

Folkestone

Hythe & Romney Marsh
Shepway District Council



Agenda

Meeting: **Council**
Date: **28 February 2018**
Time: **7.00 pm**
Place: **Council Chamber - Civic Centre Folkestone**

To: **All Members of the Council**

YOU ARE HEREBY SUMMONED to attend a meeting of the Council on the date and at the time and place shown above. The meeting will be open to the press and public.

Anyone who wishes to have information on any matter arising on the Agenda which is not fully covered in these papers is requested to give notice prior to the meeting to the Chairman or appropriate officer.

Chief Executive

1. **Apologies for Absence**
2. **Declarations of Interest**

Members of the Council should declare any discloseable pecuniary interest or any other significant interests in any item/s on this agenda.

3. **Minutes (Pages 7 - 22)**

To receive the minutes of the meeting of the council and the Extraordinary meeting of the Council held on 17 January 2018 and to authorise the Chairman of the Council to sign them as a correct record.

4. **Chairman's Communications**

Queries about the agenda? Need a different format?

Contact Jemma West – Tel: 01303 853369
Email: committee@shepway.gov.uk or download from our website
www.shepway.gov.uk

5. **Petitions**

There are no petitions to be presented.

6. **Questions from the Public**

1. **From Mr Southgate to Councillor Peall, Cabinet Member for the Environment**

From 01/04/2017 to 20/11/2017, Shepway District Council, this council, received 744 reports of damaged bins all of which were listed as DAMAGED ON COLLECTION DAY. In November 2016, this council changed it's rules and made the cost for repair and replacement of damaged bins the responsibility of the residents, irrespective of who caused the damage. Can the council clarify this position and explain why it feels Shepway householders should foot the bill for refuse bins damaged by the refuse provider, Veolia?

2. **From Mr Rylands to Councillor Monk, Leader of the Council**

The legislation regarding recording, filming and taking photographs at open public meetings in the Council chamber states NO PRIOR NOTIFICATION is necessary. SDC's Constitution part 5 - page 5/21 and 6 - page 6/14 state that it is. This appears to contradict both national legislation and the DCLG Guidance, so my question is:

Is prior permission to film, record or take photo's necessary or not?

3. **From Mr Corrs to Councillor Monk, Leader of the Council**

The website haveibeenpwned dot com gives email accounts which have been compromised in a data breach.

It is know that various Officers' official Shepway district council email addresses were comprised and released publicly.

What action was taken by SDC and was any data lost as a consequence of these email and passwords been placed into the public domain?

4. From Mr Deane to Councillor Monk, Leader of the Council

Can you please outline the grounds which convince Shepway District Council and it's planning department of the legal certainty that the changes to the Folkestone Seafront Development outlined in Planning Application **Y17/1099/SH** constitute a section 73 application and not the need for a new planning application?

7. Questions from Councillors

(Questions can be found on www.shepway.gov.uk from noon 2 days before the meeting. They can be found in the A-Z index under Q)

Up to 45 minutes is allowed for questions from councillors.

8. Announcements of the Leader of the Council

To receive a report from the Leader of the Council on the business of the cabinet and on matters that the leader considers should be drawn to the council's attention. The leader shall have 10 minutes to make his announcements.

The opposition group will have an opportunity to reply to the leader's remarks. The opposition group leader shall have 5 minutes to respond after which the Leader of the Council will have a right of reply. Any right of reply will be for a maximum duration of 5 minutes.

9. Opposition Business

There is no opposition business.

10. Motions on Notice

There are no motions on notice.

11. **General Fund Budget and Council Tax 2018/19 (Pages 23 - 48)**

This report concludes the budget setting process for 2018/19. It sets out recommendations for setting the council tax after taking into account the district's council tax requirement (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity), the precepts of Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Fire & Rescue Service.

12. **Housing Revenue Account and Capital Original Budget 2018/19 (Pages 49 - 62)**

This report sets out the Housing Revenue Account Revenue and Capital Budget for 2018/19 and proposes a decrease in rents and an increase in service charges for 2018/19.

13. **Update to the General Fund Medium Term Capital Programme and Quarter 2 Monitoring 2017/18 (Pages 63 - 84)**

This report updates the General Fund Medium Term Capital Programme for the five year period ending 31 March 2023. The report also provides a projected outturn for the General Fund capital programme in 2017/18, based on expenditure to 30 November 2017. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process. Overview and Scrutiny Committee considered this report on 16 January 2018 ahead of Cabinet approving it on 17 January 2018 to be submitted to be full Council.

14. **Treasury Management Strategy Statement including Treasury Management Prudential Indicators and Minimum Revenue Provision Statement for 2018/19 (Pages 85 - 116)**

This report sets out the proposed strategy for treasury management for 2018/19 including the Annual Investment Strategy and Treasury Management Indicators to be approved by full Council. This report also sets out both the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Policy Statement for 2018/19 to be approved by full Council.

15. **Review of Political Balance and Committee Membership (Pages 117 - 120)**

This report sets out a summary of the need to review the political balance and membership of committees following the recent decision by Councillor Miss Govett to leave the UKIP Party and stand as an independent Councillor.

16. **Transforming Shepway future operating model blueprint (Pages 121 - 198)**

As part of its Transforming Shepway programme, Shepway District Council

has been considering how it can utilise service redesign and ICT to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs. This document provides the conclusions of work to redesign the Council's services supported by Cabinet at its meeting in June 2017. This report includes the business case, future operating model and high level implementation plan. It also outlines that by adopting a refreshed ICT Strategy and making an investment in its ICT infrastructure and changing its business operations, the Council can achieve improvements in services for residents and deliver a genuine efficiency without cutting services.

17. Exclusion of the Public

To exclude the public for the following item of business on the grounds that it is likely to disclose exempt information, as defined in paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972 –

'Information relating to any individual.'

Part 2 – Exempt Information Item

18. Senior Management Review (Pages 199 - 304)

This report considers recommendations from the Personnel Committee and the Audit and Governance Committee on the senior management review or matters relating to it.

*Explanations as to different levels of interest

(a) A member with a discloseable pecuniary interest (DPI) must declare the nature as well as the existence of any such interest and the agenda item(s) to which it relates must be stated. A member who declares a DPI in relation to any item must leave the meeting for that item (unless a relevant dispensation has been granted).

(b) A member with an other significant interest (OSI) under the local code of conduct relating to items on this agenda must declare the nature as well as the existence of any such interest and the agenda item(s) to which it relates must be stated. A member who declares an OSI in relation to any item will need to remove him/herself to the public gallery before the debate and not vote on that item (unless a relevant dispensation has been granted). However, prior to leaving, the member may address the meeting in the same way that a member of the public may do so.

(c) Members may make voluntary announcements of other interests which are not required to be disclosed under (a) and (b). These are announcements made for transparency reasons alone, such as:

- membership of outside bodies that have made representations on agenda items, or
- where a member knows a person involved, but does not have a close association with that person, or
- where an item would affect the well-being of a member, relative, close associate, employer, etc. but not his/her financial position.

Voluntary announcements do not prevent the member from participating or voting on the relevant item

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SHEPWAY DISTRICT COUNCIL

Minutes for the meeting of the Council held at the Council Chamber - Civic Centre Folkestone on Wednesday, 17 January 2018

Present: Councillors Mrs Ann Berry, Miss Susan Carey, John Collier, Malcolm Dearden, Peter Gane, David Godfrey, Miss Susie Govett, Ms Janet Holben, Mrs Jennifer Hollingsbee, Mrs Claire Jeffrey, Mrs Mary Lawes, Len Laws, Rory Love, Michael Lyons (Vice-Chair), Philip Martin, Frank McKenna, Ian Meyers, David Monk, David Owen (Chairman), Dick Pascoe, Paul Peacock, Carol Sacre, Russell Tillson, Mrs Susan Wallace, Mrs Rodica Wheeler and Roger Wilkins

Apologies for Absence: Councillors Alan Ewart-James, Clive Goddard, Stuart Peall and Damon Robinson

64. **Declarations of Interest**

There were no declarations of interest at the meeting.

65. **Minutes**

The minutes of the meeting held on 21 December 2017 were submitted, approved and signed by the Chairman.

66. **Chairman's Communications**

The Chairman gave the following update:

“My report this evening will be very short!

Since we last met, we have enjoyed an extended break over Christmas and the New Year and consequently, civic duties have been very limited in number. Indeed, the only event that I have attended was Margate's annual ceremony of the Blessing of the Seas. This is an annual festival in the Greek Orthodox Church and takes place early in January each year. Margate has a substantial Greek and Greek Cypriot community, and this Ceremony has traditionally been attended by many Kent dignitaries and this year including the Anglican Bishop of Dover, who took part in the Service, as well as the High Sheriff of Kent, the local Members of Parliament, Deputy Lieutenants, District Council Chairmen, and Mayors from throughout Kent. The BBC also covered the event. The chief features of the day from my point of view are the extreme cold on the Margate Beach where the climax takes place which consists of a small boy jumping into the sea to retrieve a garland. Only a young boy would be prepared to do such a thing, but it is considered a great honour for the boy's family if he is chosen. Afterwards I am pleased to report we retired to warm up over lunch.

Now is an opportune moment to advise Members of my intention to present our Honorary Alderman with a suitable badge to mark their appointment to this office. At present, we have two appointments being ex Councillors Preston and Bliss. Both have contributed greatly to this Council in the past and having bestowed the title of Honorary Alderman, both my predecessor and myself felt

that such a presentation was appropriate. Perhaps I could ask you all to be discreet in this matter as neither of the recipients yet know of my plan, but it is my intention to present the badges at our AGM”.

67. **Petitions**

There were no petitions.

68. **Questions from the Public**

The questions asked, including supplementary questions (if any), and the answers given are set out in Schedule 1, appended to these minutes.

69. **Questions from Councillors**

The questions asked, including supplementary questions (if any) and the answers are set out in Schedule 2 appended to these minutes.

70. **Announcements of the Leader of the Council**

The Leader of the Council gave the following announcements:

“Good evening to you all, I have only two things to talk to you about and I will start with the Otterpool Park ‘Place Panel’ which had its inaugural meeting on Monday. The purpose of the Panel is to act as an advisor and a critical friend bringing to the table experts in a multitude of disciplines such as master planning, landscape design, town planning, transport, housing, social infrastructure and heritage.

The panel, along with representatives of the Ministry of Housing, were taken on a tour of the area which went well, apart from the coach temporarily getting stuck in the mud. They then adjourned for a roundtable discussion on the emerging master plan that looked at such matters as the character and identity of Otterpool Park, the spatial relationship of the town centre with its neighbourhoods and transport connections.

Overall the day was a success with our officers being able to demonstrate our determination to accommodate informed best practise so as to make Otterpool Park an exemplar of place making that will benefit future generations.

The use of a Place Panel is in itself best planning practice and should give confidence that we are doing the job properly. Going forward there will, periodically, be further meetings of the panel to help us in this magnificent venture.

You may recall that some time ago, I talked about an EU project funded by the European Structural Funds called a Community Led Local Development programme.

We were successful in our stage one application but then everything stalled while the uncertainty about the funding caused by Brexit was sorted out. We have now had our programme approved. The programme is called 'Folkestone Community Works' and will bring £2,500,000 of European funds to Folkestone over 5 years to 2022. Earlier today, there was the first official meeting of the Local Action Group which approved the programme documentation and timetable for projects to apply for money. The launch of the programme will be in February and with the match funding required, will bring £5,000,000 into Folkestone over the next 5 years.

Councillor Meyers, Leader of the Opposition, responded to the comments made by the Leader:

"Of course, we welcome the Place Panel and look forward to scrutinising closely what our critical friend brings to the table.

With regard to the European Structural funds, we are delighted that you are getting some of the money back we contributed to Europe to spend here. I only wish a little of it would trickle down to the Romney Marsh, the area which I represent.

I don't know where this is going. This is a five year plan, we all know in just over a year, if your government is successful, we won't be part of the EU, lets hope that some of the money that we saved, that we currently contribute, will be distributed back here to replace what might be lost".

The Leader then responded to the comments of Councillor Meyers and stated that this is why the project had stalled, while the funding, whatever the circumstances were, was confirmed.

Proposed by Councillor Monk,
Seconded by Councillor Mrs Hollingsbee; and

RESOLVED:

That the announcements of the Leader of the Council be noted.

71. Opposition Business

There was no opposition business.

72. Motions on Notice

There were no motions on notice.

73. Council Tax Base 2018/19

Council - 17 January 2018

The Council is required to decide its tax base which will be used in the calculation of Council Tax for 2018/2019. The report proposed the tax base recommendations for the Council's approval.

The report had been considered by Overview and Scrutiny at their meeting on 16 January, and Cabinet at their meeting on 17 January 2018.

Proposed by Councillor Dearden,
Seconded by Councillor Pascoe; and

RESOLVED:

1. That report A/17/16 be received and noted.
2. That the Council Tax bases set out in appendices 1-31, which have been calculated in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 (as amended) be recommended as the amounts so calculated by the Council as its Council Tax bases for the year 2018/2019.

(Voting figures: 20 in favour, 3 against, 2 abstention).

Council – 17 January 2018

Public questions:

1. From Ms Davison to Councillor Monk, Leader of the Council

What is the outcome of the council's review into the SWEP (Severe Weather emergency protocol)?

ANSWER:

At this time Shepway District Council adheres to and often exceeds the national guidelines for the operation of the Severe Weather Emergency Protocol (SWEP). A verified rough sleeper count took place in November 2017, with the outcome stating that there were 16 rough sleeper verified in Shepway some of whom were here for economic reasons. At the same time we are helping to fund bed spaces for 13 rough sleepers via the winter shelter here in Folkestone.

Bearing in mind the recent reports that there were higher numbers of rough sleepers in Folkestone than have been verified, we are looking at the possibility of a review of the SWEP Policy to see if we could ask our Rough Sleepers Outreach Worker who we fund via an organisation called Porchlight to see if we could implement a system of verifying rough sleepers in Shepway on an ongoing basis over the winter, which would help ensure local resources are best targeted toward local people in need of accommodation. This is currently still under consideration and discussion with Porchlight.

SUPPLEMENTARY QUESTION:

Is it acceptable, that in Mid-January, rough sleepers are suffering freezing nights, and have to wait for temperatures to fall below 0 degree for three nights running before SWEP will be activated?

ANSWER:

This is the current policy, until a review is completed.

2. From Mr Rylands to Councillor Monk, Leader of the Council

How many staff have reported bullying and/or sexual harassment for the period April 2014 - Dec 2017.

ANSWER:

'There are a number of routes whereby a report of this kind could have been raised.

Firstly an employee could raise a formal grievance either directly to HR or via their line manager at which point an internal review by an appropriate manager supported by a representative from HR would take place. This could lead to a disciplinary investigation and a potential hearing should it be decided that there was an allegation to be addressed.

Secondly a disciplinary investigation could be started straight away should the allegation be made directly rather than starting with the grievance process. This would be led by an independent manager supported by HR and if the allegations were felt to be substantiated a formal disciplinary hearing would be arranged to review the evidence and reach an outcome on the matter.

Finally, an individual has the option of raising this type of allegation via the Council's whistleblowing procedures. This could also then lead to a disciplinary investigation and a potential hearing.

Any report, whether it be a verbal or written account, of bullying or sexual harassment would be treated seriously by the council.

During the period in question, April 2014 to December 2017, no reports have been made through any of these channels.'

SUPPLEMENTARY QUESTION:

I have been informed by some ex members of staff, who are willing to waive their right to anonymity, that they had experienced sexual harassment. Would Shepway District Council support these ex-staff in their claims?

ANSWER (GIVEN BY THE CHIEF EXECUTIVE):

There has been no evidence provided to the Council of any sexual harassment. Without appropriate evidence, the Council would make no further comment.

3. From Mr Southgate to Councillor Monk, Leader of the Council

In respect of the Empty Dwelling Management Orders legislation, can the council please state how frequently it has used these powers in the last five years, which areas of Shepway have benefited and what it has done, or plans to do, with the empty properties?

Mr Southgate was not present at the meeting, so the question was therefore not presented to the Leader.

4. From Mr Deane to Councillor Monk, Leader of the Council

In the report from the 'public engagement' exercise on Otterpool Garden Town held across Shepway in December 2017 thirteen pages of clear and

genuine concerns and objections are listed, along with another 243 unlisted cards stating, "Why", "No to Otterpool Town" and plain "No". The further full round of consultations held in the Summer did not publish like data but all indications showed similar level of opposition. At the public meeting in Hythe later in the year there were three in favour of the development, whereas those against numbered well over 200. Cllr Monk then refused to participate further in the consultation process.

Given that the outline planning application will soon be published can he tell us what level of public rejection of the Otterpool scheme by the people of Shepway will be necessary before he accepts reasoned arguments, changes his mind, and abandons the project?

ANSWER:

The most recent public consultation exercise indicated good levels of support for the Otterpool Park project from parts of the community. I recognise that some people have concerns about the project and I am keen to work with people to help shape the development. However, the general position is that the Council will continue to promote the project to enable the provision of much needed good quality homes, new job opportunities in an environment worthy of a 21st Century Garden Town.

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Council – 17 January 2018

Councillors Questions

1. From Councillor Laws to Councillor Peall, Cabinet Member for the Environment

How many fly tipping fixed penalty notices have been issued in the past 12 months?

ANSWER:

There were 187 reports of fly-tips that were passed to the team to investigate - of which, all were investigated.

There were three FPNs issued.

There were two prosecutions taken, and both were won. The offenders were not offered an FPN due to the severity of the cases.

Two “Formal Cautions” were issued for Fly-tipping. This is instead of an FPN. The circumstances were taken into account, and the customer showed remorse and provided what information they had about the person responsible for removing their waste. Details of the Formal Cautions are kept on file for a period of 5 years so any further incidents will result in a prosecution for the new incident and the old one they received the caution for.

In the first case, a farmer had waste dumped on his land, he moved the waste from his land to ours but after the investigations, he worked with us to provide any evidence or information he had and continued to work with us during the process. This was treated as an educational piece of work and he is aware that any future events that he is involved with will result in a prosecution within the next 5 years.

In the second case, a non-English speaking person left a wooden crate and all investigations were done through his adult daughter. The offender was not aware that it was fly-tipping and was therefore, the case was treated as an educational tool due to the language barriers but the person accepted the fact that this will be on his file for 5 years and a prosecution will take place if any further acts of fly-tipping take place.

There were 7 “Formal Cautions for “duty of care”. This is where the member of public has paid to have items removed from their property and employed someone who does not have a waste carriers licence to remove and dispose of the waste. Once this is fly-tipped, the original owner is responsible. If the owner has shown remorse, provides details of the company that they used and helps with our enquiries, a formal caution is given and details held on their file for a period of 5 years with a prosecution for any new involvement with fly-tipping and the original offence is added to this.

The remaining cases would have been items that Veolia would have cleared without the team's intervention as they have not found any evidence whilst on site.

SUPPLEMENTARY QUESTION:

In known fly tipping areas, would it be too expensive to set up cameras?

ANSWER:

A written response would be provided to this question.

2. From Councillor Collier, to Councillor Monk, Leader of the Council

The Bank Bar in Castle Hill Avenue, which is licensed to sell alcohol until 3.30 am and does not have to close until 4 am on Thursday, Friday and Saturday nights, causes considerable disturbance to residents throughout the night in a predominantly residential area. The police and council officers are frequently called out to deal with anti-social behaviour, not only to the Bank Bar, but also to other establishments with similar licensing hours. In the light of this are you satisfied that the Council's current licensing policy is fit for purpose?

ANSWER:

The Council adopted its licensing policy in October 2016. I can confirm that Officers are currently undertaking a review so as to ensure the policy meets best practice, that the licensing objectives are promoted and that premises in or close to residential areas demonstrate that their operating hours and schedule are appropriate and balance the needs of business with the living conditions of residents. This policy will be subject to formal consultation, likely in the Spring.

Any premises license can be called in for formal review by a Regulatory Authority or local neighbours or groups. In this particular instance the premises has been served with a noise abatement notice by the Environmental Protection Team, who have been monitoring the premises and are now preparing evidence to call the license for review. Should a license be called in it is a requirement of the objector to provide evidence to demonstrate why a license should be reviewed and why it is not meeting the 4 licensing objectives – the prevention of crime and disorder, public safety, the prevention of public nuisance and the protection of children from harm.

This administration is committed to the delivery of our Corporate Plan which identifies the need to keep our communities healthy and safe as a priority, alongside the delivery of an attractive and clean environment within which businesses and residents can thrive. I am pleased to see that Officers have worked closely with the community and listened to their concerns. I am convinced that the actions I have outlined will resolve ongoing issues, which relate to a very small number of licensed premises within the district.

3. **From Councillor Sacre to Councillor Miss Hollingsbee, Deputy Leader and Cabinet Member for Communities**

What plans do we as a district council have to offer our residents in order to relieve the severe lack of professional medical care in Folkestone, Hythe and Romney Marsh districts. Bearing in mind, the extensive plans to build expanses of residential units.

ANSWER:

The Council works closely with the NHS, KCC and other authorities to ensure there is a joined up approach to health in the district. The NHS was fully involved in planning for growth in our current Core Strategy Local Plan, with requirements for new medical facilities to be delivered at Shorncliffe Garrison in particular identified within the planning legal agreement for the development. Following detailed discussions between SDC, KCC and the NHS the emerging Places and Policies Local Plan seeks to allocate land for a new medical hub facility in New Romney, with funding towards this delivered from other largescale developments in the area. The emerging Core Strategy, seeking to allocate significant growth in the North Downs at Otterpool Park in particular will further ensure that appropriate medical and associated facilities are provided to meet the needs of residents and the surrounding villages.

The Council recognises that there are pressing problems, particularly in Folkestone and the Romney Marsh relating to GP recruitment and will continue to assist the NHS wherever possible to ensure solutions can be found. Ultimately investment in the district, the provision of high quality new homes, jobs and improvement of the public realm and services will ensure that Shepway is an attractive place to live and work and that without such investment it will be even more difficult to attract doctors and other skilled professionals required to the area to meet the current and future needs of an aging population.

The council is involved in supporting the CCG and partners in shaping future local care models and engaging in community projects that encourage wellbeing and preventing ill – health.

SUPPLEMENTARY QUESTION:

With insufficient medics available, surely serious consideration should be given to plans, putting larger developments on hold, until this is resolved?

ANSWER:

Development could not be stopped as there was a need for houses, to meet government guidelines. A high design development could encourage more professional people such as medics to move to the area.

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SHEPWAY DISTRICT COUNCIL

Minutes for the meeting of the Council held at the Council Chamber - Civic Centre Folkestone on Wednesday, 17 January 2018

Present: Councillors Mrs Ann Berry, Miss Susan Carey, John Collier, Malcolm Dearden, Peter Gane, David Godfrey, Miss Susie Govett, Ms Janet Holben, Mrs Jennifer Hollingsbee, Mrs Claire Jeffrey, Mrs Mary Lawes, Len Laws, Rory Love, Michael Lyons (Vice-Chair), Philip Martin, Frank McKenna, Ian Meyers, David Monk, David Owen (Chairman), Dick Pascoe, Stuart Peall, Carol Sacre, Russell Tillson, Mrs Susan Wallace, Mrs Rodica Wheeler and Roger Wilkins

Apologies for Absence: Councillors Alan Ewart-James, Clive Goddard and Damon Robinson.

Councillor Peall had also given his apologies for the meeting, but arrived during the consideration of the item relating to the proposal to change the name of the district.

74. Declarations of Interest

There were no declarations of interest at the meeting.

75. Proposal to change the name of the district

Report A/17/17 set out a proposal to change the name of the district from "Shepway to "Folkestone and Hythe".

Proposed by Councillor Monk,
Seconded by Councillor Mrs Hollingsbee; and

1. To receive and note report A/17/17
2. Pursuant to Section 74 Local Government Act 1972 (as amended) to change the name of the district from "Shepway " to "Folkestone and Hythe" from 1 April 2018.

Proposed by Councillor Mrs Lawes,
Seconded by Councillor McKenna;

That the item be considered "in Committee" in accordance with Council procedure rule 15.14, and that for the duration of this meeting the following rules be suspended:

Procedure rule 15.14.1 (the right of a councillor seconding a motion to reserve their speech until later in the debate);

- Rule 15.4 (limit on length of speeches);
- Rule 15.5 (curtailment of councillors' right to speak more than once);
- Rule 22.1 (requirement to stand while speaking).

(Voting figures: 5 in favour, 20 against, 0 abstentions).

Upon being put this motion was **LOST**

Amendment to recommendation 2

Proposed by Councillor Wilkins,
Seconded by Councillor Miss Govett;

t 2. Pursuant to Section 74 Local Government Act 1972 (as amended) to change the name of the district from “Shepway” to “Folkestone, Hythe and Romney Marsh”.

(Voting figures: 6 in favour, 16 against, 3 abstentions).

Upon being put this motion was **LOST**

Amendment to recommendation 2

Proposed by Councillor Meyers,
Seconded by Councillor Mrs Lawes;

2. To defer consideration of the report to allow consultation with parish and town councils.

(At this point in the meeting, Councillor Peall entered the meeting).

(Voting figures: 5 in favour, 20 against, 1 abstentions).

Upon being put this motion was **LOST**. The amendment was therefore **defeated**.

The substantive motion was then put, and

RESOLVED:

3. **To receive and note report A/17/17**
4. **Pursuant to Section 74 Local Government Act 1972 (as amended) to change the name of the district from “Shepway” to “Folkestone and Hythe” from 1 April 2018.**

Upon five members demanding a recorded vote names were taken voting for, against or abstaining as follows:

FOR: Councillors Mrs Berry, Miss Carey, Collier, Dearden, Gane, Godfrey, Mrs Holben, Mrs Hollingsbee, Mrs Jeffrey, Lyons, Martin, Monk, Owen, Pascoe, Peall, Tillson, Mrs Wallace and Mrs Wheeler (18).

AGAINST: Councillors Miss Govett, Mrs Lawes and McKenna (3).

Council - 17 January 2018

ABSTENTIONS: Councillors Laws, Love, Meyers, Mrs Sacre and Wilkins (5).

(Voting figures: 18 in favour, 3 against, 5 abstentions).

Note Section 74 (1) Local Government Act 1972 requires a resolution to change the name of a district to be passed by not less than two-thirds of the members voting thereon the motion was therefore CARRIED

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This report will be made public on 20 February 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report number **A/17/23**

To: Council
Date: 28 February 2018
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Member: Councillor David Monk, Leader
Councillor Malcolm Dearden – Finance Portfolio

SUBJECT: GENERAL FUND BUDGET AND COUNCIL TAX 2018/19

SUMMARY: This report concludes the budget setting process for 2018/19. It sets out recommendations for setting the council tax after taking into account the district's council tax requirement (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity), the precepts of Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Fire & Rescue Service.

REASONS FOR RECOMMENDATIONS:

Council is asked to agree the recommendations set out below to approve the Budget and set the Council Tax for the year commencing 1 April 2018.

RECOMMENDATIONS:

1. To receive and note Report A/17/23
2. To approve the District Council's budget for 2018/19 as presented in Appendix 1 to this report and the council tax requirement for 2018/19, to be met from the Collection Fund, of £12,183,131.
3. To approve that the following amounts be now calculated by the Council for the year 2018/19 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 (the Act):
 - a) £100,643,071 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act (as in Appendix 2).
 - b) £88,459,940 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act (as in Appendix 2).
 - c) £12,183,131 – 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 (as in Appendix 2).
 - d) £317.99 – being the amount at 3(c) above divided by the tax base of 38,312.22 calculated by the Council, in accordance with Section

31B(1) of the Act, as the basic amount of its council tax for the year.

- e) £2,814,644 – being the aggregate of all special items (including parish precepts) referred to in Section 34(1) of the Act.
- f) £244.53 - being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by the tax base of 38,312.22 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 item relates, ie Old Romney and Snargate.
- g) Part of the Council's area

Folkestone	333.14	Being the amounts given by adding to the amount at 3(f) above the special items relating to dwellings in those parts of the Council area mentioned here divided in each case by the appropriate tax base 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 relate.
Sandgate	317.23	
Hythe	302.54	
Lydd	324.18	
New Romney	360.88	
Acrise	246.76	
Elham	268.79	
Elmsted	254.34	
Hawkinge	332.22	
Lyminge	277.13	
Lympne	286.16	
Monks Horton	254.03	
Newington	288.41	
Paddlesworth	255.29	
Postling	262.32	
Saltwood	268.40	
Sellindge	306.80	
Stanford	276.64	
Stelling Minnis	264.80	
Stowting	258.25	
Swingfield	290.56	
Brenzett	282.50	
Brookland	305.52	
Burmarsh	278.93	
Dymchurch	307.94	
Ivychurch	295.56	
Newchurch	277.34	
Old Romney	244.53	
St Mary in the Marsh	278.93	
Snargate	244.53	

(h) Part of the Council's area**Valuation Bands**

Parish	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Folkestone	222.09	259.11	296.13	333.14	407.17	481.21	555.24	666.28
Sandgate	211.49	246.74	281.99	317.23	387.73	458.23	528.72	634.46
Hythe	201.69	235.31	268.92	302.54	369.77	437.00	504.23	605.08
Lydd	216.12	252.14	288.16	324.18	396.22	468.26	540.30	648.36
New Romney	240.59	280.69	320.79	360.88	441.08	521.28	601.47	721.76
Acrise	164.50	191.92	219.34	246.76	301.59	356.43	411.26	493.52
Elham	179.19	209.06	238.92	268.79	328.52	388.25	447.98	537.58
Elmsted	169.56	197.82	226.08	254.34	310.86	367.38	423.90	508.68
Hawkinge	221.48	258.40	295.31	332.22	406.05	479.88	553.71	664.44
Lyminge	184.75	215.55	246.34	277.13	338.71	400.30	461.88	554.26
Lympne	190.77	222.57	254.36	286.16	349.75	413.34	476.93	572.32
Monks Horton	169.36	197.58	225.81	254.03	310.49	366.94	423.39	508.06
Newington	192.28	224.32	256.37	288.41	352.51	416.60	480.69	576.82
Paddlesworth	170.20	198.56	226.93	255.29	312.03	368.76	425.49	510.58
Postling	174.88	204.02	233.17	262.32	320.61	378.90	437.20	524.64
Saltwood	178.93	208.75	238.57	268.40	328.04	387.68	447.33	536.80
Sellindge	204.53	238.62	272.71	306.80	374.98	443.15	511.33	613.60
Stanford	184.43	215.16	245.90	276.64	338.11	399.59	461.06	553.28
Stelling Minnis	176.53	205.96	235.38	264.80	323.65	382.49	441.34	529.60
Stowting	172.17	200.86	229.55	258.25	315.64	373.02	430.41	516.50
Swingfield	193.71	225.99	258.27	290.56	355.13	419.70	484.27	581.12
Brenzett	188.34	219.73	251.12	282.50	345.28	408.06	470.84	565.00
Brookland	203.68	237.63	271.58	305.52	373.42	441.31	509.21	611.04
Burmarsh	185.96	216.95	247.94	278.93	340.92	402.90	464.89	557.86
Dymchurch	205.30	239.51	273.73	307.94	376.38	444.81	513.24	615.88
Ivychurch	197.04	229.88	262.72	295.56	361.24	426.92	492.60	591.12
Newchurch	184.89	215.71	246.52	277.34	338.97	400.60	462.23	554.68
Old Romney	163.02	190.19	217.36	244.53	298.87	353.21	407.55	489.06
St Mary in the Marsh	185.95	216.95	247.94	278.93	340.91	402.90	464.88	557.86
Snargate	163.02	190.19	217.36	244.53	298.87	353.21	407.55	489.06

Being the amounts given by multiplying the amounts at 3(f) and 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.

4. To note that for the year 2018/19 Kent County Council, Kent Police and Crime Commissioner and the Kent & Medway Fire & Rescue Service 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:

	A £	B £	C £	D £	E £	F £	G £	H £
Kent County Council	825.12	962.64	1,100.16	1,237.68	1,512.72	1,787.76	2,062.80	2,475.36
Kent Police and Crime Commissioner	112.77	131.56	150.36	169.15	206.74	244.33	281.92	338.30
Kent & Medway Fire & Rescue	50.34	58.73	67.12	75.51	92.29	109.07	125.85	151.02

Major preceptor amounts remained subject to confirmation at the time of preparing this report.

5. That, having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2018/19 for each of the categories of dwelling shown below:

(i) Part of the Council's area Valuation Bands

Parish	A £	B £	C £	D £	E £	F £	G £	H £
Folkestone	1,210.32	1,412.04	1,613.76	1,815.48	2,218.92	2,622.36	3,025.80	3,630.96
Sandgate	1,199.72	1,399.67	1,599.62	1,799.57	2,199.48	2,599.38	2,999.29	3,599.14
Hythe	1,189.92	1,388.24	1,586.56	1,784.88	2,181.52	2,578.15	2,974.79	3,569.76
Lydd	1,204.35	1,405.07	1,605.80	1,806.52	2,207.97	2,609.42	3,010.87	3,613.04
New Romney	1,228.82	1,433.62	1,638.42	1,843.22	2,252.83	2,662.43	3,072.04	3,686.44
Acrise	1,152.73	1,344.85	1,536.98	1,729.10	2,113.34	2,497.58	2,881.83	3,458.20
Elham	1,167.42	1,361.99	1,556.56	1,751.13	2,140.27	2,529.40	2,918.54	3,502.26
Elmsted	1,157.79	1,350.75	1,543.72	1,736.68	2,122.61	2,508.54	2,894.47	3,473.36
Hawkinge	1,209.71	1,411.33	1,612.95	1,814.56	2,217.80	2,621.04	3,024.27	3,629.12
Lyminge	1,172.98	1,368.48	1,563.97	1,759.47	2,150.46	2,541.46	2,932.45	3,518.94
Lympne	1,179.00	1,375.50	1,572.00	1,768.50	2,161.50	2,554.50	2,947.50	3,537.00
Monks Horton	1,157.58	1,350.51	1,543.44	1,736.37	2,122.23	2,508.09	2,893.96	3,472.74
Newington	1,180.50	1,377.25	1,574.00	1,770.75	2,164.25	2,557.75	2,951.26	3,541.50
Paddlesworth	1,158.42	1,351.49	1,544.56	1,737.63	2,123.78	2,509.92	2,896.06	3,475.26
Postling	1,163.10	1,356.96	1,550.81	1,744.66	2,132.36	2,520.06	2,907.76	3,489.32
Saltwood	1,167.16	1,361.68	1,556.21	1,750.74	2,139.79	2,528.84	2,917.89	3,501.48
Sellindge	1,192.76	1,391.55	1,590.35	1,789.14	2,186.73	2,584.31	2,981.90	3,578.28
Stanford	1,172.65	1,368.09	1,563.54	1,758.98	2,149.86	2,540.75	2,931.63	3,517.96
Stelling Minnis	1,164.76	1,358.89	1,553.01	1,747.14	2,135.39	2,523.65	2,911.90	3,494.28
Stowting	1,160.39	1,353.79	1,547.19	1,740.59	2,127.39	2,514.18	2,900.98	3,481.18
Swingfield	1,181.93	1,378.92	1,575.91	1,772.90	2,166.88	2,560.85	2,954.83	3,545.80
Brenzett	1,176.56	1,372.66	1,568.75	1,764.84	2,157.03	2,549.22	2,941.41	3,529.68
Brookland	1,191.91	1,390.56	1,589.21	1,787.86	2,185.17	2,582.47	2,979.77	3,575.72
Burmarsh	1,174.18	1,369.88	1,565.58	1,761.27	2,152.67	2,544.06	2,935.46	3,522.54
Dymchurch	1,193.52	1,392.44	1,591.36	1,790.28	2,188.12	2,585.97	2,983.81	3,580.56
Ivychurch	1,185.27	1,382.81	1,580.35	1,777.90	2,172.99	2,568.07	2,963.16	3,555.80
Newchurch	1,173.12	1,368.64	1,564.16	1,759.68	2,150.72	2,541.76	2,932.79	3,519.36
Old Romney	1,151.25	1,343.12	1,535.00	1,726.87	2,110.62	2,494.37	2,878.12	3,453.74
St Mary in the Marsh	1,174.18	1,369.88	1,565.57	1,761.27	2,152.66	2,544.06	2,935.45	3,522.54
Snargate	1,151.25	1,343.12	1,535.00	1,726.87	2,110.62	2,494.37	2,878.12	3,453.74

- 6. To determine that the District Council's basic amount of council tax for 2018/19 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.**

1. INTRODUCTION

- 1.1 This report concludes the budget setting process for 2018/19.
- 1.2 Cabinet considered the Council's final General Fund budget for 2018/19 and the council tax requirement at its earlier meeting on 28 February 2018. Cabinet has approved the General Fund Revenue Budget, a summary of which is included at Appendix 1. The draft budget was subject to review by Overview and Scrutiny Committee on 12 December 2017. It was also published for public consultation during December and January.
- 1.3 This report makes recommendations to enable the Council to set the council tax for each part of its area, after taking into account its council tax requirement for 2018/19 (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity) and the precepts of Kent County Council, the Kent Police & Crime Commissioner and Kent & Medway Fire & Rescue Service. Changes in respect of the major precept assumptions may result in a revised report having to be tabled.
- 1.4 The proposed General Fund budget for 2018/19 results in an increase to the average council tax at Band D of 2.98% to £258.39. This is the amount that Central Government monitors when considering whether any increase in council tax is excessive. The council tax bill separates out the special expenses element for Folkestone and Sandgate payers from this amount.

2. GENERAL FUND REVENUE BUDGET 2018/19

- 2.1 The General Fund budget has been prepared on the basis of the Council's approved Medium Term Financial Strategy (MTFS) and Budget Strategy. It also takes into account announcements, where relevant, in the Chancellor's Autumn Statement; and both the Provisional, and Final Local Government Finance Settlements for 2018/19.
- 2.2 Initially the MTFS projected a shortfall of £574k. This shortfall was increased to £706k by the time the Budget Strategy was approved in November 2017. This work identified significant savings and changes to fees & charges, but unavoidable growth and the temporary accommodation budget pressure lead to an increased deficit being projected at that time. It stood at £853k (or £732k after the use of reserves for financing of fixed assets) when the Draft Budget was approved in December 2017. The Budget that is now presented to Members for approval has been balanced.

General Fund Revenue Budget 2018/19

- 2.3 The 2018/19 budget (excluding town and parish precepts and before any withdrawal from the General Reserve) is £14,364,781 representing a £1,414,969 net decrease compared to the 2017/18 budget of £15,779,750. The budget details are set out at Appendix 1.

- 2.4 The deficit for the year represents a withdrawal from the General Reserve of £0.121m which will be a planned contribution to fund schemes in the approved Medium Term Capital Programme.
- 2.5 The budget requirement for 2018/19 is £14.36m, £1.41m lower than the 2017/18 original budget. This reduction is primarily due to:

	£000
Increase in Head of Service Net Expenditure	1,683
Increase in Drainage Board levy	9
Net decrease in treasury management costs	(300)
Reduction in New Homes Bonus income received	210
Net increase in Other Government Grants	(341)
Increased transfers from Earmarked Reserves	(667)
Reduced contribution to financing of Fixed Assets from revenue	(1,993)
Adjustment to Minimum Revenue Provision	(16)
Total Reduction	<u>(1,415)</u>

Town and Parish Precepts

- 2.6 Town and parish precepts form part of the council tax requirement. Total local council precepts in 2018/19 are £2,283,454 – an increase of £230,540 (11.2%) in cash terms compared to £2,052,914 in the current year. An increase in precepts increases the council tax requirement and affects the average tax calculation; however it is not taken into account by the Government when monitoring ‘excessive’ increases. Town and parish councils are not currently subject to referendums.

Council Tax Requirement

- 2.7 The statutory calculation for the council tax requirement is shown at Appendix 2. This sets out gross expenditure and gross income, including the Housing Revenue Account and overall changes to reserves. The outcome results in recommendations 3(a), (b) and (c).

3. GENERAL FUND REVENUE RESERVES

3.1 The Council's reserves position is shown below:

Reserve	1/4/2017 Balance £000	2017/18 Movement £000	31/3/2018 Balance £000	2018/19 Movement £000	31/3/2019 Balance £000
Earmarked Reserves:					
VET ¹ Reserve	876	(236)	640	28	668
IFRS ² Reserve	67	(18)	49	(11)	38
Corporate Initiatives	754	(439)	315	0	315
New Homes Bonus	2,431	283	2,714	(189)	2,525
Otterpool	1,989	(970)	1,019	(1,019)	0
Carry Forward	1,117	(890)	227	(50)	177
Business Rates	2,682	0	2,682	335	3,017
Economic					
Development	2,027	(150)	1,877	0	1,877
Invest to Save	366	0	366	0	366
Leisure	146	50	196	0	196
Grave Maintenance	12	0	12	0	12
Total Earmarked Reserves	12,467	(2,370)	10,097	(906)	9,191
General Reserve	4,902	(537)	4,365	(121)	4,244
Total General Fund Reserves	17,369	(2,907)	14,462	(1,027)	13,435

¹ VET = vehicles, equipment and technology

² IFRS = International Financial Reporting Standards

3.2 The General Reserve is forecast to be £4.2m by 31 March 2019 on the assumption that in-year budget variances are contained within the overall approved 2018/19 budget. Total General Fund Reserves (General Reserve plus Earmarked Reserves) are forecast to be £13.4m at 31 March 2019.

4. CALCULATING COUNCIL TAX IN RESPECT OF DISTRICT AND PARISH REQUIREMENTS

4.1 The Council must calculate a 'basic amount' of tax for all Band D properties in each part of the district, taking into account not only the net expenditure of the District Council but also the precepts of the town and parish councils and the net expenditure of the Folkestone Parks and Pleasure Grounds Charity, which are charged to their local areas.

4.2 This net expenditure is known as the council tax requirement and is determined after taking in to account retained non-domestic rates, revenue support grant and the Council's share of the Collection Fund surplus. The calculation is set out at section 4.4 below.

4.3 The result of the calculation is divided by the Tax Base to give the tax rate. The Tax Base for 2018/19 of 38,312.22 Band D equivalent properties was approved by Full Council on 17 January 2018.

4.4 The basic amount of tax (average District tax) is as follows:

	£
Expenditure - see Appendix 2	100,643,071
Income - see Appendix 2	<u>(88,459,940)</u>
Council Tax Requirement- demand on the Collection Fund	12,183,131
Divided by Tax Base	\div 38,312.22
Basic amount of Council Tax - average District council tax	<u>£317.99</u>

The calculations for the basic amounts for each part of the District are set out at Appendices 3 and 4.

4.5 The average District council tax for Band D properties, including town and parish precepts, will be £317.99. This is an increase of £12.24 (4.00%) over 2017/18.

4.6 For the purposes of measuring Shepway's council tax increase against the Government's referendum criteria, the amount in respect of town and parish precepts is excluded.

Band D Tax Rates	2018/19	2017/18	Increase
	£	£	(Decrease)
Band D Council Tax - including Town and Parish precepts	317.99	305.75	4.00%
Town and Parish precepts - Band D equivalent	(59.60)	(54.84)	8.67%
Band D Council Tax - excluding Town and Parish precepts	258.39	250.91	2.98%

4.7 The average Council Tax to finance Shepway's net expenditure plans in 2018/19, including Special Expenses, is proposed to increase by 2.98% to £258.39.

4.8 The Council Tax applicable to dwellings in valuation bands other than Band D has been calculated in accordance with the proportions set out in the Act. The result of these calculations is set out in recommendation 3(h).

5. SETTING THE TOTAL AMOUNTS OF COUNCIL TAX FOR EACH PART OF THE DISTRICT

5.1 The final step in setting the council tax is for the Council to aggregate the District council tax with the precepts of Kent County Council, Kent Police and Crime Commissioner and Kent & Medway Fire & Rescue Service. The County and Fire & Rescue precepts remain to be confirmed at the time of preparing this report.

5.2 Kent County Council, the Kent Police & Crime Commissioner and Kent & Medway Fire & Rescue Service plan to issue precepts of £47,418,268; £6,480,512; and £2,892,956 respectively. The County Council's precept includes £2,606,763 for the Adult Social Care precept which will be itemised separately on council tax bills.

5.3 The average total tax at Band D is summarised in the table below, confirming an overall increase of £85.26 (4.97%).

Authority	2018/19 £	2017/18 £	Increase £	Increase %
Shepway DC - including Special Expenses	258.39	250.91	7.48	2.98%
Town and Parish Councils	59.60	54.84	4.76	8.67%
Total District Council	317.99	305.75	12.24	4.00%
Kent County Council	1,237.68	1,178.82	58.86	4.99%
Kent Police Commissioner	169.15	157.15	12.00	7.64%
Kent & Medway Fire & Rescue	75.51	73.35	2.16	2.94%
Total	1,800.33	1,715.07	85.26	4.97%

5.4 Appendix 4 sets out the result of adding the precept figure to the District council tax for each part of the District and Recommendation 5 seeks approval to the council tax for each area analysed over the tax bands.

5.5 The relative elements of the average council tax charge for 2018/19 are as follows:

Council Tax 2018/19 – Band D	2018/19 £	% of total bill
Shepway DC (including Special Expenses)	258.39	14.4%
Town and Parish Councils	59.60	3.3%
Total District Council	317.99	
Kent County Council	1,237.68	68.7%
Kent Police Commissioner	169.15	9.4%
Kent Fire and Rescue Service	75.51	4.2%
Total	1,800.33	

6. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

6.1 The Local Government Act 2003 requires the Council's Chief Finance Officer to give an opinion on the robustness of the budget and adequacy of the reserves. This statement is set out in full at Appendix 5.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (DK)

The Council must consistently comply with the Local Government Finance Act 1992 (as amended) and associated legislation. All the legal issues have been covered in the body of this report.

7.2 Finance Officer's Comments (CS)

This report and appendices cover all financial matters necessary to enable Council to make the determinations in accordance with the Local Government Finance Act 1992 as amended by the Localism Act 2011.

7.3 Diversities and Equalities Implications (CS)

The Equality Impact Assessment is attached at Appendix 6.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Charlotte Spendley, Head of Finance

Telephone: 01303 853420

Email: charlotte.spendley@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

- Budget working papers
- 11 October 2017 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2018/19 to 2021/22
- 15 November 2017 - Reports to Cabinet - Budget Strategy 2018/19 and Fees & Charges 2018/19
- 14 December 2017 - Report to Cabinet - Draft General Fund Original Revenue Budget 2018/19
- 17 January 2018 - Report to Cabinet - Update to the General Fund Medium Term Capital Programme

Appendices:

Appendix 1 - General Fund Budget 2018/19

Appendix 2 - Calculation of District Council's Council Tax Requirement in accordance with Section 31A of the Local Government Finance Act 1992.

Appendix 3 - Calculation of Basic Amounts of Council Tax in accordance with Sections 31B and 34 of the Local Government Finance Act 1992.

Appendix 4 - Council Tax Calculations at Band D for each Area in the District.

Appendix 5 - Robustness of the Estimates and Adequacy of Reserves.

Appendix 6 - Equality Impact Assessment

APPENDIX 1

2016/17		2017/18	2018/19
Outturn		Original Budget	Original Budget
£		(based on £	outturn prices) £
SUMMARY OF NET EXPENDITURE			
Service Heads			
1,073,782	Leadership Support	833,080	912,620
	Corporate Director – Strategic		
220,536	Development	0	253,830
259,617	Communications	240,530	253,770
4,935,378	Head of Democratic Services & Law	4,774,650	4,882,470
2,495,481	Head of HR	962,390	2,459,240
2,380,413	Head of Finance	4,227,010	3,311,828
2,846,092	Head of Communities	2,254,850	2,181,620
828,294	Head of Strategic Development Projects	359,600	1,321,470
542,857	Head of Economic Development	470,740	298,540
814,381	Head of Planning	923,150	765,740
2,504,401	Head of Commercial & Technical Services	2,551,020	2,421,570
-1,738,179	Recharges	-1,980,500	-1,980,500
	Net employee adjustment including vacancy saving target	-224,000	-6000
17,163,053	TOTAL HEAD OF SERVICE NET EXPENDITURE	15,392,520	17,076,198
435,774	Internal Drainage Board Levies	444,272	452,770
241,507	Interest Payable and Similar Charges	526,000	452,210
-948,430	Interest and Investment Income	-451,000	-678,430
-1,949,615	New Homes Bonus Grant	-1,571,779	-1,361,666
-2,320,264	Other non-service related Government Grants	-899,350	-1,240,021
12,622,025	TOTAL GENERAL FUND NET OPERATING EXPENDITURE	13,440,663	14,701,061
1,437,398	Net Transfers to/(from) Earmarked Reserves	-239,843	-906,650
405,134	Minimum Revenue Provision	388,930	373,370
2,190,295	Financing of Fixed Assets	2,190,000	197,000
16,654,852	TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS	15,779,750	14,364,781
1,828,834	Town and Parish Council Precepts	2,052,914	2,283,454
-681,958	Transfer to/(from) the Collection Fund	-203,378	-100,000
-4,613,836	Business Rates Income	-3,747,186	-4,244,104
-1,736,222	Revenue Support Grant	-848,140	-
11,451,670	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND AND GENERAL RESERVE	13,033,960	12,304,131
-10,838,835	Council Tax - Demand on Collection Fund	-11,444,953	-12,183,131
612,835	(SURPLUS) / DEFICIT FOR YEAR	1,589,007	121,000

APPENDIX 2

**CALCULATION OF DISTRICT COUNCIL'S COUNCIL TAX
REQUIREMENT IN ACCORDANCE WITH SECTION 31A
OF THE LOCAL GOVERNMENT FINANCE ACT 1992**

EXPENDITURE (including additions to Reserves and Contingencies)	£	£
1. Gross Revenue Expenditure (excl. Special Items)	96,128,618	
2. Special Items		
a) Special Expenses	531,190	
b) Parish Precepts	2,283,454	
3. Addition to Reserves		
a) New Homes Bonus Reserve	1,024,771	
b) Vehicles, Equipment and Technology	144,341	
c) Business Rates	334,567	
4. Allowance for contingencies in the year	196,130	
TOTAL EXPENDITURE Recommendation 3(a)		100,643,071
<hr/>		
INCOME (including use of Reserves)		
1. Gross Revenue Income	(85,372,610)	
2. Use of Reserves		
a) Vehicles, Equipment and Technology Reserve	(116,000)	
b) Carry Forwards Reserve	(50,000)	
c) IFRS Reserve	(11,480)	
d) New Homes Bonus Reserve	(1,214,000)	
e) Otterpool	(1,018,850)	
f) Housing Revenue Account	(456,000)	
g) General Reserve	(121,000)	
3. Transfer of share of Collection Fund surplus	(100,000)	
TOTAL INCOME Recommendation 3(b)		(88,459,940)
<hr/>		
COUNCIL TAX REQUIREMENT Recommendation 3 (c)		12,183,131
<hr/>		

**CALCULATION OF BASIC AMOUNTS OF COUNCIL TAX
IN ACCORDANCE WITH SECTIONS 31B AND 34
OF THE LOCAL GOVERNMENT FINANCE ACT 1992**

1. BASIC AMOUNT OF TAX			
a) Council Tax Requirement			£12,183,131
	Recommendation 3(c)		
b) Divided by Tax Base			38,312.22
c) Basic amount of Tax			£317.99
	Recommendation 3(d)		
2. BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH NO SPECIAL ITEMS RELATE			
a) Basic amount of tax			£317.99
	Recommendation 3(d)		
b) Special Expenses	£531,190		
c) Parish Precepts	£2,283,454		
d) Special Items	£2,814,644		
	Recommendation 3(e)		
e) Divided by Tax Base	38,312.22	(£73.46)	
f) Basic Amount of Tax for Areas with no Special Items			£244.53
	Recommendation 3(f)		
	See Appendix 4 for individual parishes		
3. BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH SPECIAL ITEMS RELATE			
a) Basic Amount of Tax for Areas with no Special Items			£244.53
	Recommendation 3(f)		
b) Special Items for each individual area of the District	£X		
c) Divided by Tax Base for each individual area of the District		Y =	£Z
d) Basic Amount of Tax for Areas with Special Items			£244.53 + £Z
	Recommendation 3(g)		
	See Appendix 4 for individual parishes		

APPENDIX 4

COUNCIL TAX CALCULATIONS AT BAND D FOR EACH AREA IN THE DISTRICT

Area	Precepts	+ F/stone Parks Charity	= Special Items	÷Tax Base	= Council Tax for Special Items	+ Council Tax for General Items	= District* Council Tax	+ KCC, Police and Fire Precepts	= Total Council Tax
	£	£	£		£	£	£	£	£
Folkestone	786,950	467,905	1,254,855	14,161.17	88.61	244.53	333.14	1,482.34	1,815.48
Sandgate	75,968	63,285	139,253	1,915.34	72.70	244.53	317.23	1,482.34	1,799.57
Hythe	353,872		353,872	6,100.59	58.01	244.53	302.54	1,482.34	1,784.88
Lydd	170,970		170,970	2,146.45	79.65	244.53	324.18	1,482.34	1,806.52
New Romney	309,507		309,507	2,660.05	116.35	244.53	360.88	1,482.34	1,843.22
Acrise	200		200	89.81	2.23	244.53	246.76	1,482.34	1,729.10
Elham	17,760		17,760	732.18	24.26	244.53	268.79	1,482.34	1,751.13
Elmsted	1,500		1,500	152.88	9.81	244.53	254.34	1,482.34	1,736.68
Hawkinge	260,811		260,811	2,974.10	87.69	244.53	332.22	1,482.34	1,814.56
Lyminge	38,098		38,098	1,168.67	32.60	244.53	277.13	1,482.34	1,759.47
Lympne	26,339		26,339	632.73	41.63	244.53	286.16	1,482.34	1,768.50
Monks Horton	597		597	62.82	9.50	244.53	254.03	1,482.34	1,736.37
Newington	6,500		6,500	148.12	43.88	244.53	288.41	1,482.34	1,770.75
Paddlesworth	200		200	18.58	10.76	244.53	255.29	1,482.34	1,737.63
Postling	2,000		2,000	112.44	17.79	244.53	262.32	1,482.34	1,744.66
Saltwood	9,500		9,500	398.05	23.87	244.53	268.40	1,482.34	1,750.74
Sellindge	40,280		40,280	646.87	62.27	244.53	306.80	1,482.34	1,789.14
Stanford	6,000		6,000	186.87	32.11	244.53	276.64	1,482.34	1,758.98
Stelling Minnis	5,565		5,565	274.53	20.27	244.53	264.80	1,482.34	1,747.14
Stowting	1,650		1,650	120.28	13.72	244.53	258.25	1,482.34	1,740.59
Swingfield	22,296		22,296	484.39	46.03	244.53	290.56	1,482.34	1,772.90
Brenzett	5,100		5,100	134.30	37.97	244.53	282.50	1,482.34	1,764.84
Brookland	10,000		10,000	163.95	60.99	244.53	305.52	1,482.34	1,787.86
Burmarsh	3,899		3,899	113.33	34.40	244.53	278.93	1,482.34	1,761.27
Dymchurch	83,000		83,000	1,308.86	63.41	244.53	307.94	1,482.34	1,790.28
Ivychurch	4,842		4,842	94.89	51.03	244.53	295.56	1,482.34	1,777.90
Newchurch	4,050		4,050	123.45	32.81	244.53	277.34	1,482.34	1,759.68
Old Romney	-		-	83.95	-	244.53	244.53	1,482.34	1,726.87
St Mary in the Marsh	36,000		36,000	1,046.51	34.40	244.53	278.93	1,482.34	1,761.27
Snargate	-		-	56.06	-	244.53	244.53	1,482.34	1,726.87
	2,283,454	531,190	2,814,644	38,312.22					

*Recommendation 3(f) and 3(g)

ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

Introduction

The council has a legal duty to produce a balanced budget and must take all reasonable factors into account when doing so. Under the Local Government Act 2003 section 25(1) (b), the Chief Finance Officer (CFO) must advise the council about the **robustness of the budget** and the **adequacy of the council's reserves** when it considers its budget and council tax. The Act requires Members to have regard to this report in making their decisions.

As the council's CFO, I confirm that in my opinion the draft budget is robust and the proposed level of reserves is adequate in respect of the proposed budget for 2018/19. The reasons for this opinion are set out below.

Members should note that if they wish to depart from or amend the draft Budget, the comments within this Appendix may require revision.

Background

In December 2011, CIPFA sent a letter to all CFOs highlighting their legal duties in respect of setting the budget. The letter was sent in the context of the challenges local authorities and CFOs were facing as a result of unprecedented pressure on local authority budgets

These challenges are still with us. The Local Government Finance Settlement figures for 2018/19 – 2019/20 (issued on 19 December 2017) were a continuation of the government's 4 year funding settlement and continued the reduction of funding for Local Authorities through the Revenue Support Grant (RSG). It is expected that 2018/19 will be the final year of this grant.

Despite the challenges, over recent years, through sound and robust financial management, the council has maintained its financial position. As a result, the council is able to propose a balanced budget for 2018/19 and is forecast to have reserves above minimum levels at 31 March 2019.

In addition to balancing the annual budget, the council has been able to increase its focus on the longer term financial implications as set out in its Medium Term Financial Strategy (MTFS) approved by Members in October 2017. The MTFS covers a four year horizon to 2021/22 focusing on the council's future financial sustainability to enable it to deliver the strategic objectives set out in the Corporate Plan. The MTFS has been used to inform the 2018/19 Budget setting process.

However, whilst the council remains in a relatively strong financial position, the rapidly changing environment for local government, particularly in relation to moving away from Government grant to local taxation funding, brings increased financial uncertainty. This inevitably results in a greater degree of estimation in the calculations for the Budget and MTFS, which means that a risk-based approach to assessing the robustness of estimates and the adequacy of reserves, is crucial.

Robustness of the Estimates

In assessing the robustness of the estimates this statement looks at the key factors and risk areas associated with the proposed 2018/19 budget and how they have been and can be managed.

The MTFS

In considering the budget calculations for 2018/19 regard should be had to the medium term financial position of the council. The outlook for local government financing remains challenging over the next few years.

Moreover, there are a number of significant areas of change that currently cannot be fully quantified but will have potential financial impact over the planning period, including the proposed move to 75% business rate retention by the end of the Parliament and the recently commenced Fair Funding Review. At this stage it is not possible to estimate the impact of this on the Council until further detail is provided.

The council has various strategies in place to address the medium term funding gap. The multi-pronged approach to achieving a balanced position is set out in the MTFS and Budget Strategy. Specific initiatives include:

- the Transforming Shepway Programme
- the council's regeneration and housing company, Oportunitas
- a range of Strategic Development Projects
- continued emphasis on economic development and building more homes
- the use of reserves to ensure future financial sustainability.

The Government's new guidance on the flexible use of capital receipts which have been extended for a further 3 years will enable local authorities to fund expenditure costs incurred on transforming or improving service delivery designed to generate ongoing revenue savings through capital receipts.

Development of Budgets

The MTFS 2018/19 to 2021/22 was presented to Cabinet and approved by Full Council in October 2017 and the 2018/19 Budget Strategy was approved by Cabinet in November 2017. Prior to this, both were subject to scrutiny by the Overview & Scrutiny Committee.

In December 2017 the 2018/19 General Fund Draft Budget was examined in detail by the Overview & Scrutiny Committee, together with the proposed 2018/19 Fees and Charges. The HRA Revenue and Capital budgets and the Medium Term Capital Programme were also presented for scrutiny in December 2017. The Committee focused in particular on challenging the major budget variations in income and expenditure.

The conclusion of the formal budget process takes place on 28 February 2018 when the General Fund Budget and council tax requirement are considered for approval by Full Council following a final update report to Cabinet.

This report is the culmination of the budget process; detailed work has taken place behind the scenes with finance officers, budget holders, heads of service

and CMT to ensure the budget estimates are robust. In addition to this there have been regular updates to Informal Cabinet.

The budget-setting process commenced during spring 2017 and was then revisited during the summer when detailed budget guidelines covering the General Fund, HRA and Capital Programme were issued. This ensured that a consistent approach was used in preparing the budget estimates. During the summer Finance staff worked with Heads of Service and budget holders to build the base budget, including realignment of budgets to reflect approved in-year changes. Staff establishment budgets were prepared based on the approved structure for each cost centre on a post by post basis; growth and efficiency proposals were scrutinised and challenged by finance officers and CMT, and a rigorous process was carried out in relation to setting the 2018/19 fees and charges.

Past experience, combined with an assessment of future risks, provides a sound basis for determining the robustness of estimates. Given the context of significant underspends in previous years and the requirement to make savings going forward, the Corporate Management Team (CMT) undertook a rigorous review of all service budgets with Heads of Service and their budget holders. The review focused on past spending trends, as well as current projections for income and expenditure, with a view to identifying where efficiencies and/or savings could be made through reducing expenditure and increasing income, or where budgets required 'right-sizing'.

The budget estimates necessarily include assumptions around a number of key factors. The process for determining the 2018/19 budget has again required the majority of budgets to be cash limited. The only budgets that have been adjusted for inflation are salaries and existing inflationary commitments in relation to contracts. A 1.5% provision for pay awards has been held centrally.

Where appropriate, external advice has been sought in setting budget estimates, for example, the advice of the council's treasury management advisers has been used in determining the interest received and payable on investments and loans.

Estimates have also taken account of the financial implications of the council's Capital Programme and the level of financing required to meet the expenditure demanded. The capital programme is fully funded as presented to Members. This is based on the use of reserves and the investment of future income streams.

It is worth commenting that the Council has ambitious plans for the future of the district and in particular the development of the Otterpool Park Garden Town. This is a long term project which has the potential to offer significant rewards for the council. However, it is likely to require significant investment over a long period and the risks of this will need to be managed robustly in the future in order to realize the benefits of the garden town proposal.

Savings proposals

A risk based approach is particularly important when it comes to the delivery of savings contained within budgets. 2018/19 service budgets have been prepared after taking into account £0.593m budget savings that were approved by Cabinet in November 2017. Various growth items of £312,700 were approved as part of

this and an extra £500,000 for increased costs in bed and breakfast and homelessness pressures.

Funding Assumptions

Following the Government's introduction of the Business Rates Retention Scheme in 2013/14, the council's funding is no longer solely based on a guaranteed amount of grant. Business rates funding is dependent on the council's ability to retain and grow its business rates base. As a result, estimates have had to be made for the level of income taking into account various assumptions about the number of businesses, appeals against ratable values and levels of collection. I am satisfied that the estimates and assumptions used are reasonable based on the information available to the council at the current time. However, the degree of volatility in business rates is difficult to predict and it is important to note that the council has balances within the business rates reserve to help mitigate against subsequent adverse changes. It should also be noted that the Council is included within the successful business rates pilot for Kent and Medway.

The budget has been prepared based on a council tax increase of 3%; (to be approved by full Council). The proposed increase is within the Government's cap. Collection rates have been prudently estimated based on current collection levels.

Mitigating Risks

To assist with mitigating the risks associated with budget preparation there is a CMT contingency within the budget to allow for unforeseen events and to assist with ensuring corporate priorities are delivered.

Robust and timely monitoring of key savings delivery plans will continue to be carried out throughout the year.

Stringent budget monitoring will continue to be undertaken, with particular emphasis being placed on monitoring income targets, salary costs, high-risk expenditure items and volatile funding sources. Prompt responses to in-year projected deficits will be demanded by Cabinet Members and Senior Officers. The financial monitoring system covers both revenue and capital expenditure and work is being undertaken to bring forward and continually improve the budget preparation process.

Both the understanding of the council's financial position and the commitment to ensure delivery of balanced budgets will continue to be developed across all service areas enabling the council to be more effective in its financial planning and management. Ongoing training is being provided together with training events on specific topics. In addition, the finance team continues to focus on ensuring that its customers receive relevant, timely, professional and accurate information and that any projected overspends can be identified early on and addressed promptly.

Conclusion

In conclusion, therefore, the 2018/19 General Fund estimates are considered to be robust on the basis that a rigorous process has been applied in setting the estimates and that:

- Stringent monitoring, together with prompt responses to variances is actioned

- Total net expenditure is maintained within approved budgets, and
- Early consideration is undertaken to set out the strategy for addressing future years funding shortfalls

4. Adequacy of Reserves

The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). The level of working balances and reserves held by a council is not prescribed. The minimum prudent level of reserves that the council should maintain is a matter of judgment.

The current approach of the council reflects the guidance issued within LAAP Bulletin 99. This sets out that reserves should be held for three main purposes:

- a **working balance** to help cushion the impact of uneven cash flows and avoid the need for temporary borrowing;
- a **contingency** to cushion the impact of unexpected events or emergencies;
- **earmarked reserves** to meet known or predicted requirements.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem, or a series of events, the council could be forced to cut spending during the year in a damaging and arbitrary way.

The council reviews annually the adequacy of the reserve levels taking into account the council's exposure to risk, the systems of internal control, the robustness of the estimates, adequacy of financial management arrangements, our track record on budget monitoring, the strength of financial reporting, capacity to manage in year budget pressures and cash flow requirements to determine appropriate levels for the reserves. The monitoring and control systems in place are robust and identify at an early stage any significant variations within the council's activities.

Having considered these risks within the review undertaken last year, the conclusion is that minimum levels should remain as currently specified within the Medium Term Financial Strategy.

The council has other reserves ear-marked for specific purposes. These are currently under review in order to ensure the optimal use of reserves. Details of these reserves and forecast balances can be found in the General Fund Budget and Council Tax Requirement 2018/19 report.

Tim Madden CPFA (Chief Finance Officer)
7 February 2018

EQUALITY IMPACT ASSESSMENT

Directorate: Organisational Change
Service: Finance

Accountable Officer: Tim Madden
Telephone & e-mail: 01303 853371 tim.madden@shepway.gov.uk

Date of assessment: 6 February 2018

Names & job titles of people carrying out the assessment:
Charlotte Spendley, Head of Finance

Name of service/function/policy etc: General Fund Revenue Budget 2018/19

Is this new or existing? Annual production of Council's General Fund Budget and Council Tax Setting.

Stage 1: Screening Stage

1. Briefly describe its aims & objectives

The council's Corporate Plan informs preparation of the Medium Term Financial Strategy (MTFS) and Budget Strategy which underpin preparation of the General Fund Revenue Budget each year.
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The Budget is the detailed financial plan of how the council will operate its day to day activities to achieve corporate objectives.
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2. Are there external considerations? (legislation/government directive etc.)

The council is required comply with the Local Government Finance Act 1992 (as amended) and associated legislation when setting the budget and council tax. The position is also informed by the Local Government Settlement, which this year was provisionally announced on 22 December 2017.

3. Who are the stakeholders and what are their interests?

The main stakeholders are local taxpayers, the electorate, Members and central government.
--

The General Fund budget report sets out planned expenditure and income for day to day service delivery activities. It informs taxpayers and the electorate about how council tax, government grants, business rates and other sources of income are utilised. It enables them to see in financial terms how Corporate Plan objectives will be delivered and how the council will deliver services and statutory functions during the year.
--

Members approve the budget and council tax. Their responsibility is to ensure that there are adequate resources to deliver policies and services and that approved budgets are used for the specified purpose. Stakeholders are consulted during budget-setting and may challenge the council if they identify any matters of concern in how these responsibilities are fulfilled.

Actual expenditure and income compared to the approved budget is monitored on a monthly basis throughout the year and is reported to Members every quarter. The approved budget is also reported to Central Government via an annual return.

4. What outcomes do we want to achieve and for whom?

The aim is to achieve a balanced budget that reflects the Medium Term Financial Strategy and Budget Strategy to satisfy the stakeholders as identified in 3. Also to ensure that the council’s statutory responsibilities are fulfilled.

5. Has any consultation/research been carried out?

Yes.

Internally - consultation took place with the Corporate Management Team (CMT), Cabinet Members, Heads of Service and budget managers through their involvement in setting strategies. This informs the MTFS, the Budget Strategy, the annual budget and the fees & charges strategy. Heads of Service/budget managers are also asked to align their budget and service plans annually. Budget Managers and Heads of Service contribute towards the agreed growth and savings identified within both the budget strategy & detailed budget proposed. The budgets are set in consultation with budget managers and signed off by service heads. Ultimately the budget is reviewed by CMT, Overview & Scrutiny Committee and Cabinet before being approved by Full Council.

Externally - during December & January the Council undertook budget consultation with key stakeholder representatives. The target audience and communication channels included:

Group	Channel
Residents	<ul style="list-style-type: none"> • Council website • Dedicated e-mail address • Option to receive/submit information by post
Business Community	<ul style="list-style-type: none"> • Attendance at Shepway Business Advisory Board
Other Community Groups	Direct engagement with: <ul style="list-style-type: none"> • Community Safety Partnership • Shepway Homelessness Forum • Shepway Employment and Training Forum • Voluntary and Community Sector Forum • Youth Advisory Group

6. Are there any concerns at this stage which indicate the possibility of inequalities/negative impacts? (Consider and identify any evidence you have - equality data relating to usage and satisfaction levels, complaints, comments, research, outcomes of review, feedback and issues raised at previous consultations, known inequalities) If so please provide details.

All these considerations will have been taken into account when EIAs have been completed by Service Heads for strategies that affect their services. Any negative impacts will have been reviewed at that stage.

The process for EIAs is part of the annual service planning process and all completed EIAs are coordinated centrally.

In addition, all reports to CMT, Cabinet and Council require implications to be considered – this includes financial implications.

7. Could a particular protected characteristic be affected differently in either a negative or positive way? (Positive – it could benefit, Negative – it could disadvantage, Neutral – neither positive nor negative impact or Not sure?)

	Type of impact, reason & any evidence
Disability	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Race (including Gypsy & Traveller)	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Age	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Gender	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Transgender	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Sexual Orientation	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Religion/Belief	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Pregnancy & Maternity	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.

Marriage/ Civil Partnership Status	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
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8. Could other socio-economic groups be affected e.g. carers, ex-offenders, low incomes?

Yes – This will have been considered through the Corporate Plan and individual strategies and service plans before they are included in the budget.

9. Are there any human rights implications?

Potentially although these will have been considered through the Corporate Plan and individual strategies and service plans before they are included in the budget.

10. Is there an opportunity to promote equality and/or good community relations?

Yes – This will have been considered through the Corporate Plan and individual strategies and service plans before they are included in the budget

11. If you have indicated a negative impact for any group is that impact legal? (not discriminatory under anti-discrimination legislation)

Not applicable

12. Is any part of this policy/service to be carried out wholly or partly by contractors?

No

Please note that normally you should proceed to a Stage 2: Full Equality Impact Assessment Report if you have identified actual, or the potential to cause, adverse impact or discrimination against different groups in the community. (Refer to Quick Guidance Notes at front of template document)

13. Is a Stage 2: Full Equality Impact Assessment Report required?

No

14. Date by which Stage 2 is to be completed and actions

N/A

Please complete

This Report will be made public on 20 February 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **A/17/25**

To: Council
Date: 28 February 2018
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Members: Councillor Malcolm Dearden, Cabinet Member for Finance and
Councillor Alan Ewart-James, Cabinet Member for Housing

SUBJECT: HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL ORIGINAL BUDGET 2018/19

SUMMARY: This report sets out the Housing Revenue Account Revenue and Capital Budget for 2018/19 and proposes a decrease in rents and an increase in service charges for 2018/19.

REASONS FOR RECOMMENDATION:

Council is requested to agree the recommendations set out below as the Local Government Housing Act 1989 requires the Council, as a Local Housing Authority, to keep a separate Housing Revenue Account and to produce estimates to ensure that the account does not go into deficit. The authority also has a duty to set and approve rents in accordance with government guidelines that are outlined in the self financing determination. The Constitution requires that the annual Budget and any variations to the Budget are approved by Council.

RECOMMENDATIONS:

1. To receive and note Report C/17/25.
2. To approve the Housing Revenue Account Budget for 2018/19. (Refer to paragraph 2.1 and Appendix 1)
3. To approve the decrease in rents of dwellings within the HRA on average by £0.84 per week, representing a 1.0% decrease with effect from 2 April 2018. (Refer to paragraph 3.2)
4. To approve the increase in service charges. (Refer to section 3.5)
5. To approve the Housing Revenue Account Capital Programme budget 2018/19. (Refer to paragraph 4.1 and Appendix 2)

1. INTRODUCTION

- 1.1 The Housing Revenue Account (HRA) is a ring-fenced account and is outlined and projected within the HRA Business Plan. The HRA Business Plan determines HRA budget setting as estimates need to be closely aligned to the model to ensure that the HRA remains financially viable.
- 1.2 The Reform of Council Housing Finance came into effect from 1 April 2012, and significantly brought an end to the subsidy system where authorities such as Shepway made a contribution to the national pot. Instead, authorities are now part of the self-financing arrangements following a re-distribution of the national housing debt and the abolition of rent restructuring.

2. HOUSING REVENUE ACCOUNT REVENUE ESTIMATES

2.1 Original Budget 2018/19

The proposed HRA Budget for 2018/19, at Appendix 1, shows a forecast deficit of £456k. This is in line with the agreed HRA Business Plan which will continue to fluctuate from year to year, depending on the profile of the stock, size of the new build programme and the resources available. The year end HRA revenue reserve balance as at 31 March 2019 is expected to be £6.145m as shown at Table 1 below.

Table 1	£000's
Original estimate of balance at 31 March 2018	(6,601)
Movement from Original to Original budgets	
Decrease in depreciation costs (see 2.1.2)	(344)
Decrease in revenue contribution to capital expenditure (see 2.1.3)	(195)
Decrease in loan charges interest (see 2.1.4)	(80)
Decrease in rents and other service charges due to annual rent setting (see 2.1.5)	212
Increase in repairs and maintenance	53
Increase in special management costs	24
Other minor changes	7
	(323)
Deficit 2017/18	779
Original estimate of balance at 31 March 2019	(6,145)

2.1.1 HRA Revenue budget

The HRA revenue budgets are reflected in the HRA business plan. The business plan sets out the Council's income and expenditure plans for its landlord service over a 30 year period, including the capital costs of maintaining the decent homes standard and of any additional improvements agreed with tenants.

2.1.2 Depreciation costs

The decrease in depreciation costs relates to the combined decreases of depreciation on HRA dwellings and non-HRA dwellings. This is mainly due to having to charge the real depreciation cost to the HRA instead of using the Major Repairs Allowance as a proxy for depreciation which has been allowed and used in previous years.

2.1.3 Revenue Contribution to Capital

The amount of revenue contribution to capital will change from year to year depending on the profile of the new build/acquisition programme. This is reflected within the HRA Business Plan which was agreed by Cabinet on 23 March 2016.

2.1.4 Loan charges interest

The loan charges interest has reduced due to the average value of loans held for the HRA being lower in 2018/19 reflecting the maturities in 2017/18.

2.1.5 Rents

As part of the Summer Budget 2015 the Chancellor announced that rents in social housing would be reduced by an average of 1% a year for four years from April 2016.

The decrease in rents within the HRA revenue budget shows the impact of this change (see 3.2 below).

2.1.6 East Kent Housing (EKH) Management Fee

EKH have frozen the 2018/19 management fee and absorbed any inflation and contractual incremental increases in salaries within the base budget through identifying efficiencies.

Therefore, the total budget for the management fee in 2018/19 is £1,974,060.

2.2 HRA Reserve Balances

HRA Reserve – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan. The actual reserve balance on the HRA at the start of 2017/18 was £7.380m, this has increased due to the planned accumulation of balances to help fund the future new build programme. Table 2 below shows the estimated HRA balances to 31 March 2019.

<i>Table 2</i>	2017/18	2018/19
	£000's	£000's
Balance as at 1 April	7,380	6,601
Balance as at 31 March	6,601	6,145

The HRA reserve is expected to reduce by £456k from the close of 2017/18 and the end of the financial year 2018/19.

The changes with the introduction of Self-Financing have significantly increased the flexibility for the Council to manage the resources and debts within the HRA to best meet the needs of existing and future tenants. The estimated HRA balances, set out in table 2, are above the revised recommended minimum balance, which is £2m.

Major Repair Reserve (MRR) – This reserve is derived from the transfer of the depreciation charge from the revenue account and can be used to fund major repairs for capital expenditure or debt repayment. The Council's Business Plan requires that the reserve is allocated to fund capital expenditure. The proposed HRA capital programme should leave the Major Repairs Reserve with a nil balance. This is in line with the practice adopted by the Council in previous years, of using the Major Repairs Reserve in the year it is received.

3. RENT SETTING GUIDANCE & RENTS

3.1 Rent Guidance – National context

The purpose of this Government initiative, re-introduced in 2015/16, is to provide a consistent basis for the setting of local authority and Registered Social Landlords (RSLs) rents at an affordable level. Government rent policy aims to provide a closer link between the rent and the qualities tenants value in a property, and to reduce unjustifiable differences between rents set by Councils and by RSLs. The current self-financing business plan is based on continuing to adopt the government's rent policy.

3.2 Rent Decrease – Local context

In line with last years approved report, Housing Services will be charging the 'formula rent'¹ when a property is re-let to a new tenant and service charges that fall under utilities will be charged at the 'actual' cost on new lets.

The proposed decrease of 1%, in line with Government guidelines, equates to a decrease of £0.84 per week or £42.00 per annum. This gives an average rent of £86.35 (over 50 weeks) in 2018/19 (average rent in 2017/18 is £87.18). This decrease in rents is a reduction of approximately £141k in 2018/19 and has been factored into the latest approved HRA business plan.

The proposed decrease will keep our average rent below the Limit Rent set by the Government, therefore avoiding any Housing Benefit rebate costs.

¹ *The 'formula rent' is the amount an individual rent can be set at before taking into account the rent restructuring restrictions and maximises the rental income received without penalising any individual.*

3.3 New Build rents

In line with proposals set out in the Council's current HRA Business Plan, the rents for any new homes will be set at affordable rent levels. Affordable rents are defined as being a maximum of 80% of the prevailing average market rent for the area and should be no more than the prevailing local housing allowance (LHA) rates for the area to ensure that properties remain affordable.

The local housing allowances rates for 2018/19 will not be available until late January/February 2018. LHA rates for the area have not changed significantly over the last two years. The indicative 2018/19 affordable rents for the Shepway area are as follows:

Bedsits	£59.09 per week
1 bedroom houses	£86.30 per week
2 bedroom houses	£115.07 per week
3 bedroom houses	£143.84 per week
4 bedroom houses	£168.00 per week

3.4 Rent Comparisons

The table below compares Shepway's average weekly rent to that of other authorities in Kent.

<i>Table 3</i>	Average weekly rent over 52 weeks (2018/19) £	Difference between SDC and other authorities £
Shepway	83.03	-
Dover	84.11	1.08
Canterbury	89.82	6.79
Thanet	80.32	(2.71)

- Subject to Dover, Canterbury and Thanet's approval at their own Council meetings.

3.5 Service Charges

3.5.1 General Service Charges

The general principle for service charges for tenants is that they are set to recover the costs of the service they fund. However, the government also limits increases in service charges to the Consumer Price Index (CPI) plus 1.0% per annum as part of rent setting guidance. The CPI for September 2017 was 3.0%, CPI plus 1.0% is therefore 4.0%. As a result general

service charges within the HRA will increase by 4.0% with effect from 2 April 2018.

Local authorities can increase charges above this level where costs are increased that are beyond the authorities' control. Utility charges, such as heating and hot water in sheltered housing schemes are an example where this applies. Proposals for these charges for 2018/19 are set out in 3.5.2 below.

3.5.2 Heating charges in Sheltered Housing

Residents in 12 of the Council's sheltered housing schemes have heating and hot water provided to their flats by communal systems. Charges are made for this service based on the floor area of each flat.

As set out within last years report, over time fuel costs have increased significantly above the rate of inflation, so that the charges raised for this service no longer cover the costs. Therefore, the proposed charges for this service towards the actual cost of providing the service are in line with those agreed last year. This continued move to full cost recovery would result in some tenants facing significant increases and it is therefore proposed to set charges that provide some interim protection against the highest increases.

Following the same approach as previous years it is recommended that the 2018/19 service charges for heating and hot water in sheltered housing schemes should be set at actual cost or 10% increase, subject to the following limits:

- Bedsit flats £17.40 per week (£870 per year)
- 1 bed flats £19.40 per week (£970 per year)
- 2 bed flats £21.30 per week (£1,065 per year)

A few charges are already set above these levels, and these should be frozen at current levels for 2018/19.

These changes will reduce the amount the HRA subsidises tenants' heating charges to £4,000 in 2018/19 compared to £6,000 in 2017/18.

3.5.3 Leaseholder electrical maintenance

The Council provides an electrical maintenance service to all of the communal areas in blocks of flats, which is delivered through the responsive maintenance contract. The cost of this element of the service equates to £40 per visit per block. This covers silent testing of fire alarms, checking of any emergency lighting circuits and checking and replacing bulbs, as well as the first call-out on any electrical installations, such as door entry systems and communal TV aerials.

These charges are covered within the basic rent for all tenants. However, leaseholders who live in blocks that receive this service are recharged a proportion of the cost. There are 94 leaseholders that receive this service.

4. HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

4.1 Original Budget 2018/19

The proposed HRA Capital Budget for 2018/19, shown in Appendix 2, is £8.574m. Table 4 below shows the movements in the programme from the 2017/18 original budget to the original budget for 2018/19.

<i>Table 4</i>	£000's
Original estimate 2017/18	8,098
Reductions in programme	
External Enveloping (see 4.1.1)	(260)
Environmental Works (see 4.1.2)	(175)
Heating Improvements (see 4.1.3)	(135)
Lift Replacements (see 4.1.4)	(100)
Void Capital works	(50)
Sheltered Scheme upgrades	(30)
New Build programme (see 4.1.5)	(28)
Garages Improvements	(15)
Increases in programme	
Fire Protection works (see 4.1.6)	859
Rewiring (see 4.1.1)	200
Replacement Windows and Doors (see 4.1.1)	160
Disabled Adaptations (see 4.1.7)	50
Total increase in expenditure	476
Original estimate 2018/19	8,574

4.1.1 Stock Condition Survey (External Enveloping, Rewiring & Replacement Windows and Doors)

In Spring 2017 East Kent Housing commissioned RAND Associates to undertake a stock condition survey of 30% to identify works required to the council housing stock and to plan the investment needs over the next 30 years. This data has been used to inform the budget setting for 2018/19 showing a decrease in External Enveloping and an increase in the budget for both Replacement Windows & Doors and Rewiring.

The budgets needed across the capital programme will change from year to year depending on the profile of the stock condition data.

4.1.2 Environmental Works

The previously anticipated use of the Environmental Works budget for aspects of the new build programme for the use on HRA land is no longer required due to the new build programme using larger non-HRA sites to develop on.

4.1.3 Heating Improvements

The decrease in heating improvements is due to the number of boilers that need replacing being less than the previous year due to a re-appraisal of the programme identifying suitable candidates.

4.1.4 Lift Replacement

There are no lift replacements required in 2018/19.

4.1.5 New Builds

The budget required for the new build programme will vary from year-to-year depending on the profile of the programme.

This is reflected within the HRA Business Plan which was agreed by Cabinet on 23 March 2016 and stated that 200 new homes would be delivered over a 10 year period.

Table 5 below shows the original profile of the new build/acquisitions programme over a 10 year period.

<i>Table 5</i>	2015/16	2016/17	2017/18	2018/19	2019/20
	Year 1	Year 2	Year 3	Year 4	Year 5
New builds/acquisitions	20	20	45	42	26
	2020/21	2021/22	2022/23	2023/24	2024/25
	Year 6	Year 7	Year 8	Year 9	Year 10
New builds/acquisitions	27	17	4	4	1

All of the new build options will be subject to a detailed viability appraisal to ensure they meet the requirements of the HRA Business Plan.

4.1.6 Fire Protections works

East Kent Housing has undertaken new Type 3 Fire Risk Assessments of the blocks of flats within the Shepway area which have included assessing 10% of the flats within each block. The recommendations arising from this are in the process of being analysed and prioritised for completion in 2018/19 however, early indications show the need for a substantial increase in the budget. Where there is no demand or a low priority for works in other areas the budgets have been reduced to help fund the fire risk assessment works.

4.1.7 Disabled Adaptations

The increase in disabled adaptations is due to a one-off major adaptation which includes the conversion of an outhouse to a flush floor shower room and internal alterations to a property.

4.1.6 The HRA capital programme budgets are reflected in the HRA Business Plan, including the capital costs of maintaining the decent homes standard and of any additional improvements agreed with tenants.

4.2 HRA Reserve Balances

HRA Reserve – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan.

The following table shows the required resources to finance the original budget for 2017/18 and original budget for 2018/19 for the HRA capital programme.

<i>Table 6</i>	Major Repairs Reserve	Use of RTB Capital Receipts	Revenue Contribution	Total
	£000's	£000's	£000's	£000's
Original budget 2017/18	2,820	1,516	3,762	8,098
Original budget 2018/19	3,500	1,507	3,567	8,574

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
East Kent Housing management fee variation	Medium	Low	Officers are ensuring that the rules laid out in the management agreement are followed.
Budget not achieved	High	Low-Medium	Stringent budget monitoring during 2018/19 enabling early corrective action
Additional staffing resources required in relation to new build programme	Medium	Medium-High	Time recording analysis to be undertaken throughout 2018/19 to monitor impact

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (DK)

There are no legal implications arising from this report.

6.2 Finance Officer's Comments (LH)

All financial effects are included in this report.

6.3 Diversities and Equalities Implications

This report is in line with the Council's Diversity and Equality policies.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

This report has been prepared by:

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Adrian Hammond, Housing Strategy Manager
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The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix 1 - HRA Revenue Budgets

Appendix 2 - HRA Capital Programme

HOUSING SERVICES

ANNUAL ESTIMATES 2018/19

Actual 2016/17 £	<u>HOUSING REVENUE ACCOUNT</u>	Original 2017/18 £	Estimate 2018/19 £
	<u>INCOME</u>		
14,820,687	Dwelling rents	14,648,980	14,436,600
352,605	Non-dwelling rents	351,920	357,160
946,430	Other charges for services and facilities	978,980	983,170
50,300	Contributions from general fund	52,200	52,200
16,170,022	TOTAL INCOME	16,032,080	15,829,130
	<u>EXPENDITURE</u>		
2,840,513	Repairs and maintenance	3,279,450	3,332,530
3,018,933	General management *	3,110,460	3,118,610
999,885	Special management *	1,020,370	1,044,910
22,238	Rents, rates & taxes	22,750	21,750
43,680	Increase provision for bad or doubtful debts	140,000	140,000
	<u>Capital Financing Costs</u>		
3,909,530	Depreciation charges	3,884,870	3,540,700
24,612	Debt management expenses	22,030	20,940
10,859,391	TOTAL EXPENDITURE	11,479,930	11,219,440
-5,310,630	NET COST OF SERVICES	-4,552,150	-4,609,690
1,737,740	Loan charges - Interest	1,676,500	1,597,000
	<u>Investment Income</u>		
-100,107	Interest on notional cash balances	-85,490	-83,490
-26,451	Premiums & discounts	-22,270	-14,740
-3,699,449	NET OPERATING INCOME	-2,983,410	-3,110,920
2,169,037	Revenue Contribution to Capital Expenditure	3,762,110	3,566,720
0	Transfer to/from(-) Major Repairs Reserve	0	0
15,000	Pensions Interest costs	0	0
-1,515,412	TOTAL DEFICIT/SURPLUS(-) FOR YEAR	778,700	455,800
5,864,734	Balance as at 1st April	7,380,146	6,601,446
7,380,146	Balance as at 31st March	6,601,446	6,145,646

* General Management - relates to costs for the whole of the housing stock or all tenants such as EKH Management Fee and support costs.

* Special Management - relates to only some of the tenants such as cleaning communal areas of flats and maintenance of open spaces.

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HOUSING SERVICES

ANNUAL ESTIMATES 2018/19

Actual 2016/17 £	<u>HRA CAPITAL PROGRAMME</u>	Original 2017/18 £	Estimate 2018/19 £
	<u>EXPENDITURE</u>		
	<u>Decent Homes Standard</u>		
183,817	Doors	210,000	370,000
37,692	Re-roofing	200,000	200,000
489,797	Heating Improvements	450,000	315,000
534,103	Kitchen Replacement	300,000	300,000
171,200	Bathroom Improvements	200,000	200,000
198,344	Voids Capital Works	300,000	250,000
190,694	External Enveloping	380,000	120,000
137,815	Fire Protection Works	65,000	924,000
9,544	Thermal Insulations	50,000	50,000
1,953,007	Sub-Total	2,155,000	2,729,000
	<u>Non Decent Homes Standard</u>		
1,050	Treatment Works	10,000	10,000
375,889	Disabled Adaptations	300,000	350,000
97,930	Rewiring	100,000	300,000
444	Sheltered Scheme upgrades	110,000	80,000
30,812	Garages Improvements	45,000	30,000
14,136	Lift Replacements	100,000	0
520,260	Sub-Total	665,000	770,000
	<u>New Build Programme</u>		
2,919,250	New Builds	5,053,020	5,025,310
2,919,250	Sub-Total	5,053,020	5,025,310
	<u>Environment/Estate Improvement</u>		
108,589	Environmental Works	200,000	25,000
16,133	New Paths	15,000	15,000
840	Play Areas	10,000	10,000
125,562	Sub-Total	225,000	50,000
5,518,079	TOTAL EXPENDITURE	8,098,020	8,574,310
	<u>FINANCING</u>		
2,473,267	Major Repairs Reserve	2,820,000	3,500,000
875,775	1-4-1 Capital Receipts	1,515,910	1,507,590
2,169,037	Revenue Contribution	3,762,110	3,566,720
5,518,079	TOTAL FINANCING	8,098,020	8,574,310
0	SHORTFALL IN FINANCING	0	0

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This Report will be made public on 20 February 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **A/17/21**

To: Council
Date: 28 February 2018
Status: Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Member: Councillor Malcolm Dearden, Finance

SUBJECT: UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME AND QUARTER 3 MONITORING 2017/18

SUMMARY: This report updates the General Fund Medium Term Capital Programme for the five year period ending 31 March 2023. The report also provides a projected outturn for the General Fund capital programme in 2017/18, based on expenditure to 30 November 2017. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process. Overview and Scrutiny Committee considered this report on 16 January 2018 ahead of Cabinet approving it on 17 January 2018 to be submitted to be full Council.

REASONS FOR RECOMMENDATIONS:

Full Council is asked to agree the recommendations set out below because:

- a) It needs to be kept informed of the existing General Fund Medium Term Capital Programme position and take appropriate action to deal with any variance from the approved budget.
- b) Proposed extensions to existing schemes are required to be considered and approved before being included in the council's Medium Term Capital Programme.
- c) The proposed Medium Term Capital Programme needs to be considered before it is submitted to full Council for approval as part of the budget process.

RECOMMENDATIONS:

1. To receive and note report A/17/21.
2. To approve the updated General Fund Medium Term Capital Programme as set out in appendix 2 to this report.
3. To approve the budgets for the additional General Fund capital schemes set out in addendum to this report.

1. INTRODUCTION AND BACKGROUND

- 1.1 In line with the council's approved Budget Strategy for 2018/19, this report updates the General Fund Medium Term Capital Programme (MTCP) for the five year period ending 31 March 2023. The report;-
- i) provides the latest projection, at quarter 3, of the planned expenditure in 2017/18 for the existing General Fund capital programme and explanations of the variances compared to the previous reported projection at quarter 2,
 - ii) reviews and updates the existing approved Medium Term Capital Programme and incorporates the capital investment proposals agreed by Cabinet as part of the Budget Strategy for 2018/19 at its meeting on 15 November 2017 to be submitted to full Council for approval,
 - iii) provides details of those existing capital schemes proposed to be extended by one year into 2022/23,
 - iv) outlines further new capital schemes that may come forward for approval during the next 12 months, and
 - vi) identifies the impact the proposed changes to the overall capital programme will have on the financing resources required to fund it,
- 1.2 Capital expenditure plans for the Housing Revenue Account (HRA) were considered by Cabinet on 14 December 2017 in a separate report as part of the current budget process for 2018/19.
- 1.3 Since this report was considered on 17 January 2018 Cabinet has considered and approved a further four capital schemes to be submitted to full Council for approval and these are contained in the addendum to this report.
- 1.4 The overall capital expenditure plans for both the General Fund and HRA are required to be submitted to full Council for consideration and approval as part of the budget process.

2. CAPITAL PROGRAMME 2017/18 – PROJECTED OUTTURN

- 2.1 The planned expenditure on all General Fund capital schemes in 2017/18, based on expenditure to 30 November 2017, is anticipated to be £3,492,700, a reduction of £667,300 compared to the previous projection at quarter 2 of £4,160,000. Full details are shown in **appendix 1**. The previous projection at quarter 2 was reported to Cabinet on 15 November 2017 (Report number C/17/55 refers). The following table summarises the position across the council's service units and also outlines the impact on the capital resources required to fund the expenditure:

General Fund Programme 2017/18	Latest Approved Budget 2017/18	Quarter 2 Projection 2017/18	Quarter 3 Projection 2017/18	Variance Quarter 2 to Quarter 3
General Fund – Service Units	£'000	£'000	£'000	£'000
Commercial and Technical Services	3,476	927	972	45
Democratic Services and Law	112	112	112	-
Finance	1,178	1,178	330	(848)
Human Resources	11	11	11	-
Communities	1,163	1,061	1,061	-
Strategic Development Projects	1,329	871	1,006.7	135.7
Total General Fund Capital	7,269	4,160	3,492.7	(667.3)
Capital Funding				
Grants	(2,395)	(1,120)	(1,120)	-
External Contributions	(1,007)	(7)	(7)	-
Capital Receipts	(1,009)	(596)	(487)	109
Revenue	(2,561)	(2,345)	(1,490)	855
Borrowing	(297)	(92)	(388.7)	(296.7)
Total Funding	(7,269)	(4,160)	(3,492.7)	667.3

2.2 The main reasons for the net reduction in the projected outturn in quarter 3 compared to quarter 2 for 2017/18 are summarised below:

		£'000
1.	Planned funding of the Oportunitas housing acquisitions programme partly reprofiled to 2018/19	(848)
2.	Unallocated balance for the Corporate Development Projects reprofiled to 2018/19	(161.3)
3.	Budgets approved for schemes since quarter 2	£'000
	i) Varne Holiday Lets	222
	ii) Otterpool Land Acquisition	75
	iii) Princes Parade Parking Implementation	45
		342
	Net reduction	(667.3)

2.3 The projections contained in this report are based on the most accurate information at the current time and every effort is made to ensure the capital programme is delivered on time and in budget. Some capital schemes are

more difficult to project accurately in terms of both the timing of expenditure and the final cost. In particular it is difficult to accurately project the timing of expenditure for the Disabled Facilities Grants and Loans, the Private Sector Empty Homes Initiative and the release of funding to Oportunitas Limited for its housing acquisitions programme.

3. UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME

- 3.1 The latest projection for the total cost and funding of the General Fund capital programme from 2017/18 to 2022/23 is £23,583,000. Compared to the latest approved budget of £16,618,000 this represents an increase of £6,965,000. Full details are shown in **appendix 2** to this report and the following table summarises the position across the service units and also outlines the impact on the capital resources required to fund the programme:

General Fund Programme to 2022/23	Latest Budget	Projected Outturn	Variance
General Fund - Service Units	£'000	£'000	£'000
Commercial and Technical Services	4,704	7,182	2,478
Democratic Services and Law	496	592	96
Finance	1,178	1,178	0
Communities	3,563	7,954	4,391
Human Resources	11	11	0
Strategic Development Projects	6,666	6,666	0
Total General Fund Capital	16,618	23,583	6,965
Capital Funding			
Government Grant	-5,455	-10,870	-5,415
Other External Contributions	-1,007	-1,007	0
Capital Receipts	-1,359	-1,826	-467
Revenue Contributions	-3,163	-3,154	9
Borrowing	-5,634	-6,726	-1,092
Total Funding	-16,618	-23,583	-6,965

- 3.2 The main changes from the approved budget to the latest projection for the medium term programme are summarised below:

	Changes to the Medium Term Capital Programme to 2022/23	£'000	£'000	£'000
1.	Capital investment decisions approved by Cabinet on 15 November 2017			
i)	Grounds Maintenance replacement vehicles and equipment	156		
ii)	Replacement vehicle – Environmental Enforcement	14		
iii)	Replacement vehicle – Dog Warden	29		
iv)	Royal Military Canal – bridleway and road surface enhancements (year 3 of 10)	20		
v)	Temporary Accommodation (invest to save)	1,000		
vi)	Empty Homes Initiative	350		
			1,569	1,569
2.	Existing annual programmes extended by one year to 2022/23			
a)	Annual equipment and technology programmes funded from revenue resources			
i)	PC Replacement Programme	16		
ii)	Server Replacement Programme	60		
iii)	Virtual Desktop Technology	20		
iv)	Private Lifeline Equipment	42		
			138	
b	Coast Protection beach management schemes, subject to grant funding from the Environment Agency			
i)	Hythe beach management	250		
ii)	Greatstone dunes management	15		
			265	
c	Private Sector Housing Improvement Initiatives			
i)	Disabled Facilities Grants and Loans, subject to Government grant funding	1,000		
ii)	Home Safe Loans funded from repaid Decent Homes Loans	100		
			1,100	
	Total schemes extended by one year			1,503
3	Other Changes			
i)	Disabled Facilities Grants and Loans – increase in expenditure to 2022/23 reflecting the higher level of government grant funding anticipated to be received for this scheme.	2,150		

ii)	Coast Protection Hythe to Folkestone Beach Recharge Scheme – planned major recharge of beach levels in 2019/20 to maintain the integrity of the existing coastal defences. Externally funded by the Environment Agency	2,000		
iii)	Home Safe Loans – reduction in expenditure in 2017/18 due to lower than anticipated demand	(40)		
iv)	Planned expenditure on the Empty Properties Initiative in 2017/18 is lower than anticipated.	(212)		
iv)	A small saving on the cost of implementing the Parking Self-Serve System scheme	(5)		
			3,893	3,893
	Total change in overall capital programme			6,965

- 3.3 **Disabled Facilities Grants and Loans** – As outlined in the table above, the budget for this is proposed to be increased its current level of £0.5m per annum to £1m per annum to reflect the current level of government grant funding being received on an annual basis through their Better Care Fund (BCF). The government has committed to continue with a similar level of funding for at least the next two years. The MTCP now assumes the council will continue to receive a similar level of funding over the next five years. The actual level of BCF grant for each year is not normally known until around the start of each financial year. The council currently has sufficient BCF grant in hand to meet commitments likely to fall in to 2018/19 meaning there is no requirement to create a waiting list for this service. Additionally, the Department for Communities and Local Government (DCLG) has recently announced it will be providing £42m of additional funding to support DFG expenditure across England in 2017/18 and the council's share of this will be about £103k.
- 3.4 **Coast Protection Hythe to Folkestone Beach Recharge Scheme** – The Environment Agency has provisionally earmarked £2m in 2019/20 to meet the full cost of undertaking a major recharge of the beach levels between Hythe and Folkestone to main the integrity and effectiveness of the existing coastal defences. No expenditure will be incurred on this scheme until the formal funding agreement from the Environment Agency has been received.
- 3.5 All proposed changes to the council's General Fund MTCP are required to be approved by Full Council as part of the budget setting process. The revenue implications of the of the MTCP are contained in either the proposed General Fund budget for 2018/19 or feature in the council's approved Medium Term Financial Strategy.
- 3.6 A separate report is likely to be made to Cabinet on 28 February 2018 regarding further investment in the council's wholly-owned housing and regeneration company, Oportunitas Limited. Any capital financing implications arising from this will need to be incorporated into the report on the update to

the General Fund MTCP that full Council will be asked to consider and approve on 28 February 2018.

4. IMPACT ON CAPITAL RESOURCES

4.1 One of the key principles underlying the council's Medium Term Financial Strategy is the capital programme is funded from available or realised capital resources and that new borrowing should only be used where it is prudent and affordable. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no commitment is made against these until the funding is confirmed. The latest forecast for the General Fund capital programme conforms to this key principle.

4.2 The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

Overall Capital Receipts Position Statement	£'000
Receipts in hand at 30 th November 2017	(8,281)
Less,	
committed towards General Fund capital expenditure	1,826
committed towards HRA capital expenditure	4,856
Ring-fenced for specific purposes:	
i) Revenue efficiencies (flexible use of capital receipts)	414
ii) Home Safe Loans	607
iii) Other	78
Contingency for urgent or unforeseen capital expenditure	500
Balance available to support new capital expenditure	-

4.3 Additionally the council's continuing prudent financial management means it is in a position to use its other internal resources (cash reserves and balances) to fund the MTCP that is not met from external grants and contributions without resorting to new borrowing. The table below summarises the council's revenue resources of £3.15m committed towards funding the MTCP.

Revenue Resources to Fund the MTCP	£'000
Vehicle, Equipment and Technology Reserve	734
Corporate Plans Initiative Reserve	339
Economic Development Reserve	150
New Homes Bonus Reserve	75
Carry Forward Reserve	55
General Reserve	1,801
Total	3,154

4.4 This level of capital investment will be a significant draw upon the council's available reserves and balances and it is unlikely this could be repeated in the future. For this reason it is important that a thorough and robust assessment

is undertaken for the new major capital investment proposals to ensure best use of the councils limited financial resources.

- 4.5 The council also has a number of major capital investment initiatives, such as Otterpool Park, Princes Parade and the Biggins Wood Development, which remain to be reported in full detail to Members for approval and are likely to fall within the five year period of the proposed capital programme. These major initiatives will have to be funded at least in part by prudential borrowing in the first instance. It is envisaged the initiatives will provide capital receipts and/or an on-going revenue stream for the council in the future allowing borrowing to be repaid or a commercial return to be made to absorb the financing costs incurred.
- 4.6 Additionally, the council's approved Budget Strategy has identified that the first call on the forecast capital receipts of £2.6m over the next two years will be to support the major transformation project the council is considering to enable it deliver ongoing efficiencies and savings.

5. THE CAPITAL PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2018/19

- 5.1 The Local Government Act 2003 requires local authorities to adopt the CIPFA Prudential Code and to produce prudential indicators. The DCLG also requires full Council to approve a Minimum Revenue Provision (MRP) Statement in advance of the start of each financial year outlining how it intends to make provision to repay an element of the accumulated General Fund capital spend financed by borrowing each year through a revenue charge (MRP).
- 5.2 Both the CIPFA Prudential Code and the DCLG's MRP Guidance are currently in the process of being revised and updated and the provisional outcome of these should be known during January 2018. Therefore it is intended for both these items to be included in the Treasury Management Strategy Statement for 2018/19 which is planned to be considered by Cabinet on 28 February 2018 before going to full Council for approval on the same day.

6. CONCLUSIONS

- 6.1 The council's MTCP has been reviewed and updated in accordance with the approved budget strategy for 2018/19.
- 6.2 The revenue consequences of the MTCP are reflected in the council's General Fund budget and Medium Term Financial Strategy.

- 6.3 The proposed General Fund MTCP already requires prudential borrowing to fund it.
- 6.4 The level of new capital investment in the proposed MTCP will be a significant draw upon on the council's available reserves and balances and is unlikely to be repeated in the future. Future major capital investment initiatives will require further prudential borrowing to help fund them.
- 6.5 Cabinet is asked to recommend full Council to approve the changes to the MTCP outlined in this report to reflect the latest projected outturn shown in appendix 2 to this report.

7 RISK MANAGEMENT ISSUES

- 7.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital resources not available to meet the cost of the new projects.	High	Low	The internal capital resources identified in this report have been realised.
Cost of new projects may exceed the estimate.	High	Low	Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.
Expenditure planned to be met by grant is ineligible under the terms of the funding agreement	High	Low	Prior to commitments being made the project manager to agree in advance grant eligible expenditure with the funding body.

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

8.1 Legal Officer's Comments (DK)

There are no legal implications arising directly out of this report. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to

invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. The Council must bear in mind its fiduciary duties to local tax payers and its continuing obligation to ensure it has funding to perform relevant statutory undertakings it has to comply with.

8.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services. There are no further comments to add.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Lee Walker, Group Accountant

Tel: 01303 853593. e-mail [:lee.walker@shepway.gov.uk](mailto:lee.walker@shepway.gov.uk)

The following background documents have been relied upon in the preparation of this report:

None

Appendices:

- 1) General Fund Capital Programme Projected Outturn 2017/18
- 2) Proposed General Fund MTCP to 2022/23

Addendum:

List of four further schemes approved by Cabinet to be submitted to full Council for approval

GENERAL FUND CAPITAL PROGRAMME 2017/18 QUARTER 3 PROJECTION						
Item Number	Service Area and Scheme	Latest Approved Budget £'000	Previous Projection Q2 £'000	Projection Q3 £'000	Variance Projections Q2 to Q3 £'000	Comments
	Andy Blaszkowicz - Head of Commercial and Technical Services					
1	Improvements to Hawkinge Yard	29.0	29.0	29.0	0.0	Project due to be completed during the winter of 2017/18
2	Grounds Maintenance Vehicle and Equipment Replacement Programme	284.0	284.0	284.0	0.0	On target for new and replacement vehicles and equipment to be delivered in year
3	Pumping Stations - New Vehicle	25.0	25.0	25.0	0.0	Subject to discussion with East Kent Housing
4	Coast Protection - Coronation Parade, Folkestone	2,575.0	150.0	150.0	0.0	Phase 2 has been suspended after tendering. Re-design is needed which will delay project into 2018/19 and also push phase 3 into 2018/19. Project all externally funded
5	Coast Protection - Greatstone Dunes Management & Study	15.0	15.0	15.0	0.0	Funded from Environment Agency grant
6	Coast Protection - Hythe to Folkestone Beach Management (from 2015)	305.0	305.0	305.0	0.0	Funded from Environment Agency grant
7	General Fund Property - Health and Safety Enhancements	99.0	40.0	40.0	0.0	Topple Testing of gravestones quote was 26k but this has now being undertaken in house. The rest of the programme is due to roll over to 2018/19 in preparation for future capital projects.
8	Lifeline Capitalisation	42.0	42.0	42.0	0.0	On target for new equipment to be purchased in year

GENERAL FUND CAPITAL PROGRAMME 2017/18 QUARTER 3 PROJECTION						
Item Number	Service Area and Scheme	Latest Approved Budget £'000	Previous Projection Q2 £'000	Projection Q3 £'000	Variance Projections Q2 to Q3 £'000	Comments
9	Royal Military Canal Enhancements	20.0	20.0	20.0	0.0	Work planned to be undertaken during the winter
10	Parking Self-Serve System	22.0	17.0	17.0	0.0	Saving of £5k on implementation costs for guest voucher scheme.
11	Princes Parade Parking Implementation	60.0	0.0	45.0	45.0	Budget approved since Q2. Scheme being implemented ready for April 2018 and Sandgate Esplanade element deferred subject to a further report
	Total - Head of Commercial and Technical Services	3,476.0	927.0	972.0	45.0	
	Amandeep Khroud - Head of Democratic Services and Law					
12	PC Replacement Programme	32.0	32.0	17.0	-15.0	Saving towards additional cost of Virtual Desktop Technology
13	Server Replacement Programme	60.0	60.0	45.0	-15.0	Saving towards additional cost of Virtual Desktop Technology
14	Virtual Desktop Technology	20.0	20.0	50.0	30.0	Additional software licence costs being met from savings to PC Replacement & Server budgets
	Total - Head of Democratic Services and Law	112.0	112.0	112.0	0.0	

GENERAL FUND CAPITAL PROGRAMME 2017/18 QUARTER 3 PROJECTION						
Item Number	Service Area and Scheme	Latest Approved Budget £'000	Previous Projection Q2 £'000	Projection Q3 £'000	Variance Projections Q2 to Q3 £'000	Comments
	Charlotte Spendley - Head of Finance					
15	Oportunitas Loan & Share Capital Phase (Housing Acquisitions Programme)	1,178.0	1,178.0	330.0	-848.0	Oportunitas currently seeking further residential acquisitions. Balance of budget to be reprofiled to 2018/19
	Total - Head of Finance	1,178.0	1,178.0	330.0	-848.0	
	Andrina Smith - Head of Human Resources					
16	Burials Software System	11.0	11.0	11.0	0.0	System planned to be acquired and installed by the Spring of 2018
	Total - Head of Human Resources	11.0	11.0	11.0	0.0	

GENERAL FUND CAPITAL PROGRAMME 2017/18 QUARTER 3 PROJECTION						
Item Number	Service Area and Scheme	Latest Approved Budget £'000	Previous Projection Q2 £'000	Projection Q3 £'000	Variance Projections Q2 to Q3 £'000	Comments
	Head of Communities					
17	Disabled Facilities Grant	500.0	650.0	650.0	0.0	The projection reflects the latest known demand for the service and is entirely met from the government's Better Care Fund grant.
18	Home Safe Loans	100.0	60.0	60.0	0.0	Demand for scheme lower than anticipated
19	Empty Properties Initiative	563.0	351.0	351.0	0.0	Jointly funded scheme with KCC. KCC are only able to support £351K of annual spend in Shepway in 2017/18. The projected underspend is planned to be carried forward to 2018/19 to support further expenditure on bringing empty homes in the district back into use.
	Total - Head of Communities	1,163.0	1,061.0	1,061.0	0.0	

GENERAL FUND CAPITAL PROGRAMME 2017/18 QUARTER 3 PROJECTION						
Item Number	Service Area and Scheme	Latest Approved Budget £'000	Previous Projection Q2 £'000	Projection Q3 £'000	Variance Projections Q2 to Q3 £'000	Comments
	Andy Jarrett - Head of Strategic Development Projects					
20	Hythe Environmental Improvements	7.0	7.0	7.0	0.0	On target
21	Princes Parade - Preparatory Costs	331.0	331.0	331.0	0.0	Professional advice to support the planning application process
22	Corporate Property Development Projects	161.3	161.3	0.0	-161.3	Unallocated balance to be reprofiled to 2018/19
23	Varne Holiday Lets	222.0	0.0	222.0	222.0	Budget approved since Q2. 2017-18 preliminary costs with main construction costs planned for 2018/19 & 2019/20
24	Otterpool Land Acquisition	75.0	0.0	75.0	75.0	Budget approved since Q2. Land options being progressed
25	Ship Street Site, Folkestone (GF Element)	441.0	280.0	280.0	0.0	Acquisition subject to successful funding bid to the Housing Infrastructure Fund. Pre-development and draft planning costs £161k likely to be in 2018/19
26	Biggins Wood Commercial Development	91.7	91.7	91.7	0.0	Share of site preparation costs
	Total - Head of Strategic Development Projects	1,329.0	871.0	1,006.7	135.7	
	Total General Fund Capital Expenditure	7,269.0	4,160.0	3,492.7	-667.3	

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General Fund Medium Term Capital Programme to 2022/23											
Item No	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2017/18	Latest Projection 2018/19	Latest Projection 2019/20	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Total Projection 2017/18 - 2022/23	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Andy Blaszkowicz - Head of Commercial and Technical Services											
1	Improvements to Hawkinge Yard	29	29	0	0	0	0	0	29	0	Project expected to be completed during the winter of 2017/18
2	Grounds Maintenance Vehicle and Equipment Replacement Programme	284	284	156	0	0	0	0	440	156	Additional capital investment provided for 2018/19
3	Pumping Station - new vehicle	25	25	0	0	0	0	0	25	0	Subject to discussion with East Kent Housing
4	Coast Protection - Coronation Parade, Folkestone	2,575	150	2,425	0	0	0	0	2,575	0	Phases 2 & 3 delayed until 2018/19 for scheme to be re-designed. Project all externally funded.
5	Coast Protection - Greatstone Dunes Management & Study	75	15	15	15	15	15	15	90	15	Extended one year to 2022/23 - externally funded
6	Coast Protection - Hythe to Folkestone Beach Management (from 2015)	1,305	305	250	250	250	250	250	1,555	250	Extended one year to 2022/23 - externally funded
7	Coast Protection - Hythe to Folkestone Beach Recharge	0	0	0	2,000	0	0	0	2,000	2,000	Planned major recharge of beach levels to maintain the integrity of the existing coastal defences - externally funded
8	General Fund Property - Health and Safety Enhancements	99	40	59	0	0	0	0	99	0	Continuing enhancements to the General Fund property portfolio
9	Lifeline Capitalisation	210	42	42	42	42	42	42	252	42	Extended one year to 2022/23 - externally funded
10	Royal Military Canal enhancements	20	20	20	0	0	0	0	40	20	Additional capital investment provided for 2018/19
11	Parking Self-serve Voucher and Permit System	22	17	0	0	0	0	0	17	-5	Saving on implementation cost for guest voucher scheme
12	Princes Parade Parking Implementation	60	45	15	0	0	0	0	60	0	Implementaion costs ahead of planned new charging regime from April 2018. Decision on Sandgate Esplanade element (£15k) deferred subject to a further report.
Total - Head of Commercial and Technical Services		4,704	972	2,982	2,307	307	307	307	7,182	2,478	

Item No	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2017/18	Latest Projection 2018/19	Latest Projection 2019/20	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Total Projection 2017/18 - 2022/23	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Amandeep Khroud - Head of Democratic Services and Law										
13	PC Replacement Programme	96	32	16	16	16	16	16	112	16	Extended one year to 2022/23 - externally funded
14	Server Replacement Programme	300	60	60	60	60	60	60	360	60	Extended one year to 2022/23 - externally funded
15	Virtual Desktop Technology	100	20	20	20	20	20	20	120	20	Extended one year to 2022/23 - externally funded
	Total - Head of Democratic Services and Law	496	112	96	96	96	96	96	592	96	
	Charlotte Spendley - Head of Finance										
16	Oportunitas Loan & Share Capital Phase 1 (Housing Acquisitions Programme)	1,178	330	848	0	0	0	0	1,178	0	Oportunitas currently seeking further residential acquisitions. Budget partly reprofiled to 2018/19
	Total - Head of Finance	1,178	330	848	0	0	0	0	1,178	0	

Item No	Service Area and Scheme	Latest Approved MTCP Budget £'000	Latest Projection 2017/18 £'000	Latest Projection 2018/19 £'000	Latest Projection 2019/20 £'000	Latest Projection 2020/21 £'000	Latest Projection 2021/22 £'000	Latest Projection 2022/23 £'000	Total Projection 2017/18 - 2022/23 £'000	Variance Budget to Projection £'000	Comments
	Communities										
17	Disabled Facilities Grant	2,500	650	1,000	1,000	1,000	1,000	1,000	5,650	3,150	Cost of scheme met from the government's Better Care Fund (BCF). Budget for future years increased to reflect the anticipated BCF funding. Scheme also extended one year to 2022/23
18	Home Safe Loans	500	60	100	100	100	100	100	560	60	Extended one year to 2022/23 - externally funded
19	Empty Properties Initiative (KCC)	563	351	0	0	0	0	0	351	-212	Jointly funded scheme with KCC. The saving is due to a lower than anticipated demand for this particular scheme.
20	Empty Homes Initiative	0	0	350	0	0	0	0	350	350	New capital investment provided for 2018/19, in part met from the saving on the previous Empty Properties Initiative with KCC
21	Temporary Accommodation (invest to save)	0	0	500	500	0	0	0	1,000	1,000	New capital investment provided from 2018/19 to acquire properties to help reduce the council's on-going revenue cost for homelessness provision
22	Replacement Vehicle - Environmental Enforcement	0	0	14	0	0	0	0	14	14	New capital investment provided for 2018/19
23	Replacement Vehicle - Dog Warden	0	0	29	0	0	0	0	29	29	New capital investment provided for 2018/19
	Total - Head of Communities	3,563	1,061	1,993	1,600	1,100	1,100	1,100	7,954	4,391	
	Andrina Smith - Head of Human Resources										
24	Burials Software (BACAS)	11	11	0	0	0	0	0	11	0	Scheme expected to be completed in early 2018
	Total - Head of Human Resources	11	11	0	0	0	0	0	11	0	

Item No	Service Area and Scheme	Latest Approved MTCP Budget £'000	Latest Projection 2017/18 £'000	Latest Projection 2018/19 £'000	Latest Projection 2019/20 £'000	Latest Projection 2020/21 £'000	Latest Projection 2021/22 £'000	Latest Projection 2022/23 £'000	Total Projection 2017/18 - 2022/23 £'000	Variance Budget to Projection £'000	Comments
	Andy Jarrett - Head of Strategic Development Projects										
25	Hythe Environmental Improvements	7	7	0	0	0	0	0	7	0	Completed in 2017/18
26	*Corporate Property Development Projects	161	0	161	0	0	0	0	161	0	Unallocated balance reprofiled to 2018/19
27	Biggins Wood Commercial Development	92	92	0	0	0	0	0	92	0	Share of site preparation costs
28	Varne Holiday Lets	1,959	222	780	957	0	0	0	1,959	0	Invest to save project expected to provide an ongoing net revenue stream to the council
29	Otterpool Land Acquitision	3,675	75	600	3,000	0	0	0	3,675	0	Further investment for Otterpool Park development
30	Ship Street Site, Folkestone (GF Element)	441	280	161	0	0	0	0	441	0	Acquisition and pre-development costs for the site subject to a successful funding bid to the Housing Infrastructure Fund
31	Princes Parade - Preparartion Costs for Redevelopment Proposal	331	331	0	0	0	0	0	331	0	Professional advice to support the planning application process
	Total - Head of Strategic Development Projects	6,666	1,007	1,702	3,957	0	0	0	6,666	0	
	Total General Fund Medium Term Capital Programme	16,618	3,493	7,621	7,960	1,503	1,503	1,503	23,583	6,965	
32	Government Grant	-5,455	-1,120	-2,690	-3,265	-1,265	-1,265	-1,265	-10,870	-5,415	
33	Other External Contributions	-1,007	-7	-1,000	0	0	0	0	-1,007	0	
34	Capital Receipts	-1,359	-487	-939	-100	-100	-100	-100	-1,826	-467	
35	Revenue Contributions	-3,163	-1,490	-1,112	-138	-138	-138	-138	-3,154	9	
36	Borrowing	-5,634	-389	-1,880	-4,457	0	0	0	-6,726	-1,092	
	Total Funding	-16,618	-3,493	-7,621	-7,960	-1,503	-1,503	-1,503	-23,583	-6,965	

Addendum to Cabinet Report Number C/17/72 for consideration by Full Council on 28 February 2018

Proposed Capital Schemes not included in the 'Update to the General Fund Medium Term Capital Programme' Report to Cabinet on 17 January 2018 (Report no. C/17/72) requiring budget approval from Full Council

Item Number	Cabinet Meeting	Scheme Title	Scheme Summary	Budget	Capital Funding
1	31/01/2018	Otterpool Park Garden Town - Delivery Vehicle	Professional costs to create a joint venture company delivery vehicle for Otterpool Park and also to investigate a council controlled development company	£350,000	Prudential Borrowing
2	28/02/2018	Oportunitas	Further capital investment in the form of equity and loan to enable the company to become financial sustainable	£6,900,000	Prudential Borrowing
3	28/02/2018	Car Parks Review	Installing machines and signs to introduce charging to three existing car parks	£7,800	Revenue Contribution
4	28/02/2018	Transforming Shepway	ICT infrastructure costs	£1,225,000	Prudential Borrowing and/or Revenue Contribution
Total				£8,482,800	

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This Report will be made public on 20 February 2018



Report Number **A/17/22**

To: Council
Date: 28 February 2018
Status: Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Member: Malcolm Dearden, Finance

Subject: TREASURY MANAGEMENT STRATEGY STATEMENT, PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION STATEMENT FOR 2018/19

SUMMARY: This report sets out the proposed strategy for treasury management for 2018/19 including the Annual Investment Strategy and Treasury Management Indicators to be approved by full Council. This report also sets out both the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Policy Statement for 2018/19 to be approved by full Council.

REASONS FOR RECOMMENDATION:

Council is asked to agree the recommendations set out below because:-

- a) The Council must have regard to both CIPFA's Code of Practice for Treasury Management in the Public Services and the CLG's Guidance on Local Authority Investments when carrying out its duties under Part 1 of the Local Government Act 2003.
- b) The Council must also have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities when carrying out its duties under Part 1 of the Local Government Act 2003.
- c) The Financial Procedure Rules requires the Council to receive an annual plan and strategy for treasury management in advance of the financial year.
- d) The Council is required to approve an Annual Investment Strategy for the forthcoming year.
- e) The Council is required to approve a Minimum Revenue Provision statement for 2018/19 in advance of the start of the financial year.

RECOMMENDATIONS:

- 1. To receive and note Report A/17/22.**
- 2. To approve the strategy for treasury management in 2018/19 set out in the report is adopted.**
- 3. To approve the 2018/19 Annual Investment Strategy set out in the report is adopted.**
- 4. To approve the treasury management indicators set out in the report.**
- 5. To approve the Prudential Indicators for capital and borrowing set out in the appendix 3 to this report.**
- 6. To approve the Minimum Revenue Provision (MRP) Policy Statement for 2018/19 set out in appendix 4 to this report.**

1. INTRODUCTION

- 1.1 In February 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. In December 2017 CIPFA issued a revised Code of Practice and it is no longer a requirement for the Authority to adopt this as it now has to have regard to it by law.
- 1.2 In addition, the former Department for Communities and Local Government (now the Ministry of Housing, Communities and Local Government, MHCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year. The MHCLG has recently consulted over proposed changes to their Guidance and, at the time of writing, the outcome of this is not known. Should there be any material changes required to the Treasury Management Strategy Statement (TMSS) for 2018-19 arising from changes to the MHCLG Guidance then it is likely a revised TMSS will be submitted to full Council for approval later in the year.
- 1.3 This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the MHCLG Guidance.
- 1.4 The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
- 1.5 In accordance with the MHCLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement (TMSS) should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of its investment balance.
- 1.6 The Authority's major capital investment initiatives, such as Otterpool Park, Biggins Wood and other asset investment initiatives, remain to be reported in detail to Members for approval. When approved, these initiatives are likely to require the TMSS to be revised.
- 1.7 This report also sets out both the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Policy Statement for 2018/19 to be approved by full Council.

2. ECONOMIC OUTLOOK AND PROSPECT FOR INTEREST RATES

(Commentary supplied by the council's Treasury Adviser, Arlingclose)

2.1 Economic Background

- 2.1.1 The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
- 2.1.2 Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.
- 2.1.3 In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

2.2 Credit Outlook

- 2.2.1 High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.
- 2.2.2 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.
- 2.2.3 The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

2.3 Interest Rate Forecast

- 2.3.1 The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to rise in May 2018 from its current level of 0.50% to 0.75% with a further increase forecast for later in the year to 1.0%. Arlingclose also anticipate another rise in the Bank Rate to 1.25% by mid-2019. Arlingclose's advice reflects comments from the Monetary Policy Committee at its meeting in February 2018 regarding private sector earnings growth and its impact on inflation together with slightly improved growth prospects.
- 2.3.2 The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk. Overall, the risk to Arlingclose's forecasts is weighted on the downside reflecting concerns about the impact of the exit from the European Union on UK growth in particular.
- 2.3.3 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix 1**.
- 2.3.4 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.83%. No new long-term loans have been anticipated in the budget.

3. THE COUNCIL'S FORECAST BORROWING AND INVESTMENT POSITION

- 3.1 On 31 December 2017 the Authority held £57.9m of borrowing and £50.9m of investments. This is set out in further detail at Appendix 2. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR	18.5	19.1	25.2	37.5	37.9
HRA CFR	47.4	47.4	47.4	49.6	52.5
Total CFR	65.9	66.5	72.6	87.1	90.4
Less: External borrowing	59.5	57.8	55.9	68.2	75.1
Internal borrowing	6.4	8.7	16.7	18.9	15.4
Less: Usable reserves	(37.2)	(29.4)	(26.9)	(20.6)	(17.1)
Less: Working capital	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)
Investments	(34.3)	(24.2)	(13.7)	(5.2)	(5.2)

- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is

to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

- 3.3 The movement in table 1 is based on the projected outturn for the current financial year, the draft revenue and capital budgets being proposed for 2018/19 and information taken from the latest approved Medium Term Financial Strategy for 2019/20 and 2020/21. The table includes assumptions regarding proposals for additional capital investment in the council's housing and regeneration company, Oportunitas Limited, and the Princes Parade leisure and housing development. In both cases, these schemes will be subject to further reports to Members for approval.
- 3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2018/19.

4. BORROWING STRATEGY

- 4.1 The Authority currently holds £57.9 million of loans, a reduction of £1.6 million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority currently does not expect to need to borrow in 2018/19. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the proposed authorised limit for borrowing of £90 million for 2018/19.

4.2 Objectives

- 4.2.1 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

4.3 Strategy

- 4.3.1 Given the significant reductions to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 4.3.2 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of both internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed

rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.3.3 Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.3.4 In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

4.4 Sources of Borrowing

4.4.1 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Kent County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

4.4.3 The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

4.5 Short-term and Variable Rate Loans

4.5.1 These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

4.6 Debt Rescheduling

4.6.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5. INVESTMENT STRATEGY

5.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017, the Authority's investment balance has ranged between £33 and £56 million with the average being £45 million. The average investment balance held is expected to reduce to around £39 million in the coming year as the council uses its reserves to meet its approved capital expenditure plans in particular.

5.2 Objectives

5.2.1 Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.2.2 **Negative Interest Rates** - If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.3 Strategy

5.3.1 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2018/19. This is especially the case for the estimated £23m that is available for longer-term investment. A significant proportion of the Authority's surplus cash is currently invested in short-term unsecured bank deposits and money market funds. This diversification will represent a continuation of the new strategy adopted in 2017/18.

5.4 Approved Counterparties

5.4.1 The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown. On the advice of Arlingclose, the corporate and registered providers are proposed to be added to the Authority's counterparty types for the first time.

Table 2: Approved Investment Counterparties and Limits for New Investments effective from 1 April 2018

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3m 5 years	£5m 20 years	£5m 50 years	£3m 20 years	£3m 20 years
AA+	£3m 5 years	£5m 10 years	£5m 25 years	£3m 10 years	£3m 10 years
AA	£3m 4 years	£5m 5 years	£5m 15 years	£3m 5 years	£3m 10 years
AA-	£3m 3 years	£5m 4 years	£5m 10 years	£3m 4 years	£3m 10 years
A+	£3m 2 years	£5m 3 years	£5m 5 years	£3m 3 years	£3m 5 years
A	£3m 13 months	£5m 2 years	£5m 5 years	£3m 2 years	£3m 5 years
A-	£3m 6 months	£5m 13 months	£5m 5 years	£3m 13 months	£3m 5 years
None	£1m 6 months	n/a	£5m 25 years	£50,000 5 years	£3m 5 years
Pooled funds	£5m per fund				

This table must be read in conjunction with the notes below

5.4.2 **Credit Rating** - Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.4.3 **Banks Unsecured** - Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

5.4.4 **Banks Secured** - Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time

limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- 5.4.5 **Government** - Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 5.4.6 **Corporates** - Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.
- 5.4.7 **Registered Providers** - Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.
- 5.4.8 **Pooled Funds** - Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 5.4.9 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 5.4.10 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and end of day balances will therefore be kept below £500,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.5 Risk Assessment and Credit Ratings

5.5.1 Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.5.2 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.6 Other Information on the Security of Investments

5.6.1 The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

5.6.2 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.7 Specified Investments

5.7.1 The MHCLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or

- a body or investment scheme of “high credit quality”.

5.7.2 The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

5.8 Non-specified Investments

5.8.1 Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£23m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£15m
Total non-specified investments	£38m

5.9 Investment Limits

5.9.1 The Authority’s revenue reserves available to cover investment losses are forecast to be £15 million 31st March 2018. In order that no more than 35% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country
Registered Providers	£10m in total
Unsecured investments with Building Societies	£5m in total
Loans to unrated corporates	£5m in total
Money Market Funds	£25m in total

5.10 Liquidity Management

5.10.1 The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

5.11 Non-Treasury Investments

5.11.1 Although not classed as treasury management activities in terms of investment for cash flow management, the Authority may also purchase property for investment purposes, such as the land at Otterpool Park, and may also make loans and investments for service purposes, for example as equity investments and loans to the Authority's subsidiary, Oportunitas Limited.

5.11.2 Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with the specific requirements of this treasury management strategy.

5.11.3 The Authority's existing non-treasury investments are summarised as part of Appendix 2.

6. TREASURY MANAGEMENT INDICATORS

6.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

- 6.2 **Security** - The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A

- 6.3 **Liquidity** - The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£5m

- 6.4 **Interest Rate Exposures** - This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	£66m	£73m	£75m
Upper limit on variable interest rate exposure	£0m	£0m	£0m

- 6.5 Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

- 6.6 **Maturity Structure of Borrowing** - This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	30%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

- 6.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 6.8 **Principal Sums Invested for Periods Longer than 364 days** - The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£23m	£18m	£13m

7. OTHER ITEMS

- 7.1 There are a number of additional items that the Authority is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

7.2 Policy on Use of Financial Derivatives

- 7.2.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 7.2.2 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 7.2.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

7.3 Policy on Apportioning Interest to the HRA

- 7.3.1 On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the

HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

7.4 Investment Training

- 7.4.1 The needs of the Authority's treasury management staff for training in investment management are assessed as part of the regular staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 7.4.2 Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to undertake studying for relevant professional qualifications.

7.5 Investment Advisers

- 7.5.1 The Authority appointed Arlingclose Limited as treasury management advisers with effect from 1 April 2016 on an initial three year contract with a provision for a further two year extension and receives specific advice on investment, debt and capital finance issues. The quality of this service is monitored by the council's treasury management staff with reference to the agreed specification and particular attention is given to the timeliness and relevance of the information received.

7.6 Investment of Money Borrowed in Advance of Need

- 7.6.1 The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.
- 7.6.2 The total amount borrowed will not exceed the authorised borrowing limit of £90 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

8. FINANCIAL IMPLICATIONS

- 8.1 The net revenue cost of the council's treasury management borrowing and investment activity based on information at budget setting time is estimated to be:

£'000	2017/18 Estimate	2017/18 <i>Latest Projection</i>	2018/19 Estimate	Variance 2017/18 to 2018/19
Revenue Budgets	£'000	£'000	£'000	£'000
Interest on Borrowing	2,114	2,114	2,049	(65)
HRA Element	(1,676)	(1,676)	(1,597)	79
GF Borrowing Cost	438	438	452	14
Investment income	(357)	(418)	(534)	(177)
HRA Element	52	44	75	23
GF Investment income	(305)	(374)	(459)	(154)
Net Cost (GF)	133	64	(7)	(140)

- 8.2 The main reasons for the projected net reduction in General Fund borrowing costs of £140k from the 2017/18 estimate to the 2018/19 estimate are:

	£'000
i) Increase in investment income from projected higher cash reserves and balances in 2018/19 compared to 2017/18	(50)
ii) Increase in investment income from forecast higher average returns in 2018/19 compared to 2017/18 planned to be achieved from further diversification into pooled products providing the opportunity for enhanced returns over longer periods	(127)
iii) Reduction in interest payable on borrowing due to maturing loans falling out	(65)
iv) Adjustments in charges between the General Fund and HRA	102
Net reduction in costs to General Fund	(140)

9. OTHER OPTIONS CONSIDERED

- 9.1 The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Corporate Director for Organisational Change, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

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

10. THE CAPITAL PRUDENTIAL INDICATORS 2018/19 TO 2020/21

10.1 The Local Government Act 2003 requires local authorities to adopt the CIPFA Prudential Code and to produce prudential indicators. The Code promotes the freedom of a local authority to determine locally what it needs to borrow to finance its future capital spending. However, the Code requires the Council to have regard to the following matters when arriving at its decisions:

- i. affordability – eg implications for Council Tax and housing rents,
- ii. prudence and sustainability – eg implications for external borrowing,
- iii. value for money – eg options appraisal,
- iv. stewardship of assets – eg asset management planning
- v. service objectives, and
- vi. practicality – eg achievability of the medium term financial plan.

10.2 The Council is asked to approve the prudential indicators set out in **appendix 3** for the period up to 2020/21. Each indicator either summarises the expected activity or introduces limits upon the activity, and reflects the outcome of the council's underlying capital appraisal system and approved capital programme.

The Prudential Code requires the Authority to monitor the prudential indicators each year.

11. MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT 2018/19

- 11.1 The council is required to pay off an element of the accumulated General Fund capital spend financed by borrowing each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments where it is seen to be in its best interests to do so.
- 11.2 Regulations have been issued by the MHCLG which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. The Council is asked to approve the MRP Statement shown in **appendix 4** to be applicable for 2018/19.

12. RISK MANAGEMENT ISSUES

- 12.1 Inherently treasury management is concerned with the management of risk, e.g. interest rate risk, market risk, credit risk and liquidity risk. The strategies in this Report are developed to minimise the impact of risk changes whilst at the same time providing a framework for the council to reduce its net interest costs.
- 12.2 Specific risks to be addressed are as follows:

PERCEIVED RISK	SERIOUSNESS	LIKELIHOOD	PREVENTATIVE ACTION
Interest Rate Risk (rates moving significantly different to expectations)	High	Medium	Rate rises would be beneficial but if rates fall the council would need to consider further fixed rate investments or debt rescheduling to mitigate impact.
Market Risk (adverse market fluctuations affect	Medium	Low	A limit is placed on the value of principal exposed to changes

value of investment capital)			in market value.
Credit Risk (risk to repayment of Capital)	High	Medium	The council's investment criteria restricts counterparties to those of the highest quality and security.
Liquidity Risk (risk that cash will not be available when needed)	Medium	Medium	Council's investment portfolio structured to reflect future liquidity needs. Temporary borrowing is also available to meet short term liquidity issues.
Changes to the Capital Programme and/or revenue streams	High	Medium	Cash flows are calculated monthly and regular projections are made to identify changes to the council's funding requirements. Prudential borrowing to support capital expenditure can be used for schemes expected to provide a financial benefit to the council. Otherwise only realised capital receipts are used to fund the approved capital programme. There may be some slippage in capital expenditure between years and the impact will be monitored.

13. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

13.1 Legal Officer's Comments (DK)

There are no legal implications arising directly out of this report. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. The Council must bear in mind its fiduciary duties to local tax payers and its continuing obligation to ensure it has funding to perform relevant statutory undertakings it has to comply with.

13.2 Finance Officer's Comments (LW)

The report has been prepared by Financial Services and the relevant financial implications are contained within it.

14. CONTACT OFFICER AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officers prior to the meeting:

Lee Walker – Group Accountant

Tel: 01303 853593 Email: lee.walker@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Arlingclose's Treasury Management Strategy Statement Template 2018/19

Appendices

Appendix 1 – Arlingclose Economic and Interest Rate Forecast

Appendix 2 - Existing Investment & Debt Portfolio Position

Appendix 3 – Capital Prudential Indicators 2018/19 to 2020/21

Appendix 4 – Minimum Revenue Provision Policy Statement 2018/19

Appendix 1 – Arlingclose Economic & Interest Rate Forecast February 2018

Underlying assumptions:

- The MPC has raised expectations for further rises in Bank Rate, both sooner and to a higher level than previously anticipated by markets. Reiterating the view of the UK economy's impaired supply capacity and survey data of higher private sector earnings growth, meaning inflationary outcomes are more likely, the MPC also revised the UK's economic growth prospects slightly higher due to the pull of global economic momentum.
- Significantly, the MPC also decided to shorten the forecast horizon over which inflation will be brought back to the CPI target.
- The MPC believes that soft domestic consumption will recover as the inflationary impact of weaker sterling fades. Their projections assume that households and companies base their decisions on a smooth adjustment to the new trading relationship with the EU.
- However, the additional moves made by the Bank to intentionally raise interest rate expectations suggests a wider strategy. By moving quickly and creating the conditions for monetary tightening, monetary policy will be a more effective weapon should downside Brexit risks crystallise.
- Our view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q4 2017 GDP growth was 0.5%, after a 0.4% expansion in Q2. Household consumption growth has softened, despite high employment and low saving rates. Housing markets are soft. **Nevertheless, we cannot disregard the MPC's forceful intent and signal in the *February Inflation Report* and accompanying commentary.**
- The depreciation in sterling is assisting the economy to rebalance away from spending. Export volumes have increased, helped by a stronger global and Eurozone economic expansions.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Over the near term, Arlingclose must forecast the MPC's actions rather than the expected level of monetary policy given our assessment of the UK economy. There is clear momentum on the MPC for higher Bank Rate and this is likely to crystallise from May 2018.
- The MPC has heightened expectations of more increases in bank Rate and at a quicker pace despite only modest changes in inflation and growth forecasts, based on the bank's perceptions of impaired supply capacity and a desire to bring inflation back to target more quickly.
- Our central case is for Bank Rate to rise twice in 2018 and once more in the first half of 2019. The risks are weighted to the downside.

- Gilt yields have risen but remain historically low; current yields already incorporate higher Bank Rate expectations, so we expect little further upward movement.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.08
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.58
3-month LIBID rate														
Upside risk	0.00	0.05	0.10	0.10	0.20	0.20	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.22
Arlingclose Central Case	0.50	0.75	0.85	1.00	1.10	1.35	1.35	1.35	1.35	1.30	1.30	1.30	1.30	1.14
Downside risk	0.00	-0.25	-0.30	-0.40	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.57
1-yr LIBID rate														
Upside risk	0.05	0.10	0.20	0.20	0.30	0.30	0.35	0.35	0.40	0.50	0.50	0.50	0.50	0.33
Arlingclose Central Case	0.70	0.95	1.10	1.30	1.40	1.65	1.65	1.60	1.55	1.50	1.50	1.50	1.50	1.38
Downside risk	0.00	-0.25	-0.30	-0.40	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.57
5-yr gilt yield														
Upside risk	0.20	0.20	0.20	0.20	0.20	0.25	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.31
Arlingclose Central Case	1.15	1.35	1.40	1.50	1.55	1.60	1.65	1.70	1.70	1.70	1.65	1.65	1.65	1.56
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
10-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	1.65	1.80	1.85	1.90	2.00	2.05	2.10	2.15	2.15	2.15	2.05	2.05	2.05	2.00
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
20-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	2.00	2.10	2.15	2.15	2.20	2.25	2.25	2.20	2.15	2.20	2.20	2.20	2.20	2.17
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
50-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	1.80	1.95	2.00	2.00	2.05	2.10	2.10	2.05	2.00	2.05	2.05	2.05	2.05	2.02
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50

Appendix 2 – Existing Investment & Debt Portfolio Position

	Actual Portfolio at 31 December 2017 £m	Average Rate %
External Borrowing:		
Public Works Loan Board	57.4	3.65
Local Authorities	0.5	2.32
Total External Borrowing	57.9	3.64
Investments:		
Banks (unsecured)	6.0	0.68
Covered bonds (secured)	7.3	0.63
Local Authorities	13.0	0.59
Money Market Funds	14.4	0.37
Pooled Funds	10.4	2.75
Total Investments	51.1	0.98
Net Debt	6.8	

Non-Treasury Investments		
Investment Property	7.8	2.60
Shares in Subsidiaries	0.5	0.00
Loans in Subsidiaries	3.1	4.88
Total	11.4	3.10

Appendix 3

Prudential Indicators 2018/19 to 2020/21

1. Capital Expenditure Plans

- 1.1 The council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. The plans are consistent with the latest Medium Term Capital Programmes (MTCP) for the General Fund and the Housing Revenue Account (HRA), previously considered by Cabinet in separate reports as part of the budget process for 2018/19 and submitted to full Council for approval later today. Both the General Fund and HRA capital programmes require some prudential borrowing to fund future capital expenditure plans and this is reflected in the borrowing limits being proposed as part of these indicators and is also covered earlier section 4 of the main Treasury Management Strategy Statement.
- 1.2 The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some of the estimates for other sources of funding, such as future capital receipts and revenue resources to fund capital, may also be subject to change over this timescale. To mitigate this risk capital schemes to be funded from future capital resources will not be allowed to commence until these sums have been received or confirmed.
- 1.3 **The Council is asked to approve the summary capital expenditure projections below.** This forms the first prudential indicator:

Prudential Indicator 1 – Capital Expenditure Projections

£'000	2017/18 Projection	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital Expenditure				
Non-HRA	3,493	13,629	30,478	7,934
HRA	10,132	8,574	9,330	9,751
Total	13,265	22,203	39,808	17,865
Funded by:				
Capital receipts	(2,296)	(2,447)	(14,400)	(5,100)
Capital grants	(2,327)	(5,090)	(3,265)	(1,858)
Capital reserves	-	-	-	-
Revenue (GF)	(1,490)	(1,112)	(138)	(138)
Major Repairs Reserve (HRA)	(3,397)	(3,500)	(4,233)	(4,318)
Revenue (HRA)	(3,726)	(3,566)	(2,921)	(2,497)

Net financing need for the year	389	6,488	14,851	3,774
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2. The Council's Borrowing Need (The Capital Financing Requirement)

- 2.1 The second prudential indicator is the council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's underlying borrowing need. Any capital expenditure, above, which has not immediately been paid for will increase the CFR. The CFR projections now include the borrowing requirement identified in Prudential Indicator 1, above.
- 2.2 The CFR does not increase indefinitely as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.
- 2.3 **The Council is asked to approve the Capital Financing Requirement (CFR) projections below:**

Prudential Indicator 2 – CFR Projections

£'000	2017/18	2018/19	2019/20	2020/21
As at 31st March	Projection	Estimate	Estimate	Estimate
CFR – Non Housing	18,452	24,566	36,883	37,265
CFR - Housing	47,417	47,417	49,593	52,529
Total CFR	65,869	71,983	86,476	89,794
Movement in CFR	-	6,114	14,493	3,318

Movement in CFR represented by				
Net financing need for the year (P.I. 1)	389	6,488	14,851	3,774
Less MRP	(389)	(374)	(358)	(456)
Less HRA financing movement	-	-	-	-
Movement in CFR	-	6,114	14,493	3,318

3. Gross Debt and the Capital Financing Requirement

- 3.1 In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
Borrowing	57.8	55.9	68.2	75.1
Other long-term liabilities	-	-	-	-
Total Debt	57.8	55.9	68.2	75.1
CFR	65.9	72.0	86.5	89.8

- 3.2 Total debt is expected to remain below the CFR during the forecast period.

4. Borrowing Limits

- 4.1 **Operational Boundary for External Debt** - This is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	65.9	87.0	91.0	94.0
Other long-term liabilities	-	-	-	-
Total Debt	65.9	72.5	91.0	94.0

- 4.2 **Authorised Limit for External Debt:** This is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the

maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m
Borrowing	69.9	90.0	93.3	96.4
Other long-term liabilities	-	-	-	-
Total Debt	69.9	90.0	93.3	96.4

5. Affordability Prudential Indicators

5.1 Prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall council's finances. **The Council is asked to approve the following indicators:**

5.2 **Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The revenue stream for non-HRA is the amount to be met from government grant and council tax payers and for the HRA is rent and other income.

Prudential Indicator 3 - Ratio of financing costs to net revenue stream

%	2017/18 Projection	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Non-HRA	13.7%	10.0%	3.9%	5.3%
HRA	33.3%	32.1%	26.3%	22.6%

5.3 The estimates of financing costs include current commitments and the proposals in both the General Fund and HRA revenue and capital budget reports. The changes to the Non-HRA figures reflect the planned reduction in the use of revenue resources to support the capital investment included in the Medium Term Capital Programme. The changes in the HRA's figures mainly reflect the revenue financing required to meet the cost of the planned capital investment on the 'new build' and acquisitions programme.

- 5.4 **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with *new schemes* introduced to the Medium Term Capital Programme recommended in the budget report compared to the council’s existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of government support, which are not published over a three year period.

Prudential Indicator 4 - Incremental impact of capital investment decisions on the Band D Council Tax

£	Proposed Budget 2018/19	Forward Projection 2019/20	Forward Projection 2020/21
Council Tax - Band D	(£1.22)	(£1.46)	(£1.10)

- 5.5 These values reflect the net General Fund savings forecast to be received from the council’s capital investment plans included in the Medium Term Capital Programme.

- 5.6 **Estimates of the incremental impact of capital investment decisions on Housing Rent levels** – Similar to the Council Tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the budget report compared to the council’s existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

Prudential Indicator 5 - Incremental impact of capital investment decisions Housing Rent levels

Impact per property per rent week	Proposed Budget 2018/19	Forward Projection 2019/20	Forward Projection 2020/21
Weekly Housing Rent levels	(£1.09)	(£1.88)	(£2.62)

- 5.7 This indicator shows the revenue impact of the latest HRA capital programme on the average weekly housing rent for the HRA. This indicator reflects the additional rental income the council is forecast to receive from the HRA’s new

build and housing acquisitions programme. The new build programme is expected to generate a net surplus for the HRA which, in turn, will contribute to the planned repayment of its debt over the 30 year life of the current business plan.

5.8 Local Indicators - HRA Debt Ratios

5.8.1 CIPFA's Prudential Code recommends the use of local indicators to measure the affordability and sustainability of the HRA's debt over the medium term. The following two local indicators consider the total level of HRA debt and how its proportion is changing over the next three year period. Both these indicators are consistent with the HRA Business Plan and the increase in borrowing required to fund its capital expenditure plans.

i) HRA Debt to Revenue Ratio

	2017/18 Projection	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
HRA debt £m	49.6	48.4	49.7	51.3
HRA revenues £m	16.0	16.2	16.8	17.4
Ratio of debt to revenues	3.1	3.0	3.0	3.0

ii) HRA Debt per Dwelling

	2017/18 Projection	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
HRA debt £m	49.6	48.4	49.7	51.3
Number of HRA dwellings	3,393	3,371	3,396	3,421
Debt per dwelling £'000	14.6	14.4	14.6	15.0

Appendix 4

Minimum Revenue Provision (MRP) Policy Statement 2018/19

1. The council is required to pay off an element of the accumulated General Fund capital spend financed by borrowing each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments where it is seen to be in its best interests to do so.
2. Regulations have been issued by the Ministry of Housing, Communities and Local Government (MHCLG) which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. **The Council is recommended to approve the following MRP Statement to be applicable for 2018/19.**
 - i. **For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:**
 - **Existing practice - MRP will follow the existing practice outlined in former DCLG Regulations (4% of balance of CFR at 31.3.08)**
 - ii. **From 1 April 2008 for unsupported borrowing the MRP policy will be:**
 - **Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the regulations.**
3. **Additionally the council is free to determine an alternative MRP approach provided that it is prudent. These alternatives may include a variation on the above options or may take other forms as determined by the Chief Finance Officer. For instance, where the council acquires assets funded from unsupported borrowing for the purpose of site assembly with the aim of disposing to developers in the future, then the council may determine a nil MRP charge is prudent on the understanding that the capital receipt from the disposal is used repay the borrowing and extinguish the CFR relating to it. Any unsupported borrowing falling on capital expenditure falling into this category will be reviewed annually and if for any reason a capital receipt will not be received within a specified timeframe as determined by the Chief Finance Officer relating to the asset acquired then the unsupported borrowing will revert back to the normal MRP treatment applicable including an adjustment for MRP due for previous years that may not have been previously charged.**
4. No statutory revenue charge or MRP is required for the HRA. However, as part of the approved HRA Business Plan, Cabinet approved an affordable strategy to repay the HRA's total debt, represented by its capital financing

requirement (HRACFR), currently over the next 30 years. No HRA debt is planned to repaid in 2018/19.

5. Any deviation from the approved policy in year will, as a minimum, be addressed in the MRP Policy Statement for the subsequent financial year.

This report will be made public on 20 February 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report number

A/17/18

To: Council
Date: 28 February 2018
Status: Non-executive decision
Head of service: Amandeep Khroud – Head of Democratic Services and Law

SUBJECT: REVIEW OF POLITICAL BALANCE AND COMMITTEE MEMBERSHIP

SUMMARY:

This report sets out a summary of the need to review the political balance and membership of committees following the recent decision by Councillor Miss Govett to leave the UKIP Party and stand as an independent Councillor.

REASONS FOR RECOMMENDATIONS:

The Local Government and Housing Act 1989 and regulations made under the Act require local councils to review the allocation of seats on committees and panels following any change in overall political balance.

RECOMMENDATIONS:

1. To receive and note report A/17/18.
2. To approve the amendment to the number of seats on the Overview and Scrutiny Committee (from ten seats to 11 seats) achieve an effective political balance.
3. To note the results of the review into the political proportionality of the Council and allocation of committee seats on a politically proportionate basis.
4. To note that Councillor Miss Govett is to be allocated one (1) seat only and will be removed from the Planning and Licensing Committee, and will become a Member of the Overview and Scrutiny Committee.
5. To note that following the decision by Councillor Miss Govett to leave the UKIP party, Councillor Robinson (UKIP) will become a member of the Planning and Licensing Committee

1. BACKGROUND

- 1.1 Councillor Miss Govett, the Ward Councillor for New Romney Ward has resigned from Shepway District Council's UKIP Group to become an Independent Councillor from 19 January 2018.
- 1.2 Previously, as a UKIP Councillor, Councillor Miss Govett held a seat on the Planning and Licensing Committee.
- 1.3 In addition, Cllr Miss Govett has been appointed to the following outside body:
- Romney Marsh Visitor Centre Advisory Group
- It should be noted the above organisation is not a committee of the Council. Appointments to outside bodies are made by the Leader and the political balance rules do not apply.
- 1.4 The Local Government and Housing Act 1989 and regulations made under the act require the Council to carry out a review and re-allocation of seats on committees following any change in overall political balance.
- 1.5 The main aim of the Act is to avoid single party committees while allowing the majority party the majority seats.
- 1.6 The overall number of seats that each group has should be proportionate to its number of seats on full Council.
- 1.7 It is not always possible to have precise mathematical accuracy in allocations. Therefore the Act and regulations specify that the committees should be balanced "as far as reasonably practicable".
- 1.8 The Council's Constitution also states those committees which should be politically balanced.
- 1.9 It is possible to depart from political balance but only if no member votes against such a proposal.

2. CURRENT SITUATION

- 2.1 Following the recent change in political balance, the Council comprises the following groups and individual members:

	No	%
Conservative	23	76.67
Independent	2	6.67
UKIP	5	16.67
Total	30	100%

The results of the review for political balance indicate the following:

- Conservative Group – no change
- UKIP Group – Reduce from 6 seats to 5 seats.

- There will now be 2 independent members.

The percentage equivalent has been used to calculate the allocation of seats for each committee:

Committee	No of seats available	Conservative		Independent		UKIP	
Personnel	5	3.83	4	0.33	0	0.83	1
Overview and Scrutiny	11	8.43	8	0.73	1	1.83	2
Audit and Governance	5	3.83	4	0.33	0	0.83	1
Planning and Licensing	12	9.20	9	0.80	1	2.00	2
	33	25.29	25	2.19	2	5.49	6

- 2.2 In order to achieve effective political balance on the Overview and Scrutiny Committee, it is proposed that the number of seats should rise to 11.
- 2.3 Councillor Miss Govett who is now an independent member will hold one (1) seat only as an independent member. It is proposed by the Leader that Councillor Miss Govett will be given a seat on the Overview and Scrutiny Committee.
- 2.4 Previously as a UKIP councillor, Councillor Miss Govett held a seat on the Planning and Licensing Committee. Councillor Robinson will be appointed to the Committee to replace Councillor Miss Govett.

3. RISKS

- 3.1 The Council must review the political balance of its committees following any change in political balance. The Council risks challenge if it does not do so.
- 3.2 The Council can depart from political balance, provided no member of the Council disagrees with the proposal.

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal officer's comments (AK)

This report was prepared by the Head of Democratic Services and Law. The legal issues are set out in the body of the report.

4.2 Finance officer's comments (JM)

There are no financial implications from this report.

4.3 Diversities and equalities implications

None

5. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Amandeep Khroud – Head of Democratic Services and Law
Telephone: 01303 853253
Email: Amandeep.khroud@shepway.gov.uk

This Report will be made public on 20 February 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



www.shepway.gov.uk

Report Number **A/17/24**

To: Council
Date: 28 February 2018
Status: Key Decision
Head of Service: Sarah Robson, Head of Transformation
Portfolio Holder: Councillor David Monk, Leader of the Council

REPORT TITLE: TRANSFORMING SHEPWAY

SUMMARY: As part of its Transforming Shepway programme, Shepway District Council has been considering how it can utilise service redesign and ICT to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs. This document provides the conclusions of work to redesign the Council's services supported by Cabinet at its meeting in June 2017. This report includes the business case, future operating model and high level implementation plan. It also outlines that by adopting a refreshed ICT Strategy and making an investment in its ICT infrastructure and changing its business operations, the Council can achieve improvements in services for residents and deliver a genuine efficiency without cutting services.

REASONS FOR RECOMMENDATIONS: Council is asked to consider the following reasons for recommendation:

- Transforming Shepway helps the Council to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs.
- A new ICT infrastructure is now required that matches the Council's business requirements for the next 5 years and beyond with technology that is both efficient and cost effective.
- The constitution requires Full Council approval for all virements which are outside of the budget framework

RECOMMENDATIONS: Council is asked to:

1. Receive and note the report.

2. Approve an overall budget of £5.9m spread over the term of the project to 2020/21 (including a Notional Severance Provision of £2m), which will include: £0.75m from existing revenue; £2.925m from use of flexible capital receipts; £1.030m from financing exchanges and £1.225m from capital financed through borrowing or reserves, which will produce an expected net annual ongoing efficiency saving of £1.8m from 2020/21.
3. Approve the overview of and any amendments to the financial envelope to be delegated to the Corporate Director of Organisational Change in consultation with the Leader of the Council

1. BACKGROUND

- 1.1 This Council, like many others, is facing a number of challenges over the medium term. Maintaining the status quo is not an option. The Council has never stood still in its search for efficiency and better public service, but it's clear that tough times are ahead. The Council is presented with a limited choice. It can cut back on its ambitions for its communities and the level of services it offers them, or it can innovate in what it does and the way it goes about our business, in order as far as possible, to meet community needs and aspirations. The Council has been explicit in its desire to protect public service delivery from further cuts to frontline services in order to minimise any impact on our communities.
- 1.2 The financial challenges the Council face were set out at Cabinet's meeting of 31 May 2017 (Report C/17/03 – Updated Medium Term Financial Position) and also in the latest MTFS reported to Cabinet and Council in October 2017. This report agreed for ongoing work to be undertaken in order to monitor progress to meet the financial challenges identified. The MTFS identified the following Medium Term Financial Forecast :

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
In year deficit	1,151,000	1,742,000	3,058,000	4,380,000	4,828,000	4,984,000
Cumulative deficit*	1,151,000	2,893,000	5,951,000			

- **The cumulative deficit shows financial position if no action is taken to address the in-year deficits on an ongoing basis.*
 - *The shaded columns are outside of the usual MTFS range. However, they indicate the ongoing nature of the “in year” deficit although the cumulative position has not been extrapolated.*
- 1.3 It is clear that the Council faces ongoing challenges to meet its budget gap over the next few financial years. In order to achieve its Corporate Plan vision of ‘Investing for the next generation, Delivering more of what matters’, it is simply unsustainable to continue reducing our staff numbers and retain the delivery of essential public services unless it finds a very different approach.
- 1.4 The Council has continued to review its efficiency programme, whilst ensuring frontline services are protected for our communities. It has continued to re-evaluate spending; challenging those areas where it can reduce our costs and be more efficient, as well as maximising opportunities to generate additional revenue. As a Council, elected members have maintained that income should not be increased by significant Council Tax rises or reductions in the delivery of essential public services.
- 1.5 In previous years the Council has achieved targeted savings service by service, undertaken departmental restructures and considered other opportunities including an ambitious proposal for a single East Kent Council, which had the

potential to make a collective saving of up to £7 million in the first two years, but was rejected. Following the decision not to progress with moving forward with the proposal to create a new East Kent Council, the Leader of the Council released a statement confirming that “without any grant from central government significant savings would still be required”...and officers had been tasked “to come forward with fresh proposals that will be put before Council.”

- 1.6 The Council continues to benefit from strong collaborative leadership between its elected Cabinet and Corporate Management Team, making a commitment to be more ‘commercially-minded’ seeking opportunities which will help achieve some of the required efficiencies. A proposed new model of operational delivery is being considered, which will address a number of ‘drivers for change’ the Council is faced with against its commitment to deliver for our communities through the provision of cost effective services, understanding our customers more and having a better insight into their needs and the demands they place on us.
- 1.7 These ‘drivers for change’ include advancements in technology, where there is a greater expectation from our customers to meet their needs 24/7 using a variety of channels, just as they would expect from other services such as their utilities and banks. The Council provides lots of services to people of varying needs. Some services are provided to all, whilst others are tailored to need. It must invest in improvements to technology to meet the diversity of customer demand for services. Accessible, easy to use online services and processes that are designed from a customer perspective will keep customers updated and manage expectations.
- 1.8 In 2016, the Council’s Revenues and Benefits application forms were moved online and to date nearly 55% of those customers have now successfully moved to transacting with the Council online and this number continues to grow. This trend can be replicated across our services and reflects how the way customers want to interact with the Council is changing.
- 1.9 At its meeting of 21 June 2017 (Report C/17/15), Cabinet approved the commissioning of a report to look at a new future operating model for the Council which places its focus on our customer service through improved efficiency for the organisation and the use of technology.
- 1.10 To help take this work forward, the Council appointed the change consultancy, Ignite, to consider the application of a future operating model. Ignite are a recognised leader for change in the local government setting, having successfully worked with a number of local authorities including Eastbourne, Eastleigh, South Hams and West Devon. The premise of Ignite’s future operating model is to enable Councils to support their communities by delivering the right outcomes with great customer service on a lower cost base.
- 1.11 The Corporate Director of Organisational Change was appointed ‘project sponsor’ and an internal project core team established and led by the Head of Transformation (currently seconded from the Head of Communities post) to oversee the project’s development and management. This work was

undertaken between September and December 2017, whereby a blueprint was developed to outline the potential opportunity to the Council. At this stage, the blueprint (see Appendix 1) only provides a high-level outline of the potential opportunity to the Council and further detailed design work will need to be progressed subject to Cabinet's decision to proceed with implementation.

- 1.12 The Leader and the Deputy Leader of the Council agreed to champion the project as it has far-reaching benefits for the Council, increasing its capacity to work in a different way, utilising resources more effectively and delivering the best possible customer experience. Their support has significantly strengthened the holistic and strategic direction required for the project to be successful. It was agreed a further report would be made to Cabinet on 28 February 2018 to present the final business case, followed by Council regarding the overall budget required.
- 1.13 Both the Leader and Deputy Leader have been kept abreast of the blueprint's progress, including a visit to South Hams and West Devon Councils in November 2017, where a similar model has been successfully implemented. A further briefing was provided informally to Cabinet and Overview and Scrutiny Committee in November 2017, alongside specific updates to the respective Cabinet Members for Finance and Customers and Digital Delivery. The proposed model's emphasis on 'putting the customer first' has captured member support and it will be important to ensure Transforming Shepway provides a continued efficient and high quality service to our customers.
- 1.14 As a result of this work, a new model has been designed which will deliver services in a new way making the Council more flexible and customer focused and give the customer a better experience of what it does, allowing them to be more in control of what they want from us. The new model will fundamentally change our service delivery model enabling the Council to reduce costs through improved business processes, whilst investing in our frontline services to meet the demands of customers and communities. It will ensure that the Council delivers a value for money solution to the taxpayer, delivering quality services at the lowest possible cost.

2. INTRODUCTION

- 2.1 The Council's transformation project is known as Transforming Shepway. Its vision, agreed by CMT, supports 'Delivering more of what matters with less'. The project was launched in September 2017 with the aim of developing a Council that is efficient and fit to serve its community and meet the aspirations of residents, in the context of reduced resources. In particular, the Council wishes to, as far as possible, maintain its excellent services and corporate ambitions, whilst avoiding being in the position of other councils who are cutting service levels and their aspirations in an effort to simply reduce costs.
- 2.2 Working with Ignite, the Council examined the potential of a new delivery model to support meeting our corporate priorities identifying the following objectives for the project:
- Understanding our customers better and design services to meet their expectations
 - Supporting the delivery of our corporate plan to meet communities' needs
 - Helping to deliver the Council's efficiency target
 - Realising the benefits of state-of-the art technology and systems
 - Opening up career opportunities for staff
- 2.3 To meet these objectives, CMT agreed with Ignite that the future operating model would look at the following four key areas:
- The organisational model
 - Customer journeys and processes
 - Technology
 - People, culture and ways of working
- 2.4 Transforming Shepway's development stage has identified a number of project deliverables:
- Deliver a new model of public service delivery
 - Improved customer service processes enabled by digital technology
 - Deliver a year on year reduction in net expenditure
 - Implement new methods of service delivery including changing behaviours of customers
 - Continue to be ambitious - delivering high quality services and major projects
 - Enable a workforce with the skills, behaviours and abilities essential to delivering high quality public services
 - Preserve our "can do" friendly, culture
- 2.5 Service, process and digital redesign, alongside customer enabling and staff empowerment and development will form a crucial part of the Transforming Shepway project.

3. PROCESS

- 3.1 The project has examined all Council services for their potential to be redesigned and digitally enabled and to come under a new operating model. At present, it is recommended that frontline operations (where applicable, excluding management posts) of Grounds Maintenance, Lifeline, Waste and Hythe Pool remain out of scope for redesign, other than how they interact with service requests by customers. Work, however, will continue in ensuring that these services are delivered in the most efficient and effective way.
- 3.2 In the past three months, more than 60 members of staff from across the organisation have been engaged directly in the process of service redesign, with many more indirectly involved. This approach was essential to getting an understanding of how services currently work, where staff time and resource is spent in delivering aspects of each service, and what the potential is for redesigning services so that they are more efficient.
- 3.3 Throughout this period, the Council has been working with the unions (e.g. Unison) and engaging with staff through a variety of formats and remain committed to this engagement through the lifetime of the project. More than 40 existing members of staff have volunteered to become 'Change Transformers'. Their role is to actively ensure their teams are ready, willing and able to adopt change throughout the implementation phase (subject to Cabinet's decision in February).
- 3.4 Services have been redesigned with a view to making them more efficient (financially and in terms processing times) and effective in meeting customers' expectations and the Council's ambitions. In order to achieve more efficient and effective services, everything the Council does has been examined at a high level to consider how:
- to prevent and reduce demand through enabling customers and communities to serve themselves or by dealing with things before they turn in to a service request
 - services can be modernised, streamlined and made more efficient by having a more joined up approach to service delivery, less traditional council service divisions and common technology, processes and roles
 - to improve access to council services and information for customers
 - to ensure the earliest possible resolution of customer enquiries, reports and requests
 - to shift work forwards in the organisation towards customer facing staff and thus ensure more efficient use of staff and freeing up professional staff to concentrate on work where their expertise is really needed
 - to provide an accessible and actionable feedback process so customers can track their service requests, know when they will be dealt with and receive feedback when the work has been completed
 - the Council will improve its systems and measurement of performance with a view to driving improvements for residents and other customers
 - the Council will ensure a sustainable level and quality of services it can provide in the context of declining resources

- to ensure it has skilled, knowledgeable, empowered staff with attitudes and behaviours that support the delivery of modern customer focussed services;
- and that it provides improved career opportunities and development for staff

3.5 The blueprint provides an indication of the potential opportunity to the Council. However, it has helped to build the revised business case, which forms the basis of this report. Where the blueprint has provided some assumptions around the cost analysis (including technology) and the high level function design, this report has considered the blueprint in more detail, using officer knowledge and expertise bespoke to the Council.

3.6 Ultimately, the Transforming Shepway future model will be designed and owned by this Council and aligned to its ambitions and future needs.

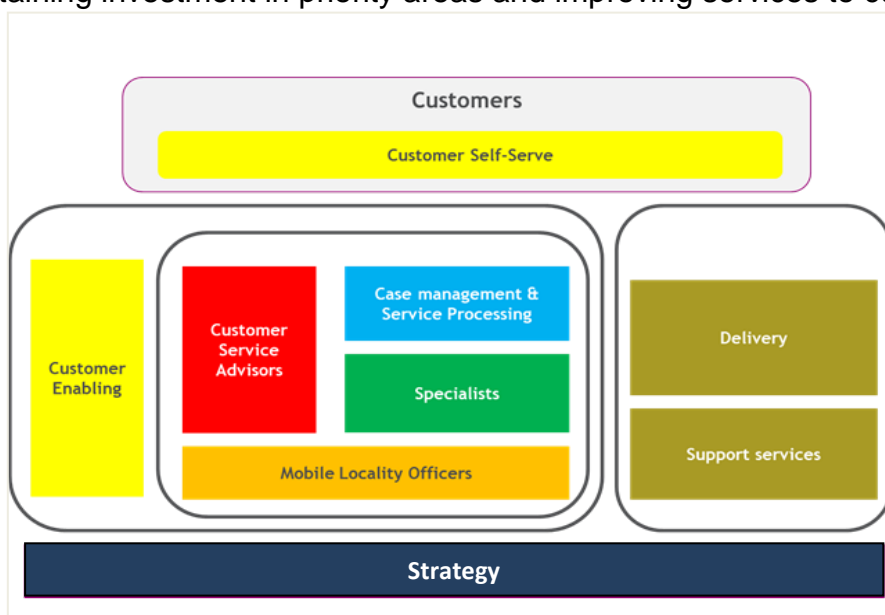
4. NEW OPERATING MODEL

4.1 As a result of the analysis of services a new operating model for the Council has been proposed which is set out below. This should not be confused with a management structure. The operating model is instead, the way of managing service requests and other work across the organisation.

4.2 This conceptual framework forms a starting point for the design of the future operating model; challenges and considerations specific to the Council, which have been addressed through the blueprint. The key components are shown in the diagram below.

4.3 Future Operating Model

The Future Operating Model provides a completely new operating structure for the Council underpinned by refreshed processes, roles, technology, ways of working and culture. It will support translating the Council's political will, maintaining investment in priority areas and improving services to customers.



4.4 The **Strategy** element of the operating model is concerned with:

- defining the ambition of the organisation in terms of services and projects
- ensuring there is evidence based strategy that meets our communities' needs
- well planned services that ensure political ambitions are delivered efficiently and effectively

Strategy is both the activity and resource to translate insight and ambition into the Corporate Plan and major strategies, ensuring that the Council remains unique, accountable and capable. It will provide a 'single' brain to the Council, responding to political will and ambition and ensuring this is turned in to evidence based strategy. The key components of the Strategy are:

- **Strategy, Performance and Communications:** Setting the corporate strategy and priorities, ensuring these are based on evidence (what the district needs and what residents want). Ensuring services, programmes, projects and employees are working towards a common set of outcomes as specified in the Corporate Plan. Building a sound evidence base of data, analysis and interpretation to support the wider work of the Council. Keeping internal and external customers informed about Council priorities, services and campaigns, lead the engagement of our customers, provide a corporate marketing function to the Council including customer data and trends and promotion of commercial and income generating services, and place based marketing to support inward investment and economic ambitions.
- **Law, Governance and Democratic Services:** Provide expert legal advice on the full range of Council responsibilities and public sector duties Provide member support, working to ensure that the Council's governance and democratic processes are efficient, work effectively and support the ambitions of the council. Set the Constitution and governance of the council, ensuring that the Council is efficient, transparent and accountable to local people.

4.5 **Service Delivery** is divided across **Customer Enabling, Customer Service Advisors, Case Management and Service Processing, Specialists and Mobile Locality Officers**. Their role is to deliver efficient and professional services to the Council's customers that are aligned to the Council's ambitions managing performance to meet the desired outcomes. The Customer Contact element includes:

- Customer enabling, helping those who want to and are able to resolve their service requests themselves, for example, through an enhanced self-service system based on web and phone applications
- Customer service advice, dealing with as many customer enquiries as possible and resolving most of them at first point of contact, rather than them be referred on to another officer

- Case management which will deal with more complicated requests that may require more than one council service or require to be processed, such as a planning application
 - Specialist services, which is the management of service requests and other council business that requires expert input
 - Mobile locality delivery, having an improved and more visible presence in the district's communities to deal with issues on the ground early and proactively where possible so they do not become service requests
- 4.6 Mobile Locality Officers will work as part of an effective locality team that offers an excellent standard of customer care, acting as an ambassador for the Council, resolving issues where possible on initial contact or otherwise referring to other teams. The Locality team will be at the heart of the Council supporting officers and providing a visible community presence for elected members. They will be able to carry out inspections and gather evidence on behalf of key service areas. This will include delivering planning notices, carrying out dog patrols, assisting vulnerable residents with benefit applications and investigating fly-tipped waste or anti-social behaviour.
- 4.7 Delivery is the front line delivery of many of the Council's services. It is concerned with:
- Efficient delivery of services on the ground (e.g. grounds maintenance), ensuring that there is a strong customer focus to service delivery
 - That a more commercial approach is developed to optimise revenue and grant opportunities
 - That service delivery supports the achievement of the Council's wider objectives for the district and its communities as set out in the Corporate Plan
- 4.8 **Support Services** is concerned with providing business like and efficient support and advice to teams across the Council. These are non-customer facing back office functions, such as Human Resources, Finance and ICT, who support improving performance and support the Council in meeting the Council's ambitions.
- 4.9 Behind this model is more detailed analysis setting out how the model will work in practice and where functions and accountability will sit. The Council will need to develop a new management and staff structure, based on a matrix style of working as opposed to its current hierarchical structure, in order to support the delivery of the model. It is important to note that much of the detailed design of the new services and the processes that underpin them is yet to commence. This will take place in the implementation stage with the involvement of staff, Members and customers, should the Council choose to move to the new model.

5. ACTIVITY ANALYSIS

- 5.1 Using the future operating model, all activities across the Council have been mapped, identifying the roles and level of cost involved. This activity analysis

describes activity types and the cost to deliver particular services to customers. A number of saving areas have been identified across the Council in line with the Future Operating Model. At this stage, the numbers are indicative and will be refined further in the detailed design.

- 5.2 The activity analysis took a snap shot in time, as at 30 September 2017, of the full-time equivalent (FTE) posts identified as being in scope for the project. This equated to a total of 269.4 FTEs and a total cost of £10.8 million being in project scope.
- 5.3 The blueprint business case validates some of the assumptions made in the initial business case undertaken for the Council and has involved a wider group of staff in identifying the opportunity for savings. The analysis activity engaged that wider group in identifying areas that could work more effectively and efficiently through the Future Operating Model and the use of new technology. Assumptions were based on key drivers of efficiency that could be made to identify potential savings by each part of the future operating model.
- 5.4 The combination of the output from the business case and the work in the workshops has developed potential options for how the Future Operating Model could be structured and provides a proposed organisational design. Initial draft FTE numbers from the business case have been refined, but would be adjusted and finalised in the detailed design stages of implementation to reflect more involved design considerations engaging more of the organisation.
- 5.5 As a result of the activity analysis, the business case proposes the potential opportunity to reduce the Council's headcount to generate a General Fund efficiency over two years, whilst simultaneously enhancing customer service delivery.
- 5.6 The initial, high level analysis suggests a saving in the region of up to 50 FTE posts, resulting in a potential efficiency saving of up to £1.8 million over 2 years. However, caution must be given to these indicative figures. They give the Council only an indication of what opportunity may be achievable by adopting a new operating model. The activity analysis captures a particular moment in time and the figures below could go up or down depending on future FTE headcount and the opportunities identified to improve service delivery via the detailed design process that would be undertaken if Transforming Shepway is implemented.
- 5.7 The financial case developed by Ignite is focused on generating ongoing revenue saving to the Council, hence there is focus on the General Fund. However, it has also considered external funding or grants (e.g. Kent County Council, Ministry of Housing, Communities and Local Government) and recharges to the Housing Revenue Account (HRA). This funding may be predicated on a certain set of activities or mechanism for delivery and the future operating model design may have to be adjusted to reflect this. This in turn could impact benefit that can be realised which would need to be tested and determined in the detailed design phase.

- 5.8 The combination of the output from the business case and the work in the workshops (discussed under point 3.) has developed potential options for how each area of the future operating model could be structured. These options have then been refined in light of constraints (people, organisational or political) and opportunities, to provide a proposed initial organisational design. FTE numbers will be revised in the detailed design stages of implementation to reflect more involved design considerations engaging more of the organisation.
- 5.9 If Cabinet approval is provided to proceed with the project implementation, detailed design work would then be undertaken as part of the project's phasing over a suggested two years implementation period to ensure the most up-to-date intelligence is used to progress and identify the benefits realisation.

6. HIGH LEVEL STRUCTURE

- 6.1 The blueprint (Appendix 1) provides an indication of the future high level structure. Using this as an indication of the opportunity to the Council, CMT has translated the proposed future operating model into a high-level design bespoke for Shepway, using the analysis exercise detailed in 5. above to identify where efficiencies can be made.
- 6.2 The diagram below shows the potential directorate structure and underlying functions in order to deliver the proposed design and operating model.
- 6.3 All role titles will be subject to review and change. It should be noted that the business case identifies a significant change and efficiency saving within the Corporate Management Team seeing the headcount reduce from 4 FTE to 3 FTE posts.

6.4 High Level Structure – directorates

Directorate: Strategy	Directorate: Place and Commercial Services	Directorate: Customer, Support and Specialist Services
Strategy, Performance and Communications	Grounds Maintenance	Support Services (Audit, HR, Finance and ICT)
Law, Governance and Democratic Services	Mobile Locality	Customer Services
	Strategic Assets	Case Management
	Lifeline	Specialists
	Hythe Pool	
	Strategic Programmes	

7. FINANCIAL CONSIDERATIONS AND BUSINESS CASE

7.1 Having considered the blueprint, the Council has reviewed and set out its financial business case for implementing the new operating model in the table below. This table provides an indication of the profile of spend however some initial costs are anticipated to be incurred during the very end of 2017/18, these will be part of the overall financial envelope noted within the table.

	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Total
Costs of Programme:	£	£	£	£
Costs – ICT Infrastructure	750,000	750,000	500,000	2,000,000
Implementation team – recruitment	250,000	250,000	-	500,000
Consultancy cost (IT, HR, customer, process)	215,000	215,000	-	430,000
Transitional Support Staff	150,000	150,000		300,000
Training	75,000	50,000	25,000	150,000
Consultancy Change Support	275,000	275,000	-	550,000
Notional Severance Provision	1,000,000	1,000,000	-	2,000,000
Total Costs of Programme	2,715,000	2,690,000	525,000	5,930,000
Funded By:				
Existing SDC revenue	400,000	350,000	-	750,000
Use of Capital Receipts through capital receipts flexibility	1,200,000	1,200,000	525,000	2,925,000
Financing Exchanges	500,000	530,000	-	1,030,000
Capital financed through borrowing / reserves	612,500	612,500	-	1,225,000
Total Funding (cost/benefit)	2,712,500	2,692,500	525,000	5,930,000

7.2 The updated business plan justifies the significant investment required to make change to a new operating model in order to meet the Council’s financial challenge head, whilst improving customer service and experience. Improved IT infrastructure and transitional costs such as staff time to implement the changes will see the project require an estimated total budget in the region of £5.9m over the term of the project. Whilst the table outlined above indicates costs arising in the financial periods 2018/19 – 2020/21, the programme will need flexibility over the exact timing of these costs being incurred. Some costs are likely to be incurred during very late 2017/18, in which case these are proposed to be drawn from the flexible use of capital receipts (subject to Cabinet approval). The Medium Term Financial Strategy (report A/17/13) agreed the flexible use of capital receipts to fund the council’s future efficiency programme, specifically noting the future operating model transformation programme. There are some important elements to this programme which, however, need to be noted:

- The ICT infrastructure costs are estimated as the detailed programme needs to be set out. The total sum of £2m is an estimate. Based on initial

soft market testing, this figure is likely to reduce. However, this will replace much of the necessary upgrading of equipment and software which would be incurred had the transformation project not taken place.

- There is a significant budget identified for severance costs, which is calculated on all posts in project scope being subject to redundancy costs and associated severance costs. Based on similar projects undertaken by other local authorities, this figure will significantly decrease once accurately determined as the programme progresses.
- The programme assumes a level of flexible capital receipts to be utilised to fund the programme. The government have confirmed this programme will be extended for 3 years from the current 1 April 2019 deadline.
- At an estimated £1.8m per annum revenue savings, the programme will be funded within 3.5 years with an ongoing revenue savings thereafter. Between 2-5 years is considered a standard pay-back period for a project of this scale within local government. However, as the savings are predominately revenue and the costs predominantly capital, there will be a contribution to the councils MTFs position at a much earlier stage.
- The sum of £1.030m (financing exchanges) represents current revenue spending on capital projects. This funding can be used to support the transformation programme whilst the relevant capital expenditure can be funded through borrowing.

Flexible Use of Capital Receipts

The Council has previously adopted the government's Statutory Guidance for the Flexible Use of Capital Receipts. This allows the council to use capital receipts received from General Fund asset disposals from 1 April 2016 to 31 March 2019 on revenue expenditure that is planned to generate ongoing efficiencies and savings, such as the major transformation project, during that period. The government has recently announced a three year extension to this scheme until 31 March 2022 although the detailed provisions regarding this have yet to be issued.

7.3 Capital receipts funding available

The amount of capital receipts currently available equals £570k (£414k balance of Shorncliffe Road plus £156k of new receipts in 2017/18). There is likely to be some early expenditure in 2017/18, and this report seeks authority to withdraw from the flexible capital receipts to fund this expenditure, the current sums held will be sufficient to cover all expenditure possible during 2017/18. Further expected capital receipts are as follows:

- 2018/19: £1.6m
- 2019/20: £1m

The figures for 2018/19 and 2019/20 are estimated rather than expected at this stage. The £2.6m of anticipated capital receipts is consistent with both the approved Budget Strategy for 2018/19 and the MTCP report being presented to Cabinet in January 2018.

7.4 Whilst the financial saving is important in the context of the Council's MTFs, it is important to recognise that there are other reasons for considering adopting

the model in terms of improvement to the business. The benefits of the new operating model can be summarised as:

- It will provide improved service delivery to residents and better customer service standards at a time of reducing resources, with quicker, more accessible, responsive and higher profile services
- It produces genuine efficiency savings rather than service reductions and scaling back our ambition or asking staff to deliver the same with less resources
- The model provides increased capacity to meet the Council's and our communities ambitions in key priority areas and there will be better opportunity to realign the Council's services to its ambitions
- There will be better planned and better informed (by data) service and project delivery
- It supports further development of local area working by providing more responsive, high profile local services able to meet local differences and needs
- The model supports an improved approach to performance management and better delivery on the ground with less resources
- Greater opportunities for career progression for staff – becoming an employer with a reputation for developing careers
- It will strengthen some aspects of the Council, providing greater capacity and skill to ensure Members' ambitions for the Council and the district are well planned and driven through the organisation, translated in to delivery; and that the Council makes better use of the plethora of data available, including what our residents are telling us
- The model will break down the traditional barriers between types of Council services ensuring cross council working focussed on Members' ambition and customer needs

8. ICT

- 8.1 To deliver the proposed scale of change required to deliver Transforming Shepway will not only require the successful implementation of the new operating model, but also a sound technology solution. The primary technology investment required to implement the future operating model is in the integrated, customer focused technology solution that will underpin and enable the new ways of working. Much of the necessary upgrading of existing ICT infrastructure would need to be delivered even without Transforming Shepway. Our equipment and systems are out-dated, expensive to run and resource and not fit for purpose for today's customer.
- 8.2 Therefore, the Council has considered its future ICT infrastructure not only for the purposes of this project, but its broader future. As a result, the Council has recently refreshed its ICT Strategy, subject to Cabinet's approval in February 2018.
- 8.3 The council's current ICT strategy was prepared prior to the outsourcing of the ICT service in 2012 and was largely focused on the expectations for the outsourced service and the outline for what eventually became the "Ways of

Working” project. A new strategy is now required that matches the Council’s business requirements for the next 5 years and beyond with technology that is both efficient and cost effective.

- 8.4 The core principles of the new strategy underpin a new ICT infrastructure that is fit for purpose, well integrated, focused on self-service and demand reduction, supports agile working and facilitates improved communications, whilst being secure, resilient and affordable. The strategy looks to the future of ICT support beyond the end of the current outsource arrangements in 2022, bearing in mind the fast-paced changing trends in technology and the council’s ongoing pressure to meet financial efficiency savings.
- 8.5 The strategy is supported by a high level roadmap, which provides a structure and timetable for the delivery of technical solutions. This will necessitate an early review of hardware and systems provision to ensure ICT is fit for its future role and is not simply providing more of the same as that could lead to the council having outdated technology. A fully integrated technology platform is needed to support improvements in the following critical elements of Transforming Shepway:
- customer enabling
 - customer self-serve
 - single view of the customer
 - automated workflow
 - document management
 - mobile solutions
- 8.6 The high level roadmap timeline will be flexible depending on the progress of the project and new requirements coming to light and changing dependencies.
- 8.7 ICT projects take time to properly procure, implement, configure and test. Therefore, it is recognised that the Council has limited capacity to deliver change and those projects that are in direct support of the Transforming Shepway project will be given the highest priority over the next two years.
- 8.8 Initial priority for implementation of systems in relation to Transforming Shepway will be given to:
- The implementation of a new Customer Relationship Management (CRM) system and Digital Services platform and the implementation of a new information management / collaboration platform. These two key elements need to be considered together because customer processes that have an element of document management need to work seamlessly. They provide a single view of the customer through data integration between the CRM and the ‘back office’ data processing systems. All information held about a customer can be seen together. This single view supports more streamlined customer journeys, with fewer handoffs / touch points and issues resolved faster.

- The replacement of the existing contact centre telephony platform with a new multi-channel contact centre platform.
- The replacement of the digital telephone system in the civic centre with a Unified Communications (UC) telephony platform.
- A range of improvements to the Web Content Management System (CMS)
- Mobile working

8.9 ICT will be a significant enabler in the delivery of the Transforming Shepway project. As the Council moves to ensure its core business is working effectively and efficiently, it will need to find the right tools to support our customers, both internal and external. This has been considered in any budget implications.

9. IMPLEMENTATION

9.1 Such a fundamental change to the way the Council operates will take a time to implement. The plan envisages a 24 month programme from Cabinet's decision in February 2018 to achieve full implementation. A key driver for implementation is the ICT and digital technology upon which the new business model will rest.

9.2 The table below outlines the proposed high level implementation plan. Time is provided in the implementation plan at the front of the programme, to plan and procure the technology before changes start being made to the way services are organised and provided.

9.3 Proposed high level implementation plan

Proposed high level implementation plan

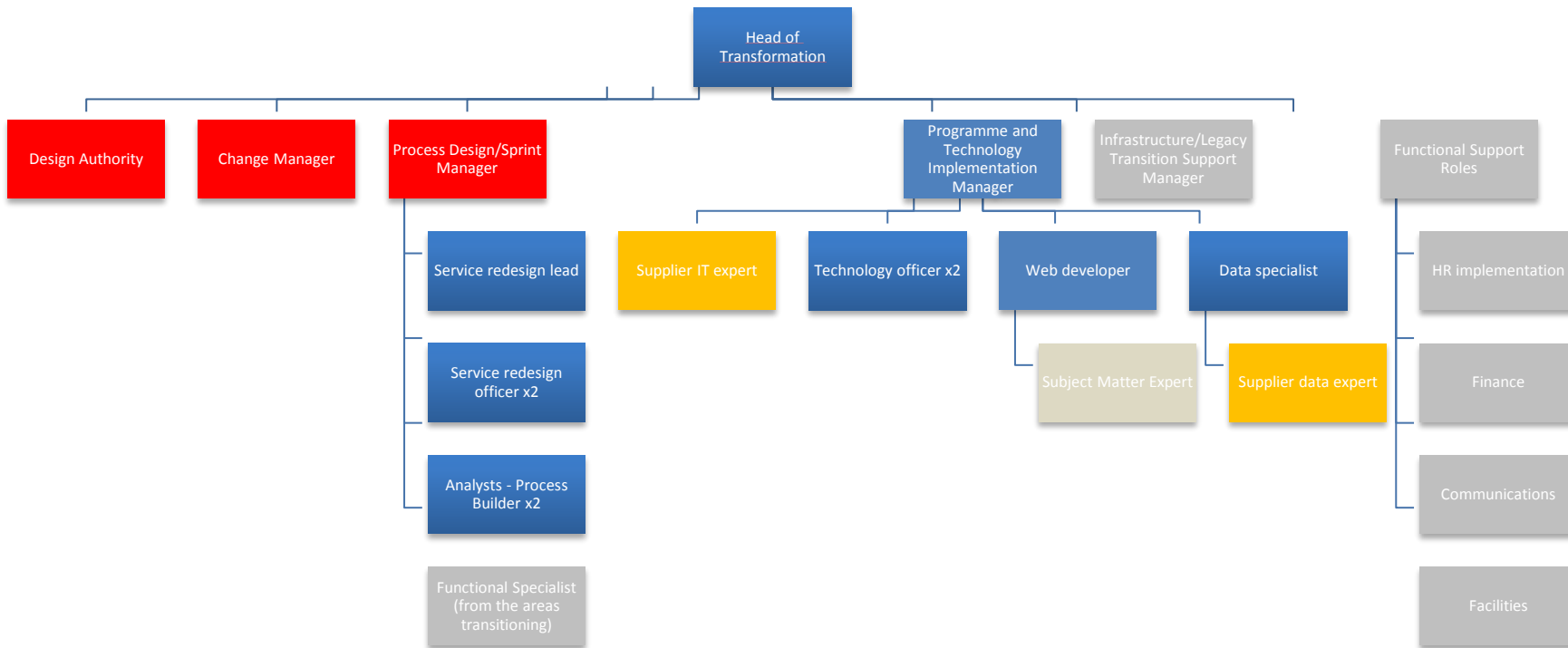
		2018				2019				2020	
Phase	Activity	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Mobilisation	Business Case – Cabinet										
Mobilisation	Project management and communication										
Mobilisation	CMT recruitment										
Mobilisation	Programme set up										
Mobilisation	Implementation team recruited										
Mobilisation	Technology baseline procurement										
Mobilisation	Technology implementation										
Phase 1A	Leadership and management										
Phase 1B	Mobile Locality										
Phase 1C	Strategy										
Phase 1D	Strategic and core programmes										
Phase 2A	Customer services and Support Services (excl. HR and ICT – Systems Support)										
Phase 2B	Case management and specialist services										
Phase 3	Delivery units and commercial teams, HR, ICT - Systems Support										
Phase 4	Data cleansing and migration										

The plan shown represents the calendar year, not the financial year, so some aspects of implementation will occur during the financial year 2017/18.

- 9.4 The detail that sits beneath the high level implementation plan would be developed as part of the 'detailed design' work undertaken if the project progresses into the mobilisation and implementation phasing, which is currently subject to Cabinet approval in February.
- 9.5 This would include developing the detailed organisational design. The emphasis in the Transforming Shepway future model is on generic role descriptions and proposed role families. A role family is a group of roles involving similar types of work and requiring similar levels of training, skills, knowledge and expertise. The role family concept helps organise related roles – roles that are comparable or relate to each other.
- 9.6 Currently there are hundreds of role profiles in the Council, which makes comparing roles difficult and evaluation of roles cumbersome. Having a smaller number of generic roles will ensure clarity and greater equity across the organisation in terms of responsibilities taken on and reward for those responsibilities. It will also make the different paths for career progression clearer and should open up more opportunities for people to develop their careers.
- 9.7 This is important, as the Councils want to ensure it builds a reputation as a place where people will be given the opportunity to develop their careers and be supported in their development.
- 9.8 Following consultation and the detailed design phase, the Council would create specific role requirements to inform the recruitment and selection process.
- 9.9 Detailed analysis of customer journey and process design, technology, people (consultation, recruitment), change and transition management, customer engagement and channel shift would be undertaken in each of the proposed phasing stages.
- 9.10 A benefit delivery plan would be monitored to realise the cash benefits unlocked by implementing the new model, describe exactly when benefits will be realised.
- 9.11 It is recommended that the proposed high level implementation plan is followed with leadership, management and strategy moving quickly to enable the rest of the programme's implementation at a quicker pace and with more engagement. By having leadership and management in place early on in the transformation, they are able to inform key decisions regarding their teams during the detailed design. The transition of leadership and management and strategy is less dependent on the full implementation of technology relative to other areas of the model. The benefits to be realised by transitioning these two areas of the model are significant, which will assist in the immediate budget pressures facing Shepway.
- 9.12 Support Services phasing will be undertaken in Phase 2A, which includes functions such as Audit, Finance, ICT (Systems Support) and Human Resources.

- 9.13 The Human Resources and ICT (Systems Support) teams will have a crucial role in the project's delivery, overseeing key elements. HR will lead on staff consultation, support, assessment, recruitment and training, whilst ICT (Systems Support) will be relied upon to deliver the process redesign, user journeys and implementation.
- 9.14 Whilst it is agreed that the overall Support Services (Audit, Finance etc.) phasing should continue in Phase 2A, it is proposed to separate the Human Resources and ICT (Systems Support) element from Phase 2A and move into Phase 3 to ensure minimum disruption to the teams. This will help maximise the Human Resources and ICT (Systems Support) teams resource and support through the initial project phasing.
- 9.15 A major consideration in the implementation plan is the need to support staff through the process. Shepway District Council benefits from a talented and committed group of staff who work hard to deliver good services for residents and who have been engaged in redesigning the Council's services to arrive at the proposed new operating model. Whilst some roles within the new operating model will change very little, some roles could change significantly, other roles may disappear, and completely new roles will be created.
- 9.16 The Council must be committed to providing the best possible support to staff during the transition to the new operating model. Therefore, a significant amount of resource has been provided in the implementation plan to support staff. This will be primarily devoted to ensuring staff receive a good level of support and advice during a period of significant change and uncertainty for them; and to supporting staff in developing their skills to adapt to changed or new roles.
- 9.17 Another significant consideration within the implementation plan is avoiding disruption to customers during the changes to services, and maintaining as far as possible, business as usual. The implementation plan provides for a dedicated Implementation Team, rather than being reliant on staff members to deliver the changes on top of their normal workload. It also provides for backfilling where staff are required to be taken out of front line service delivery, which will be required throughout the programme in finalising detailed service design.
- 9.18 Additional budget resource has also been allocated for the use of temporary staff during the implementation period to ensure business as usual at all times and minimise any disruption to our customers.
- 9.19 The chart below provides an indication of the staffing resource required as follows:
- Red: Consultant resource
Blue: Additional Shepway District Council staffing resource
Yellow: External staffing
Grey: Existing Shepway District Council staffing resource

9.20 Transforming Shepway Implementation Team Structure



10. BENEFITS REALISATION

10.1 Delivering service improvements and releasing savings is the main design challenge for Transforming Shepway. The programme design and implementation focuses on the following drivers:

10.2 **Remodelling:** including agile working, releases capacity in the organisation through the reallocation of work and better workforce practices and creates the bulk of the projected cost reductions through improving productivity. Higher paid specialist staffs are focused on strategic and judgement based work rather than rules based processing and case management.

10.3 **Demand management:** demand management is about a deeper understanding of the causes of demand and how it may be reduced without lowering service standards. Examples include design of letters to help avoid visits or calls to clarify meaning or to give information, earlier interventions to prevent arrears and targeted work to increase payments by direct debit.

10.4 **Channel shift:** channel shift involves supporting customers to make more use of on-line digital services (self-serve) – which in turn are designed to suit customer preferences and expectations. It is well evidenced that the cost of transactions through a digital / on-line channel are significantly lower than those handled by phone, or face to face. Well-designed public services promote self-help and the empowerment of people – and promoting self-serve online is one aspect of that. The risks of digital exclusion must of course be properly understood and managed.

10.5 **Efficiency:** technology is used to support and enable the redesign of service delivery to achieve greater efficiency through reduced use of resources. Examples include reductions in duplication of work; speeding up processes through automation; automated services request allocation through workflows; supporting mobile and agile working; data sharing of information and faster access to customer intelligence.

10.6 The high-level implementation plan groups the transformation into three phases which informs the timing of the benefit release:

Phase	Description
1A	Leadership and management
1B	Mobile locality
1C	Strategy
1D	Strategic and core programmes
2A	Customer services and support services (excluding HR and ICT – Systems Support)
2B	Case management and specialist services
3	Delivery units and commercial teams, HR and ICT - support services

10.7 It is recommended that this order is followed, with leadership and management and strategy moving quickly to enable the rest of the programme's implementation to move at a quicker pace and with more engagement.

10.8 By having leadership and management in place early on in the transformation, they are able to inform key decision regarding their teams during the detailed design. The transition of leadership and management and strategy is less dependent on the full implementation of technology relative to other areas of the model. The benefits to be released by transitioning these two areas of the model are significant, which will assist in the immediate budget pressures facing Shepway.

10.9 The blueprint (Appendix 1) maps the realisation of the benefits against the high-level implementation plan in order to show the suggested in year and annualised savings. This phasing approach provides an indication of when benefit is likely to drop based on headcount release. This assumes benefit is not released until the end of the relevant phase, whereas in reality some may be delivered earlier on in the phase.

10.10 It is important to note that this report (refer to point 10.6) has reconsidered and updated the project phasing identified in the blueprint. However, the blueprint's suggested benefits realisation provides a helpful indication of the savings that might be achieved and is set out in the table below. The table provides an indication of the potential benefits realisation identified in the initial blueprint from delivering the full programme. Caution must be given to the table below as the phasing will differ and at this stage the figures are only speculative and the true benefits realisation will not be identified until each detailed design stage of the project phasing is completed.

		Indicative saving in 2018/19	Indicative saving in 2019/20	Indicative saving in 2020/21 (ongoing)
Example Phase		£	£	£
1A	Leadership and Support	99,406	397,623	397,623
1B	Strategy and Commissioning	14,014	56,055	56,055
1C	Support Services	76,132	304,528	304,528
1D	Strategic & Core Programmes	11,468	45,873	45,873
2A	Customer Service and Locality Working	0	560,212	746,949
2B	Case Management and Specialist Services	0	154,300	308,599
	Total Savings	201,020	1,518,590	1,859,627

- NB1 – Phase 1A to 1D assumes benefit realisation for 3 months in 18/19 and full realisation from 2019/20 onwards
- NB2 – Phase 2A assumes benefit realisation for 9 months in 19/20 and full realisation in 2020/21
- NB3 – Phase 2B assumes benefit realisation for 6 months in 19/20 and full realisation in 2020/21

10.11 The table above suggests that the annualised benefit from transforming the areas in phase 1A and 1B is in the region of £450k. The rationale for additionally including support services in the first phase is similar.

- 10.12 A significant proportion of the annualised benefit of approximately £300k could be realised in 2018/19, helping with the budget pressures. These areas are 'back office' to a certain extent so should be a useful test bed for transition which should not impact significantly on the external customer.
- 10.13 Overall, it is anticipated that the three main components of phase one will deliver an in-year saving of approximately £200k in 2018/19 and an annualised saving of around £800k during the year 2019/20.
- 10.14 The above are at this stage only indicative figures. The project's benefits realisation will be monitored throughout the implementation life course and will be subject to some movement following the detailed design element of each delivery phase.

11. CREATING THE NEW CULTURE

- 11.1 The Council has acknowledged from the outset of this journey that Transforming Shepway would need to create a new culture based on the importance of understanding and responding to the needs of customers and communities and on making it a place where all staff want to work.
- 11.2 To help establish and embed the new culture, the Human Resources (HR) team will work with staff in a series of workshops to develop a set of competencies and behaviours that staff can identify with and embrace. These will support our existing core values, which support what the Council does and the impact on the lives of its customers and communities.
- 11.3 This behavioural framework will form an integral part of how the Council manages performance in the new operating model, for instance by becoming a key component of an appraisal system.

12. CONCLUSION

- 12.1 Transforming Shepway sets out a new potential operating model for the Council that will help it to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs. This requires a significant change in the way the Council's services are designed and operate.
- 12.2 The blueprint (Appendix 1) has guided officers to develop the final business case, which forms the basis of this report. Officers have reviewed and updated the blueprint's proposals, making judgements as appropriate to ensure the final business case is bespoke to the Council's needs. This includes reviewing the proposed operating structure, directorates, project phasing and investment proposals in order to update the business case based on organisational knowledge and priorities.
- 12.3 There is a strong business case for the Council to implement the new operating model comprising a financial business case with significant efficiency savings, as well as significant other business benefits. An implementation plan has been developed and sufficient resources identified to support the Council moving to the new operating model and realising the benefits but this will require significant

investment by the Council in digital technology and in managing the transition to the new operating model.

12.4 ICT will be a significant enabler in the delivery of the Transforming Shepway project. As the Council moves to ensure its core business is working effectively and efficiently, it will need to find the right tools to support our customers, both internal and external.

12.5 The new operating model enables the Council to protect and deliver modern, efficient public services to our communities, whilst upholding its ambitious corporate projects programme, which encapsulates what it wants to see for the district - a great place to live where people, businesses and communities can flourish.

13. Resource Implications

14.1 **Resources** - There are no resource implications that are not covered within existing budgets or the finance officer comments below (see 14.4 below).

14. RISK ASSESSMENT

14.1 Some risks undoubtedly exist in delivering such a large change to the way the Council operates. A detailed risk log has been developed and mitigation measures will need to be built in to the implementation plan. The risk log will be actively monitored, managed and updated throughout the programme.

14.2 Perceived risks are as follows:

Perceived Risk	Seriousness	Likelihood	Preventative Action
Delay in programme implementation timetable	Medium	Low	<ul style="list-style-type: none"> Dedicated team in place and recruitment of specialist, experienced, team members where required to supplement the Council team Sufficient project resources agreed by Cabinet to deliver programme on time
Not meeting the financial efficiency savings	High	Low	<ul style="list-style-type: none"> Regular monitoring by CMT and Cabinet Effective implementation planning to pinpoint milestones and where efficiencies will be released
Programme costs will exceed the current forecasts	High	Low	<ul style="list-style-type: none"> Programme costs against forecasts will be monitored by the programme board on a monthly basis Where appropriate fixed price delivery contracts will be negotiated with suppliers
Identified flexible capital receipts are	High	Medium	<ul style="list-style-type: none"> Capital receipts realised by Strategic Development programme will be monitored

not realised			by Corporate Director for Organisational Change.
IT Delays	Medium	Low	<ul style="list-style-type: none"> • Additional time added in to front of implementation programme to plan and procure IT • Flexibility built in to programme to bring forward other elements of implementation if delays in some aspects • Specialist IT procurement resource built in to programme
Disruption to staff	High	Medium	<ul style="list-style-type: none"> • Well-resourced package of support and training built in to programme. • Ongoing communications programme
Disruption to customers and business as usual	High	Low	<ul style="list-style-type: none"> • Additional resources have been provided for implementation so that the Council is not taking resources from the frontline or from supporting service delivery. • Customers input built in to the design process and testing • Comprehensive communication plan to keep customers and residents well informed
Impact on Elections 2019	High	Low	<ul style="list-style-type: none"> • Timetable and staffing resource required for Elections 2019 are identified against implementation plan. • Flexibility built in to programme to bring forward other elements of implementation if impacts are identified. • Additional resources provided to support business as usual.
Loss of key people and organisational knowledge	High	Low	<ul style="list-style-type: none"> • Talent management plan developed identifying key people and knowledge and puts measures in place to retain these key people • Additional resource built into programme to provide cover in the event of “gaps” arising
Reduced performance in key services	Medium	Low	<ul style="list-style-type: none"> • Department risk registers to identify and manage specific service transition risk are being developed These risks will be discussed and iterated with Members and will drive key considerations in the implementation plan
The organisation	Medium	Low	<ul style="list-style-type: none"> • New approach to delivery supported by technology,

<p>will have less capacity to deliver post implementation</p>			<p>simplified processes and more self-service enables the council to deliver 'more for less'</p> <ul style="list-style-type: none"> • Introduction of more generalist customer service, local delivery and case management teams gives a more flexible capacity to deliver current priorities • The model will enable greater focus on the priorities of the Council • Ensure the Council measures and manages performance focussed on these priorities
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14.3 Legal Officer's Comments (AK/DK)

There are no legal implications arising directly out of this report. Further legal advice will need be sought throughout this project so that legal advice can be provided to the HR team and Transformation team as this project is implemented.

14.4 Finance Officer's Comments (CS, LH and LW)

Capital Financed Through Borrowing - this is to meet the estimated £1.225m cost of the ICT infrastructure. However, as the report states, the total sum to be spent on ICT is dependant and the figure quoted is very much a ball park estimate. Dependant on the solution provided, a mixture of reserves and borrowing may be applied. If the amount is funded fully through borrowing, in addition to the interest charge on the borrowing estimated to be £21k per year, the council is required to make a Minimum Revenue Provision (MRP) charge to the General Fund for capital expenditure met from borrowing. The MRP charge is based on the asset life of the expenditure incurred. ICT infrastructure typically has a fairly short useful life of up to 5 years meaning the MRP charge to the General Fund would be £245k per year. The total annual capital financing cost of £266k.

The costs and savings identified under 7 above will need to be carefully monitored throughout the project to ensure they are affordable and the savings are realised. It is likely the profile of the expenditure will change as the project progresses.

14.5 Diversities and Equalities Implications (SR)

The Equality Act is not relevant to the decision in this report as the decision does not relate to eliminating discrimination, advancing equality of opportunity, or fostering good relations between different people. An Equality Impact Assessment has not been carried out.

14.6 Communications Comments (ML)

Internal communications to engage and update staff and members will play an essential part in this stage of the project and will be fully supported by the Communications team.

15. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Sarah Robson, Head of Transformation
01303 853426
sarah.robson@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Ignite New Operating Model Initial Blueprint and Business Case Proposal (31 May 2017)
Cabinet Report: 21 June 2017 (Report C/17/15 – New Operating Model)
Cabinet Report: 31 May 2017 (Report C/17/03 – Updated Medium Term Financial Position)

Appendices:

Appendix 1: Transforming Shepway Blueprint

Shepway District Council

Future Operating Model Blueprint

December 2018



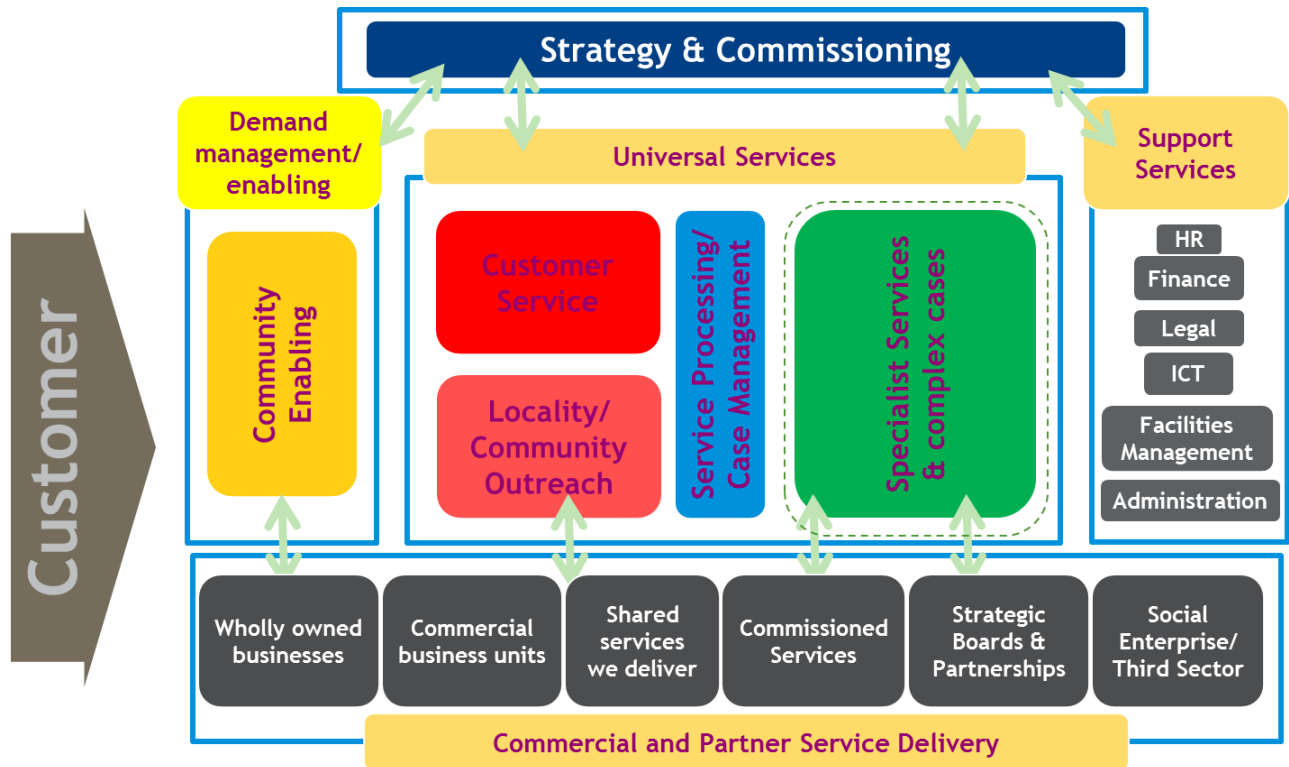
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1. Summary

This document provides the 'blueprint' for the delivery of the Future Operating Model (FOM) for Shepway District Council (SDC). It includes a refined business case, an organisational design and an implementation approach and plan.

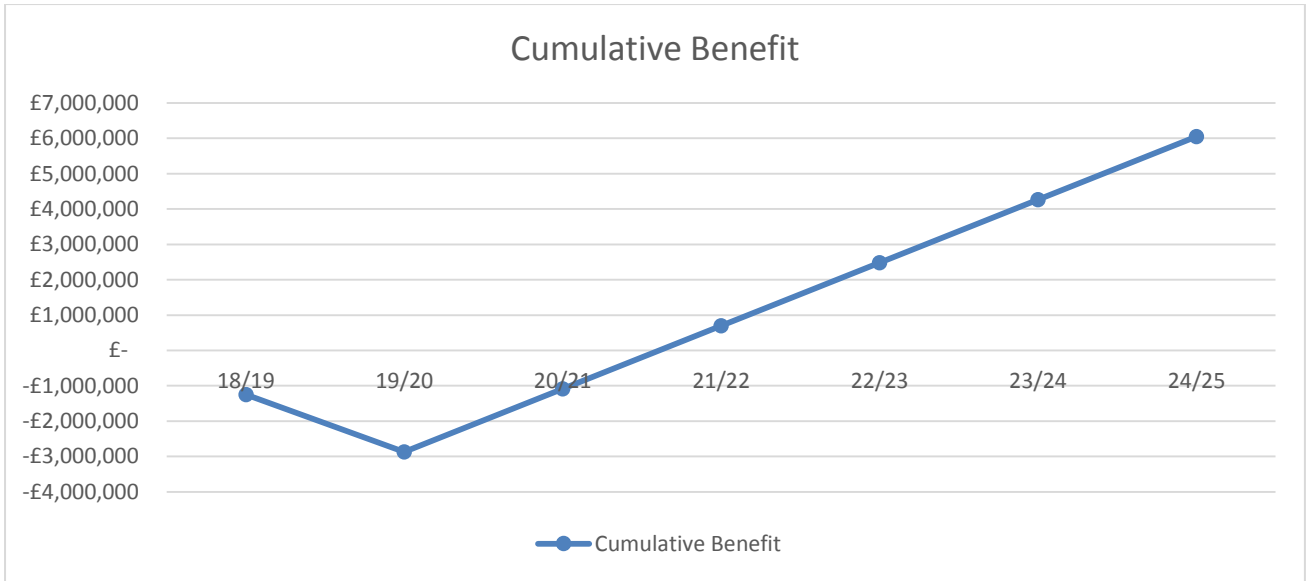
A revised operating model for the council has been developed. This operating model focuses on the types of activity that are performed, unconstrained by current organisational models:



Shepway District Council Future Operating Model

Using this model, all activity across the council has been mapped, identifying the roles and level of cost involved. This activity analysis describes activity types and the cost to deliver particular services to customers. A number of saving areas have been identified across the council in line with the Future Operating Model (FOM). At this stage, the numbers are indicative and will be refined further in the detailed design.

A total of 269.4FTEs (full time equivalents) were identified as being in scope at a fully loaded cost of £10.8M. As a result of the blueprinting exercise, this business case proposes the following position, while simultaneously enhancing customer service delivery. Cost savings relate are broken down by General Fund and Other (including HRA, grants and other potentially ring-fenced funding).



Cumulative saving against the technology and implementation investment costs

2. Introduction

a. Background

During the last 10 years, the public sector has gone through unprecedented change following the global financial crisis and the subsequent introduction of a fiscal austerity programme by the UK Government in 2010. Local Authorities have been very much at the centre of the austerity programme, bearing a greater share of financial savings than any other part of the public sector. Concurrently, expectations of the public for the nature of services Councils provide and the ability to access those services in different ways have similarly changed beyond recognition. This has left councils with difficult choices about reducing levels of service, changing or reducing the ambitions they have for local communities or attempting to innovate and change what they do.

It needs to be recognised that advances in technology and changes in customer and resident behaviour mean different forms of service delivery organisation are now possible and customer's expectations of different types and levels of service are changing significantly. The business sector (e.g. retailers and banks) have started to embrace different ways of working, and provide services through different routes and this has been embraced by parts of local and central government (e.g. DVLA). The key lesson from the business sector is that benefits cannot be bolted on to existing business models and service delivery; the whole business and operating model needs to be reviewed and transformed.

Officers from Shepway have worked with Ignite over the last four months to analyse and understand the activities it does and to identify where the opportunities for a new and different operating model are. This work has involved a mixture of employees from across all service areas participating in workshops; undertaking detailed analysis of activities completed and a review of the processes and systems that are routinely used. This analysis is the basis of this Business Case.

b. Objectives and scope

Shepway District Council has a clear, concise corporate plan which is understood and drives the council's activity. Its ambition 'Investing for the next generation, delivering more of what matters' has been central to driving the council's key strategic objectives and priorities for delivery. The Council has worked to transform and change the way it is internally organised and has explored and implemented a range of different improvements to the work it delivers.

The 'ways of working' transformation programme was delivered and attempted to introduce wholesale changes to put the customer first, make efficiency savings, improve performance and have a positive customer service impact whilst taking into account that the Council had to provide efficiencies. Some key processes and shifted practice in some areas of the council, but its success was mixed, and its impact has been very variable.

As part of this Blueprint phase Shepway's Corporate Management Team (CMT) built on this previous work to clarify the vision of this programme, exploring what was important for the organisation to focus on as part of this work and to develop the potential for a vision to succinctly describe the programme. Given the whole-organisation focus, CMT decided to adopt 'Transforming Shepway' as the vision for the programme as a whole, while retaining the current corporate plan.

This Blueprint comprises the following areas which have been included in this work:

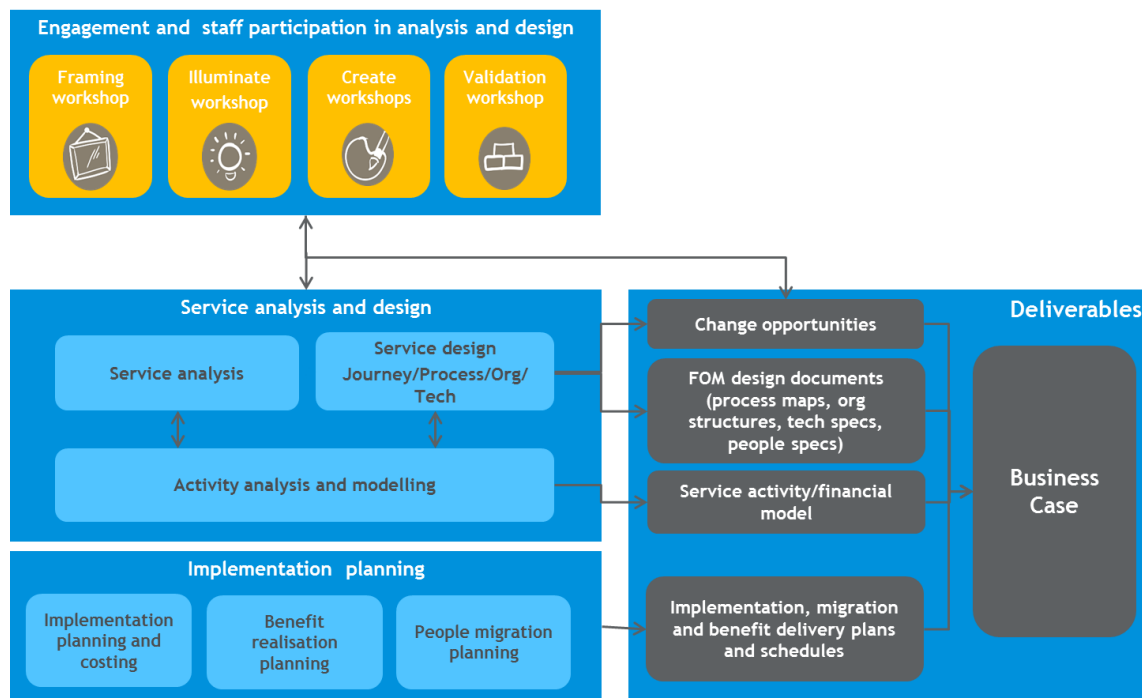
Team	FTE	Comments
Accountants	16.45	
Building Control	4.00	
Business Support	22.82	
Business Support - Systems	11.04	
CMT	4.00	
Communications	5.14	
Community Services	6.70	
Corporate Contracts	5.00	Hythe Pool operatives out of scope
Corporate Debt	10.30	
Customer Services	37.53	
Democratic Services	5.50	
Development Management	16.41	
Economic Development	5.00	
Electoral Services	2.00	
Engineers	5.00	Internal Maintenance Officers out of scope
Environmental Health	8.00	
Environmental Protection	7.00	
Grounds Maintenance - Other	3.49	
Housing Options	11.02	
Housing Strategy	6.60	
HR, OD & Payroll	7.92	
Land & Property	4.00	
Leadership Support	5.81	
Legal Services	6.00	
Planning Policy	8.61	
Revs & Bens	24.73	
Strategic Development	9.00	
Technical & Commercial Services	4.81	Manager posts (including Lifeline)
Transportation	2.00	
Waste Contract	3.49	Waste Management team out of scope
Total	269.37	

Summary of scope of the business case

The funding source for each of these full-time equivalents needs to be considered so that officers and Members can interpret how savings identified in transitioning to the new ways of working can be realised.

c. Approach

The following sets of engagements, analysis and design, implementation planning activities were undertaken to produce this Blueprint:



Components of the blueprint activity

This 'Blueprinting' phase builds on the initial business case work and delivers:

- A revised business case (based on detailed service by service activity analysis, refined maturity assessment and cost analysis, including technology)
- A costed Target Operating Model for Shepway, aligned to the Future Model, including initial organisational design, role descriptions and technology model
- High level plan for implementation

Our approach to developing this Blueprint has focused on three areas. Firstly, refining the activity analysis detail from the initial business case phase, by analysing the activity of all service areas in scope, using data provided by approximately 35 service area representatives working with colleagues from across the council. Secondly, we have run a range of workshops to support the wider workforce's engagement and understanding with the general principles and approach that the FOM takes, enabling those participants to grow their own understanding and provide challenge and thought to the implementation of the model in Shepway. Finally, we have focused on key areas with smaller working groups set out in the first Create session, some of which were explored in more detail in small working groups:

1. Locality and mobile working
2. Customer enabling
3. Leadership & management
4. Support services
5. Managing performance
6. Values and behaviours
7. Themes not teams
8. Strategy and commissioning

The Blueprint business case validates some of the assumptions made in the initial business case and has involved a wider group of council staff in identifying the opportunity for savings. The analysis activity engaged that wider group in identifying areas that could work more effectively and efficiently through the FOM and the use of new technology.

Assumptions based on the key drivers of efficiency can then be made to identify potential savings by each part of the FOM. These drivers are explained later.

The combination of the output from the business case and the work in the workshops has developed potential options for how each area of the FOM could be structured. These options have then been refined in light of constraints (people, organisational or political) and opportunities, to provide a proposed initial organisational design. We have populated the organisational design with initial draft FTE numbers from the business case to refine management levels and spans of control, organisational anomalies (e.g. small functions combining) and any geographic requirements. FTE numbers will be revised in detailed design stages of implementation to reflect more involved design considerations engaging more of the organisation.

3. Future Operating Model

a. Operating Model v Organisational Model

The Future Operating Model (FOM) provides a model of how the council delivers services to customers and how the customer will interact with the council. This provides the rationale for how the work is done and what types of roles are required to deliver the work. The business case generates the required numbers for each role to deliver the services required.

The organisational model provides an internal framework for how the council organises itself to deliver the operating model. This organisational model sets out where the work gets done, and by how many of each role. This drives considerations on spans of control, levels of seniority within role families and management structures required.

Inherently there will be choices the council will need to make within the organisational model that will require iteration during implementation. The Blueprint analysis provides an initial view of the numbers against each area of the model. Based on the choices made, the organisational model will develop through detailed design aligned with the agreed design principles, local constraints and corporate ambition.

b. Design Principles

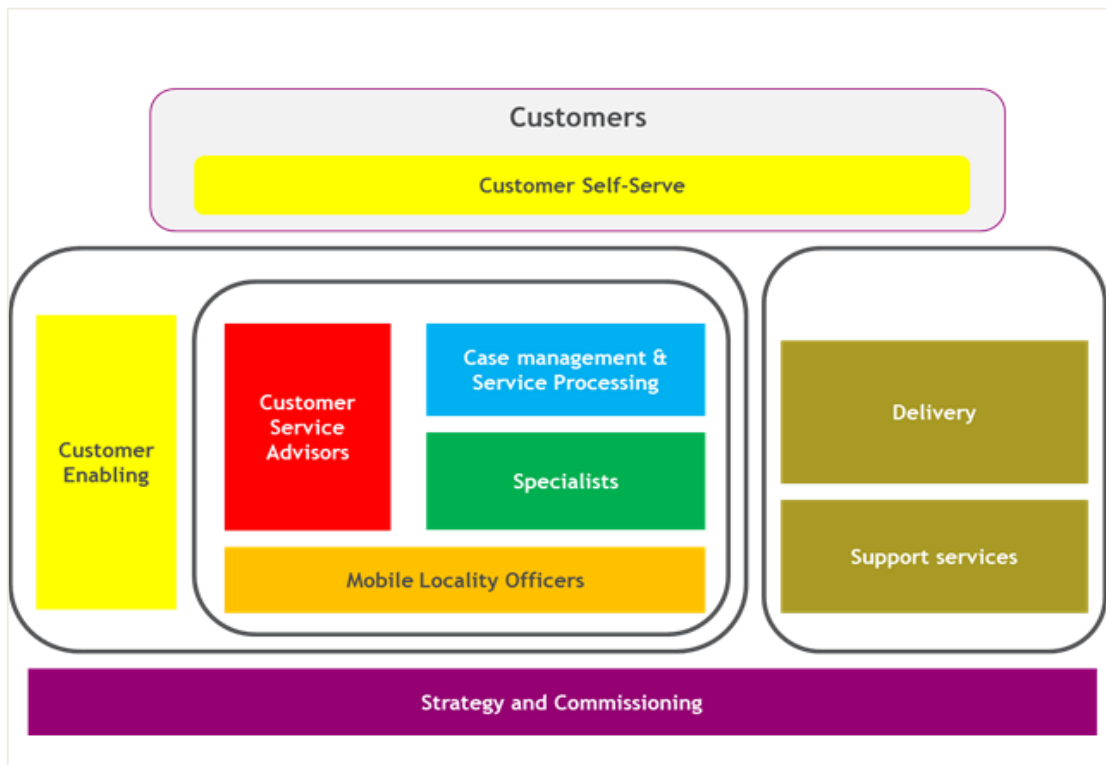
In the development of the operating model, a number of “ground rules” or design principles were discussed to articulate how the new model would operate. These were reviewed in conjunction with the wider participation group to:

1. Focus on the customer experience
2. Fewest steps for the customer
3. Keep customers informed
4. Digital by default
5. Resolve first time
6. Collect less and tell us once
7. Use skills and expertise effectively
8. Efficient working
9. Use technology to ensure compliance
10. Real-time measurement to improve
11. Supporting customers to do more
12. Proactively prevent and shape demand

These design principles enabled people to understand where the council is heading and how things might work if they are embraced. They will be used throughout the proposed implementation to support decision making.

c. Overview of the Future Operating Model

The Blueprint activity started with a conceptual model of the framework:



Conceptual Future Operating Model

This conceptual framework has been established in a number of local authorities. This framework forms a starting point for the design of FOM; challenges and considerations specific to SDC have been addressed through the Blueprint. As a reminder, the key components are:

- **Customers:** different customer groups access services in different ways. Some groups can be encouraged to self-serve online or draw on support from customer service staff only, whereas others may need to access the support of specialist staff more quickly
- **Strategy and Commissioning:** translates community/customer intelligence and political will and ambition into strategic direction, and commissions what's required to deliver this
- **Customer Enabling:** helps the community and customers to help themselves so as to address aims and reduce demand for services
- **Universal Customer Contact:** all activity associated with customer contact, customer service, managing cases, resolving questions and issues (simple and complex), and scheduling input from others where required
- **Delivery:** delivery of core services e.g. waste collection, street cleaning, etc.
- **Support Services:** non-customer facing back office functions, much of which is transactional but some requiring organisational specific intelligence

It should be noted that Shepway District Council has reviewed the Future Operating Model concept and has tailored the key components to be bespoke for its internal and external facing needs as outlined in the table below.

d. Key elements of the Shepway District Council FOM

Key element	Description
Strategy	To be the 'single brain' of the organisation responding to political will and ambition, and ensuring this is turned in to evidence based strategy. Planned services, actions and projects will ensure political ambitions are delivered effectively and efficiently "on the ground".
Place and Commercial	To deliver efficient and professional services through a range of delivery vehicles, aligning to the council's ambitions and managing performance to meet desired outcomes.
Customer, Support and Specialist Services	To provide seamless customer services/support to both customers and teams across the council, improving performance and supporting them in delivering the council's ambitions.

4. Business Case

a. Staffing cost reductions

On the basis of the revised activity analysis, the table below sets out the 'As Is' staffing and staffing costs compared to a 'To Be' or future state following implementation of FOM opportunities.

ToBe Activity	AsIs FTEs	ToBe FTEs	Saving	% Saving	AsIs FTE Costs	ToBe FTE Costs	Saving	% Saving
Leadership, management & supervision	22.4	17.1	5.3	24%	£1,471,153	£1,131,225	£339,928	23%
S&C - strategic cycle, change, corporate governance	17.3	16.8	0.5	3%	£969,372	£940,291	£29,081	3%
S&C - democratic support	4.9	4.6	0.3	6%	£189,710	£178,327	£11,383	6%
S&C - communications, marketing, media	7.0	6.8	0.2	3%	£251,886	£244,330	£7,557	3%
Corporate programmes and projects	12.5	11.7	0.7	6%	£684,908	£643,813	£41,094	6%
Community/ customer enabling	4.5	4.3	0.1	3%	£195,595	£189,727	£5,868	3%
Triage	47.7	32.4	15.4	32%	£1,295,817	£878,723	£417,094	32%
Mobile / locality working	11.8	9.3	2.4	21%	£427,956	£338,952	£89,004	21%
Service processing (rule based cases and accounts)	46.6	36.0	10.6	23%	£1,453,270	£1,122,239	£331,031	23%
Specialist	35.6	30.6	5.0	14%	£1,508,156	£1,294,024	£214,132	14%
Corporate support - triage	4.3	3.4	0.9	22%	£145,726	£114,243	£31,483	22%
Corporate support - service processing, admin	18.1	13.8	4.3	24%	£598,391	£455,504	£142,887	24%
Corporate support- complex advice/cases	18.9	16.3	2.6	14%	£881,561	£760,517	£121,043	14%
Corporate support- governance/compliance	3.1	3.0	0.1	3%	£153,073	£148,480	£4,592	3%
Service delivery	5.7	5.0	0.7	12%	£250,507	£220,446	£30,061	12%
Facilities management	1.1	0.9	0.1	14%	£25,719	£22,234	£3,485	14%
Asset management	8.0	6.9	1.1	14%	£294,521	£254,613	£39,908	14%
Totals	269.4	218.9	50.4	19%	£10,797,318	£8,937,689	£1,859,629	17%

Summary analysis of activities showing 'as-is' and 'to-be' effort and cost

The current FTEs were mapped from the activity analysis spreadsheets and the finance reconciliation of establishment and actual FTEs. As a result of this proposed transition to the FOM, the number of FTEs is reduced by 50.4 (19%) with a corresponding reduction of £1.86M (17%) of fully loaded salary cost per annum (across all funding sources).

The savings identified in the table above are based on a number of drivers which have been applied to the existing services and their mapping of activities to the FOM areas. By structuring the activities of the council into the Future Model activity areas, we can assess the likely benefit that can be achieved in each area from each driver. These drivers were:

- **Demand management (customer enabling);** reducing or shaping demand to reduce the level of service required from customers
- **Channel shift (self-serve);** enabling customers to do more for themselves and reducing council workload in the process
- **Remodelling (new structures and ways of working);** improving productivity and releasing capacity in the organisation through the reallocation of work, workforce optimisation and better workforce practices. This will be achieved by shifting work and knowledge closer to the customer and embedding rule based ‘knowledge’ into processes and scripts, developing agile working and customer centric attitudes and behaviours.
- **Efficiency (technology and process improvement);** stripping out waste and ‘non-value added’ activity from journeys and processes

b. Priority areas for savings

Key areas for savings are aligned with the proposed implementation plan and are summarised below:

Phase	Description	AsIs FTEs	ToBe FTEs	AsIs FTE Costs	ToBe FTE Costs	Saving (FTE)	Saving (£)
1A	Leadership	36.4	31.0	£2,635,811	£2,238,188	5.4	£397,623
1B	Strategy & Commissioning	21.3	19.7	£784,930	£728,875	1.6	£56,055
1C	Support Services	47.4	39.3	£1,897,280	£1,592,752	8.1	£304,528
1D	Strategic Programmes	11.0	10.1	£591,505	£545,632	0.9	£45,873
2A	Customer & Localities	109.5	84.3	£3,375,602	£2,628,653	25.2	£746,949
2B	Case & Specialist	43.8	34.7	£1,512,190	£1,203,591	9.2	£308,599
		269.4	218.9	£10,797,318	£8,937,689	50.4	£1,859,629

Summary analysis of activities showing 'as-is' and 'to-be' effort and cost

i) Phase 1A: Remodel leadership and management activity (£398k)

To support the implementation of the new ways of working, there is a proposed change to leadership and management structure. This new structure delivers leadership, management and supervision across the council through simplifying the organisational structure and embedding matrix management of functional and operational components.

The proposed scope of Phase 1A comprises any role across the organisation down to tier 4 and will therefore allow activities in phase 2 to largely report to the new leadership team as they are intended in the Future Operating Model. In doing this, key specialist knowledge will also be in scope, allowing Functional and Specialist Leads to be appointed.

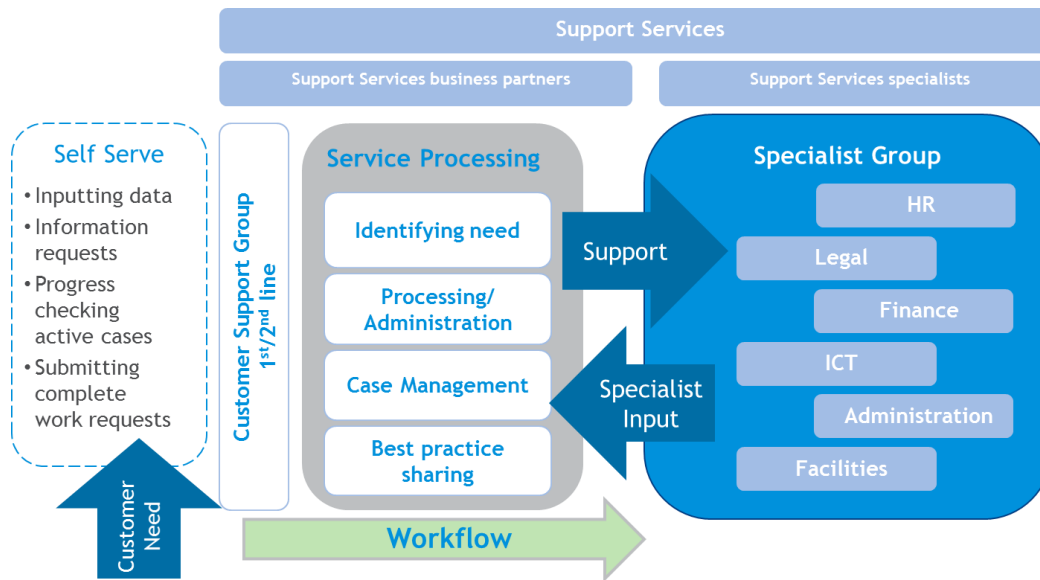
ii) Phase 1B: Co-ordination of strategy & commissioning (£56k)

Strategy & commissioning is currently dispersed throughout the council’s existing structures and while it contains some significant good practice, it is acknowledged that there is some variability and as such, there are opportunities to better co-ordinate and improve.

By centralising a critical mass of this activity, the Council has the opportunity to create a stronger ‘corporate core’. This will operate as the ‘brain’ of the organisation, supporting Members directly to deliver their ambitions for Shepway and providing the evidence-based strategic framework

which can drive all council activity. As part of the first phase of work, the creation of this central ‘hub’ will deliver savings through more effective, consolidated capacity.

iii) Phase 1C: New Operating Model for Support Services (£305k)



New Operating Model for Support Services

The above chart shows the proposed new Operating Model for Support Services; the size of the support services function is large enough to adopt the same approach as in the wider service delivery model.

A number of fundamental changes will need to be implemented in order to successfully deliver this new operating model for Support Services and the full amount of associated savings:

- Elimination and simplification of policies and procedures across the full range of Support Services provided in order to significantly reduce activity in this area where possible
- Capturing significant amounts of information currently held by specialists across Support Services into online portals and self-serve systems, improving information, advice and guidance to enable staff to self-serve easily and effectively
- Expecting managers and staff to self-serve for a large number of simpler support service enquiries and activities that will be embedded into the council’s intranet and automated, giving them enough guidance and support to ensure it becomes genuinely self-serve
- Introducing generalist business partners from Support Services for teams across the council to better direct support activity for these customers

Specific opportunities to reduce the cost of Support Services in a selection of these teams (identified in Illuminate and create sessions) are highlighted in the table below.

Procurement	Improved specifications, improved supplier engagement, greater self-service, 'how to' information advice and guidance
HR, OD & Payroll	Recruitment process - increase automation and self-service significantly; payroll automation and course bookings move to self-service, encourage more self-service around non-complex processes particularly those which are based on information, advice and guidance ('how to?' enquiries for example).
Finance	Manager self-service for budget management and forecasting, automation and simplification of reconciliation processes, budget monitoring, banking, accounts and the management of assets.
Legal Services	Online information, advice and guidance, simplification of key routine processes to minimise the expert input required
Corporate Contracts	Supplier set-up, purchase order and receipting processes automation to increase self-service
Others	Simplify and potentially automate elements of the FOI and complaints management process, reporting timelines and sign off/commenting processes and the booking of training and conferences

[Example opportunities for saving across Support Services](#)

iv) Phase 1D: Co-ordination of strategic & core programmes (£46k)

Strategic and core programmes are currently dispersed throughout the council's operation and normally sit within the most appropriate service area. By bringing these together in one place and drawing in the specialist expertise there is an opportunity for the council to benefit from some economies of scale and deliver benefits by creating greater project and programme management experience and skill, creating a centre of excellence for delivery. The proposed high-level structure would require that the programmes and projects would be delivered by this centre of excellence, drawing on resources from other parts of the organisation as required. The nature and direction of the projects and programmes would be determined through the strategy and commissioning function.

v) Phase 2A: Technology enabled customer service and locality working (£747k)

This significant saving is a core outcome of implementing the future operating model and many of the functional requirements that are specified for the integrated technology solution enable this saving. It is delivered by:

- Centralising a single customer service team for the vast majority of activity - effectively creating a single 'front door' into the council for all customers
- Providing access to a single integrated customer record
- Implementing better scripts to enable more activity to be "one and done"
- Better integrated advice, workflow and data to drive customer service efficiency and effectiveness in leaner processes

Those teams with notable customer service activity that may be able to be scripted and centralised are shown in the table below:

Team	Customer Services FTE (To Be)
Corporate Debt	0.6
Business Support	2.9
Democratic Services	0.3
Electoral Services	0.2
Corporate Contracts	0.1
Customer Services	21.8
Environmental Health	0.5
Environmental Protection	0.3
Revs & Bens	2.1
Waste Contract	0.2
Transportation	0.1
Economic Development	0.1
Land & Property	0.3
Building Control	0.4
Development Management	0.5
Planning Policy	0.3
Housing Strategy	0.2
Housing Options	1.4
Community Services	0.2
Total	32.4

Teams with Customer Services activity that could be centralised

vi) Phase 2B: Technology enabled, centralised case management & service redesign across specialists (£309k)

As with the centralised customer services, this significant saving is a core outcome of implementing the future operating model. It is delivered by:

- Centralising a case management for all activity
- Redesigning processes to deliver majority of cases in a rules-based approach
- Implementing a standardised workflow system across all rules-based processes
- More integrated advice, workflow and data to drive customer service efficiency and effectiveness through leaner processes
- Better utilisation of specialists to manage challenging cases and sign off case work
- Developing professionals with the skillset to deliver high volume throughput of case management activity
- More effective operational management to drive the performance of the case management team

Those teams with notable case management/rules based activity that may be able to be scripted and centralised are shown in the table below:

Team	Case Management FTE (To Be)
Corporate Debt	3.7
Business Support	13.0
Democratic Services	0.4
Corporate Contracts	0.5
Environmental Health	2.2
Environmental Protection	1.0
Revs & Bens	6.3
Waste Contract	0.6
Transportation	0.2
Building Control	0.2
Development Management	4.5
Housing Strategy	0.7
Housing Options	2.5
Community Services	0.1
Total	36.0

Teams with Case Management activity that could be centralised

Components of the new ways of working that will contribute to driving savings across the ‘specialist’ population of Shepway District Council include:

- Separating out the operational (including utilisation) and functional (including professional governance) leadership and management activities
- Providing clearer more co-ordinated strategy, direction and priorities to better harness the efforts of the specialists in the council
- Breaking down the current silos in specialist teams, forming communities of practice to encourage multi-disciplined teams to come together to address the priorities of the council
- Redesigning processes to further reduce the burden on the specialist and focus on eliminating, simplifying, standardising and automating activity
- Joining up and clustering processes to enable significant efficiency to be realised

Several specific benefits from new technology will also be realised including:

- Simpler access to data needed to perform jobs
- More intuitive workflows and systems
- Better integrated technology providing a ‘joined up’ experience
- Better access to systems including through mobile devices where appropriate
- Using the right systems for the right job
- Removing duplication between teams and with delivery partners
- Enabling the right governance and checking environment and ‘right sizing’ compliance type activities

Specific opportunities to reduce the cost of specialist services in a selection of teams (identified by the participants in the illuminate workshops) are shown in the table below. These are examples, not exhaustive, of the areas of work and processes that the detailed design work in implementation would redesign.

Team	Example opportunities
Licensing and environmental protection	Improving the levels of self-service through better information, advice and guidance, shifting some checks and enforcement activity to the locality and mobile teams; freeing up specialists to be focused on the highly complex cases, linking to strategy and commissioning teams and/or community and customer enabling to support behaviour change programmes.
Development Management	Locality and mobile teams picking up placing the planning notices; customer self-service to upload scanned documents; potential automatic (swifter) decision making where possible.
Housing Options	Linking to the community/customer enabling teams to seek preventative action and to work differently with people at risk of homelessness; enabling self-service to be maximised through all aspects (eg offer of property - could all be online) enabling specialists to focus on the truly complex cases which are likely to be creating additional cost for Shepway and other parts of the public sector
Building Control	Increase self-service through additional easy to use tools for the customer, including automatic fee calculator, payment and progress chaser; enabling the specialists to focus on potential income generation and/or the more complex cases
Corporate Debt	Take a joined up, coordinated approach to individual debtors, providing less guidance while being more robust about the shift in behaviour, enabling specialists to focus on the highly complex cases while supporting strategy and commissioning to design preventative campaigns

Example opportunities for saving across specialist activity

Those teams with the highest concentration of specialists in them are shown in the table below with an estimate of the number of specialist FTEs associated with the team's activities in the new model:

Team	Specialist FTE (To Be)
Corporate Debt	2.8
Business Support	0.2
Environmental Health	2.8
Environmental Protection	2.0
Revs & Bens	7.2
Waste Contract	0.6
Transportation	0.7
Economic Development	0.7
Building Control	2.6
Development Management	4.7
Planning Policy	0.3
Housing Strategy	2.8
Housing Options	2.8
Community Services	0.6
Total	30.6

Teams with the highest concentration of specialist activity

c. Phasing of the benefits

Realisation of the benefits has been mapped against the high-level implementation plan to show estimated in year and annualised savings. This phasing approach provides an indication of when benefit is likely to drop based on headcount release. This assumes benefit is not released until the end of the relevant phase, whereas in reality some may be delivered earlier on in the phase.

The high-level implementation plan groups the transformation into three phases which informs the timing of the benefit release:

Phase	Description
1A	Leadership & Management
1B	Strategy & Commissioning
1C	Support Services
1D	Strategic and Core Programmes
2A	Customer Services and Locality Working
2B	Case Management and Specialist Services
3	Commercial and Delivery Units

It is recommended that this order is followed with leadership, management and strategy moving quickly to enable the rest of the programme's implementation at a quicker pace and with more engagement.

- By having leadership and management in place early on in the transformation, they are able to inform key decision regarding their teams during the detailed design
- The transition of leadership and management and strategy is less dependent on the full implementation of technology relative to other areas of the model
- The benefits to be released by transitioning these two areas of the model are significant, which will assist in the immediate budget pressures facing Shepway

The annualised benefit from transforming the areas in phase 1A and 1B is £454k.

The rationale for additionally including support services in the first phase is similar.

- A significant proportion of the annualised benefit of £305k can be realised in 2018/19, helping with the budget pressures.
- These areas are 'back office' to a certain extent so should be a useful test bed for transition which should not impact significantly on the external customer

Overall, we anticipate that the three main components of phase one will deliver an in-year saving of £201k in 2018/19 and an annualised saving of £804k during the year 2019/20.

The following table demonstrates the potential benefits and the timing of them being realised for the full programme.

Benefit Phasing																							
Phase	Activity	2017			2018						2019						2020						
Activity		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Mobilisation	Blueprint published				■	■																	
Mobilisation	Leadership team recruitment				■	■	■																
Mobilisation	Programme set up				■	■	■	■															
Mobilisation	Technology baseline procurement/implementation				■	■	■	■	■	■													
Phase 1A	Leadership & management				■	■	■	■	■	■	■												
Phase 1B	Strategy & commissioning				■	■	■	■	■	■	■	■											
Phase 1C	Support services				■	■	■	■	■	■	■	■	■										
Phase 1D	Strategic & core programmes				■	■	■	■	■	■	■	■	■	■									
Phase 2A	Customer services & locality working										■	■	■	■	■	■	■	■	■	■	■	■	■
Phase 2B	Case management & specialist services										■	■	■	■	■	■	■	■	■	■	■	■	■
Phase 3	Delivery units & commercial teams																				■	■	■
Phase 4	Data cleansing & migration																				■	■	■

Phase	Activity	FY 17/18		FY 18/19				FY 19/20				FY 20/21				
In year savings		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Phase 1A	Leadership & management					£397,629										
Phase 1B	Strategy & commissioning					£56,055										
Phase 1C	Support services					£304,528										
Phase 1D	Strategic & core programmes					£45,873										
Phase 2A	Customer services & locality working							£746,949								
Phase 2B	Case management & specialist services								£308,599							
Phase 3	Delivery units & commercial teams															
						In year saving 18/19	£201,020			In year saving 18/19	£1,518,592				In year saving 18/19	£1,859,629
						Cumulative annualised saving	£804,080			Cumulative annualised saving	£1,859,629				Cumulative annualised saving	£1,859,629

Proposed implementation and benefits phasing

d. Implementation Investment

In order to deliver these savings, Shepway Council will have to invest in the transformation. The costs are broadly in two areas: technology and implementation delivery.

Technology Investment

The primary technology investment required to implement the FOM is in the integrated, customer focused technology solution that will underpin and enable new ways of working. Appendix 1 describes the work underway as part of this Blueprint by the council team in order to define the design and cost of the new Information and Technology Solution for the council.

Our work to date in respect of the technology in use and potential areas for focus has suggested that the likely priority areas for investment. The technology cost estimates below are based on our experience of procurements carried out by other councils implementing the model. It will be necessary to undertake market testing followed by a procurement exercise to confirm these costs. It should be noted that the costs below are all implementation (i.e. capital) costs and there will be annual support, maintenance and possibly hosting costs as well (i.e. revenue costs). It is also worth highlighting that the council's ICT strategy, adopted in December 2017, establishes a 'Cloud First' approach, meaning that systems which can be hosted in the cloud will be favoured over traditional on-premise solutions. This could result in lower initial software purchase costs than estimated below but higher annual costs.

Future Model Component	Recommendation	Cost Estimate
A. Website	Retain content management system and improve/redesign website to optimise takeup of digital services, which will largely be provided through B. Customer Portal	£25,000
B. Customer Portal/Forms	Replace multiple systems with one corporate solution	£50,000
C. Telephony	Replace telephony system with new solution plus contact centre management	£100,000
D. Customer Contact Management	Replace Northgate CRM with new solution, integrated with telephony system	£75,000

E/F. Scanning and Document Management	New corporate solution, either part of or integrated with D and G	£100,000
G. Workflow/Case Management	New corporate solution, either part of or integrated with D, E and F	£50,000
H. GIS	Retain ESRI, potentially some additional modules/integrations required	£25,000
I. Back Office	Retain existing systems but integrate better and invest in self-serve for HR/Financials	£100,000
J. Mobile	New corporate solution	£30,000
K. Diary management/bookings	New corporate solution	£20,000
L. Payments	Retain Capita ePay (possible need for new modules/upgrade)	£25,000
Subtotal		£600,000
Supplier Implementation Costs	These typically vary between 100% and 150% of the cost of the software	£900,000
Infrastructure Costs	Currently unknown but potential costs for additional bandwidth/backup circuit for cloud based systems, enhanced security for mobile systems and Sopra Steria services	£250,000
ICT systems, supplier and infrastructure	Suggested contingency	£250,000
Total		£2,000,000

Breakdown of the estimated IT costs

The recommendations above reflect priorities agreed during the discussions and workshops with the council. It should be noted that there is also a strong desire to look at new back office systems and review the website content management system. However, consideration has been given to the council's budget and capability to deliver additional technology change in the timeframe and it has been agreed that the priorities are the telephony, customer contact management, workflow and portal/forms solutions.

Implementation delivery

To deliver this scale of change, there is a need for a range of internal and external expertise to support the successful implementation of this new operating model and technology solution. An initial assessment is described in the table below.

The investment figures are subject to review by the Council and may change.

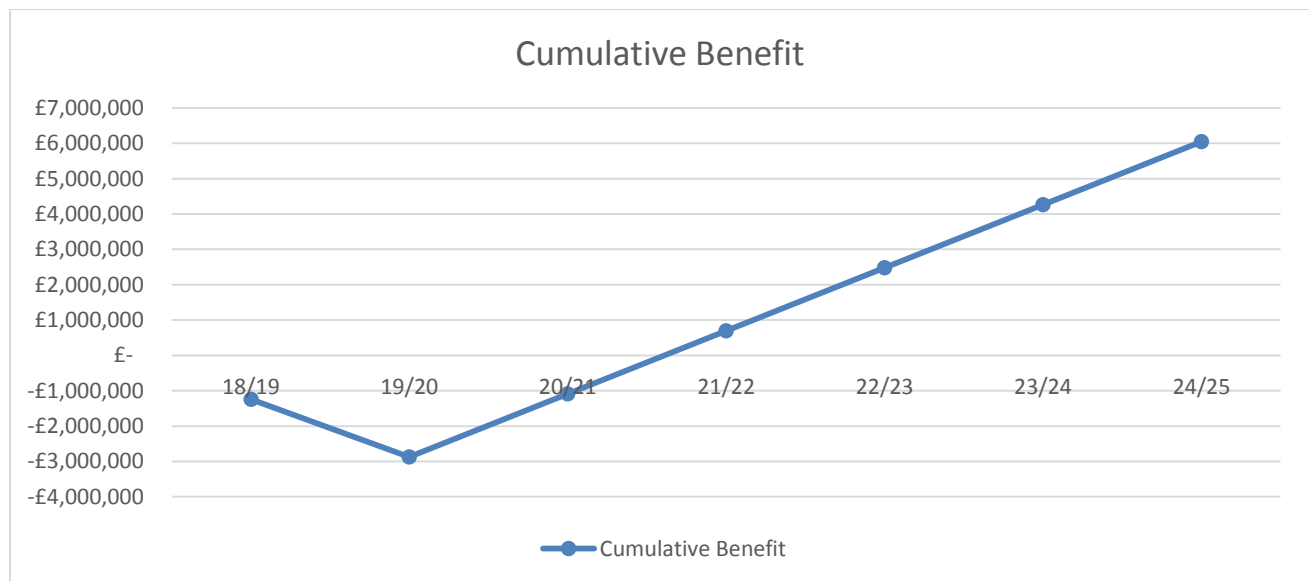
Title	Investment	Description
Shepway District Council resource	£1.25M	<ul style="list-style-type: none"> Business and technology analysts to map processes and develop scripts Functional experts from across the council to specify services policy and ensure that these policies are embedded in the new ways of working HR, change and communications support to ensure the change processes are implemented and the workforce is supported through the change Technology team to support the transition to and integration of the new systems - the shape of which is yet to be confirmed Use of temporary staff to support Business as Usual during phasing <i>N.B. this net investment assumes additional capacity is freed up from the internal workforce in order to support the delivery of this transformation programme</i>
Ignite Change	£0.55M	<ul style="list-style-type: none"> Design oversight to ensure that the aspirations and principles of the Blueprint

and Implementation expertise		<p>are achieved</p> <ul style="list-style-type: none"> • Change management expertise to bring best practice approach to implementing such a complex multi-faceted change programme • Expertise to train, develop and support the wider team in technology implementation • Leadership of the process design, build and test sprint cycles • Business analysis expertise and experience working with other Councils to implement similar transitions
Functional support	£0.35M	<ul style="list-style-type: none"> • Additional HR support including recruitment and selection support to perform internal and external selection • Additional IT capacity to support the implementation and change to systems • Additional leadership and development support
Training	£0.15M	<ul style="list-style-type: none"> • Training and development to transition to new ways of working and to support the adoption of new technology
Technology	£2.0m	<ul style="list-style-type: none"> • To develop and implement appropriate systems
Redundancy Costs	£2.3m	<ul style="list-style-type: none"> • Costs associated with transitioning from the current position of 269 FTE to 219 FTE (to be updated with the pension strain information when available)
Total	£6.6m	

Implementation costs

e. Benefit realisation

The work that has been undertaken has demonstrated that there is opportunity for significant benefits to be delivered should the operating model be delivered in full. To enable this delivery, Shepway Council will need to invest in both the implementation and technology. The return on this investment is shown in the table below; however, the technology costs are yet to be confirmed and will be in addition to the costs presented here.

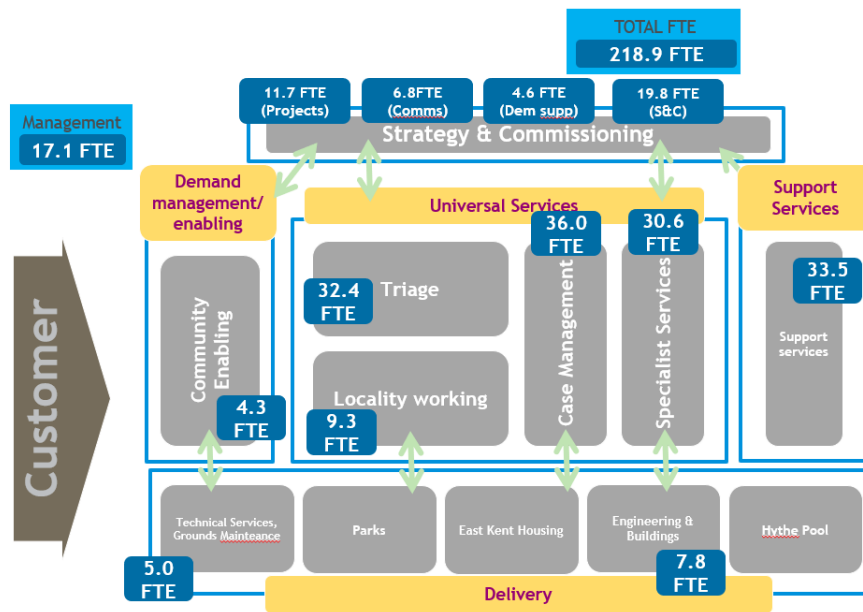


Cumulative saving against the technology and implementation investment costs

5. Organisational Framework

1. Populating the Future Operating Model

The *indicative* FTE requirement for each of the FOM areas is based on the combined requirements of all services and functions. These numbers come directly from the activity analysis undertaken by service teams and are mapped indicatively across to the FOM below:



FOM with estimated FTE of activity

The FOM populated with FTEs now provides the baseline for the development of the organisational model or design. As stated earlier the organisational model provides an internal framework for how the council organises itself to deliver the operating model. There are a number of design considerations, including design principles, how management and supervision is incorporated (i.e. how we embed functional and operational responsibility and accountability), and how we enable further locality based work. These design considerations are included in Appendix 2.

2. Organisational design

As described above, the organisational model is the practical implementation of the operating model to meet the needs of customers and adhere to the design principles. In conjunction with the business case, the assumptions made against each of the considerations above create the rationale for each element of the design including sizing and work type, as well as giving initial indications of spans of control and management.

The requirement for senior management roles can be derived from the overall organisational design and will need to be further developed in detailed design.

The activity analysis by service areas identified the number of FTEs doing management type work. (Note - this does not equate to roles as many roles have multiple responsibilities). At this stage of the design the management roles identified within the FOM have been distributed across the key areas of the model. These will need to be further refined in detailed design.

Potential components of the proposed management structure

Management roles	Description
Executive Director	Executive Director positions providing directorate leadership as well as external relationship role functional leadership (including head of paid service, regulatory compliance and statutory accountabilities). These Directors would make up the Senior Leadership of the council.
Assistant Directors	Providing the strategic, operational and functional management of a delivery area of the council
Manager	Operational management roles where the functional leadership has been explicitly removed under a lead specialist
Lead (specialist)	These roles primarily provide functional/technical leadership for the council in particular areas
Team leader	A supervisor role, managing teams of 8-12 officers

The above proposed structure will be subject to the detailed design process and may see management roles being added or deleted, depending on the Council's business needs and financial demands.

The proposed directorates and underlying functions suggested below are again subject to being considered as part of the detailed design process. Therefore, they are subject to change and must not be treated as final.

Strategy

Strategy:

To be the 'single brain' of the organisation responding to political will and ambition, and ensuring this is turned in to evidence based strategy, and planned services, actions and projects, to ensure political ambitions are delivered effectively and efficiently "on the ground".

Strategy & Insight: To set the corporate strategy and priorities, ensuring these are based on evidence (what the district needs and what residents want). Ensuring services, programmes, projects and employees are working towards a common set of outcomes as specified in the Corporate Plan. Building a sound evidence base of data, analysis and interpretation to support the wider work of the council.

Communications, Engagement & Marketing: To keep internal and external customers informed about Council priorities, services and campaigns, lead the engagement of our customers, provide a corporate marketing function to the council including customer data and trends and promotion of commercial and income generating services, and place based marketing to support inward investment and economic ambitions.

Performance & Governance: To provide member support and working to ensure that the council's governance and democratic processes are efficient, work effectively and support the ambitions of the council. Set the Constitution and governance of the council, ensuring that the council is efficient, transparent and accountable to local people.

Customer & Support Services

Customer Contact:

To deliver efficient, professional and commercially-minded services to the council's customers that are aligned to the council's ambitions, managing performance to meet the desired outcomes.

Customer Services: To resolve a significant proportion of customer queries at the first point of contact, providing accurate advice and guidance; and to proactively seek to provide additional services to customers where appropriate, in support of the council's ambitions.

Case Management: To ensure the council provides integrated services to customers focussed on their needs by acting as a single point of contact to the customer throughout the complete customer journey, and by managing and resolving the vast majority of cases.

Specialist Services: To input in to the design and specification of the Corporate Strategy and associated policies and plans. To ensure professional service delivery in their area of expertise across all parts of the organisation. To resolve complex cases and deliver relevant Council programmes.

Locality Services and Community/Customer enabling: To act as ambassadors for the Council in the community, dealing with customer and business issues, resolving these on initial contact as far as possible or referring to other teams. They work collaboratively with others to improve customer service, develop and maintain deep understanding of an assigned geographic area. They can also gather and record information, place orders, complete applications, undertake site visits/inspections and carry out investigations and enforcement. By helping people help themselves, this team is enabling efficiencies in the rest of the model.

Support Services:

To provide business like and efficient support and advice to teams across the council, in order to support them in delivering the council's ambitions.

Business partnering and Case Management: To act as the first point of contact to internal customers providing a business partnering service across the entire scope of Support Services, managing and resolving the vast majority of cases.

Lead Specialists: To input to Corporate Strategy, specifying the council's policies and accountable for ensuring professional service delivery in their area of expertise across all parts of the organisation. Resolve complex cases and deliver relevant Council programmes.

Some assumptions have been made in terms of designing the Support Services element:

- Organisationally the intention is to match universal customer contact as closely as possible. This will build-in efficiencies for internal customers in the same way as the model does for external customers, which will additionally help embed the same values and behaviours across the whole organisation.
- Once created, this team will perform a thorough review of all administration activity in the Council to build on the business support review, to simplify, standardise and automate where appropriate.

The relationship between locality and mobile team and the customer and community enabling function is vital. They will need to work closely, together with others from within the Strategy function (intelligence/insight, strategic planning) to develop and implement strategies to:

- Reduce demand for services by preventing problems occurring in the first place eg encouraging community mediation, providing better guidance to enable right first-time applications
- Generate and support cultural change across the Council's customer groups and communities so as to help people help themselves where possible, using and applying behaviour insights and behaviour change techniques to shape demand
- Align campaigns, events and programmes of preventative work to make maximum impact

- Encourage and enable customers to use new self-service options - developing programmes to shift access channel use, tracks this shift and to understand what really works to secure the more efficient working practices.

Commercial Services

Commercial Services:

To drive commercial thinking in practice and delivery throughout the council's services, taking lead responsibility for the successful delivery of core and strategic programmes of work as specified by Strategy. Responsible too for the standalone delivery units that deliver core Council services.

Commercial : To build the council's capability and capacity to drive more commercial practice, exploiting the asset base the authority holds to drive up income generation and successfully trade where it is appropriate to do so, as directed by the Strategy function to deliver the core priorities of the Council.

Strategic and Core Programmes: To ensure the council delivers its core and strategic programmes of work successfully as determined by the Strategy function, drawing on specialists from within other parts of the operating model to secure the appropriate levels of subject matter expertise.

Delivery Units: each delivery unit will have a commissioning and performance management relationship with Strategy function, and will be supported through support services. As standalone delivery units, each delivery area will be able to develop opportunities for revenue generation built on a solid business case to create increased self-sufficiency. Delivery units will be required to ensure that commercial and customer focus is embedded in their strategy, optimising revenue and grant opportunities aligned to the Corporate Plan.

Organisational design considerations

The following areas of design are highlighted for consideration in the programme set up phase to inform the detail of the organisational design.

Key design area 1 - Specialist Services

As described in Appendix 3 the FOM is primarily based on the Operational Efficiency value driver. As a service based organisation, the council is also balancing the need to be customer focused against the traditional approach of being organised by service/profession, i.e. product led. How to best structure the teams of specialists will be developed during the detailed design phase in response to the evolving strategic priorities of the council, whilst embedding the matrix management approach adopted throughout the rest of the organisational design. Where this model has been used elsewhere, the arrangements within specialist services have been driven by the concept of 'themes not teams' and are organised around a variation of customer types, corporate outcomes and functional leadership.

Key design area 2 - Local Delivery

Locality and mobile working are a key component of the operating model that is popular with local people and supports a vital link into communities for the Council. It provides a very positive opportunity to build and maintain a strong reputation in all parts of the District and enables local members to feel that they have a clear route into the organisation and support to get things done in their locality. It could be an element of change which is brought forward in the implementation phasing, subject to the technology being available and understanding the implications for other parts of the change phasing.

The opportunity to consolidate and change practice is considerable - but there are some key issues which the detailed design will need to fully understand and addressed. In the create workshops, participants considered these and started to develop a set of 'criteria' to help determine how the teams will work on the ground. These considerations included factors such as:

- How the relationship between the community enabling initiatives that will be 'spotted' on the ground by mobile teams and those that will be delivered as a consequence of interpretation of the data within Strategy teams will work
- Whether or not the community and customer enabling function should be completely integrated into the locality and mobile teams
- How the insight and intelligence gathered 'on the ground' by the mobile teams is shared efficiently with the Strategy team to inform broader service delivery, strategic partnerships and performance management
- Whether or not the model is fully exploiting the opportunity presented and if everything that can be in scope is - some aspect of waste contract delivery, building control and grounds maintenance could be key to building a highly effective team of people working out in the community.

Key design area 3 - Commercial Services

While we have identified a potential structure and approach to this component of the model, it is clear that there are a range of existing programmes and partnership arrangements currently underway which have not yet been explored in full against the new operating model. The key decision is how the council can ensure best, most efficient practice while it also ensures high quality successful programme delivery, enhanced commercial practice and more effective strategic partnerships in the future. Relevant streams of activity include:

- Oportunitas
- LATC
- CLLD
- Temporary Accommodation project
- Development projects
- 'Core' and 'strategic' project delivery
- HRA delivery

The appropriate operating model for delivery of Commercial services, and their relationship with the other parts of the operating model will be explored during the detailed design work of implementation and will consider in detail the outputs from all of these activities. The detailed design will be affected by the nature and longevity of existing programmes of work, relevant commercial opportunities, risk appetite and strategic importance of any given activity, as well as providing the incoming Director the opportunity to participate in the detailed design.

Job Families

Appendix 4 includes a summary of proposed job families that could underpin the delivery of the Future Model. These job families form the basis of all job descriptions and role specifications used in detailed design - ensuring commonality of activity types across the FOM.

6. Implementation Plan

a. Proposed structure of the implementation plan

Key considerations from the Future Operating Model, organisational design and technology specification have been used to build the implementation plan. These considerations drive the proposed high-level phasing of implementation as shown in the summary plan below:

Benefit Phasing		2017												2018												2019												2020					
Phase	Activity	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun									
Mobilisation	Blueprint published																																										
Mobilisation	Leadership team recruitment																																										
Mobilisation	Programme set up																																										
Mobilisation	Technology baseline procurement/implementation																																										
Phase 1A	Leadership & management																																										
Phase 1B	Strategy & commissioning																																										
Phase 1C	Support services																																										
Phase 1D	Strategic & core programmes																																										
Phase 2A	Customer services & locality working																																										
Phase 2B	Case management & specialist services																																										
Phase 3	Delivery units & commercial teams																																										
Phase 4	Data cleansing & migration																																										

Draft high-level implementation plan

The implementation plan has been designed to run major phases in parallel. This approach is intended to drive standardisation across components within the phases with a common set of deliverables. Phasing in this way will also ensure a smooth transition to ways of working in customer service, case management and locality working.

Phases 1A, 1B and 1C will focus on preparing the council for the wider transformation, while 1D is designed to better understand the nature of strategic and core programmes and their relationships with other parts of the operating model. This is followed by phases 2A and 2B which focus on transforming end-end customer-facing services, and finally phase 3, which will focus on those areas which are currently autonomous delivery units, or contained within outsourced contracts.

The ordering of the phases in this way provides a number of benefits:

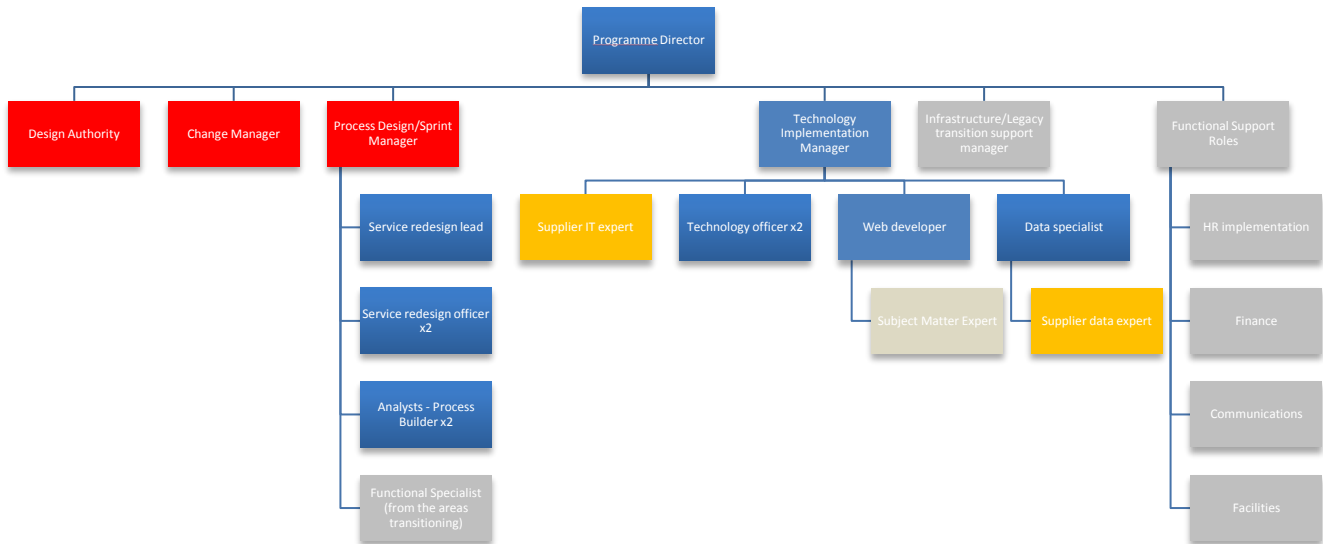
- Reduces reputational risks by transforming services that interact with the internal customer first, learning lessons for these phases before moving onto areas of the council that impact directly on the customer
- Early appointment of senior management roles will provide a team that can drive the change throughout the organisation and act as change champions for the programme
- Transformed Strategy and Support Service functions will be better equipped to support the remainder of the organisation as it moves through its own transformation
- Delivers key technology components and allows concepts to be thoroughly proven before they are deployed across the wider organisation
- Builds the structures around customer interaction that will support the later phases of the programme in delivering the on-the-ground presence and customer enabling functions required to drive efficiencies and channel shift

b. The implementation team

Significant additional resource for implementation has been built into the business case. An initial assessment of what is needed is described below, however, the internal team is likely to be

drawn from a mixture of existing staff that have been seconded, but the council should expect to have to recruit externally for some or most roles to obtain skills it may not currently have in-house.

- Internal programme team to include:
 - Programme management
 - Technology team to support the transition to and integration of the new systems
 - Business and technology analysts to map processes and develop scripts
 - Functional experts from across the council to specify service policy and ensure that these policies are appropriately embedded in the new way of operating
- External organisational design, change and transition support to include:
 - Design oversight to ensure the aspirations and principles of the Blueprint are achieved
 - Change management expertise to bring best practice approach to implementing such a complex, multi-faceted change programme
 - Expertise to train, develop and support the wider team in technology, process and new ways of operating
 - Business analysis expertise and experience working with other Councils to implement similar transitions



Proposed Implementation Team structure

Based on previous experience, the chart above shows a proposed programme organisation diagram that shows the specific roles and teams required to successfully implement the Future Operating Model at Shepway District Council. This will obviously depend on the technology partner(s) appointed as well as the level of internal capacity within the Council, so numbers and focus of roles may change.

c. Core implementation activities

The implementation is phased to last over a period of 24 months. Following the establishment of the implementation team and initial programme set up (detailed in Appendix 3), there will follow a series of phases where the Council will move through a defined and common set of activities to enable the detailed design and implementation for different elements of the operating model.

A summary of an example phase plan is shown below, as well as further detail of the key activities within a phase:

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Phase 1 - Example Plan											
Agree Stage											
Detailed Design											
Consultation											
Recruitment - Staff											
Transition Planning											
Transition Management											
Detailed process and User journeys											
Process re-design (pre-sprint)											
Technology implementation (build/test sprints)											
Training - identify requirements & providers											
Training delivery											
Accommodation implementation											
Phase Sign-off											

Example phase plan

The detailed design activity involves key stakeholders in the planning of the phase and achieve agreement on key deliverables that are taken to the programme management board for approval before the phase commences. A summary of the typical deliverables is shown below:

Components of Detailed Design			
User requirement definition for phase (what does the outcome of the phase look like?)	Detailed Organisational design	Iterate overall blueprint picture	Key design considerations
First pass at transition planning	Prioritise and cluster processes	Detailed IT Components and deliverables	Sprint plan for phase
Detailed plan for phase	Detailed risk and opportunity log for phase	Detailed budget for phase	Recommendations

Components of Detailed Design

Other implementation considerations are:

- Process and design. Detailed design needs to focus on synergies from across the council in particular:
 - The activity analysis and process mapping undertaken during the Blueprint phase by each service now needs to be refined to ensure the processes are mapped to the FOM rather than 'as-is'
 - Using the detailed process mapping to agree responsibilities and accountabilities
 - Ensuing a common data set
- People and change
 - Developing the organisational designs within the FOM alongside the role specifications to establish and refine person specifications/management levels etc.
 - Embedding the behaviour required to drive the new ways of working
 - Developing the performance management approach to support the embedding of these behaviours
 - Building on the engagement developed in the Blueprint phase to include the wider workforce, creating communication and consultation approaches, obtaining trades union engagement and agreement
 - Creating the management of change framework to support the implementation
- Customer
 - Creating a compelling message for communities and customers to understand and respond to the changes
 - Starting to build resilience and reduce demand
- Accommodation
 - Mapping the organisational design to local requirements and building capability to support mobile and flexible working

Appendix 1 - Technology Solution summary

During the Blueprint process, Officers at Shepway have been developing the new strategic approach for IT for the Council. This work has reached a recent conclusion, allowing us to focus on the business systems that the council currently uses.

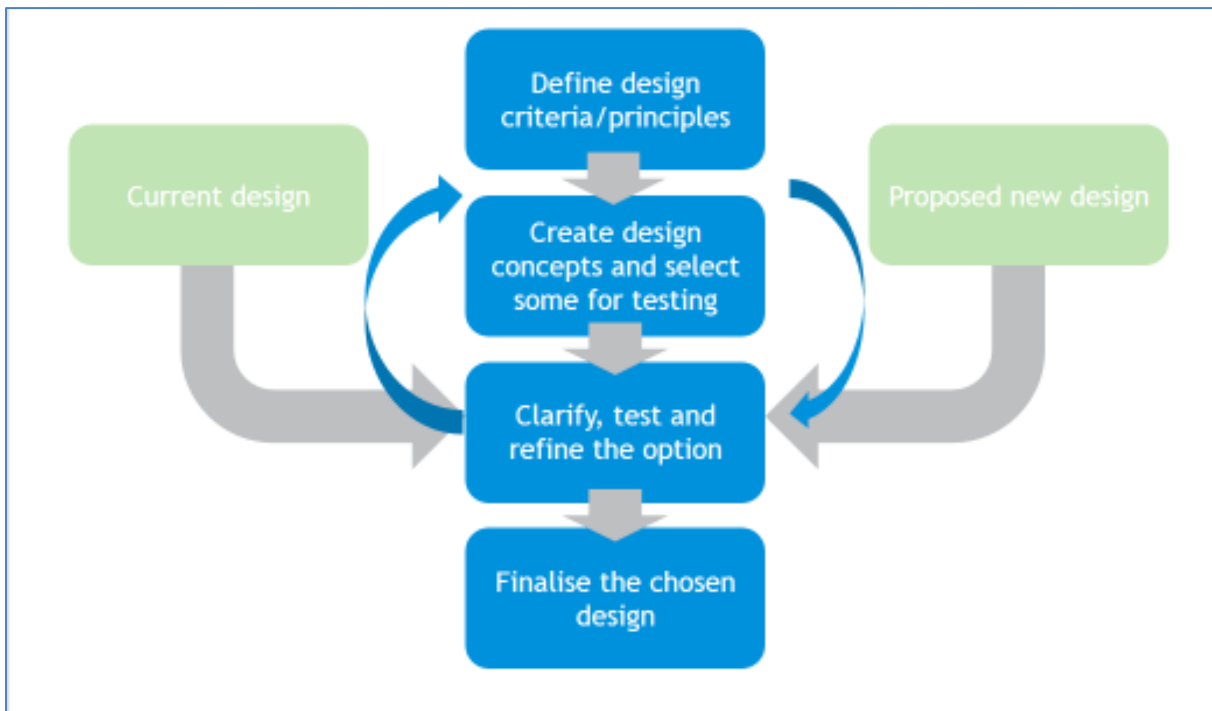
A four-stage technology assessment has been started [Note: at this stage, only stages one and two are complete, this section will be updated once stages three and four are complete] to ascertain the current state of SDC ICT systems, the scope of technology change required to enable the FOM, the potential suppliers and procurement routes and the estimate costs. Final costs will not be known until after the business case has been approved and procurement has been completed.

The four stages are:

- Stage One: How technology enables the model
- Stage Two: Assessment of current systems, infrastructure and capacity, considering what it is that you have against the key components set out below.
- Stage Three: Strategy, resources and constraints
- Stage Four: Agree priorities, market engagement and cost estimates

Appendix 2 - Design Concepts

The following section sets out how the organisational model is developed and explains the key concepts in developing that model. Creating the organisational model is a process of refinement:



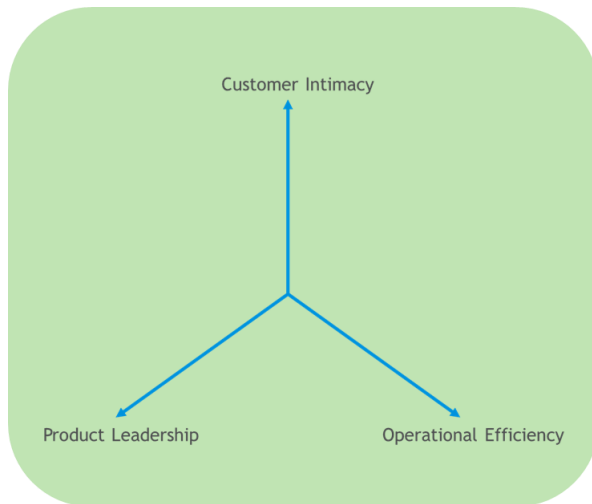
Design Concepts

- **Organisational Principles.** As with the FOM we used a number of principles to articulate how the organisation needed to be designed and delivered:
 - Roles will be as generalist as possible - people are prepared to be, and trained to be able to cover as wide a range of knowledge as possible
 - The right people in the right roles - no compromises or hidden agendas in appointing people with the right skills and behaviours to roles in the new way of working
 - Limit roles specifications to as few as possible, i.e. roles as broad as possible - not 'planner' but specialist
 - Role descriptions and performance management processes should encourage self-management
 - The workforce is flexible to meet changing levels of demand - adaptable to short term needs
 - Customer response is as close as possible to the customer, i.e. their need is met as early as possible in the process
 - The specialist role retains responsibility for:

- Knowledge sharing - ensuring all staff know enough for their role with an embedded process for knowledge sharing
 - The quality and outcomes of the end to end customer journeys/processes across all the universal customer contact teams
- People management and technical/specialist supervision are explicitly separated
- Process improvement is a continuous process and needs to be adequately resourced to ensure customer focus, demand shift and demand management
- **Management/Supervision.** In order to develop the management and leadership structure within the organisational design there needs to be recognition of the different elements of management to be addressed. These are:
 - Generic/pastoral - Pastoral management, performance management, development, career, discipline
 - Technical development - mentoring, quality assurance
 - Resource allocation - scheduling, capacity, priorities, workflow
 - Business performance management - Leadership, overall direction and delivery of objectives and outcomes, FOM development
 - Personal and peer management - Empowerment (to self-manage), time management, priorities, workload, development

The organisational management structure needs to reflect the difference between people management and technical supervision, e.g. a senior specialist (with expertise in licensing) might manage a group of specialists who focus mainly on business customers, but some of these specialists (e.g. planners) might get their technical supervision from elsewhere. Where possible line management roles will incorporate generic/pastoral, resource allocation and business performance, whilst leading on the area of personal and peer management. The organisational design will also provide for functional/technical and professional leadership providing the lead on specialist activity as well as mentoring and quality assurance across the universal customer contact and support services as appropriate. This functional role will also include responsibility for the end to end processes and continuous improvement, particularly in terms of ensuring personnel closer to the customer have the required knowledge and process capability to deliver the customer needs. It will work closely with the line management role to support personal and peer management.

- **Embedding Functional Responsibility.** Complex service provision and advice will be provided by the specialist group, as well as the end to end process responsibility across the universal customer contact and support services. Whilst this line of responsibility isn't explicit within the FOM, the capability needs to be designed into the model.
- A key component of organisation design is how the organisation derives value - the value drivers:



Source: *The Discipline of Market Leaders*, M Treacy, F Wiersama

Customer Intimacy (CI) reflects organisations that focus absolutely on what their customers want (e.g. Amazon) so a customer will come because they get what they need.

Operationally efficient (OE) organisations produce a product or service at the cheapest cost so customers will buy purely because its cheap (e.g. Easyjet).

Product leaders (PL) can charge what they want because their product is in so much demand (e.g. Apple). Although derived on product based organisations, there are

implications for service based organisations as well. Decisions will be based on what is the relationships with the customer, and their expectations of service.

The FOM is primarily focused on the OE discipline, but understanding the potential implications of the other axis will inform suitable options for the organisational design, in particular how to integrate front to back roles across a service based operating model. There will be tension between the three disciplines - for this to be positive it needs to be open and explicit.

Our options for the development of the model will look at how we build in customer centricity (CI) i.e. locality, customer type (e.g. business, high need, place, people) etc., or product focus/service areas (PL), in addition to the OE discipline.

Responsibility for the delivery of functional/service strategy will remain with the specialist areas, rather than be centralised although it is envisaged that there will be considerable overlap and discussion between senior specialist advisers and the Strategy and Commissioning team who will own and co-ordinate the development of functional and service strategy. Detailed design will explore how this overlap works and will define the boundaries.

- **Communities of Practice.** Communities of practice are groups of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly. They can be internal or external to an organisation, formal or informal. Critically they share 3 common characteristics in that they constitute a group of *active practitioners* with a *shared competence* joining together to create an *active learning community*. We will look to adapt this model of communities of practice to provide an option around functional supervision and career progression, as well as incorporating the requirement to supervise the end to end processes.
- **Geographic Locations.** Each of the three geographical areas have different needs and may need to be addressed differently in organisational design. Options will also be explored in the detailed design for how the delivery units will map delivery to these localities and how other partners, community groups and agencies map to the geographical locations.

Appendix 3 - Implementation Preparation, Team, Detailed Design and Risk Management

Starting well

The process of moving from this Blueprint to full implementation is complex and there is significant preparation that has to be completed. This Appendix sets out some of the key early implementation work and preparation that should be completed.

Programme set up phase

This phase puts in place the main structures that will oversee and manage the delivery of the deliverables and benefits. During the development of this Blueprint, the Ignite team have given officers in Shepway guidance about this work to support them making early progress.

The key deliverables of this phase are explained in brief below:

- **Confirm governance arrangements**
- **Recruit implementation team**
- **All employee briefings on the proposed change programme** - effective communications with staff throughout the programme will be essential in embedding the new organisational culture and preparing staff for the phase in which they will be affected. The briefings will form the initiation of the communications plan for implementation
- **Support for staff through change** - implementing the mechanisms for supporting staff during the programme, which may include internal and external counselling resources that staff can access
- **Training needs for leaders and implementation team** - new or updated skills will be required for the leadership and implementation teams to manage the process of change in the organisation. This activity will include a training needs assessment that looks at organisational knowledge, skills, and abilities, to identify any gaps or areas of need that should be addressed before commencing the main phases of the programme
- **Training plan for the new organisation** - following the training needs assessment, a plan to deliver the required training will be developed, which will also include an overview of wider training needs for staff in the transformed organisation
- **Accommodation and Ways of Working Plan** - The cultural changes required to embed the new Ways of Working will require a plan for transition and cutover, and the impact of each phase on the wider accommodation strategy will be planned out at a high level

Technology 'no brainer' phase

This phase deals with the technology changes, procurement, installation and development that can be carried out early in the programme to embed some of the core functionality required for the early phases and infrastructure required to support the wider technology implementation around the core software products that enable the transformed organisation to operate effectively and efficiently. The key deliverables of this phase are explained in brief below:

- ✓ **Detailed technology blueprint** - this document will outline the required software and hardware specifications and functionality required to be procured or developed during the phases of the programme to support the transformed organisations and operating model.

The document will be utilised in the procurement of technology to support the phases that will follow

- ✓ **Review major application roadmaps and agree plan** - a review and implementation plan for any upgrades to existing software applications, which will be required to support the transformed organisation and in light of Shepway's newly agreed Technology Strategy
- ✓ **On-board missing technology resource** - source and procure any additional skills required to develop and implement elements of the technology set specified in the technology blueprint
- ✓ **Implement suite of infrastructure improvements to support new council structure and functions** - new technology and operating model will require underpinning technical infrastructure to support it and this will deliver the procurement and/or upgrades identified in the technology blueprint
- ✓ **Improve website to promote external self-service model** - the website structure and architecture will be examined and amended to ensure that it is able to support the forthcoming external self-service portal and fully promote the channel-shift objectives. Quick wins will be identified and implemented early to free up capacity
- ✓ **Improve intranet to promote internal self-service model** - the website structure and architecture will be examined and amended to ensure that it is able to support the forthcoming internal self-service portal and fully promote the channel-shift objectives by providing the right platform for high quality information, advice and guidance. Quick wins will be identified and implemented early to free up capacity
- ✓ **Design and build key system integrations** - certain key systems are already in place and therefore work can commence on defining, building and testing integrations between these core systems prior to process redesign work commencing in later phases
- ✓ **Implement integrated quick wins** - procurement or the upgrade to key systems that will support the core technology blueprint can be implemented to create the capability before moving into process redesign. These specifically might include the booking engine, payment engine and the councils Geographical Information System (GIS) software
- ✓ **Design and proof-of-concept for all new end-user software** - this will examine and pilot the options for delivering agile working across the transformed organisation around the areas of user hardware; specifically the use of laptops, tablets, mobile devices and hybrid technology for each set of role families across all phases

Customer Portal and Locality Delivery phase

This phase has two objectives. At first, the Customer Portal is designed to create outputs that will allow the early realisation of programme benefits and free up capacity within the organisation that will aid the transformation journey.

The detailed design process for this phase will identify clusters of high priority processes in phases 2A and 2B where significant early benefits can be realised by:

- Creating front-end customer forms, web site content and access to key customer account information that will promote self-service and channel shift whilst reducing demand through the Contact Centre and face-to-face outlets and into the wider organisation
- Creating scripting and knowledgebase material for Customer Service Advisors that will allow a greater volume and breadth of enquiries to be answered at first point of contact

Identified processes will not have significant technology workflows and system integrations built behind them in this phase, although rules-based work routing will ensure that service requests arrive with the correct department. Service requests will be carried out using existing back office processes until the wider organisation is transformed in Phase 2; when further process re-design will take place and the remainder of the benefit of the process transformation is realised.

Team Roles

Role	Responsibility	Interactions
Design Authority	<ul style="list-style-type: none"> Provides design oversight to ensure that the aspirations and principles of the Blueprint are achieved Executive team and Implementation team coaching 	<ul style="list-style-type: none"> Works with Programme Sponsor to agree scope and vision for each phase Works with Programme manager to shape milestones and delivery Works with CMT and Programme Board, providing advice and coaching to ensure success
Change Manager	<ul style="list-style-type: none"> Change management expertise to bring best practice approach to implementing a complex multi-faceted change programme Expertise to train, develop and support the wider team in aspects of change management and transition planning 	<ul style="list-style-type: none"> Works with Programme Director and Functional Leads to drive a joined-up approach to change Builds and supports the create & construct approach to technology implementation Trains, coaches and develops the Implementation Team Leaders and Analysts
Process Design & Sprint Manager	<ul style="list-style-type: none"> Leads process redesign sprints to effectively transition all council process from old ways of working to new ways of working Train team members in agile development and the sprint process 	<ul style="list-style-type: none"> Leads the process redesign and build teams Works with suppliers to ensure most effective implementation of processes across the integrated systems Supports council teams in adopting new technology and ways of working
Business Analysts	<ul style="list-style-type: none"> Business analysis expertise and experience working with other councils to implement similar transformation programmes 	<ul style="list-style-type: none"> Works with suppliers and other analysts to bring across best practice from other delivery programmes
Additional Support	<ul style="list-style-type: none"> Where there are particular skills gaps in the council, there may be a requirement to draw in additional, specialist support. This could include: <ul style="list-style-type: none"> HR practice Customer and user-led design Technology Engagement - internally and externally 	

External team roles

Team preparation

Training requirements for Implementation Team

Prior to Phase 1, training will be required for key staff in the implementation team to prepare them for the approach that will be taken to process redesign and technology builds. Depending on existing skill and experience, training may include:

- Process mapping approach and use of mapping tools
- Information gathering and script building
- Creating User Cases and Technology requirements for use by the build team
- Building test scripts and User Acceptance test plans
- Roles and responsibilities of agile implementation teams

The full matrix for training and development across roles in the implementation team is shown below:

Who?	Techniques	Tools	Behaviours/skills
Business Analysts	Process mapping Information gathering	Microsoft Visio Software awareness Scripting guide User requirements Technical requirements Website Architecture	Facilitation Challenge Team ethos Positivity Future Model Champion
Technology Builders	Agile approach	Workflow build guide Requirements lists Software training Version control	Team Ethos Attention to detail Accuracy Technology skills
Technology Testers	Building test scripts Edge Cases	User requirements Internal test scripts User test scripts Software training	Attention to detail Persistence Tenacity Team Ethos
Process People		Knowledge of Future Model Workshop rules Software training	Ownership Change Champion

Training and development across roles

Phase implementation - Detailed information

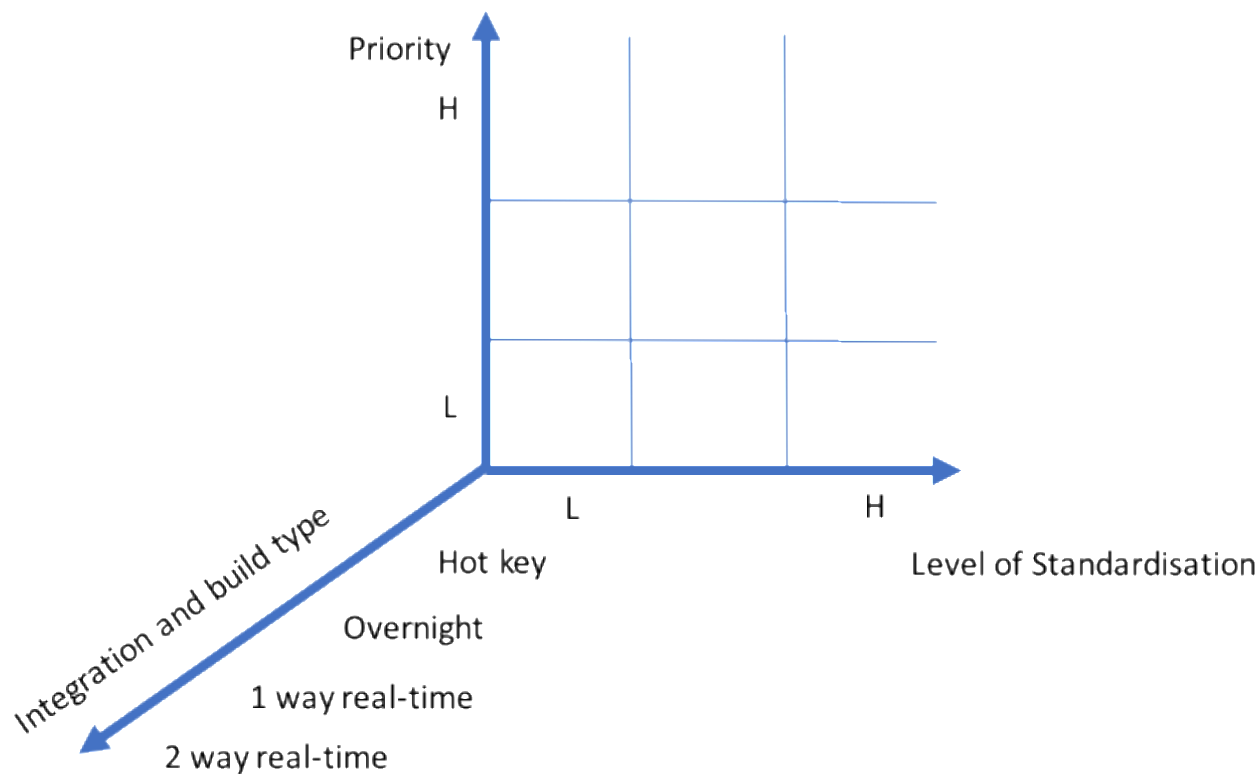
The following information sets out key elements of the implementation phase which will be followed. This is guidance - the approach and content is one that will be agreed with Shepway following the formal agreement to proceed.

Process Prioritisation and Clustering

A key element of successful implementation is the prioritising and clustering of processes that each phase will transform.

Prioritising processes will ensure that those transformed activities that have high levels of benefit associated with outcomes, cost and volume are created early in the phase, allowing phase benefits to be realised.

Clustering processes will ensure a consistent approach to delivery of services in line with the design principles of the programme and also deliver standardised components of technology and ways of working that can be re-used throughout the programme. An example set of 6 core processes that will be used across numerous process are shown in Appendix 5.



Process Prioritisation & Standardisation matrix

Transition management & training

A crucial element of any successful wide-ranging transformation programme is the planning and delivery of transition from the current to future state.

Ignite recognises that a failure to place great importance on transition activities will inevitably cause delays in implementation and result in an organisation that is not ready to fully embrace the change.

The twelve elements of transition management that require planning and delivery during each phase of the programme are briefly described below:

1. **Change readiness assessment** - understanding the current position of the organisation's readiness for change, from the perspective of the staff within the organisation will garner a greater understanding of the challenges, mentoring, awareness and training that will be required to transform the subset of the organisation within the phase
2. **Training** - the creation of a comprehensive set of training plans that cover the areas of process, system and ways of working that will ensure that individuals are able to transition smoothly into the transformed organisation
3. **Knowledge and succession management** - gaining a detailed understanding of the knowledge profiles of existing individuals in the organisation and ensuring that specialist or crucial historic or knowledge is not lost during transition

4. **Ways of working** - building a deep understanding for individuals of the ways of working that will be required from staff in the transformed organisation throughout the phase to prepare them for operating effectively in the transformed organisation
5. **Mobilisation of new teams** - once staff are placed in their new teams, carrying out a number of team building activities to embed the new ways of working in the new environment
6. **Consideration of Parallel running** - during any transformation activity, consideration must be given to the cutover from the old ways of working to the new that will ensure that business-as-usual activities can continue and performance maintained whilst piloting and introducing new technology and ways of working
7. **Launch & Communication** - careful planning and consideration of the launch of the phase will be required along with internal and external communication plans and activities
8. **Go -Live support** - planning of and ensuring that, staff have the support and lines of communication that will be required during the period on and shortly after any go-live activity for systems and ways of working
9. **Lesson learning and review** - after each phase is completed, a comprehensive review of the performance of all elements of the phase plan will be reviewed for effectiveness and any lessons learned taken forward into subsequent phases of the programme
10. **Management of historic/existing cases** - during cutover, consideration will need to be given to cases that are being managed within systems that will be decommissioned and the retention or migration of historic data in a manner that can allow retrieval by staff until it is no longer required to be held
11. **Processes and activities to stop** - as a result of detailed design, some processes and activities will be identified as appropriate to cease completely. These processes and activities will need to be stopped in a controlled manner and monitoring carried out to ensure that cessation does not have an unplanned adverse effect on the organisation or stakeholders
12. **Managing the impact of the rollout plan** - gaining a complete understanding of the impacts of the transition plan and taking the appropriate remedial actions to ensure any impacts are monitored and where appropriate, flagged up and managed to reduce any effect on the overall programme

Detailed Process and User Journeys

Throughout detailed design and implementation, a rich picture of the operation and roles of new processes will be created and shared with the organisation.

These process and user journeys will both inform the emerging organisational design, any refinements to budgets, programme risks and the key design considerations for the phase.

Process and user journeys will be further created and refined within process re-design and these products will be used by the build teams within the sprint cycles for software development and will also provide key information that will be used to form the training requirements for staff.

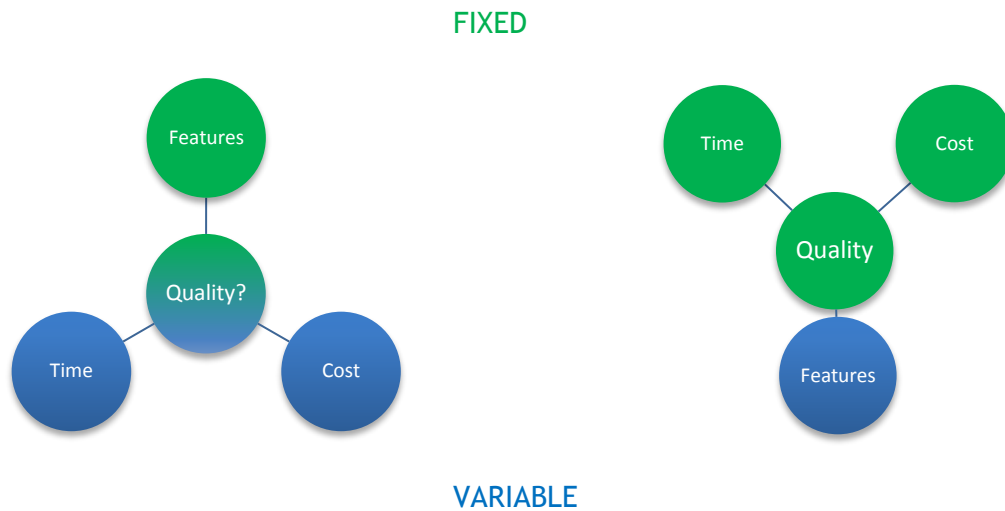
Process redesign and Technology implementation

The correct control of the process redesign and build is an essential element of ensuring that each phase delivers processes and technology that is fit for purpose and delivers the benefits associated with the phase. In order to avoid obstacles that are encountered by traditional

development methodologies, an agile approach will be taken. A summary of the agile approach is shown below:

Traditional/Waterfall Development

Agile Development



Agile versus traditional development approaches

In traditional development, time is spent on gathering and building a full list of user requirements and is fixed, along with elements of the customer’s quality expectations. In order to ameliorate delays during development, any one of the other dependencies of Time, Cost or Quality has to be augmented or compromised in order to meet development deadlines.

In an agile development cycle, Time, Cost and Quality are fixed by the breaking down of development into defined periods of build, which are known as sprints.

In an agile build model, requirements/features are the variable factor in any sprint cycle. Controlling the requirements for a releasable product is what keeps development time or costs from escalating, or quality from being compromised. The prioritisation matrix is known as MoSCoW and is formed as follows:

- **Must Have**
- **Should Have**
- **Could Have**
- **Would like to have**

In any sprint cycle:

All of the **Must Have** requirements are completed in the initial development order to have a usable product that can be released into the live environment (this is also known as the **Minimum Useable Subset**).

Should Have requirements are important in realising the full benefits of the technology within the process but not necessary for delivery in the initial development sprint. While these requirements can be as important as Must Have’s they are often not as time-critical or there may be another way to satisfy the requirement. They may be held back until after the process is

released into the live environment and included in a future sprint cycle, where the process is iterated and enhanced to release any remaining benefits

Could Have requirements are desirable but not necessary, and could improve user experience or customer satisfaction for little additional development cost. These requirements will typically be included in subsequent sprint cycles if time and resources permit.

Would like to have requirements have been agreed by stakeholders as the least-critical, lowest-payback items or not appropriate for implementation at that time. These requirements are not even planned into the schedule for the initial development sprint. These requirements are either dropped or reconsidered for inclusion in later sprints.

Risk Management

In creating the implementation plan for this significant change programme, risks have started to be considered at both the programme and service level. There is in place a risk-register for the programme which identifies the key risks and their mitigations. It includes:

- Delay in programme implementation timetable
- Not meeting the financial efficiency savings
- IT delays
- Disruption to staff
- Disruption to customers and business as usual

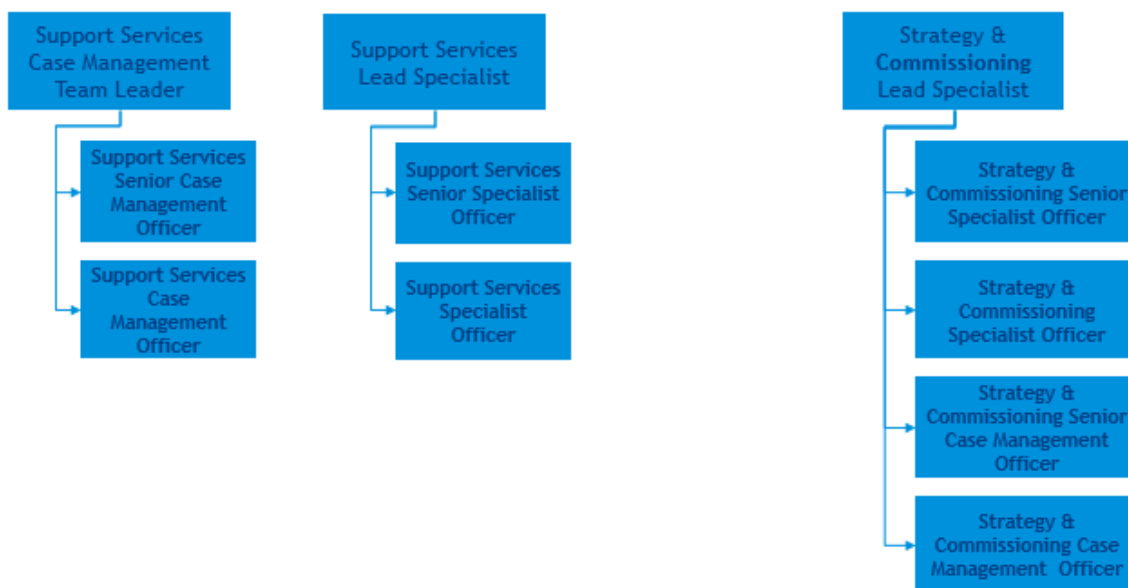
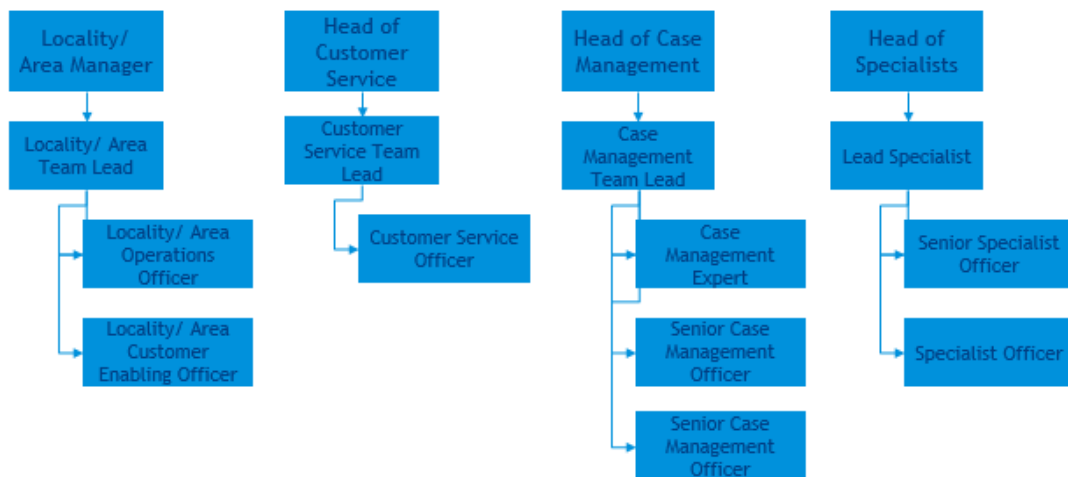
In addition to these, there are a number of other key risks, summarised in the table below:

Risk	Mitigation(s)
Loss of key people and organisational knowledge	Talent management plan that identifies key people and knowledge and puts measures in place to retain these key people
Reduced performance in key services	Department risk registers to identify and manage specific service transition risk are being developed These risks will be discussed and iterated with Members and will drive key considerations in the implementation plan
The organisation will have less capacity to deliver post implementation	New approach to delivery supported by technology, simplified processes and more self-service enables the council to deliver ‘more for less’ Introduction of more generalist customer service, local delivery and case management teams gives a more flexible capacity to deliver current priorities We expect this will enable greater focus on the priorities of the council and to ensure that we are measure and manage performance focussed on these priorities
Programme costs will exceed the current forecasts	Programme costs vs forecasts will be monitored by the programme board on a monthly basis Where appropriate fixed price delivery contracts will be negotiated with suppliers

Each of the phases shown in the implementation plan will monitor and report workstream specific risks at monthly programme management meetings and where appropriate these will be escalated to the programme board.

Appendix 4 - Role Families

The following are examples of how the role families might be constructed and the type of roles there may be developed when undertaking detailed design. However, Shepway District Council is reviewing the proposed role families to ensure they reflect local business needs going forward.



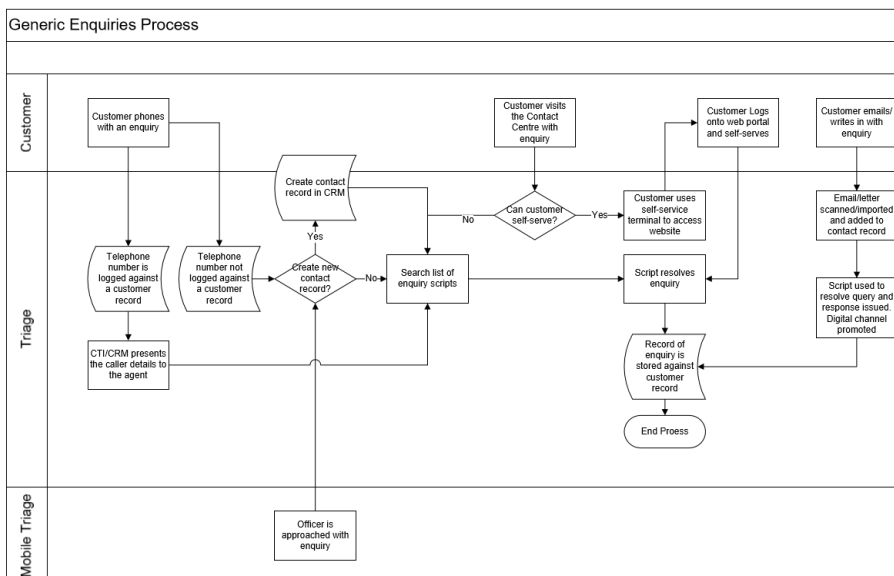
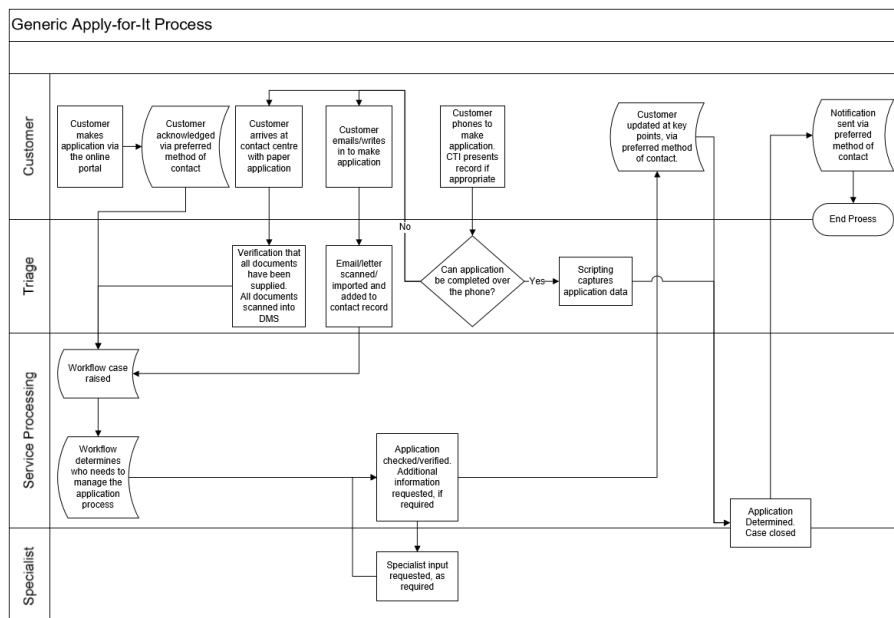
Appendix 5 - Generic Future Model Processes

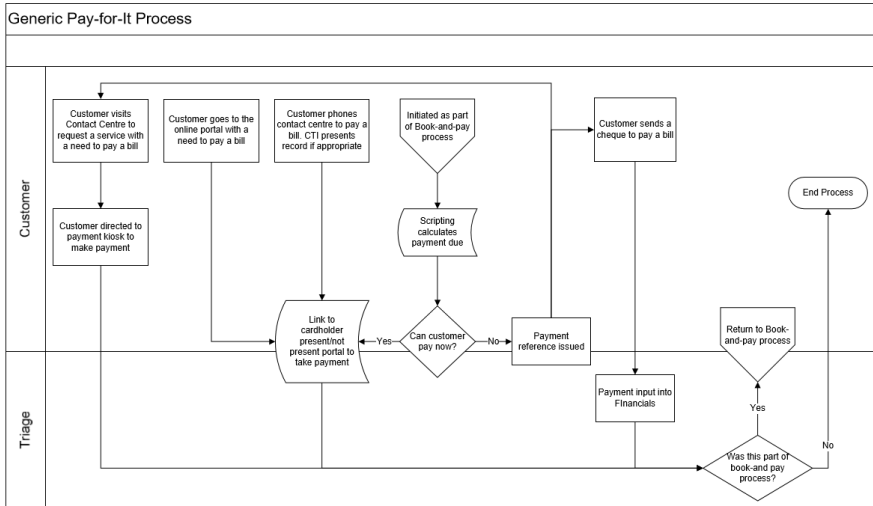
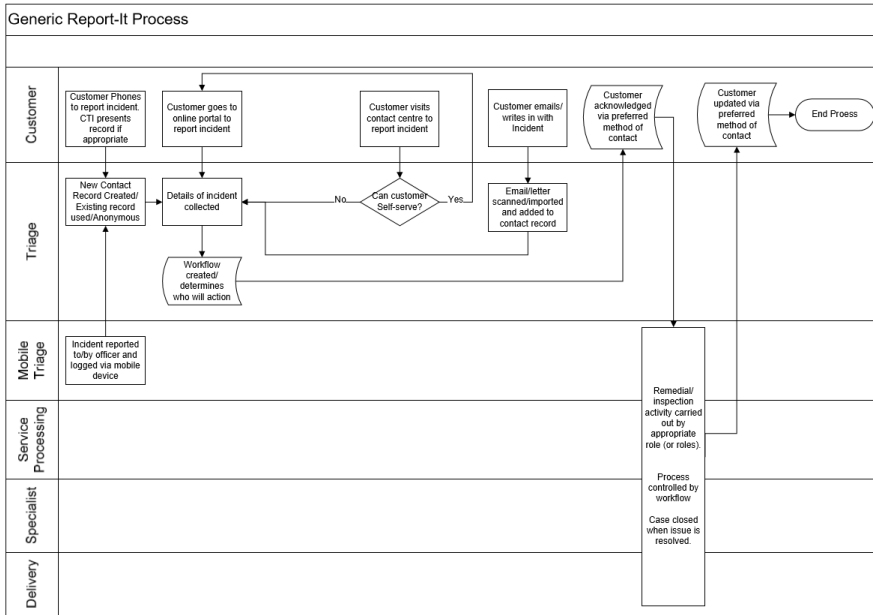
As part of the Blueprint process a number of generic, technology agnostic future processes have been articulated. The purpose of these processes is to demonstrate how key sets of activities that appear in multiple customer journeys at present can be simplified, standardised, and where appropriate automated. Furthermore, these sets of activities are fully integrated into wider workflow and customer contact management systems.

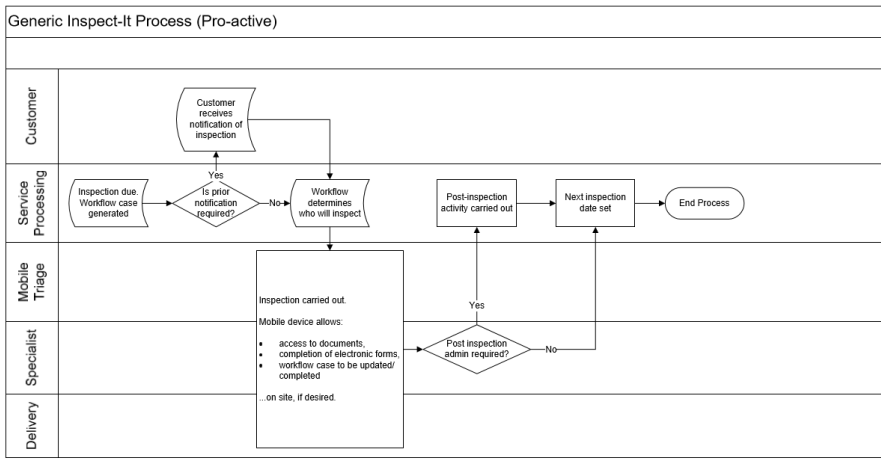
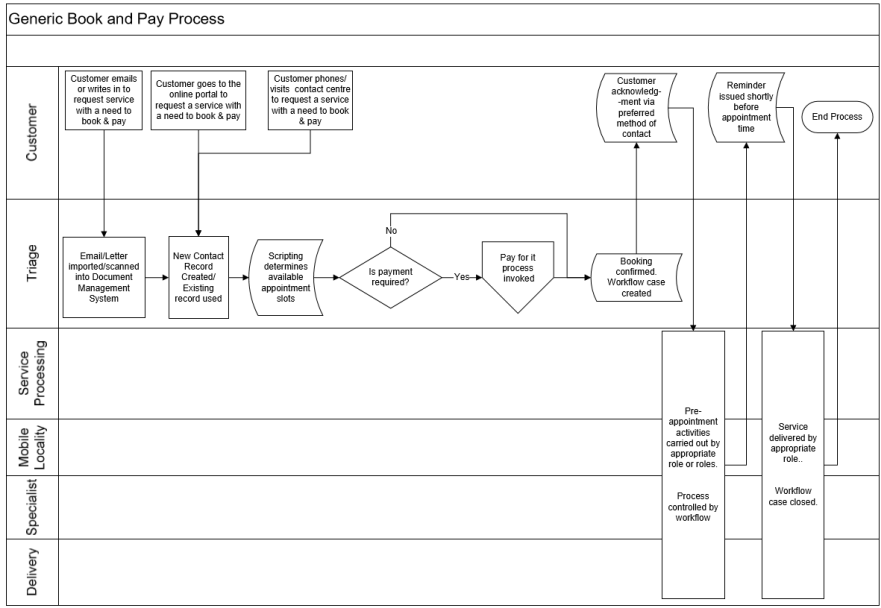
The processes selected cover a range of customer driven processes such as:

- Apply for it
- Enquiries
- Report it
- Pay for it
- Book and pay

as well as a standardised “Inspect it” process covering all council inspection activities.







This report is exempt under paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972

Folkestone

Hythe & Romney Marsh
Shepway District Council



www.shepway.gov.uk

Report Number **A/17/20**

To: Council
Date: 28 February 2018
Status: Non – executive decision
Leader of the council: Councillor David Monk

SUBJECT: SENIOR MANAGEMENT REVIEW

SUMMARY: This report considers recommendations from the Personnel Committee and the Audit and Governance Committee on the senior management review or matters relating to it.

REASONS FOR RECOMMENDATIONS: Council should consider the recommendations of the Personnel Committee and the Audit and Governance Committee on the senior management review or matters relating to it so as to determine the course of the review.

RECOMMENDATIONS:

1. To receive and note report A/17/20.
2. To consider the recommendations the Personnel Committee and the Audit and Governance Committee on the senior management review and matters relating to it.

1. BACKGROUND

1.1 Earlier on the same day as the meeting of full Council, the Personnel Committee and the Audit and Governance Committee will meet. They will consider, respectively, reports P/17/09 and AuG/17/14. These are attached as annexes 1 and 2.

1.2 The reports are self-explanatory and it is not the intention of this report to repeat the arguments. The reasons for the recommendations to both committees are set out. Members' attention, however, is drawn in particular to the costs set out in the report to the personnel committee (paragraphs 3.6 – 3.7). These are reported to the council in accordance with the government guidance, giving members the opportunity to vote on them.

2. PROPOSED RECOMMENDATIONS

2.1.1 In aggregate the proposed recommendations to council from both committees are:-

- *To recommend to council that the senior management structure consist of three directors (or posts with equivalent titles) one of whom will be designated as head of paid service pursuant to section 4 Local Government and Housing Act 1989;*
- *To recommend to council that Mr. Alistair Stewart, chief executive be dismissed on the grounds of redundancy on 31 March 2018;*
- *To recommend to council that, subject to approval of the necessary constitutional change, the head of paid service role be advertised internally;*
- *To recommend to council that the personnel committee carry out the selection process with any recommendations considered at an extraordinary meeting of the council on 28 March 2018;*
- *To approve the job specification and person specification for head of paid service in appendix 2 (of report P/17/09);*
- *That sub – paragraph 2.1.4 of the officer employment procedure rules in part 8.2 of the council's constitution be deleted*

2.1.2 The actual recommendations of the committees will be reported to the council. Members will be asked to consider them.

3. RISK MANAGEMENT ISSUES

3.1 The risks, if any are set out in the reports annexed.

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal Officer's Comments (AK)

The legal issues are covered fully in the body of this report.

4.2 **Finance Officer's Comments (CS)**

The financial implications of the proposals are fully outlined in section 3.6 -3.7 of report P/17/09. In summary the severance costs of £184,000 can be met from the Transforming Shepway budget. This provision (if agreed by Cabinet & full council) will provide funding for the whole transformation project, anticipated to deliver annual savings of £1.8m once fully operational. The Senior Management review will contribute annual savings of at least £141k towards this programme of efficiencies.

4.3 **Diversities and Equalities Implications (AK)**

None identified

5. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Amandeep Khroud, monitoring officer
Telephone: 01303 853253.
Email: Amandeep.khroud@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Exempt

Annexes:

Annex 1: Report P/17/09 Personnel Committee – 28 February 2018
Annex 2: Report AG/17/14 Audit and Governance Committee – 28 February 2018

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ANNEX 1

This report is exempt under paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **P/17/09**

To: Personnel Committee
Date: 28 February 2018
Status: Non – executive decision
Leader of the council: Councillor David Monk

SUBJECT: SENIOR MANAGEMENT REVIEW

SUMMARY: This report considers proposals for the senior management of the council

REASONS FOR RECOMMENDATIONS: The committee should consider and make recommendation on the senior management of the council now in view of the challenges the council is facing in the short, medium and long term.

RECOMMENDATIONS:

1. To receive and note report P/17/09.
2. To recommend to council that the senior management structure consist of three directors (or posts with equivalent titles) one of whom will be designated as head of paid service pursuant to section 4 Local Government and Housing Act 1989;
3. To recommend to council that Mr. Alistair Stewart, chief executive be dismissed on the grounds of redundancy on 31 March 2018;
4. To recommend to council that, subject to approval of the necessary constitutional change, the head of paid service role be advertised internally;
5. To recommend to council that the personnel committee carry out the selection process with any recommendations considered at an extraordinary meeting of the council on 28 March 2018;
6. To approve the specification for head of paid service role in appendix 2 and;
7. To determine the level of supplement for the role of head of paid service.

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1. BACKGROUND

- 1.1 Members will be aware that the cabinet approved the commissioning of a report to look at the future operating model of the council. See minute 13, cabinet 21 June 2017.
- 1.2 The work so far has given a clear indication of what the senior management structure of the council should look like. It is considered appropriate to bring this aspect forward now and to seek certain decisions from council. This will be considered by the overview and scrutiny committee on 27 February 2018 and by cabinet at a meeting on the same date as this committee. Any views of the overview and scrutiny committee and any decisions of cabinet will be reported orally to the committee.

2. IMPLICATIONS FOR THE SENIOR MANAGEMENT OF THE COUNCIL

- 2.1 Presently the senior management of the council consists of a chief executive (the council's designated head of paid service) supported by three corporate directors. The new operating model blueprint prepared by the council's consultants (appendix 1) has come to the conclusion that the senior management structure should be formed of three functional areas. Each area would be headed by a director (although the actual titles have not been determined in the blue print, the title "director" is used in this report for ease of reference). No separate chief executive post is identified (but see later in this report on the position of head of paid service). Obviously "four into three doesn't go" which means that a redundancy will occur, if the proposals are taken forward at senior management level.
- 2.2 The roles of the directors under the future operating model are very closely aligned to the roles of the corporate directors under the existing structure. It would be difficult if not impossible to establish that any of these posts would be redundant under the proposals especially as there are three corporate directors currently and three director equivalent role in the next structure. The post that is at risk of redundancy is, therefore, the post of chief executive.
- 2.3 There is no statutory requirement to appoint a chief executive, however the council does need to designate one of its officers as the "head of paid service" under S 4 Local Government and Housing Act 1989. The duties of the head of paid service are set out in section 4 as follows:-

"4 Designation and reports of head of paid service.

(1)It shall be the duty of every relevant authority—

*(a) to designate one of their officers as the head of their paid service; and
(b) to provide that officer with such staff, accommodation and other resources as are, in his opinion, sufficient to allow his duties under this section to be performed.*

(2)It shall be the duty of the head of a relevant authority's paid service, where he considers it appropriate to do so in respect of any proposals of his with

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respect to any of the matters specified in subsection (3) below, to prepare a report to the authority setting out his proposals.

(3) Those matters are—

(a) the manner in which the discharge by the authority of their different functions is co-ordinated;

(b) the number and grades of staff required by the authority for the discharge of their functions;

(c) the organisation of the authority's staff; and

(d) the appointment and proper management of the authority's staff.”

2.4 Whilst there is no requirement, as stated above to have a chief executive the head of paid service has, in practice, to be a senior officer of the council. It is suggested therefore that if the senior management structure is taken forward one of the three directors should be designated as the head of paid service – a first amongst equals.

2.5 This is a departure from the existing structure and if approved does mean, as noted above, that the existing post of chief executive would be redundant.

2.6 Mr. Alistair Stewart, the present chief executive has, of course, seen the report to cabinet and the conclusions of the consultants, Ignite. Mr. Stewart has indicated that he would consider the option of his post being made redundant. If this is something the members wish to pursue other things naturally follow; in basic terms:-

- Council would have to dismiss the present chief executive on grounds of redundancy and;
- Arrangements would have to be made for the appointment of a head of paid service.

2.7 The council's constitution requires that the appointment and dismissal of the Head of Paid Service can only be by decision of the full council on recommendation from this committee.

3. DISMISSAL OF CURRENT CHIEF EXECUTIVE BY REASON OF REDUNDANCY

3.1 Why should the actions regarding the senior management structure of the council be taken now prior to consideration of the future operating model in the round?

3.2 The council, members will appreciate, is embarking on several major medium to long term projects. The future operating model (commonly referred to as “Transforming Shepway”) will require substantial changes to the method the council works, there are major external projects – Princes Parade and Otterpool Park for example - and there is always the budgetary pressures. On top of all these, and not to be forgotten is the “day job” delivering services to the customers.

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3.3 The council, in short, is facing major internal and external challenges which will require senior management attention. These challenges are not matters that will crystallise sometime in the future but are here and now. The organisation also needs to function effectively. It is considered therefore that there should be stability at the senior management level in order that the organisation can rise to the challenges, consequently the opportunity should be taken at this stage to settle the senior management structure. The recommendation is therefore to move quickly to a senior management structure of three directors, one of whom will be the head of paid service, the structure to take effect on 1 April 2018. Obviously before making the recommendation to do so members will have to consider the costs, these are set out below.

3.4 Under the government's guidelines, which have been adopted within the council's pay policy, the council needs to be advised and be given the opportunity to vote on severance packages to be made to an employee when those costs exceed the threshold.

3.5 The Pay Policy states in paragraph 34:-

“Severance payments may include salary paid in lieu, redundancy compensation, pension entitlements, holiday pay and any bonuses, fees or allowances paid. Bonuses may include any payment not normally paid to the employee...”

3.6 The costs involved are:-

Payments to the chief executive

- Redundancy compensation - £69,295.86
- Holiday pay - £4,301.12

Payment to the Kent County Council pension fund:

- Pension strain costs of release of pension - £109,900.00

3.7 Members should appreciate however that savings will accrue to the authority consisting of the salary saving / cash alternative savings of the chief executive's post being dispensed with. . The proposed deletion of the Chief Executive role from the structure is anticipated to save around £160,000 from the costs of the establishment (including on costs), this will be partially offset by the additional cost of the Head of the Paid Service role (see below). If the top of the range is agreed this would be around £19,000 (with on costs applied). On this assumption the net saving of the deletion of this post is projected to be £141,000. This saving will apply to the financial years 2018/19 onwards. The costs of the severance if agreed would be incurred in 2017/18, and would amount to approximately £184,000. Therefore anticipated to take around 16 months for the authority to be in a cost neutral position from this proposal, after which the full annual saving of £141,000 would be achieved. To reiterate this saving assumes a supplement of £15,000.

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3.8 This proposal is part of the wider Transformation Project proposals. This project is intended to significantly contribute towards addressing the medium term financial projections which currently anticipate a cumulative deficit by 2020/21 of £6.5 million, and should be considered in the wider context of that programme

4. APPOINTMENT OF HEAD OF PAID SERVICE

4.1 It is recommended that the council be recommended to designate one of the director posts as head of paid service and to appoint one of the directors as such.

4.2 The committee also needs to make recommendations on the process for interviewing a head of paid service. The council's constitution in part 8.2 – Officer Employment Procedure Rules provides:-

“2.1.4 The post of the Head of Paid Service will always be subject to external advertisement.”

4.3 This is a local rule of the council and is not a statutory requirement. It was introduced at a particular time in response to circumstances. However circumstances have changed, what is envisaged now is not appointing to a separate post but to have the head of paid service duties attached to a director post. Given that the existing directors are not redundant it would not be appropriate to advertise the head of paid service role externally. It is considered that this requirement should be deleted from the constitution. Obviously any change to the constitution has to be made by Council on the recommendation of the Audit and Governance Committee. That committee will be receiving a report on this aspect recommending the deletion of the requirement. Subject to agreement of the council on the constitutional change the proposed recommendation to council is that the post be advertised internally only. The removal of the requirement to advertise the post externally does not mean that the council cannot decide to do this in the future.

4.4 Subject to council approval it is proposed that interviews be held by this committee on 27 March with a recommendation to an Extraordinary Meeting of the Council to consider the recommendations (if any) on 28 March 2018.

4.5 In order to interview the committee will have to agree the role description of head of paid service. A draft of this is appended (2). It will also be necessary to determine the supplement to be paid to the post to which the head of paid service role is attached. The basic salary of each of the director post will be identical to those of the present corporate director post but obviously the head of paid service role has additional responsibilities.

4.6 As far as this council is concerned supplements have been paid in the past. In 2012/13 when one of the corporate directors was designated deputy chief executive a supplement of £4476.00 was paid. When the chief finance officer / S151 officer role was held be a head of service a supplement of

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£7,000.00 was paid for the statutory role. Given the past practises of the council a supplement for head of paid service in the range of £10,000.00 - £15,000.00 pa would seem appropriate. The committee is asked to consider and determine the level of the supplement.

- 4.7 It will be noted that the role does not include the role of Returning Officer or Electoral Registration Officer. Every district council in England is required by Section 35(1) of the Representation of the People Act 1983 Act to appoint an officer of the council to be the Returning Officer (RO) for elections of district and parish councillors. Section 8(2) (a) of the Act also requires the Council to appoint an officer to be the Electoral Registration Officer (ERO). The ERO is responsible for the preparation and maintenance of the electoral register for any parliamentary constituency or part of a constituency within its area.
- 4.8 Under Section 28(1) of the Act, only the ERO may act as the (Acting) Returning Officer at Parliamentary elections, (the Returning Officer for these elections being the High Sheriff). It makes sense, therefore, to ensure that one officer is appointed as both the RO and ERO.
- 4.9 Whilst the chief executive has been the RO and ERO it does not form part of the duties of head of paid service. It is recommended that this committee, as part of the appointment process in March decides whether to recommend to council whether these duties should be attached to the role of head of paid service or be attached to another post.

4. RISK MANAGEMENT ISSUES

- 4.1 The perceived risks are as follows:-

Perceived risk	Seriousness	Likelihood	Preventative action
Failure to appoint head of paid service	Medium	Low	Carry out selection process, appoint interim if necessary.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (AK)

The legal issues are covered fully in the body of this report.

5.2 Finance Officer's Comments (CS)

The financial implications are set out in the body of the report.

5.3 Diversities and Equalities Implications (AK)

None identified

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6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Amandeep Khroud, monitoring officer
Telephone: 01303 853253.
Email: Amandeep.khroud@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Exempt

Appendices:

Appendix 1: Ignite – future operating model blueprint
Appendix 2: Proposed role description of Head of Paid Service

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APPENDIX 1 TO PERSONNEL REPORT

This Report will be made public on 19 February 2018.

Folkestone

Hythe & Romney Marsh
Shepway District Council



www.shepway.gov.uk

Report Number **C/17/82**

To: Cabinet
Date: 28 February 2018
Status: Key Decision
Head of Service: Sarah Robson, Head of Transformation
Portfolio Holder: Councillor David Monk, Leader of the Council

REPORT TITLE: TRANSFORMING SHEPWAY

SUMMARY: As part of its Transforming Shepway programme, Shepway District Council has been considering how it can utilise service redesign and ICT to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs. This document provides the conclusions of work to redesign the Council's services supported by Cabinet at its meeting in June 2017. This report includes the business case, future operating model and high level implementation plan. It also outlines that by adopting a refreshed ICT Strategy and making an investment in its ICT infrastructure and changing its business operations, the Council can achieve improvements in services for residents and deliver a genuine efficiency without cutting services

REASONS FOR RECOMMENDATIONS: Cabinet is asked to consider the following reasons for recommendation:

- Transforming Shepway helps the Council to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs.
- A new ICT infrastructure is now required that matches the Council's business requirements for the next 5 years and beyond with technology that is both efficient and cost effective.
- The constitution requires Full Council approval for all virements, which are outside of the budget framework and Cabinet agreement to the use of reserves

RECOMMENDATIONS: Cabinet is asked to:

1. Receive and note the report.
2. Agree to implement the redesign of the Council's services and new 'operating model' based on the business case outlined in the report.

APPENDIX 1 TO PERSONNEL REPORT

3. Support expenditure of circa £5.9m spread over the term of the project to 2020/21 (including a Notional Severance Provision of £2m), which will include: £0.75m from existing revenue; £2.925m from use of flexible capital receipts; £1.030m from financing exchanges and £1.225m from capital financed through borrowing or reserves, which will produce an expected net annual ongoing efficiency saving of £1.8m from 2020/21.
4. Approve for this report to be presented to full Council to agree the overall budget of £5.9m spread over the term of the project to 2020/21.
5. Approve the use of the available flexible capital receipts to fund the transformation project costs incurred in 2017/18
6. Approve the overview of and any amendments to the financial envelope to be delegated to the Corporate Director of Organisational Change in consultation with the Leader of the Council
7. Approve the refreshed ICT Strategy 2018-2023 (Appendix 2).

APPENDIX 1 TO PERSONNEL REPORT

1. BACKGROUND

- 1.1 This Council, like many others, is facing a number of challenges over the medium term. Maintaining the status quo is not an option. The Council has never stood still in its search for efficiency and better public service, but it's clear that tough times are ahead. The Council is presented with a limited choice. It can cut back on its ambitions for its communities and the level of services it offers them, or it can innovate in what it does and the way it goes about our business, in order as far as possible, to meet community needs and aspirations. The Council has been explicit in its desire to protect public service delivery from further cuts to frontline services in order to minimise any impact on our communities.
- 1.2 The financial challenges the Council face were set out at Cabinet's meeting of 31 May 2017 (Report C/17/03 – Updated Medium Term Financial Position) and also in the latest MTFS reported to Cabinet and Council in October 2017. This report agreed for ongoing work to be undertaken in order to monitor progress to meet the financial challenges identified. The MTFS identified the following Medium Term Financial Forecast :

	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
In year deficit	1,151,000	1,742,000	3,058,000	4,380,000	4,828,000	4,984,000
Cumulative deficit*	1,151,000	2,893,000	5,951,000			

- **The cumulative deficit shows financial position if no action is taken to address the in-year deficits on an ongoing basis.*
 - *The shaded columns are outside of the usual MTFS range. However, they indicate the ongoing nature of the “in year” deficit although the cumulative position has not been extrapolated.*
- 1.3 It is clear that the Council faces ongoing challenges to meet its budget gap over the next few financial years. In order to achieve its Corporate Plan vision of ‘Investing for the next generation, Delivering more of what matters’, it is simply unsustainable to continue reducing our staff numbers and retain the delivery of essential public services unless it finds a very different approach.
- 1.4 The Council has continued to review its efficiency programme, whilst ensuring frontline services are protected for our communities. It has continued to re-evaluate spending; challenging those areas where it can reduce our costs and be more efficient, as well as maximising opportunities to generate additional revenue. As a Council, elected members have maintained that income should not be increased by significant Council Tax rises or reductions in the delivery of essential public services.
- 1.5 In previous years the Council has achieved targeted savings service by service, undertaken departmental restructures and considered other opportunities including an ambitious proposal for a single East Kent Council, which had the potential to make a collective saving of up to £7 million in the first two years, but

APPENDIX 1 TO PERSONNEL REPORT

was rejected. Following the decision not to progress with moving forward with the proposal to create a new East Kent Council, the Leader of the Council released a statement confirming that “without any grant from central government significant savings would still be required”...and officers had been tasked “to come forward with fresh proposals that will be put before Council.”

- 1.6 The Council continues to benefit from strong collaborative leadership between its elected Cabinet and Corporate Management Team, making a commitment to be more ‘commercially-minded’ seeking opportunities which will help achieve some of the required efficiencies. A proposed new model of operational delivery is being considered, which will address a number of ‘drivers for change’ the Council is faced with against its commitment to deliver for our communities through the provision of cost effective services, understanding our customers more and having a better insight into their needs and the demands they place on us.
- 1.7 These ‘drivers for change’ include advancements in technology, where there is a greater expectation from our customers to meet their needs 24/7 using a variety of channels, just as they would expect from other services such as their utilities and banks. The Council provides lots of services to people of varying needs. Some services are provided to all, whilst others are tailored to need. It must invest in improvements to technology to meet the diversity of customer demand for services. Accessible, easy to use online services and processes that are designed from a customer perspective will keep customers updated and manage expectations.
- 1.8 In 2016, the Council’s Revenues and Benefits application forms were moved online and to date nearly 55% of those customers have now successfully moved to transacting with the Council online and this number continues to grow. This trend can be replicated across our services and reflects how the way customers want to interact with the Council is changing.
- 1.9 At its meeting of 21 June 2017 (Report C/17/15), Cabinet approved the commissioning of a report to look at a new future operating model for the Council which places its focus on our customer service through improved efficiency for the organisation and the use of technology.
- 1.10 To help take this work forward, the Council appointed the change consultancy, Ignite, to consider the application of a future operating model. Ignite are a recognised leader for change in the local government setting, having successfully worked with a number of local authorities including Eastbourne, Eastleigh, South Hams and West Devon. The premise of Ignite’s future operating model is to enable Councils to support their communities by delivering the right outcomes with great customer service on a lower cost base.
- 1.11 The Corporate Director of Organisational Change was appointed ‘project sponsor’ and an internal project core team established and led by the Head of Transformation (currently seconded from the Head of Communities post) to oversee the project’s development and management. This work was undertaken between September and December 2017, whereby a blueprint was developed to outline the potential opportunity to the Council. At this stage, the

APPENDIX 1 TO PERSONNEL REPORT

blueprint (see Appendix 1) only provides a high-level outline of the potential opportunity to the Council and further detailed design work will need to be progressed subject to Cabinet's decision to proceed with implementation.

- 1.12 The Leader and the Deputy Leader of the Council agreed to champion the project as it has far-reaching benefits for the Council, increasing its capacity to work in a different way, utilising resources more effectively and delivering the best possible customer experience. Their support has significantly strengthened the holistic and strategic direction required for the project to be successful. It was agreed a further report would be made to Cabinet on 28 February 2018 to present the final business case, followed by Council regarding the overall budget required.
- 1.13 Both the Leader and Deputy Leader have been kept abreast of the blueprint's progress, including a visit to South Hams and West Devon Councils in November 2017, where a similar model has been successfully implemented. A further briefing was provided informally to Cabinet and Overview and Scrutiny Committee in November 2017, alongside specific updates to the respective Cabinet Members for Finance and Customers and Digital Delivery. The proposed model's emphasis on 'putting the customer first' has captured member support and it will be important to ensure Transforming Shepway provides a continued efficient and high quality service to our customers.
- 1.14 As a result of this work, a new model has been designed which will deliver services in a new way making the Council more flexible and customer focused and give the customer a better experience of what it does, allowing them to be more in control of what they want from us. The new model will fundamentally change our service delivery model enabling the Council to reduce costs through improved business processes, whilst investing in our frontline services to meet the demands of customers and communities. It will ensure that the Council delivers a value for money solution to the taxpayer, delivering quality services at the lowest possible cost.

APPENDIX 1 TO PERSONNEL REPORT

2. INTRODUCTION

- 2.1 The Council's transformation project is known as Transforming Shepway. Its vision, agreed by CMT, supports 'Delivering more of what matters with less'. The project was launched in September 2017 with the aim of developing a Council that is efficient and fit to serve its community and meet the aspirations of residents, in the context of reduced resources. In particular, the Council wishes to, as far as possible, maintain its excellent services and corporate ambitions, whilst avoiding being in the position of other councils who are cutting service levels and their aspirations in an effort to simply reduce costs.
- 2.2 Working with Ignite, the Council examined the potential of a new delivery model to support meeting our corporate priorities identifying the following objectives for the project:
- Understanding our customers better and design services to meet their expectations
 - Supporting the delivery of our corporate plan to meet communities' needs
 - Helping to deliver the Council's efficiency target
 - Realising the benefits of state-of-the art technology and systems
 - Opening up career opportunities for staff
- 2.3 To meet these objectives, CMT agreed with Ignite that the future operating model would look at the following four key areas:
- The organisational model
 - Customer journeys and processes
 - Technology
 - People, culture and ways of working
- 2.4 Transforming Shepway's development stage has identified a number of project deliverables:
- Deliver a new model of public service delivery
 - Improved customer processes enabled by digital technology
 - Deliver a year on year reduction in net expenditure
 - Implement new methods of service delivery including changing behaviours of customers
 - Continue to be ambitious - delivering high quality services and major projects
 - Enable a workforce with the skills, behaviours and abilities essential to delivering high quality public services
 - Preserve our "can do" friendly, culture
- 2.5 Service, process and digital redesign, alongside customer enabling and staff empowerment and development will form a crucial part of the Transforming Shepway project.

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3. PROCESS

- 3.1 The project has examined all Council services for their potential to be redesigned and digitally enabled and to come under a new operating model. At present, it is recommended that frontline operations (where applicable, excluding management posts) of Grounds Maintenance, Lifeline, Waste and Hythe Pool remain out of scope for redesign, other than how they interact with service requests by customers. Work, however, will continue in ensuring that these services are delivered in the most efficient and effective way.
- 3.2 In the past three months, more than 60 members of staff from across the organisation have been engaged directly in the process of service redesign, with many more indirectly involved. This approach was essential to getting an understanding of how services currently work, where staff time and resource is spent in delivering aspects of each service, and what the potential is for redesigning services so that they are more efficient.
- 3.3 Throughout this period, the Council has been working with the unions (e.g. Unison) and engaging with staff through a variety of formats and remain committed to this engagement through the lifetime of the project. More than 40 existing members of staff have volunteered to become 'Change Transformers'. Their role is to actively ensure their teams are ready, willing and able to adopt change throughout the implementation phase (subject to Cabinet's decision in February).
- 3.4 Services have been redesigned with a view to making them more efficient (financially and in terms processing times) and effective in meeting customers' expectations and the Council's ambitions. In order to achieve more efficient and effective services, everything the Council does has been examined at a high level to consider how:
- to prevent and reduce demand through enabling customers and communities to serve themselves or by dealing with things before they turn in to a service request
 - services can be modernised, streamlined and made more efficient by having a more joined up approach to service delivery, less traditional council service divisions and common technology, processes and roles
 - to improve access to council services and information for customers
 - to ensure the earliest possible resolution of customer enquiries, reports and requests
 - to shift work forwards in the organisation towards customer facing staff and thus ensure more efficient use of staff and freeing up professional staff to concentrate on work where their expertise is really needed
 - to provide an accessible and actionable feedback process so customers can track their service requests, know when they will be dealt with and receive feedback when the work has been completed
 - the Council will improve its systems and measurement of performance with a view to driving improvements for residents and other customers
 - the Council will ensure a sustainable level and quality of services it can provide in the context of declining resources

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- to ensure it has skilled, knowledgeable, empowered staff with attitudes and behaviours that support the delivery of modern customer focussed services;
- and that it provides improved career opportunities and development for staff

3.5 The blueprint provides an indication of the potential opportunity to the Council. However, it has helped to build the revised business case, which forms the basis of this report. Where the blueprint has provided some assumptions around the cost analysis (including technology) and the high level function design, this report has considered the blueprint in more detail, using officer knowledge and expertise bespoke to the Council.

3.6 Ultimately, the Transforming Shepway future model will be designed and owned by this Council and aligned to its ambitions and future needs.

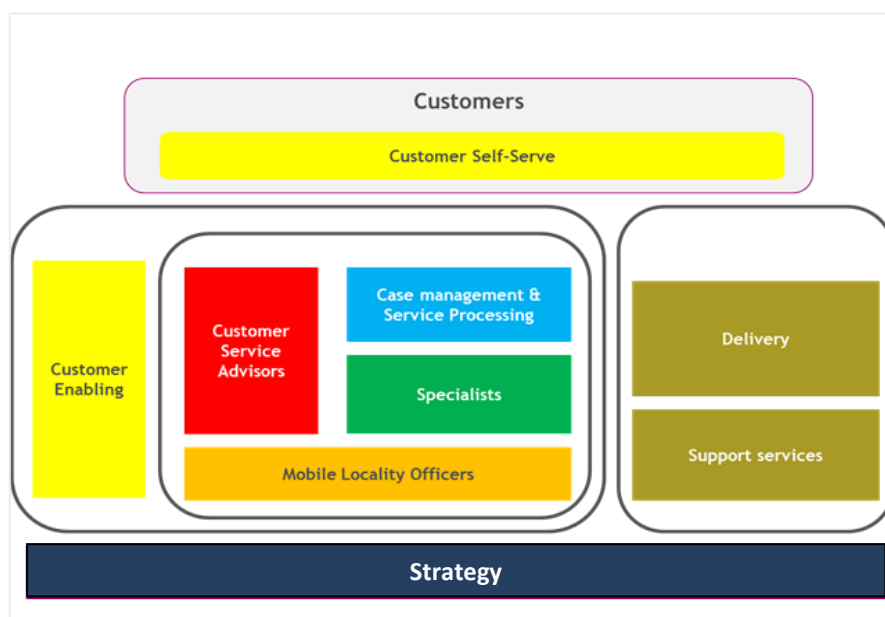
4. NEW OPERATING MODEL

4.1 As a result of the analysis of services a new operating model for the Council has been proposed which is set out below. This should not be confused with a management structure. The operating model is instead, the way of managing service requests and other work across the organisation.

4.2 This conceptual framework forms a starting point for the design of the future operating model; challenges and considerations specific to the Council, which have been addressed through the blueprint. The key components are shown in the diagram below.

4.3 Future Operating Model

The Future Operating Model provides a completely new operating structure for the Council underpinned by refreshed processes, roles, technology, ways of working and culture. It will support translating the Council's political will, maintaining investment in priority areas and improving services to customers.



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4.4 The **Strategy** element of the operating model is concerned with:

- defining the ambition of the organisation in terms of services and projects
- ensuring there is evidence based strategy that meets our communities' needs
- well planned services that ensure political ambitions are delivered efficiently and effectively

Strategy is both the activity and resource to translate insight and ambition into the Corporate Plan and major strategies, ensuring that the Council remains unique, accountable and capable. It will provide a 'single' brain to the Council, responding to political will and ambition and ensuring this is turned in to evidence based strategy. The key components of the Strategy are:

- **Strategy, Performance and Communications:** Setting the corporate strategy and priorities, ensuring these are based on evidence (what the district needs and what residents want). Ensuring services, programmes, projects and employees are working towards a common set of outcomes as specified in the Corporate Plan. Building a sound evidence base of data, analysis and interpretation to support the wider work of the Council. Keeping internal and external customers informed about Council priorities, services and campaigns, lead the engagement of our customers, provide a corporate marketing function to the Council including customer data and trends and promotion of commercial and income generating services, and place based marketing to support inward investment and economic ambitions.
- **Law, Governance and Democratic Services:** Provide expert legal advice on the full range of Council responsibilities and public sector duties Provide member support, working to ensure that the Council's governance and democratic processes are efficient, work effectively and support the ambitions of the council. Set the Constitution and governance of the council, ensuring that the Council is efficient, transparent and accountable to local people.

4.5 **Service Delivery** is divided across **Customer Enabling, Customer Service Advisors, Case Management and Service Processing, Specialists and Mobile Locality Officers**. Their role is to deliver efficient and professional services to the Council's customers that are aligned to the Council's ambitions managing performance to meet the desired outcomes. The Customer Contact element includes:

- Customer enabling, helping those who want to and are able to resolve their service requests themselves, for example, through an enhanced self-service system based on web and phone applications
- Customer service advice, dealing with as many customer enquiries as possible and resolving most of them at first point of contact, rather than them be referred on to another officer

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- Case management which will deal with more complicated requests that may require more than one council service or require to be processed, such as a planning application
 - Specialist services, which is the management of service requests and other council business that requires expert input
 - Mobile locality delivery, having an improved and more visible presence in the district's communities to deal with issues on the ground early and proactively where possible so they do not become service requests
- 4.6 Mobile Locality Officers will work as part of an effective locality team that offers an excellent standard of customer care, acting as an ambassador for the Council, resolving issues where possible on initial contact or otherwise referring to other teams. The Locality team will be at the heart of the Council supporting officers and providing a visible community presence for elected members. They will be able to carry out inspections and gather evidence on behalf of key service areas. This will include delivering planning notices, carrying out dog patrols, assisting vulnerable residents with benefit applications and investigating fly-tipped waste or anti-social behaviour.
- 4.7 Delivery is the front line delivery of many of the Council's services. It is concerned with:
- Efficient delivery of services on the ground (e.g. grounds maintenance), ensuring that there is a strong customer focus to service delivery
 - That a more commercial approach is developed to optimise revenue and grant opportunities
 - That service delivery supports the achievement of the Council's wider objectives for the district and its communities as set out in the Corporate Plan
- 4.8 **Support Services** is concerned with providing business like and efficient support and advice to teams across the Council. These are non-customer facing back office functions, such as Human Resources, Finance and ICT, who support improving performance and support the Council in meeting the Council's ambitions.
- 4.9 Behind this model is more detailed analysis setting out how the model will work in practice and where functions and accountability will sit. The Council will need to develop a new management and staff structure, based on a matrix style of working as opposed to its current hierarchical structure, in order to support the delivery of the model. It is important to note that much of the detailed design of the new services and the processes that underpin them is yet to commence. This will take place in the implementation stage with the involvement of staff, Members and customers, should the Council choose to move to the new model.

5. ACTIVITY ANALYSIS

- 5.1 Using the future operating model, all activities across the Council have been mapped, identifying the roles and level of cost involved. This activity analysis

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describes activity types and the cost to deliver particular services to customers. A number of saving areas have been identified across the Council in line with the Future Operating Model. At this stage, the numbers are indicative and will be refined further in the detailed design.

- 5.2 The activity analysis took a snap shot in time, as at 30 September 2017, of the full-time equivalent (FTE) posts identified as being in scope for the project. This equated to a total of 269.4 FTEs and a total cost of £10.8 million being in project scope.
- 5.3 The blueprint business case validates some of the assumptions made in the initial business case undertaken for the Council and has involved a wider group of staff in identifying the opportunity for savings. The analysis activity engaged that wider group in identifying areas that could work more effectively and efficiently through the Future Operating Model and the use of new technology. Assumptions were based on key drivers of efficiency that could be made to identify potential savings by each part of the future operating model.
- 5.4 The combination of the output from the business case and the work in the workshops has developed potential options for how the Future Operating Model could be structured and provides a proposed organisational design. Initial draft FTE numbers from the business case have been refined, but would be adjusted and finalised in the detailed design stages of implementation to reflect more involved design considerations engaging more of the organisation.
- 5.5 As a result of the activity analysis, the business case proposes the potential opportunity to reduce the Council's headcount to generate a General Fund efficiency over two years, whilst simultaneously enhancing customer service delivery.
- 5.6 The initial, high level analysis suggests a saving in the region of up to 50 FTE posts, resulting in a potential efficiency saving of up to £1.8 million over 2 years. However, caution must be given to these indicative figures. They give the Council only an indication of what opportunity may be achievable by adopting a new operating model. The activity analysis captures a particular moment in time and the figures below could go up or down depending on future FTE headcount and the opportunities identified to improve service delivery via the detailed design process that would be undertaken if Transforming Shepway is implemented.
- 5.7 The financial case developed by Ignite is focused on generating ongoing revenue saving to the Council, hence there is focus on the General Fund. However, it has also considered external funding or grants (e.g. Kent County Council, Ministry of Housing, Communities and Local Government) and recharges to the Housing Revenue Account (HRA). This funding may be predicated on a certain set of activities or mechanism for delivery and the future operating model design may have to be adjusted to reflect this. This in turn could impact benefit that can be realised which would need to be tested and determined in the detailed design phase.

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- 5.8 The combination of the output from the business case and the work in the workshops (discussed under point 3.) has developed potential options for how each area of the future operating model could be structured. These options have then been refined in light of constraints (people, organisational or political) and opportunities, to provide a proposed initial organisational design. FTE numbers will be revised in the detailed design stages of implementation to reflect more involved design considerations engaging more of the organisation.
- 5.9 If Cabinet approval is provided to proceed with the project implementation, detailed design work would then be undertaken as part of the project's phasing over a suggested two years implementation period to ensure the most up-to-date intelligence is used to progress and identify the benefits realisation.

6. HIGH LEVEL STRUCTURE

- 6.1 The blueprint (Appendix 1) provides an indication of the future high level structure. Using this as an indication of the opportunity to the Council, CMT has translated the proposed future operating model into a high-level design bespoke for Shepway, using the analysis exercise detailed in 5. above to identify where efficiencies can be made.
- 6.2 The diagram below shows the potential directorate structure and underlying functions in order to deliver the proposed design and operating model.
- 6.3 All role titles will be subject to review and change. It should be noted that the business case identifies a significant change and efficiency saving within the Corporate Management Team seeing the headcount reduce from 4 FTE to 3 FTE posts.
- 6.4 **High Level Structure – directorates**

Directorate: Strategy	Directorate: Place and Commercial Services	Directorate: Customer, Support and Specialist Services
Strategy, Performance and Communications	Grounds Maintenance	Support Services (Audit, HR, Finance and ICT)
Law, Governance and Democratic Services	Mobile Locality	Customer Services
	Strategic Assets	Case Management
	Lifeline	Specialists
	Hythe Pool	
	Strategic Programmes	

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7. FINANCIAL CONSIDERATIONS AND BUSINESS CASE

7.1 Having considered the blueprint, the Council has reviewed and set out its financial business case for implementing the new operating model in the table below. This table provides an indication of the profile of spend however some initial costs are anticipated to be incurred during the very end of 2017/18, these will be part of the overall financial envelope noted within the table.

	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Total
Costs of Programme:	£	£	£	£
Costs – ICT Infrastructure	750,000	750,000	500,000	2,000,000
Implementation team – recruitment	250,000	250,000	-	500,000
Consultancy cost (IT, HR, customer, process)	215,000	215,000	-	430,000
Transitional Support Staff	150,000	150,000		300,000
Training	75,000	50,000	25,000	150,000
Consultancy Change Support	275,000	275,000	-	550,000
Notional Severance Provision	1,000,000	1,000,000	-	2,000,000
Total Costs of Programme	2,715,000	2,690,000	525,000	5,930,000
Funded By:				
Existing SDC revenue	400,000	350,000	-	750,000
Use of Capital Receipts through capital receipts flexibility	1,200,000	1,200,000	525,000	2,925,000
Financing Exchanges	500,000	530,000	-	1,030,000
Capital financed through borrowing / reserves	612,500	612,500	-	1,225,000
Total Funding (cost/benefit)	2,712,500	2,692,500	525,000	5,930,000

7.2 The updated business plan justifies the significant investment required to make change to a new operating model in order to meet the Council’s financial challenge head, whilst improving customer service and experience. Improved IT infrastructure and transitional costs such as staff time to implement the changes will see the project require an estimated total budget in the region of £5.9m over the term of the project. Whilst the table outlined above indicates costs arising in the financial periods 2018/19 – 2020/21, the programme will need flexibility over the exact timing of these costs being incurred. Some costs are likely to be incurred during very late 2017/18, in which case these are proposed to be drawn from the flexible use of capital receipts (subject to Cabinet approval). The Medium Term Financial Strategy (report A/17/13) agreed the flexible use of capital receipts to fund the council’s future efficiency programme, specifically noting the future operating model transformation programme. There are some important elements to this programme which, however, need to be noted:

- The ICT infrastructure costs are estimated as the detailed programme needs to be set out. The total sum of £2m is an estimate. Based on initial

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soft market testing, this figure is likely to reduce. However, this will replace much of the necessary upgrading of equipment and software which would be incurred had the transformation project not taken place.

- There is a significant budget identified for severance costs, which is calculated on all posts in project scope being subject to redundancy costs and associated severance costs. Based on similar projects undertaken by other local authorities, this figure will significantly decrease once accurately determined as the programme progresses.
- The programme assumes a level of flexible capital receipts to be utilised to fund the programme. The government have confirmed this programme will be extended for 3 years from the current 1 April 2019 deadline.
- At an estimated £1.8m per annum revenue savings, the programme will be funded within 3.5 years with an ongoing revenue savings thereafter. Between 2-5 years is considered a standard pay-back period for a project of this scale within local government. However, as the savings are predominately revenue and the costs predominantly capital, there will be a contribution to the councils MTFs position at a much earlier stage.
- The sum of £1.030m (financing exchanges) represents current revenue spending on capital projects. This funding can be used to support the transformation programme whilst the relevant capital expenditure can be funded through borrowing.

Flexible Use of Capital Receipts

The Council has previously adopted the government's Statutory Guidance for the Flexible Use of Capital Receipts. This allows the council to use capital receipts received from General Fund asset disposals from 1 April 2016 to 31 March 2019 on revenue expenditure that is planned to generate ongoing efficiencies and savings, such as the major transformation project, during that period. The government has recently announced a three year extension to this scheme until 31 March 2022 although the detailed provisions regarding this have yet to be issued.

7.3 Capital receipts funding available

The amount of capital receipts currently available equals £570k (£414k balance of Shorncliffe Road plus £156k of new receipts in 2017/18). There is likely to be some early expenditure in 2017/18, and this report seeks authority to withdraw from the flexible capital receipts to fund this expenditure, the current sums held will be sufficient to cover all expenditure possible during 2017/18. Further expected capital receipts are as follows:

- 2018/19: £1.6m
- 2019/20: £1m

The figures for 2018/19 and 2019/20 are estimated rather than expected at this stage. The £2.6m of anticipated capital receipts is consistent with both the approved Budget Strategy for 2018/19 and the MTCP report being presented to Cabinet in January 2018.

- 7.4 Whilst the financial saving is important in the context of the Council's MTFs, it is important to recognise that there are other reasons for considering adopting

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the model in terms of improvement to the business. The benefits of the new operating model can be summarised as:

- It will provide improved service delivery to residents and better customer service standards at a time of reducing resources, with quicker, more accessible, responsive and higher profile services
- It produces genuine efficiency savings rather than service reductions and scaling back our ambition or asking staff to deliver the same with less resources
- The model provides increased capacity to meet the Council's and our communities ambitions in key priority areas and there will be better opportunity to realign the Council's services to its ambitions
- There will be better planned and better informed (by data) service and project delivery
- It supports further development of local area working by providing more responsive, high profile local services able to meet local differences and needs
- The model supports an improved approach to performance management and better delivery on the ground with less resources
- Greater opportunities for career progression for staff – becoming an employer with a reputation for developing careers
- It will strengthen some aspects of the Council, providing greater capacity and skill to ensure Members' ambitions for the Council and the district are well planned and driven through the organisation, translated in to delivery; and that the Council makes better use of the plethora of data available, including what our residents are telling us
- The model will break down the traditional barriers between types of Council services ensuring cross council working focussed on Members' ambition and customer needs

8. ICT

- 8.1 To deliver the proposed scale of change required to deliver Transforming Shepway will not only require the successful implementation of the new operating model, but also a sound technology solution. The primary technology investment required to implement the future operating model is in the integrated, customer focused technology solution that will underpin and enable the new ways of working. Much of the necessary upgrading of existing ICT infrastructure would need to be delivered even without Transforming Shepway. Our equipment and systems are out-dated, expensive to run and resource and not fit for purpose for today's customer.
- 8.2 Therefore, the Council has considered its future ICT infrastructure not only for the purposes of this project, but its broader future. As a result, the Council has recently refreshed its ICT Strategy (see Appendix 2), subject to Cabinet's approval in February 2018.
- 8.3 The council's current ICT strategy was prepared prior to the outsourcing of the ICT service in 2012 and was largely focused on the expectations for the outsourced service and the outline for what eventually became the "Ways of

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Working” project. A new strategy is now required that matches the Council’s business requirements for the next 5 years and beyond with technology that is both efficient and cost effective.

- 8.4 The core principles of the new strategy underpin a new ICT infrastructure that is fit for purpose, well integrated, focused on self-service and demand reduction, supports agile working and facilitates improved communications, whilst being secure, resilient and affordable. The strategy looks to the future of ICT support beyond the end of the current outsource arrangements in 2022, bearing in mind the fast-paced changing trends in technology and the council’s ongoing pressure to meet financial efficiency savings.
- 8.5 The strategy is supported by a high level roadmap, which provides a structure and timetable for the delivery of technical solutions. This will necessitate an early review of hardware and systems provision to ensure ICT is fit for its future role and is not simply providing more of the same as that could lead to the council having outdated technology. A fully integrated technology platform is needed to support improvements in the following critical elements of Transforming Shepway:
- customer enabling
 - customer self-serve
 - single view of the customer
 - automated workflow
 - document management
 - mobile solutions
- 8.6 The high level roadmap timeline will be flexible depending on the progress of the project and new requirements coming to light and changing dependencies.
- 8.7 ICT projects take time to properly procure, implement, configure and test. Therefore, it is recognised that the Council has limited capacity to deliver change and those projects that are in direct support of the Transforming Shepway project will be given the highest priority over the next two years.
- 8.8 Initial priority for implementation of systems in relation to Transforming Shepway will be given to:
- The implementation of a new Customer Relationship Management (CRM) system and Digital Services platform and the implementation of a new information management / collaboration platform. These two key elements need to be considered together because customer processes that have an element of document management need to work seamlessly. They provide a single view of the customer through data integration between the CRM and the ‘back office’ data processing systems. All information held about a customer can be seen together. This single view supports more streamlined customer journeys, with fewer handoffs / touch points and issues resolved faster.
 - The replacement of the existing contact centre telephony platform with a new multi-channel contact centre platform.

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- The replacement of the digital telephone system in the civic centre with a Unified Communications (UC) telephony platform.
- A range of improvements to the Web Content Management System (CMS)
- Mobile working

8.9 ICT will be a significant enabler in the delivery of the Transforming Shepway project. As the Council moves to ensure its core business is working effectively and efficiently, it will need to find the right tools to support our customers, both internal and external. This has been considered in any budget implications.

9. IMPLEMENTATION

9.1 Such a fundamental change to the way the Council operates will take a time to implement. The plan envisages a 24 month programme from Cabinet's decision in February 2018 to achieve full implementation. A key driver for implementation is the ICT and digital technology upon which the new business model will rest.

9.2 The table below outlines the proposed high level implementation plan. Time is provided in the implementation plan at the front of the programme, to plan and procure the technology before changes start being made to the way services are organised and provided.

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9.3 Proposed high level implementation plan

Proposed high level implementation plan

		2018				2019				2020	
Phase	Activity	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Mobilisation	Business Case – Cabinet										
Mobilisation	Project management and communication										
Mobilisation	CMT recruitment										
Mobilisation	Programme set up										
Mobilisation	Implementation team recruited										
Mobilisation	Technology baseline procurement										
Mobilisation	Technology implementation										
Phase 1A	Leadership and management										
Phase 1B	Mobile Locality										
Phase 1C	Strategy										
Phase 1D	Strategic and core programmes										
Phase 2A	Customer services and Support Services (excl. HR and ICT – Systems Support)										
Phase 2B	Case management and specialist services										
Phase 3	Delivery units and commercial teams, HR, ICT - Systems Support										
Phase 4	Data cleansing and migration										

The plan shown represents the calendar year, not the financial year, so some aspects of implementation will occur during the financial year 2017/18.

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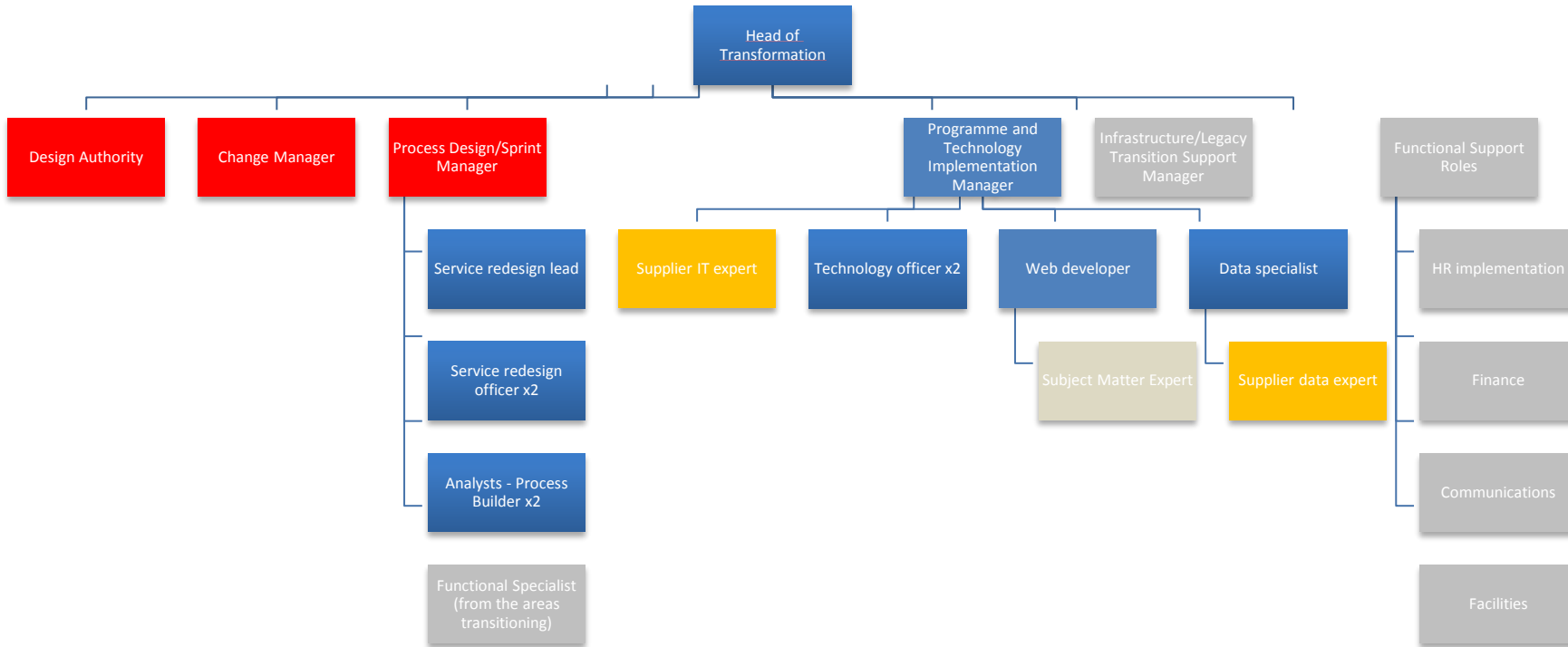
- 9.4 The detail that sits beneath the high level implementation plan would be developed as part of the 'detailed design' work undertaken if the project progresses into the mobilisation and implementation phasing, which is currently subject to Cabinet approval in February.
- 9.5 This would include developing the detailed organisational design. The emphasis in the Transforming Shepway future model is on generic role descriptions and proposed role families. A role family is a group of roles involving similar types of work and requiring similar levels of training, skills, knowledge and expertise. The role family concept helps organise related roles – roles that are comparable or relate to each other.
- 9.6 Currently there are hundreds of role profiles in the Council, which makes comparing roles difficult and evaluation of roles cumbersome. Having a smaller number of generic roles will ensure clarity and greater equity across the organisation in terms of responsibilities taken on and reward for those responsibilities. It will also make the different paths for career progression clearer and should open up more opportunities for people to develop their careers.
- 9.7 This is important, as the Councils want to ensure it builds a reputation as a place where people will be given the opportunity to develop their careers and be supported in their development.
- 9.8 Following consultation and the detailed design phase, the Council would create specific role requirements to inform the recruitment and selection process.
- 9.9 Detailed analysis of customer journey and process design, technology, people (consultation, recruitment), change and transition management, customer engagement and channel shift would be undertaken in each of the proposed phasing stages.
- 9.10 A benefit delivery plan would be monitored to realise the cash benefits unlocked by implementing the new model, describe exactly when benefits will be realised.
- 9.11 It is recommended that the proposed high level implementation plan is followed with leadership, management and strategy moving quickly to enable the rest of the programme's implementation at a quicker pace and with more engagement. By having leadership and management in place early on in the transformation, they are able to inform key decisions regarding their teams during the detailed design. The transition of leadership and management and strategy is less dependent on the full implementation of technology relative to other areas of the model. The benefits to be realised by transitioning these two areas of the model are significant, which will assist in the immediate budget pressures facing Shepway.
- 9.12 Support Services phasing will be undertaken in Phase 2A, which includes functions such as Audit, Finance, ICT (Systems Support) and Human Resources.

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- 9.13 The Human Resources and ICT (Systems Support) teams will have a crucial role in the project's delivery, overseeing key elements. HR will lead on staff consultation, support, assessment, recruitment and training, whilst ICT (Systems Support) will be relied upon to deliver the process redesign, user journeys and implementation.
- 9.14 Whilst it is agreed that the overall Support Services (Audit, Finance etc.) phasing should continue in Phase 2A, it is proposed to separate the Human Resources and ICT (Systems Support) element from Phase 2A and move into Phase 3 to ensure minimum disruption to the teams. This will help maximise the Human Resources and ICT (Systems Support) teams resource and support through the initial project phasing.
- 9.15 A major consideration in the implementation plan is the need to support staff through the process. Shepway District Council benefits from a talented and committed group of staff who work hard to deliver good services for residents and who have been engaged in redesigning the Council's services to arrive at the proposed new operating model. Whilst some roles within the new operating model will change very little, some roles could change significantly, other roles may disappear, and completely new roles will be created.
- 9.16 The Council must be committed to providing the best possible support to staff during the transition to the new operating model. Therefore, a significant amount of resource has been provided in the implementation plan to support staff. This will be primarily devoted to ensuring staff receive a good level of support and advice during a period of significant change and uncertainty for them; and to supporting staff in developing their skills to adapt to changed or new roles.
- 9.17 Another significant consideration within the implementation plan is avoiding disruption to customers during the changes to services, and maintaining as far as possible, business as usual. The implementation plan provides for a dedicated Implementation Team, rather than being reliant on staff members to deliver the changes on top of their normal workload. It also provides for backfilling where staff are required to be taken out of front line service delivery, which will be required throughout the programme in finalising detailed service design.
- 9.18 Additional budget resource has also been allocated for the use of temporary staff during the implementation period to ensure business as usual at all times and minimise any disruption to our customers.
- 9.19 The chart below provides an indication of the staffing resource required as follows:
- Red: Consultant resource
Blue: Additional Shepway District Council staffing resource
Yellow: External staffing
Grey: Existing Shepway District Council staffing resource

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9.20 Transforming Shepway Implementation Team Structure



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10. BENEFITS REALISATION

10.1 Delivering service improvements and releasing savings is the main design challenge for Transforming Shepway. The programme design and implementation focuses on the following drivers:

10.2 **Remodelling:** including agile working, releases capacity in the organisation through the reallocation of work and better workforce practices and creates the bulk of the projected cost reductions through improving productivity. Higher paid specialist staffs are focused on strategic and judgement based work rather than rules based processing and case management.

10.3 **Demand management:** demand management is about a deeper understanding of the causes of demand and how it may be reduced without lowering service standards. Examples include design of letters to help avoid visits or calls to clarify meaning or to give information, earlier interventions to prevent arrears and targeted work to increase payments by direct debit.

10.4 **Channel shift:** channel shift involves supporting customers to make more use of on-line digital services (self-serve) – which in turn are designed to suit customer preferences and expectations. It is well evidenced that the cost of transactions through a digital / on-line channel are significantly lower than those handled by phone, or face to face. Well-designed public services promote self-help and the empowerment of people – and promoting self-serve online is one aspect of that. The risks of digital exclusion must of course be properly understood and managed.

10.5 **Efficiency:** technology is used to support and enable the redesign of service delivery to achieve greater efficiency through reduced use of resources. Examples include reductions in duplication of work; speeding up processes through automation; automated services request allocation through workflows; supporting mobile and agile working; data sharing of information and faster access to customer intelligence.

10.6 The high-level implementation plan groups the transformation into three phases which informs the timing of the benefit release:

Phase	Description
1A	Leadership and management
1B	Mobile locality
1C	Strategy
1D	Strategic and core programmes
2A	Customer services and support services (excluding HR and ICT – Systems Support)
2B	Case management and specialist services
3	Delivery units and commercial teams, HR and ICT - support services

10.7 It is recommended that this order is followed, with leadership and management and strategy moving quickly to enable the rest of the programme's implementation to move at a quicker pace and with more engagement.

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10.8 By having leadership and management in place early on in the transformation, they are able to inform key decision regarding their teams during the detailed design. The transition of leadership and management and strategy is less dependent on the full implementation of technology relative to other areas of the model. The benefits to be released by transitioning these two areas of the model are significant, which will assist in the immediate budget pressures facing Shepway.

10.9 The blueprint (Appendix 1) maps the realisation of the benefits against the high-level implementation plan in order to show the suggested in year and annualised savings. This phasing approach provides an indication of when benefit is likely to drop based on headcount release. This assumes benefit is not released until the end of the relevant phase, whereas in reality some may be delivered earlier on in the phase.

10.10 It is important to note that this report (refer to point 10.6) has reconsidered and updated the project phasing identified in the blueprint. However, the blueprint's suggested benefits realisation provides a helpful indication of the savings that might be achieved and is set out in the table below. The table provides an indication of the potential benefits realisation identified in the initial blueprint from delivering the full programme. Caution must be given to the table below as the phasing will differ and at this stage the figures are only speculative and the true benefits realisation will not be identified until each detailed design stage of the project phasing is completed.

		Indicative saving in 2018/19	Indicative saving in 2019/20	Indicative saving in 2020/21 (ongoing)
Example Phase		£	£	£
1A	Leadership and Support	99,406	397,623	397,623
1B	Strategy and Commissioning	14,014	56,055	56,055
1C	Support Services	76,132	304,528	304,528
1D	Strategic & Core Programmes	11,468	45,873	45,873
2A	Customer Service and Locality Working	0	560,212	746,949
2B	Case Management and Specialist Services	0	154,300	308,599
	Total Savings	201,020	1,518,590	1,859,627

- NB1 – Phase 1A to 1D assumes benefit realisation for 3 months in 18/19 and full realisation from 2019/20 onwards
- NB2 – Phase 2A assumes benefit realisation for 9 months in 19/20 and full realisation in 2020/21
- NB3 – Phase 2B assumes benefit realisation for 6 months in 19/20 and full realisation in 2020/21

10.11 The table above suggests that the annualised benefit from transforming the areas in phase 1A and 1B is in the region of £450k. The rationale for additionally including support services in the first phase is similar.

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- 10.12 A significant proportion of the annualised benefit of approximately £300k could be realised in 2018/19, helping with the budget pressures. These areas are 'back office' to a certain extent so should be a useful test bed for transition which should not impact significantly on the external customer.
- 10.13 Overall, it is anticipated that the three main components of phase one will deliver an in-year saving of approximately £200k in 2018/19 and an annualised saving of around £800k during the year 2019/20.
- 10.14 The above are at this stage only indicative figures. The project's benefits realisation will be monitored throughout the implementation life course and will be subject to some movement following the detailed design element of each delivery phase.

11. CREATING THE NEW CULTURE

- 11.1 The Council has acknowledged from the outset of this journey that Transforming Shepway would need to create a new culture based on the importance of understanding and responding to the needs of customers and communities and on making it a place where all staff want to work.
- 11.2 To help establish and embed the new culture, the Human Resources (HR) team will work with staff in a series of workshops to develop a set of competencies and behaviours that staff can identify with and embrace. These will support our existing core values, which support what the Council does and the impact on the lives of its customers and communities.
- 11.3 This behavioural framework will form an integral part of how the Council manages performance in the new operating model, for instance by becoming a key component of an appraisal system.

12. CONCLUSION

- 12.1 Transforming Shepway sets out a new potential operating model for the Council that will help it to meet its ambitions to become a more efficient and effective organisation and meet the needs and aspirations of its communities in the context of increasing pressures to reduce costs. This requires a significant change in the way the Council's services are designed and operate.
- 12.2 The blueprint (Appendix 1) has guided officers to develop the final business case, which forms the basis of this report. Officers have reviewed and updated the blueprint's proposals, making judgements as appropriate to ensure the final business case is bespoke to the Council's needs. This includes reviewing the proposed operating structure, directorates, project phasing and investment proposals in order to update the business case based on organisational knowledge and priorities.
- 12.3 There is a strong business case for the Council to implement the new operating model comprising a financial business case with significant efficiency savings, as well as significant other business benefits. An implementation plan has been developed and sufficient resources identified to support the Council moving to the new operating model and realising the benefits but this will require significant

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investment by the Council in digital technology and in managing the transition to the new operating model.

12.4 The new operating model enables the Council to protect and deliver modern, efficient public services to our communities, whilst upholding its ambitious corporate projects programme, which encapsulates what it wants to see for the district - a great place to live where people, businesses and communities can flourish.

12.5 The new ICT Strategy will be a significant enabler in the delivery of the Transforming Shepway project. As the Council moves to ensure its core business is working effectively and efficiently, it will need to find the right tools to support our customers, both internal and external. The core principles of the strategy underpin a new ICT infrastructure that is fit for purpose, well integrated, focused on self-service and demand reduction, supports agile working and facilitates improved communications, whilst being secure, resilient and affordable.

13. Resource Implications

14.1 **Resources** - There are no resource implications that are not covered within existing budgets or the finance officer comments below (see 14.4 below).

14. RISK ASSESSMENT

14.1 Some risks undoubtedly exist in delivering such a large change to the way the Council operates. A detailed risk log has been developed and mitigation measures will need to be built in to the implementation plan. The risk log will be actively monitored, managed and updated throughout the programme.

14.2 Perceived risks are as follows:

Perceived Risk	Seriousness	Likelihood	Preventative Action
Delay in programme implementation timetable	Medium	Low	<ul style="list-style-type: none">• Dedicated team in place and recruitment of specialist, experienced, team members where required to supplement the Council team• Sufficient project resources agreed by Cabinet to deliver programme on time
Not meeting the financial efficiency savings	High	Low	<ul style="list-style-type: none">• Regular monitoring by CMT and Cabinet• Effective implementation planning to pinpoint milestones and where efficiencies will be released
Programme costs will exceed the current forecasts	High	Low	<ul style="list-style-type: none">• Programme costs against forecasts will be monitored by the programme board on a monthly basis• Where appropriate fixed price delivery contracts will be negotiated with suppliers

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Identified flexible capital receipts are not realised	High	Medium	<ul style="list-style-type: none"> Capital receipts realised by Strategic Development programme will be monitored by Corporate Director for Organisational Change.
IT Delays	Medium	Low	<ul style="list-style-type: none"> Additional time added in to front of implementation programme to plan and procure IT Flexibility built in to programme to bring forward other elements of implementation if delays in some aspects Specialist IT procurement resource built in to programme
Disruption to staff	High	Medium	<ul style="list-style-type: none"> Well-resourced package of support and training built in to programme. Ongoing communications programme
Disruption to customers and business as usual	High	Low	<ul style="list-style-type: none"> Additional resources have been provided for implementation so that the Council is not taking resources from the frontline or from supporting service delivery. Customers input built in to the design process and testing Comprehensive communication plan to keep customers and residents well informed
Impact on Elections 2019	High	Low	<ul style="list-style-type: none"> Timetable and staffing resource required for Elections 2019 are identified against implementation plan. Flexibility built in to programme to bring forward other elements of implementation if impacts are identified. Additional resources provided to support business as usual.
Loss of key people and organisational knowledge	High	Low	<ul style="list-style-type: none"> Talent management plan developed identifying key people and knowledge and puts measures in place to retain these key people. Additional resource built into programme to provide cover in the event of "gaps" arising
Reduced performance in key services	Medium	Low	<ul style="list-style-type: none"> Department risk registers to identify and manage specific service transition risk are being developed These risks will be discussed and iterated with Members and will drive key considerations in the

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			implementation plan
The organisation will have less capacity to deliver post implementation	Medium	Low	<ul style="list-style-type: none"> • New approach to delivery supported by technology, simplified processes and more self-service enables the council to deliver 'more for less' • Introduction of more generalist customer service, local delivery and case management teams gives a more flexible capacity to deliver current priorities • The model will enable greater focus on the priorities of the Council • Ensure the Council measures and manages performance focussed on these priorities

14.3 Legal Officer's Comments (AK/DK)

There are no legal implications arising directly out of this report. Further legal advice will need be sought throughout this project so that legal advice can be provided to the HR team and Transformation team as this project is implemented.

14.4 Finance Officer's Comments (CS, LH and LW)

Capital Financed Through Borrowing - this is to meet the estimated £1.225m cost of the ICT infrastructure. However, as the report states, the total sum to be spent on ICT is dependant and the figure quoted is very much a ball park estimate. Dependant on the solution provided, a mixture of reserves and borrowing may be applied. If the amount is funded fully through borrowing, in addition to the interest charge on the borrowing estimated to be £21k per year, the council is required to make a Minimum Revenue Provision (MRP) charge to the General Fund for capital expenditure met from borrowing. The MRP charge is based on the asset life of the expenditure incurred. ICT infrastructure typically has a fairly short useful life of up to 5 years meaning the MRP charge to the General Fund would be £245k per year. The total annual capital financing cost of £266k.

The costs and savings identified under 7 above will need to be carefully monitored throughout the project to ensure they are affordable and the savings are realised. It is likely the profile of the expenditure will change as the project progresses.

14.5 Diversities and Equalities Implications (SR)

The Equality Act is not relevant to the decision in this report as the decision does not relate to eliminating discrimination, advancing equality of opportunity, or fostering good relations between different people. An Equality Impact Assessment has not been carried out.

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14.6 Communications Comments (ML)

Internal communications to engage and update staff and members will play an essential part in this stage of the project and will be fully supported by the Communications team.

15. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Sarah Robson, Head of Transformation
01303 853426
sarah.robson@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Ignite New Operating Model Initial Blueprint and Business Case Proposal (31 May 2017)
Cabinet Report: 21 June 2017 (Report C/17/15 – New Operating Model)
Cabinet Report: 31 May 2017 (Report C/17/03 – Updated Medium Term Financial Position)

Appendices:

Appendix 1: Transforming Shepway Blueprint
Appendix 2: ICT Strategy 2018-2023

Shepway District Council

Future Operating Model Blueprint

December 2018



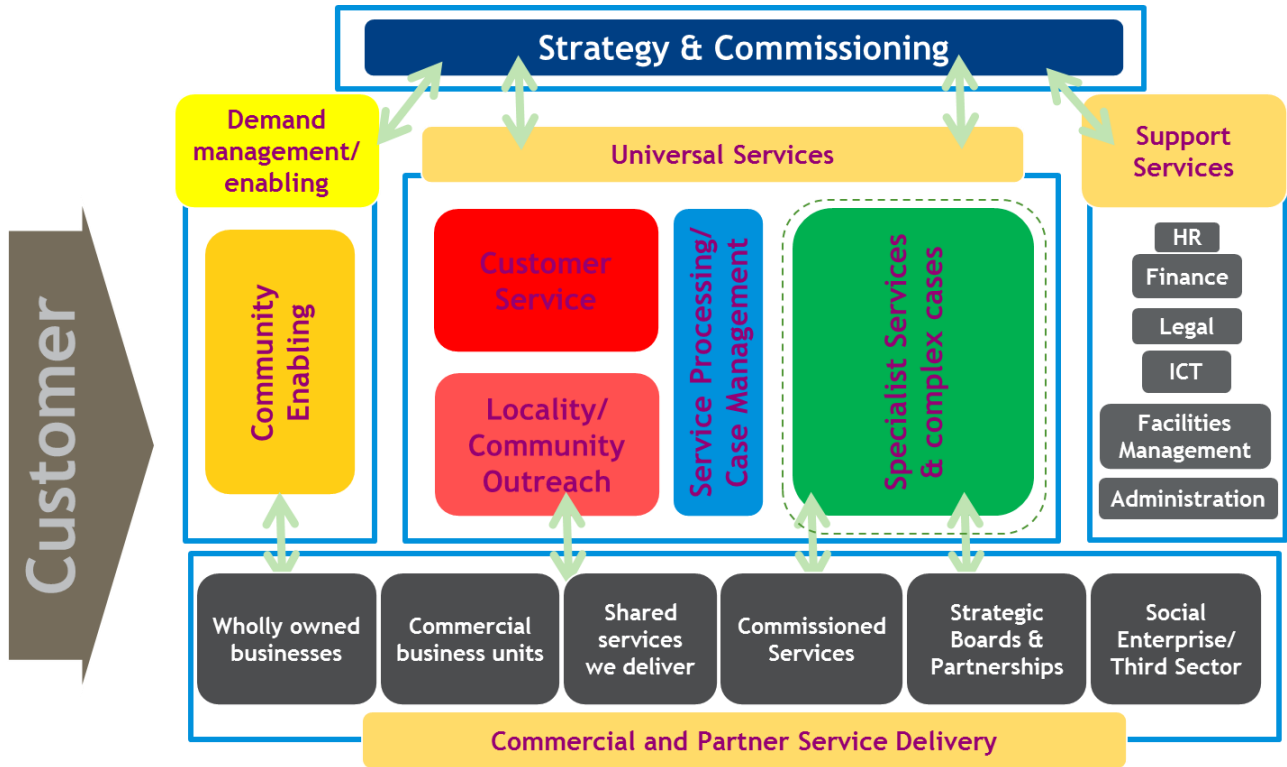
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1. Summary

This document provides the ‘blueprint’ for the delivery of the Future Operating Model (FOM) for Shepway District Council (SDC). It includes a refined business case, an organisational design and an implementation approach and plan.

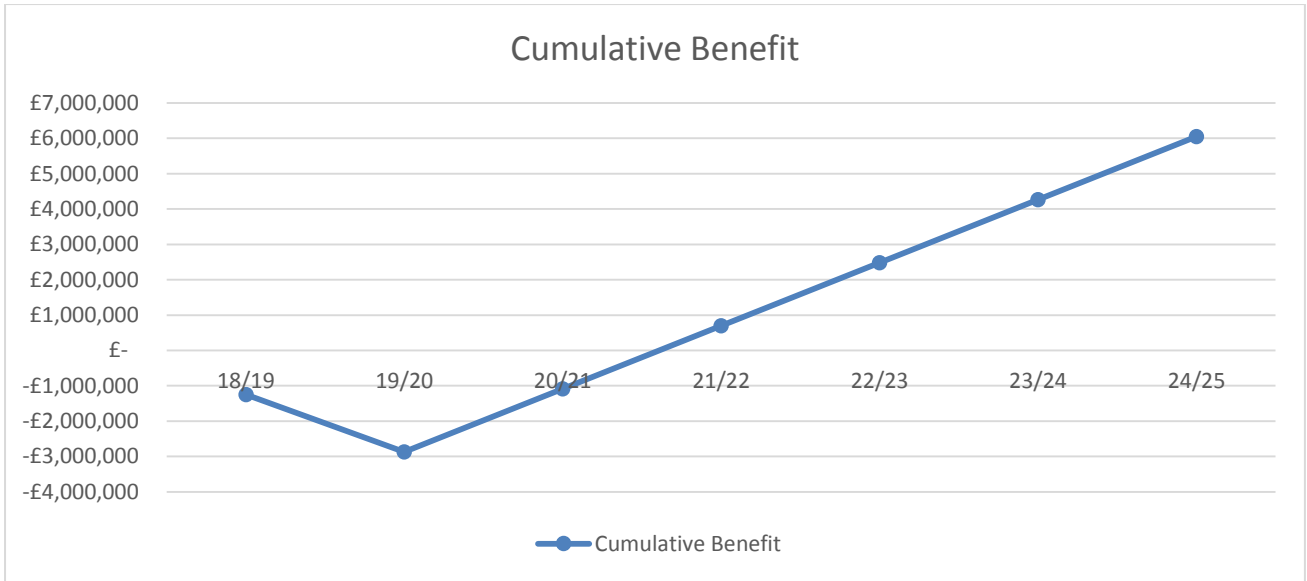
A revised operating model for the council has been developed. This operating model focuses on the types of activity that are performed, unconstrained by current organisational models:



Shepway District Council Future Operating Model

Using this model, all activity across the council has been mapped, identifying the roles and level of cost involved. This activity analysis describes activity types and the cost to deliver particular services to customers. A number of saving areas have been identified across the council in line with the Future Operating Model (FOM). At this stage, the numbers are indicative and will be refined further in the detailed design.

A total of 269.4FTEs (full time equivalents) were identified as being in scope at a fully loaded cost of £10.8M. As a result of the blueprinting exercise, this business case proposes the following position, while simultaneously enhancing customer service delivery. Cost savings relate are broken down by General Fund and Other (including HRA, grants and other potentially ring-fenced funding).



Cumulative saving against the technology and implementation investment costs

2. Introduction

a. Background

During the last 10 years, the public sector has gone through unprecedented change following the global financial crisis and the subsequent introduction of a fiscal austerity programme by the UK Government in 2010. Local Authorities have been very much at the centre of the austerity programme, bearing a greater share of financial savings than any other part of the public sector. Concurrently, expectations of the public for the nature of services Councils provide and the ability to access those services in different ways have similarly changed beyond recognition. This has left councils with difficult choices about reducing levels of service, changing or reducing the ambitions they have for local communities or attempting to innovate and change what they do.

It needs to be recognised that advances in technology and changes in customer and resident behaviour mean different forms of service delivery organisation are now possible and customer's expectations of different types and levels of service are changing significantly. The business sector (e.g. retailers and banks) have started to embrace different ways of working, and provide services through different routes and this has been embraced by parts of local and central government (e.g. DVLA). The key lesson from the business sector is that benefits cannot be bolted on to existing business models and service delivery; the whole business and operating model needs to be reviewed and transformed.

Officers from Shepway have worked with Ignite over the last four months to analyse and understand the activities it does and to identify where the opportunities for a new and different operating model are. This work has involved a mixture of employees from across all service areas participating in workshops; undertaking detailed analysis of activities completed and a review of the processes and systems that are routinely used. This analysis is the basis of this Business Case.

b. Objectives and scope

Shepway District Council has a clear, concise corporate plan which is understood and drives the council's activity. Its ambition 'Investing for the next generation, delivering more of what matters' has been central to driving the council's key strategic objectives and priorities for delivery. The Council has worked to transform and change the way it is internally organised and has explored and implemented a range of different improvements to the work it delivers.

The 'ways of working' transformation programme was delivered and attempted to introduce wholesale changes to put the customer first, make efficiency savings, improve performance and have a positive customer service impact whilst taking into account that the Council had to provide efficiencies. Some key processes and shifted practice in some areas of the council, but its success was mixed, and its impact has been very variable.

As part of this Blueprint phase Shepway's Corporate Management Team (CMT) built on this previous work to clarify the vision of this programme, exploring what was important for the organisation to focus on as part of this work and to develop the potential for a vision to succinctly describe the programme. Given the whole-organisation focus, CMT decided to adopt 'Transforming Shepway' as the vision for the programme as a whole, while retaining the current corporate plan.

This Blueprint comprises the following areas which are have been included in this work:

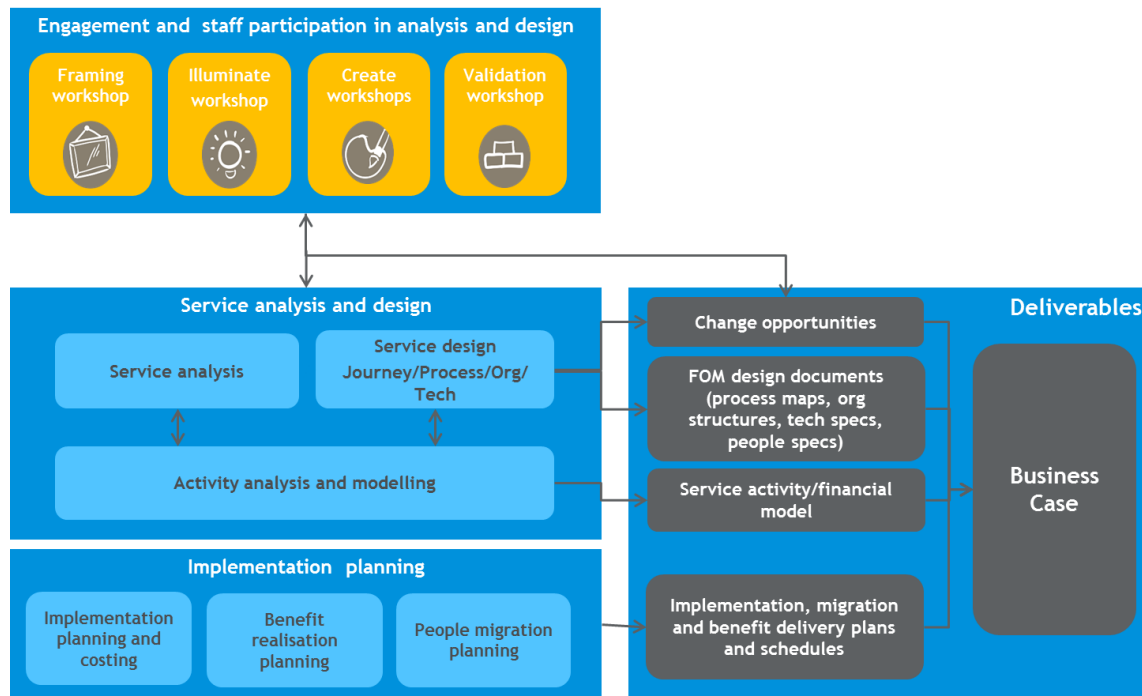
Team	FTE	Comments
Accountants	16.45	
Building Control	4.00	
Business Support	22.82	
Business Support - Systems	11.04	
CMT	4.00	
Communications	5.14	
Community Services	6.70	
Corporate Contracts	5.00	Hythe Pool operatives out of scope
Corporate Debt	10.30	
Customer Services	37.53	
Democratic Services	5.50	
Development Management	16.41	
Economic Development	5.00	
Electoral Services	2.00	
Engineers	5.00	Internal Maintenance Officers out of scope
Environmental Health	8.00	
Environmental Protection	7.00	
Grounds Maintenance - Other	3.49	
Housing Options	11.02	
Housing Strategy	6.60	
HR, OD & Payroll	7.92	
Land & Property	4.00	
Leadership Support	5.81	
Legal Services	6.00	
Planning Policy	8.61	
Revs & Bens	24.73	
Strategic Development	9.00	
Technical & Commercial Services	4.81	Manager posts (including Lifeline)
Transportation	2.00	
Waste Contract	3.49	Waste Management team out of scope
Total	269.37	

Summary of scope of the business case

The funding source for each of these full-time equivalents needs to be considered so that officers and Members can interpret how savings identified in transitioning to the new ways of working can be realised.

c. Approach

The following sets of engagements, analysis and design, implementation planning activities were undertaken to produce this Blueprint:



Components of the blueprint activity

This 'Blueprinting' phase builds on the initial business case work and delivers:

- A revised business case (based on detailed service by service activity analysis, refined maturity assessment and cost analysis, including technology)
- A costed Target Operating Model for Shepway, aligned to the Future Model, including initial organisational design, role descriptions and technology model
- High level plan for implementation

Our approach to developing this Blueprint has focused on three areas. Firstly, refining the activity analysis detail from the initial business case phase, by analysing the activity of all service areas in scope, using data provided by approximately 35 service area representatives working with colleagues from across the council. Secondly, we have run a range of workshops to support the wider workforce's engagement and understanding with the general principles and approach that the FOM takes, enabling those participants to grow their own understanding and provide challenge and thought to the implementation of the model in Shepway. Finally, we have focused on key areas with smaller working groups set out in the first Create session, some of which were explored in more detail in small working groups:

1. Locality and mobile working
2. Customer enabling
3. Leadership & management
4. Support services
5. Managing performance
6. Values and behaviours
7. Themes not teams
8. Strategy and commissioning

The Blueprint business case validates some of the assumptions made in the initial business case and has involved a wider group of council staff in identifying the opportunity for savings. The analysis activity engaged that wider group in identifying areas that could work more effectively and efficiently through the FOM and the use of new technology.

Assumptions based on the key drivers of efficiency can then be made to identify potential savings by each part of the FOM. These drivers are explained later.

The combination of the output from the business case and the work in the workshops has developed potential options for how each area of the FOM could be structured. These options have then been refined in light of constraints (people, organisational or political) and opportunities, to provide a proposed initial organisational design. We have populated the organisational design with initial draft FTE numbers from the business case to refine management levels and spans of control, organisational anomalies (e.g. small functions combining) and any geographic requirements. FTE numbers will be revised in detailed design stages of implementation to reflect more involved design considerations engaging more of the organisation.

3. Future Operating Model

a. Operating Model v Organisational Model

The Future Operating Model (FOM) provides a model of how the council delivers services to customers and how the customer will interact with the council. This provides the rationale for how the work is done and what types of roles are required to deliver the work. The business case generates the required numbers for each role to deliver the services required.

The organisational model provides an internal framework for how the council organises itself to deliver the operating model. This organisational model sets out where the work gets done, and by how many of each role. This drives considerations on spans of control, levels of seniority within role families and management structures required.

Inherently there will be choices the council will need to make within the organisational model that will require iteration during implementation. The Blueprint analysis provides an initial view of the numbers against each area of the model. Based on the choices made, the organisational model will develop through detailed design aligned with the agreed design principles, local constraints and corporate ambition.

b. Design Principles

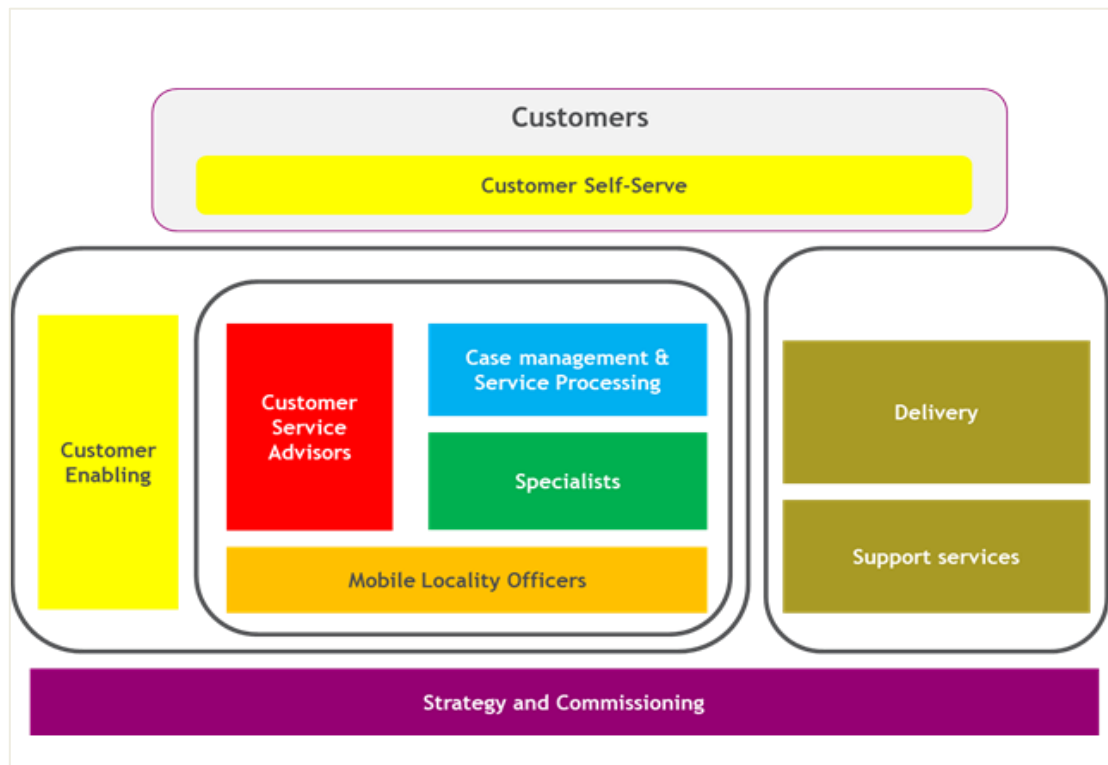
In the development of the operating model, a number of “ground rules” or design principles were discussed to articulate how the new model would operate. These were reviewed in conjunction with the wider participation group to:

1. Focus on the customer experience
2. Fewest steps for the customer
3. Keep customers informed
4. Digital by default
5. Resolve first time
6. Collect less and tell us once
7. Use skills and expertise effectively
8. Efficient working
9. Use technology to ensure compliance
10. Real-time measurement to improve
11. Supporting customers to do more
12. Proactively prevent and shape demand

These design principles enabled people to understand where the council is heading and how things might work if they are embraced. They will be used throughout the proposed implementation to support decision making.

c. Overview of the Future Operating Model

The Blueprint activity started with a conceptual model of the framework:



Conceptual Future Operating Model

This conceptual framework has been established in a number of local authorities. This framework forms a starting point for the design of FOM; challenges and considerations specific to SDC have been addressed through the Blueprint. As a reminder, the key components are:

- **Customers:** different customer groups access services in different ways. Some groups can be encouraged to self-serve online or draw on support from customer service staff only, whereas others may need to access the support of specialist staff more quickly
- **Strategy and Commissioning:** translates community/customer intelligence and political will and ambition into strategic direction, and commissions what's required to deliver this
- **Customer Enabling:** helps the community and customers to help themselves so as to address aims and reduce demand for services
- **Universal Customer Contact:** all activity associated with customer contact, customer service, managing cases, resolving questions and issues (simple and complex), and scheduling input from others where required
- **Delivery:** delivery of core services e.g. waste collection, street cleaning, etc.
- **Support Services:** non-customer facing back office functions, much of which is transactional but some requiring organisational specific intelligence

It should be noted that Shepway District Council has reviewed the Future Operating Model concept and has tailored the key components to be bespoke for its internal and external facing needs as outlined in the table below.

d. Key elements of the Shepway District Council FOM

Key element	Description
Strategy	To be the 'single brain' of the organisation responding to political will and ambition, and ensuring this is turned in to evidence based strategy. Planned services, actions and projects will ensure political ambitions are delivered effectively and efficiently "on the ground".
Place and Commercial	To deliver efficient and professional services through a range of delivery vehicles, aligning to the council's ambitions and managing performance to meet desired outcomes.
Customer, Support and Specialist Services	To provide seamless customer services/support to both customers and teams across the council, improving performance and supporting them in delivering the council's ambitions.

4. Business Case

a. Staffing cost reductions

On the basis of the revised activity analysis, the table below sets out the 'As Is' staffing and staffing costs compared to a 'To Be' or future state following implementation of FOM opportunities.

ToBe Activity	AsIs FTEs	ToBe FTEs	Saving	% Saving	AsIs FTE Costs	ToBe FTE Costs	Saving	% Saving
Leadership, management & supervision	22.4	17.1	5.3	24%	£1,471,153	£1,131,225	£339,928	23%
S&C - strategic cycle, change, corporate governance	17.3	16.8	0.5	3%	£969,372	£940,291	£29,081	3%
S&C - democratic support	4.9	4.6	0.3	6%	£189,710	£178,327	£11,383	6%
S&C - communications, marketing, media	7.0	6.8	0.2	3%	£251,886	£244,330	£7,557	3%
Corporate programmes and projects	12.5	11.7	0.7	6%	£684,908	£643,813	£41,094	6%
Community/ customer enabling	4.5	4.3	0.1	3%	£195,595	£189,727	£5,868	3%
Triage	47.7	32.4	15.4	32%	£1,295,817	£878,723	£417,094	32%
Mobile / locality working	11.8	9.3	2.4	21%	£427,956	£338,952	£89,004	21%
Service processing (rule based cases and accounts)	46.6	36.0	10.6	23%	£1,453,270	£1,122,239	£331,031	23%
Specialist	35.6	30.6	5.0	14%	£1,508,156	£1,294,024	£214,132	14%
Corporate support - triage	4.3	3.4	0.9	22%	£145,726	£114,243	£31,483	22%
Corporate support - service processing, admin	18.1	13.8	4.3	24%	£598,391	£455,504	£142,887	24%
Corporate support- complex advice/cases	18.9	16.3	2.6	14%	£881,561	£760,517	£121,043	14%
Corporate support- governance/compliance	3.1	3.0	0.1	3%	£153,073	£148,480	£4,592	3%
Service delivery	5.7	5.0	0.7	12%	£250,507	£220,446	£30,061	12%
Facilities management	1.1	0.9	0.1	14%	£25,719	£22,234	£3,485	14%
Asset management	8.0	6.9	1.1	14%	£294,521	£254,613	£39,908	14%
Totals	269.4	218.9	50.4	19%	£10,797,318	£8,937,689	£1,859,629	17%

Summary analysis of activities showing 'as-is' and 'to-be' effort and cost

The current FTEs were mapped from the activity analysis spreadsheets and the finance reconciliation of establishment and actual FTEs. As a result of this proposed transition to the FOM, the number of FTEs is reduced by 50.4 (19%) with a corresponding reduction of £1.86M (17%) of fully loaded salary cost per annum (across all funding sources).

The savings identified in the table above are based on a number of drivers which have been applied to the existing services and their mapping of activities to the FOM areas. By structuring the activities of the council into the Future Model activity areas, we can assess the likely benefit that can be achieved in each area from each driver. These drivers were:

- **Demand management (customer enabling);** reducing or shaping demand to reduce the level of service required from customers
- **Channel shift (self-serve);** enabling customers to do more for themselves and reducing council workload in the process
- **Remodelling (new structures and ways of working);** improving productivity and releasing capacity in the organisation through the reallocation of work, workforce optimisation and better workforce practices. This will be achieved by shifting work and knowledge closer to the customer and embedding rule based ‘knowledge’ into processes and scripts, developing agile working and customer centric attitudes and behaviours.
- **Efficiency (technology and process improvement);** stripping out waste and ‘non-value added’ activity from journeys and processes

b. Priority areas for savings

Key areas for savings are aligned with the proposed implementation plan and are summarised below:

Phase	Description	AsIs FTEs	ToBe FTEs	AsIs FTE Costs	ToBe FTE Costs	Saving (FTE)	Saving (£)
1A	Leadership	36.4	31.0	£2,635,811	£2,238,188	5.4	£397,623
1B	Strategy & Commissioning	21.3	19.7	£784,930	£728,875	1.6	£56,055
1C	Support Services	47.4	39.3	£1,897,280	£1,592,752	8.1	£304,528
1D	Strategic Programmes	11.0	10.1	£591,505	£545,632	0.9	£45,873
2A	Customer & Localities	109.5	84.3	£3,375,602	£2,628,653	25.2	£746,949
2B	Case & Specialist	43.8	34.7	£1,512,190	£1,203,591	9.2	£308,599
		269.4	218.9	£10,797,318	£8,937,689	50.4	£1,859,629

Summary analysis of activities showing 'as-is' and 'to-be' effort and cost

i) Phase 1A: Remodel leadership and management activity (£398k)

To support the implementation of the new ways of working, there is a proposed change to leadership and management structure. This new structure delivers leadership, management and supervision across the council through simplifying the organisational structure and embedding matrix management of functional and operational components.

The proposed scope of Phase 1A comprises any role across the organisation down to tier 4 and will therefore allow activities in phase 2 to largely report to the new leadership team as they are intended in the Future Operating Model. In doing this, key specialist knowledge will also be in scope, allowing Functional and Specialist Leads to be appointed.

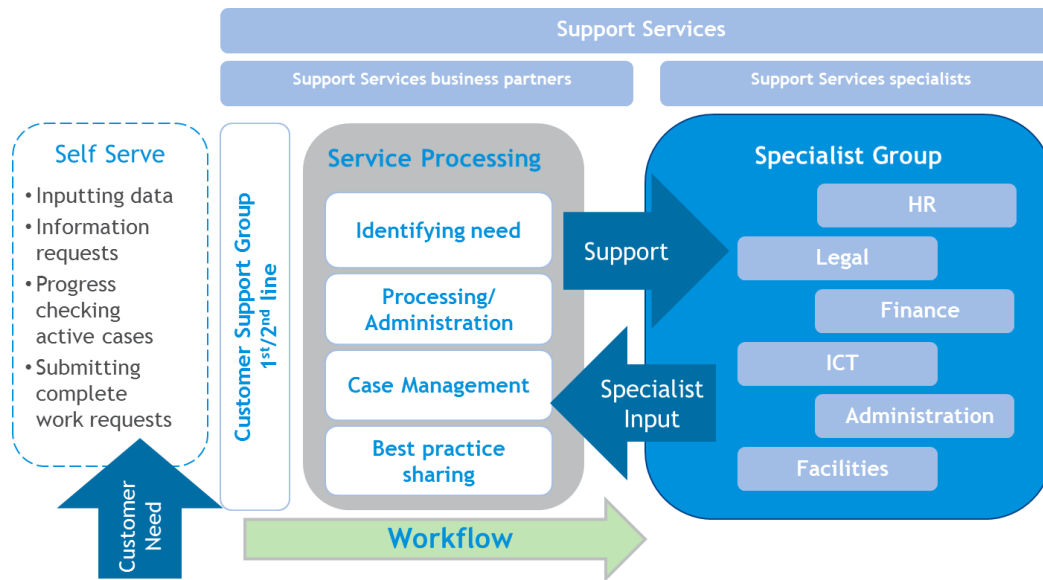
ii) Phase 1B: Co-ordination of strategy & commissioning (£56k)

Strategy & commissioning is currently dispersed throughout the council’s existing structures and while it contains some significant good practice, it is acknowledged that there is some variability and as such, there are opportunities to better co-ordinate and improve.

By centralising a critical mass of this activity, the Council has the opportunity to create a stronger ‘corporate core’. This will operate as the ‘brain’ of the organisation, supporting Members directly to deliver their ambitions for Shepway and providing the evidence-based strategic framework

which can drive all council activity. As part of the first phase of work, the creation of this central ‘hub’ will deliver savings through more effective, consolidated capacity.

iii) Phase 1C: New Operating Model for Support Services (£305k)



New Operating Model for Support Services

The above chart shows the proposed new Operating Model for Support Services; the size of the support services function is large enough to adopt the same approach as in the wider service delivery model.

A number of fundamental changes will need to be implemented in order to successfully deliver this new operating model for Support Services and the full amount of associated savings:

- Elimination and simplification of policies and procedures across the full range of Support Services provided in order to significantly reduce activity in this area where possible
- Capturing significant amounts of information currently held by specialists across Support Services into online portals and self-serve systems, improving information, advice and guidance to enable staff to self-serve easily and effectively
- Expecting managers and staff to self-serve for a large number of simpler support service enquiries and activities that will be embedded into the council’s intranet and automated, giving them enough guidance and support to ensure it becomes genuinely self-serve
- Introducing generalist business partners from Support Services for teams across the council to better direct support activity for these customers

Specific opportunities to reduce the cost of Support Services in a selection of these teams (identified in Illuminate and create sessions) are highlighted in the table below.

Procurement	Improved specifications, improved supplier engagement, greater self-service, 'how to' information advice and guidance
HR, OD & Payroll	Recruitment process - increase automation and self-service significantly; payroll automation and course bookings move to self-service, encourage more self-service around non-complex processes particularly those which are based on information, advice and guidance ('how to?' enquiries for example.
Finance	Manager self-service for budget management and forecasting, automation and simplification of reconciliation processes, budget monitoring, banking, accounts and the management of assets.
Legal Services	Online information, advice and guidance, simplification of key routine processes to minimise the expert input required
Corporate Contracts	Supplier set-up, purchase order and receipting processes automation to increase self-service
Others	Simplify and potentially automate elements of the FOI and complaints management process, reporting timelines and sign off/commenting processes and the booking of training and conferences

[Example opportunities for saving across Support Services](#)

iv) Phase 1D: Co-ordination of strategic & core programmes (£46k)

Strategic and core programmes are currently dispersed throughout the council's operation and normally sit within the most appropriate service area. By bringing these together in one place and drawing in the specialist expertise there is an opportunity for the council to benefit from some economies of scale and deliver benefits by creating greater project and programme management experience and skill, creating a centre of excellence for delivery. The proposed high-level structure would require that the programmes and projects would be delivered by this centre of excellence, drawing on resources from other parts of the organisation as required. The nature and direction of the projects and programmes would be determined through the strategy and commissioning function.

v) Phase 2A: Technology enabled customer service and locality working (£747k)

This significant saving is a core outcome of implementing the future operating model and many of the functional requirements that are specified for the integrated technology solution enable this saving. It is delivered by:

- Centralising a single customer service team for the vast majority of activity - effectively creating a single 'front door' into the council for all customers
- Providing access to a single integrated customer record
- Implementing better scripts to enable more activity to be "one and done"
- Better integrated advice, workflow and data to drive customer service efficiency and effectiveness in leaner processes

Those teams with notable customer service activity that may be able to be scripted and centralised are shown in the table below:

Team	Customer Services FTE (To Be)
Corporate Debt	0.6
Business Support	2.9
Democratic Services	0.3
Electoral Services	0.2
Corporate Contracts	0.1
Customer Services	21.8
Environmental Health	0.5
Environmental Protection	0.3
Revs & Bens	2.1
Waste Contract	0.2
Transportation	0.1
Economic Development	0.1
Land & Property	0.3
Building Control	0.4
Development Management	0.5
Planning Policy	0.3
Housing Strategy	0.2
Housing Options	1.4
Community Services	0.2
Total	32.4

Teams with Customer Services activity that could be centralised

vi) Phase 2B: Technology enabled, centralised case management & service redesign across specialists (£309k)

As with the centralised customer services, this significant saving is a core outcome of implementing the future operating model. It is delivered by:

- Centralising a case management for all activity
- Redesigning processes to deliver majority of cases in a rules-based approach
- Implementing a standardised workflow system across all rules-based processes
- More integrated advice, workflow and data to drive customer service efficiency and effectiveness through leaner processes
- Better utilisation of specialists to manage challenging cases and sign off case work
- Developing professionals with the skillset to deliver high volume throughput of case management activity
- More effective operational management to drive the performance of the case management team

Those teams with notable case management/rules based activity that may be able to be scripted and centralised are shown in the table below:

Team	Case Management FTE (To Be)
Corporate Debt	3.7
Business Support	13.0
Democratic Services	0.4
Corporate Contracts	0.5
Environmental Health	2.2
Environmental Protection	1.0
Revs & Bens	6.3
Waste Contract	0.6
Transportation	0.2
Building Control	0.2
Development Management	4.5
Housing Strategy	0.7
Housing Options	2.5
Community Services	0.1
Total	36.0

Teams with Case Management activity that could be centralised

Components of the new ways of working that will contribute to driving savings across the ‘specialist’ population of Shepway District Council include:

- Separating out the operational (including utilisation) and functional (including professional governance) leadership and management activities
- Providing clearer more co-ordinated strategy, direction and priorities to better harness the efforts of the specialists in the council
- Breaking down the current silos in specialist teams, forming communities of practice to encourage multi-disciplined teams to come together to address the priorities of the council
- Redesigning processes to further reduce the burden on the specialist and focus on eliminating, simplifying, standardising and automating activity
- Joining up and clustering processes to enable significant efficiency to be realised

Several specific benefits from new technology will also be realised including:

- Simpler access to data needed to perform jobs
- More intuitive workflows and systems
- Better integrated technology providing a ‘joined up’ experience
- Better access to systems including through mobile devices where appropriate
- Using the right systems for the right job
- Removing duplication between teams and with delivery partners
- Enabling the right governance and checking environment and ‘right sizing’ compliance type activities

Specific opportunities to reduce the cost of specialist services in a selection of teams (identified by the participants in the illuminate workshops) are shown in the table below. These are examples, not exhaustive, of the areas of work and processes that the detailed design work in implementation would redesign.

Team	Example opportunities
Licensing and environmental protection	Improving the levels of self-service through better information, advice and guidance, shifting some checks and enforcement activity to the locality and mobile teams; freeing up specialists to be focused on the highly complex cases, linking to strategy and commissioning teams and/or community and customer enabling to support behaviour change programmes.
Development Management	Locality and mobile teams picking up placing the planning notices; customer self-service to upload scanned documents; potential automatic (swifter) decision making where possible.
Housing Options	Linking to the community/customer enabling teams to seek preventative action and to work differently with people at risk of homelessness; enabling self-service to be maximised through all aspects (eg offer of property - could all be online) enabling specialists to focus on the truly complex cases which are likely to be creating additional cost for Shepway and other parts of the public sector
Building Control	Increase self-service through additional easy to use tools for the customer, including automatic fee calculator, payment and progress chaser; enabling the specialists to focus on potential income generation and/or the more complex cases
Corporate Debt	Take a joined up, coordinated approach to individual debtors, providing less guidance while being more robust about the shift in behaviour, enabling specialists to focus on the highly complex cases while supporting strategy and commissioning to design preventative campaigns

Example opportunities for saving across specialist activity

Those teams with the highest concentration of specialists in them are shown in the table below with an estimate of the number of specialist FTEs associated with the team's activities in the new model:

Team	Specialist FTE (To Be)
Corporate Debt	2.8
Business Support	0.2
Environmental Health	2.8
Environmental Protection	2.0
Revs & Bens	7.2
Waste Contract	0.6
Transportation	0.7
Economic Development	0.7
Building Control	2.6
Development Management	4.7
Planning Policy	0.3
Housing Strategy	2.8
Housing Options	2.8
Community Services	0.6
Total	30.6

Teams with the highest concentration of specialist activity

c. Phasing of the benefits

Realisation of the benefits has been mapped against the high-level implementation plan to show estimated in year and annualised savings. This phasing approach provides an indication of when benefit is likely to drop based on headcount release. This assumes benefit is not released until the end of the relevant phase, whereas in reality some may be delivered earlier on in the phase.

The high-level implementation plan groups the transformation into three phases which informs the timing of the benefit release:

Phase	Description
1A	Leadership & Management
1B	Strategy & Commissioning
1C	Support Services
1D	Strategic and Core Programmes
2A	Customer Services and Locality Working
2B	Case Management and Specialist Services
3	Commercial and Delivery Units

It is recommended that this order is followed with leadership, management and strategy moving quickly to enable the rest of the programme's implementation at a quicker pace and with more engagement.

- By having leadership and management in place early on in the transformation, they are able to inform key decision regarding their teams during the detailed design
- The transition of leadership and management and strategy is less dependent on the full implementation of technology relative to other areas of the model
- The benefits to be released by transitioning these two areas of the model are significant, which will assist in the immediate budget pressures facing Shepway

The annualised benefit from transforming the areas in phase 1A and 1B is £454k.

The rationale for additionally including support services in the first phase is similar.

- A significant proportion of the annualised benefit of £305k can be realised in 2018/19, helping with the budget pressures.
- These areas are 'back office' to a certain extent so should be a useful test bed for transition which should not impact significantly on the external customer

Overall, we anticipate that the three main components of phase one will deliver an in-year saving of £201k in 2018/19 and an annualised saving of £804k during the year 2019/20.

The following table demonstrates the potential benefits and the timing of them being realised for the full programme.

Benefit Phasing		2017		2018												2019												2020						
Phase	Activity	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Mobilisation	Blueprint published				■	■																												
Mobilisation	Leadership team recruitment				■	■	■																											
Mobilisation	Programme set up				■	■	■	■	■																									
Mobilisation	Technology baseline procurement/implementation				■	■	■	■	■	■	■	■	■	■	■	■																		
Phase 1A	Leadership & management				■	■	■	■	■	■	■	■	■	■	■	■																		
Phase 1B	Strategy & commissioning				■	■	■	■	■	■	■	■	■	■	■	■																		
Phase 1C	Support services				■	■	■	■	■	■	■	■	■	■	■	■																		
Phase 1D	Strategic & core programmes				■	■	■	■	■	■	■	■	■	■	■	■																		
Phase 2A	Customer services & locality working																■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Phase 2B	Case management & specialist services																■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Phase 3	Delivery units & commercial teams																																	
Phase 4	Data cleansing & migration																																	

Phase	Activity	FY 17/18		FY 18/19				FY 19/20				FY 20/21				
In year savings		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Phase 1A	Leadership & management					£397,623										
Phase 1B	Strategy & commissioning					£56,055										
Phase 1C	Support services					£304,528										
Phase 1D	Strategic & core programmes					£45,873										
Phase 2A	Customer services & locality working							£746,949								
Phase 2B	Case management & specialist services								£308,599							
Phase 3	Delivery units & commercial teams															
						In year saving 18/19	£201,020			In year saving 18/19	£1,518,592				In year saving 18/19	£1,859,629
						Cumulative annualised saving	£804,080			Cumulative annualised saving	£1,859,629				Cumulative annualised saving	£1,859,629

Proposed implementation and benefits phasing

d. Implementation Investment

In order to deliver these savings, Shepway Council will have to invest in the transformation. The costs are broadly in two areas: technology and implementation delivery.

Technology Investment

The primary technology investment required to implement the FOM is in the integrated, customer focused technology solution that will underpin and enable new ways of working. Appendix 1 describes the work underway as part of this Blueprint by the council team in order to define the design and cost of the new Information and Technology Solution for the council.

Our work to date in respect of the technology in use and potential areas for focus has suggested that the likely priority areas for investment. The technology cost estimates below are based on our experience of procurements carried out by other councils implementing the model. It will be necessary to undertake market testing followed by a procurement exercise to confirm these costs. It should be noted that the costs below are all implementation (i.e. capital) costs and there will be annual support, maintenance and possibly hosting costs as well (i.e. revenue costs). It is also worth highlighting that the council's ICT strategy, adopted in December 2017, establishes a 'Cloud First' approach, meaning that systems which can be hosted in the cloud will be favoured over traditional on-premise solutions. This could result in lower initial software purchase costs than estimated below but higher annual costs.

Future Model Component	Recommendation	Cost Estimate
A. Website	Retain content management system and improve/redesign website to optimise takeup of digital services, which will largely be provided through B. Customer Portal	£25,000
B. Customer Portal/Forms	Replace multiple systems with one corporate solution	£50,000
C. Telephony	Replace telephony system with new solution plus contact centre management	£100,000
D. Customer Contact Management	Replace Northgate CRM with new solution, integrated with telephony system	£75,000

E/F. Scanning and Document Management	New corporate solution, either part of or integrated with D and G	£100,000
G. Workflow/Case Management	New corporate solution, either part of or integrated with D, E and F	£50,000
H. GIS	Retain ESRI, potentially some additional modules/integrations required	£25,000
I. Back Office	Retain existing systems but integrate better and invest in self-serve for HR/Financials	£100,000
J. Mobile	New corporate solution	£30,000
K. Diary management/bookings	New corporate solution	£20,000
L. Payments	Retain Capita ePay (possible need for new modules/upgrade)	£25,000
Subtotal		£600,000
Supplier Implementation Costs	These typically vary between 100% and 150% of the cost of the software	£900,000
Infrastructure Costs	Currently unknown but potential costs for additional bandwidth/backup circuit for cloud based systems, enhanced security for mobile systems and Sopra Steria services	£250,000
ICT systems, supplier and infrastructure	Suggested contingency	£250,000
Total		£2,000,000

Breakdown of the estimated IT costs

The recommendations above reflect priorities agreed during the discussions and workshops with the council. It should be noted that there is also a strong desire to look at new back office systems and review the website content management system. However, consideration has been given to the council's budget and capability to deliver additional technology change in the timeframe and it has been agreed that the priorities are the telephony, customer contact management, workflow and portal/forms solutions.

Implementation delivery

To deliver this scale of change, there is a need for a range of internal and external expertise to support the successful implementation of this new operating model and technology solution. An initial assessment is described in the table below.

The investment figures are subject to review by the Council and may change.

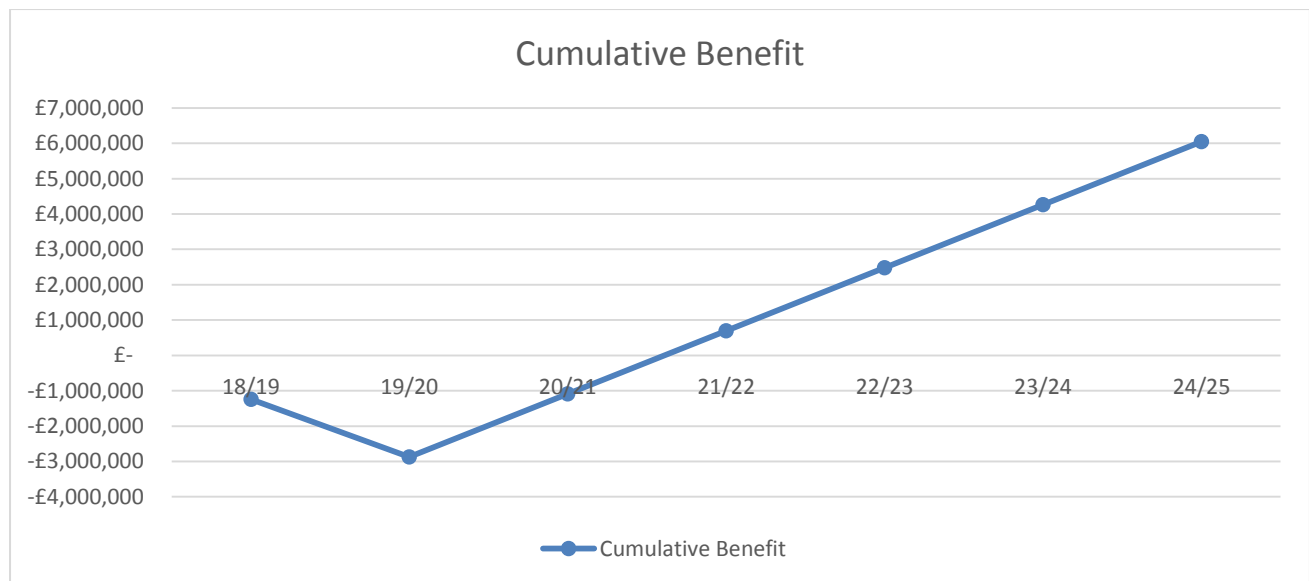
Title	Investment	Description
Shepway District Council resource	£1.25M	<ul style="list-style-type: none"> Business and technology analysts to map processes and develop scripts Functional experts from across the council to specify services policy and ensure that these policies are embedded in the new ways of working HR, change and communications support to ensure the change processes are implemented and the workforce is supported through the change Technology team to support the transition to and integration of the new systems - the shape of which is yet to be confirmed Use of temporary staff to support Business as Usual during phasing <i>N.B. this net investment assumes additional capacity is freed up from the internal workforce in order to support the delivery of this transformation programme</i>
Ignite Change	£0.55M	<ul style="list-style-type: none"> Design oversight to ensure that the aspirations and principles of the Blueprint

and Implementation expertise		<p>are achieved</p> <ul style="list-style-type: none"> • Change management expertise to bring best practice approach to implementing such a complex multi-faceted change programme • Expertise to train, develop and support the wider team in technology implementation • Leadership of the process design, build and test sprint cycles • Business analysis expertise and experience working with other Councils to implement similar transitions
Functional support	£0.35M	<ul style="list-style-type: none"> • Additional HR support including recruitment and selection support to perform internal and external selection • Additional IT capacity to support the implementation and change to systems • Additional leadership and development support
Training	£0.15M	<ul style="list-style-type: none"> • Training and development to transition to new ways of working and to support the adoption of new technology
Technology	£2.0m	<ul style="list-style-type: none"> • To develop and implement appropriate systems
Redundancy Costs	£2.3m	<ul style="list-style-type: none"> • Costs associated with transitioning from the current position of 269 FTE to 219 FTE (to be updated with the pension strain information when available)
Total	£6.6m	

Implementation costs

e. Benefit realisation

The work that has been undertaken has demonstrated that there is opportunity for significant benefits to be delivered should the operating model be delivered in full. To enable this delivery, Shepway Council will need to invest in both the implementation and technology. The return on this investment is shown in the table below; however, the technology costs are yet to be confirmed and will be in addition to the costs presented here.

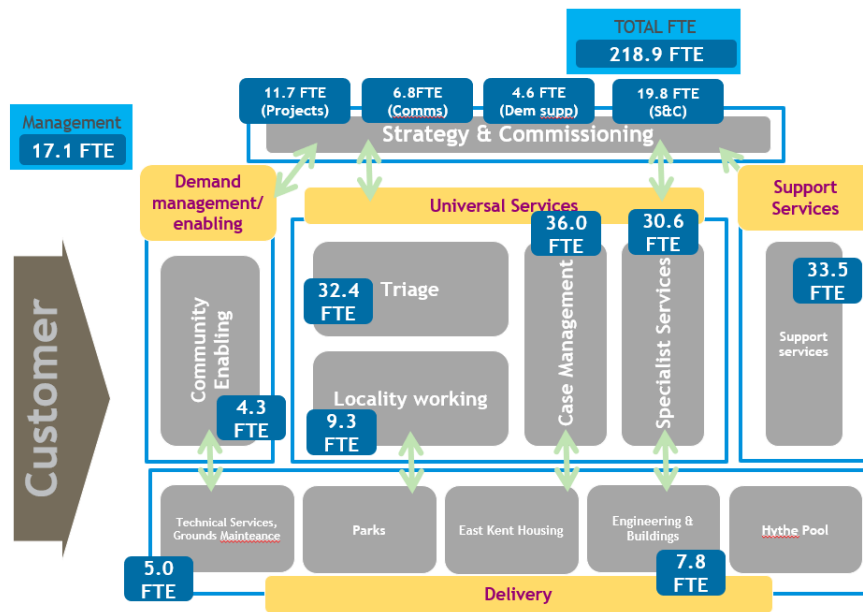


Cumulative saving against the technology and implementation investment costs

5. Organisational Framework

1. Populating the Future Operating Model

The *indicative* FTE requirement for each of the FOM areas is based on the combined requirements of all services and functions. These numbers come directly from the activity analysis undertaken by service teams and are mapped indicatively across to the FOM below:



FOM with estimated FTE of activity

The FOM populated with FTEs now provides the baseline for the development of the organisational model or design. As stated earlier the organisational model provides an internal framework for how the council organises itself to deliver the operating model. There are a number of design considerations, including design principles, how management and supervision is incorporated (i.e. how we embed functional and operational responsibility and accountability), and how we enable further locality based work. These design considerations are included in Appendix 2.

2. Organisational design

As described above, the organisational model is the practical implementation of the operating model to meet the needs of customers and adhere to the design principles. In conjunction with the business case, the assumptions made against each of the considerations above create the rationale for each element of the design including sizing and work type, as well as giving initial indications of spans of control and management.

The requirement for senior management roles can be derived from the overall organisational design and will need to be further developed in detailed design.

The activity analysis by service areas identified the number of FTEs doing management type work. (Note - this does not equate to roles as many roles have multiple responsibilities). At this stage of the design the management roles identified within the FOM have been distributed across the key areas of the model. These will need to be further refined in detailed design.

Potential components of the proposed management structure

Management roles	Description
Executive Director	Executive Director positions providing directorate leadership as well as external relationship role functional leadership (including head of paid service, regulatory compliance and statutory accountabilities). These Directors would make up the Senior Leadership of the council.
Assistant Directors	Providing the strategic, operational and functional management of a delivery area of the council
Manager	Operational management roles where the functional leadership has been explicitly removed under a lead specialist
Lead (specialist)	These roles primarily provide functional/technical leadership for the council in particular areas
Team leader	A supervisor role, managing teams of 8-12 officers

The above proposed structure will be subject to the detailed design process and may see management roles being added or deleted, depending on the Council's business needs and financial demands.

The proposed directorates and underlying functions suggested below are again subject to being considered as part of the detailed design process. Therefore, they are subject to change and must not be treated as final.

Strategy

Strategy:

To be the 'single brain' of the organisation responding to political will and ambition, and ensuring this is turned in to evidence based strategy, and planned services, actions and projects, to ensure political ambitions are delivered effectively and efficiently "on the ground".

Strategy & Insight: To set the corporate strategy and priorities, ensuring these are based on evidence (what the district needs and what residents want). Ensuring services, programmes, projects and employees are working towards a common set of outcomes as specified in the Corporate Plan. Building a sound evidence base of data, analysis and interpretation to support the wider work of the council.

Communications, Engagement & Marketing: To keep internal and external customers informed about Council priorities, services and campaigns, lead the engagement of our customers, provide a corporate marketing function to the council including customer data and trends and promotion of commercial and income generating services, and place based marketing to support inward investment and economic ambitions.

Performance & Governance: To provide member support and working to ensure that the council's governance and democratic processes are efficient, work effectively and support the ambitions of the council. Set the Constitution and governance of the council, ensuring that the council is efficient, transparent and accountable to local people.

Customer & Support Services

Customer Contact:

To deliver efficient, professional and commercially-minded services to the council's customers that are aligned to the council's ambitions, managing performance to meet the desired outcomes.

Customer Services: To resolve a significant proportion of customer queries at the first point of contact, providing accurate advice and guidance; and to proactively seek to provide additional services to customers where appropriate, in support of the council's ambitions.

Case Management: To ensure the council provides integrated services to customers focussed on their needs by acting as a single point of contact to the customer throughout the complete customer journey, and by managing and resolving the vast majority of cases.

Specialist Services: To input in to the design and specification of the Corporate Strategy and associated policies and plans. To ensure professional service delivery in their area of expertise across all parts of the organisation. To resolve complex cases and deliver relevant Council programmes.

Locality Services and Community/Customer enabling: To act as ambassadors for the Council in the community, dealing with customer and business issues, resolving these on initial contact as far as possible or referring to other teams. They work collaboratively with others to improve customer service, develop and maintain deep understanding of an assigned geographic area. They can also gather and record information, place orders, complete applications, undertake site visits/inspections and carry out investigations and enforcement. By helping people help themselves, this team is enabling efficiencies in the rest of the model.

Support Services:

To provide business like and efficient support and advice to teams across the council, in order to support them in delivering the council's ambitions.

Business partnering and Case Management: To act as the first point of contact to internal customers providing a business partnering service across the entire scope of Support Services, managing and resolving the vast majority of cases.

Lead Specialists: To input to Corporate Strategy, specifying the council's policies and accountable for ensuring professional service delivery in their area of expertise across all parts of the organisation. Resolve complex cases and deliver relevant Council programmes.

Some assumptions have been made in terms of designing the Support Services element:

- Organisationally the intention is to match universal customer contact as closely as possible. This will build-in efficiencies for internal customers in the same way as the model does for external customers, which will additionally help embed the same values and behaviours across the whole organisation.
- Once created, this team will perform a thorough review of all administration activity in the Council to build on the business support review, to simplify, standardise and automate where appropriate.

The relationship between locality and mobile team and the customer and community enabling function is vital. They will need to work closely, together with others from within the Strategy function (intelligence/insight, strategic planning) to develop and implement strategies to:

- Reduce demand for services by preventing problems occurring in the first place eg encouraging community mediation, providing better guidance to enable right first-time applications
- Generate and support cultural change across the Council's customer groups and communities so as to help people help themselves where possible, using and applying behaviour insights and behaviour change techniques to shape demand
- Align campaigns, events and programmes of preventative work to make maximum impact

- Encourage and enable customers to use new self-service options - developing programmes to shift access channel use, tracks this shift and to understand what really works to secure the more efficient working practices.

Commercial Services

Commercial Services:

To drive commercial thinking in practice and delivery throughout the council's services, taking lead responsibility for the successful delivery of core and strategic programmes of work as specified by Strategy. Responsible too for the standalone delivery units that deliver core Council services.

Commercial : To build the council's capability and capacity to drive more commercial practice, exploiting the asset base the authority holds to drive up income generation and successfully trade where it is appropriate to do so, as directed by the Strategy function to deliver the core priorities of the Council.

Strategic and Core Programmes: To ensure the council delivers its core and strategic programmes of work successfully as determined by the Strategy function, drawing on specialists from within other parts of the operating model to secure the appropriate levels of subject matter expertise.

Delivery Units: each delivery unit will have a commissioning and performance management relationship with Strategy function, and will be supported through support services. As standalone delivery units, each delivery area will be able to develop opportunities for revenue generation built on a solid business case to create increased self-sufficiency. Delivery units will be required to ensure that commercial and customer focus is embedded in their strategy, optimising revenue and grant opportunities aligned to the Corporate Plan.

Organisational design considerations

The following areas of design are highlighted for consideration in the programme set up phase to inform the detail of the organisational design.

Key design area 1 - Specialist Services

As described in Appendix 3 the FOM is primarily based on the Operational Efficiency value driver. As a service based organisation, the council is also balancing the need to be customer focused against the traditional approach of being organised by service/profession, i.e. product led. How to best structure the teams of specialists will be developed during the detailed design phase in response to the evolving strategic priorities of the council, whilst embedding the matrix management approach adopted throughout the rest of the organisational design. Where this model has been used elsewhere, the arrangements within specialist services have been driven by the concept of 'themes not teams' and are organised around a variation of customer types, corporate outcomes and functional leadership.

Key design area 2 - Local Delivery

Locality and mobile working are a key component of the operating model that is popular with local people and supports a vital link into communities for the Council. It provides a very positive opportunity to build and maintain a strong reputation in all parts of the District and enables local members to feel that they have a clear route into the organisation and support to get things done in their locality. It could be an element of change which is brought forward in the implementation phasing, subject to the technology being available and understanding the implications for other parts of the change phasing.

The opportunity to consolidate and change practice is considerable - but there are some key issues which the detailed design will need to fully understand and addressed. In the create workshops, participants considered these and started to develop a set of 'criteria' to help determine how the teams will work on the ground. These considerations included factors such as:

- How the relationship between the community enabling initiatives that will be 'spotted' on the ground by mobile teams and those that will be delivered as a consequence of interpretation of the data within Strategy teams will work
- Whether or not the community and customer enabling function should be completely integrated into the locality and mobile teams
- How the insight and intelligence gathered 'on the ground' by the mobile teams is shared efficiently with the Strategy team to inform broader service delivery, strategic partnerships and performance management
- Whether or not the model is fully exploiting the opportunity presented and if everything that can be in scope is - some aspect of waste contract delivery, building control and grounds maintenance could be key to building a highly effective team of people working out in the community.

Key design area 3 - Commercial Services

While we have identified a potential structure and approach to this component of the model, it is clear that there are a range of existing programmes and partnership arrangements currently underway which have not yet been explored in full against the new operating model. The key decision is how the council can ensure best, most efficient practice while it also ensures high quality successful programme delivery, enhanced commercial practice and more effective strategic partnerships in the future. Relevant streams of activity include:

- Oportunitas
- LATC
- CLLD
- Temporary Accommodation project
- Development projects
- 'Core' and 'strategic' project delivery
- HRA delivery

The appropriate operating model for delivery of Commercial services, and their relationship with the other parts of the operating model will be explored during the detailed design work of implementation and will consider in detail the outputs from all of these activities. The detailed design will be affected by the nature and longevity of existing programmes of work, relevant commercial opportunities, risk appetite and strategic importance of any given activity, as well as providing the incoming Director the opportunity to participate in the detailed design.

Job Families

Appendix 4 includes a summary of proposed job families that could underpin the delivery of the Future Model. These job families form the basis of all job descriptions and role specifications used in detailed design - ensuring commonality of activity types across the FOM.

6. Implementation Plan

a. Proposed structure of the implementation plan

Key considerations from the Future Operating Model, organisational design and technology specification have been used to build the implementation plan. These considerations drive the proposed high-level phasing of implementation as shown in the summary plan below:

Benefit Phasing		2017												2018												2019												2020					
Phase	Activity	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun									
Mobilisation	Blueprint published				■	■																																					
Mobilisation	Leadership team recruitment				■	■	■																																				
Mobilisation	Programme set up				■	■	■	■	■	■	■	■	■	■	■	■																											
Mobilisation	Technology baseline procurement/implementation				■	■	■	■	■	■	■	■	■	■	■	■																											
Phase 1A	Leadership & management				■	■	■	■	■	■	■	■	■	■	■	■																											
Phase 1B	Strategy & commissioning				■	■	■	■	■	■	■	■	■	■	■	■																											
Phase 1C	Support services				■	■	■	■	■	■	■	■	■	■	■	■																											
Phase 1D	Strategic & core programmes				■	■	■	■	■	■	■	■	■	■	■	■																											
Phase 2A	Customer services & locality working																																										
Phase 2B	Case management & specialist services																																										
Phase 3	Delivery units & commercial teams																																										
Phase 4	Data cleansing & migration																																										

Draft high-level implementation plan

The implementation plan has been designed to run major phases in parallel. This approach is intended to drive standardisation across components within the phases with a common set of deliverables. Phasing in this way will also ensure a smooth transition to ways of working in customer service, case management and locality working.

Phases 1A, 1B and 1C will focus on preparing the council for the wider transformation, while 1D is designed to better understand the nature of strategic and core programmes and their relationships with other parts of the operating model. This is followed by phases 2A and 2B which focus on transforming end-end customer-facing services, and finally phase 3, which will focus on those areas which are currently autonomous delivery units, or contained within outsourced contracts.

The ordering of the phases in this way provides a number of benefits:

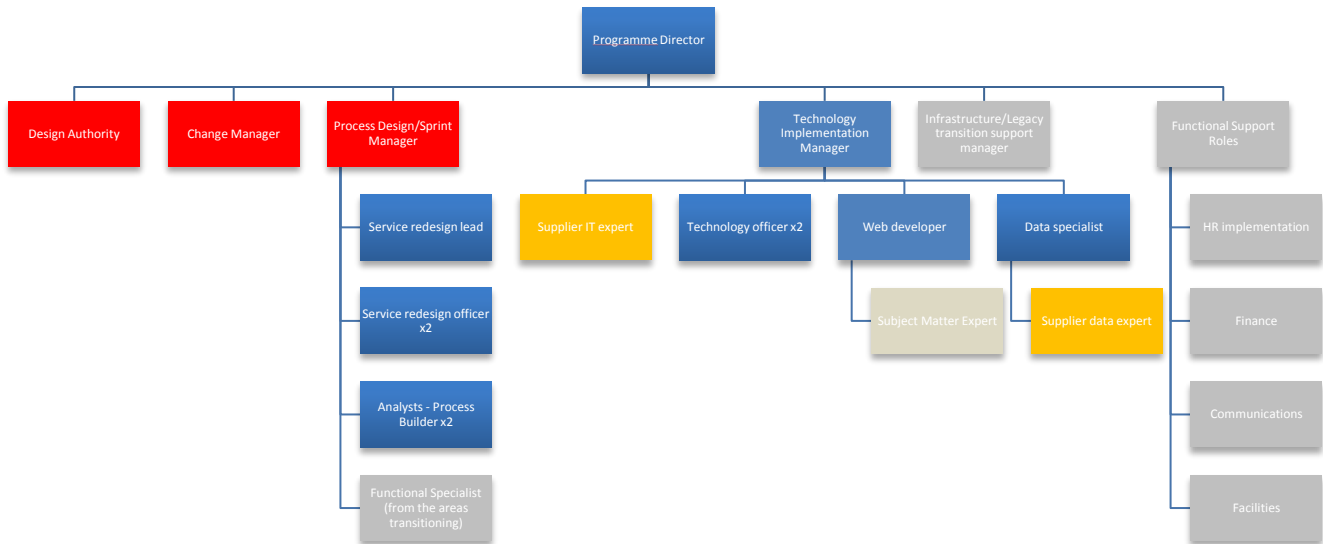
- Reduces reputational risks by transforming services that interact with the internal customer first, learning lessons for these phases before moving onto areas of the council that impact directly on the customer
- Early appointment of senior management roles will provide a team that can drive the change throughout the organisation and act as change champions for the programme
- Transformed Strategy and Support Service functions will be better equipped to support the remainder of the organisation as it moves through its own transformation
- Delivers key technology components and allows concepts to be thoroughly proven before they are deployed across the wider organisation
- Builds the structures around customer interaction that will support the later phases of the programme in delivering the on-the-ground presence and customer enabling functions required to drive efficiencies and channel shift

b. The implementation team

Significant additional resource for implementation has been built into the business case. An initial assessment of what is needed is described below, however, the internal team is likely to be

drawn from a mixture of existing staff that have been seconded, but the council should expect to have to recruit externally for some or most roles to obtain skills it may not currently have in-house.

- Internal programme team to include:
 - Programme management
 - Technology team to support the transition to and integration of the new systems
 - Business and technology analysts to map processes and develop scripts
 - Functional experts from across the council to specify service policy and ensure that these policies are appropriately embedded in the new way of operating
- External organisational design, change and transition support to include:
 - Design oversight to ensure the aspirations and principles of the Blueprint are achieved
 - Change management expertise to bring best practice approach to implementing such a complex, multi-faceted change programme
 - Expertise to train, develop and support the wider team in technology, process and new ways of operating
 - Business analysis expertise and experience working with other Councils to implement similar transitions



Proposed Implementation Team structure

Based on previous experience, the chart above shows a proposed programme organisation diagram that shows the specific roles and teams required to successfully implement the Future Operating Model at Shepway District Council. This will obviously depend on the technology partner(s) appointed as well as the level of internal capacity within the Council, so numbers and focus of roles may change.

c. Core implementation activities

The implementation is phased to last over a period of 24 months. Following the establishment of the implementation team and initial programme set up (detailed in Appendix 3), there will follow a series of phases where the Council will move through a defined and common set of activities to enable the detailed design and implementation for different elements of the operating model.

A summary of an example phase plan is shown below, as well as further detail of the key activities within a phase:

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Phase 1 - Example Plan											
Agree Stage			■								
Detailed Design			■								
Consultation			■	■							
Recruitment - Staff					■	■					
Transition Planning			■	■	■						
Transition Management				■	■	■	■	■	■	■	
Detailed process and User journeys			■	■	■	■	■				
Process re-design (pre-sprint)				■	■	■	■	■			
Technology implementation (build/test sprints)					■	■	■	■	■		
Training - identify requirements & providers					■	■					
Training delivery						■	■	■	■		
Accommodation implementation									■	■	
Phase Sign-off											■

Example phase plan

The detailed design activity involves key stakeholders in the planning of the phase and achieve agreement on key deliverables that are taken to the programme management board for approval before the phase commences. A summary of the typical deliverables is shown below:

Components of Detailed Design			
User requirement definition for phase (what does the outcome of the phase look like?)	Detailed Organisational design	Iterate overall blueprint picture	Key design considerations
First pass at transition planning	Prioritise and cluster processes	Detailed IT Components and deliverables	Sprint plan for phase
Detailed plan for phase	Detailed risk and opportunity log for phase	Detailed budget for phase	Recommendations

Components of Detailed Design

Other implementation considerations are:

- Process and design. Detailed design needs to focus on synergies from across the council in particular:
 - The activity analysis and process mapping undertaken during the Blueprint phase by each service now needs to be refined to ensure the processes are mapped to the FOM rather than 'as-is'
 - Using the detailed process mapping to agree responsibilities and accountabilities
 - Ensuing a common data set
- People and change
 - Developing the organisational designs within the FOM alongside the role specifications to establish and refine person specifications/management levels etc.
 - Embedding the behaviour required to drive the new ways of working
 - Developing the performance management approach to support the embedding of these behaviours
 - Building on the engagement developed in the Blueprint phase to include the wider workforce, creating communication and consultation approaches, obtaining trades union engagement and agreement
 - Creating the management of change framework to support the implementation
- Customer
 - Creating a compelling message for communities and customers to understand and respond to the changes
 - Starting to build resilience and reduce demand
- Accommodation
 - Mapping the organisational design to local requirements and building capability to support mobile and flexible working

Appendix 1 - Technology Solution summary

During the Blueprint process, Officers at Shepway have been developing the new strategic approach for IT for the Council. This work has reached a recent conclusion, allowing us to focus on the business systems that the council currently uses.

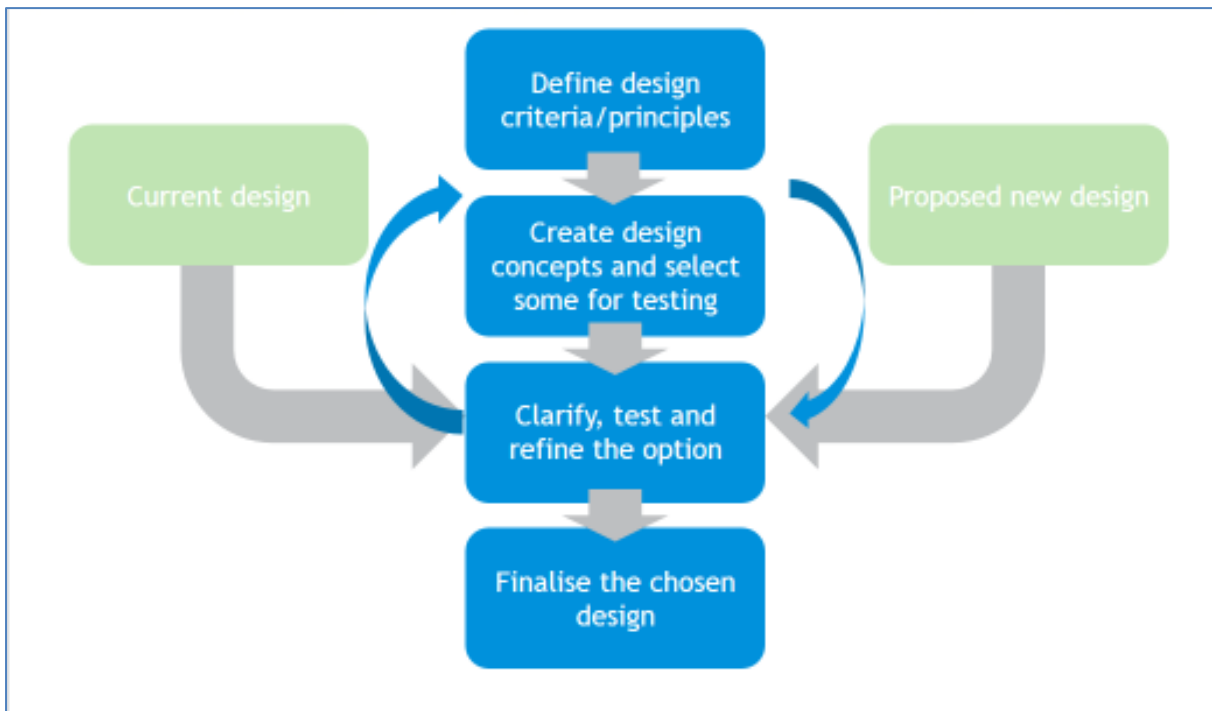
A four-stage technology assessment has been started [Note: at this stage, only stages one and two are complete, this section will be updated once stages three and four are complete] to ascertain the current state of SDC ICT systems, the scope of technology change required to enable the FOM, the potential suppliers and procurement routes and the estimate costs. Final costs will not be known until after the business case has been approved and procurement has been completed.

The four stages are:

- Stage One: How technology enables the model
- Stage Two: Assessment of current systems, infrastructure and capacity, considering what it is that you have against the key components set out below.
- Stage Three: Strategy, resources and constraints
- Stage Four: Agree priorities, market engagement and cost estimates

Appendix 2 - Design Concepts

The following section sets out how the organisational model is developed and explains the key concepts in developing that model. Creating the organisational model is a process of refinement:



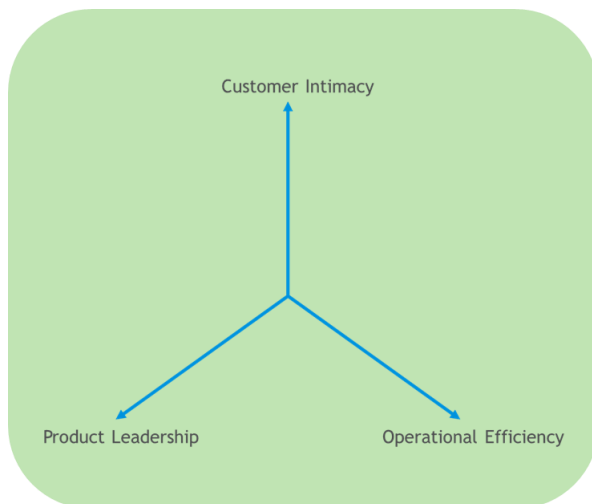
Design Concepts

- **Organisational Principles.** As with the FOM we used a number of principles to articulate how the organisation needed to be designed and delivered:
 - Roles will be as generalist as possible - people are prepared to be, and trained to be able to cover as wide a range of knowledge as possible
 - The right people in the right roles - no compromises or hidden agendas in appointing people with the right skills and behaviours to roles in the new way of working
 - Limit roles specifications to as few as possible, i.e. roles as broad as possible - not 'planner' but specialist
 - Role descriptions and performance management processes should encourage self-management
 - The workforce is flexible to meet changing levels of demand - adaptable to short term needs
 - Customer response is as close as possible to the customer, i.e. their need is met as early as possible in the process
 - The specialist role retains responsibility for:

- Knowledge sharing - ensuring all staff know enough for their role with an embedded process for knowledge sharing
 - The quality and outcomes of the end to end customer journeys/processes across all the universal customer contact teams
- People management and technical/specialist supervision are explicitly separated
- Process improvement is a continuous process and needs to be adequately resourced to ensure customer focus, demand shift and demand management
- **Management/Supervision.** In order to develop the management and leadership structure within the organisational design there needs to be recognition of the different elements of management to be addressed. These are:
 - Generic/pastoral - Pastoral management, performance management, development, career, discipline
 - Technical development - mentoring, quality assurance
 - Resource allocation - scheduling, capacity, priorities, workflow
 - Business performance management - Leadership, overall direction and delivery of objectives and outcomes, FOM development
 - Personal and peer management - Empowerment (to self-manage), time management, priorities, workload, development

The organisational management structure needs to reflect the difference between people management and technical supervision, e.g. a senior specialist (with expertise in licensing) might manage a group of specialists who focus mainly on business customers, but some of these specialists (e.g. planners) might get their technical supervision from elsewhere. Where possible line management roles will incorporate generic/pastoral, resource allocation and business performance, whilst leading on the area of personal and peer management. The organisational design will also provide for functional/technical and professional leadership providing the lead on specialist activity as well as mentoring and quality assurance across the universal customer contact and support services as appropriate. This functional role will also include responsibility for the end to end processes and continuous improvement, particularly in terms of ensuring personnel closer to the customer have the required knowledge and process capability to deliver the customer needs. It will work closely with the line management role to support personal and peer management.

- **Embedding Functional Responsibility.** Complex service provision and advice will be provided by the specialist group, as well as the end to end process responsibility across the universal customer contact and support services. Whilst this line of responsibility isn't explicit within the FOM, the capability needs to be designed into the model.
- A key component of organisation design is how the organisation derives value - the value drivers:



Source: *The Discipline of Market Leaders*, M Treacy, F Wiersama

Customer Intimacy (CI) reflects organisations that focus absolutely on what their customers want (e.g. Amazon) so a customer will come because they get what they need.

Operationally efficient (OE) organisations produce a product or service at the cheapest cost so customers will buy purely because its cheap (e.g. Easyjet).

Product leaders (PL) can charge what they want because their product is in so much demand (e.g. Apple). Although derived on product based organisations, there are

implications for service based organisations as well. Decisions will be based on what is the relationships with the customer, and their expectations of service.

The FOM is primarily focused on the OE discipline, but understanding the potential implications of the other axis will inform suitable options for the organisational design, in particular how to integrate front to back roles across a service based operating model. There will be tension between the three disciplines - for this to be positive it needs to be open and explicit.

Our options for the development of the model will look at how we build in customer centricity (CI) i.e. locality, customer type (e.g. business, high need, place, people) etc., or product focus/service areas (PL), in addition to the OE discipline.

Responsibility for the delivery of functional/service strategy will remain with the specialist areas, rather than be centralised although it is envisaged that there will be considerable overlap and discussion between senior specialist advisers and the Strategy and Commissioning team who will own and co-ordinate the development of functional and service strategy. Detailed design will explore how this overlap works and will define the boundaries.

- **Communities of Practice.** Communities of practice are groups of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly. They can be internal or external to an organisation, formal or informal. Critically they share 3 common characteristics in that they constitute a group of *active practitioners* with a *shared competence* joining together to create an *active learning community*. We will look to adapt this model of communities of practice to provide an option around functional supervision and career progression, as well as incorporating the requirement to supervise the end to end processes.
- **Geographic Locations.** Each of the three geographical areas have different needs and may need to be addressed differently in organisational design. Options will also be explored in the detailed design for how the delivery units will map delivery to these localities and how other partners, community groups and agencies map to the geographical locations.

Appendix 3 - Implementation Preparation, Team, Detailed Design and Risk Management

Starting well

The process of moving from this Blueprint to full implementation is complex and there is significant preparation that has to be completed. This Appendix sets out some of the key early implementation work and preparation that should be completed.

Programme set up phase

This phase puts in place the main structures that will oversee and manage the delivery of the deliverables and benefits. During the development of this Blueprint, the Ignite team have given officers in Shepway guidance about this work to support them making early progress.

The key deliverables of this phase are explained in brief below:

- **Confirm governance arrangements**
- **Recruit implementation team**
- **All employee briefings on the proposed change programme** - effective communications with staff throughout the programme will be essential in embedding the new organisational culture and preparing staff for the phase in which they will be affected. The briefings will form the initiation of the communications plan for implementation
- **Support for staff through change** - implementing the mechanisms for supporting staff during the programme, which may include internal and external counselling resources that staff can access
- **Training needs for leaders and implementation team** - new or updated skills will be required for the leadership and implementation teams to manage the process of change in the organisation. This activity will include a training needs assessment that looks at organisational knowledge, skills, and abilities, to identify any gaps or areas of need that should be addressed before commencing the main phases of the programme
- **Training plan for the new organisation** - following the training needs assessment, a plan to deliver the required training will be developed, which will also include an overview of wider training needs for staff in the transformed organisation
- **Accommodation and Ways of Working Plan** - The cultural changes required to embed the new Ways of Working will require a plan for transition and cutover, and the impact of each phase on the wider accommodation strategy will be planned out at a high level

Technology 'no brainer' phase

This phase deals with the technology changes, procurement, installation and development that can be carried out early in the programme to embed some of the core functionality required for the early phases and infrastructure required to support the wider technology implementation around the core software products that enable the transformed organisation to operate effectively and efficiently. The key deliverables of this phase are explained in brief below:

- ✓ **Detailed technology blueprint** - this document will outline the required software and hardware specifications and functionality required to be procured or developed during the phases of the programme to support the transformed organisations and operating model.

The document will be utilised in the procurement of technology to support the phases that will follow

- ✓ **Review major application roadmaps and agree plan** - a review and implementation plan for any upgrades to existing software applications, which will be required to support the transformed organisation and in light of Shepway's newly agreed Technology Strategy
- ✓ **On-board missing technology resource** - source and procure any additional skills required to develop and implement elements of the technology set specified in the technology blueprint
- ✓ **Implement suite of infrastructure improvements to support new council structure and functions** - new technology and operating model will require underpinning technical infrastructure to support it and this will deliver the procurement and/or upgrades identified in the technology blueprint
- ✓ **Improve website to promote external self-service model** - the website structure and architecture will be examined and amended to ensure that it is able to support the forthcoming external self-service portal and fully promote the channel-shift objectives. Quick wins will be identified and implemented early to free up capacity
- ✓ **Improve intranet to promote internal self-service model** - the website structure and architecture will be examined and amended to ensure that it is able to support the forthcoming internal self-service portal and fully promote the channel-shift objectives by providing the right platform for high quality information, advice and guidance. Quick wins will be identified and implemented early to free up capacity
- ✓ **Design and build key system integrations** - certain key systems are already in place and therefore work can commence on defining, building and testing integrations between these core systems prior to process redesign work commencing in later phases
- ✓ **Implement integrated quick wins** - procurement or the upgrade to key systems that will support the core technology blueprint can be implemented to create the capability before moving into process redesign. These specifically might include the booking engine, payment engine and the councils Geographical Information System (GIS) software
- ✓ **Design and proof-of-concept for all new end-user software** - this will examine and pilot the options for delivering agile working across the transformed organisation around the areas of user hardware; specifically the use of laptops, tablets, mobile devices and hybrid technology for each set of role families across all phases

Customer Portal and Locality Delivery phase

This phase has two objectives. At first, the Customer Portal is designed to create outputs that will allow the early realisation of programme benefits and free up capacity within the organisation that will aid the transformation journey.

The detailed design process for this phase will identify clusters of high priority processes in phases 2A and 2B where significant early benefits can be realised by:

- Creating front-end customer forms, web site content and access to key customer account information that will promote self-service and channel shift whilst reducing demand through the Contact Centre and face-to-face outlets and into the wider organisation
- Creating scripting and knowledgebase material for Customer Service Advisors that will allow a greater volume and breadth of enquiries to be answered at first point of contact

Identified processes will not have significant technology workflows and system integrations built behind them in this phase, although rules-based work routing will ensure that service requests arrive with the correct department. Service requests will be carried out using existing back office processes until the wider organisation is transformed in Phase 2; when further process re-design will take place and the remainder of the benefit of the process transformation is realised.

Team Roles

Role	Responsibility	Interactions
Design Authority	<ul style="list-style-type: none"> Provides design oversight to ensure that the aspirations and principles of the Blueprint are achieved Executive team and Implementation team coaching 	<ul style="list-style-type: none"> Works with Programme Sponsor to agree scope and vision for each phase Works with Programme manager to shape milestones and delivery Works with CMT and Programme Board, providing advice and coaching to ensure success
Change Manager	<ul style="list-style-type: none"> Change management expertise to bring best practice approach to implementing a complex multi-faceted change programme Expertise to train, develop and support the wider team in aspects of change management and transition planning 	<ul style="list-style-type: none"> Works with Programme Director and Functional Leads to drive a joined-up approach to change Builds and supports the create & construct approach to technology implementation Trains, coaches and develops the Implementation Team Leaders and Analysts
Process Design & Sprint Manager	<ul style="list-style-type: none"> Leads process redesign sprints to effectively transition all council process from old ways of working to new ways of working Train team members in agile development and the sprint process 	<ul style="list-style-type: none"> Leads the process redesign and build teams Works with suppliers to ensure most effective implementation of processes across the integrated systems Supports council teams in adopting new technology and ways of working
Business Analysts	<ul style="list-style-type: none"> Business analysis expertise and experience working with other councils to implement similar transformation programmes 	<ul style="list-style-type: none"> Works with suppliers and other analysts to bring across best practice from other delivery programmes
Additional Support	<ul style="list-style-type: none"> Where there are particular skills gaps in the council, there may be a requirement to draw in additional, specialist support. This could include: <ul style="list-style-type: none"> HR practice Customer and user-led design Technology Engagement - internally and externally 	

External team roles

Team preparation

Training requirements for Implementation Team

Prior to Phase 1, training will be required for key staff in the implementation team to prepare them for the approach that will be taken to process redesign and technology builds. Depending on existing skill and experience, training may include:

- Process mapping approach and use of mapping tools
- Information gathering and script building
- Creating User Cases and Technology requirements for use by the build team
- Building test scripts and User Acceptance test plans
- Roles and responsibilities of agile implementation teams

The full matrix for training and development across roles in the implementation team is shown below:

Who?	Techniques	Tools	Behaviours/skills
Business Analysts	Process mapping Information gathering	Microsoft Visio Software awareness Scripting guide User requirements Technical requirements Website Architecture	Facilitation Challenge Team ethos Positivity Future Model Champion
Technology Builders	Agile approach	Workflow build guide Requirements lists Software training Version control	Team Ethos Attention to detail Accuracy Technology skills
Technology Testers	Building test scripts Edge Cases	User requirements Internal test scripts User test scripts Software training	Attention to detail Persistence Tenacity Team Ethos
Process People		Knowledge of Future Model Workshop rules Software training	Ownership Change Champion

Training and development across roles

Phase implementation - Detailed information

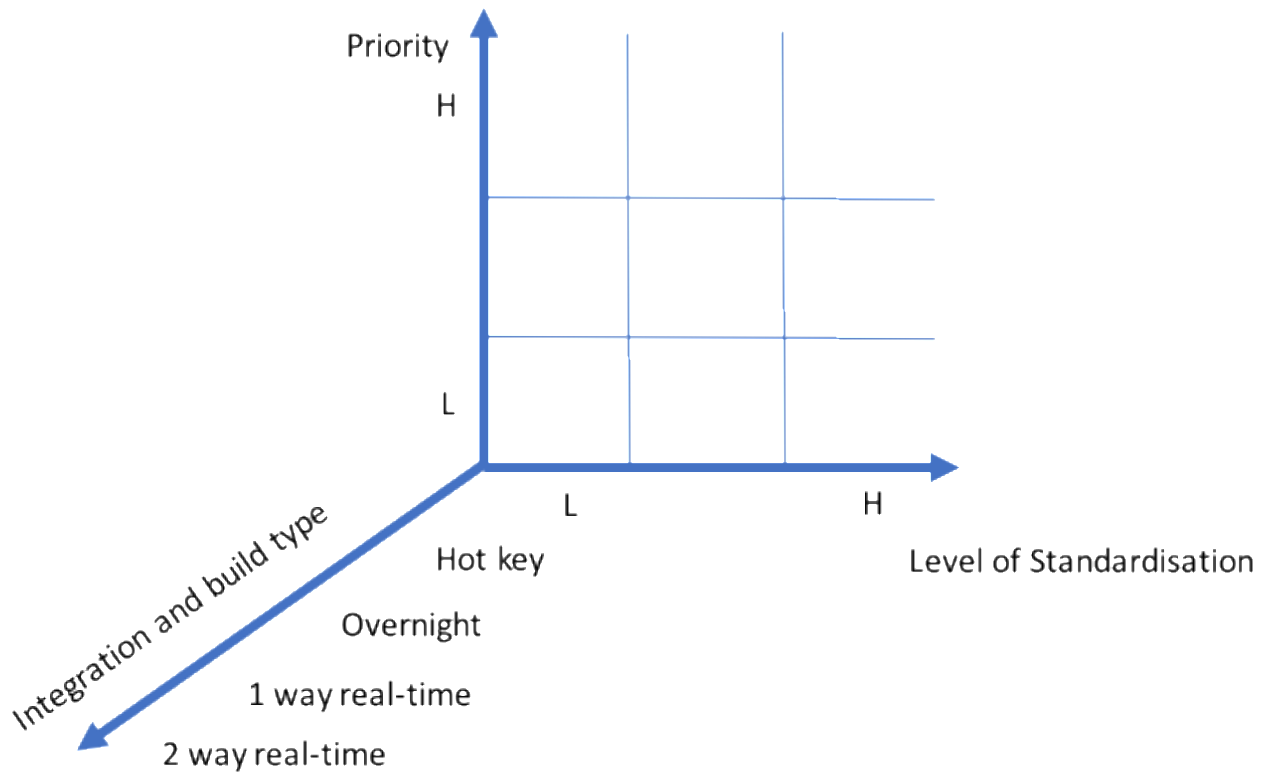
The following information sets out key elements of the implementation phase which will be followed. This is guidance - the approach and content is one that will be agreed with Shepway following the formal agreement to proceed.

Process Prioritisation and Clustering

A key element of successful implementation is the prioritising and clustering of processes that each phase will transform.

Prioritising processes will ensure that those transformed activities that have high levels of benefit associated with outcomes, cost and volume are created early in the phase, allowing phase benefits to be realised.

Clustering processes will ensure a consistent approach to delivery of services in line with the design principles of the programme and also deliver standardised components of technology and ways of working that can be re-used throughout the programme. An example set of 6 core processes that will be used across numerous process are shown in Appendix 5.



Process Prioritisation & Standardisation matrix

Transition management & training

A crucial element of any successful wide-ranging transformation programme is the planning and delivery of transition from the current to future state.

Ignite recognises that a failure to place great importance on transition activities will inevitably cause delays in implementation and result in an organisation that is not ready to fully embrace the change.

The twelve elements of transition management that require planning and delivery during each phase of the programme are briefly described below:

1. **Change readiness assessment** - understanding the current position of the organisation's readiness for change, from the perspective of the staff within the organisation will garner a greater understanding of the challenges, mentoring, awareness and training that will be required to transform the subset of the organisation within the phase
2. **Training** - the creation of a comprehensive set of training plans that cover the areas of process, system and ways of working that will ensure that individuals are able to transition smoothly into the transformed organisation
3. **Knowledge and succession management** - gaining a detailed understanding of the knowledge profiles of existing individuals in the organisation and ensuring that specialist or crucial historic or knowledge is not lost during transition

4. **Ways of working** - building a deep understanding for individuals of the ways of working that will be required from staff in the transformed organisation throughout the phase to prepare them for operating effectively in the transformed organisation
5. **Mobilisation of new teams** - once staff are placed in their new teams, carrying out a number of team building activities to embed the new ways of working in the new environment
6. **Consideration of Parallel running** - during any transformation activity, consideration must be given to the cutover from the old ways of working to the new that will ensure that business-as-usual activities can continue and performance maintained whilst piloting and introducing new technology and ways of working
7. **Launch & Communication** - careful planning and consideration of the launch of the phase will be required along with internal and external communication plans and activities
8. **Go -Live support** - planning of and ensuring that, staff have the support and lines of communication that will be required during the period on and shortly after any go-live activity for systems and ways of working
9. **Lesson learning and review** - after each phase is completed, a comprehensive review of the performance of all elements of the phase plan will be reviewed for effectiveness and any lessons learned taken forward into subsequent phases of the programme
10. **Management of historic/existing cases** - during cutover, consideration will need to be given to cases that are being managed within systems that will be decommissioned and the retention or migration of historic data in a manner that can allow retrieval by staff until it is no longer required to be held
11. **Processes and activities to stop** - as a result of detailed design, some processes and activities will be identified as appropriate to cease completely. These processes and activities will need to be stopped in a controlled manner and monitoring carried out to ensure that cessation does not have an unplanned adverse effect on the organisation or stakeholders
12. **Managing the impact of the rollout plan** - gaining a complete understanding of the impacts of the transition plan and taking the appropriate remedial actions to ensure any impacts are monitored and where appropriate, flagged up and managed to reduce any effect on the overall programme

Detailed Process and User Journeys

Throughout detailed design and implementation, a rich picture of the operation and roles of new processes will be created and shared with the organisation.

These process and user journeys will both inform the emerging organisational design, any refinements to budgets, programme risks and the key design considerations for the phase.

Process and user journeys will be further created and refined within process re-design and these products will be used by the build teams within the sprint cycles for software development and will also provide key information that will be used to form the training requirements for staff.

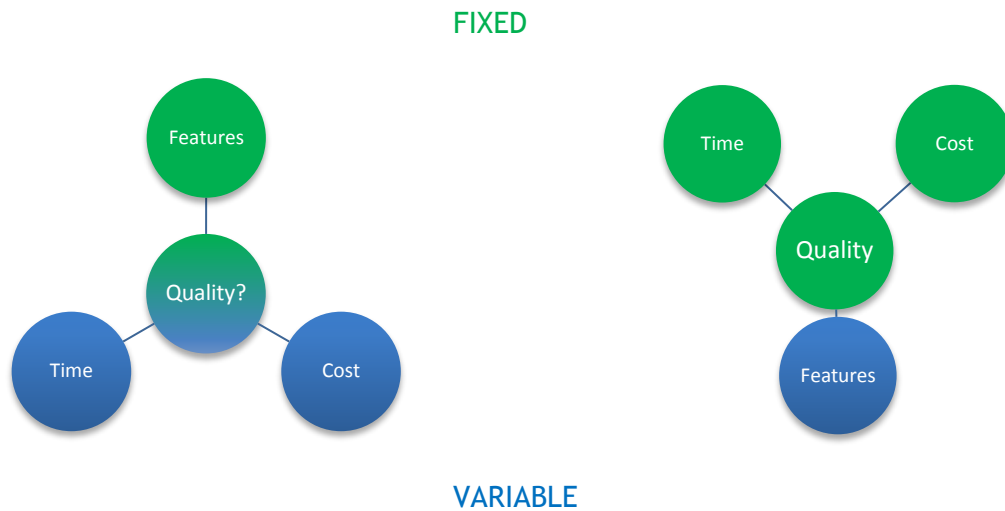
Process redesign and Technology implementation

The correct control of the process redesign and build is an essential element of ensuring that each phase delivers processes and technology that is fit for purpose and delivers the benefits associated with the phase. In order to avoid obstacles that are encountered by traditional

development methodologies, an agile approach will be taken. A summary of the agile approach is shown below:

Traditional/Waterfall Development

Agile Development



Agile versus traditional development approaches

In traditional development, time is spent on gathering and building a full list of user requirements and is fixed, along with elements of the customer's quality expectations. In order to ameliorate delays during development, any one of the other dependencies of Time, Cost or Quality has to be augmented or compromised in order to meet development deadlines.

In an agile development cycle, Time, Cost and Quality are fixed by the breaking down of development into defined periods of build, which are known as sprints.

In an agile build model, requirements/features are the variable factor in any sprint cycle. Controlling the requirements for a releasable product is what keeps development time or costs from escalating, or quality from being compromised. The prioritisation matrix is known as MoSCoW and is formed as follows:

- **Must Have**
- **Should Have**
- **Could Have**
- **Would like to have**

In any sprint cycle:

All of the **Must Have** requirements are completed in the initial development order to have a usable product that can be released into the live environment (this is also known as the **Minimum Useable Subset**).

Should Have requirements are important in realising the full benefits of the technology within the process but not necessary for delivery in the initial development sprint. While these requirements can be as important as **Must Have**'s they are often not as time-critical or there may be another way to satisfy the requirement. They may be held back until after the process is

released into the live environment and included in a future sprint cycle, where the process is iterated and enhanced to release any remaining benefits

Could Have requirements are desirable but not necessary, and could improve user experience or customer satisfaction for little additional development cost. These requirements will typically be included in subsequent sprint cycles if time and resources permit.

Would like to have requirements have been agreed by stakeholders as the least-critical, lowest-payback items or not appropriate for implementation at that time. These requirements are not even planned into the schedule for the initial development sprint. These requirements are either dropped or reconsidered for inclusion in later sprints.

Risk Management

In creating the implementation plan for this significant change programme, risks have started to be considered at both the programme and service level. There is in place a risk-register for the programme which identifies the key risks and their mitigations. It includes:

- Delay in programme implementation timetable
- Not meeting the financial efficiency savings
- IT delays
- Disruption to staff
- Disruption to customers and business as usual

In addition to these, there are a number of other key risks, summarised in the table below:

Risk	Mitigation(s)
Loss of key people and organisational knowledge	Talent management plan that identifies key people and knowledge and puts measures in place to retain these key people
Reduced performance in key services	Department risk registers to identify and manage specific service transition risk are being developed These risks will be discussed and iterated with Members and will drive key considerations in the implementation plan
The organisation will have less capacity to deliver post implementation	New approach to delivery supported by technology, simplified processes and more self-service enables the council to deliver ‘more for less’ Introduction of more generalist customer service, local delivery and case management teams gives a more flexible capacity to deliver current priorities We expect this will enable greater focus on the priorities of the council and to ensure that we are measure and manage performance focussed on these priorities
Programme costs will exceed the current forecasts	Programme costs vs forecasts will be monitored by the programme board on a monthly basis Where appropriate fixed price delivery contracts will be negotiated with suppliers

Each of the phases shown in the implementation plan will monitor and report workstream specific risks at monthly programme management meetings and where appropriate these will be escalated to the programme board.

Appendix 4 - Role Families

The following are examples of how the role families might be constructed and the type of roles there may be developed when undertaking detailed design. However, Shepway District Council is reviewing the proposed role families to ensure they reflect local business needs going forward.



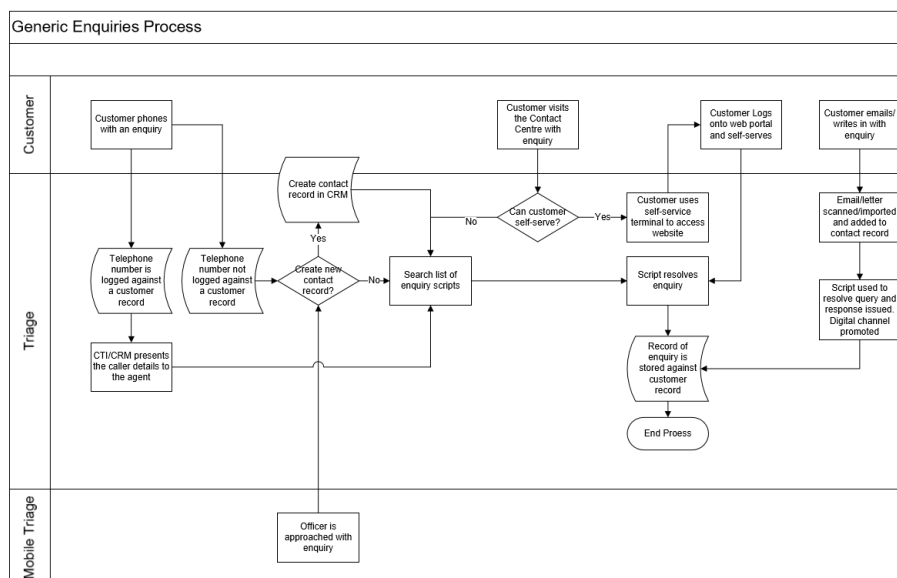
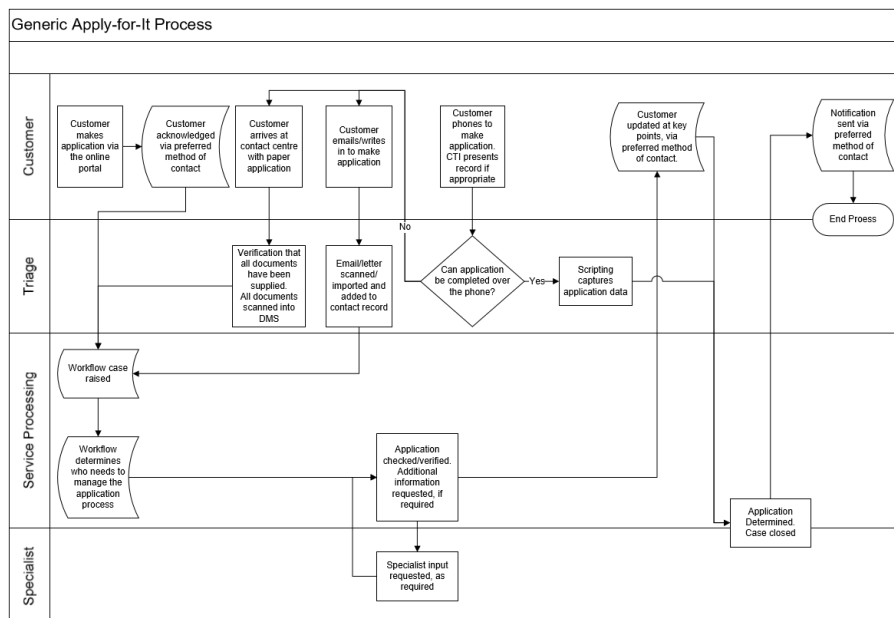
Appendix 5 - Generic Future Model Processes

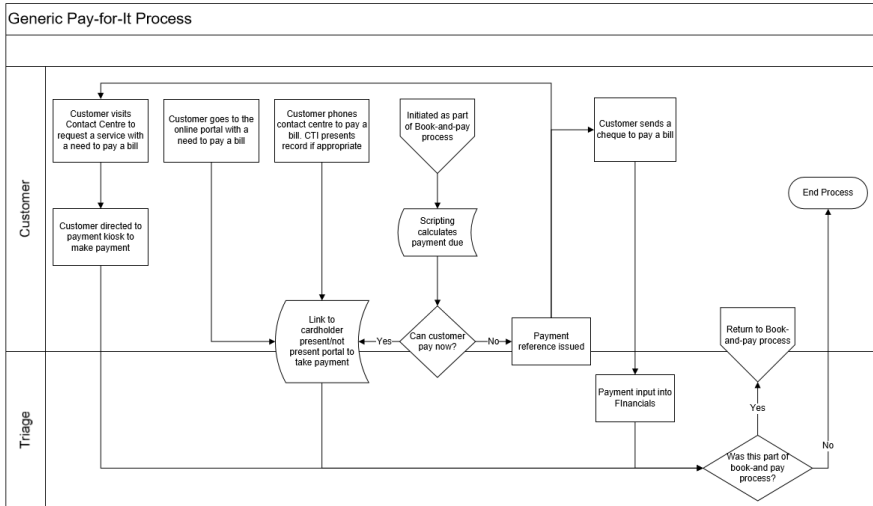
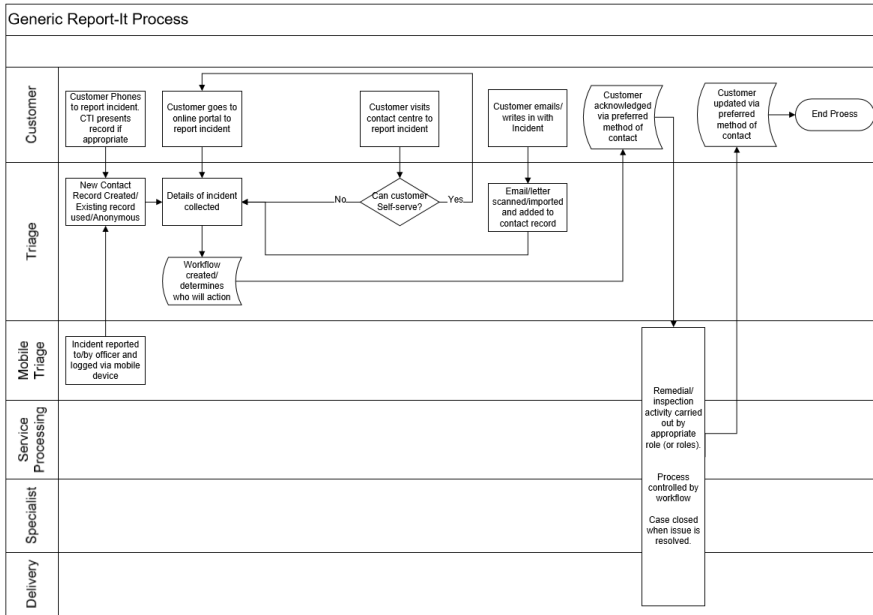
As part of the Blueprint process a number of generic, technology agnostic future processes have been articulated. The purpose of these processes is to demonstrate how key sets of activities that appear in multiple customer journeys at present can be simplified, standardised, and where appropriate automated. Furthermore, these sets of activities are fully integrated into wider workflow and customer contact management systems.

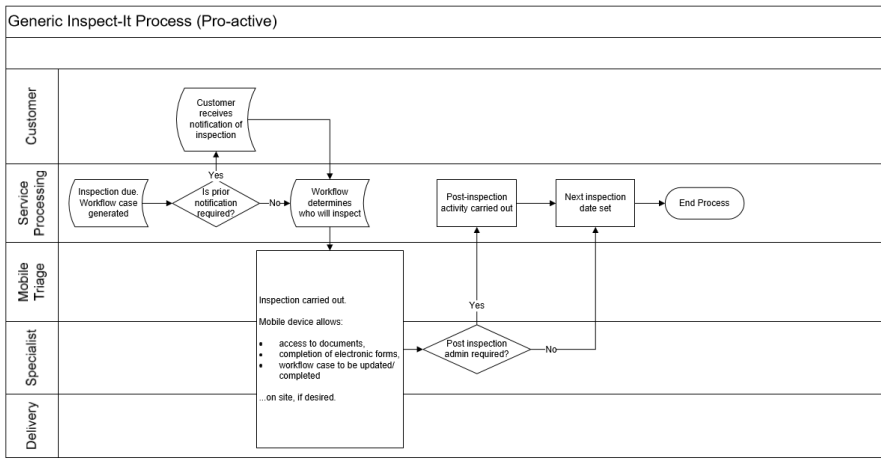
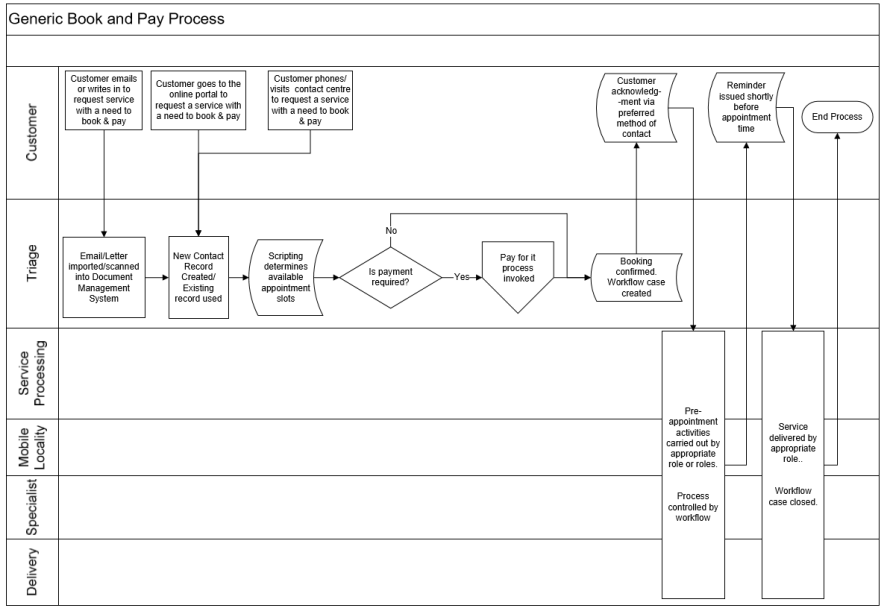
The processes selected cover a range of customer driven processes such as:

- Apply for it
- Enquiries
- Report it
- Pay for it
- Book and pay

as well as a standardised “Inspect it” process covering all council inspection activities.







Shepway District Council

ICT Strategy 2018 - 2023

1.0 Introduction

- 1.1 This ICT strategy is effective for the period 2018 to 2023. It is based on a number of core principles aim to provide a framework by which ICT solutions can be designed to support the aspirations and delivery of the council's Corporate Plan, in particular the Transforming Shepway programme.
- 1.2 The core principles of the strategy underpin a new ICT infrastructure that is fit for purpose, well integrated, focused on self-service and demand reduction, supports agile working and facilitates improved communications, whilst being secure, resilient and affordable. The strategy will look to the future of ICT support beyond the end of the current outsource arrangements in 2022, bearing in mind the fast-paced changing trends in technology and the council's ongoing pressure to meet financial efficiency savings.
- 1.3 Data privacy will be embedded in solutions by default and systems and processes will be designed to reflect this. There will be a greater emphasis on business requirements and governance as the council seeks to work in more agile ways. Consideration will be given to a range of technologies to ensure they are appropriate and cost effective and though they may be predominantly cloud based it is likely for the time being the council will have a variety of solutions in place, both hosted and on premise in what is generally termed a "hybrid" model.
- 1.4 The strategy will be supported by a High Level Road map which will provide a structure and timetable for the delivery of technical solutions. This will necessitate an early review of hardware and systems provision to ensure ICT is fit for its future role and is not simply providing more of the same as that could lead to the council having outdated technology. Both the strategy and the roadmap will be reviewed annually to ensure they continue match the council's objectives moving forward for the next 5 years and beyond.

2.0 Purpose of the strategy

- 2.1 The ICT strategy and the High Level roadmap serve a number of purposes:
 - It underpins high level corporate objectives by setting out how the council expects to use technology to help to meet its goals.
 - It provides the framework for the ICT service and others to deliver the technical solutions for the council.
 - It provides the context for ICT related investment decisions and with the business cases that will be brought forward helps to identify major items of expenditure which can inform financial planning in the coming years.

- It helps to indicate how ICT can help the council to achieve its efficiency savings and cost reductions.
- It provides consistency and common purpose when aligning technology choices with business needs to in order implement solutions that are future proofed (as far as the rapid advances in technology allow), secure, affordable, supportable and well governed. Taking a holistic view avoids purchasing ICT solutions based solely on short term tactical or individual departmental requirements which leads to incompatibilities, inefficiencies and higher support and maintenance costs in the long term.
- To help inform decisions in relation to the councils ICT requirements during the process of the re-procurement of the current ICT contract. The process of contract renewal will have to start in 2019/20 in order to be complete before the end of the current contract in March 2022.

3.0 Strategic drivers

3.1 There are many drivers that can influence the production of an ICT strategy and those that are currently considered key to this Strategy are listed below:

- 3.1.1 **Transformation Project.** The council's ambitious transformation project between 2017 and 2020 will depend heavily on making better use of technology for its success. Customers and officers must have access to information quickly and easily in order to self-serve regardless of how and when they need access requiring information and communication systems to be improved to support the council's new operating model.
- 3.1.2 **ICT Services Contract.** The council's current ICT outsource arrangements with Sopra Steria come to an end in March 2022 so a clear vision of any future technology model is required in order to identify support requirements beyond that date in order to either procure a new contract or consider alternative models for ICT service provision.
- 3.1.3 **General Data Protection Regulations (GDPR).** Data protection laws are changing and the arrangement of the council's current systems, which have many areas of duplication of customer records and information, will make compliance with the GDPR difficult. The new laws demand that management and privacy of information must be at the core of business systems and process design.
- 3.1.4 **Legacy systems.** There are concerns about the risks associated with some legacy systems which may be approaching end of life or coming out of warranty or mainstream support within the period the strategy covers, they are sometimes difficult to access remotely on mobile devices, or non-compliant with expected changes to data protection legislation. Others may be lacking in resilience, require very specialist knowledge, or are highly bespoke.
- 3.1.5 **Business Continuity.** The majority of the council's core ICT infrastructure is located in the civic centre server room which presents risks in terms of being vulnerable to the ever increasing threat of Cyber-

attack and the ability to recover from other business impacting incidents. It also restricts the council should it wish to move location at some point in the future therefore a more flexible model is required.

- 3.1.6 **Efficiencies.** The resource overheads in terms of the ICT service and internal system support technical staff required to manage the current on premise solutions and the continual need to secure, update and replace systems could be reduced by a more efficient model thus contributing to the councils overall savings targets.
- 3.1.7 **Working with others.** There may be opportunities for wider shared ICT services through working with other partners such as Kent Connects on the Kent Futures model and using the Kent Public Services Network. These options will continue to be considered as and when they arise.

4.0 ICT Strategy Core Principles

- 4.0.1 This ICT strategy is based on six core principles (discussed in para's 4.1 to 4.6 below) which collectively aim provide the framework by which ICT solutions are delivered in future.

4.1 Reduce costs and ensure affordability

We will seek to reduce costs and maximise efficiency through the use of technology through such things as:

- Deploying a core technology model based on a number of well integrated underlying platforms that support a single view of the customer and information held only once whether that be cloud based, on premise, or a mix of systems in a hybrid model as a means of controlling costs in terms of support, equipment, licences, training and skills and maintaining security. Where possible the number of diverse “back office” systems will be reduced as rationalising systems can reduce costs.
- Systems using automated processing and artificial intelligence will be deployed where appropriate to drive down internal staff costs and provide high quality easy to use customer self-service channels that are available 24 x 7 x 365.
- Accepting there is not a “one size fits all” solution and where specialist applications are needed for some business functions they will be assessed against the core technology model to understand to what extent they are able to integrate and thereby avoiding costly future issues arising from incompatibility and thus higher support costs.
- It is envisaged that most systems will be accessible via any web browser or an App therefore future choice of device will be based on being “Fit for purpose” rather than “Best of Breed” in order to control hardware costs.
- Technology and systems should be simple to use and staff will be encouraged and trained to get the best from their technology. There will be a greater requirement for self-help and devices that are increasing “plug and play” thus ICT support costs can be reduced.

- Using faster procurement methods such as G-cloud and pre-tendered frameworks will be used to reduce the time, cost and complexity involved with procuring solutions.
- The council will continue to take advantage of shared working opportunities as and when they arise particularly where they reduce costs, for example making use of the Kent Public Services Network.

4.2 Improve productivity

We will use technology to maximum advantage to enable the customer to self-serve and enable the workforce to be productive wherever they are working:

- Business systems will be properly integrated to the core systems to improve productivity by reducing duplication of effort retyping data from system one to another, and avoid using a number of systems in order to resolve a single service request from a customer.
- Processes will be built on well-defined workflows, minimising steps and using technology in place of a person where advantageous to do so. Customers should be automatically notified of progress of tasks without them having to access the council by other channels for updates.
- Self-service systems should be clear and easy to use allowing the customer to provide the right information first time and wherever possible the transaction should be handled from end to end and resolved automatically.
- For internal staff, tasks should be automatically scheduled and prioritised so they work on most important thing first.

4.3 Drive Demand reduction

We will use technology to move services delivery to cost effective solutions reducing the need for face to face or telephone contact:

- Both public facing and internal transactions should be provided by self-service channels that are simple to use and ensuring those channels are available when customers wish to use them.
- Often requests to the customer contact centre is driven by “failure demand” which may be due to a problem with another service provider (e.g. waste contractor) or issue outside the council’s control (e.g. service disruption due to bad weather) therefore systems should be able to recognise when requests for the same issue are being logged more than once for the same thing, automatically inform customers of those issues without them having to report a problem and provide alternatives or allow them find such information quickly and therefore flex demand to other available channels. Systems will provide analytics that will inform decisions related to service improvement and reduce demand.
- Where self-service is deployed, processes and workflows will be as short as possible and should allow customers to interact directly with back office systems in real time, for example, replacing static web forms with forms that dynamically build depending on the service requested and the information provided by the customer. Capturing all the data necessary at the start of a transaction removes avoidable contact later.

- Technology will be used to streamline internal systems and processes where appropriate to do so and officers and customers should use the same versions of systems and have the same view of the information.

4.4 Support agile working

We will support agile working with fit for purpose technology:

- IT systems will allow those staff who require it the ability to work in a truly mobile manner to support the concept of locality working in order to maximize staff efficiency and reduce overheads such as travel costs while providing the requisite level of security.
- Mobile working solutions will provide officers with fast access to the right information how and where ever they choose to work regardless of device and location. Systems will allow data to be transferred real time whenever they are connected to the internet or have the ability cache data allowing officers to work seamlessly “off line” while connections are temporarily unavailable.

4.5 Improve communications

We will use technology to improve communications so that information can be passed efficiently to those who need to have it.

- Integrated systems will allow staff and customers to access to information held digitally quickly and easily without having to request it via someone else.
- Communications will be handled by automated systems or artificial intelligence where it is appropriate to do so, for example automatically informing customers of the progress of a request, or notifying an officer they need to progress a piece of work when a task in a workflow process is triggered.
- The customer contact centre technology will have integrated features such as calls, email, chat and social media all being handled from the same queue, and the ability to pass interactions to the person most skilled to handle the call and if necessary out of the contact centre to a specialist better able to deal with the transaction.
- Internal communications will be improved by providing a modern telephone system that includes such features as calendar integration (presence), easy to set up conference calling, shared whiteboards and video chat. Officers will be able to transfer their calls easily to the best device depending on where they are working. In some cases all that may be required to make calls in future is a web browser removing the need for telephony hardware.
- The website and associated forms require continual improvement, information is sometimes hard to find, integration with legacy back office systems makes some transactions difficult and forms are static rather than dynamic.
- A new Customer Relationship Management (CRM) system is required that provides a single view of the customer across the council so that anyone involved with dealing with requests, both internal and external, has the same

information. Likewise a single document repository is required so that information is held once and accessible easily to anyone who has the rights to access it and can find it through a simple search.

4.6 Maintain security and resilience

We will protect the council's data and systems to the highest standards:

- The council will continue to maintain its compliance with required security standards such as the Public Services Network Code of Connection as they provide an implicit level of assurance.
- New data protection laws demand that "Privacy by Design" becomes embedded in ICT systems and business processes. However it is important that security does not become an unnecessary barrier to using the information therefore the right level technical security measures will be applied to maintain the confidentiality, availability and integrity of the data at all times.
- New systems like the collaboration platform and CRM will reduce the amount of data that is required to be held by only keeping that which is necessary and providing the tools to be able to maintain that data in accordance with the council's retention schedules and securely share with it with those who have a legitimate need.
- The resilience of systems will be considered when re-procuring systems. Where systems are hosted in the cloud suppliers will provide assurance they achieve the required levels of security compliance.

Delivering the strategy

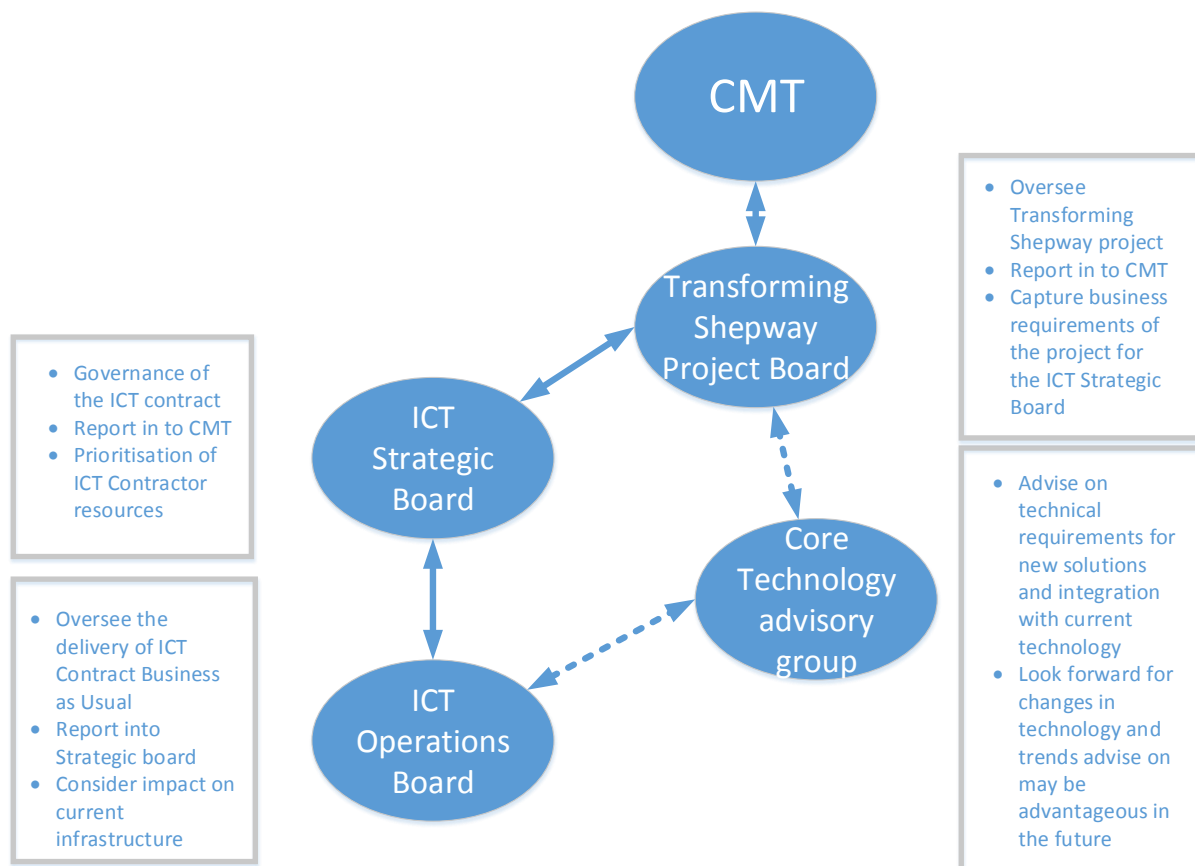
5.0 Governance

5.1 This strategy will impact on all aspects of the councils ICT provision and there needs to be robust governance not least because it affects other council initiatives such as the Transforming Shepway project which will require available internal and contractor resources to be well used and timescales to be met, as well as contributing to the council's long term savings targets. A governance model is described as follows and as shown in diagram 1 below:

- CMT will set the direction of travel and agree overall priorities and budgets and individual business cases as they are brought forward. Where there are a range of options available in order to deliver solutions in support of the council's objectives these will be made clear in the business cases.
- The Transforming Shepway project group lead will capture and relay business requirements arising from the project to the ICT Strategic Board.
- The ICT Strategic Board will provide the oversight of the contract with Sopra Steria and will consider how best to provide the technical solutions that meet the business requirements coming out of the Transforming Shepway project board. The ICT Strategic Board will consider the priority and timing of projects alongside ongoing maintenance works and advise the Transforming Shepway group project lead of issues related to the delivery of solutions.

- The ICT Operations Board will continue to manage the running of the day to day ICT business as usual work alongside the actual delivery of the technical projects in support of the Transforming Shepway project.
- The Core Technology Advisory Group which it is envisaged would comprise a small number of ICT specialists (for example web, network, telephony) will act a sounding board for checking technology solutions to ensure that all proposals comply with the principles of the ICT Strategy and other council's objectives and are compatible with the core technology model at the solution design / specification preparation stage of a project. This group would not be responsible for decision making.

Diagram 1. ICT Strategy Governance Model



6.0 Conclusion

6.1 This strategy aims to provide the framework for an ICT model by which the council's objective of delivering better services in a more cost effective way can be supported by technology. It is a time of great change not just within the council and wider in government but also in terms the solutions available. Old service models are disappearing in favour of cloud based solutions that provide greater availability and resilience at a lower cost than the traditional on premise method of delivery. At the same time the demand of customers to be able to interact with the organisations quickly and easily through digital channels is increasing apace. However, as the demand for digital services is increasing so are the risks associated with managing data so the ICT strategy needs to take account of all these factors.

6.2 Only by taking a well governed and holistic view of ICT systems and providing a well-designed and well-integrated technology platforms can the council hope to provide the first class technology enabling the seamless self-service platforms that customers increasingly expect meet its internal efficiency targets.

7.0 Next Steps - Key deliverables

7.0.1 In order to deliver the strategy there are a number of key deliverables required:

7.1 High Level Road Map

7.1.1 It is clear that there is a lot that needs to be achieved during the timeline of this strategy, with the Transforming Shepway Project, normal ICT business as usual to support, retiring and replacing systems (and in many moving those systems to alternative hosting arrangements), dealing with suppliers and procurement activities and addressing the issues that will be raised by the end of the Sopra Steria contract and transition to an alternative supplier. Therefore a High Level roadmap will be produced to underpin this strategy which considers key decision points and dependencies as far as they are known in order to indicate when decisions may need to be taken.

7.1.2 The High Level Roadmap which will look forward across the whole timeline of the strategy in terms of short (almost immediate up to 1 year), medium (2-3 years) and long term (up to 5 years) projects. The Roadmap will be supported by technical delivery plans which look at the delivery of solutions by individual projects over a 12 month period in order to plan resources.

7.2 Financial plan

7.2.1 High level Road map will be used to help inform the councils financial plans related the Medium Term financial plan by identifying when major costs related to technology may arise, and conversely when efficiency savings may be realised and to help calculate the overall benefits of the Transforming Shepway project. While using technologies such as cloud can reduce costs there is a shift from traditional upfront capital investment for ICT to revenue based subscription charging models.

7.3 Risks and Issues

7.3.1 There are a number of risks that will have to be considered due to a number of factors such as the current ICT contract running down and those associated with associated with changes in technology. A risk register will be maintained alongside the high level roadmap and risks to individual projects will be considered as and when business cases are submitted.

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Head of Paid Service

Job Description as per current Corporate Director role plus the following additional responsibilities:

Job Purpose –

To discharge the responsibilities of the head of paid service in accordance with the provisions of the Local Government and Housing Act 1989 and the council's constitution.

As chair of the Corporate Management Team, to develop a collaborative relationship within the team and between Cabinet & Chief Officers as the leadership team.

Promote and maintain effective and productive relationships between officers and members in accordance with the council's protocol for employee and councillor relationships.

Lead CMT in the development and implementation of corporate policy, strategies and plans to deliver the council's objectives.

Direct the management process and officers of the council to deliver its strategic aims & objectives.

Provide leadership and direction to officers of the council so that staff clearly understand the core values, objectives and priorities of the council

Position the council to meet current and future challenges by promoting a performance driven, customer focussed culture which enables the council to deliver its strategic objectives and respond to the priority needs of the community whilst balancing these requirements against available resources.

Provide services either through direct delivery, collaborative partnership frameworks or other sourcing solutions as may be appropriate so that the council's required outcomes are delivered whilst identifying and resolving financial and other risks.

Work with the Leader of the Council and elected members to lead the development of corporate and service delivery and the development of plans and policies ensuring that these are communicated and implemented effectively.

Act as principal policy advisor to members in order to enable them to make informed choices and decisions concerning the development of policies, options for delivery, resource implications and allocation or reprioritisation of resources.

Ensure that strategies, policies and systems are in place to communicate with and consult about the activities and priorities of the council externally with the public and key partners.

Ensure the effective governance of the council and the legality, probity, integrity, proper public accountability and scrutiny of its decision making processes.

ANNEX 2

This report is exempt under paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972

Folkestone

Hythe & Romney Marsh

Shepway District Council



www.shepway.gov.uk

Report Number **AuG/17/14**

To: Audit and Governance Committee
Date: 28 February 2018
Status: Non – executive decision
Leader of the council: Councillor David Monk

SUBJECT: CONSTITUTIONAL CHANGE

SUMMARY: This report considers proposals for changes to the officer employment procedure rules.

REASONS FOR RECOMMENDATIONS: The committee should consider and make recommendation on officer employment procedure rules in view of the proposed recommendations from the Personnel Committee on the appointment process for a head of paid service.

RECOMMENDATIONS:

- 1. To receive and note report AuG/17/14.**
- 2. To recommend to council that sub – paragraph 2.1.4 of the officer employment procedure rules in part 8.2 of the council’s constitution be deleted**

ANNEX 2

1. BACKGROUND

- 1.1 Personnel Committee will consider the attached report (No P/17/09) at appendix 1 on the same day as this report is considered by members of this committee. Personnel Committee's decisions will be reported orally.
- 1.2 As will be seen the Personnel Committee are being recommended to, amongst other things, advertise for a head of paid service through an internal advertisement only. In order to do this there would have to be a change to the constitution. Proposed changes to the constitution must be considered by the council on recommendation of this committee.

2. CONSTITUTIONAL PROVISION

- 2.1 The Officer Employment Procedure Rules in part 8.2 of the constitution provide as follows:-

"2. RECRUITMENT OF THE HEAD OF PAID SERVICE AND CHIEF OFFICERS

Subject to 2.1.4 below, where the Council proposes to appoint a Head of Paid Service or other chief officer and it is not proposed that the appointment be made exclusively from among their existing officers, the Council will:

2.1.1 Draw up a statement specifying:

- a) The duties of the officer concerned; and*
- b) Any qualifications or qualities to be sought in the person to be appointed.*

2.1.2 Make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it.

2.1.3 Make arrangements for a copy of the statement in 2.1.1. above to be sent to any person on request.

2.1.4 The post of the Head of Paid Service will always be subject to external advertisement. The emphasis is the report writer's.

- 2.2 Sub – paragraph 2.1.4 is a local rule of the council's and is not a statutory requirement. The report to the personnel committee (paragraph 4.3) sets out the rationale for removing this requirement. It is suggested therefore that the sub – paragraph be deleted. As stated in the report to Personnel Committee the removal of the requirement to advertise the post externally does not mean that the council cannot decide to do this in the future.

ANNEX 2

3. RISK MANAGEMENT ISSUES

3.1 No perceived risks.

4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

4.1 Legal Officer's Comments (AK)

The legal issues are covered fully in the body of this report.

4.2 Finance Officer's Comments (CS)

There are no financial implication arising directly from this report

4.3 Diversities and Equalities Implications (AK)

None identified

5. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Amandeep Khroud, monitoring officer
Telephone: 01303 853253.
Email: Amandeep.khroud@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

Exempt

Appendices:

Appendix 1: Report P/17/09 to Personnel Committee – 28 February 2018

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