000
Transformation Reserve	-	70,000	-
	3,949,300	**13,419,250**	**2,101,500**

Tonbridge and Malling Borough Council
Estimate of Collection Fund Surplus / (Deficit) 2020/21 - Council Tax

	Estimate	
Income	**£**	**£**
Surplus / (Deficit) Brought Forward		651,885
Income from Council Tax Payers (Net of Discounts, CTR and Exemptions)		98,681,899
Credit Adjustment		113,152
Total Income for the Year		99,446,936
Expenditure		
Precepts and Demands for 2020/21		
Kent County Council	69,415,604	
Police & Crime Commissioner for Kent	10,436,023	
Kent & Medway Fire & Rescue Authority	4,073,208	
Parishes	3,130,729	
Tonbridge & Malling Borough Council	11,019,064	98,074,628
Provision for Council Tax Non-Collection		777,000
Payment of Estimated Surplus for 2019/20		
Kent County Council	325,033	
Police & Crime Commissioner for Kent	48,304	
Kent & Medway Fire & Rescue Authority	19,441	
Tonbridge & Malling Borough Council	66,826	459,604
Total Expenditure for the Year		99,311,232
Estimated Surplus / (Deficit) for 2020/21		**135,704**

Allocation of Estimated Surplus / (Deficit) for 2020/21

	Precepts 2020/21		Surplus / (Deficit) 2021/22
	£	%	£
Kent County Council	69,415,604	70.78	96,051
Police & Crime Commissioner for Kent	10,436,023	10.64	14,439
Kent & Medway Fire & Rescue Authority	4,073,208	4.15	5,632
Tonbridge & Malling Borough Council	14,149,793	14.43	19,582
Total	98,074,628	100.00	**135,704**

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Tonbridge and Malling Borough Council
Estimate of Collection Fund Surplus / (Deficit) 2020/21 - Business Rates

	Estimate	
Income	£	£
Surplus / (Deficit) Brought Forward		1,804,363
Income from Business Rate Payers		36,711,819
Credit Adjustment		2,249,336
Total Income for the Year		40,765,518
Expenditure		
Demands for 2020/21 based upon NNDR 1 2020/21		
Kent County Council	5,156,656	
Kent & Medway Fire & Rescue Authority	572,962	
Tonbridge & Malling Borough Council	22,918,471	
Central Government	28,648,089	57,296,178
Allowance for Losses - Bad Debts		215,099
Allowance for Losses - Appeals		1,657,000
Cost of Collection Allowance		157,389
Transitional Protection Payments		494,520
Payment of Estimated Surplus for 2019/20		
Kent County Council	464,451	
Kent & Medway Fire & Rescue Authority	20,577	
Tonbridge & Malling Borough Council	823,094	
Central Government	749,613	2,057,735
Total Expenditure for the Year		61,877,921
Estimated Surplus / (Deficit) for 2020/21		**(21,112,403)**

Allocation of Estimated Surplus / (Deficit) for 2020/21

	Allocation	Surplus / (Deficit) 2021/22
	%	£
Kent County Council	9	(1,900,116)
Kent & Medway Fire & Rescue Authority	1	(211,124)
Tonbridge & Malling Borough Council	40	(8,444,961)
Central Government	50	(10,556,202)
Total	100	**(21,112,403)**

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TONBRIDGE & MALLING BOROUGH COUNCIL

SPECIAL EXPENSES ('LOCAL CHARGE') SCHEME

1. Introduction

1.1 The Provisions relating to "special expenses" are contained in the Local Government Finance Act 1992 at sections 34 and 35. These sections allow different amounts of council tax to be calculated for different parts of the district, depending on what if any "special items" relate to those parts. The legal background is set out in the Appendix.

1.2 In resolving to implement a Special Expenses Scheme, the Council revokes the Financial Arrangements with Parish Councils Scheme which was effective from 1 April 1992 made under s136 Local Government Act 1972 with effect from the same date (1 April 2017).

2. Objectives of the Scheme

2.1 The borough consists of 27 parished areas, and one unparished area. Parish councils exercise certain functions in their respective areas, which the Borough Council must exercise directly in the unparished area. These are known as concurrent functions.

2.2 The Council has historically awarded grants under s136 Local Government Act 1972 to parish councils in order to contribute towards the cost of concurrent functions. Due to significant financial pressures, the Council finds that it is unable to continue providing this level of financial support and must make savings.

2.3 The Council has resolved to adopt a Scheme of Special Expenses in order to provide a fairer system in terms of financial equity for taxpayers across the borough.

3. Function to be included in Scheme

3.1 Cabinet, at its meeting on 28 July 2016, recommended that the following concurrent functions are included in the Scheme:

- Closed churchyards
- Open spaces, parks and play areas maintained by TMBC in parished areas; excluding Leybourne Lakes Country Park (strategic site)
- Open spaces, play areas, parks and sportsgrounds in Tonbridge; excluding Castle Grounds and Haysden Country Park (strategic sites)
- Support given to 'Local' Events
- Allotments

4. Calculation of Special Expenses

4.1 TMBC will calculate an average council tax across the whole of its area under section 31B of the Local Government Finance Act 1992. Included in that will be the amounts payable to parish councils under their precepts, plus the amounts TMBC will spend on performing functions which are performed in parts of its area by parish councils.

4.2 Under section 34 of the Local Government Finance Act 1992, TMBC must then deduct the total of any special items. For each part of its area, TMBC must then add back amounts for any relevant special items for that part of its area. The amount added back is calculated by dividing the special item (i.e. the authority's estimated cost of performing the function in that part of its area) by the tax base for the part of the area in which the authority performs the function.

4.3 Treating expenses as special expenses does not affect the overall amount that TMBC needs to raise through council tax, and does not, therefore, affect the average amount of council tax across the whole of the borough. It simply means that, compared with what would happen if the expenses were not treated by TMBC as special expenses, the council tax is:

- relatively lower for areas where the parish council performs the concurrent function, as it includes the parish's costs but not TMBC's costs of performing the function elsewhere; and

- relatively higher for areas where TMBC performs the concurrent function, as all TMBC's costs of performing the concurrent function must be met by taxpayers in the area where TMBC performs it.

5. Implementation

5.1 This Scheme is effective from 1 April 2017, following resolution of Full Council on 1 November 2016.

5.2 The list of concurrent functions included within the Scheme will be reviewed from time to time and the Scheme updated as necessary.

February 2021

Appendix

TONBRIDGE & MALLING BOROUGH COUNCIL

SPECIAL EXPENSES ('LOCAL CHARGE') SCHEME

LEGAL BACKGROUND

Section 34 of the Local Government Finance Act 1992, as amended by the Localism Act 2011, requires that certain items, which are referred to as 'special items', and which relate to a part only of a billing authority's area, be removed from the calculation of the overall basic amount of tax and added to that for the area concerned.

Section 35(1) defines these items as:

- Any precept issued to or anticipated by the authority which is, or is believed to be, applicable to a part of its area and was taken into account by it in making the calculation (or last calculation) in relation to the year under Section 31A(2) above (i.e. the parish precepts, as included in the calculation of the budget requirement).
- Any expenses which are its (the Council's) special expenses and were taken into account by it in making that calculation.

Section 35(2)(d) defines further 'Special Expenses' as:

> "any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by the sub-treasurer of the Inner Temple, the under-treasurer of the Middle Temple, a parish or community council or the chairman of a parish meeting are the authority's special expenses unless a resolution of the authority to the contrary effect is in force"

In order for expenses incurred in performing any function of a district council to be special expenses the function must be carried out by the district in only part of its area, and the same function must be carried out in another part of the district by one or more parish councils. The detailed identification of concurrent functions is therefore essential for using this special expenses provision.

One of the reasons behind the special expenses regime is to allow a more equitable division of council expenses for council taxpayer funded services so that those receiving the benefit of certain services in a particular area are those who pay for them through their precept and do not pay twice for similar services carried out in any areas where there is not a parish or town council so as to avoid "double taxation" for the relevant services.

The power to charge special expenses is discretionary and in order for it to apply there must be a resolution of the billing authority in force. As the resolution has to refer to the matters which will be special expenses for these purposes the resolution will need to identify which function related activities will be included within the calculation.

Special Expenses must be applied consistently throughout a billing authority's area. There is no discretion to make selective application to some parts of the borough only.

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Annex 14b

Special Expenses 2021/22

Special Expenses for 2020/21 £	Local Area	Closed Church-yards £	Open Spaces, Parks & Play Areas £	Sports Grounds £	Local Events £	Allotments £	Special Expenses for 2021/22 £	Tax Base	Amount Per Band D Property £
767,073	Tonbridge	11,800	211,853	478,600	65,323	7,350	774,926	13,705.51	56.54
1,748	Addington		1,955				1,955	428.64	4.56
9,361	Aylesford		10,954				10,954	4,304.64	2.54
999	Birling		1,118				1,118	202.93	5.51
1,577	Borough Green		1,724				1,724	1,680.88	1.03
0	Burham						0	466.17	0.00
537	Ditton		601				601	1,786.27	0.34
23,102	E. Malling & Larkfield		25,678				25,678	4,994.87	5.14
612	East Peckham		685				685	1,299.04	0.53
0	Hadlow						0	1,523.20	0.00
0	Hildenborough						0	2,219.38	0.00
0	Ightham						0	1,104.54	0.00
0	Kings Hill						0	4,202.92	0.00
28,119	Leybourne		31,454				31,454	1,910.59	16.46
30	Mereworth		34				34	437.07	0.08
0	Offham						0	394.97	0.00
1,245	Platt		1,393				1,393	887.65	1.57
0	Plaxtol						0	591.58	0.00
0	Ryarsh						0	369.94	0.00
0	Shipbourne						0	271.16	0.00
19,476	Snodland		21,787				21,787	3,871.98	5.63
0	Stansted						0	277.70	0.00
0	Trottiscliffe						0	277.12	0.00
1,941	Wateringbury		2,172				2,172	896.21	2.42
2,717	West Malling		402		3,193		3,595	1,138.21	3.16
0	West Peckham						0	178.54	0.00
4,634	Wouldham		5,143				5,143	994.34	5.17
917	Wrotham		1,026				1,026	958.81	1.07
864,088	**Total**	**11,800**	**317,979**	**478,600**	**68,516**	**7,350**	**884,245**	**51,374.86**	

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Parish Council Precepts 2021/22

Precept for 2020/21 £	Parish Council	Precept for 2021/22 £	Tax Base	Amount Per Band D Property £	Per Band D Variation %
23,000.00	Addington	23,000.00	428.64	53.66	(1.2)
257,800.00	Aylesford	253,155.00	4,304.64	58.81	0.0
10,913.00	Birling	10,858.00	202.93	53.51	0.6
201,920.00	Borough Green	206,920.00	1,680.88	123.10	2.8
26,588.09	Burham	26,588.09	466.17	57.04	(1.2)
269,231.00	Ditton	269,260.00	1,786.27	150.74	0.3
347,797.00	E. Malling & Larkfield	399,396.00	4,994.87	79.96	15.0
146,000.00	East Peckham	146,000.00	1,299.04	112.39	0.5
119,995.00	Hadlow	122,510.00	1,523.20	80.43	2.2
77,524.00	Hildenborough	97,098.00	2,219.38	43.75	25.0
125,052.00	Ightham	124,000.00	1,104.54	112.26	(0.1)
389,502.00	Kings Hill	484,279.00	4,202.92	115.22	23.4
176,299.00	Leybourne	190,140.00	1,910.59	99.52	8.2
33,475.00	Mereworth	34,814.00	437.07	79.65	4.8
21,592.00	Offham	21,885.00	394.97	55.41	0.0
75,000.00	Platt	75,000.00	887.65	84.49	0.5
50,462.00	Plaxtol	50,462.00	591.58	85.30	0.3
25,769.00	Ryarsh	25,755.00	369.94	69.62	0.0
12,187.00	Shipbourne	12,337.00	271.16	45.50	2.0
317,025.00	Snodland	325,816.00	3,871.98	84.15	2.1
17,260.00	Stansted	17,260.00	277.70	62.15	1.6
16,500.00	Trottiscliffe	19,000.00	277.12	68.56	14.2
93,810.99	Wateringbury	85,185.13	896.21	95.05	(9.4)
126,015.13	West Malling	126,015.13	1,138.21	110.71	(0.0)
5,670.00	West Peckham	5,670.00	178.54	31.76	1.5
62,545.00	Wouldham	66,153.00	994.34	66.53	(5.0)
101,797.00	Wrotham	108,276.00	958.81	112.93	5.0
3,130,729.21	**Total**	**3,326,832.35**	**37,669.35**		

GENERAL FUND WORKING BALANCE

	£
Balance at 1.4.2020	1,250,000
Balance at 31.3.2022	1,250,000

GENERAL REVENUE RESERVE

	£	£
Balance 1.4.2020		6,576,239
Budgeted to be transferred to the Reserve	371,950	
Decrease on Original Estimate	(72,550)	
		444,500
Estimated Balance at 1.4.2021		7,020,739
Contribution to the Reserve 2021/22		405,050
Estimated Balance at 31.3.2022		7,425,789

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STATEMENT ON THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE RESERVES

Introduction

This statement is given in respect of the 2021/22 Budget Setting Process for Tonbridge and Malling Borough Council. I acknowledge my responsibility for ensuring the robustness of the estimates and the adequacy of the reserves as part of this process. The budget has been prepared within the context of a Medium Term Financial Strategy (MTFS) spanning a ten-year period.

The MTFS sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This includes achieving a balanced revenue budget by the end of the strategy period and to retain a minimum of £3.0m in the General Revenue Reserve by the end of the strategy period and not to fall below £2.0m at any time during the 10-year period. The MTFS also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans.

By way of context, since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 65% or £4.3m (from £6.6m to £2.3m in 2021/22).

The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2021/22 is around £2.2m. However, the future of NHB or a replacement remains the subject of discussion, but at the very least will not continue in its current form leaving one of two options. The scheme is withdrawn and not replaced or is replaced, but where the funding stream and sum awarded is much reduced (our working assumption).

In the latest iteration of the MTFS it is assumed government grant funding (core funding + NHB or its replacement) will **steadily** reduce to £2.4m in 2023/24 uplifted by inflation thereafter and that the reductions in income and increased costs seen as a result of the pandemic in large part **will return** to pre Covid-19 levels in the short to medium term; where the latest projected funding gap between expenditure and income is **circa £475,000**. Adding to this sum those initiatives already built into the MTFS, but yet to be delivered, totalling in excess of **£500,000** gives a figure of **£975,000** to be found and delivered within the next four years.

However, funding beyond 2021/22 will be **dependent** on the outcome of the expected multi-year settlement to follow and the Fair Funding Review. Dependent on the outcome of the expected multi-year settlement, the Fair Funding Review, what happens to NHB and the extent and speed of the recovery following the Covid-19 pandemic, there is a **risk** the funding gap could be more than is presently reflected in the MTFS. We do believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but this is becoming progressively more difficult.

Alongside the MTFS sits a Savings and Transformation Strategy. The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale.

Robustness of Estimates

The aim of the Medium Term Financial Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. It is a Strategy that is adopted by Members of the Council alongside the Budget to provide a forward looking context for the consideration of the budget year ahead. It also provides the Council's Corporate Management Team with a tool for strategic financial planning and decision making.

Underneath the Strategy sits detailed estimates formulated in conjunction with Service Managers who carry responsibility of delivering their area of service within budget provision. The estimates take into account past outturn, current spending plans and likely future demand levels / pressures.

Factors taken into account for the 2021/22 Budget Setting Process and in developing the Strategy are:

Corporate Strategy	The Council's financial plans should be in support of its strategic priorities and objectives set out in overview in the Corporate Strategy. The Strategy sets out Our Vision: *To continue to be a financially sustainable Council with strong leadership that delivers valued services, a commitment to delivering innovation and change to meet the needs of our Borough* guided by our values and priorities: *Achieving efficiency;* *Embracing effective partnership working;* *Valuing our environment and encouraging sustainable growth; and* *Innovation*. A one-year Addendum has been added to the Corporate Strategy to provide a framework within which to consider a wide range of issues in response to the Covid-19 pandemic and development of a future recovery plan.
Consultation with Non-Domestic Ratepayers	The Council consults representatives of its non-domestic ratepayers about its expenditure proposals who may make written representations if they deem it appropriate. No such representations have been received.
The level of funding from Central	Our Settlement Funding Assessment (SFA) for 2021/22 is £2,301,752, the same as that received in 2020/21.

Government towards the costs of local services	The Council also received a new on-off Lower Tier Services Grant in the sum of £665,485.
New Homes Bonus	Our New Homes Bonus (NHB) for 2021/22 is £2,209,818. However, the future of NHB or a replacement remains the subject of discussion, but at the very least will not continue in its current form leaving one of two options. The scheme is withdrawn and not replaced or is replaced, but where the funding stream and sum awarded is much reduced (our working assumption).
Business Rates	For medium term financial planning purposes we assume we will be on or around the safety net position in the short term and the business rates baseline thereafter under the current Business Rates Retention Scheme arrangements. If our actual income is less than the baseline set the authority will have to meet a share of that shortfall.
Overall Grant Funding	For medium term financial planning purposes, it is assumed government grant funding whether that be baseline funding level, some element of growth performance, NHB or its replacement will steadily reduce to £2.4m in 2023/24 uplifted by inflation thereafter. This will need to be revisited following the outcome of the expected multi-year settlement to follow, the Fair Funding Review and what happens to NHB.
Covid-19 Pandemic	It is assumed that the reductions in income and increased costs seen as a result of the pandemic in large part will return to pre Covid-19 levels in the short to medium term. The extent and speed of the recovery will need to be closely monitored and to take corrective action if this is proved not to be the case.
Council Tax Base	The Council Tax Base for 2021/22 is 51,374.86 band D equivalents with an expectation that this will increase by 5,500 over the strategy period, or around 600 per year.
Local Referendums to Veto Excessive Council Tax Increases	The Secretary of State will determine a limit for council tax increases which for 2021/22 has been set at 2%, or more than 2% and more than £5. If an authority proposes to raise council tax above this limit they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise. Due regard has been taken of the guidelines issued by the Secretary of State. The MTFS reflects an increase in council tax of £5 in 2021/22 and each year thereafter.
The Prudential Code and its impact on Capital Planning	Tonbridge and Malling is a debt-free authority and projections suggest that recourse to borrowing to fund capital expenditure is unlikely before 2027/28. This does not however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that

	meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Each such opportunity to be considered on a case by case basis as appropriate. A key objective of the Prudential Code is to ensure, within a clear framework, the capital investment plans of local authorities are affordable, prudent and sustainable.
The Council's Capital Strategy and Capital Plan	Other than funding for the replacement of our assets which deliver services as well as recurring capital expenditure, there is now an annual capital allowance for all other capital expenditure. Subject to review each year the maximum 'annual capital allowance' is to be set at £250,000 for the period 2021/22 to 2026/27.
Treasury Management	A Treasury Management and Annual Investment Strategy is adopted by the Council each year as required by the Local Government Act 2003 as part of the budget setting process. The Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. Council in October 2018 adopted the updated Treasury Management and Prudential Codes of Practice published by the Chartered Institute of Public Finance and Accountancy in December 2017. The focus of both updates is to ensure the risks associated with investment in 'non-financial assets which are held primarily for financial returns' are properly evaluated, reported, subject to scrutiny and managed over time. The requirements of the updated Codes of Practice have been taken into account and reflected as appropriate in the annual review and update of the Capital Strategy and in preparing the Treasury Management and Annual Investment Strategy for 2021/22.
Interest Rates	Interest returns on the Council's 'core funds' have been set at 0.35% in 2021/22 rising gradually to 3.0% over the ten-year period. In setting these rates due regard has been taken of the interest rate forecasts of the Council's independent Treasury Adviser, Link Asset Services. To put this into context, 0.25 of a percentage point would currently generate investment income on our 'core funds' of about £60,000. Conversely, a dip in investment returns would have a negative impact on the Council's budget. The Council has chosen to retain a minimum of £3m in its General Revenue Reserve in order to deal with, amongst other things, interest rate volatility.
Property Investment Fund/s	The Council has taken the decision to invest in one or more property investment funds with further potential investment of proceeds from the sale of Council owned assets in the future. In order to guard against downward

	fluctuations in property values a Property Investment Fund Reserve was established.
Adequacy of Reserves	At the beginning of 2021/22, we anticipate that the General Revenue Reserve balance will be £7.0m. The Adequacy of Reserves is discussed in more detail below.
Pay and Price Inflation	The estimates provide for pay inflation of 1% in 2021/22 followed by 2% each year thereafter and price inflation of 1% in 2021/22, 1.5% in 2022/23 and 2% each year thereafter. Except energy where price inflation is set at 5% and the waste services contract where price inflation is set at 4% from 2024/25 onwards.
Fees and Charges	As has been the practice for a number of years now the objective has been to maximise income, subject to market conditions, opportunities and comparable charges elsewhere.
Emerging Growth Pressures and Priorities	The projections within the MTFS include all known and quantified priorities and growth pressures that we are aware of at the present time. New priorities and growth pressures will undoubtedly emerge over the period and in consequence, the Strategy will be updated at least annually.
Financial Management	The Council's financial information and reporting arrangements are sound and its end of year procedures in relation to budget under / overspends clear. Collection rates for council tax and NNDR remain good. Our external auditor (Grant Thornton UK LLP) following the 2020 audit concluded *in all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people*.
Insurance Arrangements and Business Continuity	Risks identified via the preparation of Service / Section Risk Registers have wherever possible been reduced to an acceptable level. Any remaining risk has been transferred to an external insurance provider. In addition, specific arrangements are in place to ensure the continuity of business in the event of both major and minor disruptions to services. As insurance premiums are reactive to the external perception of the risks faced by local authorities and to market pressures, both risks and excess levels are kept under constant review. The Council recognises that not all risks are financial; and takes into account all risks when making decisions.
Corporate Governance and Risk Management	The Council has adopted a Local Code of Corporate Governance based upon the requirements of the CIPFA/SOLACE Corporate Governance framework. This incorporates Risk Management and the Council is committed to a Risk Management Strategy involving the preparation of Risk Registers at both strategic and operational levels.

Equality Impact Assessments	Where there are deemed to be equality issues as a result of adjustments to revenue budgets a separate equality impact assessment has or will be undertaken at the appropriate time. In addition, an equality impact assessment is undertaken and reported to Members prior to commencement of a new capital plan scheme.
Partnership Working	The Council is working in partnership with other councils with the aim of not only delivering savings through joint working, but also to improve resilience and performance.
Government Led Issues	The outcome of the expected multi-year settlement and the Fair Funding Review; the sustainability of the NHB scheme and what will follow; proposed move to 100% Business Rates Retention scheme; Welfare Reform and cessation of the administration of housing benefits for working age claimants; the ongoing impact of the localisation of council tax support; the transfer of the Land Charges function to HM Land Registry; and proposals to devolve the setting of planning fees will impact on the Council's finances in-year and over the medium to longer term. The increased volatility and uncertainty attached to a number of these issues is such that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections. As a result we will need to closely monitor the impact of these issues on the Council's finances.
Savings and Transformation Contributions	Latest projections point to a 'funding gap' between expenditure and income of circa £475,000. Adding to this sum those initiatives already built into the MTFS, but yet to be delivered, totalling in excess of £500,000 gives a figure of **£975,000** to be found and delivered within the next four years. Dependent on the outcome of the expected multi-year settlement, the Fair Funding Review, what happens to NHB and the extent and speed of the recovery following the Covid-19 pandemic, there is a risk the funding gap could be more than is presently reflected in the MTFS. The Council is able to break the required savings and transformation contributions into "tranches" to enable more measured steps to be taken and give time for a better understanding to begin to emerge of the financial challenge ahead. In the coming months, options to deliver a further tranche of the required savings and transformation contributions will need to be considered, agreed and actioned under the framework set out in the STS. In addition, the Management Team will continue to seek efficiency savings in the delivery of existing services.

These assumptions and changing circumstances will require the Strategy to be reviewed and updated at least annually.

Three key questions remain to be answered:

- What will our business rates baseline and baseline funding level be under an 'interim' 75% and 'eventual' 100% Business Rates Retention scheme, and how will this compare to that reflected in the MTFS taking into account transfer of any new responsibilities?

- What is the extent to which NHB will feature in future government grant funding and if replaced what level of funding would we receive in its place?

- Will the reductions in income and increased costs seen as a result of the pandemic in large part return to pre Covid-19 levels to the extent and in the timescale assumed?

The answers to these questions are fundamental for the ongoing financial planning for this Council.

Adequacy of Reserves

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net for unseen or other circumstances. The minimum level cannot be judged merely against the current risks facing the Council as these can and will change over time. The objective is to retain a minimum of £3.0m in the General Revenue Reserve by the end of the strategy period and not to fall below £2.0m at any time during the 10-year period; and given below are areas of operational and financial risk (not exhaustive) considered in determining the appropriate minimum level.

- Global Pandemic
- EU Transition
- Interest Rate volatility
- Income volatility
- Change to Government Grant including New Homes Bonus
- Identified savings not being delivered in the required timescales
- Localisation of council tax support
- Business rates retention scheme and associated volatility of income
- Local Plan / Planning Inquiries
- Partnership Working
- Climate Change
- Emergencies
- Economic and world recession

- Poor performance on Superannuation Fund
- Bankruptcy / liquidation of a major service partner
- Closure of a major trading area, e.g. leisure centre for uninsured works
- Cyber/data loss
- Problems with computer systems causing shortfall or halt in collection performance
- Government Legislation
- Ability to take advantage of opportunities
- Uninsured risks

Clearly, the minimum General Revenue Reserve balance needs to and will be kept under regular review. The General Revenue Reserve balance at 31 March 2031 is estimated to be £5.018m based on an increase in council tax of £5 for 2021/22 with the Council working to a balanced budget.

In addition, a number of Earmarked Reserves exist to cover items that will require short-term revenue expenditure in the near future.

The Revenue Reserve for Capital Schemes is established to finance future capital expenditure. A funding statement illustrates that recourse to borrowing to fund capital expenditure is unlikely before 2027/28 other than by exception on a case by case basis. The Revenue Reserve for Capital Schemes balance at 31 March 2027 is estimated to be £3.896m.

A schedule of the reserves held as at 1 April 2020 and proposed utilisation of those reserves to 31 March 2022 is provided in Annex 17b.

Balances held generate interest receipts which support, underpin and contribute towards meeting the objectives of the Strategy.

The Chartered Institute of Public Finance and Accountancy Financial Management Code and Financial Resilience Index

In October 2019 the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code (FM Code) to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM code is based on a series of principles supported by specific standards and statements of practice considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances
- manage financial resilience to meet unforeseen demands on services
- financially manage unexpected shocks in their financial circumstances.

The Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances and sought to rely on the local exercise of professional judgement backed by appropriate reporting.

Compliance will typically but not always be demonstrated by documenting compliance with the Statements of Standard Practice which underpin each of the Financial Management Standards. None of this should be of particular concern as we believe good financial management is in all significant respects already embedded at Tonbridge and Malling.

In addition, the CIPFA Financial Resilience Index aims to provide a tool with a group of indicators able to illustrate the trajectory of an authority's financial position and resilience within the context of each authority's own comparator tier and nearest neighbour group. CIPFA has designed the index to provide reassurance and prompt challenge where it may be needed.

The Index incorporating the year ended 31 March 2020 has yet to be published due to the delay nationally in the audit of the 2019/20 accounts. There were, however, no particular concerns to draw to Members attention from the review of the Financial Resilience Index published in December 2019 and believe one year on the position has not changed. Albeit at the same time acknowledging that the impact of Covid-19 on the Council's finances and reserve balances will feed into later versions of the Index.

Opinion

I am of the opinion that the approach taken in developing the 2021/22 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of the reserves.

Signed: [redacted] Date: 11 February 2021

Director of Finance and Transformation, BSc (Hons) FCPFA

RESERVES ESTIMATE 2021/22

Description	Balance as at 1 April 2020 £	Estimated Contribution From £	Estimated Contribution To £	Estimated Balance as at 31 March 2021 £	Estimated Contribution From £	Estimated Contribution To £	Estimated Balance as at 31 March 2022 £
General Revenue Reserve	6,576,239		444,500	7,020,739		405,050	7,425,789
Revenue Reserve for Capital Schemes	7,455,490	(2,271,000)	1,407,000	6,591,490	(2,830,000)	792,000	4,553,490
Building Repairs Reserve	516,099	(1,352,900)	1,075,000	238,199	(809,400)	725,000	153,799
Property Investment Fund Reserve	1,750,000			1,750,000			1,750,000
Earmarked Reserves							
Democratic Representation	19,860			19,860			19,860
Special Projects	330,000	(91,600)	1,336,500	1,574,900	(1,338,500)		236,400
Local Development Framework	383,597	(316,200)	80,000	147,397	(214,500)	80,000	12,897
Homelessness Reduction	420,737	(462,000)	562,750	521,487	(329,150)	346,500	538,837
Election	117,013		25,000	142,013		25,000	167,013
Asset Review	15,313	(3,000)		12,313			12,313
Training	7,259			7,259			7,259
Road Closures	7,362			7,362			7,362
Community Development	5,559			5,559			5,559
Invest to Save	171,012	(83,450)		87,562		150,000	237,562
Economic Development	7,233	(7,250)		(17)			(17)
Housing & Welfare Reform	42,591			42,591			42,591
Tonbridge and Malling Leisure Trust	949,470	(59,500)		889,970	(700,000)		189,970
Housing Assistance	260,000			260,000			260,000
Business Rates Retention Scheme	901,294	(112,700)	9,345,000	10,133,594	(8,876,150)		1,257,444
Public Health	46,226	(17,150)		29,076	(20,900)		8,176
Transformation	149,970	(39,350)	70,000	180,620			180,620
Climate Change	250,000	(17,000)		233,000	(50,000)		183,000
Budget Stabilisation	0		2,000,000	2,000,000		1,500,000	3,500,000
	4,084,496	(1,209,200)	13,419,250	16,294,546	(11,529,200)	2,101,500	6,866,846
Total	**20,382,324**	**(4,833,100)**	**16,345,750**	**31,894,974**	**(15,168,600)**	**4,023,550**	**20,749,924**

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Annex 18

Tonbridge & Malling Borough Council

Calculation of Council Tax Requirement for the year 2021/22 including sums required to meet Special Expenses and Parish Council Precepts

That the following amounts be now calculated by the Council for the year 2021/22 in accordance with Section 31A of the Local Government Finance Act 1992:-

		£
(a)	Aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) N.B. Includes Special Expenses and Parish Council Precepts	95,297,298
(b)	Aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) N.B. Includes Local Government Finance Settlement	80,693,704

(c)	Calculation under Section 31A (4), being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above	14,603,594

Memorandum:-	£
Borough Council	10,392,517
Special Expenses	884,245
Parish Council Precepts	3,326,832

Total	14,603,594

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 February 2021

Report of the Chief Executive, Director of Finance and Transformation, Leader of the Council and Cabinet Member for Finance, Innovation and Property

Part 1- Public

Matters for Recommendation to Council

1 SETTING THE COUNCIL TAX 2021/22

This report takes Cabinet through the process of setting the level of Council Tax for the financial year 2021/22 and seeks Cabinet's recommendations.

1.1 Introduction

1.1.1 The legislative framework for the setting of Council Tax is Chapter III of the Local Government Finance Act 1992. Section 30 requires that for each financial year and for each category of dwelling in its area, a billing authority shall set an amount of Council Tax.

1.1.2 The amount set will be the aggregate of the amount set by the billing authority under Sections 31A and 36 of the Act and the amounts set by major precepting authorities under Sections 42A, 42B and 45 to 47 of the Act.

1.2 Council Tax Base for 2021/22

1.2.1 The Council is required to set its tax base for the forthcoming financial year, and notify it to the major precepting authorities, during the period 1 December to 31 January.

1.2.2 Attached at **[Annex 1]** is the council tax base for the financial year 2021/22 which has been determined by the Director of Finance and Transformation in accordance with her delegated authority. This shows that there are 51,374.86 Band D equivalent properties within the Borough compared to 51,371.02 in the year 2020/21 (to all intents and purposes a standstill position on the previous year).

1.2.3 All precepting authorities have been notified of the tax base for 2021/22.

1.3 Amounts of Council Tax to be set by the Billing Authority

1.3.1 The process is that, having determined the billing authority's tax requirement, this sum is initially divided by the tax base to determine the overall level of tax, inclusive of special expenses and parish precepts.

1.3.2 The resultant figure represents an average charge within the Borough for both Borough and Parish Council requirements. As part of the statutory process, this average is recorded on the Council's council tax resolution, which we refer to later. As Cabinet is aware, however, the average charge does not apply to any of the areas within the Borough other than by coincidence. In order to calculate the levels of tax for each of the areas within the Borough, it is necessary to determine the basic level of Council Tax that will apply to the whole of the Borough, and then calculate the additional charges relating to particular areas. This process determines the tax for Band D properties in each of those areas.

1.3.3 The tax for the full range of Band A to H properties is then established by using the ratios for each of the Bands as they relate to Band D. The relevant statutory ratios are as follows:

Table 1 - Band Ratio Relative to Band D

Band	Ratio to Band D
A	6/9
B	7/9
C	8/9
D	9/9
E	11/9
F	13/9
G	15/9
H	18/9

1.3.4 The level of tax set by the major precepting authorities, Kent County Council, The Police & Crime Commissioner for Kent and the Kent & Medway Fire & Rescue Authority, is then added to establish the overall tax for each band in each part of the area.

1.4 Kent County Council / The Police & Crime Commissioner for Kent / Kent & Medway Fire & Rescue Authority Precepts

1.4.1 Kent County Council's Cabinet meeting was due to take place on 25 January, at which a recommendation concerning its precept was to be made. The County Council's full Council meeting to confirm the precept is to be held on 11 February.

1.4.2 The Police & Crime Commissioner for Kent's precept and level of Council Tax is due to be considered at a meeting on 4 February and we await confirmation of the outcome.

1.4.3 The Kent & Medway Fire & Rescue Authority's precept and level of Council Tax is due to be agreed on 23 February.

1.5 Draft Resolution

1.5.1 Attached at **[Annex 2]** is a draft resolution which seeks to identify for Cabinet the processes which have to be undertaken to arrive at the levels of Council Tax applicable to each part of the Borough. The parts in bold type seek to explain each calculation.

1.5.2 The resolution itself, incorporating the Borough Council's budget and Parish Council precept information and council tax levels for all major precepting authorities, will be presented to the meeting of the Council on 23 February 2021.

1.6 Legal Implications

1.6.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

1.6.2 The Localism Act introduced a requirement for council tax referendums to be held if an authority increases its relevant basic amount of council tax in excess of principles determined by the Secretary of State and approved by the House of Commons.

1.7 Financial and Value for Money Considerations

1.7.1 As set out above.

1.8 Risk Assessment

1.8.1 The Local Government Act 2003 requires the Chief Financial Officer, when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. To mitigate the risks detailed estimates are formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external guidance on assumptions obtained where appropriate.

Under the provisions of the Localism Act, any increase in the relevant basic amount of council tax above the principles, however small, will require a referendum to be held which is a risk in itself.

1.9 Equality Impact Assessment

1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.10 Recommendations

1.10.1 Cabinet is asked to **note** the resolution, and **make recommendations to** Council as appropriate.

Background papers:

Nil

contact: Sharon Shelton
Neil Lawley

Julie Beilby
Chief Executive

Sharon Shelton
Director of Finance and Transformation

Nicolas Heslop
Leader of the Council

Martin Coffin
Cabinet Member for Finance, Innovation and Property and Deputy Executive Leader

COUNCIL TAX - TAX BASE FOR 2021/22

Parish	**Tax Base**
	Band D Equivalents
ADDINGTON	428.64
AYLESFORD	4,304.64
BIRLING	202.93
BOROUGH GREEN	1,680.88
BURHAM	466.17
DITTON	1,786.27
EAST MALLING & LARKFIELD	4,994.87
EAST PECKHAM	1,299.04
HADLOW	1,523.20
HILDENBOROUGH	2,219.38
IGHTHAM	1,104.54
KINGS HILL	4,202.92
LEYBOURNE	1,910.59
MEREWORTH	437.07
OFFHAM	394.97
PLATT	887.65
PLAXTOL	591.58
RYARSH	369.94
SHIPBOURNE	271.16
SNODLAND	3,871.98
STANSTED	277.70
TROTTISCLIFFE	277.12
WATERINGBURY	896.21
WEST MALLING	1,138.21
WEST PECKHAM	178.54
WOULDHAM	994.34
WROTHAM	958.81
TONBRIDGE	13,705.51
TOTAL	**51,374.86**

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Annex 2

COUNCIL TAX

DRAFT RESOLUTION

Blank version of the Council Tax Resolution (except for Band D equivalents). Explanatory text is provided in Bold Italics.

1. It be noted that on 23rd February 2021 the Council calculated:

(a) the Council Tax Base 2021/22 for the whole Council area as 51,374.86 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")] and,

(b) for dwellings in those parts of its area to which one or more special items (Special expenses and or a Parish precept) relates as follows:

Tonbridge	13,705.51
Addington	428.64
Aylesford	4,304.64
Birling	202.93
Borough Green	1,680.88
Burham	466.17
Ditton	1,786.27
East Malling & Larkfield	4,994.87
East Peckham	1,299.04
Hadlow	1,523.20
Hildenborough	2,219.38
Ightham	1,104.54
Kings Hill	4,202.92
Leybourne	1,910.59
Mereworth	437.07
Offham	394.97
Platt	887.65
Plaxtol	591.58
Ryarsh	369.94
Shipbourne	271.16
Snodland	3,871.98
Stansted	277.70
Trottiscliffe	277.12
Wateringbury	896.21
West Malling	1,138.21
West Peckham	178.54
Wouldham	994.34
Wrotham	958.81

2. £ X,XXX,XXX being the Council Tax requirement for the Council's own purposes for 2021/22 (excluding Parish precepts).

Explanatory Notes

1(a) This figure represents the council tax base expressed in Band D equivalents for the whole Tonbridge and Malling area.

1(b) These figures represent the tax base expressed in Band D equivalents for Tonbridge and each Parish.

The tax base for the whole borough, Tonbridge and for each area (Parish) as determined by the Council's Chief Financial Officer.

2 This figure represents the amount of council tax required to support the Council's revenue budget for the year.

3. That the following amounts be calculated for the year 2021/22 in accordance with Sections 31 to 36 of the Act:

(a) £ XX,XXX,XXX being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) £ XX,XXX,XXX being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £ XX,XXX,XXX being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) £ XXX.XX being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year including Parish precepts.

(e) £ X,XXX,XXX being the aggregate amount of all special items (Special expenses and Parish precepts) referred to in Section 34(1) of the Act.

(f) £ XXX.XX being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relate (this is the Council Tax for General Expenses to which Special expenses and Parish precepts are added as applicable).

(g)

<u>Part of the Council's area</u>	Band D £
Tonbridge	XXX.XX
Addington	XXX.XX
Aylesford	XXX.XX
Birling	XXX.XX
Borough Green	XXX.XX
Burham	XXX.XX
Ditton	XXX.XX
East Malling & Larkfield	XXX.XX
East Peckham	XXX.XX
Hadlow	XXX.XX
Hildenborough	XXX.XX
Ightham	XXX.XX
Kings Hill	XXX.XX
Leybourne	XXX.XX
Mereworth	XXX.XX
Offham	XXX.XX
Platt	XXX.XX
Plaxtol	XXX.XX
Ryarsh	XXX.XX
Shipbourne	XXX.XX
Snodland	XXX.XX
Stansted	XXX.XX
Trottiscliffe	XXX.XX
Wateringbury	XXX.XX
West Malling	XXX.XX
West Peckham	XXX.XX
Wouldham	XXX.XX
Wrotham	XXX.XX

being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items (Special expenses and Parish precepts) relate.

Explanatory Notes

3(a) The Council's gross expenditure including special expenses, parish precepts and any deficit on the Collection Funds brought forward.

3(b) The Council's gross income including the amount of NNDR and Revenue Support Grant the Council will receive, plus any surplus on the Collection Funds brought forward.

3(c) The council tax requirement including special expenses and parish precepts.

3(d) The council tax requirement including special expenses and parish precepts divided by the tax base from 1(a) to give the basic amount of Council Tax. (N.B. This is an average inclusive of special expenses and parish precepts for each part of the borough).

3(e) The total amount of all parish precepts and special expenses.

3(f) The amount of Council Tax excluding parish precepts and special expenses that applies to each part of the borough.

3(g) The amounts of Council Tax which are set for each part of the borough to meet both borough and parish requirements including special expenses.

(h) **<u>Valuation Bands</u>**

<u>Part of the Council's area</u>	**A** £	**B** £	**C** £	**D** £	**E** £	**F** £	**G** £	**H** £
Tonbridge	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Addington	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Aylesford	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Birling	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Borough Green	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Burham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Ditton	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
East Malling & Larkfield	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
East Peckham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Hadlow	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Hildenborough	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Ightham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Kings Hill	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Leybourne	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Mereworth	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Offham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Platt	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Plaxtol	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Ryarsh	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Shipbourne	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Snodland	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Stansted	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Trottiscliffe	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Wateringbury	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
West Malling	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
West Peckham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Wouldham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Wrotham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX

being the amounts given by multiplying the amounts at 3(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

Explanatory Notes

3(h) The amounts of Council Tax set for each part of the borough, to meet both borough and parish requirements including special expenses.

4. That it be noted that for the year 2021/22 The Police & Crime Commissioner for Kent, the Kent & Medway Fire & Rescue Authority and the Kent County Council have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

	Valuation Bands							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Precepting Authority	£	£	£	£	£	£	£	£
The Police & Crime Commissioner for Kent	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Kent & Medway Fire & Rescue Authority	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Kent County Council	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX

5. That, having calculated the aggregate in each case of the amounts at 3(h) and 4. above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2021/22, for each of the categories of dwellings shown below:

	Valuation Bands							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Part of the Council's area	£	£	£	£	£	£	£	£
Tonbridge	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Addington	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Aylesford	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Birling	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Borough Green	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Burham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Ditton	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
East Malling & Larkfield	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
East Peckham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Hadlow	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Hildenborough	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Ightham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Kings Hill	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Leybourne	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Mereworth	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Offham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Platt	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Plaxtol	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Ryarsh	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Shipbourne	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Snodland	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Stansted	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Trottiscliffe	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Wateringbury	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
West Malling	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
West Peckham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Wouldham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Wrotham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX

Explanatory Notes

4 The Council Tax set by The Police & Crime Commissioner for Kent, Fire Authority and KCC for each band.

5 The total Council Tax the Borough Council sets for each band in each part of the borough, inclusive of the KCC, KMFRA, The Police & Crime Commissioner for Kent, borough and parish requirement.

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 February 2021

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 LOCAL COUNCIL TAX REDUCTION SCHEME 2021/22

A report providing the link to view the Draft Tonbridge & Malling Borough Council Local Council Tax Reduction Scheme 2021/22, requesting Cabinet Members to approve and recommend the updated draft Scheme to Full Council.

1.1 Background

1.1.1 Each year Members should approve a Local Council Tax Reduction Scheme at Full Council prior to the beginning of the financial year the Scheme is to be effective.

1.1.2 For the 2021/22 Scheme, changes have been made to bring it in line with statutory prescribed requirements, housing benefit and other national benefit rates, and increases to income bands where uplifts to the Minimum Wage, a component of the income band level calculation, have been taken into account

1.1.3 The draft Scheme is available to view at: https://www.tmbc.gov.uk/__data/assets/pdf_file/0003/1098120/Draft-Tonbridge-and-Malling-CTR-Scheme-2021.pdf

1.2 Legal Implications

1.2.1 A Scheme must be considered and agreed by 11th March prior to the financial year of operation.

1.3 Financial and Value for Money Considerations

1.3.1 Financial effectiveness and cost of the Scheme will be monitored, reviewed and reported to the Finance, Innovation and Property Board during 2021/22.

1.4 Risk Assessment

1.4.1 The draft 2021/22 Scheme includes amendments to reduce risk of legal challenge and provide greater equality in its application.

1.5 Policy Considerations

1.5.1 The Scheme will continue to operate in line with existing associated policies.

1.6 Equality Impact Assessment

1.6.1 Changes made in line with Government uprating of national rates.

1.7 Recommendation

1.7.1 Cabinet is requested to **RECOMMEND** the draft Scheme for 2021/22 to Full Council.

Background papers:

Nil

contact: Sharon Shelton
Andrew Rosevear

Sharon Shelton
Director of Finance & Transformation

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 February 2021

Report of the Management Team

Part 1- Public

Matters for Recommendation to Council

1 RISK MANAGEMENT

The report asks Members to review the Risk Management Strategy and accompanying Risk Management Guidance and to recommend its adoption by Full Council.

The report also provides an update on the risk management process and the Strategic Risk Register.

1.1 Introduction

1.1.1 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.

1.1.2 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.

1.1.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

1.2 Review of the Risk Management Strategy

1.2.1 As part of arrangements in place to ensure risk management maintains a high profile within the Council, the Strategy and accompanying Guidance is subject to annual review and endorsement through the Audit Committee, Cabinet and Council.

1.2.2 This latest review of the Risk Management Strategy and the accompanying Risk Management Guidance found that no changes were required at this time.

1.2.3 A copy of the Risk Management Strategy and accompanying Risk Management Guidance is attached at **[Annex 1]** and **[Annex 2]** respectively.

1.2.4 The Audit Committee at its meeting in January endorsed the Risk Management Strategy and accompanying Risk Management Guidance as presented.

1.3 Risk Management Escalation Process

1.3.1 Effectively risks are assessed/scored in terms of their likelihood/impact.

1.3.2 Any risk evaluated as ‘High Risk’ (score of 15 or above) will be deemed by the Council to be beyond ‘risk tolerance’ and to have exceeded its ‘risk appetite’ and will be escalated immediately. Such risks should be added to the service’s risk register and discussed at the earliest opportunity within the Service Management Team (SMT) to inform a decision as to whether this should be escalated to Management Team by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of risks discussed at both SMTs and Management Team and the outcome of those discussions.

1.3.3 Similarly risks identified as “Medium Risk” may be escalated to the appropriate SMT for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as “Low Risk” should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the scores risks have been given and confirm whether there are ‘Medium’ or ‘Low’ risks they wish to consider further.

1.4 Strategic Risk Register

1.4.1 The Strategic Risk Register (SRR) is considered to be a ‘live’ document and is updated, as often as is required, by the Management Team. An update of the current strategic risks and how they are being managed as at the time of writing is appended at **[Annex 3]**.

1.4.2 As reported in July and September 2020 the Covid-19 pandemic and measures taken in response resulted in a number of risks on the Strategic Risk Register being re-categorised as RED and remains the case.

1.4.3 Members will also be aware that since the last report in September, we have also seen further national lockdowns, the introduction of the English ‘tiering’ system (with Kent placed in the highest tier), the impact within Kent of French border closures following the emergence of the variant strain of the virus; and finally of course Day 1 of EU Transition. These matters have all impacted on the management of risk.

1.4.4 As Members are aware, in May elections for County Council and Police and Crime Commissioner are due to take place and the Borough Council is responsible for administering and delivering these elections. Given the current climate, Management Team are of the view that the delivery of these elections should be escalated to RED risk at the present time.

1.4.5 In addition, with regard to the Local Plan, Members are also aware of the recent Inspector's detailed letter explaining their concerns with Legal Compliance. The Inspector's final decision will not be made until the Council has had the opportunity to respond and take its own legal advice, but given the heightened risk this poses the Local Plan has also been escalated to RED risk for the time being.

1.4.6 For clarity, the risks now categorised as Red are:

1) Financial position/budget deficit

2) Brexit/EU Transition Impact and Economic uncertainty (severely impacted by Coronavirus Pandemic)

3) Corporate Strategy and Savings and Transformation Strategy

4) Waste Services

5) Elections

6) Local Plan

1.4.7 Work continues to assess and determine how the Council might best address the increased risk, but will be some time before a better understanding begins to emerge as to the full extent of the impact.

1.4.8 Members are asked to note the updates in red font since the last iteration of the Register.

1.5 Ongoing Risks and Risks Identified by Service Management Teams and Management Team

1.5.1 To give Members some reassurance as to the effectiveness of risk management outcomes from the risk management escalation process are reported to the meetings of the Audit Committee unless that is there is something that needs to be brought to Members’ attention in the interim.

1.5.2 A schedule of ongoing risks and risks identified by Service Management Teams and Management Team since last reported to the Audit Committee in late September is appended at **[Annex 4]**.

1.6 Legal Implications

1.6.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.

1.6.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

1.7 Financial and Value for Money Considerations

1.7.1 Financial issues may arise in mitigating risk which will be managed within existing budget resources or reported to Members if this is not possible.

1.7.2 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

1.8 Risk Assessment

1.8.1 Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.

1.9 Equality Impact Assessment

1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.10 Policy Considerations

1.10.1 Risk management is relevant to all areas of the Council's business.

1.11 Recommendations

1.11.1 Cabinet are asked to:

1) **REVIEW** the Risk Management Strategy and accompanying Risk Management Guidance and, subject to any amendments required, **RECOMMEND** to Council it be adopted

2) **NOTE** the updates to the Strategic Risk Register since the last iteration with particular emphasis on the escalation to **RED** of the risks set out in paragraph 1.4.6.

Background papers: contact: Sharon Shelton

Nil

Sharon Shelton
Director of Finance and Transformation on behalf of the Management Team

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RISK MANAGEMENT STRATEGY

January 2021

1. Introduction

1.1. The risk management strategy of Tonbridge and Malling Borough Council (the Council) is to adopt best practices in the identification, evaluation, and cost-effective control of risks. This is intended to ensure that risks are reduced to an acceptable level or, where reasonable eliminated, thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community.

1.2. The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

2. Mandate and commitment

2.1. This strategy is supported and endorsed by the Management Team and Members of the Audit Committee who will ensure that:

- The risk management objectives are aligned with the objectives and strategies of the Council
- The Council's culture and risk management strategy are aligned
- The necessary resources are allocated to risk management
- There is a commitment to embedding risk management throughout the organisation, making it a part of everyday service delivery and decision making
- The framework for managing risk continues to remain appropriate

3. Applicability

3.1. This strategy applies to the whole of the Council's core functions. Where the Council enters into partnerships the principles of risk management established by this strategy and supporting guidance should be considered as best practice and applied where possible. We would also expect that our significant contractors have risk management arrangements at a similar level, and this should be established and monitored through procurement processes and contract management arrangements.

4. Objectives

4.1. The risk management objectives of the Council are to:

- Embed risk management into the culture of the Council
- Apply best practice to manage risk using a balanced, practical and effective approach
- Manage risks in line with its risk appetite, and thereby enable it to achieve its objectives more effectively
- Integrate the identification and management of risk into policy and operational decisions, anticipating and responding proactively to social, environmental and legislative changes and directives that may impact on delivery of our objectives

- Eliminate or reduce the impact, disruption and loss from current and emerging events
- Harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes
- Ensure effective intelligence sharing and collaboration between risk management disciplines across all Council activities
- Ensure fraud risks are proactively considered and embedded into the organisation's risk management arrangements
- Benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; demonstrate a consistent approach to the management of risks when embarking on significant change activity
- Ensure sound and transparent risk management arrangements are operated in partnership and commissioner / provider situations, underpinned by a culture that supports collaboration and the development of trust, ensuring clear effective lines of communication and the management of relationships.

4.2. The delivery of this strategy is the collective responsibility of officers, Service Management Teams, Management Team, the Council's partners and Members, with delivery being assured by the Management Team.

5. Roles and responsibilities

5.1. Responsibility for risk management runs throughout the Council; everyone has a role to play. Managers and staff that are accountable for achieving an objective are accountable for managing the risks to achieving it. To ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified, see table at 5.3 below.

5.2. Other officer groups' deal with related risk specialisms such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security; Anti-fraud, bribery and corruption, etc. These groups are linked into the governance arrangements of the Council so that their work is co-ordinated within the Council's overall risk management framework.

5.3. In order to support Members and Officers with their responsibilities, risk management guidance is available.

Group or Individual	**Responsibilities**
Full Council / Cabinet	Approval of the Risk Management Strategy will be witnessed by the signature of the Leader of the Council.
Audit Committee	The Chairman of the Audit Committee will take a lead role in promoting the application of sound risk management practices across the Council. Training will be provided periodically for all Audit Committee members. The Audit Committee will consider the Risk Management process as part of the assurance evidence in support of any Corporate Governance Statement.

	The Audit Committee will provide independent assurance of the adequacy of the risk management framework and will monitor the effective development and operation of risk management in the Council.
Committees	Responsibility for considering risk when making decisions on behalf of the Council. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
Advisory Boards	Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
Chief Executive	Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate. Also responsible for counter-signing the Risk Management Strategy.
Section 151 Officer	Active involvement in all material business decisions to ensure immediate and longer term financial implications, opportunities and risks are fully considered.
Management Team (MT)	To ensure the Council manages risks effectively and actively consider, own and manage key strategic risks affecting the Council through the Strategic Risk Register. Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required. Delegate the development and delivery of appropriate training to support the implementation of this policy for Members and Officers.
Service Management Teams (SMT)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Management Team as appropriate. Briefing sessions will be provided on an as and when basis to senior management.
Internal Audit	Assesses the effectiveness of the risk management framework and the control environment in mitigating risk. Review and challenge risk management arrangements through its audit and fraud prevention activities.
All elected Members and staff	Identify risks and contribute to their management as appropriate. Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.

6. Review of this strategy

6.1. It is the responsibility of the Audit Committee to: 'On behalf of the Council ensure that Risk Management and Internal Control systems are in place that are adequate for purpose, and are effectively and efficiently operated.' Internal Audit will support their role in assuring its effectiveness and adequacy.

6.2. Information from Internal Audit and from other sources will be used to inform recommended changes to the strategy and framework at least annually. Any changes will be presented to the Audit Committee for approval before publication. The Strategy was last reviewed in January 2021 and will be reviewed next in January 2022.

7. Approval

Signed:		Print Name:	Nicolas Heslop
Date:	16 February 2021	Position:	Leader of the Council
Signed:		Print Name:	Julie Beilby
Date:	16 February 2021	Position:	Chief Executive

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TONBRIDGE AND MALLING BOROUGH COUNCIL

RISK MANAGEMENT GUIDANCE

CONTENTS **PAGE NUMBER**

1. Introduction

1.1. Tonbridge and Malling Borough Council (the Council) has an approved Risk Management Strategy (the Strategy) and this guidance should be read in conjunction with this Strategy. The aim of this guidance is two-fold; to specify how the Council will deliver its objectives as outlined in the Strategy, and provide guidance on how to effectively manage risk.

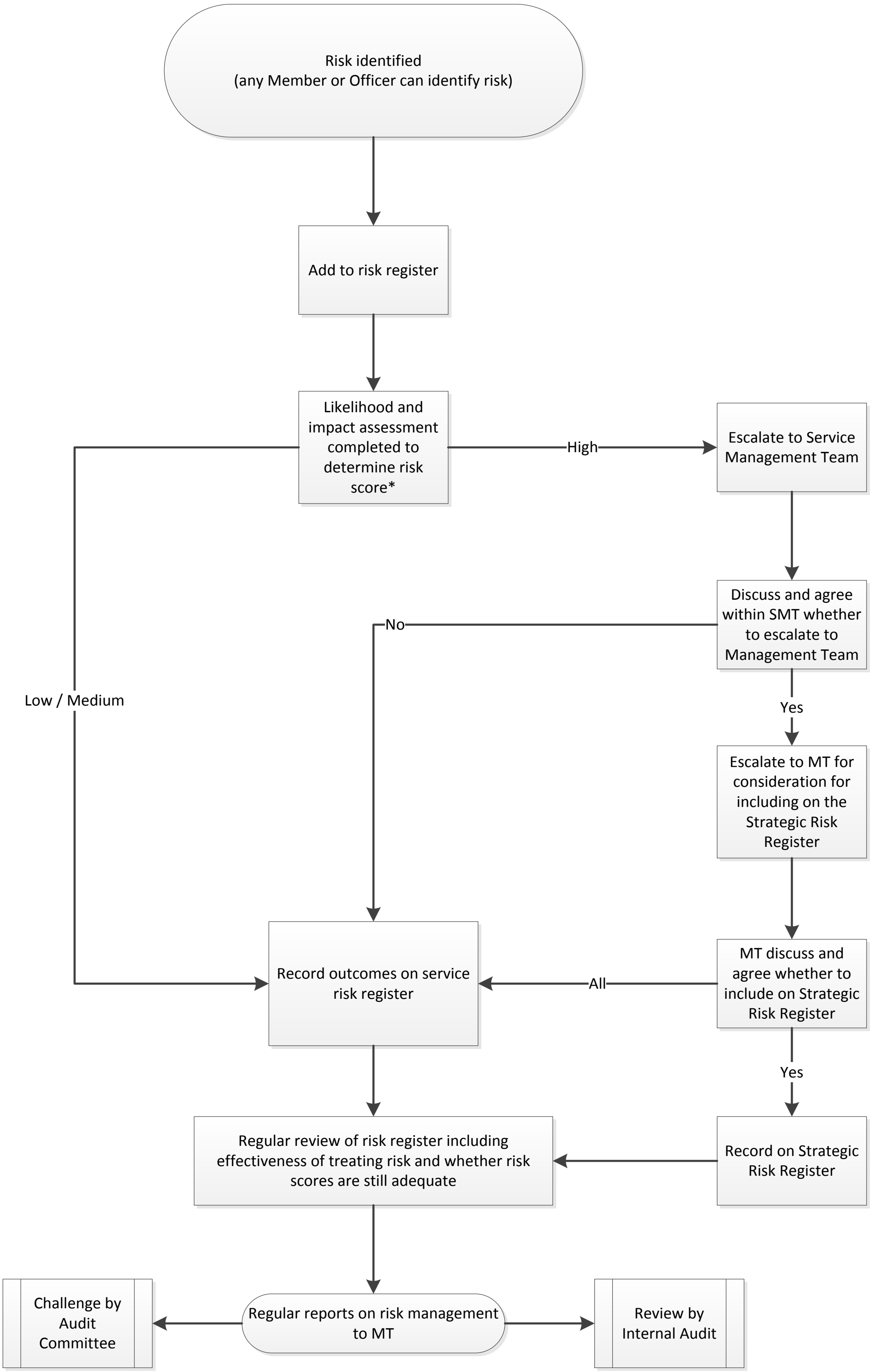
2. Achieving strategy objectives

2.1. The Council shall achieve its objectives, as outlined in the Strategy, through:

- Integrating effective risk management practices into the Council's management, decision making and planning activities.
- Maintaining common links between business planning, performance and risk management.
- Maintaining the frequency and effectiveness of monitoring of key risks.
- Providing a mix of risk management training, awareness sessions and support for both Members and Officers of the Council.
- Ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the Council.
- Subjecting the Council's risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity.
- Ensuring risk management arrangements are embedded within transformation activity.
- Providing continuous challenge and quality assurance to all elements of the risk management process.
- Focusing on robust monitoring of mitigating actions to ensure that risks, once identified and assessed, are appropriately managed.
- Working collaboratively with partners and providers (both internal and external) to develop effective risk ownership and risk sharing arrangements; striking a proportionate balance of oversight of risks of providers / partners without being over-constrictive.
- Providing guidance on identifying, assessing, managing and reporting on risk, including escalation of risks.

3. Risk management at a glance

3.1. The following process flow visually demonstrates the risk management process.



* A risk assessment form is available at appendix B which can be used to help this part of the process

4. Identifying risks

4.1. Risk is something that might happen, which if it materialises will affect us in some way or other. A risk is a combination of 'likelihood' and 'impact', that is; how likely the risk is to happen and if it did how much would it affect us. As soon as a risk is identified it should be recorded on the Risk Register, see Appendix A. This Register should be continually updated to demonstrate assessment, evaluation, treatment and ongoing review.

4.2. Before we can evaluate the level of risk associated with an activity we have to determine what is most likely to trigger the risk or initiate its occurrence and assess what the consequences may be if it did occur, i.e. identify the risk event.

4.3. Risk assessment looks to determine the key triggers and causes and the likely consequences and impact. Once these are established we can use the assessment to gauge the likelihood of occurrence and impact of the consequences to determine the severity or level of risk.

5. Assessing risks

5.1. Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	**5 – 12**	**15 – 24**

5.2. The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

Likelihood ☝	Almost inevitable	**6**	6 Medium	12 Medium	18 High	24 High
	Very likely	**5**	5 Medium	10 medium	15 High	20 High
	Likely	**4**	4 Low	8 Medium	12 Medium	16 High
	Unlikely	**3**	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	**2**	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	**1**	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
Impact ☞			Negligible	Marginal	Significant	Critical

5.3. Each risk identified and recorded may be broken down into its component parts using a Risk Assessment Form – see Appendix B.

5.4. The source/cause, risk event and consequences should be listed, together with any controls or actions and their owners. Such controls and actions are used to mitigate the risk level and should be described in a clear and specific manner to enable stakeholders to gain sufficient understanding of them.

5.5. Risk assessments should be used to assess the level of risk associated with the objective and inform the process for refreshing risk registers. In some cases, where the details of risks are clear, key risk information can be entered straight onto risk registers.

5.6. Key project and partnership risks should be included within this process as they will have their sources of origin in business objectives.

6. Evaluating risks

6.1. From the information collated and recorded when assessing the risk it should be possible to estimate and distinguish how likely the risk is to happen – Almost inevitable, very likely, likely, unlikely, very unlikely, almost impossible. Similarly, from the information collated and recorded it should be possible to distinguish the level of impact the risk would have if the risk occurred now – negligible, marginal, significant or critical.

For example:

- A risk with an "unlikely" likelihood (3) and "critical" impact (4) would equate to a "Medium" risk level with a score of 12 (3 x 4).
- A risk that is judged to be "likely" (4) and have a "negligible" impact (1) would equate to a "Low" risk level with a score of 4 (4 x 1).

6.2. When determining the risk rating, bear in mind that it is not an exact science. Without significant historical data or mathematical prediction it is, for the most part, a subjective but important estimate. Appendix C provides a couple of guides to help you to estimate likelihood and impact.

6.3. For reference, the initial result of an evaluation is known as the 'inherent risk', which refers to the exposure arising from a specific risk *before* any action has been taken to manage it. Due to the fact that determining the inherent risk can seem a rather theoretical exercise, there is not a requirement to include this as part of the risk assessment process. The focus is instead on assessing the current level of risk, taking controls in place into account, and setting a realistic target level of risk that you would wish to manage the risk down to.

7. Escalating risks

7.1. It is not uncommon for risks to have knock-on effects for other activities across a risk perspective or in another risk perspective, for example a risk in one operational (perspective) area may be a source of risk to another; similarly a high level risk in a project perspective may need to be highlighted and considered at a strategic perspective.

7.2. It is essential that we understand risks and their potential to have knock-on effects. It is equally important that we set out clear rules for escalation of risks.

7.3. Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk register and discussed at the earliest opportunity within the Service Management Team (SMT) to inform a decision as to whether this should be escalated to Management Team (MT) by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of all 'High' risks discussed at SMTs and MT and the outcome of those discussions.

7.4. Similarly risks identified as "Medium Risk" may be escalated to the appropriate Service Management for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as "Low Risk" should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the scores risks have been given and confirm whether there are 'Medium' or 'Low' risks they wish to consider further.

7.5. Where 'High' risks are identified in Project and Programme Risk Registers the Project / Programme Manager must check its impact on the relevant division or directorate risk registers.

7.6. The target residual rating for a risk is expected to be 'Medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.

7.7. There may be rare occasions where a risk is deemed to be well within risk appetite and therefore could be seen as over-controlled. In this instance a target level of risk could be set that is higher than the current level, as long as it remains within risk appetite.

8. Proximity of risk

8.1. Some risks identified may pose an immediate risk whereas others may not be a risk for several months or even years. Establishing risk 'proximity' adds an additional dimension especially when planning and prioritising resources to deal with risk actions.

8.2. Proximity may be categorised as follows:

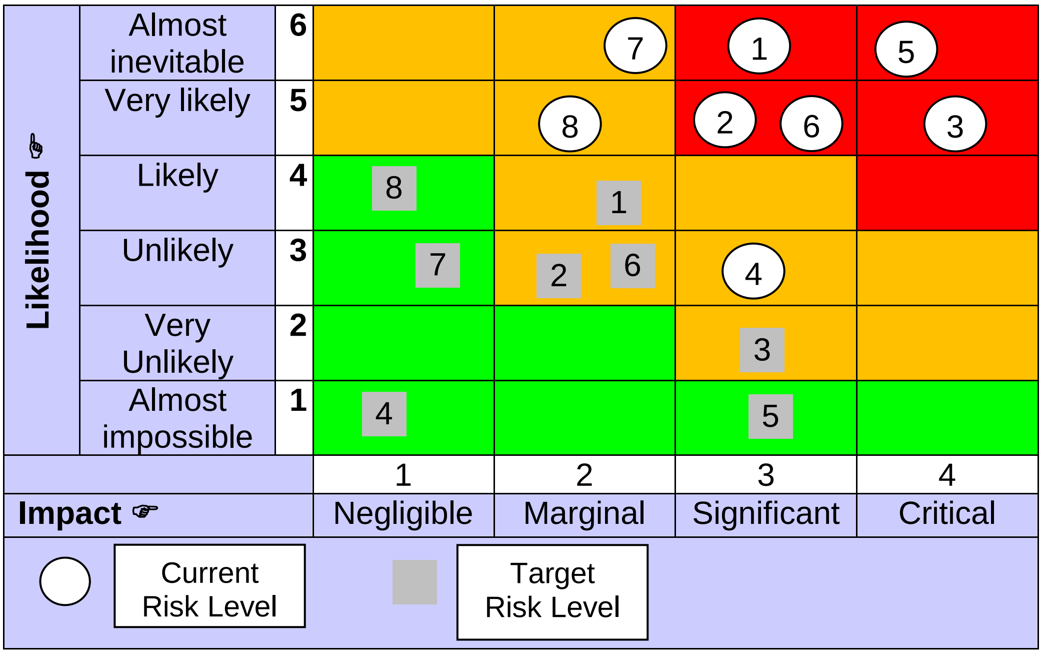
- Immediate – Risk likely to occur / most severe within the next 6 months
- Medium Term - Risk likely to occur / most severe between 6 to 12 months
- Long Term - Risk likely to occur / most severe 12 months plus

9. Summary risk profile

9.1. A summary risk profile is a simple mechanism to increase the visibility of risks. It is a graphical representation of information normally found on an existing risk register.

9.2. It provides a powerful visual snapshot of the collective risk associated with the activity. The summary risk profile makes use of the chart in figure 1 above to plot each of the risks identified. The example below gives an example of a completed Summary Risk Profile.

9.3. Example - Completed Summary Risk Profile



9.4. In the example, the risk numbers (in white circles) are plotted to show their current risk levels for a series of 8 risks. It suggests that the activity is fairly high risk overall.

9.5. Again, in the example, the risk numbers (in grey squares) are plotted to show the target risk levels for the series of 8 risks. These show the effect that the risk controls and actions should have on the risks if they were successfully applied and completed.

9.6. Overall it demonstrates how an activity that carries a degree of high risk and potential failure could be made more acceptable. On a cautionary note, the effort and resources to be expended on managing the risk need to be re-factored into plans to ensure the activity in question remains a viable one.

10. Allocating risks and determining actions

10.1. All risks, no matter how they are assessed, should be allocated an owner. The owner shall be responsible for managing the risk to ensure it is appropriately treated. The level of risk will determine who the owner should be:

- High Risk – Service Management Team / Management Team
- Medium Risk – Service Management Team
- Low Risk – Service Manager

10.2. Once a risk has been identified, assessed and evaluated, it’s important that actions are determined to treat the risk. The extent of any actions will be driven by a number of factors including the overall risk score, risk appetite and desired risk score. All actions should be documented on the Risk Assessment Form.

11. Monitoring Risks

11.1. Risks should be continuously monitored, as unmanaged risks can prevent the Council from achieving its objectives. The extent of monitoring will be driven by the risk rating. For example a risk assessed as High would require more frequent monitoring than a risk assessed as Low.

Appendix A - Risk Register

Area ________________

No	Risk Title	Consequences	Date identified	Likelihood Score	Impact score	Overall inherent risk score	Risk Assessment form completed?	Desired risk score	Mitigating actions to achieve desired risk score	Links to Corporate Objectives / Directorate Business Plans	Risk Owner	Review Date

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Appendix B - Risk Assessment Form

SECTION 1 – RISK

Risk Owner:	**Service:**	**Directorate**:
Risk Event:	**Source/ cause:**	**Consequences**:

			1	2	3	4
Likelihood F	Almost inevitable	**6**	6 Medium	12 Medium	18 High	24 High
	Very likely	**5**	5 Medium	10 medium	15 High	20 High
	Likely	**4**	4 Low	8 Medium	12 Medium	16 High
	Unlikely	**3**	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	**2**	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	**1**	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
Impact			Negligible	Marginal	Significant	Critical

Likelihood score:

Impact score:

Overall risk score:

Accepted?*

* If yes, provide rationale.
* If no, go to Section 2.

SECTION 2 – CONTROLS/ MITIGATING ACTIONS (copy this section for each control/ action)

Control/ Action Owner:	**Service:**	**Directorate**:
Control/ Action:	**Dependencies**:	**Key Dates**: • Implementation: • Review date: • Reporting intervals:

Appendix C - Determining Likelihood and Impact

	Likelihood	Example – winter weather
Almost Inevitable	• Is expected to happen	• Rain
Very Likely	• More likely to happen than not	• Strong winds
Likely	• Strong possibility it will happen	• Snow
Unlikely	• This could happen	• Flooding
Very Unlikely	• There is a remote possibility this could happen	• Hurricane
Almost Impossible	• Once in a lifetime occurrence	• Thames freezes over

	Impact*	Example
Critical	• Unacceptable level of loss or damage	• Significant material financial loss e.g. impacts statutory service delivery/going concern status • Loss of life or permanent/ debilitating damage • National media coverage, judicial review, government intervention
Significant	• Considerable level of loss or damage	• Material financial loss e.g. impacts non-statutory service delivery, risk of redundancies • Major injury • Local media coverage, government interest
Marginal	• Limited loss or damage	• Some financial loss but manageable impact on service delivery • Minor injury • Limited social media interest
Negligible	• Tolerable level of loss or damage	• No or very minimal financial loss • Minor 'trips and slips' • No media interest

*Impact should always be considered in terms of financial loss, harm to a person or people and the Council's reputation and should link to Tonbridge and Malling Borough Council's risk appetite.

STRATEGIC RISK REGISTER - CURRENT **06/01/2021** ANNEX 3

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
1	Safeguarding and PREVENT	S, R	Significant impact should a child, young person or adults at risk come to harm, including radicalisation and child sex exploitation, and TMBC are unable to demonstrate appropriate processes were in place. Coronavirus has increased support to vulnerable individuals.	01/04/2017	3	4	12	The responsibility for safeguarding is with the Chief Executive, rather than an individual service and a review implemented. Audit Review undertaken, identifying areas of weakness to be address, progress to date with [illegible] Training delivered to all Hackney Carriage and Private Hire Drivers. Secure Database now in place, with secure access, for recording of safeguarding concerns and referrals onto other agencies Community Hub established to support those on NHS shielded list and other non-shielded vulnerable adults. Community Hub telephone contact line remains available and support can be re-established for any urgent need or in the event of further lockdowns and/or tighter restrictions.	3	4	12	Posts requiring DBS checks have been reviewed by Legal Services and are now part of a single secure register. Policy procedure on DBS checks reported to Corp MT in Sept 2019. Safeguarding Audit undertaken and completed in 2018/19. Safeguarding concerns highlighted through the work of the Community Hub are referred to appropriate agencies where necessary and also raised with partners at the weekly CSU meetings.	Safeguarding Policy	Chief Executive	Mar-21

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2	Financial position/budget deficit	F, R	Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention. Failure to maximise New Homes Bonus. Coronavirus pandemic has significant economic implications for the Council, businesses and residents.	01/04/2017	4	4	16	The Council provides an annual statement (as a minimum) on the following areas; Treasury Management and Investment Strategy. Robustness of estimates and adequacy of reserves. Effective monitoring control procedures. Savings and Transformation Strategy (STS) reviewed and updated. Unqualified Audit and Value for Money Opinion contained with Annual Audit Letter. Medium Term Financial Strategy (MTFS) updated and shared regularly with Cabinet to keep members aware of current financial situation. Business Rates income monitoring as part of Pool/Pilot arrangements. Now appear to be above baseline following closure of Aylesford Newsprint. Local government finance settlement for 20/21 confirmed as anticipated. New Homes Bonus to be paid in 20/21. Council Tax increase approved by Council for 20/21 at 2.4% (£5) Business Rate performance now expected to be above baseline for 20/21 Impact of Pandemic is having significant effect on Council finances. Review and Reassessment underway. Ethos of priority spend only agreed by MT and Cabinet (19 May 2020). Government funding of £1.35m received, but will not be sufficient to cover costs and loss of income in year. Report to Cabinet 30/6/20 regarding impact of pandemic on 20/21 and MTFS. In that report, suggested range of £7m to £10m to be required from reserves and balances. Since then more government funding announced regarding 'loss of income' but fine detail and guidance still awaited at time of writing. Target of £500k saving in 20/21 relating to the essential spend policy. Return on fees and charges being prepared for MHCLG in response to Government offer of compensation for lost fees and charges. Estimate this could be between £1m-£1.3m. Relates to 20/21 but announcement recently to say this will extend into 21/22. . In addition, all tranches of government funding for costs has accumulated to £1.55m. Council continues to work with TMLT to mitigate all costs and compensate for core costs as agreed by Cabinet. National Leisure compensation claim being completed in liaison with Trust. Provisional Settlement received and new Covid allocation into 21/22. Sales, fees and charges claim also extending into 21/22. Draft Budget for 2021/22 prepared and being presented to FIPAB on 6/1/21 and O&S 19/1/21. Cabinet budget meeting 11/2/21 will receive updated MTFS.	3	3	9	Areas of potential savings yet to be identified and prioritised, with commitment to delivery of those selected. Commissioning of service reviews via MT to identify potential areas of transformation and savings. Strategic asset review to be undertaken. O&S Committee Jan 18 established work programme to identify potential savings. Fair Funding review underway but will need to await outcome which due to Brexit / EU Transition has been delayed. This has now been further delayed due to COVID. Savings target updated in August 2019 to £675k, Cabinet in June asked how funding gap should be address with focus on first tranche. Further update to MTFS in progress. Report being prepared for Cabinet 16 October Draft budget prepared for 20/21 will need to assessed in the light of the provisional local government finance settlement, which has been delayed due to the General Election. Draft budget and MTS show savings target at £320k Continued tight rein on spend in hand. Returns are being submitted to government on a monthly basis as required by MHCLG with lobbying through various groups for additional funding. Re-focus and re-determine Council budget priorities. Rebuild Medium Term Financial Strategy based on impacts during pandemic and forecast impacts into the future. Reset Savings and Transformation Strategy Set aside £200k in an earmarked reserve for recovery (Cabinet 3 June 2020). In due course work to deliver MTFS and STS, adjusting priorities in line with other strategies and outcome of Fair Funding Review by government. Further government funding has been announced since report to Cabinet regarding MTFS impacts on 30 June, but fine detail still awaited. Once received, forecasts will be updated. Further lobbying taking place regarding losses relating to leisure centres which do not appear to have been covered through latest announcements. Essential spend target of £500k in 20/21 approved by Cabinet to be monitored by MT. Update to FIPAB 16 Sept taking on board current mitigations and funding. More detailed report being prepared for Cabinet 14 Oct to cover MTFS update and STS. . Essential spend being monitored by MT and believe this has now been achieved. Budget process to approve Budget and Council Tax going forward will be critical. Funding gap now likely to be circa £475k i.e. need to identify 475k of new savings initiatives. Cannot forgot that another £500k of savings need has been identified but not yet delivered.	Vision- to be a financially sustainable Council. Taking a business like approach.	Director of Finance and Transformation	Feb-21

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3	Brexit / EU Transition Impact and Economic Stability (Impacted by Coronavirus Pandemic)	F	Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources. A number of key threats to business continuity including: border delays and congestion impacts on the Kent road network creating difficulties for local businesses, TMBC staff and potential air quality issues; loss of KCC staff e.g. welfare/social services support; potential loss of TMBC waste contract workforce, general increase in costs as imports become restricted. Coronavirus pandemic has significant economic implications for businesses and residents.	01/04/2017	4	4	16	Kent-wide working to understand, plan for and react to pressures. Regular review of; MTFS reflecting economic factors Treasury Management and Investment strategies. Bid for Brexit funding compiled but even funding distributed to District Councils, irrespective of geographic location. The potential for No Deal BREXIT could have far wider and more impactful implications that has been factored into MTFS. The likelihood of a No Deal Brexit has reduced (January 2020), however impact of coronavirus is significant. Chancellor has awarded business reliefs through Spring Budget 2020, grants schemes for businesses, further rate reliefs, loans schemes and employment schemes. Nevertheless economic downturn and recession still very likely due to the longevity of the pandemic. Furlough scheme running until end April 21 has 'stabilised' economic impact of Covid to some extent. Various business grant schemes being paid out weekly by TMBC on behalf of government. TMBC also paying Self Isolation Payments (Test and Trace) to those residents who qualify.	3	4	12	Council working with Kent Resilience forum and County Partnership groups including Strategic and Tactical Co-ordinating Groups. Business Impact assessments complete. Business continuity planning updated to ensure smooth running of services to public, including expansion of remote working initiatives with Laptop access to Council IT infrastructure. In order to prepare management Brexit Emergency Planning Exercises were held in March 2019. Work still ongoing with partners whilst Brexit delayed until 31st October 2019. Government advice to plan for No Deal Brexit. MT to review plans weekly including engagement with KRF and Countywide planning arrangements. MT to monitor further funding arrangements announced and will plan accordingly. MT undertaking review of Business Continuity Plans for our key services led by service managers. Further Brexit funding announced. TMBC to receive allocation of £70k (money not yet received) Investment in additional laptops made in lead in to pandemic declaration meant that the majority of Council staff could work efficiently from home during 'lockdown' providing existing services (in the main) as well as new ones. Reports will be made to appropriate Boards and Committees as things develop. Update report on digital strategy to FIPAB 22 July. IT staff continuing to support staff working from home. As furlough scheme end April 21, likely to be a greater demand on Council services and signposting. Staff preparing for this eventuality. Business grants will continue to be paid, and new schemes will now apply as we are in National Lockdown.	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team	Feb-21

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4	Corporate Strategy and Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings, including those arising from the planned West Kent Waste Partnership. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error. Coronavirus pandemic has significant economic implications for the Council, businesses and residents.	01/04/2017	4	4	16	STS reviewed and updated in line with review of MTFS. With regular reports to update MT and Members Corporate Strategy reviewed - report to O&S January 2020 Plans underway to reassess implications of pandemic - report to Cabinet 3 June 2020 Commitment to review and update MTFS and STS Report to Cabinet 30/6/20 regarding impact of pandemic on 20/21 and MTFS. In that report, suggested range of £7m to £10m to be required from reserves and balances. Since then more government funding announced regarding 'loss of income' but fine detail and guidance still awaited at time of writing. Target of £500k saving in 20/21 relating to the essential spend policy. STS to be reviewed and updated by MT and back to Cabinet in Autumn Corporate Strategy addendum approved by Cabinet. Items being considered by Boards STS was reviewed and reported to Cabinet in Autumn 2020. A further review will take place alongside Budget Setting Feb 21.	3	3	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected. Commissioning of in service reviews via MT to identify potential areas of transformation and savings. Strategic asset management review to deliver new income . O&S programme to be supported in order to deliver savings to contribute to STS. MTFS and STS updated by Members Feb 2019, and further report to Cabinet June 2019. MTFS report to go to Cabinet 16 October 2019 Numbers of decisions and recommendations to contribute to funding gap being progressed. Update of MTFS following setting of 20/21 Budget shows need for £320k savings to be delivered in 3- 4 years through STS MTFS and STS will need to be reviewed and updated as a priority once we have sufficient information to make informed estimates which can form the basis of plans. Impact will be significant in MTFS looking forward. General Revenue Reserves will be impacted in short term. Report on MTFS to Cabinet 30 June 2020. Potential for £7m to £10m from reserves and balances. Since then further government funding announced but detail still awaited. STS will be updated by MT and reported back to cabinet in Autumn. 1 year Addendum to corporate strategy to guide Review, Re-orientation and Recovery. Regular monitoring by Cabinet with reports to various Advisory Boards and Committees Further review of MTFS and STS alongside Budget Setting Feb 21	Vision- to be a financially sustainable Council focusing on ensuring good value for money, continuously reviewing how our services are provided and funded, focusing our available resources where they will have most beneficial impact, and maximising commercial opportunities. Taking a business like approach.	Chief Executive / Director of Finance and Transformation/ Management Team	Feb-21

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5	Local Plan	F, R	Lack of sound legal footing for Plan leading to risk of failure at Examination. Risk of challenge from not meeting identified development needs. Delay to timetable due to coronavirus restrictions. Shrinking 'plan period' and housing trajectory as a result. Reputational risk and widespread public concern arising from decision making on strategic development. Lack of infrastructure to support future development.	01/04/2017	4	4	16	Audit of Local Plan process complete with Specialist Consultants and Counsel engaged where appropriate on key issues for examination. The following Statements of Compliance were submitted with the Local Plan on 23.1.19: •SC1 - Duty to Cooperate Statement •SC2 - Soundness Self-Assessment Tool Kit •SC3 - Legal Compliance Checklist •SC4 - Equality Impact Assessment (EQIA) Duty to Co-operate Compliance Statement submitted 23.1.19. Position Statements with neighbouring Authorities prepared. On-going discussions and audit in hand. Regular contact with Inspectors maintained via Programme Officer. Additional consultations on some examination documents submitted since January carried out November/December 2019. Matters Issues and Questions for first phase of Hearings published February 2020. Dates for first phase of Hearings set for May/June, but subsequently postponed for at least 6 months in March 2020 due to Government restrictions. Hearings opened for three days staring 6th October 2020 to consider Legal Compliance matters. Inspectors wrote to Council on 22.10.20 postponing November sessions while they consider concerns with Legal Compliance. Exploring ways Hearings could take place under current restrictions. Subsequently agreed with PINS to use MS Teams. Members are regularly updated by email by the Planning Policy Manager and reports to P&TAB. Liaison undertaken with key stakeholders, service and infrastructure providers.	3	3	9	Counsel and key consultants retained until end of Hearings. Counsel providing advice for preparing Council's Statements (Feb 2020 onwards). Consultants monitoring/updating evidence where appropriate to ensure Council's case is as robust as possible. Submission to Sec of State made 23rd Jan 2019. Inspectors appointed and dialogue commenced. New lead Inspector appointed February 2020 (Ms Louise Crosby replacing Mr Simon Berkeley). Questions raised by inspectors responded to on 31st July 2019. Additional consultation requested by Inspector implemented November/December 2019. This will delay the date of the Examination to later in 2020. Correspondence received by Inspector on 13/09/19 identifies 3 key matters to be covered by phase 1 of the hearings (this was subsequently increased to 4 Matters); no dates set for phase 2 of the hearings. Ensuring that the practical arrangements for the Hearings are satisfactory to the Inspectors, including necessary adjustments for social distancing including virtual hearings to ensure the 'right to be heard' by those expressing a wish to participate. Maintain regular Duty to Cooperate meetings with neighbouring Authorities and KCC. Meetings have continued virtually during lockdown. Continue to update Members on status of Local Plan (including Update Report for Members at 28.7.20 P&TAB using MS Teams). Inspector's detailed letter explaining their concerns with Legal Compliance received 15.12.20. Inspector's final decision will not be made until Council has opportunity to respond. Legal advice being sought for possible legal challenge.	Local Plan assists in economic growth, delivering the supply of future housing and addressing affordability. Procedures set by National Government	Director of Planning, Housing and Environmental Health	Jan-21
6	Organisational development inc. staff recruitment and retention/skills mix	F, R, S	Lack of resources or the right skills to deliver required outcomes, loss of key professionals/senior officers due to pay constraints and pressures, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	01/04/2017	3	4	12	Review of staff resources and skills via service reviews. Organisational structure reviews are part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities.	3	4	12	Succession planning along with Development of further skills and expertise through strategies such as shared services and specialist Commissioning. Engagement of external consultants and specialists where required. Resilience and rationalisation of existing structures. Recruitment and retention strategy to be reviewed by MT. Pay Award agreed by Members, 2% for 2018/19 in line with national award. 2.5% for 2019/20 above the national award. Structural reviews approved by Members in 2017/18 and 2018/19. Personnel staff recruited with specialist experience in recruitment. This was demonstrated with a revised methodology for the recruitment of the DPEHH and Head of IT. Transitional arrangements to encourage development opportunities where appropriate.	HR Strategy Savings and Transformation Strategy	Chief Executive	May-21

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7	Health and Safety	F, R, S	Significant reputational impact should a service user, officer, member or contractor come to harm and TMBC are unable to demonstrate appropriate processes were in place.	01/04/2017	3	4	12	Lone working policy and service based practices to be continuously monitored. Health and Safety considered by management at weekly SMT meetings. Staff involvement with JECC (supported by Members). Ongoing review undertaken to react to potential key risk areas. Organisational learning and response to national events. Incident and near miss reporting. Coronavirus information being given to staff regularly based on public health advice and guidance and, where appropriate, Risk Assessments to be shared with staff and Union.	2	3	6	Embedding and dissemination of good practice through staff briefings. Officer led Health and Safety Group identifying cross organisational issues with feedback to Management Team and Health and Safety Officer. All services have reviewed all their Health & Safety local Procedures in particular Lone working and service specific risk assessments. Staff survey to be drafted to consider impact of work on wellbeing and whether support services meet need and communication channels are adequate. Staff survey has been completed to consider impact of work on wellbeing and whether support services meet need and communication channels are adequate. Findings from staff survey being completed. Corporate Health & Safety Policies and procedures are up to date and reviewed regularly which all staff can access. Continuing focus on risk assessment process including reviews as a result of Coronavirus pandemic. Further staff wellbeing survey to focus on working at home and wellbeing.	Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives	Director of Planning, Housing and Environmental Health	May-21
8	Compliance with legislation inc. new GDPR requirements	F, R	Failure to meet legislative requirements or statutory obligations may result in loss of personal data, financial penalties and/or damage to the Council's reputation.	01/04/2017	3	4	12	The Council has a nominated Senior Information Risk Officer and Data Protection Officer. Assessment of Legal implications included within all reports to Members. GDPR requirements are addressed by two officer groups, Information Governance Group and Procurement OSG, which includes Legal representation. CPD and Professional Monitoring offered to all staff The Council has undertaken both Corporate Governance and GPDR reviews / audits. Legal Services give sign off of key corporate projects	2	4	8	The Council continues to disseminate new legislative requirements to both Officers and Members. Officers ensure that professional update training is undertaken. Members received GDPR training in July 2018, with all officers completing e-learning on GDPR by May 2018. Revised constitution, updated to reflect GDPR approved by Members in July 2019. Additional GDPR and Cyber Awareness Training now being undertaken by all staff and members, completion date of October 2019. Protocol for virtual meetings agreed in May 2020 to allow for all Members to continue during the pandemic. Scrutiny Review of protocol commenced by Overview & Scrutiny Committee on 3 Dec 2020. Information Governance OSG considered risks of Brexit for transfer of personal data between EU and UK post 31 December 2020	Need to ensure that all 7 key themes of the Corporate Strategy are delivered in lawful manner.	Director of Central Services and Deputy Chief Executive	May-21
9	Cyber security	F, R	Loss of data and legislative breach, leading to financial penalties and reputational impact.	01/04/2017	3	4	12	The Council has; IT Security Policy Network Security Measures (Firewall, access level controls) Considered cyber insurance Established and Information Governance Group Reviewed and cleansed data held by the Authority. Work underway to mitigate processor flaws which could lead to external cyber attack. Appointed a Member Cyber Champion. Rolled out Cyber awareness training to all staff and Members. Deployed software to identify potential confidential data held on the servers. Renewed and upgraded the software to identify and stop cyber attacks. We have a 2 level system for security with the KPSN gateway being the first level and then the Council's own firewalls the second.	4	3	12	The Council has; Procured cyber security 'recovery' contract via Kent Connects. Prioritised the resources (both financial and staff) to ensure relevant updates are carried out in a timely manner. Continued roll out of mitigation for processor flaws. Considers cyber security as part of disaster and business continuity recovery process. Deployed improved cyber security training to all staff and members to be completed by end of October 2019. New software in process of procurement for cyber management Solar winds system purchased and in implementation phase. Timing has been impacted by pandemic in that priorities have needed to be reassessed. Report to FIPAB 16 Sept. Health check undertaken Review of IT Strategy presented to FIPAB Jan 21 for approval	IT Strategy	Director of Finance and Transformation	Feb-21

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10	IT Infrastructure	F, R	Failure to adequately invest resulting in inability to keep pace with technological change, leading to systems that are not fit for purpose to meet organisational need.	01/04/2017	3	4	12	IT Strategy and action plans reviewed and updated. Invest to save opportunities and funding identified. Digital Strategy - Updated and approved by Members in July 2019. Replacement of legacy business systems and greater use of digital alternatives (cloud based) ongoing Disaster Recovery solution (cloud based) implemented Staff able to work remotely - additional laptops purchased.	3	4	12	New IT Strategy for period 2018-22 with linkage to MTFS and Savings and Transformation Strategy. Development of virtualisation project to enable efficient and effective ways of working. Review of data quality to ensure improvement and efficiency can be achieved. Ipads and required software rolled out the Councillors, MT Members and Senior Management Staff. New IT Strategy approved with specific emphasis to improve website functionality, website work commissioned following FIPAB approval in January 2019. New Head of IT appointed April 2019 with significant experience of implementing digital strategies in Local Authorities Officer and Member Groups established to consider implementation of digital agenda and changes to the Website format and content. Website capital plan evaluation to FIPAB 18 September 2019. total Mobile purchased and being rolled out. Website software in procurement completed and contract offered. Numerous digital projects underway. Report to FIPAB 22 July on digital strategy progress Report to FIPAB 16 Sept on IT Strategy update. Recommended purchase of enterprise Document Management system. Health check completed. New website underway. Review of IT Strategy presented to FIPAB Jan 21 for approval	IT Strategy	Director of Finance and Transformation	Feb-21
11	Elections	R	Failure to comply with legislation, miscounts and significant reputational impact. Government cancelled all elections due May 2020 due to pandemic. Elections in May 2021, will be more complex due to combined County and PCC elections and any other elections that are called. Concern over lack of staff to run elections, due to sickness or self isolation, for core team and election staff. Local Boundary Commission Review announced - see report to Cabinet 30 June. Full council briefing scheduled for September Parliamentary Review initiated by Boundary Commission January 2021	01/04/2017 updated January 2021	4	4	16	Ensure experienced staff are in place, corporate team reviewing activity and monitoring progress. Increase in staff database ongoing. Good practice and mitigation plans being discussed at a National level with AEA,,EC and Cabinet Office. Ensure adequate PPE in place to protect staff. Try to minimise contact between staff before Election day. Undertake online training for elections staff. Core team working more remotely and not together in the offices to ensure that whole team do not all become ill together. Concerns have been raised via Kent Chief Executives to AEA, DCN and LGA regarding the risks and questioning whether elections should be rescheduled to , say, September 2021 when the roll out of the vaccine programme will have had greater effect.	3	4	12	Broadening of staff skills and experience to build resilience. Increase of staff database ongoing Officer time will need to be directed to work with Boundary Commission Maintain contact with potential polling and count staff to assess any ongoing issues. Continue to promote 'separation' within core team to avoid whole team being absent at once due to illness. Continue to liaise with other bodies regarding the risks and lobby where appropriate. Promote postal voting to minimise contacts within polling venues.	Statutory requirement	Chief Executive	May-21

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12	Business Continuity and Emergency Planning	F, R, S	Failure to provide statutory service or meet residents' needs resulting in additional costs, risk of harm and reputational impact. Impact/pressures on services and resources. Failure to ensure proper safeguards to prevent or to respond adequately to a significant disaster/event e.g. terrorist attack at a large scale public event or fire.	updated January	3	4	12	The Council has in place; Business Continuity Plan. Corporate Business Continuity Risk Register Disaster Recovery Plans Inter-Authority Agreements Mutual Aid Agreement Partnership agreement with Kent Resilience Team. Emergency Planning Support Officer. Duty Emergency Coordinator System and Duty Officer System introduced to provide greater resilience. Covid Secure rest centre plan has been developed	3	4	12	Emergency planning documentation undergoing constant review and key aspects exercised on an annual basis. Training organised by Kent Resilience Team training. Business Continuity working group established to review and update existing Plan. Updated plan to be considered by Management Team and tested by a training exercise. New Duty Officer rota in place to support Duty Emergency Coordinators out of hours. Now fully trained. Out of Hours Manual reviewed and updated. DSSLTS sits on Kent Resilience Forum Board Actions taken in response to the Covid 19 pandemic will be reviewed and lessons learnt for the future. Any approved changes will be reflected in the Corporate Business Continuity Plan. Annual Emergency planning review to be reported to Management Team. Pandemic response dealt with as emergency through Kent Resilience Forum. Reports presented to Cabinet which cover Review Reorientation and Recovery. More detailed reports to be presented to relevant Advisory Boards. Training courses are being delivered in a Covid safe manner for roles within the emergency plan. Recruitment into roles in the Emergency Plan is on-going. Virtual Emergency Management systems are being developed to allow a virtualised Emergency Control Room and data handling.	Business continuity underpins the delivery of the Council's essential services	Director of Street Scene, Leisure & Technical Services	Jun-21
13	Devolution	F, R, S	Uncertainty about future operating models and changes / opportunities in responsibilities or service provision leading to financial pressures, impact on quality of services, reputational damage.	01/04/2017	3	3	9	Continual scanning of national / regional and Kent wide agenda by CE / Corporate Services manager. Participation in county wide debate via Joint Kent Chief Execs and Kent Leaders meetings. Update DEC 18 - County wide devolution discussions have been formally ceased. Horizon scanning and continued participation in Kent Leaders and CE meetings is ongoing.	3	3	9	White Paper on Devolution is to be published in the Autumn. Analysis of this will be a priority action.	External risk/national issue	Chief Executive	As required

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14	Partnerships inc. shared services	F, R, S	Reliance on partners to deliver key services, including private sector companies. Could include specific partnership or shared service models such as the Leisure Trust and risks around service delivery and impact on staff morale / retention if base moves from TMBC . Potential resistance to shared services / partnerships impacting on ability to deliver Savings & Transformation Strategy. Private sector partnerships failing having consequences for service delivery. Coronavirus pandemic has significant economic implications for the Council, businesses and residents.	01/04/2017	3	3	9	Regular liaison meetings with partners. Partnership Agreements in place and reviewed as appropriate. Good communication with staff. In the light of the Carillion situation (which does not affect TMBC directly) maintain awareness of issues relating to private sector partners and plans formulated for service delivery in the event of failure via business continuity. Contractors and partners are impacted by the pandemic. The Council is liaising and supporting major partners to ensure that key services can continue. Discussions with TMLT on a weekly basis. Budget established to support during lockdown and reopening under social distancing/Covid conditions. Partnership work and liaison with key voluntary sector groups will continue via the Local Strategic Partnership meetings and community development meetings in priority wards.	3	3	9	FIPAB Jan 2018 updated on GBC's decision to pull out of progressing shared service for Revs and Bens. Review of Revs and Bens being conducted to ensure service continuity. New Waste Services Contract in partnership with Urbaser, TWBC and KCC commenced 1st March 2019. Formal Inter Authority Agreement and Partnership Agreement in place. Ground Maintenance Contract extended in light of good performance of contractor. Arrangements with Gravesham Borough Council on shared management arrangement for revenue and benefits management ceased September 30 2019. Staffing structure amended and approved by GP to have all management in-house. The Council is working within guidance issued by Cabinet Office "Guidance on responsible contractual behaviour in the performance and enforcement of contracts impacted by the Covid-19 emergency " and Procurement Policy Notes to support contractors and suppliers. Continuing discussion with major partners regarding impact of COVID. Consideration being given to whether TMBC should continue in Business Rate Retention Pool for 21/22 given that the Council is only just above baseline and impacts of COVID could start to impact in 21/22. Risks of staying in pool may outweigh benefits - assessment being carried out and report will be made to Cabinet in October. TMBC will leave Kent Business Rates pool from 2021/22. Sevenoaks DC have withdrawn from Building Control Partnership. Proposals for retuning this in-house will be reported to members in New Year The Council will continue to administer the grants to key voluntary sector bodies, with progress to be reported annually to CHAB. Additional Government grants as a result of the response to the pandemic (Emergency Assistance Grant and Covid Winter Grant) will be promoted to local voluntary sector organisations and applications for funding will be agreed via FIPAB.	Savings and Transformation Strategy	Chief Executive	As required

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
15	Welfare reform inc. Housing need	F, R, S	Safeguarding impact on TMBC residents due to reduction in benefits, introduction of UC and increase in applications for DHP, etc. Failure to adequately understand and meet housing needs and return unsuitable properties to use leading to increase in homelessness or occupation of unsuitable homes. Financial impact of increased emergency accommodation and failure to maximise new homes bonus. Coronavirus pandemic has significant economic implications for the Council, businesses and residents.	01/04/2017	4	3	12	Cross sector working (e.g. welfare reform group) to identify issues and solution. Providing advice to residents on welfare and housing issues, or signposting to relevant providers. Working with partners to identify land and funding opportunities. Working with Registered Provider Partners to ensure needs of residents are being met. Working with owners to bring long term empty properties back into use. New initiatives for Temporary Accommodation, including purchase of flats and properties to be converted. Review implications for new Homeless Reduction Act requirements. Concessionary charges for key services. EQIA assessment of key decisions included in all Board reports. HRA implications assessed and GPC agreed new posts to deliver service which have been recruited to. Universal Credit rolled out Nov 18 for Tonbridge & Maidstone Job Centres. Signposting now to UC rather than HB for new working age claimants. New CTR Scheme approved and comes into effect 1 April 2020. Chancellor announced hardship fund to assist with coronavirus impacts - details yet to be seen. Council tax and business rates instalments being deferred if requested by residents impacted by furlough schemes etc. Chancellor's hardship funds (up to £150 for working age people with council tax support) credited to council tax accounts as appropriate. Community hub set up to help those who are shielded or otherwise vulnerable. Signposting for help by telephone or website. Local Emergency grant scheme with funding passported from KCC to FIPAB 16 Sept New housing panel in place to work alongside RPs in considering best use of available properties. TMBC joined British Red Cross as a partner for severe hardship cases	3	3	9	Prepare for impact of further roll our of Universal Credit by learning from other areas earlier in the programme. Consideration of review of housing service to meet the needs following Housing legislative changes. Temporary Accommodation purchased. Member training from DWP provided re UC Nov 2018. Continue to facilitate Welfare Reform group and widen participation from external partners so as to ensure best support for those affected by welfare reforms in T&M. UPDATE: July 2019 Further review of staffing within housing underway in response to nationally recognised increased demand as a result of impact of HRA. Consultation on the Council Tax Reduction Scheme to be launched in September 19 following report to FIPAB July 2019. Intention to move to an income banded scheme. Report to FIPAB 18 September with capital plan scheme for purchase of additional Temporary Accommodation. Report to FIPAB 18 September confirming launch of consultation on CTR Scheme. New CTR scheme proposed - FIPAB Jan 20. Rollout of national hardship fund underway New temporary accommodation purchased - refit needed to make fit for purpose. This to be accelerated in next few months. Improved working with TA providers leading to more guarantees of available accommodation and working towards a procurement exercise to improve value for money. Improved working with main housing provider to identify trends/specific cases across borough to jointly agree approach to preventing homelessness using housing provider mechanisms, DHP payments and homeless prevention funding where needed. Pay out grants on local emergency scheme following FIPAB. Monitor impact of furlough unwind, although this now extended until April 2021 . FIPAB on 6/1/21 to recommend to Cabinet payments on Winter Grant scheme	Promoting Fairness - acting transparently at all times and being accountable for what we do, and promoting equality of opportunities. Embracing Effective Partnership Working - achieving more by working and engaging effectively with a wide range of local partners from the private, public, voluntary and community sectors.	Director of Finance and Transformation/ Director of Planning, Housing and Environmental Health	Feb-21
16	Political factors including stability of political leadership and decision making	F, R	Decisions required to achieve objectives including corporate strategy and savings and transformation may not be made and therefore required savings not achieved.	01/04/2017	3	3	9	Significant focus on rough sleepers during Covid-19 pandemic to ensure "all in" and work continues to secure long term accommodation. Significant focus on temporary accommodation and in borough provision as well as framework agreement with private providers. Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings & Transformation Strategy. Clear and comprehensive reports to support Members in making appropriate decisions to support the S&TS.	3	3	9	Member briefings and training sessions. UPDATE JULY 2019- series of induction and training sessions delivered to Members following local elections in May 2019	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive	As required

No	Risk Title	Risk Type	Consequences	Date identified	Likelihood Score	Impact score	Overall risk score	Current Mitigation	Desired Likelihood Score	Desired Impact score	Desired risk score	Actions required to ensure mitigation remains	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Review Date
17	Flooding	F, R, S	Impact on resources to support emergency planning, financial impact due to damage, loss of resources, etc. Residents and staff put at risk of harm. Impact on key flood risk areas - Tonbridge, Hildenborough, East Peckham and Aylesford.	01/04/2017	3	4	12	Working with partners (EA/KCC/LEP) to secure funding and implement flood defence schemes which will reduce risk of future flooding. Assistance provided to Parish/Town Council's to help develop local Flood Plans. Team of Volunteer Flood Wardens in place.	3	4	12	Work with partner organisations via Kent Resilience Forum continuing. Council represented on key County Partnership Groups overseeing Brexit / EU Transition implications including Strategic Coordinating Group. Council Officers dial into Severe Weather Advisory Group meetings. Regular attendance at KRF training sessions. Ongoing support for Tonbridge Flood Group.	Emergency Plan Civil Contingencies Act 2004 Kent Emergency Response Framework West Kent Partnership and Medway Catchment Partnership	Director of Street Scene, Leisure & Technical Services	Mar-21
18	Contaminated Land	F, R, S	Impact on homes, public health. Residents put at risk of harm.	01/01/2018	3	4	12	Working with partners (EA and other) and specialist consultants to monitor potential sites and assess risk to inform action as is needed.	3	3	9	Priory Wood, Tonbridge Appointment of contractor to monitor emissions made in June 2019. Initial report shows no cause for concern at this stage. Detailed investigation is now complete with a final report/risk assessment by contractors delivered 3/11/2020. Medium/Low risk, with no immediate further action required other than ongoing in house monitoring, but some recommendations made. Currently being considered by Scientific Officer in EP Team, with report into Members due early 2021.	Contaminated Land Strategy	Director of Planning Housing and Environmental Health	Mar-21
19	Waste/ Recycling Contract	F, R, S	Failure to provide new service and deliver described outcomes in accordance with contract timescales and health and safety obligations. Significant reputational risk. Risk of challenge from tenderers. Failure to achieve financial targets for garden waste scheme. Coronavirus pandemic has significant economic implications for businesses and residents.	01/07/2018	4	4	16	Partnership arrangement with TWBC, with allocation of key tasks. Internal Project Group reporting regularly to MT, Members, including a separate Member Working Group. External advice sought from specialists on key decisions. Detailed project plan, risk register and marketing plan in place. New inter authority agreement with KCC encourages improved recycling performance and shares risks and rewards. IT, Communications and Operations identified as crucial work streams and individual working groups established to manage and implement these work areas. Waste services have been affected by pandemic, and health & safety requirements. Agreed with contractor to cease collection of garden waste and bulky waste booking system for a period of time to allow focus on recycling and general waste. Garden waste collection recommenced 11 May, and bulky waste booking started up just prior to that. Residents will have subscriptions extended to compensate. New subscriptions now available. Saturday freighter service also suspended. Street cleansing was not suspended but has been impacted as other services have taken priority. Full roll out of service to flats postponed with trial taking place in January 2021 following Member approval. Joint Task and Finish Group established with Tunbridge Wells following fatality on the TW's side of the contract. Group set to review both Urbasers response to the incident and TW's and TMBC's implementation and monitoring of H&S protocols and procedures. Notes of the meeting to be fed in to MT.	3	3	9	New contractor (Urbaser) appointed with commencement in March 2019. New service delivery arrangements, including opt in garden waste collections commenced 30th September 2019. Operational and Marketing plan approved by members in Feb 2019. Contractor Annual Service plan to be monitored by Partnership Manager. Garden Waste charges set to encourage uptake Government consultation on new Waste & Resources Strategy including greater consistency of collection arrangements across local authorities. Response sent on new Government Strategy in liaison with Kent Resource Partnership. Contract performance, following new service delivery arrangements, has been unsatisfactory in terms of missed collections and uncompleted rounds. Focus is now on ensuring the contractor delivers the contract in accordance with the specification across the whole borough. Uptake of garden waste subscription has been positive and exceeded 30% initial target. Reports on progress submitted to meeting of SS&EAB and Member Liaison Group in place. Contract performance improved. Garden waste collection and new subscriptions recommenced. Consideration of date for roll out of new service to flats and subsequent reduction in bring bank sites to be reviewed.	Delivery of cost effective service to meet customer needs.	Director of Street Scene, Leisure & Technical Services	Mar-21

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Ongoing Risks and Risks Identified by Service Management Teams and Management Team

Chief Executive and Central Services	Covid-19	Impact on resources within service	Ongoing	Part of Strategic Risk Register.
	Larkfield Leisure Centre	All showers are currently closed due to COVID-19. Last set of samples in August came back all clear, but the biocide is running at 100ppm in order to achieve that. If next 2 samples come back clear then Trust will move to quarterly sampling, but in the meantime we will be scoping/ costing independent water system to feed dry change area. We will only need this if samples go the wrong way, but the cost of such a system is unbudgeted.	Ongoing	We have had a further set of samples that have come back clear, but given the impact of the pandemic upon leisure centre activities it is appropriate to leave as a risk for the time being.
Finance and Transformation	EU Transition	Impact on resources identified within service	Removed	As most staff within service now working from home, little or no risk on movement to staff.
	Coco Compliance	Review of IT Infrastructure identified several areas of weakness for IT standards compliance	Ongoing	Number of risks removed, expected that remaining risks, once removed, will allow full compliance.
	Subsidy Audit	Deadline for completion audited return, 31st Jan 2021, could be at risk due to external resourcing of Grant Thornton	Ongoing	
	Council Website	Implementation of new Council Website for transitional arrangements.	Ongoing	
	IT infrastructure	Procurement and implementation of IT infrastructure for production environment. Current equipment goes out of support in December 2020.	Resolved	Support now extended to June 2021.
	Covid-19	Pandemic issues surrounding Council Finances	Ongoing	Part of Strategic Risk Register.
	Equipment Failure	Folding Machine used for Revenues and Benefits correspondence is now out of maintenance contract. New single folding machine procurement has been delayed due to Covid-19 lockdown.	Ongoing	New Folding machine has been ordered and will be in place for the main billing run in late February. Due for delivery early January, risk is that this could be effected by Tier 4 categorisation.
	Statement of Accounts	Due to remote working the work undertaken by our External Auditors required additional time, specifically in the area of asset valuation. The potential delays resulting in the possibility of not having the accounts signed by the November deadline.	Resolved	Information passed to Auditors resulting in changes to Statement on Asset Valuations and an unqualified audit opinion.
	Supported Accommodation	Change in KCC approach for care need could have impact on ability to recover Housing Benefit Subsidy	Superseded	Costs now reflected within Council Budgetary Framework.

Ongoing Risks and Risks Identified by Service Management Teams and Management Team

Planning, Housing and Environmental Health	Temporary Accommodation (TA)	Increasing use of TA (backdrop of Homeless Reduction Act implementation/access to affordable PRS etc.) resulting in increasing cost to Council	Ongoing	Work at a strategic level to respond to increasing demand is ongoing however will take time to come to fruition and have impact on numbers. Also important to note that numbers are not static and increases are expected.
	Temporary Accommodation (TA)	Personal injury claims	Ongoing	During the Covid-19 crisis we do not have the same property inspection regime and people are spending more time at home.
	Food & Safety	Increased risk of food complaints/poisoning	Ongoing	During the Covid-19 crisis the ceasing/reduction in the food hygiene inspection regime may result in food safety issues.
	Increased number of planning appeals/inquiries	Identified in service and in the knowledge of associated costs to resource them effectively	Ongoing	Volume and complexity of applications coming forward in parallel with local plan progression and given current uncertainties in timescales for adoption.
	Local Kent Tracing Partnership work	T&M from end November 2020 are part of the Local Kent Tracing Partnership which involves Officers visiting the properties of Covid positive residents to complete close contact information with them.	Ongoing	High risk activity - fully risk assessed and measures implemented to reduce risk as much as possible but requires continuous monitoring and review.
	Local Plan	Due to rising Covid-19 infection rates and the increase of other infections during winter there is an increased risk of illness having a detrimental impact on the Council's Team.	Ongoing	Key Members of Staff, Counsel, Consultants falling ill before or during the Hearings (e.g. contracting Covid).
	Local Plan	The Inspectorate have raised some issues with the Council's version of MS Teams for conducting the virtual Hearings following a trial run on 10.9.20. Solutions are being investigated with IT, but this remains a risk.	Removed	Use of Microsoft Teams has resolved issues and is working well.

Ongoing Risks and Risks Identified by Service Management Teams and Management Team

Street Scene, Leisure and Technical Services

Operation Fennel	Impact of no deal Brexit on road network linked to Eurotunnel/Dover port. Particular focus for TMBC on M20 and M26. Risks relate to business continuity, media & comms and staff resourcing .	Ongoing	Brexit exercise (Loki) for 2nd tier Officers undertaken March 2019. Remote access capabilities reviewed, and meeting held with contractors to discuss implications/contingencies. Ongoing attendance at Strategic/Tactical Coordinating Group meetings.
TSP Outdoor pool	Significant water leak identified at outdoor pool. Risk of long delay to opening outdoor pool and associated loss of income/adverse customer reaction	Removed	Whilst exact cause of leak was not able to be determined the issue was resolved in liaison with Property Services and the Leisure Trust
Out of Hours Guidance	Guidance provided to Duty Officers in OOH document for dealing with hazardous waste spillages not adequate following incident	Removed	Updated guidance now contained in OOH Manual.
Legionella	Problem identified in LLC Dry change showers.	Ongoing	See Larkfield Leisure Centre above.
Castle Motte Trees	Following high winds a tree fell and caused significant damage. Tree removed and pathway repaired. Path closed to public until works complete. Historic England consulted and recommended removal of all trees on motte to protect ancient monument from future damage. External tree consultant employed with works subsequently undertaken to address health and safety issues.	Removed	Health and safety concerns addressed. Trees will be inspected regularly as part of Tree Safety Strategy.
Bridge inspections	Bridges on Council owned land identified as service risk. Internal Officer Group established and bridge audit progressed. Identified as Service Pressure Aspiration. Revenue budget approved to inspect and repair bridges over 2 years and annual inspections to be progressed.	Ongoing	Second year programme of work currently being progressed.
Leybourne Lakes Country Park	Anti-social behaviour increased on site during peak summer months which became unmanageable for on site staff. External security staff appointed and extended during Covid due to increase in users.	Ongoing	Problem will need to be addressed annually during peak summer months.

Ongoing Risks and Risks Identified by Service Management Teams and Management Team

[redacted]				
[redacted]	Waste Contract	Following a previous Road Traffic Accident and recent fatality on the contract a joint Task and Finish Group has been established with TWBC to undertaken a fundamental review of the Partnerships internal operating procedures in regard to health and safety application and monitoring. Group to include (from TMBC) Director, Head of Service, Partnership Manager, H&S Officer, Legal and operational staff.	Ongoing	First meeting to be held on 15 December 2020
	Moss clearance on paths at Tonbridge Cemetery	Identified as part of Health & Safety inspection	Removed	Immediate works progressed and annual clearance added to ground maintenance contract.

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 February 2021

Report of the Director of Finance & Transformation

Part 1- Public

Matters for Recommendation to Council

1 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2021/22

The report provides details of investments undertaken and return achieved in the first nine months of the current financial year and an introduction to the 2021/22 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Council.

1.1 Introduction

1.1.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are 'affordable, prudent and sustainable'.

1.1.2 The Act also requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The latter sets out the Council's policies for managing its investments and for giving priority to the **security** and **liquidity** of those investments.

1.1.3 The Strategies are set out in a single document at **[Annex 5]** to this report.

1.1.4 The portfolio of the Audit Committee includes the review of treasury management activities. Accordingly, that Committee reviewed and endorsed the matters covered by this report and **[Annex 5]** at its meeting on 18 January 2021.

1.1.5 The Strategy is a complex technical document and is a specialist area of work**, I should be grateful if Members could raise any queries with the author of this report (Michael Withey ext. 6103) in advance of the meeting** as Michael will not be present on 11 February.

1.2 Interest Rate Forecast

1.2.1 Following the financial crisis in 2008, Bank Rate was cut to an emergency level of 0.5% where it remained for over seven years. The outcome of the 2016 EU referendum prompted Bank Rate to be cut to 0.25% in August 2016. Since then Bank Rate has risen in 0.25% steps, peaking at 0.75% from August 2018. Link's forecast used in the 2020/21 Investment Strategy assumed economic conditions would continue to improve requiring a gradual rise in Bank Rate over the next three years.

1.2.2 The world has changed since the 2020/21 Strategy was published last February. Interest rate forecasting is now much more problematic and tentative than it is in normal circumstances. The scale of both Government and Central Bank intervention in recent months to combat the economic impact of Covid-19 is historic in magnitude. The Bank of England cut bank rate from 0.75% to 0.1% in March 2020 and introduced a series of measures including Quantitate Easing (QE) to inject liquidity to bolster economic growth.

1.2.3 Link's latest Bank Rate forecast, updated in November 2020, is included in **[Annex 5]** and anticipates the current 0.1% Bank Rate will be retained for the next 3 years to March 2024.

1.2.4 The March 2020 cut in Bank Rate had an immediate downward impact on bank deposit offers. In January 2020 offers from banks on the Council's lending list averaged 0.83% for 12 month deposits. Those offers have fallen to just 0.07% mid-December 2020. The average for three month deposits has fallen from 0.54% in January 2020 to 0.04% now. A number of banks have been excluded from the December averages where either negative returns are now being quoted or short term deposits are no longer being taken.

1.3 Investment Performance

1.3.1 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.

1.3.2 Cash flow surpluses are available on a temporary basis and the amount mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent by financial year end. Thus far in 2020/21 cash flow surpluses have averaged £21.6m.

1.3.3 The Authority also has £19m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to enable the authority to deliver its revenue savings targets.

1.3.4 Cash flow and core cash balances also includes some £10m to meet business rate appeals of which £3m are expected to be resolved in 2020/21 and the remainder in future years.

1.3.5 Long term investment comprises £5m in property fund investments.

1.3.6 A full list of investments held on 31 December 2020 is provided at **[Annex 1]** and a copy of our lending list of 29 December 2020 is provided at **[Annex 2]**. The table below provides a summary of funds invested and income earned at the end of December.

	Funds invested at 31 Dec 2020 £m	**Average duration to maturity Days**	**Weighted average rate of return %**	**Interest / dividends earned to 31 Dec 2020 £**	**Annualised return %**	**LIBID benchmark (average from 1 April) %**
Cash flow	27.3	17	0.06	34,300	0.16	(0.06) 7Day
Core cash	19.0	110	0.44	73,700	0.57	0.05 3Month
Sub-total	**46.3**	**55**	**0.22**	**108,000**	**0.31**	**(0.02) Ave**
Long term	5.0		3.48	79,800	3.19	
Total	**51.3**		**0.54**	**187,800**	**0.61**	

Property funds pay dividends quarterly. The return quoted above is based on dividends received for the period April to September 2020 and on the return achieved since inception.

1.3.7 **Cash flow and core cash investments**. Whilst the authority outperformed the LIBID benchmark by 34 basis points, Interest earned of £108,000 to the end of December is £128,500 below the original estimate for the same period. The fall in income is due to the impact the March 2020 emergency cuts in Bank Rate have had on investment opportunities.

1.3.8 Audit Committee were made aware at their July and September meetings of the potential shortfall in income for the year as a whole if bank offers persisted at ultra-low levels throughout 2020/21. The shortfall of £182,000 mentioned in those earlier reports has now been incorporated in the 2020/21 revised estimates.

1.3.9 The Council takes advantage of Link's benchmarking service which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 30 September 2020 the Council's return at 0.28% (purple diamond) was just below the local authority average of 0.34%. Based on the Council's exposure to credit / duration risk that return was in-line with Link's predicted return (between the upper and lower boundary indicated by the diagonal lines). The Council's risk exposure was consistent with the local authority average.

1.3.10 Only cash flow and core cash returns form part on the benchmarking data. The additional return the Council makes from its property fund investments is not included. The data also excludes are any short term borrowing costs authorities may have incurred to meet payment obligations. To address the cash flow uncertainties that Covid-19 has generated this Council has maintained much higher levels of daily liquidity than would otherwise have been the case. As a consequence no borrowing costs have been incurred to date and none are anticipate during the remainder of 2020/21.

1.3.11 **Long term investment**. The availability of cash balances over the longer term (10 years) and the suitability of different types of long term investment (equities, bonds and commercial property) was explored in the report to Audit Committee, January 2017. Of the alternatives, investment in property funds was considered best suited to meet the Council's more immediate funding need: a sustainable, stable income stream.

1.3.12 £3m was invested in property investment funds during 2017/18 and a further £2m invested during 2018/19. Investment was spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time. Additional property fund investments could be made in the future as resources become available from asset disposals and other windfalls.

1.3.13 During the period 1 April 2020 to 30 September 2020 the £5m investment in property funds generated dividends of £79,800 which represents an annualised return of 3.19% (3.48% in 2019/20). Covid-19 has resulted in a proportion of rents due to be collected in June and September being deferred. These deferred rents are expected to be collected at some point during the current financial year. However, income from property funds is expected to underperform against budget by some £55,000 for the financial year as a whole primarily due to a delay in the receipt of proceeds from sale of the River Walk offices. That shortfall is reflected in the 2020/21 revised estimates.

1.3.14 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase / redemption of units avoided.

1.3.15 Economic growth in the UK slowed in 2018/19 as did the rate at which fund sale values appreciated. A fall in sale values was recorded at some month ends especially during the second half of 2018/19 and throughout 2019/20. During spring and summer 2020 the Covid-19 impact on the economy saw commercial property values decline at a faster rate.

1.3.16 Although each property is unique, its value is informed by the sale of similar properties. During recession property transaction volumes diminish making valuation less certain. Each of our property fund managers attributed "uncertainty" to their monthly valuations during the summer. At the same time, and by regulation, when valuation is uncertain fund managers are required to suspend the purchase and redemption of units by investors. The suspension is intended to protect the interests of purchasers, sellers and continuing investors such as ourselves and was welcomed. Trading of shares has now resumed.

1.3.17 Sale values at the end of November vs initial purchase prices are as follows:

Property fund (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	Purchase price a £	Sale value at date of purchase b £	Sale value 30 Nov 2020 c £	30 Nov 2020 sale value above (below) purchase price (c-a) £
LAPF (Primary, July 2017)	1,000,000	922,200	901,100	(98,900)
Lothbury (Primary, July 2017)	1,000,000	927,700	925,700	(74,300)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	954,800	(45,200)
LAPF (Primary, June 2018)	1,000,000	922,200	864,000	(136,000)
Lothbury (Secondary, July 2018)	1,000,000	973,000	907,850	(92,150)
Total change in principal	5,000,000	4,684,100	4,553,450	**(446,550)**
Total dividends received to September 2020				**492,500**
Net benefit since inception				**45,950**

1.3.18 Since inception, the Council has received dividends from its property fund investments totalling £492,500. Taking the current £446,550 deficit on sale values into account the net gain to the Council is £45,950 (was a net gain of £173,800 to the end of December 2019). Fund values fell £258,300 in the first six months of 2020 due to the Covid-19 impact on the economy and commercial property values. All property fund investments have recorded some capital growth in more recent months. The deficit in sales value is expected to be recouped overtime as the economy recovers.

1.3.19 Members are reminded that higher yielding investments (e.g. property, equities) have the potential to fluctuate in value, both up and down. It is this feature which makes them unsuitable for short term investment where certainty over value at maturity is a key criteria. The Council's property fund investments are not required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.

1.3.20 **Treasury management function**. Income and expenditure estimates attributed to the Treasury Management function are provided at **[Annex 4]**. This shows the aggregate staff resource applied to treasury management is less than one full time equivalent and that income exceeds costs by a significant margin. Income in future years forms part of the Council's medium term financial strategy and is expected to increase as Bank Rate rises. Expenditure is expected to rise in-line with inflation.

1.4 Annual Investment Strategy for 2021/22

1.4.1 The Council's treasury advisor anticipates bank rate remaining at its current level of 0.1% for a number of years in order to support the economy recover from the impact of Covid-19. The ultra-low bank rate has resulted in offers for deposits falling to extraordinarily low levels (paragraph 1.2.4) which makes generating a worthwhile return from our traditional term deposits with bank and building societies unrealistic at the present time. Bank offers may improve a little following the recent agreement on a free trade deal with the EU and the approval of a second vaccine for use in the UK. Nevertheless any improvement is likely to amount to no more than a few basis points which will add little to overall earnings. Going forward earnings are anticipated to be but a fraction of those generated in recent years. There is a risk that Bank Rate will be cut further in response the resurgence of the virus and the majority of English households now being placed under Tier 4 restrictions.

1.4.2 The returns on our **property fund investments**, though representing only 14% of 2021/22 investment portfolio, are likely to generate some 68% of next years' income. The property fund investments are long term (10 year) investments. As a consequence of the high entry / exit costs (circa 8%) and potential for significant volatility in capital values, our strategy limits exposure property funds from existing resources to 20% of expected long term balances, circa £3m. There are other types of investment available which have a shorter time frame but nevertheless offer the potential to generate above inflation returns. Both diversified income (multi-asset) and short dated bond funds warrant consideration.

1.4.3 The use of **diversified income funds** was included in our 2018/19 and subsequent strategies. The covering report to Audit Committee 22 January 2018, included the following text.

Diversified income (multi-asset) funds are pooled vehicles investing in a broad range of asset classes including cash, bonds, property and equity. Risk is diversified via the spread of investments across the different asset classes and portfolios actively managed to reflect the changing economic environment. Funds typically achieve a return of 3 to 4% per annum and combine this with the potential for capital growth over time. Purchase and redemption of units is generally effected within 3 days. Buy / sell prices are subject to a spread, similar to property funds, but the spread is much lower are circa 1.5%. Dividends are paid quarterly and annual management fees range for 0.75% to 1.5% per annum.

The Council's treasury advisor, Link Asset Services, comment 'that where long term cash is concerned the diversification into multi-asset income funds is appropriate if the risk factors identified are acceptable to the Authority and due diligence is evidenced in the fund manager appointment processes'.

1.4.4 Diversified income fund investment typically implies a 5 year commitment to negate volatility in capital values over the life of the investment.

1.4.5 **Short dated bond funds** are an alternative to diversified income funds and typically imply a 3 year investment duration. Like diversified income and property funds, short dated bond funds will be unrated. The funds focus on a single asset class – bonds. Bonds are debt instruments used by governments, banks and other corporates to raise cash. Funds will typically invest in sterling denominated investment grade debt securities issued by government and corporates with an expected remaining time to maturity of up to 5 years. Annual management fees range from 0.15 to 0.45% depending on how the fund is managed (passive or active). Investment can typically be redeemed with 2 or 3 days' notice. Bond prices have an inverse relationship with interest rates such that when interest rates rise, underlying values fall and vice versa. The return on short dated bonds is linked to interest rate expectations whilst long dated bond returns are linked to inflation rate expectations. Risk of issuer default is minimised by diversification across a broad range of issuers, sectors and geographic regions. One fund of interest, pays dividends biannually and has distributed income of 2 - 3% per annum over each of the last 5 years. Shares in the fund also recorded capital appreciation over the last 12 months despite Covid-19.

1.4.6 Short dated bond funds have been added to the 2021/22 strategy as a substitute for or to be used in combination with diversified income funds. Exposure is limited to 20% (£3m) of long term balances applied to either type of fund or spread across both types. The choice between the two types of fund or combination of both will be explored further with our treasury advisor. Link would also be engaged to assist with the detailed work required to ensure the choice between the two options and that the particular fund or funds chosen strikes an appropriate balance between risk and return.

1.4.7 Other proposed changes to the 2021/22 strategy are aimed at increasing the availability of counterparties for our traditional overnight and short term bank and building society investment where security of capital and liquidity are critical to ensure spending commitments can be met. **Ultra-short dated bond funds** have been added as an alternative to the use of enhanced cash funds and government liquidity funds. These funds generally have a low risk profile attributed to them and will be credit rated. A maximum exposure of 10% of the investment portfolio can be applied to any one fund or 20% to a combination of the three types of fund. Investment with a credit rated **housing association** has also been added as an option with a maximum duration of 2 years. Exposure is limited to 10% of the investment portfolio in any one housing association and 20% for all housing association investment.

1.4.8 **Risk parameters**. The Strategy sets out the parameters that limit the Council's exposure to investment risks by requiring overnight and term deposits to be placed with highly credit rated institutions and that those investments are diversified across a range of counterparties. Except where indicated by bold italic text, the 2020/21 Annual Investment Strategy **[Annex 5]** adopts the same risk parameters as currently approved. In summary these are:

- 100% of funds can be invested in the UK. Exposure to non-UK institutions is restricted to no more than 20% of funds per sovereign.

- Non-UK counterparties must be regulated by a sovereign rated AA- or higher as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).

- Investment in UK institutions is subject to the UK sovereign being rated A- or higher by each of the three main rating agencies. The UK currently receives a rating of AA- from Fitch and Moody's and AA from Standard and Poor's.

- Exposure to individual counterparties / groups of related counterparty must not exceed 20% of funds or ***10% of funds if a housing association***.

- In selecting suitable counterparties for overnight deposits and deposits up to 2 years in duration (3 years with a local authority), the Council has adopted Link's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 1 year, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days (based on credit ratings alone). Other than for UK nationalised institutions this broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (highest).

- Investment in UK nationalised banks is subject to the bank having a minimum long term credit rating of Fitch BBB (good) and a short term credit rating of Fitch F2 (good). The Royal Bank of Scotland and National Westminster Bank are currently rated Fitch A+, F1.

- The duration of an investment in a foreign bank must not exceed Link's post CDS recommendation. For UK financial institutions Link's duration recommendation can be enhanced by up to 6 months subject to the combined duration (Link recommendation plus the enhancement) not exceeding 12 months. The Council's Treasury Management Practices have been modified to ensure that where duration is being enhanced by more than 3 months the bank's CDS must be below the average for all other banks at the time the investment is placed.

- Money Market funds will be AAA rated and exposure limited to no more that 20% per fund. LVNAV (low volatility) or VNAV (variable net asset value) funds may be used as an alternative to CNAV (constant net asset value) funds.

- Enhanced cash and Government liquidity funds will be AAA rated and ***ultra-short duration bond funds rated AA or higher***. Exposure is limited to no more than 10% of investment balances per fund and 20% to all such funds.

- Exposure to non-credit rated property funds is limited to no more than 20% (£3m) of expected long term cash balances. No limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property.

- Exposure to non-credit rated diversified income (multi-asset) funds ***and or short dated bond funds*** is limited to no more than 20% (£3m) of expected long term cash balances per fund and across all such funds.

- The strategy also limits the type of instrument (e.g. fixed term deposits, certificates of deposit, commercial paper, floating rate notes, treasury bills, etc.) that can be used and establishes a maximum investment duration for Gilts of 5 years, 3 years for deposits with local authorities and 2 years for all other types of investment other than investment in property funds, diversified income funds and ***short dated bond funds***.

- The strategy includes prudential indicators for borrowing. Whilst there is no expectation that the Council will need to borrow to fund its capital expenditure proposals prior to 2027/28, borrowing on a temporary basis may be required to meet payment obligations. Borrowing limits are expressed as the operational limit (£4m) and authorised limit (£7m). Our largest monthly outflows relate to business rates and precept payments circa £5m each. Whilst those payments tend to fall on different days of the month that is not always the case. The limits are a precautionary measure to allow borrowing on a short term basis should the need arise. In recent years the Council's cash flows have been managed in such a way that no overdraft fees or temporary borrowing costs have arisen.

1.4.9 The 2021/22 Strategy **[Annex 5]** reflects the current economic environment, Link Asset Services' latest interest rate forecast and incorporates the risk parameters summarised in paragraph 1.4.8.

1.5 Non-treasury Management Practices

1.5.1 The authority is currently debt free and no borrowing is forecast to meet the Council's capital expenditure proposals prior to 2027/28. This does not however, preclude a decision to borrow in order to fund in full or in part an investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Each such opportunity to be considered on a case by case basis as appropriate.

1.5.2 At present the Council has no material non-treasury investments e.g. expenditure on loans or the acquisition of non-financial assets (property) intended to generate a profit. The report to Audit Committee 20 January 2020 made reference to procedures that would need to be adopted to ensure compliance with the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments relating to non-treasury investments. The required practices and procedures have been drawn up by your officers and accordingly a 'practice note' is set out at **[Annex 6]**. The practice note is not specific to any one investment opportunity but should be applied to any assessment of a non-treasury investment and its subsequent management. Members are **RECOMMENDED** to endorse the Practice Note.

1.6 Legal Implications

1.6.1 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.

1.6.2 This report fulfils the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments.

1.7 Financial and Value for Money Considerations

1.7.1 The Bank Rate having remained at a historic low of 0.5% for over seven years was cut to 0.25% in August 2016. In November 2017, the Bank of England (BoE) returned the Bank Rate to 0.5%. Bank rate was increased to 0.75% in August 2018. In response to the anticipated impact of Covid-19 on the economy, BoE cut Bank Rate to 0.1% in March 2020. Link's current forecast (November 2020) anticipates Bank Rate remaining at 0.1% for the next three years to March 2024.

1.7.2 Following the March 2020 cuts in Bank Rate, investment income at the end of December 2020 (month nine of the financial year) from cash flow surpluses and core cash investments is £182,000 below budget for the same period. Income from property funds at the end of September is below budget by £10,200. Investment income for the year as a whole is expected to underperform against budget by £237,000 and has been reflected in the revised estimated for 2020/21.

1.7.3 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Link's benchmarking service.

1.7.4 Whilst the annual income stream from a property fund exhibits stability (circa 4% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be extended to avoid crystalizing a loss and as a consequence the investment's duration cannot be determined with certainty.

1.7.5 Buying and selling property involves significant costs making property unsuitable for short term investment. Buying and selling costs are reflected in the entry fees (circa 6%) and exit fees (circa 2%) a property fund will charge unit holders. These fees are expected to be recouped overtime through capital appreciation.

1.7.6 The money being applied to property fund investment from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored and due regard had to the potential for a fund to delay payment of redemption requests by up to 12 months. Funds will seek to minimise their own cash balances in favour of holding property and therefore manage redemption requests for the benefit of all fund participants. The Council is only likely to seek redemption to pursue a higher yielding income opportunity should one be identified.

1.7.7 Diversified income funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property and cash). Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.

1.7.8 Short term bond values are linked to interest rate expectations and long term bond values are linked to inflation expectations. Funds aim to minimise the risk of issuer default by investing in a broad spread of issuers and across different sectors and geographic regions. Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.

1.8 Risk Assessment

1.8.1 Link Asset Services are employed to provide advice on the content of the Treasury Management and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.

1.8.2 Credit ratings remain a key tool in assessing risk. It is recognised that their use should be supplemented with sovereign ratings and market intelligence. Appropriate sovereign, group and counterparty limits are established to ensure an appropriate level of diversification.

1.8.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the 2021/22 Strategy have been minimised.

1.9 Equality Impact Assessment

1.9.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.10 Recommendations

1.10.1 Members are invited to **RECOMMEND** that Council:

1) Note the treasury management position as at 31 December 2020 and the reduced level of income incorporated in the 2020/21 revised estimates;

2) Adopts the Treasury Management and Annual Investment Strategy for 2021/22 set out at **[Annex 5)**.

3) Endorse the practice note set out at **[Annex 6]** to be applied to the assessment and management of a non-treasury investment.

Background papers: contact: Mike Withey

Link Asset Services: Interest rate forecast (November 2020), economic commentary and benchmarking data.

Sharon Shelton
Director of Finance & Transformation

Annex 1

Tonbridge and Malling Borough Council - Investment summary 31 December 2020

Counterparty / type of investment	Sovereign	Fitch long term	Fitch short term	Link suggested post CDS duration limit	Investment						Cash Flow surpluses £	Core Cash balances £	Long term investment balances £
					Start date	End date	Duration at start	Amount invested £	Return %	Proportion of total %			
Banks, Building Societies & Other Financials													
Barclays Bank :	UK	A+	F1	6 months				**6,000,000**		11.69%			
95 day notice account					20/06/2019	TBD	95 Days	1,000,000	0.30			1,000,000	
95 day notice account					23/07/2019	TBD	95 Days	3,000,000	0.30			3,000,000	
Certificate of deposit					28/07/2020	11/06/2021	11 months	2,000,000	0.61			2,000,000	
Close Brothers :	UK	A-	F2	6 months				**2,000,000**		3.90%		2,000,000	
Fixed term deposit					21/10/2020	21/07/2021	9 Months	2,000,000	0.50				
Coventry Building Society :	UK	A-	F1	6 months				**3,000,000**		5.84%		3,000,000	
Fixed term deposit					15/12/2020	15/03/2021	3 Months	3,000,000	0.04				
HSBC Bank :	UK	AA-	F1+	1 year				**5,000,000**		9.74%			
31 day notice account					02/12/2019	TBD	31 Days	3,000,000	0.25		3,000,000		
31 day notice account					03/08/2020	TBD	31 Days	2,000,000	0.25		2,000,000		
National Westminster Bank :	UK	A+	F1	1 year				**5,897,000**		11.49%			
Certificate of deposit					06/07/2020	05/07/2021	1 year	2,000,000	0.42			2,000,000	
Deposit account					31/12/2020	02/01/2021	Overnight	3,897,000	0.01		3,897,000		
Santander UK Bank :	UK	A+	F1	6 months				**7,000,000**		13.63%			
Fixed term deposit					05/06/2020	05/03/2021	9 Months	2,000,000	0.48			2,000,000	
Fixed term deposit					22/05/2020	22/02/2021	9 Months	2,000,000	0.48			2,000,000	
Fixed term deposit					23/07/2020	22/04/2021	9 Months	2,000,000	0.45			2,000,000	
Fixed term deposit					07/08/2020	08/02/2021	6 Months	1,000,000	0.40			1,000,000	
Standard Chartered :	UK	A+	F1	6 months				**2,000,000**					
Fixed term deposit					21/05/2020	22/02/2021	9 Months	2,000,000	0.48	3.90%		2,000,000	
Money Market Funds													
Blackrock MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	31/12/2020	02/01/2021	Overnight	**50,000**	0.00	0.10%	50,000		
BNP Paribas MMF - shares/units held	N/A	AAA	mmf (Eq)	5 years	31/12/2020	02/01/2021	Overnight	**4,000,000**	0.06	7.79%	4,000,000		
DWS Deutsche MMF - shares/units held	N/A	AAA	mmf	5 years	31/12/2020	02/01/2021	Overnight	**3,119,000**	0.01	6.07%	3,119,000		
Federated MMF - shares/units held	N/A	AAA	mmf	5 years	31/12/2020	02/01/2021	Overnight	**5,158,000**	0.01	10.05%	5,158,000		
Morgan Stanley MMF - shares/units held	N/A	AAA	mmf	5 years	31/12/2020	02/01/2021	Overnight	**3,119,000**	0.00	6.07%	3,119,000		
Property Funds													
Hermes Property Unit Trust :	N/A	N/A	N/A	N/A				**1,000,000**		1.95%			
Property fund units					29/09/2017	N/A	N/A	1,000,000	3.43				1,000,000
Local Authorities' Property Fund :	N/A	N/A	N/A	N/A				**2,000,000**		3.90%			
Property fund units					29/06/2017	N/A	N/A	1,000,000	4.21				1,000,000
Property fund units					30/05/2018	N/A	N/A	1,000,000	3.94				1,000,000
Lothbury Property Trust :	N/A	N/A	N/A	N/A				**2,000,000**		3.90%			
Property fund units					06/07/2017	N/A	N/A	1,000,000	2.97				1,000,000
Property fund units					02/07/2018	N/A	N/A	1,000,000	2.86				1,000,000
					Total invested			**51,343,000**		**100.00%**	**24,343,000**	**22,000,000**	**5,000,000**

Number of investments	24	**Average investment value £**			2,139,000
Number of counter parties	15	**Average counter party investment £**			3,423,000
Group exposures:		**Core £**	**Cash £**	**Combined £**	**%**
Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)		2,000,000	3,897,000	5,897,000	11.49
Bank of Scotland + Lloyds (MAX 20%)		-	-	-	-
				£	**%**
Property Funds Total				5,000,000	9.74

Total non-specified investments should be less than 60% of Investment balances	9.74%

Notes:

Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update November 2020.

End date for notice accounts to be determined

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Annex 2

Tonbridge and Malling Borough Council Lending List

Checked against Link's "Suggested Credit List" dated 24/12/20
Minimum investment criteria is Link's green duration band (100 days). Entry point broadly equates to Fitch A-, F1 unless UK nationalised.

Counterparty	Sovereign	Sovereign rating [1]	Fitch long term	Fitch short term	UK classification	Exposure limit	Link duration based on [2] Credit ratings	Post CDS
UK Banks, Building Societies and other Financial Institutions :								
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Barclays Bank (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Non-RF	£7m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Close Brothers Ltd	UK	AA-	A-	F2	Exempt	£7m	6 months	6 months
Goldman Sachs International Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 Months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £7m)	UK	AA-	AA	F1+	Exempt	£7m	1 year	1 year
HSBC UK Bank	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Santander UK	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Standard Chartered Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Coventry Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
Leeds Building Society	UK	AA-	A-	F1	Exempt	£7m	100 days	100 days
Nationwide Building Society	UK	AA-	A	F1	Exempt	£7m	6 months	6 months
Skipton Building Society	UK	AA-	A-	F1	Exempt	£7m	100 days	100 days
Yorkshire Building Society	UK	AA-	A-	F1	Exempt	£7m	100 days	100 days
National Westminster Bank (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
UK Debt Management Office including Treasury Bills	UK	AA-	n/a	n/a	n/a	No limit	5 years	5 years
UK Treasury Sovereign Bonds (Gilts)	UK	AA-	n/a	n/a	n/a	£16m/£8m	5 years	5 years
UK Local Authority (per authority)	UK	AA-	n/a	n/a	n/a	£7m	5 years	5 years
Non-UK Banks :								
Bank of Montreal	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Toronto Dominion Bank	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Nordea Bank Abp	Finland	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	A+	F1	n/a	£7m	1 year	1 year
ING Bank	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc £7m)	Sweden	AAA	AA	F1+	n/a	£7m	1 year	1 year

[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires non-UK sovereigns to be rated at least AA- and the UK rated at least A-. Non-UK sovereign limit of 20% or £7m per sovereign.

[2] **All deposits overnight** unless otherwise **approved in advance** by the Director of Finance and Transformation **AND** Chief Financial Services Officer. If other than overnight duration for non-UK entities must not exceed Link's post CDS duration suggestion. For UK entities duration may be extended by up to three months **based on credit ratings alone** or six months if **CDS is below average,** subject to a maximum combined duration of 12 months.

Money Market Funds (Minimum investment criteria AAA) :

Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Blackrock Institutional Cash Series - Sterling Liquidity	AAA	-	AAA	£8m	5 years
BNP Paribas InstiCash - GBP	-	-	AAA	£8m	5 years
DWS Deutsche Global Liquidity - Deutsche Managed Sterling	AAA	AAA	AAA	£8m	5 years
Federated Cash Management - Short Term Sterling Prime	-	AAA	AAA	£8m	5 years
Insight - Sterling Liquidity (Group limit IL & ILP of £8m)	-	AAA	AAA	£8m	5 years
Morgan Stanley Liquidity - Sterling	AAA	AAA	AAA	£8m	5 years

Enhanced Cash Funds (Minimum investment criteria AAA) :

Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Insight - Sterling Liquidity Plus (Group limit IL & ILP £8m)	-	AAA	AA+	3.5m	5 years

Approved by Director of Finance and Transformation
29 December 2020
No change

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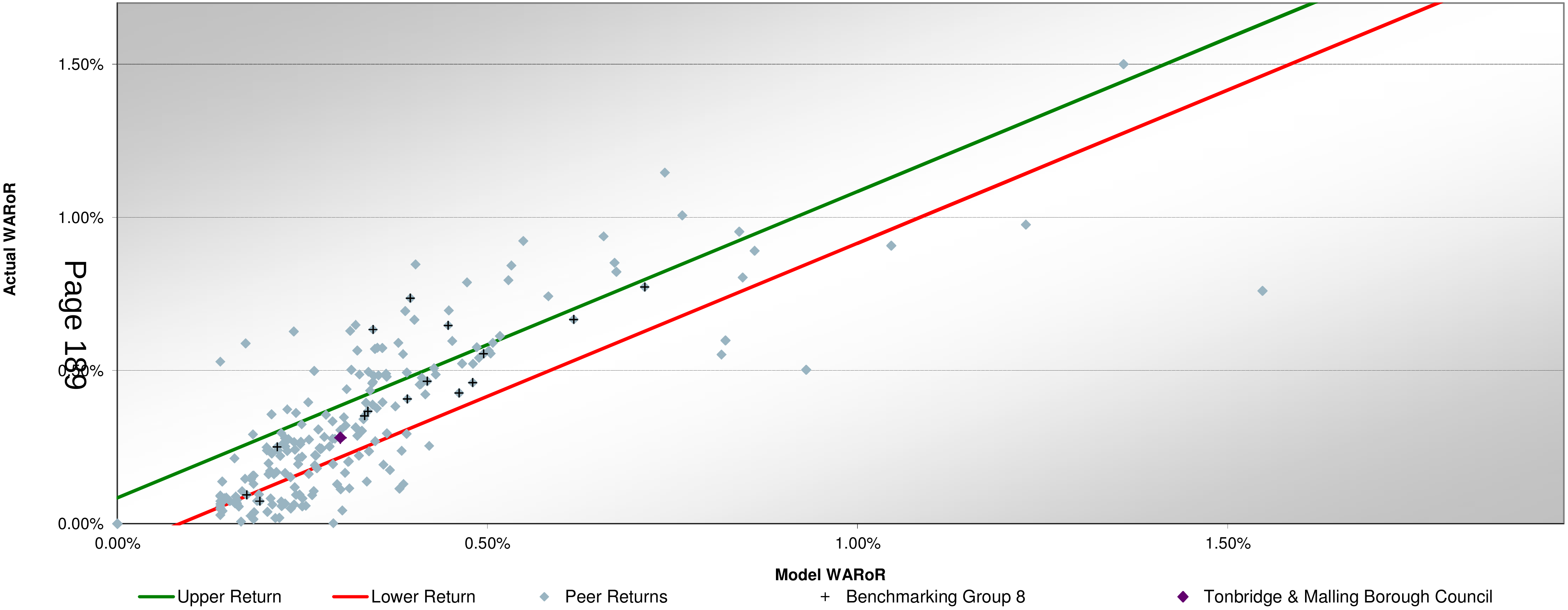
Tonbridge & Malling Borough Council

Population Returns against Model Returns September 2020



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	0.28%	0.30%	-0.02%	0.22%	0.39%	Inline

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Extract from FIPAB estimates presentation - 6 January 2021. Costs attributed to banking arrangements and transfers in lieu of interest are excluded.

DIRECTOR OF FINANCE & TRANSFORMATION

	2020/21 ORIGINAL ESTIMATE £	2020/21 REVISED ESTIMATE £	2021/22 ESTIMATE £
TREASURY MANAGEMENT			
Employees			
Salaries	31,100	31,000	31,800
Supplies & Services			
Treasury Advisor & Dealing Fees	10,900	10,000	11,000
	42,000	41,000	42,800
Less Income			
Interest on:			
Cash Flow Investments	(105,000)	(42,000) **a)**	(31,000) **b)**
Core Cash Investments	(209,000)	(90,000) **a)**	(49,000) **b)**
Long Term Investments	(211,000)	(156,000) **c)**	(170,000) **c)**
	(525,000)	(288,000)	(250,000)
Sub-total	(483,000)	(247,000)	(207,200)
Central, Departmental & Technical Support Services			
Central Salaries & Administration	2,650	2,600	2,750
Information Technology Expenses	350	200	150
Departmental Administrative Expenses	14,700	14,850	15,850
TO SUMMARY	**(465,300)**	**(229,350)**	**(188,450)**
Full Time Equivalent Number of Staff (including Support Service Staff)	0.85	0.86	0.92

a) Reflects the cut in Bank Rate from 0.75% to 0.10% in March 2020.

b) Combination of the lower 0.10% Bank Rate which is expected to continue throughout 2021/22 and reducing cash balances available for investment.

c) Reflects the delay in the receipt of proceeds from the sale of River Walk offices which were due to be applied to new property fund investments and a small reduction in dividends anticipated from existing property fund investments due to Covid-19 impacts.

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Treasury Management and Annual Investment Strategy 2021/22

1 Introduction

1.1 Treasury management is defined as:

‘The management of the local authority’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’.

1.2 The strategy covers:

- Statutory and regulatory requirements
- Balanced budget requirement
- Prudential and treasury Indicators
- Borrowing requirement
- Current treasury position
- Prospects for interest rates
- Investment policy
- Creditworthiness policy
- Country, counterparty and group exposure limits
- Cash flow and core fund investment
- Medium and long term investment
- Year end investment report
- Policy on use of external service providers.

2 Statutory and regulatory requirements

2.1 The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the Chartered Institute of Public Finance (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

2.2 The Act requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the **security** and **liquidity** of those investments.

2.3 The Ministry for Housing, Communities and Local Government (MHCLG) issued revised Statutory Guidance on Local Government Investments (2018 Edition). CIPFA also amended the Prudential Code for Capital Finance in Local Authorities (2017 Edition) and the Treasury Management in the Public Services: Code of Practice and Cross Sectorial Guidance Notes (2017 Edition). The MHCLG and CIPFA Codes came into effect on 1st April 2018.

2.4 Historically the scope of the statutory guidance and CIPFA codes was limited to the investment of an authority's cash surpluses and the management of borrowing undertaken to support its capital expenditure plans. The updated statutory guidance and codes broaden that scope to include expenditure on loans and the acquisition of non-financial assets (property) intended to generate a profit. The Council has not engaged in any commercial investments and has no material non-treasury investments.

2.5 The Council formally adopted the revised CIPFA Treasury Management Code of Practice (2017 Edition) on 30 October 2018. The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an Annual Treasury Management Strategy, including the Annual Investment Strategy, for the year ahead; a mid-year Review Report; and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of the Treasury Management Strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

2.6 The scheme of delegation and role of the Section 151 officer that give effect to these requirements are set out at **[Appendix 1]**.

3 Balanced budget requirement

3.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and treasury indicators

4.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the 'Affordable Borrowing Limit'. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

4.2 The Council must have regard to the Prudential Code when setting the 'Authorised Limit', which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

4.3 Whilst termed an 'Affordable Borrowing Limit', the capital plans to be considered for inclusion may incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The 'Authorised Limit' is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

4.4 Prudential and Treasury Indicators relevant to setting an integrated treasury management strategy are set out in **[Appendix 2]**.

5 Borrowing requirement

5.1 Other than for cash flow purposes and then within the limits set out at **[Appendix 2]** borrowing will not be necessary. All capital expenditure prior to 2027/28 is expected to be funded from the Revenue Reserve for Capital Schemes, grants, developer contributions and capital receipts arising from the sale of assets. This does not however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Each such opportunity to be considered on a case by case basis as appropriate.

5.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

6 Current treasury position

6.1 The Council is debt free and as such the overall treasury position at 31 December 2020 comprised only investments. On that date the Council's cash flow and core fund investments totaled £46m and was invested in a mix of money market funds, bank notice accounts and time deposits with banks and building societies. The average duration to maturity of the portfolio was 55 days with a weighted average rate of return 0.22%. Returns in future years are expected to improve as Bank Rate rises. Income from investments forms part of the Council's ten year medium term financial strategy (MTFS). An updated MTFS will be presented to Council in February 2021.

6.2 The Council also held £5m in externally managed property fund investments at 31 December 2020. The property funds are expected to generate income of 3.1% in 2020/21 rising to 4% in future years. Overtime, the rise in the value of each property funds' assets (capital appreciation) is expected to negate fund entry and exit costs.

6.3 At present the Council has no material non-treasury investments (e.g. directly owned commercial property, shares in subsidiaries or loans to third parties). The procedures, practices and governance arrangements to enable the Council to meet the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017 and the 2018 Statutory Guidance on Local Government Investments relating to non-treasury investments are referred to in the reports to Audit Committee 1 October 2018 and 20 January 2020. The Audit Committee report of 18 January 2021 seeks endorsement by Council of appropriate Non-treasury Management Practices.

7 Prospects for interest rates

7.1 The Council has appointed Link Asset Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. Link's current interest rate forecast is provided at **[Appendix 3]**. Link's expectation for Bank Rate, for each financial year ending March, are:

- 2021/ 2022 0.10%
- 2022/ 2023 0.10%
- 2023/ 2024 0.10%

7.2 The above forecast anticipated a trade deal would be agreed with the EU. The forecast may be overly optimistic (downside risks) dependent on:

- Further national lockdowns or sever regional restriction in major conurbations during 2021.
- Government takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than currently anticipated.

7.3 The forecast may be overly pessimistic (upside risk) dependent on:

- Inflationary pressures rise faster than expected caused by a stronger than currently expected economic recovery following a programme of vaccination.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

7.4 Link's more detailed view of the current economic background is included at **[Appendix 4]**.

8 Investment policy

8.1 The Council's investment policy has regard to the MHCLG's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities will be security first, liquidity second, and then yield.

8.2 In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

8.3 Ratings are not the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment also takes account of information that reflects the opinion of the markets. To this end the Council engages with its advisors to maintain a monitor on market pricing such as ‘credit default swaps’ and overlay that information on top of the credit ratings.

8.4 Other information sources used includes the financial press, share price and other information relating to the banking sector in order to establish a robust scrutiny process on the suitability of potential investment counterparties.

8.5 Investment instruments identified for use are listed in **[Appendix 5]** under ‘specified’ and ‘non-specified’ investment categories. Counterparty limits are detailed in section 10 below.

9 Creditworthiness policy

9.1 The creditworthiness service provided by Link has been progressively enhanced over the last few years and now employs a sophisticated modelling approach using credit ratings from each of the three main credit rating agencies - Fitch, Moody’s and Standard and Poor’s. The credit ratings are supplemented using the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

9.2 This modelling approach combines credit ratings, and any assigned credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour coded bands are also used by the Council to inform the duration of an investment and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments.

9.3 The selection of counterparties with a high level of creditworthiness is achieved by selecting institutions down to a minimum durational band within Link's weekly credit list of potential counterparties (worldwide). Subject to an appropriate sovereign and counterparty rating the Council uses counterparties within the following durational bands:

Yellow/Pink	5 years
Purple	2 years
Blue	1 year (UK nationalised Banks)
Orange	1 year
Red	6 months
Green	100 Days

9.4 The Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. Moody's tends to be more aggressive in giving low ratings than the other two agencies and adopting the CIPFA approach may leave the Council with too few banks on its approved lending list. The Link creditworthiness service uses a wider array of information than just primary ratings and in combination with a risk weighted scoring system undue preponderance is not given to any one agency's ratings.

9.5 All credit ratings are reviewed weekly and monitored on a daily basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- If a downgrade results in the counterparty no longer meeting the Council's minimum criteria its use for new investment is withdrawn immediately.
- In addition to the use of credit ratings the Council is advised of movements in Credit Default Swap data against the iTraxx European Financials benchmark and other market data on a daily basis. Extreme market movements may result in a scaling back of the duration assessment or removal from the Councils lending list altogether.

9.6 Sole reliance is not placed on the use of the Link service. In addition the Council uses market information including information on any external support for banks to assist the decision making process.

10 Country, counterparty and group exposure limits

10.1 The Council has determined that it will only use approved counterparties from the UK subject to a minimum sovereign credit rating of A- and from other countries subject to a minimum sovereign credit rating of AA-. The minimum will be the lowest rating determined by Fitch, Moody's and Standard and Poor's. The list of countries that qualify using this credit criteria as at the date of this report are shown in **[Appendix 6]**. The list will be amended in accordance with this policy should ratings change.

10.2 Avoidance of a concentration of investments in too few counterparties or countries is a key to effective diversification and in this regard the limits set out below are thought to achieve a prudent balance between risk and practicality.

Country, Counterparty and Group exposure	**Maximum Proportion of Portfolio**
UK regulated institutions subject to UK Sovereign rating of A- or higher and the institution limits detailed below.	100%
Non-UK regulated institutions as an amount per sovereign rated AA- or higher and subject to the institution limits detailed below.	20%
Group of related institutions.	20%
Each financial institution rated Fitch A-, F1 or higher (green excluding CDS using Link's credit methodology) ***or each local authority***.	20%
Each UK nationalised bank rated Fitch BBB, F2 or higher (green excluding CDS using Link's credit methodology).	20%
Each AAA rated multilateral / supranational bank.	20%
Each AAA rated CNAV, LVNAV or VNAV money market fund.	20%
Each ***AA*** or higher rated enhanced cash fund / government liquidity fund / gilt fund / ***ultra-short dated bond*** fund subject to a maximum 20% exposure to all such funds.	10%
Each housing association rated Fitch A- or higher and 20% for all housing association investment	***10%***
Non-specified investments over 1 year duration.	60%
Each non-rated property fund used for long term investment subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds. No cash limit applies to new resources made available from, or in anticipation of, the sale of existing property assets or other windfalls.	N/A
Each non-rated diversified income (multi-asset) fund ***and or short dated bond fund*** used for medium term investment subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds.	N/A

10.3 Cash flow balances vary depending on the timing of receipts and payments during the month and from month to month. The investment limits identified in paragraph 10.2 will be based on an estimate of the expected average daily cash flow balance at the start of the financial year augmented by core cash and other balances. Counterparty investments will be managed to ensure compliance with the limits at the start and end of each financial year when balances available for investment will be at a low point.

11 Cash flow and core fund investment

11.1 Funds available for investment are split between cash flow and core cash. Cash flow funds are generated from the collection of council tax, business rates and other income streams. They are consumed during the financial year to meet payments to precept authorities and government (NNDR contributions) and to meet service delivery costs (benefit payments, staff salaries and suppliers in general). The consumption of cash flow funds during the course of a financial year places a natural limit on the maximum duration of investments (up to one year). Core funds comprise monies set aside in the Council's revenue and capital reserves and are generally available to invest for durations in excess of one year.

11.2 **Cash flow investments**. The average daily cash flow balance throughout 2021/22 is expected to be £15.5m with a proportion available for longer than three months. Cash flow investments will be made with reference to cash flow requirements (liquidity) and the outlook for short-term interest rates i.e. rates for investments up to 12 months. Liquidity will be maintained by using bank deposit accounts and money markets funds. Where duration can be tolerated, additional yield will be generated by utilising term deposits with banks and building societies and enhanced cash and government liquidity funds. Investment in ultra-short dated bond funds will also be considered. Cash balances available for more than 3 months may be transferred to the core fund portfolio if a better overall return for the Council can be achieved by doing so.

11.3 In compiling the Council's estimates for 2021/22 a return on cash flow investments of 0.20% has been assumed.

11.4 **Core fund investments**. Historically the Council's core funds have been managed by an external fund manager. All core funds were returned to the Council for in-house management during 2014/15. The core fund balance is diminishing as a proportion is consumed each year (approximately £2m per annum) to support the Council's revenue budget and capital expenditure plans. The average core fund balance during 2021/22 is expected to be £14m.

11.5 The Council will avoid locking into longer term deals while investment rates continue their current low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and are within the risk parameters set by the Council.

11.6 In compiling the Council's estimates for 2021/22 a return on core fund investments of 0.35% has been assumed. Subject to the credit quality and exposure limits outlined in paragraph 10.2, liquidity and yield will be achieved by a mix of investments using predominantly fixed term deposits and certificates of deposit. Notice accounts, enhanced cash and government liquidity funds and ultra-short dated bond funds will also be used if these offer favourable returns relative to term deposits. Investment with housing associations and other local authorities will also be considered.

12 Medium and long term investment.

12.1 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake medium term investment in either short dated bond funds and or diversified income funds (a mix of cash, bonds, equity and property) through externally managed collective investment schemes. Investment in such schemes typically implies a three to five year commitment to recoup entry and exit fees and mitigate the potential for a fall in the value of assets under management.

12.2 A detailed evaluation of a funds asset quality, market risk, redemption constraints, management and governance arrangements will be undertaken in advance of any investment taking place. Support to identify and select the most appropriate fund(s) will be sought from the Council's treasury advisor. Any sums invested will be reported at regular intervals with income received and changes in capital value separately identified. The strategy places an upper limit on exposure to such funds of 20% of expected long term cash balances, circa £3m.

12.3 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake long term investment in property through an externally managed collective investment scheme (fund). Investment in such schemes typically implies a 10 year commitment to recoup entry and exit fees. To mitigate the risk that capital values may fall due to changes in economic activity, investment duration cannot be determined with certainty at the time the investment commences. As a consequence any cash balances applied to such an investment must be available for the long term and there must be flexibility over the timing of redemption(s) in the future. Sums invested will be reported at regular intervals with income received and changes in capital value separately identified. The strategy places an upper limit on exposure to such funds from existing resources of 20% of expected long term cash balances, circa £3m. No limit applies to new resources made available from the sale of existing assets or other windfalls.

13 Year end investment report

13.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

14 Policy on the use of external service providers

14.1 The Council uses Link Asset Services as its external treasury management advisors.

14.2 The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

14.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Financial Services
January 2021

Appendices

1. Treasury management scheme of delegation
2. Prudential and treasury indicators
3. Interest rate forecasts
4. Economic background provided by Link Asset Services
5. Credit and counterparty risk management (TMP1)
6. Approved countries for investments

Appendix 1 Treasury management scheme of delegation

Full Council
- Budget approval.
- Approval of treasury management policy.
- Approval of the annual treasury management and investment strategy.
- Approval of amendments to the Council's adopted clauses, treasury management policy and annual treasury management and investment strategy.
- Approval of the treasury management outturn and mid-year reports.

Cabinet
- Budget consideration.
- Approval of the division of responsibilities.
- Approval of the selection of external service providers and agreeing terms of appointment.
- Acting on recommendations in connection with monitoring reports.

Audit Committee
- Reviewing the annual treasury management and investment strategy and making recommendations to Cabinet and Council.
- Receive reports on treasury activity at regular intervals during the year and making recommendations to Cabinet.
- Reviewing treasury management policy, practices and procedures and making recommendations to Cabinet and Council.

Finance, Innovation and Property Advisory Board
- Receiving budgetary control reports at regular intervals that include treasury management performance.

The S151 (responsible) officer
- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Prepare and maintain effective treasury management practices (TMPs).
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Preparation of a Capital Strategy and for ensuring the strategy is sustainable, affordable and prudent in the long term and that due diligence has been carried out to support each investment decision and those decisions are in accordance with the risk appetite of the authority.

Appendix 2 Prudential and treasury indicators

The prudential indicators relating to capital expenditure cannot be set until the capital programme is finally determined and will as a consequence be reported as part of the Setting the Budget for 2021/22 report that is to be submitted to Cabinet on 11 February 2021.

The treasury management indicators are as set out in the table below:

TREASURY MANAGEMENT INDICATORS	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt :					
borrowing	nil	7,000	7,000	7,000	7,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	7,000	7,000	7,000	7,000
Operational Boundary for external debt:-					
borrowing	nil	4,000	4,000	4,000	4,000
other long term liabilities	nil	nil	nil	nil	nil
TOTAL	nil	4,000	4,000	4,000	4,000
Actual external debt	nil	nil	nil	nil	nil
Upper limit for fixed interest rate exposure > 1 year at year end	nil	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	19,610 (49.5%)	It is anticipated that exposure will range between 40% to 100%			
Upper limit for total principal sums invested for over 365 days at year end	5,000 (12.6%)	60% of funds			

Maturity structure of fixed rate borrowing during 2020/21 - 2023/24	upper limit	lower limit
under 12 months	100 %	0 %
Over 12 months	0 %	0 %

Appendix 3 Interest rate forecasts – November 2020

Link Group Interest Rate View 9.11.20 (The Capital Economics forecasts were done 11.11.20) These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate														
Link	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate														
Link	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

Appendix 4 Economic background based on text provided by Link Asset Services

1 **UK**. The Bank of England's Monetary Policy Committee kept **Bank Rate** unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".

2 Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:

- The economy would recover to reach its pre-pandemic level in Q1 2022
- The Bank also expects there to be excess demand in the economy by Q4 2022.
- CPI inflation is therefore projected to be above the 2% target by the start of 2023 and the "inflation risks were judged to be balanced".

3 Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.

4 One key addition to the **Bank's forward guidance** in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase through to quarter 1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly. **Inflation** is unlikely to pose a threat requiring increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.

5 However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and lots of regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31st March will limit the degree of damage done.

6 As for **upside risks**, we have been waiting expectantly for news that various **Covid-19 vaccines** would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.

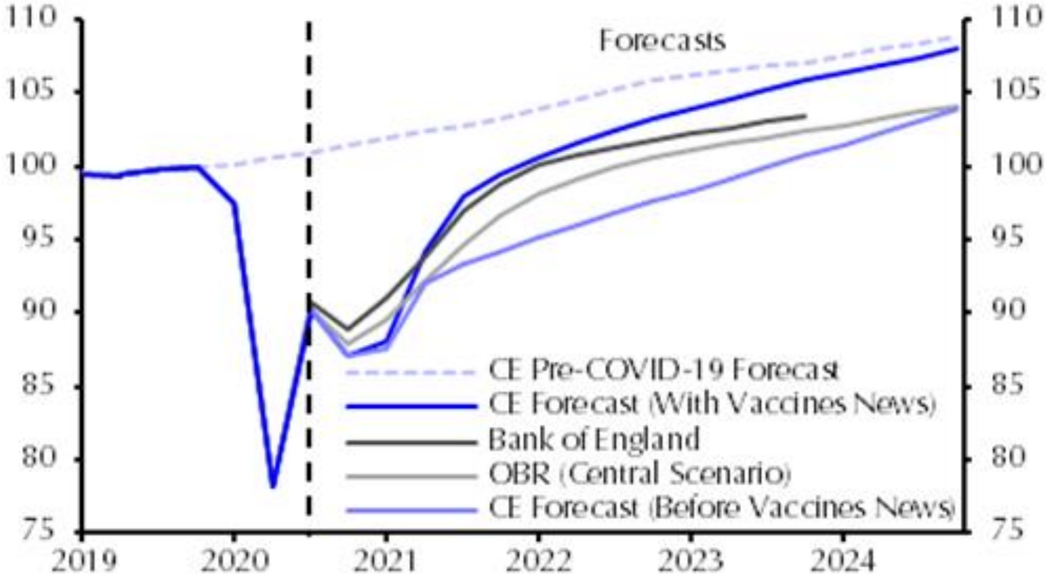
7 However, there has been even further encouraging news since then with another two vaccines announcing high success rates. Together, these three announcements have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could begin to be eased, possibly in Q2 2021, once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% next year instead of 9%. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would still remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by

making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.

8 **Public borrowing** is now forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

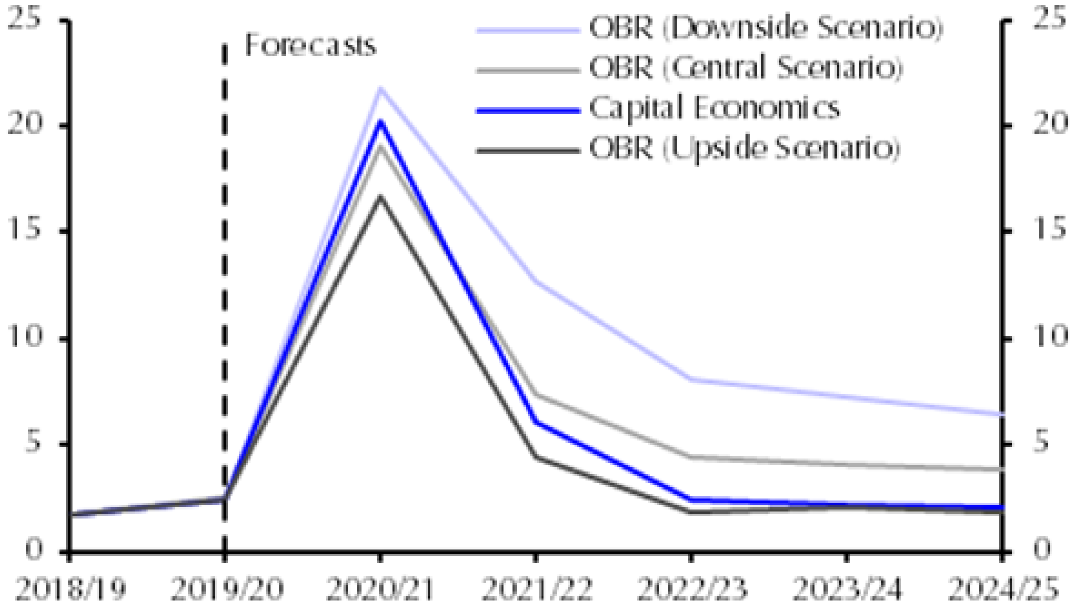
9 Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the second national lockdown starting on 5th November for one month is expected to depress GDP by 8% in November while the rebound in December is likely to be muted and vulnerable to the previously mentioned downside risks. It was expected that the second national lockdown would push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023. However, the graph below shows what Capital Economics forecast will happen now that there is high confidence that successful vaccines will be widely administered in the UK in the first half of 2021; this would cause a much quicker recovery than in their previous forecasts.

Level of real GDP (Q4 2019 = 100)



10 This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to 2% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assume that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, perversely, depress economic growth and recovery.

Public Sector Net Borrowing (As a % of GDP)



11 Capital Economics have not revised their forecasts for Bank Rate or gilt yields after this major revision of their forecasts for the speed of recovery of economic growth, as they are also forecasting that inflation is unlikely to be a significant threat and so gilt yields are unlikely to rise significantly from current levels.

12 There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

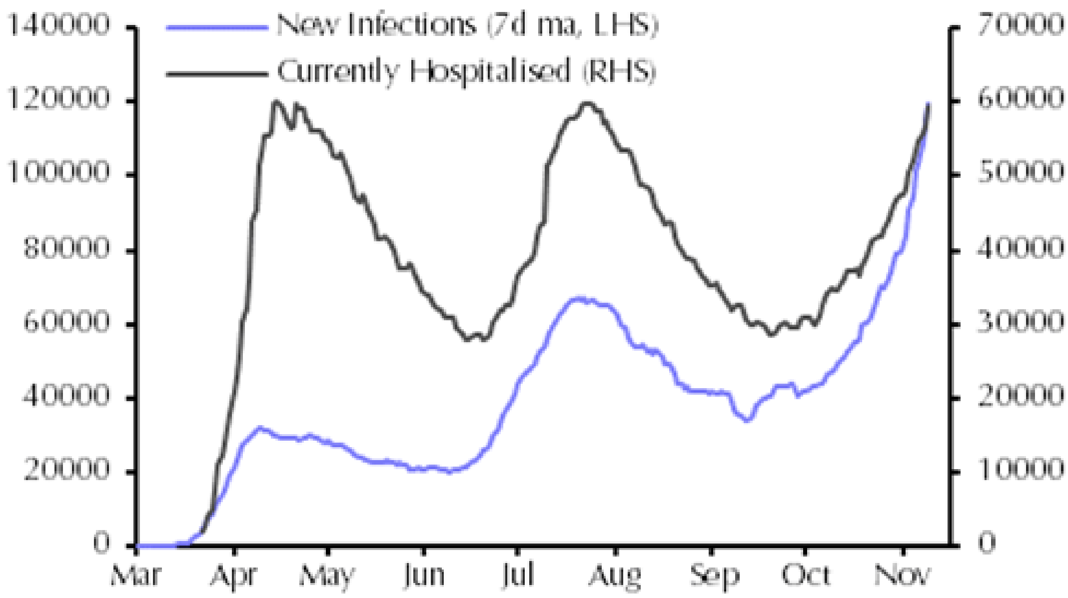
13 The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. It stated that in its assessment “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.

14 **US**. The result of **the November elections** means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans will retain their slim majority in the Senate. This means that the Democrats will not be able to do a massive fiscal stimulus, as they had been hoping to do after the elections, as they will have to get agreement from the Republicans. That would have resulted in another surge of debt issuance and could have put particular upward pressure on debt yields – which could then have also put upward pressure on gilt yields. On the other hand, equity prices leapt up on 9th November on the first news of a successful vaccine and have risen further during November as more vaccines announced successful results. This could cause a big shift in investor sentiment i.e. a swing to sell out of government debt to buy into equities which would normally be expected to cause debt prices to fall and yields to rise. However, the rise in yields has been quite muted so far and it is too early to say whether the Fed would feel it necessary to take action to suppress any further rise in debt yields. It is likely that the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.

15 The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the **pandemic** with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter

term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

Covid-19 New infections & hospitalisations



16 However, with the likelihood that highly effective vaccines are going to become progressively widely administered during 2021, this should mean that life will start to return to normal during quarter 2 of 2021. Consequently, there should be a sharp pick-up in growth during that quarter and a rapid return to the pre-pandemic level of growth by the end of the year.

17 After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that "it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time." This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year

or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal. The Fed's meeting on 5 November was unremarkable - but at a politically sensitive time around the elections.

18 **EU**. The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus, (e.g. France 18.9%, Italy 17.6%). However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.

19 However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle during the closing and opening quarters of this year and next year respectively before it finally breaks through into strong growth in quarters 2 and 3. The ECB will now have to review whether more monetary support will be required to help recovery in the shorter term or to help individual countries more badly impacted by the pandemic.

20 **China**. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.

21 However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this

same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

22 **Japan**. Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre-virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of 8.5% in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

23 **World growth**. While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

24 Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

25 Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer.

Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

26 If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

Link Asset Services
01 December 2020

Appendix 5 Credit and counterparty risk management (TMP1)

All specified and non-specified Investments will be:

Subject to the sovereign, counterparty and group exposure limits identified in the Annual Investment Strategy (Section 10).

Subject to the duration limit ***where applicable*** suggested by Link (+6 months for UK institutions) at the time each investment is placed.

Subject to a maximum of 60% of funds being held in non-specified investments at any one time.

Sterling denominated.

Specified Investments (maturities up to 1 year):

investment	Minimum Credit Criteria
UK Debt Management Agency Deposit Facility	UK Sovereign A-
Term deposits - UK local authorities	UK Sovereign A-
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS
Term deposits – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 or Green excluding CDS
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS
Certificates of deposit – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1,or Green excluding CDS
UK Treasury Bills	UK Sovereign A-
UK Government Gilts	UK Sovereign A-
Bonds issued by multi-lateral development banks	AAA
Sovereign bond issues (other than the UK Gov't)	AAA
Money market funds (CNAV, LVNAV or VNAV)	AAA
Enhanced cash / Government liquidity / ***Ultra-short dated bond funds***	***AA***

Non-specified Investments (maturities in excess of 1 year and any maturity if not included above):

Investment	Minimum Credit Criteria	Max duration to maturity
Fixed term deposits with variable rate and variable maturities (structured deposits) - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies	UK sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Term deposits - local authorities	UK Sovereign A-	3 years
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Term deposits - banks, building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Term deposits – housing associations	***UK Sovereign A- Counterparty A-***	***2 years***
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Certificates of deposit - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Commercial paper - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Commercial paper - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Floating rate notes issued by multilateral development banks	AAA	2 years
Bonds issued by multilateral development banks	AAA	2 years
Sovereign bonds (other than the UK Government)	AAA	2 years
UK Government Gilts	UK Sovereign A-	5 years
Property funds	N/A	N/A
Diversified income ***and or short dated bond*** funds	N/A	N/A

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Appendix 6 Approved countries for investments

Each financial institution must meet the minimum credit criteria specified in the Annual Investment Strategy (Section 10). For non-UK regulated institutions the institutions sovereign must be rated AA- or higher by each of the three rating agencies - Fitch, Moody’s and Standard and Poor’s.

This list will be reviewed and amended if appropriate on a weekly basis by the Director of Finance and Transformation.

As of 31 December 2020 sovereigns meeting the above requirement which also (except for Hong Kong, Norway and Luxembourg) have banks operating in sterling markets with credit ratings of green or above on the Link Asset Services’ Credit Worthiness List were:

AAA	Australia
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
AA+	Canada
	Finland
	USA
AA	Abu Dhabi (UAE)
	France
AA-	Belgium
	Hong Kong
	Qatar

At 31 December 2020 the UK received a credit rating of AA- from Fitch and Moody’s and AA from Standard and Poor’s.

Non-treasury Management Practices

1 Introduction

1.1 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

1.2 The Council will ensure that all its investments are covered in a capital strategy, investment strategy or equivalent, and will set out, where relevant, the Council's risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.

1.3 The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

1.4 The Council recognises that many of the principles underlying treasury management practices will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly.

1.5 It is recognised that the Council may make investments for policy reasons outside of normal treasury activity, and these may include:

- Service investments – these are held clearly and explicitly in the course of the provision, and for the purposes of, operational services, including regeneration
- Commercial investments – these are undertaken for mainly financial reasons. They may include:
    - Investments as part of business structures, such as loans to and shares in subsidiaries.
    - Investments explicitly taken out with the aim of making a financial surplus for the council and include commercial properties

1.6 The investment practices for non-treasury investments detailed below will be complied with by all officers and agencies responsible for such investments. These practices will evolve over time and will be subject to annual review.

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2 Risk management (NTMP 1)

2.1 Investment of the Council's cash surpluses and reserves is governed by the CIPFA Treasury Management Code of practice and MHCLG Statutory Guidance. These require authorities to prioritise security and liquidity over yield. Compliance, aims to protect the value of sums invested and ensure funds are available to spend as spending commitments arise. Investment in equity, bonds or property are likely to fail the security and liquidity tests and are therefore considered inappropriate for short term cash surplus and reserve fund management purposes.

2.2 Commercial property covers a broad range of property uses and types including, retail outlets, office accommodation, warehouses, industrial units and residential accommodation.

2.3 Risks associated with commercial property ownership include:

- Close correlation between value and changes in **GDP**. Values fall significantly in a downturn. Values rise when the economy is growing.
- Property is **illiquid** both in terms of transaction times and price transparency.
- **Tenant covenant strength** will impact on ability to meet rental payments, lease renewal, exercise break clauses and CVA.
- **Valuations** are not a guarantee of sale price and may be subject to investor confidence / sentiment.
- **Stock, sector and geographic** risk will all impact on the value of a particular property.
- Subject to **environmental risk** such as flooding and land contamination.
- **Interest rate** changes not only affect the cost of borrowing but also bond / equity prices which may impact on the relative attractiveness of property.
- Changes in **legislation and regulation** e.g. energy efficiency may involve additional cost to the investor.
- Changes in **taxation** (stamp duty / SDLT) may affect value.

2.4 Risks will be explored in the property acquisition business case and through regular monitoring of the property market post acquisition. Nevertheless, risk will persist.

2.5 A risk assessment is provided at **[Appendix 1]**.

3 Decision making, governance and organisation (NTMP 2)

3.1 Any new commercial property investment will be subject to a business case that meets HM Treasury Green Book standards. The report seeking Capital Plan budget provision will follow the normal budget approval process (FIPAB, Cabinet and Council).

3.2 Day to day management of commercial property investments is delegated to the Central Services Director (CSD). The CSD will undertake that management using in-house resources or appoint specialist external agents where appropriate. Functions include:

- Collection of rent & service charges.
- Establishing lease terms
- Advertising vacant units
- Negotiating tenant lease agreements
- Monitoring the commercial property market
- Undertaking annual property revaluations

3.3 New lease agreements will be certified, without delegation, by the CSD. Any rent free periods and other tenant inducements will be reported under the reporting arrangements detailed in NTMP 4.

3.4 The Director of Finance and Transformation will undertake a periodic reconciliation of income and expenditure. Internal audit, subject to a risk assessment, will review commercial property activity.

4 Performance management (NTMP 3)

4.1 Baseline performance requirements for commercial properties will be drawn from the business case submitted as part of property purchase approval. Gross income, service costs and tenant arrears will be monitored against baseline on a quarterly basis. Variation from a pre-determined tolerance level will trigger a report to the Council's Management Team and, if appropriate, will be escalated in accordance with NTMP 4.

4.2 Performance of the Council's commercial property function and that of any associated external support will be monitored and reviewed annually to ensure best practice and value for money are being achieved.

5 Reporting and management information (NTMP 4)

5.1 An information report setting out the performance of the Council's commercial property investments will be prepared by the Director of

Central Services and submitted to each meeting of the Finance, Innovation and Property Advisory Board. Reports will be subject to prior consideration by the Council's Management Team.

5.2 Reports will include:

- A commentary on commercial property market conditions
- Gross income against budget
- Income performance against benchmark
- Operating costs
- Changes in occupancy
- Changes to existing lease agreements / new lease agreements
- Tenant arrears
- Market value (to be reported annually).

5.3 Commercial property investment performance against budget will also be incorporated in the financial planning & control reports submitted to the May, July and September meetings of FIPAB.

5.3 Any extraordinary issues that are likely to generate a change in budget requirement will be subject to endorsement by Cabinet and approval by Council.

6 Training and qualifications (NTMP 5)

6.1 Members and officers involved in the property investments decision making process need to have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific property investment.

6.2 The Councils employs qualified property, legal and finance officers to manage activity and provide advice within their respective disciplines. Specialist external advisors will be engaged where appropriate. Member training will be provided in-house or by external agents when required.

Property Investment – Risk Register

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Downturn in property market	Capital value and income potential reduce for purchased assets.	4	4	16	Continued monitoring of markets. Sale of Assets at a benchmarked threshold. Annual Valuation.
Upturn in property market	Purchase cost of potential assets increases.	4	3	12	Continued monitoring of markets. Adjusting purchase criteria to reflect market movement. Consider sales of assets for capital gain. Annual Valuation.
Increase in interest rates (borrowing)	Cost of borrowing where adopted increases with detrimental impact on income.	4	3	12	Ensure most competitive rate achieved if borrowing, fixed term if possible. Consider increased use of reserves to ensure loan to value ratios are acceptable.
Increase in interest rates (investment)	Lower rate of return when compared to other potential investments	4	3	12	Consider revising income return criteria upwards. Consider disposal of assets for re-investment.
Available opportunities	Market opportunities meeting investment criteria not available.	4	3	12	Identify opportunities early and move swiftly to acquire.
Changes in Tenant demand	Certain types of property may become less favorable with tenants.	3	3	9	Consider alternative use at acquisition. Construct a varied portfolio by use.

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Obsolescence of Asset	Physical obsolesce in terms of building fabric and fit out.	3	3	9	Ensure full repairing and insuring leases are in place via pre-purchase due diligence. Have building surveys undertaken to establish condition of building.
Tenant default	Loss of rental income, increased costs incurred.	3	3	9	Undertake financial due diligence of tenants pre-purchase, obtain the best possible tenant covenants. Look for guarantors or cash deposits where covenants are considered weak. Consider multi-tenanted properties in order to diversify risk. Ensure robust credit control procedures in place. Monitor tenant company performance.
Void periods	Loss of rental income, holding costs incurred – rates, utilities etc. Costs of re-letting.	3	3	9	Monitoring tenancies as described above. Move quickly to appoint letting agents should a “void” period appear likely. Act expediently in concluding legal process of letting.
Government Legislation - Energy Performance (Minimum Energy Efficiency Standards, MEES)	From 1 April 2018 it is illegal for a landlord to grant a new letting of a commercial property that has an EPC of below E.	4	3	12	Undertake appropriate pre purchase due diligence to establish what the EPC rating of a property is and purchase accordingly. Identify if opportunities exist to increase the EPC rating appropriately.
Illiquidity of Property Assets	Asset identified for disposal to raise capital receipt or for reinvestment.	4	4	16	Ensure that assets are kept “sale ready” in terms of documentation and information.

Risk	Risk Areas	Likelihood 1(low) 6(High)	Impact 1(low) 4(High)	Total Score	Controls
Staff Resources	Lack of suitably professionally qualified staff.	3	3	9	Ensure that appropriately professionally qualified staff, with experience in Property Investment, are available to act on the Council's behalf.
Residential Properties – generally all of the above plus greater landlord input, more management intensive	Residential Properties generally require a more active landlord involvement, maintaining the structure and services of a property – maintenance costs and management costs are therefore higher.	4	3	12	Ensure that increased holding costs are factored into purchase valuations. Appoint external professionals to manage landlord and tenant processes. Ensure that tenant deposits are taken.

Assessing risks

Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	**5 – 12**	**15 – 24**

The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

Likelihood	Almost inevitable	**6**	6 Medium	12 Medium	18 High	24 High
	Very likely	**5**	5 Medium	10 medium	15 High	20 High
	Likely	**4**	4 Low	8 Medium	12 Medium	16 High
	Unlikely	**3**	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	**2**	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	**1**	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
Impact □			Negligible	Marginal	Significant	Critical

REVIEW OF CHARGES AND FEES 2021/22

Item CH 20/26 referred from Communities and Housing Advisory Board of 10 November 2020

The report of the Director of Planning, Housing and Environmental Health provided an update on existing fees for licensing a house in multiple occupation (HMO) or caravan site together with recommended charges following a review of the costs of processing the respective applications. The proposed fee increases had been benchmarked against neighbouring authorities.

RECOMMENDED: That the following charges be approved with effect from 1 April 2021:

£545 for processing a new mandatory HMO licence application;
£500 for the processing of a renewal application for a mandatory HMO licence;
£395 for processing a new caravan site licence application where the use of the site is for permanent residential use; and
£190 for the transfer of a caravan site licence for a permanent residential use site.
***Referred to Cabinet**

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TONBRIDGE & MALLING BOROUGH COUNCIL

COMMUNITIES and HOUSING ADVISORY BOARD

10 November 2020

Report of the Director of Planning, Housing and Environmental Health

Part 1- Public

Matters for Recommendation to Cabinet - Key Decision

1 CHARGES & FEES 2021/22

Summary

This report updates members of the existing fees charged to licence a house in multiple occupation (HMO) or caravan site and the recommended charge following a review of the costs to process the respective applications. The proposals if adopted would result in fee increases for both HMO and Caravan site licencing, which have been benchmarked against neighbouring authorities.

1.1 Review of HMO licensing fees

1.1.1 Under the Housing Act 2004 Part 2 houses in multiple occupation (HMOs) occupied by five or more persons living in two or more households are required to be licensed. HMOs in self-contained flats in purpose built blocks where the block comprises three or more self-contained flats are excluded from this licensing requirement.

1.1.2 There are currently 22 licensed HMOs in the Tonbridge & Malling area.

1.1.3 The aim of licensing is to improve the controls on HMOs and to raise the standard of some of the highest risk properties that are often occupied by some of the most vulnerable people, whilst maintaining an adequate supply of rented accommodation.

1.1.4 The licence is for a maximum of five years and cannot be transferred. The licence can end as a result of the passage of time, the death of the licence holder, the sale of the property or the revocation of the licence by the Council. The licence is held on a public register maintained by the Council.

1.1.5 Following a review of administrative costs and using the same HMO licence fee cost calculator developed by the Kent and Medway local authorities that has previously been used, the proposed revised charges are detailed in the table below:

Service	Current Charge	Recommended Charge	Predicted Income Full Year 2021/22
New HMO licence application fee	£537	£545	£2,725 for five new licence applications
Renewal of an HMO Licence application	£495	£500	£2,500 for five licence renewal due in this period

1.1.6 The charge for a new HMO licence application fee is comparable to our neighbouring Kent authorities of Tunbridge Wells at £575 (for 5 persons) and Sevenoaks at £654 (for 5 persons). Over the five year period the fee of £545 equates to approximately a cost of £109 per annum and £9 per month.

1.1.7 The charge for the renewal of a HMO licence application is comparable to our neighbouring authorities of Tunbridge Wells of £460 (for 5 persons) and £412 for Sevenoaks. This lower cost for renewal is attributed to the reduced inspection time.

1.2 Caravan Site Licensing

1.2.1 The Mobile Homes Act 2013 amended the Caravan Sites and Control of Development Act 1960 to allow local authorities from the 1 April 2014 to charge a fee for the licensing of residential mobile (park) home sites ("relevant protected sites") and recover their costs in undertaking this function.

1.2.2 A caravan site must have planning consent for use as a caravan site before it can be licensed and once licensed it remains in perpetuity until a change of use or planning consent has expired.

1.2.3 Following a review of administrative costs associated with charging for caravan site licences based on our experience over the last twelve months the proposed revised charges are shown in the table below:

Service	Current Charge	Recommended Charge	Predicted Income Full Year 2020/21
New caravan site licence application fee	£390	£395	£395 for one new licence
Transfer of a caravan site licence	£185	£190	£380 based on the transfer of two caravan site licences

1.2.4 The charge to process a licence application for a new caravan site is comparable to Tunbridge Wells where the cost is £300. The charge in Sevenoaks is based on an incremental cost from £542 dependent on the number of pitches above one. The charge to transfer a caravan site licence at Sevenoaks is £84.

1.3 Legal Implications

1.3.1 The Council is legally required to licence certain HMOs and caravan sites under the Housing Act 2004 Part 2 and the Caravan Sites and Control of Development Act 1960 (as amended by the Mobile Homes Act 2013) respectively. For this licensing function they may charge a fee to fund the costs to process an application.

1.4 Financial and Value for Money Considerations

1.4.1 The cost to process the HMO and caravan site licence applications is reflected in the fee charged to the applicant. Therefore, there should be no additional financial and value for money considerations.

1.5 Risk Assessment

1.5.1 There are no risks associated with this report.

1.6 Equality Impact Assessment

1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act, with no perceived impact to end users.

1.7 Recommendations

1.7.1 Members are **RECOMMENDED** to **AGREE** charges from the 1 April 2021 for the following:

- £545 for processing a new mandatory HMO licence application;
- £500 for the processing of a renewal application for a mandatory HMO licence;
- £395 for processing a new caravan site licence application where the use of the site is for permanent residential use; and
- £190 for the transfer of a caravan site licence for a permanent residential use site.

Background papers: contact: Hazel Skinner

Nil

Eleanor Hoyle
Director of Planning, Housing and Environmental Health

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REVIEW OF CEMETERY CHARGES 2021/22

Item CH 20/27 referred from Communities and Housing Advisory Board of 10 November 2020

Consideration was given to the joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Finance and Transformation setting out charging proposals for 2021/22 regarding Tonbridge Cemetery. Details of the proposed charges were set out at Annex 2 to the report. A comparison with other Kent district councils' charges was provided and it was anticipated that the proposals would generate additional net income of approximately £700.

A number of Members expressed concern that the low level of income in comparison to expenditure meant that Tonbridge Cemetery was, effectively, being subsidised and suggested that a strategic and comprehensive review of the charges should be undertaken. It was hoped that, as the facility became more self-sustained, the burden on the general tax-payer could be reduced in the longer term.

RECOMMENDED: That Cabinet be asked to consider whether the Overview and Scrutiny Committee should undertake a broad, strategic review of the charges applied at Tonbridge Cemetery.
***Referred to Cabinet**

TONBRIDGE & MALLING BOROUGH COUNCIL

COMMUNITIES and HOUSING ADVISORY BOARD

10 November 2020

Joint Report of the Directors of Street Scene, Leisure & Technical Services and Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Key Decision

1 REVIEW OF CEMETERY CHARGES 2021/22

Summary
This report outlines charging proposals for 2021/22 in regard to Tonbridge Cemetery. It is anticipated that these proposals will generate additional net income of approximately £700.

1.1 Introduction

1.1.1 In bringing forward the charging proposals for Tonbridge Cemetery consideration has been given to the set of guiding principles for the setting of fees and charges approved by Members.

1.2 Tonbridge Cemetery – Proposed Charges 2021/22

1.2.1 In bringing forward the proposed charges for Tonbridge Cemetery a number of specific key principles have been taken into consideration:

- The Council's overall financial position.
- The need to move towards a position of covering more of the costs associated with the management of the Cemetery.
- The need to compare costs with other local authority cemeteries in Kent **Annex 1**. It should, however, be noted that direct comparison with other cemeteries is difficult as pricing brackets, services and available grave space differ.
- The need for the charging strategy to support the management of the remaining capacity in the Cemetery.

1.2.2 The principles referred to above have been applied to the existing charges and are reflected in the proposed charges shown at **Annex 2**.

1.2.3 For the majority of the charges a general 1% (CPI) increase is proposed in-line with predicted increases in Grounds Maintenance contract and other external contractor costs. The exception are the rates for internments which have been increased by 3% to make the charges more comparable to those levied by other local authorities. There is also no proposed increase in the nominal £1 charge for a 60 year burial right for those under 18 and it is proposed that the internment/burial costs for those under 18 remains at £0.

1.2.4 It is anticipated that these proposals will generate additional net income, against revised budgets for 2020/21 of approximately £700 which will be reflected in the draft 21/22 revenue estimates.

1.3 Legal Implications

1.3.1 The Council's Financial Rules require that all fees and charges must be reviewed at least once a year, and be reported to the appropriate Advisory Board.

1.4 Financial and Value for Money Considerations

1.4.1 The 2020/21 revenue budget for the management and maintenance of Tonbridge Cemetery is £151,300 (initial estimate) with income totalling £68,200 (revised estimate)

1.4.2 Charges for the Cemetery are exempt of VAT.

1.5 Risk Assessment

1.5.1 As highlighted in paragraph 1.2.1 to this report, the proposed charges take into account a range of factors.

1.6 Equality Impact Assessment

1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users

1.7 Policy Considerations

1.7.1 Asset Management and Business Continuity/Resilience.

1.8 Recommendation

1.8.1 It is, therefore, **RECOMMENDED TO CABINET** that the proposed charges for Tonbridge Cemetery as detailed at **Annex 2** be **AGREED** and **IMPLEMENTED** with effect from 1 April 2021.

Background papers: contact: Darren Lanes

Nil

Robert Styles
Director of Street Scene, Leisure and Technical Services

Sharon Shelton
Director of Finance & Transformation

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TONBRIDGE CEMETERY PROPOSED CHARGES 2021/2022
COMPARISON WITH OTHER KENT DISTRICTS

		Maidstone [1]	Medway [1]	Dover [1]	Gravesham [1]	TMBC[1] Current	TMBC[2] Proposed
Purchase (£)	Baby	0.00	0.00	0.00	To 1 yr 0.00	To 1 yr 1.00	To 1 yr 1.00
	Child	To 18 yrs 0.00	To 18 yrs 687.00	To 12 yrs 0.00	1 – 17 Yrs 0.00	2 -18 yrs 1.00	2- 18 yrs 1.00
	Adult	1,690.00	1,569.00	720.00	1,030.00	1030.00	1040.00
Single grave	Adult	1,690.00	Not listed	720.00	515.00	540.00	545.00
Interment (£)	Baby	0.00	0.00	To 6mth 61.00	To 1 yr 0.00	To 1 yr 0.00	To 1 yr 0.00
	Child	To 18 yrs 260.00	To 18 yrs 0.00	6mth - 12 yrs 265.00	1 – 17 Yrs 425.00	2 - 18 yrs 0.00	2 - 18 yrs 0.00
	Adult	710.00	775.00	1025.00	1,010.00	685.00	705.00
Single grave	Adult	595.00	775.00	887.00	850.00	685.00	705.00
Combined Interment and Purchase (£)	Baby	0.00	0.00	61.00	0.00	1.00	1.00
	Child	260.00	687.00	265.00	425.00	1.00	1.00
	Adult	2,400.00	2,344.00	1,745.00	2,040.00	1,715.00	1745.00
Single grave	Adult	2,285.00	775.00	1,607.00	1,365.00	1,225.00	1250.00
Period of Lease (years)		60 years	50 years	50 years	60 years	60 years	60 years
Memorial Permit (£)	Small	150.00	209.00	188.00	250.00	150.00	152.00
	Large	300.00	500.00	410.00	395.00	300.00	303.00
Chapel (£)		275.00	90.00	165.00	170.00	155.00	157.00
Search Fees (£)		£0 - 10	£20 (per name)	61.00 (over 1hr)	20.00 (per name)	55.00 (per 5 names)	56.00 (per 5 names)
Interment of Ashes (£)		245.00	163.00	204.00	350.00	165.00	170.00
Memorial Wall Plaque (£)		N/A	N/A	Not listed	N/A	165.00	167.00

[1] 2020/21 charges   [2] 2021/22 proposed charges   * Price includes memorial permit

NOTE: Costs are based on comparable services where available. **All charges shown are exempt of VAT**

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Annex 2

TONBRIDGE CEMETERY CHARGES
PROPOSED CHARGES 2021/22

Please Note:

1. For burials in graves at Tonbridge Cemetery the fee payable will normally be both Section 1 and Section 2 charges.

2. All charges apply where the person to be buried or the person leasing the grave, etc., are residents of the Borough. Residents of the Borough who have moved into a home or hospital outside the Borough prior to death are charged as residents.

3. All charges are doubled for non-residents.

Section 1: **Exclusive right of burial in a grave for 60 years**

		Current (£)	Proposed (£)
(a)	Stillborn – 1 year (inclusive) Children's Plot only	1.00	1.00
(b)	2 – 18 years (inclusive) – Children's Plot / Adult only	1.00	1.00
(c)	Over 18 years	1030.00	1040.00
(d)	Plot 15 – single graves	540.00	545.00

Section 2: **Interment** (including digging of grave)

(a)	Stillborn – 18 year (inclusive)	NIL	NIL
(b)	Over 18 years	685.00	705.00
(c)	Ashes (Memorial Wall or Grave, where exclusive right has been granted)	165.00	170.00

Please note: These charges apply to interments taking place between 0900 hours – 1500 hours (Monday – Thursday) and 0900 hours – 1300 hours (Friday). In other cases, the Council's additional costs may be payable. A fee of £50 per hour may be charged for late arrivals.

Section 3: **Permits for Monuments, Memorials & Inscriptions**

		Current (£)	Proposed (£)
(i)	Memorial not exceeding 1 metre in height and occupying an area not exceeding 2' x 4'	150.00	152.00
(ii)	Memorial larger than specifications in (i)	300.00	303.00
(iii)	For each additional inscription after the first	100.00	101.00

Please note: Permits will only be approved in accordance with the Cemetery Regulations.

			Current (£)	Proposed (£)
Section 4:	**Memorial Garden**			
	(i)	Memorial tablet and vase block (to include plaque, inscription, 20 year lease and scattering of ashes if required)	570.00	576.00
	(ii)	Double Underground Vault, Memorial Tablet and Vase Block. (To include plaque, inscription, 20 year lease and interment of up to 2 urns)	1100.00	1110.00
	(iii)	Double Overground Vault, Memorial Tablet and Vase Block (To include plaque, inscription up to 80 letters, 20 year lease and interment of up to 2 urns)	1070.00	1080.00
	(iv)	Additional Inscriptions	200.00	202.00
	(v)	Sanctum Panorama Vault and Memorial Tablet (To include plaque, inscription up to 80 letters, 20 year lease and interment of up to 3 urns)	1070.00	1080.00
		Optional bronze vase container	37.00	38.00
	(vi)	Photo plaque or design on plaque for Sanctum 2000 Overground Vault or Sanctum Panorama	Individually priced	
	(vii)	Additional cost for inscriptions for Sanctum 2000 and Panorama over 80 letters	1.50 per gilded letter	1.60 per* gilded letter
Section 5:	**Chapel Area – Memorial Wall**			
	(i)	Memorial Plaque. (Includes supply and installation of plaque, 20 year lease and scattering of ashes if required)	165.00	167.00
	(ii)	Additional Inscription. (Includes new plaque, installation and scattering of ashes, if required)	165.00	167.00
Section 6:	**Miscellaneous**			
	(i)	Use of Chapel	155.00	157.00
	(ii)	Transfer of Burial Rights/admin fee	90.00	91.00
	(iii)	Entry in Book of Remembrance	At Cost + Admin Fee	
	(iv)	For up to and including five searches for names by one applicant	55.00	56.00

Notes:

(i) Other services/options may be available and charged on an "at cost" basis plus an administration fee. Please discuss any items with the Cemetery Registrar

(ii) A copy of the Cemetery Regulations is available free of charge from the Cemetery Registrar

* Price set by external contractor

(iii) For the repurchase of burial rights for unused graves by T&MBC the Council will pay:
The current purchase price times the remaining duration of the exclusive right less the Council's administration fee ruling at the time

All charges shown are exempt of VAT

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REVIEW OF PLANNING APPLICATION CHARGING REGIME

Item PE 20/24 referred from Planning and Transportation Advisory Board of 11 November 2020

The report of the Director of Planning, Housing and Environmental Health provided a review of the pre-application charging regime and set out proposed new charges for 2021/22. It was necessary to review the protocol annually to ensure that the Borough Council continued to provide a comprehensive, high quality service and that the evidence base remained up to date. The charging schedule was also considered annually and to ensure that this was applied fairly and cost recovery continued to take place proportionately, an increase in fees was proposed.

Attention was drawn to a drafting error in the pre-application charging schedule 2021/22 (Annex 1) and it was confirmed that the fee for large scale, strategic development should read £1,200.

RECOMMENDED: That the updated Pre-application Charging Schedule 2021/22 (as attached at Annex 1 to the report) be adopted; subject to

(1) the correction of a drafting error (as set out above) and that the fee for large scale, strategic development was £1,200 plus VAT.

***Referred to Cabinet**

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TONBRIDGE & MALLING BOROUGH COUNCIL

PLANNING and TRANSPORTATION ADVISORY BOARD

11 November 2020

Report of the Director of Planning, Housing and Environmental Health

Part 1- Public

Matters for Recommendation to Cabinet - Key Decision

1 REVIEW OF THE PLANNING APPLICATION CHARGING REGIME

Summary: This report provides a review of the pre-application charging regime and sets out the proposed new charges for 2021-2022. It is necessary to review the protocol every year in order to ensure the Council continues to provide a comprehensive, high quality service and that the evidence base remains up to date. The charging schedule is also considered annually and this year in ensuring that the charging schedule is fairly applied and costs recovery continues to take place proportionately, an increase in fees is proposed.

1.1 Introduction

1.1.1 The current pre-application advice protocol and charging regime was introduced on 01 April 2016 and has since been updated annually following ongoing periods of monitoring and review. As part of this, Officers continue to record the feedback received in connection with this service along with the time spent providing the advice sought.

1.1.2 Moreover, as Members will appreciate, our ways of working have changed fundamentally since March of this year and as a result some immediate changes were brought into effect in terms of the service we provide. We have used this as a learning opportunity to consider how the protocol and associated charging schedule should be modified to accommodate some of these experiences on a longer term basis.

1.1.3 For further context, Members will also be aware of the recent and ongoing promotion of the use of Planning Performance Agreements as part of our engagement with applicants and developers. This item is reported elsewhere on the agenda but it is important to remember that the two should run concurrently in order to achieve the best positive outcomes for developer across the Borough.

1.2 The current pre-application process

1.2.1 The Pre-application Protocol and fee structure, introduced on 01 April 2016 and subsequently updated annually continues to identify five main categories:

1) Householders:- includes proposals relating to individual houses and flats for residential purposes where the building affected is not a listed building.

2) Minor development:- includes alterations to an existing building (not householder) where there is no increase in floor space, increase in floor space less than 499 sq.m., new or replacement shop fronts, new or replacement advertisements, alterations to a listed building, demolition of an unlisted building within a conservation area, proposals for Telecommunications Equipment, proposals for Air Conditioning / Ventilation Equipment, amendments to Previously Approved Schemes, discharge of conditions attached to permissions and 1 new residential unit.

3) Medium development:- includes advice on 2 to 9 new residential units or the creation/change of use of up to 999 sq.m. floor space.

4) Major development:- includes advice on 10 to 99 new residential units or the creation/change of use of 1,000 to 9,999 sq.m.

5) Large/Strategic development:- includes advice on 100 or more new residential units or the creation/change of use of 10,000 sq.m. or more floor space.

1.2.2 The charges for advice continue to relate to the submission of one query only. Submissions that include multiple options, amended drawings submitted following a meeting/site visit and any additional matters not included with the original submission are viewed as new enquiries and are subject to a separate fee.

1.2.3 The Protocol identifies two categories where fees will not apply:

- Advice to third parties affected by the development and/or change of use
- Disabled access improvements.

1.2.4 The Protocol offers a three option system as follows:

- A pre-application written response
- A pre-application meeting at the Council offices, followed by a letter
- A pre-application meeting on site, followed by a letter.

1.2.5 This system allows the prospective applicant to choose what level best suits their needs and budget. Since March, the option of an office meeting has been replaced by virtual meetings and this is discussed in detail at Section 1.3 of the report.

1.3 Review of current service

1.3.1 The Pre-Application Protocol continues to prove effective in delivering technical planning advice in a timely way since it was introduced, having established a clear framework to all parties in how the Council will provide such advice.

1.3.2 Officers continue to be mindful that in some instances applicants and developers have been frustrated that planning permissions have not been forthcoming subsequent to pre-application advice having been sought and paid for. In this respect, we will continue to make clear that all pre-application advice is given on a "without prejudice" basis and have adapted our letter templates to ensure this is made very clear to all customers.

1.3.3 Nevertheless, when such circumstances do arise it is recognised that a small number of applicants and developers may consequently question the value of engaging with the Council early on which may undermine the process, particularly when we have made changes to our wider ways of working and as part of this have sought to promote the use of the service as the most appropriate way to engage with the Council to achieve positive outcomes. As part of this, officers have set up a Developer Forum inviting a number of local and regular agents and developers to meet with officers to discuss key issues and share experiences and information. The inaugural meeting is scheduled to take place on 12 November with an expectation that these would then take place 2 – 3 times a year.

1.3.4 Since March, officers have not been undertaking face to face meetings in the Council offices but have instead held pre-application meetings via virtual platforms, charged at the same rate as for an office meeting. Feedback has indicated that these have worked well and that overall customers have come to expect this option and have made good use of it. In fact, in many circumstances we have been able to arrange meetings in a shorter space of time than via traditional means. As part of this however there have been a need to manage expectations as to the speed at which meetings can take place after a request has been made, not least because the case officer needs adequate time to prepare and research and bring in any internal colleagues that need to be involved in providing a comprehensive, proactive response. It is therefore recommended that the fee charging schedule is amended to reference virtual, rather than face to face meetings on the same fee charging basis given that the work involved is no different in practical terms.

1.3.5 Furthermore, with a view to ensuring the advice service is a comprehensive and attractive route for developers to obtain detailed advice on proposed schemes before submission, it is often necessary to seek the input of other officers of the Council, in particular housing, leisure and technical services along with the advice of the Conservation Officers which provide advice via a Service Level Agreement we have with Tunbridge Wells. It is recognised that this is most commonly necessary for major and strategic sites and it is therefore recommended that a greater uplift in fees for these categories be incorporated to reflect this in order to ensure all costs are recovered in providing the service. Furthermore, in respect of major and strategic sites, officer experience has shown that these are requiring more intensive resourcing overall and in previous years the fees charged were not reflective of the amount of work involved or the complexity of that work. The fees are recommended to be increased in a manner proportionate to that work.

1.3.6 Officers have also explored additional services that could be provided and where cost recovery could be adequately ensured as part of this review, including whether it would be possible to:

- Provide planning history records;
- Provide a validation check before submission service;
- Confirm that planning conditions have been discharged;
- Confirm whether permitted development rights exist.

1.3.7 Whilst we will continue to review whether it is appropriate to incorporate these into our current service, at this time it is considered that online records and information provide sufficient detail to enable customers to find this information out for themselves and given the time and resources that might be required depending on the scale and complexity of a site/scheme it would not be possible to robustly ensure all costs arising from officer time could be adequately recovered.

1.3.8 In order to further improve the service provided to customers, we will be making clear on the website that fees are non-refundable in the event that they chose to dispense with the service part way through. This is because of the administrative and professional time and resource that could have been incurred up until that point.

1.3.9 In terms of reviewing the fees overall, trends have otherwise proved to be similar to those monitored last year and as such it is proposed that the fees should be increased in line with inflation and that the Pre-Application Charging Schedule be amended to reflect this, along with the amendments set out in this report **[Annex 1]**. For reference purposes, the existing Pre-Application Schedule is attached as **Annex 2**.

1.3.10 Should the proposed changes to charging schedule be considered acceptable, then they could be introduced on 01 April 2021.

1.4 Legal Implications

1.4.1 The Local Government Act 2003 provides the power for local authorities to charge for discretionary services (as defined in the Local Government Act 1999). Discretionary services are those services that an authority has the power but not a duty to provide. An authority may charge where the person who receives the service has agreed to its provision. The power to charge under this provision does not apply where the power to provide the service in question already benefits from a charging power or is subject to an express prohibition from charging.

1.4.2 The Local Government Act 2003 places a duty on authorities to ensure that, taken one year with another, the income from charges for each kind of discretionary service does not exceed the costs of provision. An authority may set charges as it thinks fit, and may, in particular, charge only certain people for a service or charge different people different amounts.

1.4.3 Local authorities are required to have regard for any guidance that may be issued by the Secretary of State in terms of carrying out their functions under the 2003 Act. Section 93(7) of the Act provides that certain prohibitions in other legislation preventing authorities from raising money are specifically dis-applied in relation to the exercise of the charging power.

1.4.4 Local Planning Authorities therefore have powers to recover the costs of pre-application advice in recognition of the time officers have to spend researching information in order to provide answers to prospective developers or applicants.

1.5 Financial and Value for Money Considerations

1.5.1 It is appropriate to review the protocol and charging schedule every year, to ensure the evidence base is up to date. This will ensure that we are responsive to the needs of the customer and that the charging schedule is fairly applied.

1.6 Risk Assessment

1.6.1 Robust monitoring should be carried out every year to ensure the protocol and charging schedule in place is based on up to date evidence.

1.7 Equality Impact Assessment

1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.8 Recommendations

1.8.1 It is **RECOMMENDED TO CABINET** to **APPROVE** the following amendment with effect from 01 April 2021:

- Adopt the updated Pre-application Charging Schedule 2021/22 as attached at **Annex 1**.

Background papers: contact: Emma Keefe

Annex 1: Proposed Charging Schedule 2021/22
Annex 2: Existing Charging Schedule 2020/21

Eleanor Hoyle
Director of Planning, Housing & Environmental Health

Tonbridge and Malling Borough Council

Pre-application charging schedule 2021/2022

	Type of Development	Fee for written advice only	Fee for a virtual meeting and letter	Fee for a meeting on site and letter
1	Householder development	£128.00 £107 + VAT	£194.00 £161 + VAT	£291.00 £242 + VAT
2	Minor development	£162.00 £135 + VAT	£291.00 £242 + VAT	£387.00 £322 + VAT
3	Medium development	£195.00 £162 + VAT	£387.00 £322 + VAT	£419.00 £349 + VAT
4	Major development	£576.00 £480 + VAT	£780.00 £650 + VAT	£900.00 £750 +VAT
5	Large scale/strategic development	Site visit/meeting and written response option only £1,1200 £1000 + VAT + additional officers		

Exemptions

- Advice to third parties affected by development proposals
- Disabled access

Notes
• The charges set out above relate to each separate query submitted to the Council • Further queries and variations raised following the issue of advice by the Council will be subject to a new fee

Tonbridge and Malling Borough Council Pre-application charging schedule 2020/2021				
	Type of Development	**Fee for written advice only**	**Fee for a meeting at the Council Offices and letter**	**Fee for a meeting on site and letter**
1	Householder development	£126.00 £105 + VAT	£189.60 £158 + VAT	£284.40 £237 + VAT
2	Minor development	£158.40 £132 + VAT	£284.40 £237 + VAT	£378.00 £315 + VAT
3	Medium development	£189.60 £158 + VAT	£378.00 £315 + VAT	£410.40 £342 + VAT
4	Major development	£524.40 £437 + VAT	£650.40 £542 + VAT	£720.00 £600 +VAT
5	Large scale/strategic development	Site visit/meeting and written response option only £1,172.40 £977 + VAT		
Exemptions				
• Advice to third parties affected by development proposals • Disabled access				
Notes				
• The charges set out above relate to each separate query submitted to the Council • Further queries and variations raised following the issue of advice by the Council will be subject to a new fee				

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REVIEW OF PLANNING PERFORMANCE AGREEMENT AND CHARGING SCHEDULE

Item PE 20/25 referred from Planning and Transportation Advisory Board of 11 November 2020

The report of the Director of Planning, Housing and Environmental Health provided a review of the planning performance agreement protocol and set out proposed new charges for 2021/22. To ensure that the Borough Council continued to provide a comprehensive, high quality service and that the evidence based remained up to date it was necessary to review the protocol and charging schedule annually.

RECOMMENDED: That the updated Planning Performance Agreement Charging Schedule 2021/22 (attached at Annex 1 of the report) be adopted.

***Referred to Cabinet**

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TONBRIDGE & MALLING BOROUGH COUNCIL

PLANNING and TRANSPORTATION ADVISORY BOARD

11 November 2020

Report of the Director of Planning, Housing and Environmental Health

Part 1- Public

Matters for Recommendation to Cabinet - Key Decision

1 REVIEW OF THE PLANNING PERFORMANCE AGREEMENT PROTOCOL

Summary: This report provides a review of the planning performance agreement protocol and sets out the proposed new charges for 2021-2022. It is necessary to review the protocol every year in order to ensure the Council continues to provide a comprehensive, high quality service and that the evidence base remains up to date. The charging schedule should also be considered annually.

1.1 Introduction

1.1.1 The current PPA protocol and charging regime was introduced on 01 April 2020 and officers undertook to build in an initial period of review (6 months) to establish how the protocol and associated charging schedule was working in practice.

1.1.2 Linked to this, Members will also be aware of the work ongoing to prepare a Planning Obligations Protocol and undertake the annual review of our pre-application advice service. These items are reported elsewhere on the agenda but it is important to remember that they should run concurrently in order to achieve the best positive outcomes for developer across the Borough.

1.2 The current Protocol

1.2.1 The protocol and fee structure, introduced on 01 April 2020 identifies four main development types, as follows:

1) Small development: under 50 dwellings or up to 2,500 sq. m of commercial floor space.

2) Medium development: between 50 and 99 dwellings or 2,500 – 4,999 sq. m of commercial floor space.

3) Large development: between 100 and 249 dwellings or 5,000 – 9,999 sq. m of commercial floor space.

4) Strategic development: over 250 dwellings or 10,000 sq. m of commercial floor space.

1.2.2 The schedule then goes on to set out expectations for the number of meetings with officers and Member briefings provided for within the PPA.

1.3 Review of current Protocol

1.3.1 To date, there has been reasonable uptake on the use of PPAs and officers are in negotiations with developers continually in order to promote them as a key project management tool, particularly for large and strategic development types. The intention is to utilise the fees collected to assist in resourcing the DM team to ensure the programmes agreed within PPAs can be met whilst continuing to meet and, wherever possible exceed, wider targets for decision making.

1.3.2 Feedback from officers and developers alike has centred on the fact that the protocol and template agreement need to be more explicit around expectations for payment of the fees for PPAs relative to pre-application advice being sought initially and this can be incorporated into a revised document in a straightforward way. Developers should equally be aware of how and when the Council expects payment to be made when they enter into a PPA, and again this will be made more overt through amendments to the protocol itself.

1.3.3 Concern has been raised amongst some officers that the fees for entering into a PPA, particularly for large and strategic developments may not be wholly reflective of the associated work involved. Broadly, it is considered that a longer period of review is needed to accurately capture what any amendments might be in this respect. However, it is already clear that the number of meetings enshrined within the fee charging schedule for strategic developments has been underestimated. Based on recent experiences since the PPA protocol was adopted, it is recommended that this be increased and that there be a fee uplift to reflect this. Furthermore, it would be prudent to also account for the likelihood that Members Site Inspections would be arranged for strategic developments too.

1.3.4 The charging schedule has been amended to reflect this at **Annex 1**. For reference purposes, the existing fee charging schedule is attached as **Annex 2**. Should the proposed changes to the charging schedule be considered acceptable, then they could be introduced on 01 April 2021.

1.3.5 In terms of the amendments and points of clarification to be incorporated into the protocol and template agreement, it is considered prudent to await any outcomes of the upcoming Developer Forum to establish whether any additional changes should be incorporated. There is however no need to delay publishing the updated version of the Protocol itself until the new fees come into effect on 01 April 2021, in fact it is considered important to expedite these changes at the earliest opportunity. As such, it is recommended that authority to publish the final updated version be delegated to the Director of Planning, Housing and Environmental Health in consultation with the Cabinet Member for Strategic Planning and Infrastructure. This is included within the recommendation that follows.

1.4 Legal Implications

1.4.1 PPAs are intended to be agreed in the spirit of a 'memorandum of understanding'. They are not intended to be a legally binding contract, unless the parties wish to approach it in this way. It is helpful to be clear about its status in the planning performance agreement itself. The parties are encouraged to make the existence and content of a planning performance agreement publicly available, so that the agreed process and timescale are transparent.

1.4.2 A PPA does not differ from other forms of pre-application engagement. It does not commit the local planning authority to a particular outcome. It is instead a commitment to a process and timetable for determining an application.

1.5 Financial and Value for Money Considerations

1.5.1 The Planning Practice Guidance (PPG) states that local planning authorities may make a charge for the administrative work involved in agreeing and implementing the planning performance agreement itself. As such, a fee schedule is produced as an appendix to the protocol.

1.5.2 The fees to be charged should be subject to annual review.

1.6 Risk Assessment

1.6.1 Encouraging the use of PPAs at the early stages of engagement with applicants, agents and developers will create greater certainty in the decision making process in terms of expectations placed on each of the parties and in particular timescales for determination. This should assist in ensuring appeals against non-determination are avoided because the existence of a PPA means that the statutory time limits for determining the application no longer apply (to the extent that the agreement specifies a longer period for the decision, in which case the agreement will count in the same way as an agreed extension of time). If an authority fails to determine the application by the agreed date, then the applicant may appeal.

1.7 Equality Impact Assessment

1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.8 Recommendations

1.8.1 It is **RECOMMENDED TO CABINET** to **APPROVE** the following amendment with effect from 01 April 2021:

- Adopt the updated Planning Performance Agreement Charging Schedule 2021/22 as attached at **Annex 1**.

1.8.2 It be **AGREED** that amendment and publication of the Planning Performance Agreement Protocol after 12 November 2020 be delegated to the Director of Planning, Housing and Environmental Health in consultation with the Cabinet Member for Strategic Planning and Infrastructure.

Background papers: contact: Emma Keefe

Annex 1: Proposed Charging Schedule 2021/22
Annex 2: Existing Charging Schedule 2020/21

Eleanor Hoyle
Director of Planning, Housing and Environmental Health

Planning Performance Agreement Protocol

Appendix 1: Fee Schedule

Development Type	Residential Units	Commercial Floorspace	Meetings	Member Briefings	Fee
Small	Under 50	Up to 2,500 sq.m	Up to 2	0	£3,500
Medium	50 – 99	2,500 – 4,999 sq.m	Up to 3	Up to 1	£5,000
Large	100 – 249	5,000 – 9,999 sq.m	Up to 4	Up to 1	£7,500
Strategic	250 +	10,000 sq.m +	Up to 6	Up to 2 plus Members Site Inspection	£13,800 (where a design reviews is agreed as necessary this is paid for separately)

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Planning Performance Agreement Protocol

Appendix 1: Fee Schedule

Development Type	Residential Units	Commercial Floorspace	Meetings	Member Briefings	Fee
Small	Under 50	Up to 2,500 sq.m	Up to 2	0	£3,500
Medium	50 – 99	2,500 – 4,999 sq.m	Up to 3	Up to 1	£5,000
Large	100 – 249	5,000 – 9,999 sq.m	Up to 4	Up to 1	£7,500
Strategic	Over 250	Over 10,000 sq.m	Up to 4	Up to 2	£10,000 (where a design reviews is agreed as necessary this is paid for separately)

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REVIEW OF BUILDING CONTROL FEES 2021/22

Item PE 20/26 referred from Planning and Transportation Advisory Board of 11 November 2020

Members were provided with an update on the working arrangement with Sevenoaks District Council and following internal discussions the Borough Council had been given notice to dissolve this partnership. A full assessment of service requirements was being undertaken and revised arrangements would be presented to Members in due course.

The report also recommended Building Control fees for 2021/22 for the Borough Council only.

RECOMMENDED: That a 1% increase to the Building Control Charges from 1 April 2021, as per the list of fees attached at Annex 1 to the report, be approved.

***Referred to Cabinet**

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TONBRIDGE & MALLING BOROUGH COUNCIL

PLANNING and TRANSPORTATION ADVISORY BOARD

11 November 2020

Report of the Director of Planning, Housing and Environmental Health

Part 1- Public

Matters for Recommendation to Cabinet - Key Decision

1 REVIEW OF BUILDING CONTROL FEES FOR 2021/22

1.1 Current position

1.1.1 The Building Control Shared Service is currently provided through a partnership arrangement with Sevenoaks District Council (SDC), overseen by a Partnership Board of senior officers from both organisations.

1.1.2 Following internal discussions at SDC regarding their role in various service partnerships, they have decided to give TMBC notice that they wish to dissolve the partnership. The two organisations are keen to work together to make the transition as smooth as possible and to ensure that both parties can continue to deliver high quality Building Control services. A full assessment of service requirements is being undertaken and the necessary reports will be presented to Members on revised structures, via General Purposes, and the Building Control Business Plan, via this Board, over the coming months, with the intention being that the new TMBC structure can be in place by 31 March 2021 to allow the partnership to cease. This assessment will consider all options for service delivery including other partnership options.

1.1.3 The purpose of this report is to propose the Building Control fee tables for 2021/22 for TMBC only.

1.1.4 The graphs below provide performance data for the partnership over the past few financial years. As is to be expected given lockdown earlier in the year and the pace of recovery of the construction sector have had a significant impact on activity and income.

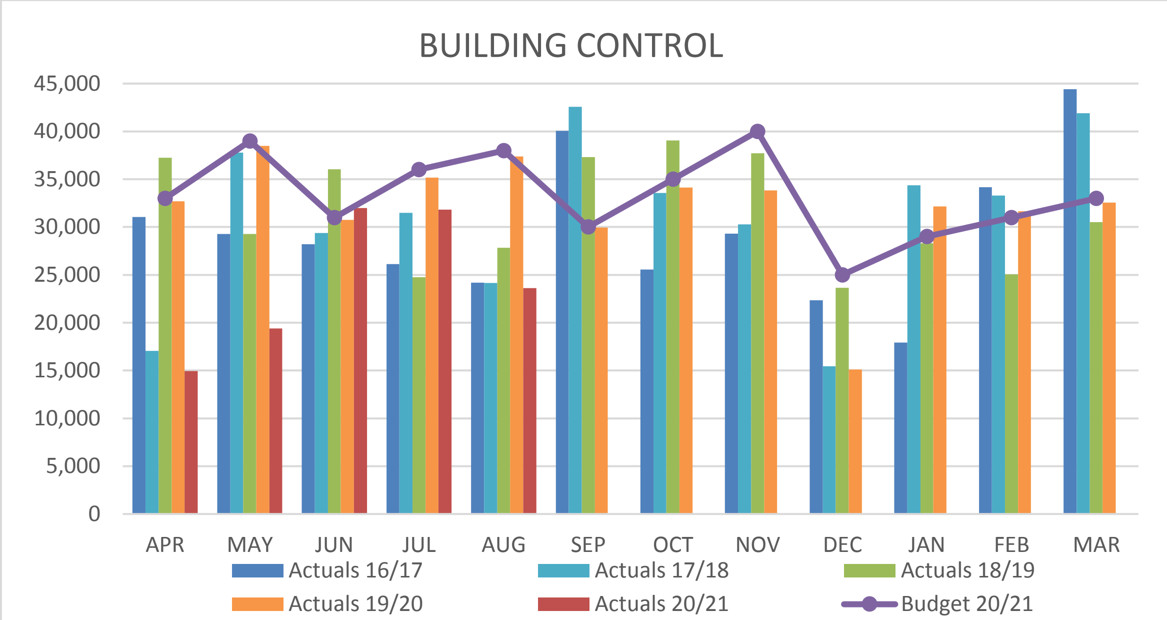

Figure 1 - TMBC monthly Building Control income

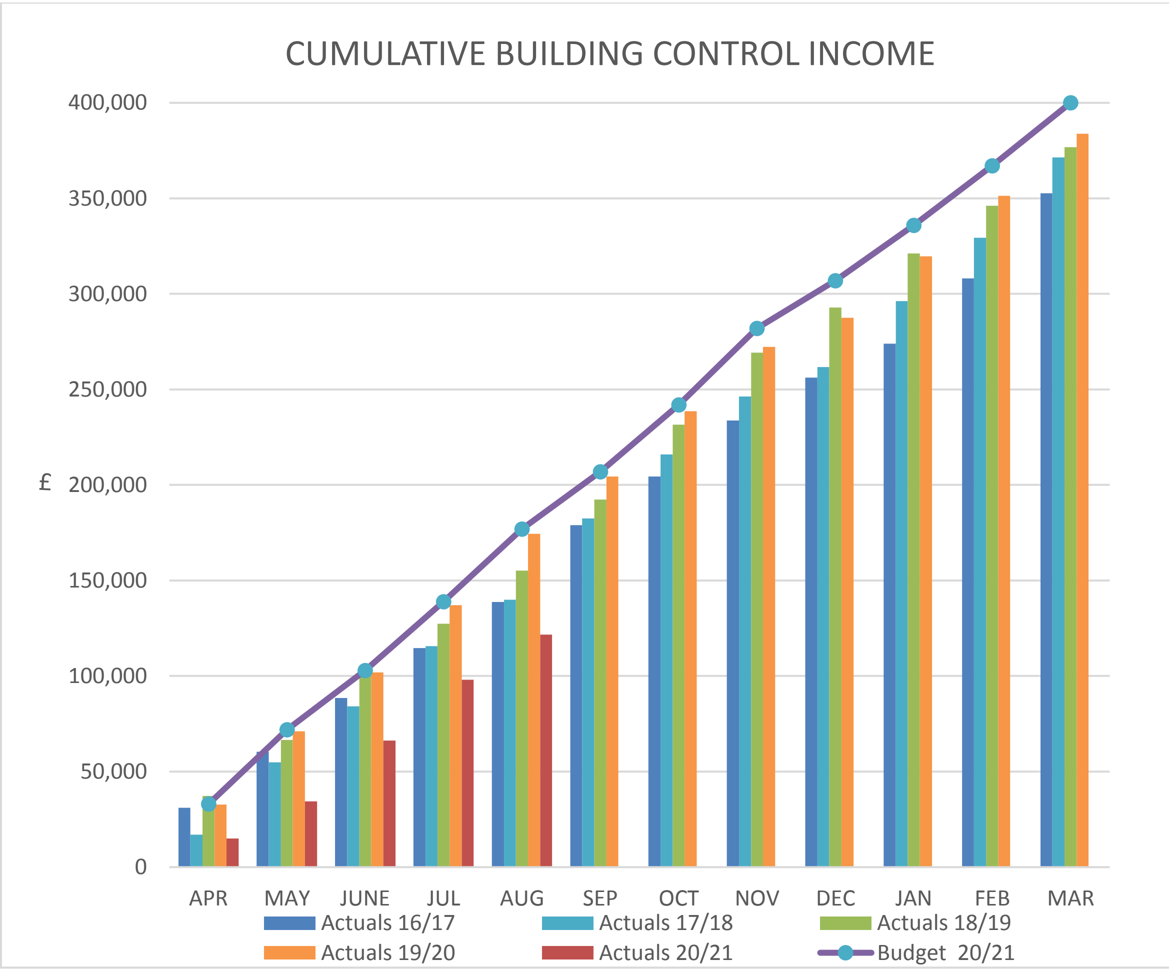

Figure 2 - TMBC cumulative Building Control income

1.2 Building Control Fees

1.2.1 The Building (Local Authority Charges) Regulations 2010 require local authorities to ensure that the prices charged by the service is an accurate reflection of the costs of carrying out the chargeable building control functions and for giving chargeable advice relating to the Building Regulations.

1.2.2 The Regulations require authorities to achieve full cost recovery on their building regulation chargeable work. However, charges should not be increased above the level of the costs of providing a service under the Building Regulations. The Regulations identify standard and individual charges that, in turn, should reflect the cost of the service on individual building projects in accordance with the 'user pays' principle.

1.2.3 Authorities can set standard charges and individually determined charges at a local level. The use of standard charges should be limited to the types of building work where it is possible to estimate the amount of Building Control input required for a particular type of Building Regulation application. Quotes are provided to clients for individually determined charges, which are calculated on a scheme-by-scheme basis based on an hourly rate.

1.2.4 Building Control charges can be challenged by clients, therefore it is important that the evidence base that sits behind the charges schedule is robust and relates to the actual costs of carrying out the main building regulation function.

1.2.5 The overriding objective in the Charges Regulations requires local authorities to achieve full cost recovery in the setting of their charges. Income derived by the local authority from performing their 'chargeable functions' should equate as far as possible, to the costs incurred by the authority in providing these services.

1.3 Review of chargeable services

1.3.1 At present, officers do not consider that there is a suitable baseline to make any significant changes to fee levels. The reasons for this are twofold; firstly the baseline information on chargeable services is currently at a partnership level and secondly, activity to time monitor activity and review the split between chargeable and other services had been proposed to be undertaken in detail in early 20/21 and due to COVID-19 this work has not taken place.

1.3.2 On this basis, it is therefore proposed to utilise the current BC Partnership tables with an inflationary rise of 1% as the basis for the TMBC 2021/22 fees.

1.3.3 As part of the 2021/22 Building Control business plan, which will be presented to this Board in February 2021, there will need to be a review of building control services in accordance with CIPFA Local Authority Building Control Accounting Guidance to ensure that the correct percentage split is being applied between chargeable services and non-chargeable services (such as dangerous structures inspections). The review will provide an evidence base to inform changes to fees in future financial years to ensure charges achieve full cost recovery and users only pay for the service they receive. This will provide a basis for fee proposals for the 21/22 financial year.

1.4 Legal Implications

1.4.1 The Building (Local Authority Charges) Regulations 2010 (S.I. 2010/404) makes provision for local authorities in England and Wales to fix their own charges in a schedule, based on the full recovery of their costs for carrying out their main Building Control functions relating to the Building Regulations.

1.5 Financial and Value for Money Considerations

1.5.1 The Building Control Standard Charges are reviewed every year and the evidence base should be updated to ensure that the service is responsive to the needs of the customer and that the charging schedule is fairly applied.

1.5.2 Building Control has seen a reduction of income due to COVID-19 compared to the previous year resulting in a £62,000 drop in income and therefore the income estimate for the year has been reduced from £400,000 to £290,000 to take account of this drop but also the increase in service demand more recently as building work recommences.

1.6 Risk Assessment

1.6.1 The ‘break even’ position should be assessed each year to ensure that income, as nearly as possible, equates to costs and is based on up to date evidence.

1.6.2 There is a risk that as a result of the COVID-19 pandemic and the possibility of an economic recession in spring 2021 that Building Control income may continue to remain deflated despite the inflationary increase proposed.

1.6.3 Local Authority Building Control is in competition with private sector building control and increased fees could result in clients opting to use private Approved Inspectors (AIs) instead of the local authority for their building projects. It is therefore important to ensure that the Building Control Service operates efficiently to maintain a competitive fee structure and provide value for money for the customer.

1.7 Equality Impact Assessment

1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

1.8 Policy Considerations

1.8.1 N/A

1.9 Recommendations

1.9.1 Members are **RECOMMENDED** to **AGREE** a 1% increase to the Building Control Charges from the 1 April 2021 as per the list of Building Control fees attached at **Annex 1**.

Background papers:

Nil

contact: Allan Taylor
Eleanor Hoyle

Eleanor Hoyle
Director of Planning, Housing and Environmental Health

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Annex 1

Code	Bungalows or Houses less than 3 storeys		Full		Building Notice	Regularisation Charge*	Full		Building Notice	Regularisation Charge*				
			Plan Charge	Inspection Charge*			Plan Charge	Inspection Charge*						
H01	1 Plot	Net	247.5	510	908.33	1363	250.00	515.00	917.00	1377.00	249.975	515.1	917.4133	1376.63
		VAT	49.5	102	181.67		50.00	103.00	183.40					
		Total	**297**	**612**	**1090**	**1363**	**300.00**	**618.00**	**1100.40**	**1377.00**				
H02	2 Plots	Net	309.17	824.17	1360	2039	312.00	832.00	1374.00	2059.00				
		VAT	61.83	164.83	272		62.40	166.40	274.80					
		Total	**371**	**989**	**1632**	**2039**	**374.40**	**998.40**	**1648.80**	**2059.00**				
H03	3 Plots	Net	370.83	1081.67	1742.5	2614	375.00	1092.00	1760.00	2640.00				
		VAT	74.17	216.33	348.5		75.00	218.40	352.00					
		Total	**445**	**1298**	**2091**	**2614**	**450.00**	**1310.40**	**2112.00**	**2640.00**				
H04	4 Plots	Net	432.5	1334.17	2120	3180	437.00	1348.00	2141.00	3212.00				
		VAT	86.5	266.83	424		87.40	269.60	428.20					
		Total	**519**	**1601**	**2544**	**3180**	**524.40**	**1617.60**	**2569.20**	**3212.00**				
H05	5 Plots	Net	494.17	1462.5	2348.33	3523	499.00	1477.00	2372.00	3558.00				
		VAT	98.83	292.5	469.67		99.80	295.40	474.40					
		Total	**593**	**1755**	**2818**	**3523**	**598.80**	**1772.40**	**2846.40**	**3558.00**				
Flats														
F01	1 Flat	Net	133.33	360	493.33	875	135.00	364.00	498.00	884.00				
		VAT	26.67	72	98.67		27.00	72.80	99.60					
		Total	**160**	**432**	**592**	**875**	**162.00**	**436.80**	**597.60**	**884.00**				
F02	2 Flats	Net	247.5	360	607.5	875	250.00	364.00	614.00	884.00				
		VAT	49.5	72	121.5		50.00	72.80	122.80					
		Total	**297**	**432**	**729**	**875**	**300.00**	**436.80**	**736.80**	**884.00**				
F03	3 Flats	Net	309.17	510	819.17	1180	312.00	515.00	827.00	1192.00				
		VAT	61.83	102	163.83		62.40	103.00	165.40					
		Total	**371**	**612**	**983**	**1180**	**374.40**	**618.00**	**992.40**	**1192.00**				
F04	4 Flats	Net	370.83	630.83	1001.66	1443	375.00	637.00	1012.00	1457.00				
		VAT	74.17	126.17	200.34		75.00	127.40	202.40					
		Total	**445**	**757**	**1202**	**1443**	**450.00**	**764.40**	**1214.40**	**1457.00**				
F05	5 Flats	Net	432.5	864.17	1296.67	1867	437.00	873.00	1310.00	1886.00				
		VAT	86.5	172.83	259.33		87.40	174.60	262.00					
		Total	**519**	**1037**	**1556**	**1867**	**524.40**	**1047.60**	**1572.00**	**1886.00**				
Conversion to														
V01	Single Dwelling House	Net	278.33	562.5	840.83	1261	281.00	568.00	849.00	1274.00				
		VAT	55.67	112.5	168.17		56.20	113.60	169.80					
		Total	**334**	**675**	**1009**	**1261**	**337.20**	**681.60**	**1018.80**	**1274.00**				
V02	Single Flat	Net	133.33	360	523.33	829	135.00	364.00	529.00	837.00				
		VAT	26.67	72	104.67		27.00	72.80	105.80					
		Total	**160**	**432**	**628**	**829**	**162.00**	**436.80**	**634.80**	**837.00**				

Code	Extensions & Conversions		Full Plans: Plan Charge	Full Plans: Inspection Charge*	Building Notice Charge*	Regularisation Charge*	Full Plans: Plan Charge	Full Plans: Inspection Charge*	Building Notice Charge*	Regularisation Charge*
D01	Single storey extension with a floor area less than 10m²	Net	123.33	309.17	432.5	649	125.00	312.00	437.00	655.00
		VAT	24.67	61.83	86.5		25.00	62.40	87.40	
		Total	**148**	**371**	**519**	**649**	**150.00**	**374.40**	**524.40**	**655.00**
D02	Single storey extension with a with- floor area between 10m² &	Net	185	432.5	617.5	927	187.00	437.00	624.00	936.00
		VAT	37	86.5	123.5		37.40	87.40	124.80	
		Total	**222**	**519**	**742**	**927**	**224.40**	**524.40**	**748.80**	**936.00**
D03	Single storey extension with floor area between 40m² & 100m²	Net	247.5	494.17	741.67	1112	250.00	499.00	749.00	1123.00
		VAT	49.5	98.83	148.33		50.00	99.80	149.80	
		Total	**297**	**593**	**890**	**1112**	**300.00**	**598.80**	**898.80**	**1123.00**
D04	Multi-storey extension (ie some part 2 or 3 storeys in height) & floor	Net	247.5	494.17	741.67	1112	250.00	499.00	749.00	1123.00
		VAT	49.5	98.83	148.33		50.00	99.80	149.80	
		Total	**297**	**593**	**890**	**1112**	**300.00**	**598.80**	**898.80**	**1123.00**
D05	Multi-storey extension (ie some part 2 or 3 storeys in height) & floor	Net	247.5	555.83	803.33	1241	250.00	561.00	811.00	1253.00
		VAT	49.5	111.17	160.67		50.00	112.20	162.20	
		Total	**297**	**667**	**964**	**1241**	**300.00**	**673.20**	**973.20**	**1253.00**
D06	Extension comprising SOLELY a garage, carport or store with a floor area less than 60m²	Net	123.33	309.17	432.5	630	125.00	312.00	437.00	636.00
		VAT	24.67	61.83	86.5		25.00	62.40	87.40	
		Total	**148**	**371**	**519**	**630**	**150.00**	**374.40**	**524.40**	**636.00**
D07	Detached non-habitable domestic building with a floor area less than	Net	123.33	309.17	432.5	649	125.00	312.00	437.00	655.00
		VAT	24.67	61.83	86.5		25.00	62.40	87.40	
		Total	**148**	**371**	**519**	**649**	**150.00**	**374.40**	**524.40**	**655.00**
Conversions										
D08	Loft conversions with a floor area less than 40m²	Net	247.5	494.17	741.67	1112	250.00	499.00	749.00	1123.00
		VAT	49.5	98.83	148.33		50.00	99.80	149.80	
		Total	**297**	**593**	**890**	**1112**	**300.00**	**598.80**	**898.80**	**1123.00**
D09	Loft conversions with a floor area between 40m² & 100m²	Net	247.5	555.83	803.33	1241	250.00	561.00	811.00	1253.00
		VAT	49.5	111.17	160.67		50.00	112.20	162.20	
		Total	**297**	**667**	**964**	**1241**	**300.00**	**673.20**	**973.20**	**1253.00**
D10	Conversion of a garage to a habitable room	Net	123.33	226.67	350	525	125.00	229.00	354.00	530.00
		VAT	24.67	45.33	70		25.00	45.80	70.80	
		Total	**148**	**272**	**420**	**525**	**150.00**	**274.80**	**424.80**	**530.00**

Code	Alterations		Full Plans		Building Notice Charge*	Regularisation Charge*
			Plan Charge	Inspection Charge*		
D11	Renovation of a thermal element ie recovering a roof or recladding walls	Net	185.00		185.00	278.00
		VAT	37.00		37.00	
		Total	**222.00**	**0.00**	**222.00**	**278.00**
D12	Replacement of windows, roof windows, or external glazed doors	Net	185.00		185.00	278.00
		VAT	37.00		37.00	
		Total	**222.00**	**0.00**	**222.00**	**278.00**
D13	Cost of work not exceeding £2,000	Net	185.00		185.00	278.00
		VAT	37.00		37.00	
		Total	**222.00**	**0.00**	**222.00**	**278.00**
D14	Cost of work between £2,001 & £5,000	Net	257.50		257.50	375.00
		VAT	51.50		51.50	
		Total	**309.00**	**0.00**	**309.00**	**375.00**
D15	Cost of work between £5,001 & £15,000	Net	154.17	259.17	413.34	590.00
		VAT	30.83	51.83	82.66	
		Total	**185.00**	**311.00**	**496.00**	**590.00**
D16	Cost of work between £15,001 & £25,000	Net	175.00	345.83	520.83	782.00
		VAT	35.00	69.17	104.17	
		Total	**210.00**	**415.00**	**625.00**	**782.00**
D17	Cost of work between £25,001 & £50,000	Net	278.33	562.50	840.83	1261.00
		VAT	55.67	112.50	168.17	
		Total	**334.00**	**675.00**	**1009.00**	**1261.00**
D18	Cost of work between £50,001 & £100,000	Net	345.83	680.00	1025.83	1521.00
		VAT	69.17	136.00	205.17	
		Total	**415.00**	**816.00**	**1231.00**	**1521.00**
Competent Persons Schemes (in addition to the above, where applicable)						
D19	Where a satisfactory competent Persons certificate will not be Issued, ie Part P,	Net	275	This charge relates to the first fix pre- plaster inspection and final testing on completion. For a Regularisation Certificate full testing and appraisal will be carried out.		
		VAT	55			
		Total	**330**			

Full Plans		Building Notice Charge*	Regularisation Charge*
Plan Charge	Inspection Charge*		
187.00	0.00	187.00	281.00
37.40	0.00	37.40	
224.40	**0.00**	**224.40**	**281.00**
187.00	0.00	187.00	281.00
37.40	0.00	37.40	
224.40	**0.00**	**224.40**	**281.00**
187.00	0.00	187.00	281.00
37.40	0.00	37.40	
224.40	**0.00**	**224.40**	**281.00**
260.00	0.00	260.00	379.00
52.00	0.00	52.00	
312.00	**0.00**	**312.00**	**379.00**
156.00	262.00	417.00	596.00
31.20	52.40	83.40	
187.20	**314.40**	**500.40**	**596.00**
177.00	349.00	526.00	790.00
35.40	69.80	105.20	
212.40	**418.80**	**631.20**	**790.00**
281.00	568.00	849.00	1274.00
56.20	113.60	169.80	
337.20	**681.60**	**1018.80**	**1274.00**
349.00	687.00	1036.00	1536.00
69.80	137.40	207.20	
418.80	**824.40**	**1243.20**	**1536.00**

278.00
55.60
333.60

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REVIEW OF FEES AND CHARGES

Item SSE 20/24 referred from STREET SCENE AND ENVIRONMENT SERVICES ADVISORY BOARD of 8 DECEMBER 2020

The joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Planning, Housing and Environmental Health set out the proposed fees and charges for the provision of services in respect of garden waste subscriptions, fixed penalty notices for littering, household bulky refuse and fridge/freezer collections, 'missed' refuse collections, stray dog redemption fees, pest control, food certificates, contaminated land monitoring and private water supplies with effect from 1 April 2021.

Consideration had been given to a range of factors, including the Borough Council's overall financial position, market position, trading patterns, the current rate of inflation and customer feedback. In addition, the set of guiding principles for the setting of fees and charges approved by the Finance, Innovation and Property Advisory Board had also been taken into account.

RECOMMENDED: That

(1) the proposed scale of charges for garden waste subscriptions, fixed penalty notices for littering, household bulky refuse and fridge/freezer collections, 'missed' refuse collections, stray dog redemption fees, pest control, food certificates, contaminated land monitoring and private waste supplies, as detailed in the report, be approved; and

(2) the proposed scale of charges be implemented from 1 April 2021.

***Referred to Cabinet**

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TONBRIDGE & MALLING BOROUGH COUNCIL

STREET SCENE and ENVIRONMENT SERVICES ADVISORY BOARD

08 December 2020

Report of the Director of Street Scene, Leisure & Technical Services and Director of Planning, Housing & Environmental Health

Part 1- Public

Matters for Recommendation to Cabinet - Key Decision

1 REVIEW OF FEES AND CHARGES

This report sets out the proposed fees and charges for the provision of services in respect of garden waste subscriptions, fixed penalty notices for littering, household bulky refuse & fridge/freezer collections, "missed" refuse collections, stray dog redemption fees, pest control, food certificates, contaminated land monitoring and private water supplies from 1 April 2021.

1.1 Introduction

1.1.1 In bringing forward the charging proposals for 2021/22 consideration has been given to a range of factors, including the Council's overall financial position, market position, trading patterns, the current rate of inflation and customer feedback.

1.1.2 The proposed charges for 2021/22 have also taken into account the set of guiding principles for the setting of fees and charges approved by Members of the Finance, Innovation and Property Advisory Board and reproduced below for the benefit of this Board:

1. Fees and charges should reflect the Council's key priorities and other corporate aims and priorities recognising there may be trade-offs as these are not mutually exclusive;

2. Fees and charges should have due regard to the Council's Medium Term Financial Strategy;

3. If there is to be a subsidy from the Council tax payer to the service user this should be a conscious choice;

4. The Council should look to maximise income subject to market conditions, opportunities and comparable charges elsewhere, in the context of its key priorities and other corporate aims and priorities;

5. Fees and charges should normally be reviewed at least annually (unless fixed by statute or some other body);

6. Fees and charges should not be used to provide a subsidy from the Council tax payer to commercial operators;

7. There should be consistency between charges for similar services;

8. Concessions for services should follow a logical pattern so as not to preclude, where appropriate, access to Council services on the grounds of ability to pay.

1.1.3 It is essential in light of the Council's overall financial position that opportunities are taken to maximise income, as it is becoming increasingly difficult to achieve further expenditure savings to meet the targets in the Corporate Savings and Transformation Strategy. The Savings and Transformation Strategy includes a target of £100,000 from income generation and cost recovery. Close attention has been given to the fees and charges applied by neighbouring Council's, and averages across the County, and these comparisons are included in relevant sections of the report for Member consideration.

1.2 Garden Waste Subscriptions

1.2.1 The current charge for an annual garden waste subscription is £40 with a second or third bin discounted to £25. When the scheme was first introduced in 2019 residents were offered an early bird deal which fixed the charge at £35 for 2 years. This was to encourage take up and proved to be extremely popular with 20,185 households taking up the offer. In total 27,500 residents have now signed up for the service representing a take up of 50%. This level of take up is significantly greater than originally anticipated and represents the highest level in the County. Due to the suspension of the garden waste service during the first lockdown period all subscribers were given a 2 month extension free of charge. The renewal of subscriptions is now fully underway and an update on progress will be provided at the meeting.

1.2.2 Charges for garden waste subscription across local authorities in Kent are as follows:

Ashford BC - £37.50, Canterbury CC - £45, Dartford BC - £42.50, Dover DC - n/a as provide a sack service, Folkestone and Hythe DC - £48, Gravesham BC -£48, Maidstone BC - £40, Sevenoaks DC - £47, Swale BC - £37, Thanet DC - 52, Tonbridge and Malling BC - £40, Tunbridge Wells BC - £52.

It can be seen that charges range from £37 to £52. This Council has the third lowest charge across the County with an average County charge of £44.50.

1.2.3 Income to the Council from the garden waste subscription scheme is significant [second only to income from parking] and uptake across the borough since its introduction has been extremely good. The initial charging strategy was to set the charges at a level below the county average and furthermore offer a 2 year fixed early bird discount. This was to achieve a high take up of the service which as shown above has been achieved. It is felt that the next step of the strategy should be to increase the charge in line with the county average. This will reflect the approach taken with other charges levied by the Council and also follow the guidelines outlined at sub section 1.1.2 earlier in this report.

1.2.4 In considering the above it is felt that a number of factors need to be considered. These include the need not to discourage existing subscribers from renewing, the economic impact of Covid-19 and the difficulties experienced with the collection arrangements. It is therefore suggested that the principle of moving the charge to be in line with the county average be supported, but this be progressed on a phased basis over the next few years. The proposed charge suggested for 2021/22 is therefore £42 with an annual uplift to be applied year on year thereafter having regard to the county average. This approach will enable renewal levels and charges by other local authorities to be closely monitored, and for the approach to be reviewed annually by Members of this Advisory Board. The proposed increase for 2021/22 gives an income estimate of £1,175,000. It is also suggested that the charge for the second or third bin be increased from £25 to £27.

1.2.5 The proposals outlined above are considered to offer a balanced approach to the garden waste subscription charges and it is relevant to note that a charge of £42 equates to £1.62 per collection. This is considered to offer excellent value for money.

1.3 Fixed Penalty Notice for Littering

1.3.1 To throw down, drop or otherwise deposit and leave litter in any place open to the air, including private land, is a criminal offence under section 87 of the Environmental Protection Act 1990 (EPA), (as amended by the Clean Neighbourhoods and Environment Act 2005). This offence includes dropping litter in water such as rivers, streams and lakes. The police or local authority can prosecute the offender; it is also possible for private individuals to prosecute. The offence is dealt with by the Magistrates' Court, with a maximum fine of £2,500.

1.3.2 Prosecution for dropping litter is time consuming and expensive, making it very difficult to prosecute large numbers of litter offenders. As a lower cost alternative to prosecution, section 88 of the EPA gives the power to issue a Fixed Penalty Notice for the offence of leaving litter. Local authorities have the power to specify the level of fine that will apply in their area, with a standard default amount of £75 if they choose not to do so. The offender has 14 days to pay. Failure to pay can result in a prosecution. Local authorities are entitled to keep any of the money they get from Fixed Penalty Notices subject to this income being spent on functions relating to littering. Fixed Penalty Notices are considered to be an effective and visible way of responding to littering.

1.3.3 The level of littering Fixed Penalty Notices available to local authorities is set by Central Government and the maximum is currently set at £150, with a suggested default level of £100, and a minimum full penalty of £65. This Council’s maximum is currently set at £100, with a reduction to £65 if paid within 10 days of it being issued. The offer of a discount for prompt payment is effective in collecting income and reducing administrative costs. It is also an approach adopted in other Service areas such as parking. These charges were considered by Members of this Board in February 2019 and subsequently approved by Cabinet.

1.3.4 This table gives the current levels of Fixed Penalty Notices for littering across Kent districts and Medway Council:

	Full level of fine	**Level of fine for prompt payment [within 10 working days]**
Ashford BC	£75	No reduction
Canterbury CC	£150	£100
Dartford BC	£75	No reduction
Dover DC	£75	No reduction
Folkestone & Hythe DC	£100	No reduction
Gravesham BC	£150	No reduction
Maidstone BC	£120	£90
Medway CC	£150	£90
Sevenoaks DC	£100	£65
Swale BC	£150	No reduction
Thanet DC	£100	No reduction
Tonbridge and Malling BC	£100	£65
Tunbridge Wells BC	£150	No reduction

1.3.5 Discussions are currently taking place through the Kent Resource Partnership to try to achieve consistency of approach to levels of fines across Kent districts from next year, as current levels clearly vary significantly. It is anticipated that a number of districts will be increasing their levels from 1 April 2021, but no formal decisions have yet been made.

1.3.6 In order to act as a meaningful deterrent a number of Members have recently requested that this Council's Fixed Penalty Notice level be increased to the maximum available, which would be £150. This would bring this authority in line with around half of all Kent councils, with others potentially increasing their levels from April 2021.

1.3.7 Historic data indicates that a reduced rate for early payment does result in a higher proportion of FPNs being paid, so Officers would recommend maintaining an early payment reduction if the FPN is paid within 10 days of issue. Around 65% of FPNs issued by TMBC have been paid within that timescale. This also reduces costs in terms of resources required to chase payment or further actions for the remainder of FPNs issued. It is proposed that the level for early payment be increased to £100.

1.3.8 Any change in the Fixed Penalty Notice levels and associated publicity will no doubt raise expectations around enforcement activities. This activity is largely carried out by the existing Waste & Enforcement Officers whose other duties are to monitor the refuse, recycling & street cleansing contracts, as well as dealing with service requests & complaints about those services. Following a recent report to General Purposes Committee a new Waste and Enforcement Officer post has recently been added to the team and the appointment is currently being progressed.

1.3.9 Subject to the above proposed charges being approved estimated income from Fixed Penalty Notices in 2021/22 is £8,000.

1.4 Household Bulky Refuse & Fridge/Freezer Collection Service

1.4.1 In April 2016, a two tier fee was introduced with a price for up to six items of bulky refuse and a lower price for up to two fridge/freezer only collections. The new fee structure also included a concessionary charge for those receiving Council Tax Support.

1.4.2 While Councils are not able to make a profit from the collection of a “prescribed” household waste (such as a bulky collection service), the legislation does allow Council’s to recover the associated collection costs together with reasonable administration costs.

1.4.3 The current fee structure of our neighbouring authorities (2020/21) is outlined below, with each authority having different arrangements in place. Only Tunbridge Wells BC offer any form of concession:-

Maidstone B.C.	Sevenoaks D.C.	Tun. Wells B.C.
5 - 8 items, £35 Fridge Freezer, £20	1 item - £18 2 items - £30 3 to 4 items - £40 5 to 10 items £52 White goods - £18 each Large American style fridge freezers - £42 each	£43.20 for two “medium” items, or one “large” item.
No Concessions	No Concessions	1 free collection per month for residents receiving Benefits.

1.4.4 It is proposed to increase this authorities existing full and concessionary prices as set out below. Demand for this service has increased over the last year and is expected to continue to be high in 2021/22 which is reflected in the estimated income.

Service	Current Full Charge	Proposed Full Charge 2021/22	Current Concession Charge	Proposed Concession Charge 2021/22	Est. Income 2020/21
Household Bulky Refuse Collection (up to six items)	£55.00	£56.00	£15.50	£16.00	£120,000
Household Fridge/ Freezer Collection (up to two items)	£33.00	£34.00	£15.50	£16.00	

1.5 Refuse collection charge

1.5.1 On occasion the Waste Services Team receive requests from customers to empty wheeled bins where the customer has not placed their bin out and has missed the collection. On these occasions the Team are occasionally asked by the customer if they can pay for a "one off" return collection.

1.5.2 A collection charge to cover these circumstances was introduced in April 2015. It covers the contract cost of returning and includes a small administration fee. To date there have been no concerns raised by customers. Although the number of requests are low, it does allow our Waste Services staff to offer an alternative solution.

1.5.3 It is proposed to maintain this charge at £20.00 for 2021/22.

Service	Current Charge	Proposed Charge 2021/22	Income Full Year 2021/22
Refuse Collection Charge	£20.00	£20.00	£200

1.6 Stray Dog Redemption fee

1.6.1 The Environmental Protection Act 1990 prescribes that a person claiming to be the owner of a dog seized as a stray by the Council shall not be entitled to the return of the dog unless all the expenses incurred by reason of its detention, and such further amount as is for the time being prescribed, are met. The Environmental Protection (Stray Dogs) Regulations 1992 set down a prescribed redemption fee of £25 and provides for local authorities to recover its other reasonable expenses, in addition to any other expenses incurred, such as kennelling costs.

1.6.2 Where a dog is taken to kennels the Council charges the owner for the other reasonable expenses, associated with the costs of providing the Dog Warden contract and admin costs. This is presently set at £70. The total fee charged by the Council is therefore £95. It is proposed that the contract & administration fee be increased to £73 with no formal waiver or discount, but the Council will continue to exercise discretion to allow payment by instalments. Daily kennelling costs are paid direct to the kennels by the owner when collecting their dog.

1.6.3 Stray dogs have been declining in recent years and this is reflected in the estimated income for 2021/22.

Service	Current Charge	Proposed Charge 2021/22	Income Full Year 2021/22 (assuming consistent number of claimed /returned)
Stray Dog Redemption Fee - Return Direct to owner	£25 (Statutory fee)	£25 (Statutory fee)	£100
Stray Dog Redemption Fee - Kennelling required	£95 (including statutory fee, but not including daily kennelling costs).	£98 (including statutory fee, but not including daily kennelling costs).	£5,900

1.6.4 The proposed total charge of £98 is comparable to charges applied by neighbouring Councils. At present, where the Dog Warden returns a stray dog to the owner without the need for kennelling, a charge is made at the prescribed fee of £25. No change is proposed to this charge.

1.7 Pest Control

1.7.1 The Council has a statutory duty to inspect the borough for the incidence of rats and mice and to take action where an infestation is found. This function is supported by statutory powers to serve notice on owners of land to take action to destroy rats and mice and/or prevent conditions likely to provide harbourage for pests.

1.7.2 The pest control service is delivered as a joint contract with Tunbridge Wells Borough Council. The service provides a free treatment of rats, mice, cockroaches and bedbugs to those on Council Tax support only.

1.7.3 The contract was recently retendered and awarded to Monitor Environmental services starting in November 2020.

1.7.4 In all other pest related cases, customers may be referred to Monitor Environmental Services to carry out a charged treatment. Alternatively, customers may arrange treatment direct with an alternative pest control company.

1.7.5 Numbers of service requests from those on Council Tax support are very small, with an estimated overall cost to the Council of £3,000 per annum. This is offset by a referral fee of £2,000 paid by Monitor. In the interests of public health and with very small numbers of service requests, it is not considered appropriate to change the current arrangement.

1.8 Condemned Food Certificates

1.8.1 This is a service available to food businesses in the borough which properly controls the safe surrender and disposal of food deemed by Environmental Health staff as unfit for human consumption. The service continues to reflect legislative requirements for stricter controls and is based on total cost recovery. The proposed charges, as set out below, continue to reflect this approach.

1.8.2 Recent years have seen a significant decline in the number of certificates requested. The lower income rate is reflected in estimated full year income. However this could increase dependent on EU exit decision and any impact from this.

Service	Current Charge	Proposed Charge 2021/22	Income Full Year 2020/21
For each Condemned Food Certificate Issued	£160 for first hour plus £160 for each additional hour plus VAT	£165 for first hour plus £165 for each additional hour plus VAT	£165

1.9 Exported Food Certificates

1.9.1 This is a service provided by the Council for food exporters who export food outside the European Union. In this instance, Authorised Officers from the Borough Council certify that the food products being exported have been manufactured and held under hygienic conditions in accordance with the requirements of Regulation (EC) 852/2004 and The Food Safety & Hygiene (England) Regulations 2013. The premises are subject to regular inspection by Food and Safety Officers.

1.9.2 The level of demand for Exported Food Certificates has remained low and steady over the last few years with an average of 20 per year. This may change post Brexit, with a possible increase in requests.

1.9.3 There is some variance across the County in fees charged for this service: Dover charge £65 and Dartford £80 while Tunbridge Wells and Maidstone charge £120.

1.9.4 We propose to apply a small increase to the current charge to reflect costs in responding to these certificate requests.

Service	Current Charge	Proposed Charge 2021/22	Income Full Year 2020/21
For each Exported Food Certificate issued	£65 plus VAT per certificate	£68 plus VAT per certificate.	£1,360

1.10 Food Hygiene Requests for Re-visits

1.10.1 Food business operators that have made improvement to hygiene standards following their inspection can request a re-visit with a view to giving them a new and higher food hygiene rating. There is currently a charge of £165 for this service. Neighbouring authorities are charging as follows: Mid Kent Environmental Health Partnership £160, Sevenoaks/Dartford Environmental Health Partnership £200, Gravesham £168 and Dover £126. The proposal is to increase this fee to £170 for 2021/22. This would give an estimate of £340 for 2021/22.

1.11 Contaminated Land

1.11.1 The Environmental Protection Act 1990 Part 2A requires local authorities to implement a system for the identification and remediation of land where contamination is causing a risk to human health or the wider environment because of historic or current uses.

1.11.2 The Environmental Protection Team provides a contaminated land information service or assessment of risk for which it currently makes a charge of £68 per hour in responding to these requests for information.

1.11.3 Guidance from the Information Commissioner advises that local authorities can make a reasonable charge. We have assumed that a reasonable charge includes the hourly rate of the Officer responsible for providing information, on-costs and an administration charge.

1.11.4 The fee has been derived based upon comparison with other Kent local authorities. For example while Tunbridge Wells currently charge £25 per hour. Some Authorities such as Folkestone & Hythe and Medway charge flat rates of £150. There is no maximum fee under the legislation.

1.11.5 We propose to apply a small increase to the current charge to reflect costs in responding to these requests for information. Recent years have seen a decline in requests for information which is reflected in the estimate for next year.

Service	Current Charge	Proposed Charge 2021/22	Income Full Year 2021/22
Responding to requests for information relating to contaminated land	£68.00 per hour (1 hour minimum charge)	£70.00 per hour (1 hour minimum charge)	£1,500

1.12 Private Water Supplies

1.12.1 The Private Water Supplies Regulations 2009 introduced a statutory and more onerous regime for the risk assessment and sampling of private water supplies.

1.12.2 In a report to this Board on 28 February, 2011 it was agreed to introduce a charge to recover the cost of Officer's time. In addition, owners of private water supplies and private distribution networks will be charged for the cost of sample analysis.

1.12.3 We have reviewed the cost of providing this service and propose to apply a small increase to £65 per hour, plus the cost of sample analysis.

1.12.4 The fee has been derived based upon comparison with other Kent local authorities. Folkestone and Hythe charge £56.30. Dover charge a flat fee of £100 for sampling and £500 for a risk assessment, with sample analysis costs on top. These charges are no longer subject to a maximum limit by virtue of the Private Water Supplies (England) (Amendment) Regulations 2018. However there is an expectation that charges should only cover costs incurred.

1.12.5 As each private water supply is very different, the Officer time for each visit/ risk assessment is difficult to quantify. We have seen a decline in this service over recent years which is reflected in the estimated full year income.

Service	Current Charge	Proposed Charge 2021/22	Income Full Year 2021/22
Carrying out sampling and risk assessment of private water Supplies	£63.00 per hour (1 hour minimum charge) plus VAT	£65.00 per hour (1 hour minimum charge) plus VAT	£750

1.13 Legal Implications

1.13.1 Section 93 of the 2003 Local Government Act allows authorities to charge for services that they have a power [but not a duty] to provide.

1.14 Financial and Value for Money Considerations

1.14.1 The fees and charges proposed have been considered in accordance with a set of guiding principles and the opportunity to maximise income has been taken where possible.

1.15 Risk Assessment

1.15.1 A decision is required now on the proposed fee structure for these activities to ensure that the Council has timely and up-to-date arrangements in place to administer service requests when received.

1.16 Equality Impact Assessment

1.16.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.17 Recommendations

1.17.1 It is **RECOMMENDED** to Cabinet that:-

1. The proposed scale of charges for garden waste subscriptions, fixed penalty notices for littering, household bulky refuse & fridge/freezer collections, “missed” refuse collections, stray dog redemption fees, pest control, food certificates, contaminated land monitoring and private water supplies as detailed in the report be approved; and

2. The proposed scale of charges be implemented from 1st April 2021.

The Directors confirm that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers: contact: Darren Lanes, Linda Hibbs

Nil

Robert Styles
Director of Street Scene, Leisure and Technical Services

Eleanor Hoyle
Director of Planning, Housing & Environmental Health

REVIEW OF FEES AND CHARGES 2021/22

Item FIP 21/6 referred from Finance, Innovation and Property Advisory Board of 6 January 2021

The report of the Management Team brought forward for consideration, as part of the Budget setting process for 2021/22, proposals in respect of those fees and charges that were the responsibility of the Cabinet Member for Finance, Innovation and Property or not reported elsewhere.

RECOMMENDED: That

(1) in respect of the recovery of legal fees payable by third parties, the Council's charges remain the same for 2021/22 and continue to reflect existing practices as highlighted in paragraph 1.2 of the report;

(2) the proposed scale of fees for local land charges searches and enquiries set out at Annex 1 to the report be adopted with effect from 1 April 2021;

(3) the current photocopying charges of £0.10 (inclusive of VAT) for each page of the same document or additional copies of the same page plus postage as appropriate be retained;

(4) the fee Schedule for Street Naming and Numbering set out in section 1.5 of the report be adopted with effect from 1 April 2021;

(5) the amount of council tax and business rates Court costs recharged remain the same for the 2021/22 financial year (as set out at paragraph 1.6.4 of the report); and

(6) the fees and charges 2021/22 related to Tonbridge Castle tours (as set out at paragraph 1.7.2), fees for schools (as set out at paragraphs 1.7.6 and 1.7.7) and the fee models for ceremonies (as set out at paragraphs 1.7.8 to 1.7.12 of the report) be approved.

***Referred to Cabinet**

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TONBRIDGE & MALLING BOROUGH COUNCIL

RECORD OF DECISION TAKEN UNDER EMERGENCY POWERS

Decision No:	**D210001EM**
Decision Taken By:	Leader of the Borough Council
Authority under which Decision Taken:	Emergency provisions for decision making during a period of serious and unexpected disruption under Part 7 of the Constitution.
Decision Type:	Executive Key Decision
Date:	21 January 2021

Decision(s) and Reason(s)

Business Support Grants – Tier 4 and Lockdown

Due to the coronavirus pandemic and escalating infections, Government had imposed Tier 4 restrictions from 20 December 2020 until 4 January 2021, when a new national lockdown was introduced.

As a result of these new measures Government had provided additional funding for businesses. To enable this to be distributed as quickly as possible it was necessary to adopt a number of policies (as summarised below):

- Local Restrictions Support Grants (Closed Addendum) Scheme – Tier 4 only (as detailed in Annex 1)
- Local Restrictions Support Grant (Closed) Addendum: 5 January 2021 onwards Scheme (as detailed in Annex 2)
- Closed Businesses Lockdown Payment (as detailed in Annex 3)

In response to the Government's request that grant payments were made as soon as possible in order to protect businesses, the Borough Council intended to make payments automatically to those entitled to payment under 'lockdown 2'.

Recipients would be advised that these payments had been made automatically, and that by accepting this grant (and subsequent grants), they were confirming eligibility for the respective scheme(s).

Businesses who had not applied for 'lockdown 2' grant funding could still apply for ongoing support via the website.

Applications/eligibility would be reviewed by the Revenue & Benefits team and the Director of Finance & Transformation who would arrange payment of the grant awards.

RESOLVED: That

(1) the Local Restrictions Support Grants (Closed Addendum) Scheme – Tier 4 only (as detailed in Annex 1) be approved;

(2) the Local Restrictions Support Grant (Closed) Addendum: 5 January 2021 onwards Scheme (as detailed in Annex 2) be approved; and

(3) the Closed Businesses Lockdown Payment (as detailed in Annex 3) be approved.

Taken in accordance with the Emergency Provisions set out at Part 7 Paragraph 1.3 of the Constitution and in agreement with the Chairman of Overview and Scrutiny Committee.

Signed Leader:	N Heslop
Signed Chairman of Overview and Scrutiny Committee:	J Sergison
Signed Chief Executive:	J Beilby
Date of publication:	22 January 2021

This decision is urgent and therefore not subject to call-in (in accordance with Overview and Scrutiny Committee Procedure Rule 15 (i) as set out in Part 4 of the Constitution) and may be implemented immediately.

TONBRIDGE & MALLING BOROUGH COUNCIL

RECORD OF DECISION TAKEN UNDER EMERGENCY POWERS

Decision No:	**D210002EM**
Decision Taken By:	Leader of the Borough Council
Authority under which Decision Taken:	Emergency provisions for decision making during a period of serious and unexpected disruption under Part 7 of the Constitution.
Decision Type:	Executive Key Decision
Date:	24 January 2021

Decision(s) and Reason(s)

(Revised) Tonbridge And Malling Borough Council Additional Restrictions Grant (ARG) Scheme – January 2021 (Lockdown Support)

Following the establishment of the Additional Restrictions Grant Scheme (Decision Notice 200015EM) in November 2020 and as a result of the introduction of a third National Lockdown, Government had provided top up funding of £1,173,922. It was, therefore, appropriate to open up a new round of funding to support businesses.

In recognition of the significant impact of the lockdown measures on the leisure and hospitality sector, it was proposed to increase the levels of grant funding on offer to align with the other mandatory schemes there were available and to also adjust the existing Scheme to introduce a Hospitality and Leisure Supplement. This supplement was aimed at specific types of business only, as set out in paragraph 3.11 of the Scheme. A revised Scheme was attached at Annex 1.

An application process would be available to eligible businesses via the Borough Council's website. Applications would be reviewed by the Economic Development Team, in liaison with the Revenue and Benefits Team and the Director of Finance and Transformation who would arrange payment of the grant awards as soon as possible.

RESOLVED: That:

(1) the revised Tonbridge and Malling Borough Council Additional Restrictions Grant (ARG) Scheme – January 2021 onwards (Lockdown Support) as set out in Annex be approved.

Taken in accordance with the Emergency Provisions set out at Part 7 Paragraph 1.3 of the Constitution and in agreement with the Chairman of Overview and Scrutiny Committee.

Signed Leader:	N Heslop
Signed Chairman of Overview and Scrutiny Committee:	J Sergison
Signed Chief Executive:	J Beilby
Date of publication:	25 January 2021

This decision is urgent and therefore not subject to call-in (in accordance with Overview and Scrutiny Committee Procedure Rule 15 (i) as set out in Part 4 of the Constitution) and may be implemented immediately.

Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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The Chairman to move that the press and public be excluded from the remainder of the meeting during consideration of any items the publication of which would disclose exempt information.

ANY REPORTS APPEARING AFTER THIS PAGE CONTAIN EXEMPT INFORMATION

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Any other items which the Chairman decides are urgent due to special circumstances and of which notice has been given to the Chief Executive.

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