

POLICY AND RESOURCES COMMITTEE MEETING

Date: Wednesday 14 February 2018
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership: Councillors

Barned, Mrs Blackmore, Boughton, Brice, Cox, Fermor, Garland, Mrs Gooch, Harper (Vice-Chairman), Harvey, Harwood, Hastie, McLoughlin, Perry and Mrs Wilson (Chairman)

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3. Urgent Items	
4. Notification of Visiting Members	
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7. To consider whether any items should be taken in private because of the possible disclosure of exempt information.	
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9. Presentation of Petitions (if any)	
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Issued on Tuesday 6 February 2018

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

- | | |
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PART II

To move that the public be excluded for the items set out in Part II of the Agenda because of the likely disclosure of exempt information for the reasons specified having applied the Public Interest Test.

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| 18. Brunswick and Union Street Car Park Developments | 3 – Information re finance or business affairs | 183 - 198 |
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PUBLIC SPEAKING

In order to book a slot to speak at this meeting, please contact committeeservices@maidstone.gov.uk or 01622 602263 by 5 pm one clear working day before the meeting. If asking a question, you will need to provide the full text in writing. If making a statement, you will need to tell us which agenda item you wish to speak on. Please note that slots will be allocated on a first come, first served basis.

ALTERNATIVE FORMATS

The reports included in Part I of this agenda can be available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, please contact committeeservices@maidstone.gov.uk or 01622 602263. To find out more about the work of the Committee, please visit www.maidstone.gov.uk.

MAIDSTONE BOROUGH COUNCIL

Policy and Resources Committee

MINUTES OF THE MEETING HELD ON WEDNESDAY 24 JANUARY 2018

Present: Councillors Barned, Mrs Blackmore, Boughton, Brice, D Burton, Cox, English, Fermor, Mrs Gooch, Harper, Harvey, Hastie, McLoughlin, Perry and Mrs Wilson (Chairman)

129. APOLOGIES FOR ABSENCE

It was noted that apologies were received from Councillors Harwood and Garland and apologies for lateness were received from Councillor Blackmore.

130. NOTIFICATION OF SUBSTITUTE MEMBERS

It was noted that the following members were present as substitute members:

- Councillor Burton for Councillor Garland; and
- Councillor English for Councillor Harwood.

131. URGENT ITEMS

There were no urgent items.

132. NOTIFICATION OF VISITING MEMBERS

There were no visiting members.

133. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

134. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

135. EXEMPT ITEMS

RESOLVED: That all items be taken in public, as proposed.

136. MINUTES OF THE MEETING HELD ON 13 DECEMBER 2017

RESOLVED: That the minutes of the meeting held on 13 December 2017 be agreed as a correct record of the meeting and signed.

137. PRESENTATION OF PETITIONS (IF ANY)

There were no petitions.

138. QUESTIONS AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC (IF ANY)

There were no questions from members of the public.

139. QUESTIONS FROM MEMBERS OF THE COUNCIL TO THE CHAIRMAN OF THE COMMITTEE

Question to the Chairman of the Policy and Resources Committee from Councillor Louise Brice

Please can you provide an update on the activity of the Business Terrace: both a breakdown of the number of users of the Maidstone Business Terrace for the current year vs. the previous year, as compared with projections; as well as a general update on recent and upcoming events?

The Chairman explained to the Committee that Councillor Brice had indicated that a written response was sufficient to answer her question, and that a briefing note had been circulated to the Committee in response to the question.

Councillor Brice confirmed that she did not have a supplementary question.

140. COMMITTEE WORK PROGRAMME

Mr Mark Green, The Director of Finance and Business Improvement, updated the Committee that the Business Terrace Update and Digital Strategy items had been moved from the February meeting of the Committee to the March meeting.

RESOLVED: That the Committee Work Programme is noted.

141. BUSINESS RATES RETENTION PILOT 2018/19

Mr Mark Green, the Director of Finance and Business Improvement, presented a report to the Committee on the outcome of Maidstone Borough Council's application to become part of the Kent Business Rates Retention Pilot in 2018/19. The Committee noted that:

- Kent District Councils, Medway Council and Kent County Council had submitted a successful joint bid to Central Government to retain 100% of the growth of the Business Rates pool in Kent for 2018/19.
- The retained Business Rates growth for each authority would be split into two funding pots. 70% of the funding would be distributed

to precepting authorities in the form of a Financial Sustainability Fund (FSF). The remaining 30% would be assigned to a Housing and Commercial Growth Fund.

- Maidstone Borough Council was projected to receive £640,000 under the FSF for 2018/19 only, with no guarantee of the pilot being extended for future years.
- The report proposed that as the FSF was a one off sum, the funding be used to support one off projects that would provide longer term benefits. For example investing in capital items as well as revenue projects that had the potential to leverage in funding from other sources.
- As well as the £640,000 FSF payment, Maidstone Borough Council would have an opportunity to secure local investments from the Housing and Commercial Growth Fund for the North Kent Cluster which was worth a projected £3.2 million.

In response to questions from the Committee, Mr Green confirmed the following:

- The general principles of the types of projects under consideration for funding were what was being agreed at this stage, and that a list of specific projects was due to be considered at a future Policy and Resources Committee meeting.
- The principles around the distribution of the Housing and Commercial Growth Fund had not yet been agreed by the North Kent Cluster as the governance arrangements of this element of the scheme were not part of the bid to Central Government.
- The funding provided by the 100% Business Rates growth retention pilot bid was intended to be used to mitigate the effect of economic growth in the borough, therefore to use this funding to limit Council Tax increases would be contrary to the bid that had been submitted to Central Government.

RESOLVED:

1. The Committee notes that Kent and Medway have been selected to carry out a 100% business rates retention pilot in 2018/19.
2. Preliminary estimates indicating that Maidstone Borough Council may receive an additional £640,000 in Business Rates income in 2018/19 as a consequence is noted.
3. The following parameters for the allocation of the additional Business Rates income in the 2018/19 budget are agreed:

Optimising impact of FSF expenditure

In order to achieve maximum impact from the FSF, it is proposed that it is focused on a small number of discrete projects, distinct from existing agreed revenue and capital expenditure. A greater number of projects would risk spreading management input into individual projects too thinly, and would lead to relatively small budgets for each project, thus limiting their potential to make an impact.

Alignment with strategic objectives

The projects will respond to the Council's corporate priorities. In general, therefore, they will promote social, economic and environmental wellbeing. They are likely to relate to one or more of the three action areas – A Home for Everyone, Town Centre Regeneration and Clean and Safe. They must also be consistent with relevant Council strategies such as the Economic Development Strategy. Performance against corporate priorities is evaluated regularly through public engagement, eg through Resident Surveys, so it would be appropriate to consider projects that residents are likely to see as improving their quality of life.

Leveraging benefit of expenditure

The FSF provides a relatively limited sum of money, and is only available on a one-off basis. Accordingly, it is important that any investment of the FSF exploits the opportunities for leveraging additional income, either by creating a future income stream or by attracting a matching contribution in cash or through partnership working, eg with external organisations like central government or Kent County Council.

Identification and sign-off of projects

Officers will develop more detailed proposals for investment of the FSF. Further information will be contained in the budget proposals for consideration by this Committee at its meeting on 14 February. A process will be set out in this report for project approval.

Voting: Unanimous.

142. MEDIUM TERM FINANCIAL STRATEGY – CAPITAL PROGRAMME

Mr Mark Green, the Director of Finance and Business Improvement, gave a presentation to the Committee outlining the Council's Capital Programme which was part of the Medium Term Financial Strategy.

Mr Green outlined the changes to the Capital Programme contained in the report, which were:

- A new project added for essential safety works to the Mote Park Lake Dam.

- An expansion to the Commercial Investment programme, as the Council had a strong track record in delivering sustainable investments in Commercial property, for example units on the Parkwood Industrial Estate.
- Funding of the Capital Programme had previously been possible using the Council's reserves and New Homes Bonus. However as these funding sources would no longer be sufficient to fund the programme, the Capital Programme was now proposed to be partly funded through Prudential Borrowing after 2019/2020.

The Committee considered the report and requested that further detail be provided about the Software/PC replacement item in the programme. The Committee suggested that a sinking fund be set up for future replacement of IT equipment rather than use the Capital Programme for this purpose in the future.

Mr William Cornall, the Director of Regeneration and Place, confirmed that a project considering the redevelopment around the Train Station in Staplehurst was in its early stages. Mr Cornall confirmed that if the project was feasible then it was possible that it could be funded through the regeneration fund within the Capital Programme.

Note: Councillor Blackmore arrived during consideration of this item.

RESOLVED:

1. The Capital Strategy Principles outlined below are agreed:

The Council has developed some core principles for the inclusion of schemes within the capital programme. Schemes may be included in the capital programme if they fall within one of the four following categories:

- (i) Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;
- (ii) Self-funding schemes focused on strategic plan priority outcomes;
- (iii) Other schemes focused on strategic plan priority outcomes; and
- (iv) Other priority schemes which will attract significant external funding.

2. The Capital Funding Projection set out in Appendix B to this report is agreed.
3. The Capital Programme 2018/19 onwards as set out in Appendix C to this report is agreed.

4. A prudential borrowing limit of £44,651,000 over the period of the programme which will be recommended to Council as part of the Treasury Management Strategy 2018/19 is noted.

Voting: For - 14 Against - 0 Abstentions - 1

143. FEES AND CHARGES

Mr Mark Green, the Director of Finance and Business Improvement, introduced the Fees and Charges report for the Policy and Resources Committee. Mr Green conveyed to the Committee that this report was the regular annual review of Fees and Charges for services within the Committee's remit.

The Committee noted that the largest area within the Committee's remit for which Fees and Charges were collected was the Mid Kent Enforcement Service. However as the fees and charges for this service were set by statute the Committee was not able to change the level of fees and charges levied by the service.

In response to questions from the Committee, Mr Green confirmed that:

- The electricity supply problems had been resolved in Jubilee Square; and
- Income for Environmental Enforcement had reduced due to the early termination of the contract for Litter Enforcement. However the Communities, Housing and Environment Committee had agreed to set up an in house enforcement team to carry out a variety of different enforcement activities.

RESOLVED:

1. That the proposed discretionary fees and charges set out in Appendix 1 to this report are agreed.
2. That the centrally determined fees and charges set out in Appendix 1 to this report are noted.
3. That the overall change in fees and charges attached at Appendix 2 are noted.

Voting: Unanimous

144. DURATION OF MEETING

6.32 p.m. to 7.46 p.m.

ESTIMATED CAPITAL PROGRAMME RESOURCES 2018/19 - 2022/23

Source of funding	Estimate					Total £000
	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	
Contribution from Earmarked Reserve (New Homes Bonus)	3,200	3,400	0	0	0	6,600
Capital Grants (Disabled Facilities)	800	800	800	800	800	4,000
Internal Borrowing	18,401	0	0	0	0	18,401
Prudential Borrowing	4,132	17,983	8,086	7,225	7,225	44,651
TOTAL	26,533	22,183	8,886	8,025	8,025	73,652

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PROPOSED FIVE YEAR CAPITAL PROGRAMME 2018/19 - 2022/23

	17/18	Five year plan					Total £000
	Projected £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	
Housing Development and Regeneration	1,666	9,066	14,631	3,786	3,350	3,350	34,183
Temporary Accommodation	3,914	4,500	600	600	600	600	6,900
Disabled Facilities Grants	692	1,192	800	800	800	800	4,392
Flood Action Plan	5	500	500	63			1,063
Public Realm Capital Improvements	50	150	25	25			200
Commercial Waste		180					180
Gypsy Site Fencing Works	42						0
Sub-total Communities, Housing & Environment	6,369	15,588	16,556	5,274	4,750	4,750	46,918
Mote Park Dam Works	0	1,300	600				1,900
Mote Park Visitor Centre	74	562	1,073				1,635
Mote Park Adventure Zone	1,469	515	375				890
Continued Improvements to Play Areas	469	881					881
Museum Development Plan	145	175	170	90			435
Crematorium Development Plan	264	353					353
Other Parks Improvements		100					100
Sub-total Heritage, Culture & Leisure	2,421	3,886	2,218	90	0	0	6,194
Property Investment Strategy	3,597	2,403	2,500	2,500	2,500	2,500	12,403
Infrastructure Delivery		600	600	600	600	600	3,000
Town Centre Public Realm	444	2,540					2,540
Corporate Property	200	756	175	175	175	175	1,456
Software / PC Replacement	143	115	84	247			446
Maidstone East/Sessions Square	576	296					296
Feasibility Studies	50	50	50				100
Sub-total Policy & Resources	5,010	6,760	3,409	3,522	3,275	3,275	20,241
Bridges Gyrotory Scheme	160	299					299
Riverside Towpath	40						0
Sub-total Strategic Planning, Sustainability & Transportation	200	299	0	0	0	0	299
TOTAL	14,000	26,533	22,183	8,886	8,025	8,025	73,652

Medium Term Financial Strategy 2018/19

Fees Charges

Policy Resources Committee

Fees and Charges April 2017 - March 2018	* Includes VAT	Discretionary Fee	Statutory Fee	2016-2017 Actuals	2017 - 2018 Current Estimate	Current Charges 2017-2018	Proposed Charges 2018-2019	% Change	2017-2018 +/- Income	2018 -2019 Estimate	Comments
Business Terrace											
Business Terrace											
Offices (month)				49636	49,580					49,580	Average price increase of 21.43% on 2015 prices. Removing the need for further inflation-based increases for several years
Office 1		x				600.00	600.00	0.00%			
Office 2		x				250.00	250.00	0.00%			
Office 3		x				250.00	250.00	0.00%			
Office 4		x				167.00	167.00	0.00%			
Office 5		x				360.00	360.00	0.00%			
Office 6		x				360.00	360.00	0.00%			
Office 7		x				525.00	525.00	0.00%			
Office 8		x				375.00	375.00	0.00%			
Office 9		x				500.00	500.00	0.00%			
Office 10		x				375.00	375.00	0.00%			
Office 11		x				250.00	250.00	0.00%			
Office 12		x				250.00	250.00	0.00%			
Office 13		x				845.00	845.00	0.00%			
Office 14		x				496.00	496.00	0.00%			
Office 15		x				1,457.00	1,457.00	0.00%			
Office 16		x				1,165.00	1,165.00	0.00%			
Office 17		x				1,078.00	1,078.00	0.00%			
Hot desks and meeting space				9362	40,100					40,100	Prices unchanged due to market demand. Increased awareness will increase usage, increasing income
Hot desk day pass		x				10.00	10.00	0.00%			
Hot desk package 30 (month)		x				40.00	40.00	0.00%			
Hot desk package 50 (month)		x				62.50	62.50	0.00%			
Hot desk package 100 (month)		x				120.00	120.00	0.00%			
Hot desk unlimited (month)		x				162.50	162.50	0.00%			
Meeting room (hour)		x				5.00	5.00	0.00%			
Seminar Room (half day)		x				58.33	58.33	0.00%			
Seminar Room (full day)		x				125.00	125.00	0.00%			
Business Terrace Total				58,998	89,680				0	89,680	
Economic Development-Jubilee Square											
Jubilee Square (EN40 B724)				8155	3500					3500	
Use of premises licence		x				68.00	68.00	0.00%			
Use of electricity (incl Openreach call out)		x				22.00	80.00	263.64%			
Promotional/educational stands		x				230.00	240.00	4.35%			
Promotional with use of Licence		x				250.00	240.00	-4.00%			
Events (min) charity fee		x				105.00	50.00	-52.38%			
Economic Development Total	****			8,155	3,500				0	3,500	

Medium Term Financial Strategy 2018/19

Fees Charges

Fees and Charges April 2017 - March 2018	* Includes VAT	Discretionary Fee	Statutory Fee	2016-2017 Actuals	2017 - 2018 Current Estimate	Current Charges 2017-2018	Proposed Charges 2018-2019	% Change	2017-2018 + / - Income	2018 -2019 Estimate	Comments
Legal Services											
Business Tenancies and Leases				56,729	43,400					43,400	
Licences (minimum charges)						212.00	0.00				Discontinued
Initial lease/tenancy (minimum charges)						318.00	0.00				Discontinued
Renewal (minimum charges)						162.00	0.00				Discontinued
Licences to assign/sublet/change use/alter premises (minimum charges)						162.00	0.00				Discontinued
Hourly Rate		x				210.00	215.00	2.38%			This fee may be varied depending on the cost of delivering the service
New Road licences											
											Contribution negotiated with asset management team
											Contribution negotiated with asset management team
Council Land											
Routine transactions* (subject to minimum charge)						527.00	0.00				Discontinued
Hourly Rate		x				210.00	215.00	2.38%			This fee may be varied depending on the cost of delivering the service
Complex transactions (hourly rate shown - subject to a minimum charge of £1,000)						207.00	0.00				Discontinued
Sale as mortgagee in possession (minimum charge)						369.00	0.00				Discontinued
<i>*Includes sale of council land and disposal of public open spaces (advertising is a separate fee)</i>											
Easement											
Residential (minimum charge)						222.00	0.00				Discontinued
Commercial (minimum charge)						333.00	0.00				Discontinued
Hourly Rate		x				210.00	215.00	2.38%			This fee may be varied depending on the cost of delivering the service
Completion of Section 106 Planning Agreements											
Routine (minimum charge)						578.00	0.00				Discontinued
hourly rate		x				210.00	215.00	2.38%			This fee may be varied depending on the cost of delivering the service
Complex (minimum charge)						1,060.00	0.00				Discontinued
Complex (per hour)						207.00	0.00				Discontinued
Variation (minimum charge)						581.00	0.00				Discontinued
Variation (per hour)						210.00	215.00	2.38%			
Other Legal work (not covered by the above)											
External hourly rate		x				210.00	215.00	2.38%			
Administrative Fees (plus postage where applicable)											
A4 Documents Single Sided per page						0.50	0.50	0.00%			
A4 Documents Double Sided per page						1.00	1.00	0.00%			
Colour A4 Documents Single Sided per page						1.00	1.00	0.00%			
Copies of Legal Agreements/Deeds etc						5.00 to 40.00	5.00 to 40.00	0.00%			
Legal Services Total				56,729	43,400					0	43,400

Medium Term Financial Strategy 2018/19

Fees Charges

Fees and Charges April 2017 - March 2018	* Includes VAT	Discretionary Fee	Statutory Fee	2016-2017 Actuals	2017 - 2018 Current Estimate	Current Charges 2017-2018	Proposed Charges 2018-2019	% Change	2017-2018 +/- Income	2018 -2019 Estimate	Comments
Town Hall											
Fees & Charges		x		0	1,840					1,840	
Town Hall Lettings F071		x		1302	2,150					2,150	Tenants are currently being sought for the ground floor and the charge will be subject to negotiation with prospective tenants.
Town Hall Total				1,302	3,990				0	3,990	
Maidstone House (parking at MBC)											
Maidstone House (Staff Parking at MBC) Total	*	x		0	15,000	480.00	480.00	0.00%	0	15,000	Per annum - officer working over 25 hours
		x		0	15,000				0	15,000	
Mid Kent Enforcement Service (MKES)											
51 Compliance Fees - statutory charge		x		370,848	710,580	75.00	75.00	0.00%	165,420	876,000	This operates as a shared service, the income is gross and the net profit is shared equally between the 3 authorities.
Enforcement Fees - statutory charge		x				235.00	235.00	0.00%			Budget for 2017/18 full year effect and set as per cabinet report 14/04/2015
Shared MKES Total				370,848	710,580				165,420	876,000	
GRAND TOTAL				496,032	866,150				165,420	1,031,570	

Medium Term Financial Strategy 2018/19

Fees and Charges

Policy and Resources Committee

Service Area	2016-17	2017-18	Proposed	2018-19
	Outturn	Estimate	change in	Estimate
	£	£	£	£
Environmental Enforcement & Community Protection	4,804	3,900	0	3,900
Environmental Health	5,100	3,480	0	3,480
Licensing	30,657	29,560	0	29,560
Hackney Carriage and Private Hire Drivers Licences	114,899	133,360	0	133,360
HMO Licensing	21,850	13,380	0	13,380
Marde/Ulcombe Caravan Sites	74,918	66,200	0	66,200
Recycling & Refuse Collection	1,073,603	1,116,380	0	1,116,380
Environmental Enforcement & Community Protection	111,524	101,520	-99,000	2,520
Environmental Health	12,746	9,570	0	9,570
Licensing (statutory)	0	0	0	0
Communities, Housing & Environment Total	1,450,101	1,477,350	-99,000	1,378,350
Museum	52,683	64,500	0	64,500
Parks and Open Spaces	42,711	60,040	0	60,040
Cemetery	112,560	137,640	0	137,640
Crematorium	1,262,045	1,213,420	0	1,213,420
Market	163,017	179,840	-40,000	139,840
Heritage, Culture & Leisure Total	1,633,016	1,655,440	-40,000	1,615,440
Business Terrace	58,998	89,680	0	89,680
Jubilee Square	8,155	3,500	0	3,500
Legal Services	56,729	43,400	0	43,400
Town Hall	1,302	3,990	0	3,990
Maidstone House (staff parking)	0	15,000	0	15,000
Mid Kent Enforcement Service*	370,848	710,580	165,420	876,000
Policy & Resources Total	496,032	866,150	165,420	1,031,570
Street Naming & Numbering	66,995	49,000	0	49,000
Parking Services – off street	2,354,496	2,492,610	200,000	2,692,610
Park & Ride	232,617	236,830	0	236,830
Development Control – Pre-application fees	155,619	115,000	0	115,000
Parking Services	218,341	186,020	0	186,020
Local Land Charges	254,747	253,750	50,000	303,750
Building Control	377,697	326,850	0	326,850
Development Control – Planning & Conservation	1,277,616	1,520,530	0	1,520,530
Parking services - PCNs	884,204	864,660	0	864,660
Strategic Planning, Sustainability & Transportation Total	5,822,332	6,045,250	250,000	6,295,250
Grand Total	9,401,481	10,044,190	276,420	10,320,610

2017/18 WORK PROGRAMME

Report Title	Work Stream	Committee	Month	Lead	Report Author
Business Terrace Update	Updates, Monitoring Reports and Reviews	P&R	Mar-18	William Cornall	Dawn Hudd
Digital Strategy	New/Updates to Strategies & Policies	P&R	Mar-18	Georgia Hawkes	Georgia Hawkes
Kent Medical Campus Innovation Centre	Changes to Services & Commissioning	P&R	Mar-18	Dawn Hudd	Abi Lewis
Setting new Key Performance Indicators	Corporate Planning	P&R	Mar-18	Angela Woodhouse	Anna Collier
Debt Recovery Policy	New/Updates to Strategies & Policies	P&R	Mar-18	Sheila Coburn	Sheila Coburn
New Ways of Working - Maidstone House Office Accommodation	New/Updates to Strategies & Policies	P&R	Mar-18	Mark Green	Georgia Hawkes
Sky Lantern Ban	New/Updates to Strategies & Policies	P&R	Mar-18	Dawn Hudd	Dawn Hudd
Phase 3 Public Realm - Funding	Regeneration and Commercialisation	P&R	Mar-18	Dawn Hudd	Fran Wallis
Commissioning & Procurement Strategy	New/Updates to Strategies & Policies	P&R	Apr-18	Mark Green	Steve Trigg/Georgia Hawkes
Mote Park Lake Dam	Capital projects	P&R	Apr-18	Mark Green	Lucy Stroud
Commercial Investment Strategy	New/Updates to Strategies & Policies	P&R	Jun-18	Mark Green	Lucy Stroud
King Street	Regeneration and Commercialisation	P&R	TBC	William Cornall	Alison Elliott

Agenda Item 12

Policy & Resources Committee

14 February 2018

Counter Fraud & Corruption Policy

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Rich Clarke, Head of Audit Partnership
Classification	Public
Wards affected	All

Executive Summary

A refreshed policy setting out how the Council aims to identify and mitigate the risks of fraud, corruption and wider economic crime. The Policy also sets out how the Council will deal with incidents.

This report makes the following recommendations to this Committee:

1. That the Counter Fraud & Corruption policy is approved.

Timetable

Meeting	Date
Wider Leadership Team	9 January 2018
Audit, Governance & Standards Committee	15 January 2018
Policy & Resources Committee	14 February 2018

Counter Fraud & Corruption Policy

1. INTRODUCTION AND BACKGROUND

1.1 The Council's present counter fraud policy dates from 2009. While that document remains fundamentally sound, it has fallen out-of-date against current best practice. There are also specific developments since then, including the *Bribery Act 2010* and *CIPFA's Counter Fraud Code of Practice* that should feature within the Council's policymaking.

1.2 We have aimed to keep the Policy brief and straightforward with much detail included within the appendices. Those appendices are in summary rather than attached here for the following reasons:

- They contain details of investigative method (including, for example, the range and types of information shared) that might aid potential fraudsters.
- They repeat policies already seen by Members (including the Whistleblowing Policy).
- They need further detailed development with at-risk services (for instance discussing with public facing, decision making and cash handling departments on specific procedures to identify and address bribery threats).

1.3 However, for a brief overall summary, see the notes below which describe how the Policy addresses the key principles of the *CIPFA Code*.

Key Principle	Policy Approach
1 – Accept responsibility	Includes clear statements on the unacceptability of fraud (e.g. paras 1 to 7) and describing roles and responsibilities of individuals and groups (e.g. paras 15 to 30).
2 – Identify risks	Sets out an approach to identifying fraud risk (para 32), including reference to external and benchmarking data.
3 – Develop a strategy	Overall strategy set out in general procedures (paras 31 to 45) plus specific commitment for annual plan (para 33).
4 – Provide resources	Includes provision for specific annual plan (para 33) and oversight arrangements (para 45).
5 – Take action	Sets out response features (paras 41-42), including seeking sanctions and publicising success. Also includes commitment to upholding training and awareness (para 40).

2. AVAILABLE OPTIONS

2.1 The Council is not required to have a Counter Fraud & Corruption policy. However, it is in keeping with the Council's desired standards of governance

to clearly set out its approach to identifying and tackling economic crime and affirming a robust approach to threat. The Council does currently have a policy that, broadly, conforms to those aims and would allow (but not demand) the extra action set out in appendix 1.

- 2.2 Members could, therefore, choose to keep the previous policy.
- 2.3 Alternatively, the Policy at Appendix 1 conforms to current best practice, in particular in recognising developments since the previous incarnation. It also sets out with more clarity our aims to keep our approach updated year to year for developing risk and providing results to Senior Management and Members. It also clarifies decision making around information and investigation.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 We recommend approval of the Policy at Appendix 1. This will direct a more comprehensive approach to tackling fraud and corruption. We will set that out in more detail in the Internal Audit & Governance Plan 2018/19.

4. RISK

- 4.1 We have considered the risks associated with this proposal, including the risks if the Council does not act as recommended in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the (Risk Management) Policy.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 We presented to Members in an informal briefing in November 2017 our outline plans for the Policy. In a discussion following that presentation, Members made several points on areas to include, such as stressing the benefits of publicising successful prosecutions. The Policy reflects the feedback from that discussion.
- 5.2 The Policy was circulated to the Director of Finance and Business Improvement last month and updated for comments. The Policy was also discussed at a Wider Leadership Team meeting on 9 January.
- 5.3 The Council is also a member of the CIPFA Counter Fraud Network. Using that membership we have circulated the policy to CIPFA for comment.
- 5.4 Finally, the policy was presented to the Audit, Governance & Standards Committee on 15 January 2018 for recommendation onwards to this

Committee. The policy as presented at Appendix 1 reflects all those comments with Appendix 2 setting out the detail of those changes.

- 5.5 Note also that since circulating the Policy to Members in January the Council has published updated branding guidelines for Corporate documents. The Policy at Appendix 1 has also been amended to reflect these new corporate branding requirements (for example in including the 'wave' footer and standardising the colouring and font choice).

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Once agreed, the Policy will inform preparation of our 2018/19 Internal Audit & Governance Plan. Members of the Audit, Governance & Standards Committee will see that plan in the Spring and have opportunity to comment on the detail.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims by helping enhance the quality of corporate governance.	Rich Clarke Head of Audit Partnership 1 February 2018
Risk Management	See section 4	
Financial	The proposals set out in the recommendation are all within already approved budgetary headings and so need no new funding.	[Section 151 Officer & Finance Team]
Staffing	We will deliver the recommendations with our current staffing. The Mid Kent Audit team includes 3 officers with relevant professional qualifications. We will keep the required level of experience and expertise under review.	Rich Clarke Head of Audit Partnership 1 February 2018
Legal	The Council is free to set out policies on how it will address economic crime risk and incidents. The actions set out in the policy are within the Council's powers, which include investigating incidents and (potentially) referring for prosecution.	Keith Trowell Interim Team Leader (Corporate Governance) 1 February 2018
Privacy and	The Policy includes references to how we will	

Issue	Implications	Sign-off
Data Protection	use information to help identify and address risks of Economic Crime. The Policy also sets out that we will share information with others where useful and efficient. We will undertake all data sharing in line with applicable laws and policies.	
Equalities	The recommendations do not propose a change in service that require an equalities impact assessment	Rich Clarke Head of Audit Partnership 1 February 2018
Crime and Disorder	The Policy aims to improve the Council's approach in dealing with specific forms of crime.	
Procurement	The Policy does not require any immediate procurement. Any future procurement exercises for products or services that would enhance our approach will be undertaken in line with applicable Contract Standing Orders.	

8. REPORT APPENDICES

- Appendix 1: Counter Fraud & Corruption Policy
- Appendix 2: Tracked changes from version presented to Members of the Audit, Governance & Standards Committee on 15 January 2018.

9. BACKGROUND PAPERS

CIPFA Code of Practice for Counter Fraud -

<http://www.cipfa.org/services/counter-fraud-centre/code-of-practice>

Existing Corporate Anti-Fraud and Corruption Policy -

<http://vindex/HR/Documents/Corporate%20Anti%20Fraud%20and%20Corruption%20Policy.pdf>

Counter Fraud & Corruption Policy

Maidstone Borough Council

Policy Owner (Officer): Head of Audit Partnership

Policy Owner (Members): Policy & Resource Committee

Preparation Date: February 2018

Next Full Review: February 2020

Introduction

1. All fraud, bribery and corruption (collectively referred to as Economic Crime) is unacceptable. The Council will not tolerate any Economic Crime that comes to its attention. Economic Crime diverts resources and limits the capacity of the Council to improve the lives and opportunities for its residents, businesses and visitors.
2. The Council should therefore safeguard its funds and resources against those minded to commit Economic Crime. This includes creating and upholding a culture of high ethical standards, honesty and transparency.
3. This policy aims to:
 - Explain how the Council intends to tackle Economic Crime
 - Provide guidance to Officers, and
 - Ensure Officers can recognise Economic Crime and understand reporting.

Policy Statement

4. We seek to ensure we properly protect our resources from fraud, bribery and other economic crime.
5. The Section 151 Officer is responsible for overseeing and providing strategic management and support for work to tackle Economic Crime.
6. Officers must report any suspicions of Economic Crime as soon as possible to ensure proper investigations, minimise losses and maximise the chances of financial recovery. We set out routes for reporting in the Whistleblowing Policy (Appendix D) and summary reporting flow chart (Appendix A).
7. Mid Kent Audit will lead investigations into Economic Crime, calling on the expertise of other partner agencies (including the police) as needed. The decision on involving other agencies rests with the Head of Audit Partnership, after suitable consultation.
8. Under no circumstances should any Officer themselves begin an investigation into suspected or alleged Economic Crime.

9. All Officers must cooperate with investigations into Economic Crime. This includes:
 - Providing information and intelligence
 - Making time and documentation available to investigators on request, and
 - Not revealing information about open investigations to unauthorised people.
10. We will ensure consistency, fairness and objectivity in all our investigative work.
11. We encourage everyone to report genuine suspicions. We will provide all reasonable protection to those who raise genuine concerns in good faith. However, we will not tolerate malicious allegations and these may result in further action.
12. We will seek all available sanctions against those found to have committed Economic Crime. These include criminal, civil and disciplinary sanctions. We will also aim for repayment of any financial gain from individuals involved in Economic Crime.
13. The Policy's scope intends to cover people working for or with the Council. This will include officers, Members, contractors and partner agencies. It does not aim to direct members of the public. However, if members of public do have information to share related to Economic Crime we encourage reporting to the Council or other relevant agencies using the contact information set out in appendix D.
14. The Council has only very limited standing to investigate incidents where we are not the victim. However, we will relay any information or reports we receive to the relevant agency.

Roles and Responsibilities

Members

15. As elected representatives, all Members of the Council have a duty to act in the public interest and do what they can to ensure the Council uses its resources properly.
16. Members therefore work within the Constitution which includes the Code of Member Conduct and Financial Regulations.

17. We encourage Members to use the reporting routes set out in appendices A and D to record any concerns or suspicious activity that comes to their notice.

Officers

18. All officers shall be alert to the possibility of Economic Crime and report any suspicious activity. We list possible channels for reporting at appendix D.
19. Officers shall also comply with the Code of Conduct and Council policy and procedures. Failing to adhere to policy and procedures may result in disciplinary action.
20. Officers must also properly account for and safeguard the money and assets in their charge. This responsibility includes designing and operating controls that aim to prevent fraud or loss.

Partners, suppliers, contractors and consultants

21. We expect all people and organisations working with the Council to be aware of the possibility of Economic Crime and report any genuine concerns or suspicions. We may demand specific adherence to this or similar policies in significant partnership arrangements.

Specific roles and responsibilities

22. Chief Executive: Overall accountability for the effectiveness of the Council's arrangements for tackling Economic Crime.
23. Section 151 Officer: To ensure the Council has adopted a fitting strategy, upholding an effective control environment and an adequately resourced and effective internal audit service to deliver detailed work on tackling Economic Crime.
24. Monitoring Officer: To advise Members and Officers on ethical issues, standards and powers to ensure the Council works within the law and Codes of Practice.
25. Audit, Governance & Standards Committee: To oversee the Council's strategies and policies and consider the effectiveness of arrangements for tackling Economic Crime.

26. External Audit: Statutory duty to ensure the Council has acceptable arrangements in place for ensuring economy, efficiency and effectiveness in its use of resources.
27. Head of Audit Partnership: Acts as Head of Counter Fraud in developing and carrying out this policy and providing suitable advice to Officers and Members. Also responsible for overseeing investigation of any reported issues and ensuring the Council deals with all suspected or reported irregularities quickly and suitably.
28. Mid Kent Audit: To consider and recommend action necessary to improve controls arising from irregularities and so reduce the risk of recurrence.
29. Management: To promote staff awareness and ensure prompt reporting of all suspected or reported irregularities. Also to put in place proper means within their services to assess the risk of fraud and other economic crime and to reduce those risks through effective control.
30. Mid Kent Human Resources: Advising with taking forward disciplinary proceedings against employees who have committed an offence. It is not unusual for criminal and disciplinary investigations to overlap. If there is overlap, the Council should seek to investigate separately but with close liaison. This may include sharing information at suitable times.

General Corporate Level Procedures

31. We will ensure there is support for work to tackle Economic Crime and all levels within the Council. We note CIPFA's Code of Practice on managing risk of fraud and corruption (*Fighting Fraud Locally*) and draw three key themes to support our approach.

Acknowledge and inform	Prevent and deter	Pursue and hold to account
<ul style="list-style-type: none"> • Assess and understand fraud risk • Committing to tackling economic crime • Preserving a robust response 	<ul style="list-style-type: none"> • Using information and technology • Improving controls • Developing and maintaining a strong ethical culture 	<ul style="list-style-type: none"> • Prioritising recovery and use of sanctions • Collaboration • Monitoring and reporting

Assessing and understanding fraud risk

32. We will continue development of this policy and strategy through gaining a clear understanding of the threat, emerging risks, trends and savings when dealing with Economic Crime. We will complete this risk assessment referring to benchmarking and published information (for example, CIPFA's Fraud Survey) at least yearly.

Committing resource

33. The risk assessment will support an annual plan for approval of Members as part of the Internal Audit & Assurance plan. This will include proactive targeting of higher risk topics, raising staff awareness and providing training and support materials.

Preserving a robust response

34. We will ensure all our Officers understand what Economic Crime is and their role in tackling it. This will include following the correct reporting procedures, especially Whistle-Blowing, and making sure suitable secure reporting channels remain available. We will also take seriously and act on reports of suspected Economic Crime.

Using Information and Technology

35. We will seek to make use of the information we hold in assessing risk and prevention and detection of Economic Crime. We may use personal information and data-matching to detect and prevent fraud, and ensure spending of public money in the most cost effective way. Where we use data, we will use it as required by law. However, we note that laws often specifically allow for data sharing to support fraud prevention and investigation as set out below.
36. We may also share information with others responsible for auditing or managing public funds.

Improving Fraud Controls

37. The most effective method of tackling Economic Crime is prevention. We will work over time to realign resources towards prevention and deterrence. This will include considering fraud risk in designing new systems and in general risk assessments of new and continuing ventures.

38. We will also consider developing best practice in the field, and learning from others. For example, by regular review of CIPFA's Code of Practice and other publications and membership of and engagement with relevant professional bodies.
39. We will also refer matters arising from investigations. Whatever their result, we will consider whether there are lessons for the Council to learn in improving controls.

Developing and Upholding a strong ethical culture

40. The culture and tone of the Council must be one of honesty with zero tolerance towards fraud, bribery and corruption. We show this already through codes of conduct for officers and members, but will continue to reinforce the right culture by:
 - Raising awareness of Economic Crime with training for new and existing Officers and Members, making use of e-learning packages where fitting.
 - Publicising the successes of efforts to tackle Economic Crime so the risk and result of detection are clear to potential offenders.

Prioritising recovery and use of sanctions

41. We will seek to ensure those who have committed Economic Crime are held to account for their actions; crime must not pay. Where we discover economic crime we will consider a full range of sanctions, including civil, disciplinary and criminal action. We will also seek to recoup losses and confiscate assets gained from crime.
42. Criminal prosecutions deter potential offenders and reinforce our zero tolerance for economic crime. Successful prosecutions need professional investigation to ensure evidence gathering complies with law. Investigative staff must have proper training, suitable skills and access, where necessary, to specialist support to secure effective prosecution.

Collaborating with Others

43. We recognise that organised crime in particular works across boundaries and services. Effective cooperation and working with other agencies (including the Police) will be essential in developing and ensuring the success of our response.

44. This may include, in particular, sharing data and information with partner agencies. Where we do share data, we will do so in line with relevant laws and rules. We note such laws often specifically allow sharing in this circumstance (for example section 29 of the DPA 1998). We will also join regional and national data sharing exercises, such as the National Fraud Initiative, to help improve our work in tackling Economic Crime.

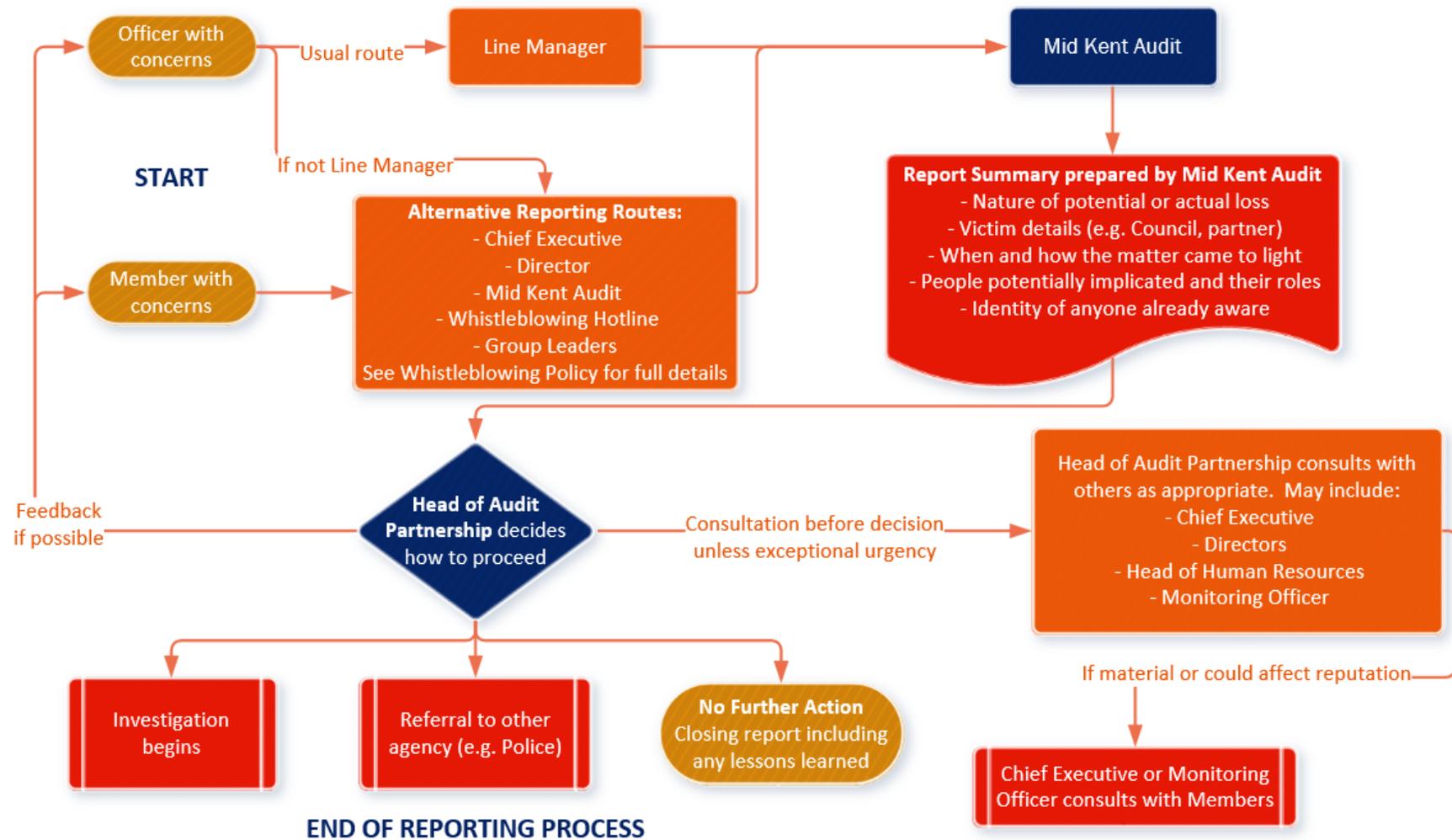
Monitoring and Reporting

45. We will provide regular updates to Senior Management and Members on reported Economic Crime and result of investigations. We will also report progress towards delivery of each year's counter fraud plan.

Further Advice and Support

46. We recognise the primary responsibility for prevention and detection of fraud rests with management. It is essential that Officers report irregularities or suspected irregularities to their line manager or, alternatively, to the Head of Service or Mid Kent Audit. We will provide all reasonable protection to those who raise genuine concerns in good faith.
47. If you have a matter you wish to discuss, you can contact the Head of Audit Partnership on extension 2056 or rich.clarke@midkent.gov.uk for confidential advice

Appendix A: Counter Fraud & Corruption – Reporting Process



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Appendix B – Economic Crime Offences

Fraud

The Fraud Act 2006 defines three principal ways of committing fraud:

- Fraud by false representation (section 2);
- Fraud by failing to disclose information (section 3), and
- Fraud by abuse of position (section 4).

For fraud to occur, the person's conduct must be dishonest. It must also intend to make a gain, or cause loss (or risk of loss) to someone.

The gain intended does not have to be personal for the individual, but could be for another person (who does not even need to know of the conduct).

It is not necessary for the conduct to succeed to be a crime. Even where the Council detects fraud before suffering loss, the person may have committed a criminal offence.

The Fraud Act also covers behaviour often known by other names, such as deception, forgery, extortion, conspiracy, embezzlement, misappropriation, speculation or false accounting.

Fraud carries a maximum sentence of 10 years imprisonment and an unlimited fine. Offenders may also face resulting action seeking to recover any assets gained because of criminal acts.

Bribery and Corruption

Bribery is giving or offering someone a financial or other advantage aiming to encourage that person to perform their duties improperly or to reward someone for having done so. It also covers asking for, agreeing to receive or accepting the advantage offered.

The Bribery Act 2010 reformed the law of bribery, making offences clearer and helping tackle it proactively. This includes separate offences for offering a bribe (section 1) and accepting a bribe (section 2).

It also introduced a corporate offence, which means the Council (and its individual senior officers) could face exposure to criminal liability for failing to prevent bribery (section 7).

What might form a 'bribe' is much broader than just money. It includes offering, seeking or accepting any advantage which can include gift, services or offers of employment.

Bribery carries a maximum sentence of 10 years imprisonment and an unlimited fine. Offenders may also face resulting action seeking to recover any assets gained because of criminal acts.

Theft

Under the Theft Act 1968, theft is physical misappropriation of any tangible assets. A person is guilty if they dishonestly appropriate property belonging to another with the intention of permanently depriving the other of it.

Theft carries a maximum sentence of 7 years' imprisonment. Offenders may also face resulting action seeking to recover any assets gained because of criminal acts.

Money Laundering

The Money Laundering Regulations set out that this is how criminals seek to disguise the origins and ownership of the results of their crimes. The intended result is to leave the criminal with money that no one can trace back so the criminal can then use it without suspicion.

Councils are increasingly used by criminals as unwitting parties in money laundering scams. All employees should be aware of the risk of money laundering and follow the procedures set out when they see suspicious transactions.

Economic Crime related to Council Tax and Business Rates

The Council keeps a separate Revenues Compliance team who lead on efforts to prevent and detect Economic Crime in these fields. See separate policies for further information.

Appendix C – Economic Crime Investigation Protocol

[Information about the process of undertaking an investigation, including specifics on the roles of officers in supporting investigation. For example, on safeguarding evidence and submitting to interview. This appendix will not be published in full outside the audit team or with advice from the audit team as it gives details of method. However, it will give a summary of investigative practice addressing the following points (also expressed in the whistleblowing policy)].

- All reports will be taken seriously and reviewed
- Investigations will be independent and impartial, aimed at establishing the facts of the situation reported.
- Investigators will be trained and supervised, working to an established investigative method.
- If proper for the circumstances, that method will be in line with Criminal Procedures Investigation Act 1996 and the Police and Criminal Evidence Act 1984.

Appendix D – Whistleblowing Policy & Procedures

[Existing policy will be copy/pasted into this document, with minor updates to reflect changes to communication systems since its original agreement].

Appendix E – Anti Bribery Policy & Procedures

[Further detail, including specifics on what we regard as 'adequate procedures' to act as a shield against the section 7 Corporate offence. Also will include information on 'facilitation payments' and other euphemisms that might seek to cover offences. Will be developed after further consultation with officers in relevant services].

Appendix F – Anti Money Laundering Policy & Procedures

[Policy and procedures maintained by Finance, will copy/paste existing position into this document]

Appendix G – Investigation Liaison Protocols

[Any specific intra-council protocols. One already exists between audit/HR and there's scope for similar between audit/legal and audit/IT. These will be added to this document as they are developed. Could potentially include protocols with third parties, but they are more likely to be case-by-case. Will not be published in full outside the audit team and relevant services as they will give details of method. However, will include general principles common to any protocols:].

- Fair and impartial investigations.
- Appropriate co-operation and information sharing between agencies and services.

Counter Fraud & Corruption Policy (Tracked Changes)

Since presented to Members at the Audit, Governance & Standards Committee we have made some minor changes to wording within the policy. In the main, these changes aim to maintain a consistent tone through the document and better reflect the Council’s attitude towards fraud and corruption. The extracts below highlight those changes which are shown without highlight in the ‘clean’ version included in the prior appendix.

Change #1

Policy Owner (Officer): Head of Audit Partnership

Policy Owner (Members): Policy & Resource Committee

Preparation Date: February 2018

Next Full Review: February 2020

Comment [RDC1]: Update to reflect constitutional position that AGS recommends for PRC approval

Comment [RDC2]: Updates to reflect PRC approval

Change #2

13. The Policy’s scope intends to cover people working for or with the Council. This will include officers, Members, contractors and partner agencies. It does not aim to direct members of the public. However, if members of public do have information to share related to Economic Crime we encourage reporting to the Council or other relevant agencies using the contact information set out in appendix D.

14. The Council has only very limited standing to investigate incidents where we are not the victim. However, we will relay any information or reports we receive to the relevant agency.

Comment [RDC3]: Added scope section following comments from Chief Executive. Clarifies intended audience as broad scope, but will have different engagements with different groups.

Change #3

Officers

18. All officers shall be alert to the possibility of Economic Crime and report any suspicious activity. We list possible channels for reporting at appendix D.

19. Officers shall also comply with the Code of Conduct and Council policy and procedures. Failing to adhere to policy and procedures may result in disciplinary action.

20. Officers must also properly account for and safeguard the money and assets in their charge.

This responsibility includes designing and operating controls that aim to prevent fraud or loss.

Comment [RDC4]: Language firmed up at request of AGS—changing from “expect officers” to “officers shall” to better reflect expectations.

Comment [RDC5]: Added at request of Chief Exec, clarifying responsibility for designing and maintaining effective systems of control.

Partners, suppliers, contractors and consultants

Change #4

Using Information and Technology

35. We will seek to make use of the information we hold in assessing risk and prevention and detection of Economic Crime. We may use personal information and data-matching to detect and prevent fraud, and ensure spending of public money in the most cost effective way. Where we use data, we will use it as required by law. However, we note that laws often specifically allow for data sharing to support fraud prevention and investigation as set out below.
36. We may also share information with others responsible for auditing or managing public funds.

Comment [RDC6]: At request of AGS, expanded section to clarify such uses are in accordance with law.

Change #5

Developing and Upholding a strong ethical culture

40. The culture and tone of the Council must be one of honesty with zero tolerance towards fraud, bribery and corruption. We show this already through codes of conduct for officers and members, but will continue to reinforce the right culture by:
- Raising awareness of Economic Crime with training for new and existing Officers and Members, making use of e-learning packages where fitting.
 - Publicising the successes of efforts to tackle Economic Crime so the risk and result of detection are clear to potential offenders.

Comment [RDC7]: Added at request of AGS to better reflect scope of policy.

Change #6

Prioritising recovery and use of sanctions

41. We will seek to ensure those who have committed Economic Crime are held to account for their actions; crime must not pay. Where we discover economic crime we will consider a full range of sanctions, including civil, disciplinary and criminal action. We will also seek to recoup losses and confiscate assets gained from crime.
42. Criminal prosecutions deter potential offenders and reinforce our zero tolerance for economic crime. Successful prosecutions need professional investigation to ensure evidence gathering complies with law. Investigative staff must have proper training, suitable skills and access, where necessary, to specialist support to secure effective prosecution.

Comment [RDC8]: Modified at request of AGS, replacing "lack of tolerance" with "zero tolerance" to match tone of document elsewhere.

Change #7

Appendix C – Economic Crime Investigation Protocol

[Information about the process of undertaking an investigation, including specifics on the roles of officers in supporting investigation. For example, on safeguarding evidence and submitting to interview. This appendix will not be published in full outside the audit team or with advice from the audit team as it gives details of method. However, it will give a summary of investigative practice addressing the following points (also expressed in the whistleblowing policy)].

- All reports will be taken seriously and reviewed
- Investigations will be independent and impartial, aimed at establishing the facts of the situation reported.
- Investigators will be trained and supervised, working to an established investigative method.
- If proper for the circumstances, that method will be in line with Criminal Procedures Investigation Act 1996 and the Police and Criminal Evidence Act 1984.

Comment [RDC9]: Added at request of AGS. While Members understood the need for discretion over the detail, Members suggested added some headlines here to offer assurance that incidents will be investigated fairly, professionally and impartially.

Appendix G – Investigation Liaison Protocols

~~[Any specific intra-council protocols. One already exists between audit/HR and there's scope for similar between audit/legal and audit/IT. These will be added to this document as they are developed. Could potentially include protocols with third parties, but they are more likely to be case-by-case. Will not be published in full outside the audit team and relevant services as they will give details of method. However, will include general principles common to any protocols].~~

- ~~Fair and impartial investigations.~~
- ~~Appropriate co-operation and information sharing between agencies and services.~~

Comment [RDC10]: Similar to edit above, emphasising the core principles of fairness and impartiality in investigations. Also affirms principle of co-operation between public sector services.

Policy & Resources Committee

14 February 2018

Key Performance Indicator Update Quarter 3 17/18

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service	Angela Woodhouse, Head of Policy, Communications, and Governance
Lead Officer and Report Author	Anna Collier, Policy and Information Manager and Ashley Sabo, Performance and Business Information Officer
Classification	Public
Wards affected	All

Executive Summary

Policy & Resources Committee is asked to review the progress of Key Performance Indicators that relate to the delivery of the Strategic Plan 2015-2020. The Committee is also asked to consider the comments and actions against performance to ensure they are robust.

This report makes the following recommendations to Policy & Resources Committee:

1. That the summary of performance for Quarter 3 of 2017/18 for Key Performance Indicators (KPIs) be noted.

Timetable

Meeting	Date
Policy & Resources Committee	14 February 2018

Key Performance Indicator Update Quarter 3 17/18

1. INTRODUCTION AND BACKGROUND

- 1.1 Having a comprehensive set of actions and performance indicators ensures that the Council delivers against the priorities and actions set in the Strategic Plan.
 - 1.2 Following the refresh of the Strategic Plan for 2017/18 the Committees agreed 28 Key Performance Indicators in April 2017.
 - 1.3 Performance indicators are judged in two ways. Firstly on whether performance has improved, sustained or declined, compared to the same period in the previous year. This is known as direction. Where there is no previous data, no assessment of direction can be made.
 - 1.4 The second way is to look at whether an indicator has achieved the target set and is known as PI status. If an indicator has achieved or exceeded the annual target they are rated green. If the target has been missed but is within 10% of the target it will be rated amber, and if the target has been missed by more than 10% it will be rated red.
 - 1.5 Some indicators will show an asterisk (*) after the figure. These are provisional values that are awaiting confirmation. Data for some of the indicators were not available at the time of reporting. In these cases a date has been provided for when the information is expected.
 - 1.6 Contextual indicators are not targeted but are given a direction. Indicators that are not due for reporting or where there is delay in data collection are not rated against targets or given a direction.
-

2. Quarter 3 Performance Summary

- 2.1 There are 28 key performance indicators (KPIs) which were developed with Heads of Service and unit managers, and agreed by the four Service Committees for 2017/18. 14 are reported to the Committee for this quarter.
- 2.2 Overall, 67% (8) of targeted KPIs reported this quarter achieved their target for quarter 3. For 54% of indicators, performance improved compared to the same quarter last year (where previous data is available for comparison).
- 2.3 There are 2 contextual indicators (indicators without targets) represented in the chart below as N/A, these indicators were requested for inclusion as they are important to assessing how the council is performing by examining the outcomes. These indicators are number of litter reports attended to and the number of households living in TA at the last night of the month.

RAG Rating	Green	Amber	Red	N/A	Total
KPIs	8	2	2	2	14
Direction	Up	No Change	Down	N/A	Total
Last Year	6	0	5	3	14
Last Quarter	6	0	8	0	14

3. Performance by Priority

Priority 1: Keeping Maidstone Borough an attractive place for all

- 3.1 For the period of October to December, 99.7% of land and highways had acceptable levels of litter against a target of 93.5%. The areas visited and graded for cleansing in this tranche of monitoring were High Street, Detling and Thurnham, Staplehurst and Headcorn. Littering levels were very low in these areas on assessment, with only a couple of roads falling below the required standard of Grade B.
- 3.2 For the same period, 97.8% of land and highways had acceptable levels of detritus, against a target of 84%. Resources have been focused on the removal of detritus over the past few months since the leafing period started and this has had a positive effect on the levels of detritus across the Borough.
- 3.3 130 reports of litter were attended in the borough during quarter 3. This is a decrease of 3 in comparison to quarter 2. This relates to the number of litter reports received which the team visit. Unfortunately there is no way to determine whether litter picking was required or not as this information is not captured in a way it can be reported on. The quarterly figure equates to 1.4 reports per day, which has been consistent over the past 3 quarters.
- 3.4 89.3% were cleared of fly-tips within 2 working days during quarter 3 against a target of 88%. The removal of fly tips has significantly improved this quarter. Many of the issues experienced last quarter have been resolved with staff sickness reduced, no further issues with the mobile technology and no requirement to divert resources to high speed roads. The cleansing manager has also made some minor resource changes to ensure the fly tipping is removed swiftly.
- 3.5 51.7% of household waste was sent for reuse, recycling, or composting during October and November. We are currently awaiting figures for December from Kent County Council. Tonnages for garden waste have been lower this quarter; however it is common for these to fall during the colder months.
- 3.6 During quarter 3, 89.3% of fly-tips with evidential value resulted in enforcement action. The outcomes for this indicator have remained high and significantly above target. It is anticipated this will improve further with the addition of a new waste crime officer to the team and the new street scene enforcement officers. Within this quarter there are also 3 prosecutions related to fly tipping.

Priority 1: Keeping Maidstone borough an attractive place for all, & Priority 2: Securing a successful economy for Maidstone Borough

- 3.7 Footfall at the Museum and Visitor Information Centre was 11,548 against a target of 11,000. This quarter's visitor figures are roughly 1,500 higher than this time last year and can be linked to both the opening of the new Ancient Lives gallery and our Christmas events which saw us host Father Christmas for the first time. Ancient Lives has, so far, had consistently high feedback from visitors and has, in particular, been praised for the sensitive and respectful display of Ta-Kush, the mummified woman at the heart of the gallery.

Priority 2: Securing a successful economy for Maidstone Borough

- 3.8 The target of Major planning applications in time for quarter 3 has been slightly missed by 3.5%; however the target from April to December remains above the 85% target, at 88.2%. The reason for the reduction in performance in quarter 3 relates to a number of factors including the Planning Services Implementation Project which has diverted officer attention to the clearance of the backlog applications, and key staff leaving the department who processed the major applications. These matters have been closely monitored with new officers appointed to the Major Project Manager and Principal Officer posts (although not commencing until Feb/March 18) and contract consultancy staff employed to provide cover until the individuals start work. Performance is being closely monitored to ensure quarter 4 meets expected targets.
- 3.9 The team processed 69.7% of Minor applications in time during quarter 3. This has missed the target of 85%, and is a result of the ongoing PSIP project and clearance of a backlog of applications. This quarter has seen all the activity in clearing the backlog applications which commenced on 18 October and has seen 81 of the 128 out of time applications (backlog applications) now determined with a further 21 of the 34 gypsy and traveller applications determined. The impact on minor applications has been carefully monitored and the impact year to date is a performance level of 76.8%. The determination of backlog applications will continue into quarter 4 and this will need to be carefully managed to ensure the performance does not fall below national targets.
- 3.10 90.4% of 'Other' applications were processed in time during quarter 3. This remains above the expected target of 85% but has seen a drop in performance since the start of the PSIP project. This is mainly due to the processing of backlog applications which has seen performance dip. This was flagged as a risk at the start of the PSIP project but has been carefully managed to ensure performance is maintained. From April to December last year the performance for others is 92.3% which is well above the national target and some 7.3% above the local indicator. Whilst the PSIP project does expect the clearance of backlog applications to continue until the end of January 2018, performance measures have been put in place to ensure applications are processed within their target timeframes (8 weeks) so performance is expected in quarter 4 to increase to bring the financial year target back into the high 90's.

- 3.11 The quarterly target of 150 for the number of applicants housed has been exceeded by 30 due to an increase in the amount of available vacant and new build properties received from our Registered Providers.
- 3.12 There were 43 affordable homes delivered during quarter 3. There has been good progress with schemes, and completions are picking up. As usual, the majority come forward in the final two quarters of the year. There have been 156 affordable completions as at 31 December 2017. The overall quarter target of 50 completions is slightly short by just 7 completions. However it is still expected that the year-end target of 200 affordable completions will be exceeded.
- 3.13 A total of 107 homeless preventions were made during quarter 3. This represents 40 homeless preventions completed within the Housing Advice Team; 57 with assistance from Discretionary Housing Payments; and 10 Sanctuary Scheme support. This is a slight decrease in comparison to the previous quarter; however there is a marked increase in comparison to quarter 3 of 2016/17.
- 3.14 The number of households in temporary accommodation (TA) on the last night of this quarter is the lowest figure seen since quarter 1 of 2015/16. Of these 73 households, only 26 are in nightly paid accommodation and the remainder are in stock owned by MBC or units of accommodation provided by Registered Providers (Housing Associations) and down from 51 compared to the last quarter.
-

4. RISK

- 4.1 This report is presented for information only, managers and heads of service can use performance data to identify service performance and this data can contribute to risk management.
-

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The Key Performance Indicator Update will be reported quarterly to the Service Committees: Communities Housing and Environment Committee, Strategic Planning, Sustainability and Transportation Committee, and Heritage Culture and Leisure Committee. Each Committee will receive a report on the relevant priority action areas. The report will also go to Policy & Resources Committee, reporting only on the priority areas of: A clean and safe environment, regenerating the Town Centre, and a home for everyone.
-

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The Council could choose not to monitor the Strategic Plan and/or make alternative performance management arrangements, such as frequency of reporting. This is not recommended as it could lead to action not being taken against performance during the year, and the Council failing to deliver its priorities.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The key performance indicators and strategic actions are part of the Council's overarching Strategic Plan 2015-20 and play an important role in the achievement of corporate objectives. They also cover a wide range of services and priority areas, for example waste and recycling.	Head of Policy, Communications & Governance
Risk Management	The production of robust performance reports ensures that the view of the Council's approach to the management of risk and use of resources is not undermined and allows early action to be taken in order to mitigate the risk of not achieving targets and outcomes.	Head of Policy, Communications & Governance
Financial	Performance indicators and targets are closely linked to the allocation of resources and determining good value for money. The financial implications of any proposed changes are also identified and taken into account in the Council's Medium Term Financial Plan and associated annual budget setting process. Performance issues are highlighted as part of the budget monitoring reporting process.	S 151 Officer and Finance Team

Staffing	Having a clear set of targets enables staff outcomes/objectives to be set and effective action plans to be put in place	Head of Policy, Communications & Governance
Legal	There is no statutory duty to report regularly on the Council's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness. One of the purposes of the Key Performance Indicators is to facilitate the improvement of the economy, efficiency and effectiveness of Council Services. Regular reports on the Council's performance assist in demonstrating best value and compliance with the statutory duty.	Keith Trowell, Interim Team Leader (Corporate Governance)
Privacy and Data Protection	We will hold data in line with the Data Quality Policy, which sets out the requirement for ensuring data quality. There is a program for undertaking data quality audits of performance indicators.	Keith Trowell, Interim Team Leader (Corporate Governance)
Equalities	The Performance Indicators reported on in this quarterly update measure the ongoing performance of the strategies in place. If there has been a change to the way in which a service delivers a strategy, i.e. a policy change, an Equalities Impact Assessment is undertaken to ensure that there is no detrimental impact on individuals with a protected	Equalities & Corporate Policy Officer

	characteristic.	
Crime and Disorder	None Identified	Policy & Information Manager
Procurement	Performance Indicators and Strategic Milestones monitor any procurement needed to achieve the outcomes of the Strategic Plan.	Head of Policy, Communications & Governance, & Section 151 Officer

8. REPORT APPENDICES

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

- Appendix 1: Key Performance Indicator Update Quarter 3 17/18

9. BACKGROUND PAPERS

None

Performance Summary

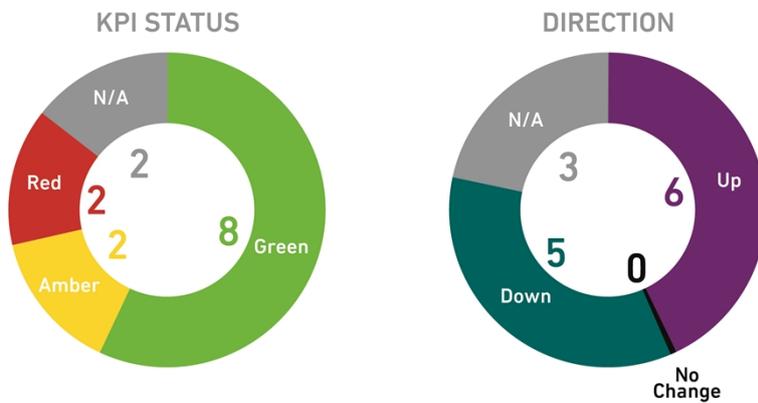
This is the quarter 3 performance update on Maidstone Borough Council’s Strategic Plan 2015-20. It sets out how we are performing against Key Performance Indicators that directly contribute to the achievement of our priorities. Performance indicators are judged in two ways; firstly, whether an indicator has achieved the target set, known as PI status. Secondly, we assess whether performance has improved, been sustained or declined, compared to the same period in the previous year, known as direction.

Key to performance ratings

RAG Rating	
	Target not achieved
	Target slightly missed (within 10%)
	Target met
	Data Only

Direction	
	Performance has improved
	Performance has been sustained
	Performance has declined
N/A	No previous data to compare

P&R



RAG Rating	Green	Amber	Red	N/A	Total
KPIs	8	2	2	2	14
Direction	Up	No Change	Down	N/A	Total
Last Year	6	0	5	3	14
Last Quarter	6	0	8	0	14

Priority 1: Keeping Maidstone Borough an attractive place for all

Providing a clean and safe environment

Performance Indicator	Value	Target	Status	Last Year	Last Quarter
The percentage of relevant land and highways with acceptable levels of litter	99.67%	93.50%		N/A	
The percentage of relevant land and highways with acceptable levels of detritus	97.84%	84.00%			
Number of litter reports attended to	130			N/A	
Percentage of fly-tips cleared or assessed to within 2 working days	89.26%	88.00%			
Percentage of household waste sent for reuse, recycling and composting (NI 192)	51.72%	52.50%			
Percentage of fly-tips with evidential value resulting in enforcement action.	56.4%	20%		N/A	

Priority 1: Keeping Maidstone Borough an attractive place for all, & Priority 2: Securing a successful economy for Maidstone Borough

Regenerating the Town Centre

Performance Indicator	Value	Target	Status	Last Year	Last Quarter
Footfall on High Street	3,330,499	2,800,000			

Priority 2: Securing a successful economy for Maidstone Borough

A home for everyone

Performance Indicator	Value	Target	Status	Last Year	Last Quarter
Processing of planning applications: Major applications (NI 157a)	81.48%	85.00%			
Processing of planning applications: Minor applications (NI 157b)	69.67%	85.00%			
Processing of planning applications: Other applications (NI 157c)	90.39%	85.00%			
Number of households housed through housing register	180	150			
Number of affordable homes delivered (gross)	43	50			
Number of households prevented from becoming homeless through the intervention of housing advice	107	75			
Number of households living in temporary accommodation last night of the month (NI 156 & SDL 009-00)	73				

Agenda Item 14

POLICY AND RESOURCES COMMITTEE

14 February 2018

Strategic Plan 2015-20, 2018-19 Update

Final Decision-Maker	Council
Lead Director	Chief Executive
Lead Officer and Report Author	Angela Woodhouse, Head of Policy, Communications and Governance
Classification	Public
Wards affected	All

Executive Summary

This report sets out the feedback from the Service Committees' consideration of the Strategic Plan and the refreshed Strategic Plan at Appendix A. The Strategic Plan has been updated and those changes approved by the Committee in December 2017 have been incorporated into the document.

This report makes the following recommendations to this Committee:

1. To recommend the Strategic Plan 2015-20, 2018-19 Update at Appendix A to full Council for approval.

Timetable

Meeting	Date
Policy and Resources Committee	13 December 2017
Strategic Planning and Sustainable Transportation Committee	9 January 2018
Communities, Housing and Environment Committee	16 January 2018
Heritage, Culture and Leisure Committee	30 January 2018
Policy and Resources Committee	14 February 2018
Council	28 February 2018

Strategic Plan 2015-20, 2018-19 Update

1. INTRODUCTION AND BACKGROUND

- 1.1 The Strategic Plan sets out the Council's vision, mission, priority areas and actions for 2015-20. The plan is a five year document which has been refreshed annually to ensure it remains relevant and up to date.
 - 1.2 Following substantial changes to the plan for the 2017-18 update, the Policy and Resources Committee agreed at its meeting on 25 July that a rewrite of the Strategic Plan was not required for 2018-19.
 - 1.3 The Plan has been updated to reflect where strategies and policies have moved from creation/adoption to delivery. New plans and policies developed during 2017-18 and/or planned for 2018-19 have been included in the "we will commit to" sections under each priority. Each service Committee has considered the action areas relevant to their terms of reference in order to make recommendations to Policy and Resources Committee as set out in Appendix B.
-

2. AVAILABLE OPTIONS

- 2.1 The recommendations made by the Service Committees in relation to the update for 2018/19 are included at Appendix B.
 - 2.2 Other than the addition of the Bio Diversity Action Plan (approved in December) further comments/recommendations have not been incorporated into the Plan at Appendix A as they are subject to approval from this Committee. The Committee is asked to consider if any of the recommendations should be taken forward. Any changes approved by the Committee will be made to the plan prior to submission for final approval at Council.
 - 2.3 The addition of the word "green" into the title of the "Clean and Safe Environment" priority action area will require minor amendments to the contextual information to ensure it relates to the priority. It is requested that rather than amend this wording at Committee this is delegated to the Chief Executive in consultation with the Chairman and Vice Chairman of Policy and Resources Committee. The Leader's foreword may also require amendment to reflect this change or any other changes that are agreed by Policy and Resources Committee prior to the Plan's submission to Council for approval.
 - 2.4 The Plan at appendix A includes all changes agreed by Policy and Resources Committee in December and an updated foreword from the Leader of the Council for the upcoming year. Changes are not substantial and consist of updates to the statistics, policies and plans contained in the document.
-

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 The Committee is asked to approve the updated plan at Appendix A for submission to Council. The Committee approved the changes to the Plan prior to submission to the three remaining Service Committee's for comment at this point it was agreed that the three priority action areas for 2017-18 would remain for 2018-19.
 - 3.2 Appendix B sets out the recommendations from the Service Committees in relation to the Plan. The main change suggested is the addition of the word "green" into the "Clean and Safe Environment" priority action area.
 - 3.3 The Committee must consider whether to agree to the suggested change the implications of which are set out at paragraph 2.3.
-

4. RISK

- 4.1 The Strategic Plan sets out the Council's priorities and how they will be delivered, informing the Council's risk register and risk appetite. The Council has a corporate risk register which will pick up any actions from the Strategic Plan.
-

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Residents were asked to consider the priorities in the Resident Survey carried out in 2017. This was reported to Committee when they considered the update in December. The resident survey has been used by managers across the council to plan for service delivery in 2018-19, it will also be considered when we update the action plan for the Communication and Engagement Strategy that sits alongside and supports the delivery of the Strategic Plan.
-

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The next stage will be for the Plan to be considered by Council on 28 February 2018. The approved updated plan will be published on the Council website. Posters will be updated plus communication at staff events such as one council and our forums on the changes to the Plan.
-

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Strategic Plan sets out the priorities.	Head of Policy, Communications and Governance
Risk Management	Already covered in the risk section	Head of Policy, Communications and Governance
Financial	The Strategic Plan sets the Council's priorities. The Medium Term Financial Strategy aligns with the Strategic Plan and sets out the priorities in financial terms	Section 151 Officer & Finance Team
Staffing	The plan informs service plans and appraisals.	Head of Policy, Communications and Governance
Legal	Each local authority has a statutory duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness", The Council's Plan demonstrates compliance with this duty	Keith Trowell, Interim Corporate Governance Team Leader, Mid Kent Legal Services
Privacy and Data Protection	There are no data protection implications	Head of Policy, Communications and Governance
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Head of Policy, Communications and Governance
Crime and Disorder	The Strategic Plan sets out the high level priorities for Community Safety	Head of Policy, Communications and Governance
Procurement	No implications	Section 151 Officer

8. REPORT APPENDICES

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

- Appendix A: Strategic Plan 2015-20, 2018/19 Update
 - Appendix B: Recommendations from Committees on the Plan
-

9. BACKGROUND PAPERS

None

Maidstone Borough Council's
Strategic Plan
2015-2020

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Foreword from the Leader, Councillor Fran Wilson



The Strategic Plan has been updated for 2018-19. As a result the plans and strategies created and adopted over the last year will be implemented and delivered over the next two years of the plan and beyond.

Despite a reduction in funding I am pleased to report that we do have a balanced budget. In addition we have been successful in gaining additional funding for the borough as part of a Business Rates Retention pilot for Kent and Medway. This one-off sum of money will be used to deliver sustainable projects to achieve our top three priorities in 2018 – 19.

Our primary focus in 2018/2019 are targeted toward our core priorities:

- A Home for Everyone
- A Clean and Safe Environment
- Regenerating the Town Centre

Our overarching vision for residents is to continue to provide a pleasant and safe environment for everyone to enjoy.

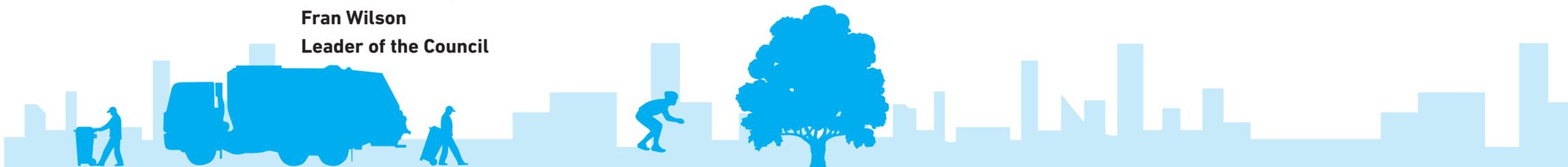
All residents have the right to live in a home of a good standard and maintain a healthy lifestyle and our borough should offer a rich and diverse environment, with a successful economy and a number of reliable transport networks.

Our residents have identified 'clean and safe' as their top priority. In support of this we will be:

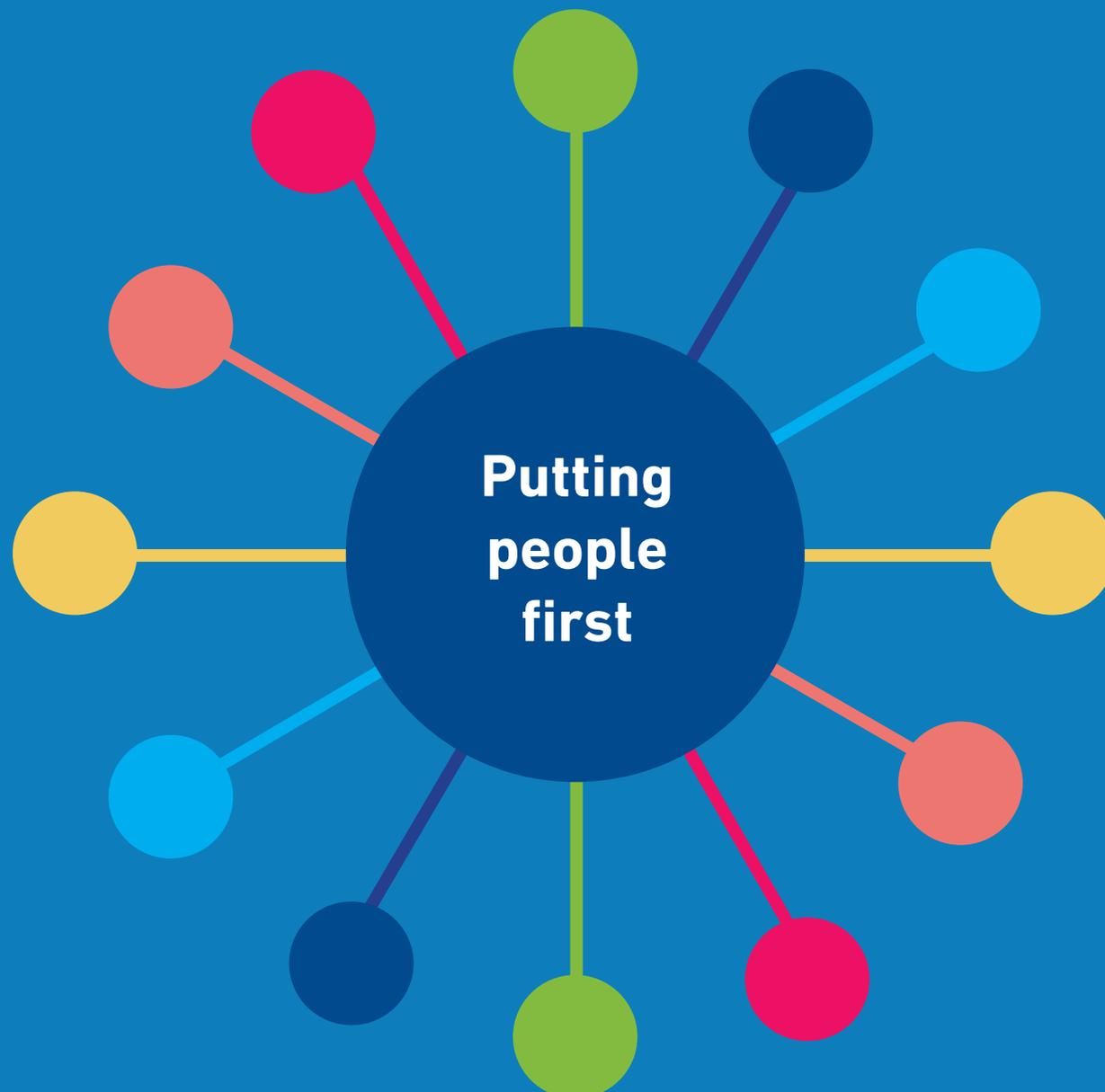
- Refreshing our biodiversity action plan in 2018-19
- Delivering our parks and open spaces strategy
- Continuing our work to ensure the borough maintains and improves our green spaces

Moving forward we will be working hard to ensure we look after our rural and urban landscapes with robust planning policies and supporting plans such as the biodiversity action plan. This this will ensure our environment is protected for future generations.

Fran Wilson
Leader of the Council

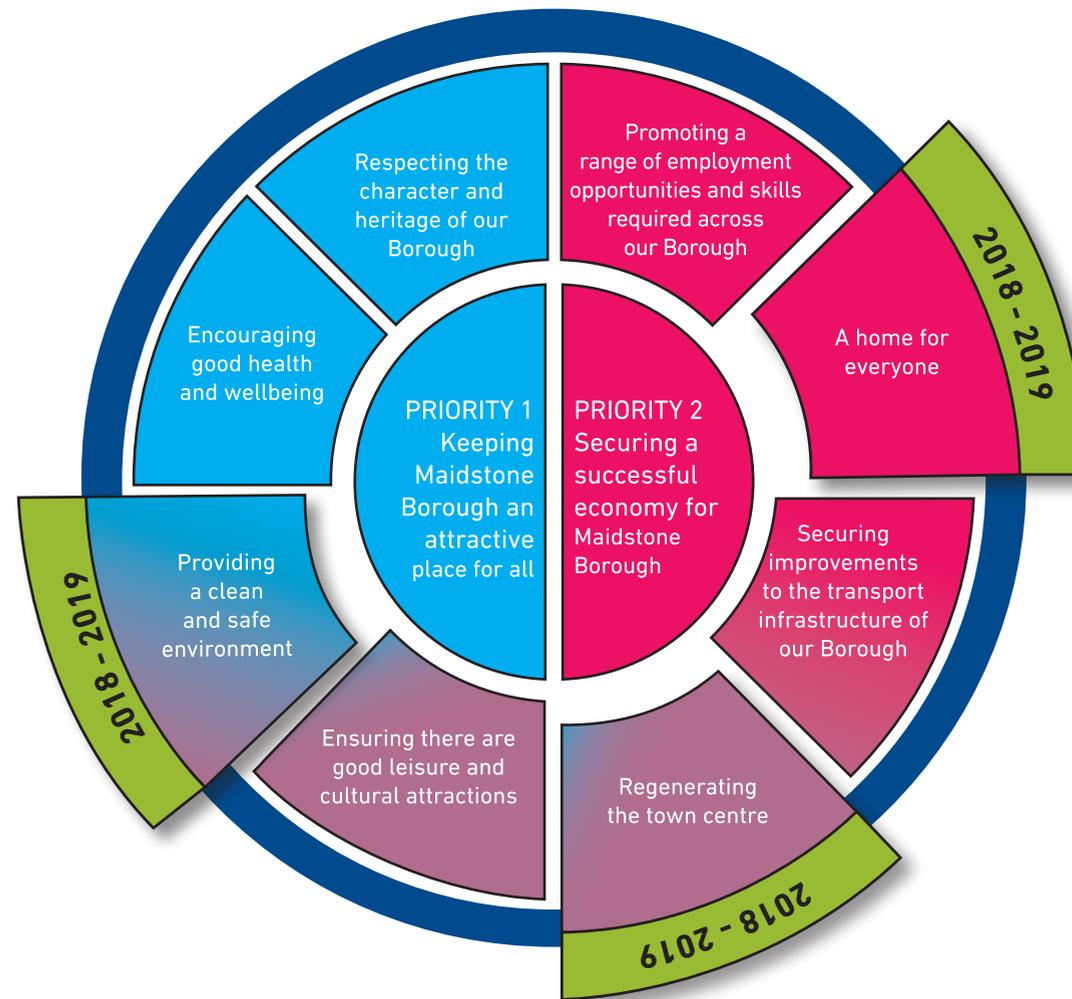


Our Mission



Our Vision

That our residents live in decent homes, enjoy good health and a pleasant environment, with a successful economy that is supported by reliable transport networks.



Providing a Clean and Safe Environment

Maidstone Borough Council is committed to creating an attractive environment which is safe, well maintained and clean. Our borough does not experience high levels of crime and through the Community Safety Partnership, we aim to protect the most vulnerable people in our community.

Our recycling levels have reached 49.9%. Maidstone has areas of poor air quality due to high concentrations of nitrogen dioxide associated with road traffic and has designated the urban area of the borough as an Air Quality Management Zone.

We want:

People to feel safe in the borough and experience an attractive, clean and safe environment.

We will commit to:

- Investing to improve street infrastructure and the efficiency of cleansing services in accordance with our medium term financial strategy
- Delivering the Waste and Recycling Strategy
- Delivering the Community Safety Plan 2018
- Delivering the Low Emissions Strategy
- Adopting and Delivering an Air Quality DPD
- Delivering the biodiversity action plan

Encouraging Good Health and Wellbeing

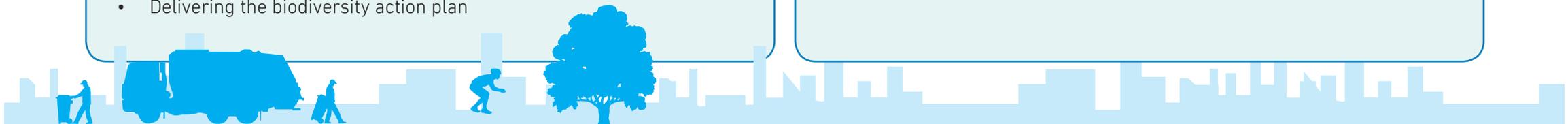
Deprivation in the borough is lower than average, however 14.8% of children (under 16 years old) in Maidstone live in poverty. There is a difference in life expectancy of men and women; women are expected to live 3 years longer than men and there is a 11 year gap between the ward with the highest life expectancy and the one with the lowest life expectancy

We want:

- To address the social determinants of health through our role in services like Housing, Environmental Health and Community Development and our provider role in terms of leisure activities
- To improve health outcomes for residents and reduce health inequality

We will commit to:

- Delivering our Housing Strategy
- Delivering our Health and Wellbeing Action Plan
- Delivering our Parks and Open spaces 10 year strategic plan



Respecting the Character and Heritage of our Borough

Maidstone is a largely rural borough with high quality landscapes, countryside and urban green spaces and associated rich bio-diversity. Our borough has many attractive and protected buildings and we want these to remain in place for future generations. Our focus on economic prosperity embraces the need to protect and enhance these features so that the borough remains a great place to live, work and visit.

We want:

- Thriving and resilient urban and rural communities
- To continue to listen to our communities
- To continue to respect our heritage and natural environment
- To continue to devolve services where we can and work with Kent County Council to do the same

We will commit to:

- Delivering the Local Plan
- Delivering the Green and Blue Infrastructure Strategy
- Delivering our Parks and Open Spaces 10 year strategic plan
- Delivering and honouring our Parish Charter
- Working with our Parishes and Communities on the design of their neighbourhoods
- Delivering the biodiversity action plan

Ensuring there are Good Leisure and Cultural Attractions

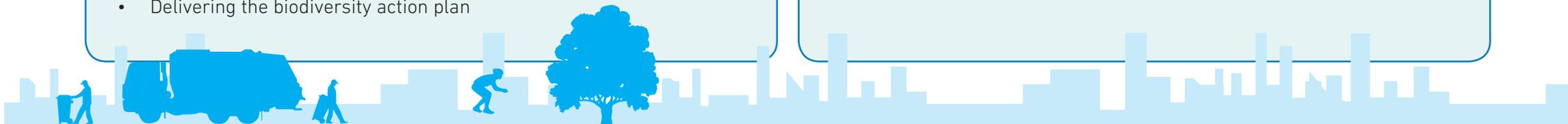
There is always something to see or do in our borough reflecting the wide variety of venues, facilities and good quality public spaces. This not only enhances quality of life for Maidstone residents but also contributes significantly to the local economy. Our population is increasing at the highest rate in Kent. We are also growing as a destination for visitors and so our leisure and culture offer has continued importance for those living in and visiting the borough.

We want:

Maidstone to have a leisure and cultural offer which attracts visitors and meets the needs of our residents.

We will commit to:

- Delivering the Destination Management Plan
- Delivering the Festival and Events Strategy
- Delivering the Museum's 20 year plan
- Delivering the Parks and Open Spaces 10 year Strategic Plan



Regenerating the Town Centre

Maidstone has a thriving town centre benefiting from its role as the county town and has a diverse mix of residential, business, retail, cultural uses and public services. The changing economic environment has created challenges and the need for further investment in the town centre to meet the expectations of residents, businesses and visitors.

We want:

To ensure we have a thriving and attractive town centre that values our heritage and is fit for the future.

We will commit to:

- Delivering the Local Plan
- Delivering the Housing and Regeneration Strategy
- Delivering the Destination Management Plan
- Delivering Phase 3 of the Public Realm

Securing Improvements to the Transport Infrastructure for our Borough

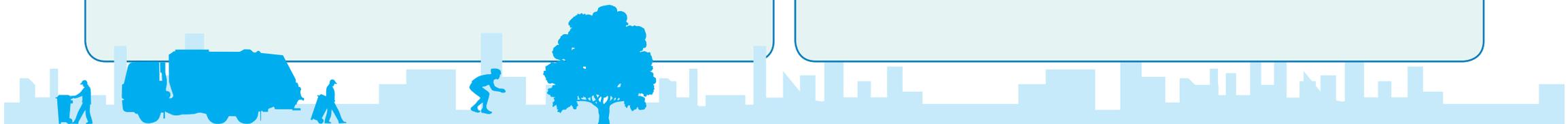
Maidstone is strategically situated between London and the channel ports and is serviced by two motorway networks, the M20 and the M2, with rail connections to central London. We do however recognise that travelling in and around the borough by car during peak periods can be difficult due to congestion. The bus transport network serving Maidstone town is relatively strong whilst rural transport presents distinct challenges

We want:

A sustainable transport network that meets the needs of residents, businesses and visitors.

We will commit to:

- Delivering the Integrated Transport Strategy
- Delivering the Walking and Cycling Strategy



A Home for Everyone

The supply of new affordable housing within the borough has been greater than in neighbouring authorities, although still less than historical levels. 303 new affordable homes were built in the borough in 2016/17. 13% of Maidstone households live in socially rented accommodation which is comparable to the rest of Kent.

We want:

To have enough homes to meet our residents' long term needs, to include homes for affordable rent and affordable home ownership. These must be economically sustainable for all our residents.

We will commit to:

- Delivering the Local Plan
- Delivering the Housing Development and Regeneration Investment Plan
- Delivering the Housing Strategy
- Delivering the Temporary Accommodation Strategy

Range of Employment Skills and Opportunities Across the Borough

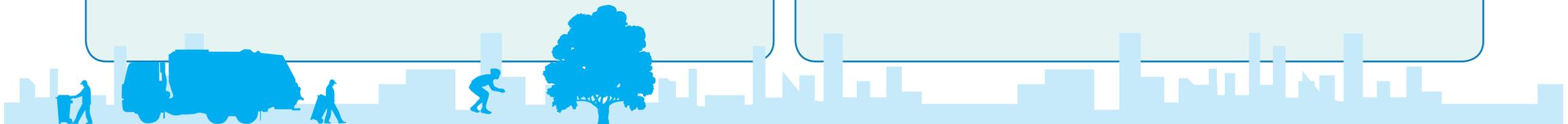
There were 77,500 people employed in the Maidstone economy in 2016/17 with a high proportion in the public sector, reflecting the town's status as Kent's County Town and administrative capital. There were 7,195 registered businesses in Maidstone in 2017.

We want:

To meet the skills needs of our residents and employers, supporting existing businesses and attracting new ones.

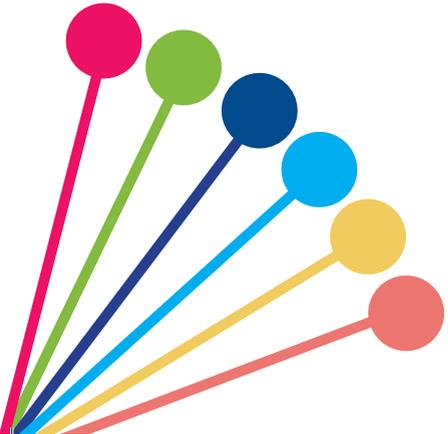
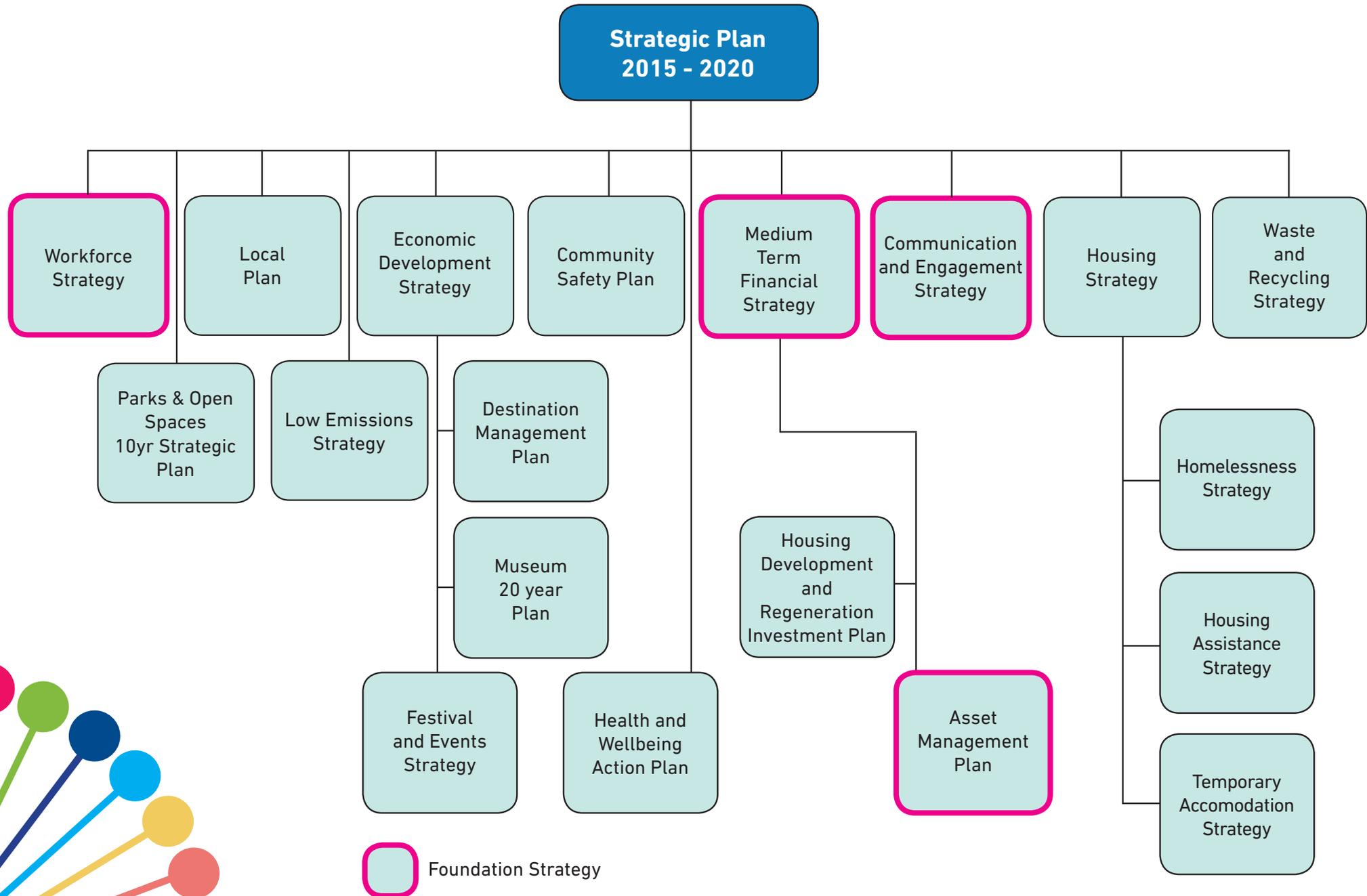
We will commit to:

- Delivering our Economic Development Strategy
- Working with businesses to support them to grow and develop



Strategy Map

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Our Values



Services

Everything we do impacts on our customers, both internal and external. We will listen to and understand their needs, then take action to provide the right service in a positive and professional manner.



Teamwork

Working together to achieve our objectives and goals in a way that utilises the talents and creativity of everyone in our organisation.



Responsibility

We work in an environment that encourages us to take ownership for our actions. Making the right choices and decisions that lead to a satisfactory outcome for all.



Integrity

We have the courage to act on our convictions to build trust and honesty. We work with our partners and customers to create a feeling of openness and transparency in everything we do.



Value

Taking care and weighing up our options, aiming to get the maximum effect for every penny of public money we spend.



Equality

Valuing our differences and understanding how they can contribute to a better working environment and services that are fair and easy to access



Appendix B: Recommendations from Service Committees

<p style="text-align: center;">Policy & Resources Committee 13 December 2017</p>	<ol style="list-style-type: none"> 1. That the Biodiversity Action Plan be referred to under the Clean and Safe Environment priority and included in the Strategic Plan policies map. 2. That reference is made to the Strategic Planning, Sustainability and Transportation Committee to consider removing reference to 'by car' in the phrase 'We do however recognise that travelling in and around the borough by car during peak periods can be difficult'. 3. The refreshed Strategic Plan is approved for consideration by the Service Committees, prior to approval in February before submission to Full Council. 4. The three prioritised action areas and performance reporting arrangements from 2017-18 be approved for retention in 2018-19.
<p style="text-align: center;">Strategic Planning, Sustainability and Transportation Committee 9 January 2018</p>	<ol style="list-style-type: none"> 1. That the changes identified in red in Appendix A be supported; 2. That no further changes need to be made; and 3. That consideration be given to the need for detail of cross referencing to relevant policies since this is implicit in the delivery of the Strategic Plan itself.
<p style="text-align: center;">Communities, Housing and Environment Committee 16 January 2018</p>	<p>That the refreshed Strategic Plan attached at Appendix A be noted and no further amendments be proposed from the Committee.</p>
<p style="text-align: center;">Heritage, Culture and Leisure 30 January 2018</p>	<ol style="list-style-type: none"> 1. That the refreshed Strategic Plan attached at Appendix A be noted. 2. That the following amendment to the Strategic Plan 2-15-20, 2018-19 Refresh be recommended to Policy and Resources Committee: <ol style="list-style-type: none"> a. The word 'Green' be inserted into the title of the priority area 'Providing a Clean and Safe Environment'.

Policy and Resources

14 February 2018

Civil Penalties – Revenues and Benefits

Final Decision-Maker	Policy and Resources Committee
Lead Director	Stephen McGinnes, Mid Kent Services Director
Lead Officer and Report Author	Sheila Coburn, Head of Revenues and Benefits
Classification	Public
Wards affected	All

Executive Summary

This report proposes introducing penalties for those customers who do not report changes or fraudulently claim Council Tax exemptions/discounts, Council Tax Support or Housing Benefit

This report makes the following recommendations to this Committee:

1. That civil penalties for Council Tax, Council Tax Support and Housing Benefit are introduced
2. That the policy in Appendix 1 is approved

Timetable

Meeting	Date
Policy and Resources Committee	14 February 2018

Civil Penalties – Revenues and Benefits

1. INTRODUCTION AND BACKGROUND

- 1.1 Our aim is to ensure residents are receiving the correct discounts and reductions for Council Tax, Housing Benefit and Council Tax Reduction.
- 1.2 As part of work the Revenues and Benefits service has carried out, it has come to light that a significant number of residents do not supply information at the right time or supply information that is incorrect.
- 1.3 In fairness to the majority of residents who correctly let the council know of changes, we need to ensure there are arrangements in place to challenge those residents who do not supply correct and timely changes.
- 1.4 Statutory powers already exist which allow local authorities to impose civil penalties in a number of circumstances but at present these powers are not used.
- 1.5 With the support of the major preceptors the latest credit reference technology has been purchased and has been introduced into the day-to-day working procedures of Revenues and Benefits to help protect the public purse and to police the award of discounts, exemptions and reliefs in order to increase the tax base and reduce fraud and error.
- 1.6 Single Person Discount awards are now checked on a monthly basis, with reviews being carried out on all cases that show a high risk of another adult living at the property.
- 1.7 The Kent Intelligence Network (KIN) was set up by the Kent authorities to carry out data matching across the authorities. It is hoped this will give out a message of zero tolerance to fraud across Kent.
- 1.8 The regular promotion of the existence of a penalty policy will encourage all tax payers and benefit claimants to accurately report relevant changes in their circumstances when they are in receipt of appropriate discounts and exemptions.
- 1.9 Residents are already advised of the option to receive a penalty in certain circumstances through a variety of communications. This includes Council Tax bills, Housing Benefit letters and the Council's website.
- 1.10 If the recommendation is approved the Revenues and Benefits Service will undertake further publicity to raise awareness of the new policy and at the same time encourage benefit claimants and Council Tax payers to be fully aware of their responsibilities.

2. AVAILABLE OPTIONS

2.1 Option 1 - do nothing

Where the threshold for prosecution is not met we currently do nothing.

Those residents who do not report changes or who fraudulently make claims will not be brought to account by the issuing of penalties.

2.2 Option 2 – charge penalties

To charge civil penalties sends out a clear message that changes must be reported in a timely manner

The consequences of knowingly supplying incorrect information are known

Residents can be assured the council is doing everything it can to minimise fraud

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 The preferred option is Option 2 for the council to charge penalties.

3.2 This will show the council endorses zero tolerance to fraud and takes measures to minimise fraud and error.

4. RISK

4.1 The risks associated with this proposal, including the risks if the council does not act as recommended have been considered in line with the council's Risk Management Framework. We are satisfied that the risks associated are within the council's risk appetite and will be managed as per the Policy.

4.2 There is a risk of an increase in the number of complaints and appeals to the Valuation Tribunal. An appeals procedure will be put in place and Penalties can be withdrawn at the discretion of the decision maker.

4.2 The risk on current resources would be minimal. Initially, the cost of administrating and collecting penalties would be minor and therefore there would be no impact on current budgets.

4.4 Where the Council becomes aware a customer may be vulnerable an allowance may be given to those cases where an individual's circumstances such as health or age may affect their ability to provide information.

4.5 Arrangements will be in place where there has been an error in issuing a penalty or the council subsequently becomes aware in 4.4 to withdraw a penalty.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Information has been obtained from Kent authorities who already implement civil penalties.
- 5.2 The experience indicates that very few complaints are received from customers who have a penalty levied against them. This is primarily because the decision to impose a penalty is supported and justified by conclusive evidence that the customer is rarely able to dispute and disagree with.
- 5.3 Customers are already advised the council is able to impose penalties.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The introduction of penalties will be promoted on the council's website and in communication sent to residents.
- 6.2 The regular promotion of the existence of a penalty scheme will encourage Council Tax payers and benefit claimants to report relevant changes in their circumstances when they are in receipt of appropriate discounts and exemptions.
- 6.3 The regular promotion will also send a message to those residents who fraudulently claim discounts/exemptions that this will not be tolerated by the council

7 CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Accepting the recommendations will materially improve the council's ability to achieve a successful economy.	Sheila Coburn Head of Revenues and Benefits
Risk Management	Already covered in the risk section	Sheila Coburn Head of Revenues and Benefits
Financial	Under Section 151 of the Local Government Act 1972, the Section 151 officer has a statutory duty to implement	Section 151 Officer & Finance Team

	<p>appropriate measures to prevent and detect fraud and corruption.</p> <p>It is not intended there will be any additional resource sought in introducing penalties.</p> <p>The costs of administrating and collecting penalties would be minor and therefore there would be no impact on current budgets.</p>	
Staffing	We will deliver the recommendations with our current staffing.	Sheila Coburn Head of Revenues and Benefits
Legal	<p>The statutory authority for introducing the proposed civil penalties is set out in the report. Acting on the recommendations is covered within legislation:</p> <p>Schedule 3 of the Local Government Finance Act 1992 Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 The Council Tax (Administration and Enforcement) Regulations 1992 (as amended)</p>	Keith Trowell, Interim Team Leader (Corporate Governance)
Privacy and Data Protection	Accepting the recommendations will minimally increase the volume of data held by the Council.	Keith Trowell, Interim Team Leader (Corporate Governance)
Equalities	We recognise the recommendations may have varying impacts on different communities within Maidstone. The introduction of civil penalties may affect people with some protected characteristics such as sex or age. However, civil penalties will be issued only where permitted by legislation	Policy & Information Manager

	<p>and based on a legitimate aim to minimise fraud, and will not result in people with these protected characteristics being treated less favourably.</p> <p>With regard to advancing equality of opportunity, the Civil Penalties Policy will take account of the needs of people with a disability who may not be able to report changes in their circumstances because of a disability, such as a mental health issue. The policy allows for cases to be considered on an individual basis and for penalties to be withdrawn in vulnerable cases.</p>	
Crime and Disorder	No impact	Sheila Coburn Head of Revenues and Benefits
Procurement	No impact	Sheila Coburn Head of Revenues and Benefits

8 REPORT APPENDICES

Appendix 1: Council Tax and Housing Benefits Overpayments Civil Penalties Policy

9 BACKGROUND PAPERS

None

MAIDSTONE BOROUGH COUNCIL

COUNCIL TAX AND HOUSING BENEFIT OVERPAYMENTS CIVIL PENALTIES POLICY

1. Introduction

The Council, in carrying out its statutory functions, undertakes the administration of Council Tax, Council Tax Reduction and Housing Benefit.

We understand the majority of residents correctly inform us of changes and this policy is not aimed at those residents, but at targeting and punishing those residents who fraudulently claim discounts and exemptions.

The Council has a duty to protect the public purse and is therefore committed to a proactive approach in preventing and reducing the risks associated with fraud, error and other irregularities in these areas of administration.

In conjunction with this commitment, these guidelines outline when and how civil penalties will be levied against a customer in appropriate circumstances.

These penalties do not apply to case of proven fraud, which will be dealt with separately.

2. Council Tax penalties

Schedule 3 of the Local Government Finance Act 1992 allows local authorities to impose a civil penalty of £70 in cases where a resident fails, without reasonable excuse *, to supply information (or negligently supply incorrect information) which affects their liability or entitlement to a Council Tax discount or exemption.

Where a £70 penalty has been imposed and a further request to supply information is made, additional penalties of £280 may be imposed for each subsequent failure to provide the requested information.

The circumstances in which a penalty can be imposed are where a resident fails to:

- a) Notify the Council that an exemption on a dwelling should have ended
- b) Notify the Council that a discount (including single person discount and Local Council Tax Support discount) should have ended
- c) Notify the Council of a change of address or fails to notify the council of a change in the liable party
- d) Provide information requested to identify liability

*('reasonable excuse' constitutes a 'credible reason or justification' and might include being in a situation of significant stress or suffering ill health; Ignorance of the Law is not a reasonable excuse for not complying with claim

responsibilities. Therefore, simply saying 'I didn't know' will not be considered as a reasonable excuse.)

The offence is committed if a customer fails to notify the Revenues and Benefits Service of a change affecting their Council Tax liability within 21 days of the change occurring.

Where a £70 penalty has been imposed and a further request to supply the same information is made, additional penalties of £280 may be imposed for each subsequent failure to provide the requested information, as long as

- the information is in their possession;
- the authority requests them to supply it in writing;
- it falls within a prescribed description of information.

Information can be requested from anyone who appears to be:

- a resident;
- an owner; or
- a managing agent

Where a penalty is applied, the claimant has a right of appeal against the decision (see Part 5).

3. Council Tax Reduction penalties

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 allows local authorities to impose a civil penalty of £70 in those cases where a claimant fails, without a reasonable excuse, to supply information (or negligently supplies incorrect information) which results in a Council Tax Reduction overpayment.

The circumstances in which a penalty can be imposed are where a resident:

- a) negligently* makes an incorrect statement or representation, or negligently gives incorrect information or evidence. In this situation, a penalty will only be applied if a claimant has failed to take reasonable steps to correct the error.
- b) fails to promptly notify a relevant change in circumstances

*('negligently' constitutes 'acting carelessly, not paying sufficient attention to the task in hand, or disregarding the importance of what is required to be done in relation to the claim or an award')

(‘reasonable excuse’ constitutes a ‘credible reason or justification’ and might include being in a situation of significant stress or suffering ill health; Ignorance of the Law is not a reasonable excuse for not complying with claim responsibilities. Therefore, simply saying ‘I didn’t know’ will not be considered as a reasonable excuse.)

The offence is committed if a customer fails to notify the Revenues and Benefits Service of a change affecting their Council Tax liability within 21 days of the change occurring.

The penalties will be added to the Council Tax account and collected using standard recovery procedures used for Council Tax collection.

Where a penalty is applied, the claimant has a right of appeal against the decision (see Part 5).

Schedule 3 of the Local Government Finance Act 1992

Regulations 12 and 13 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013

The Council Tax (Administration and Enforcement) Regulations 1992 (as amended)

4. Housing Benefit penalties

The Welfare Reform Act 2012 introduced a number of measures to help tackle fraud and error in the benefit and tax credit systems.

Under these measures, local authorities can impose a civil penalty of £50 in cases where a claimant fails, without reasonable excuse, to supply information (or negligently* supplies incorrect information) which results in a Housing Benefit overpayment of more than £65.

*('negligently' constitutes 'acting carelessly, not paying sufficient attention to the task in hand, or disregarding the importance of what is required to be done in relation to the claim or an award)

(‘reasonable excuse’ constitutes a ‘credible reason or justification’ and might include being in a situation of significant stress or suffering ill health; Ignorance of the Law is not a reasonable excuse for not complying with claim responsibilities. Therefore, simply saying ‘I didn’t know’ will not be considered as a reasonable excuse.)

Where a penalty is applied, the claimant has a right of appeal against the decision (see Part 5).

5. Appeals for Council Tax Penalties and Council Tax Reduction Penalties

If a customer is unhappy with the Council's decision to impose a penalty, they can appeal to the Head of Revenues and Benefits.

Any appeal must be made within 14 days of the date of the penalty being issued.

The customer must give the reasons for the request that the decision to issue a penalty be reconsidered.

If the penalty is upheld and the customer is unhappy with the Council's decision to impose a penalty they can appeal directly to the independent Valuation Tribunal at:

Valuation Tribunal Office
2nd Floor
120 Leaman Street
London
E1 8EU

Telephone: 0300 123 2035

Facsimile: 020 7481 4891

Email: vtwhitechapel@vts.gsi.gov.uk

Any appeal must be made to the Valuation Tribunal within 28 days of the date of the Penalty Notice.

If a customer lodges an appeal, recovery of the penalty will be suspended until the appeal has been decided.

6. Housing Benefit (Council Tax Benefit) penalties

The law allows the Council to add a £50 penalty to the amount of a recoverable overpayment of benefit of more than £65 to a claimant who, without reasonable excuse,

- a) Negligently makes an incorrect statement or representation, or negligently gives incorrect information or evidence. In this situation, a penalty will only be applied if a claimant has failed to take reasonable steps to correct the error.
- b) Fails to provide information or evidence required in connection with a claim for or award of benefit
- c) Fails to promptly notify a relevant change in circumstances.

(‘negligently’ constitutes ‘acting carelessly, not paying sufficient attention to the task in hand, or disregarding the importance of what is required to be done in relation to the claim or an award’)

(‘reasonable excuse’ constitutes a ‘credible reason or justification’ and might include being in a situation of significant stress or suffering ill health; Ignorance of the Law is not a reasonable excuse for not complying with claim responsibilities. Therefore, simply saying ‘I didn’t know’ will not be considered as a reasonable excuse.)

The offence is committed if a customer fails to notify the Revenues and Benefits Service of a change affecting their entitlement within one calendar month of the change occurring.

The penalty will be added to the related overpayment of benefit and, where an entitlement still exists, it will be recovered through deductions from ongoing benefit entitlement. If there is no entitlement to benefit it will be recovered using standard recovery procedures.

Where a penalty is applied, the claimant has a right of appeal against the decision (see Part 7). This is in addition to the right of appeal against the decision that any overpayment is recoverable.

A penalty will not be applied where the claimant has, in respect of the overpayment, been charged with an offence, been cautioned or been subject to an administrative penalty as an alternative to prosecution under section 115A of the Social Security Administration Act 1992.

A penalty will only apply to overpayments wholly arising on or after 1 October 2012 and where underlying entitlement has been considered.

The Social Security (Civil Penalties) Regulations 2012

7. Appeals for Housing Benefit (Council Tax Benefit) Penalties

If a customer is unhappy with the Council’s decision to impose a penalty, they can appeal to the Head of Revenues and Benefits.

Any appeal must be made within 14 days of the date of the penalty being issued.

The customer must give the reasons for the request that the decision to issue a penalty be reconsidered.

If the penalty is upheld and the customer remains dissatisfied, the customer can ask the Head of Revenues and Benefits to refer the matter directly to the independent Tribunals Service.

Any request to refer the matter to the Tribunals Service must be made within one month of the reconsideration decision notice.

If a customer lodges an appeal, recovery of the penalty will be suspended until the appeal has been decided.

8. Exceptions on a case by case basis

Allowance may be given in those cases where an individual's circumstances (such as health, age, etc.) have clearly affected their ability to provide accurate information. In such cases the council has the discretion to withdraw the penalty.

Consideration will also be given to cases where the customer has obvious difficulty in understanding, speaking or reading English.

Whilst the council aims to have a high degree of accuracy, where a penalty has been issued in error, the council will withdraw the penalty.

Where it is evident there is hardship to pay a penalty, payments will be considered over time.

9. Decision making

The authority to make decisions on the imposition of Council Tax penalties is delegated to:

- Head of Revenues and Benefits;
- Revenues Manager

The authority to make decisions on the imposition of Council Tax Reduction penalties and Housing Benefit (Council Tax Benefit) penalties is delegated to:

- Head of Revenues and Benefits
- Benefits Manager

The authority to review decisions on the imposition of a penalty on the basis of a person's vulnerability, or before the matter proceeds to the Valuation Tribunal or the Tribunal Service, is delegated to the Head of Revenues and Benefits..

Agenda Item 16

POLICY AND RESOURCES COMMITTEE

14 February 2018

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Third Quarter Budget Monitoring 2017/18

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	Director of Finance and Business Improvement
Lead Officer and Report Author	Mark Green – Director of Finance and Business Improvement (Lead Officer) Paul Holland - Senior Finance Manager Client Accountancy (Report Author)
Classification	Public
Wards affected	All

Executive Summary

This report provides the committee with an overview of the revenue and capital budgets and outturn for the third quarter of 2017/18, and highlights financial matters which may have a material impact on the Medium Term Financial Strategy or the Balance Sheet. It also includes an update on the capital programme.

The position for the Council as a whole at the end of the third quarter shows that there is currently an underspend but that the forecast for the end of the year shows this figure reducing. However there are still a number of underlying pressures across all the Committees that need to be addressed to ensure that this position is sustained to the end of the year. The individual variances for each Committee are detailed within Appendix 1.

This report makes the following recommendations to this Committee:

1. That the revenue position at the end of the third quarter and the actions being taken or proposed to improve the position where significant variances have been identified, as set out in table 1, paragraph 2.6 are noted;
2. That the capital position at the end of the third quarter is noted;
3. That the performance of the Collection Fund and the estimated level of balances at the year-end is noted;
4. That the write-off of unpaid business rates as set out in Appendix 3 is approved; and
5. That the performance in relation to the Treasury Management Strategy for the third quarter of 2017/18 is noted.

Timetable	
<i>Meeting</i>	<i>Date</i>
Policy and Resources Committee	14 February 2018

Third Quarter Budget Monitoring 2017/18

1. INTRODUCTION AND BACKGROUND

- 1.1 The Director of Finance & Business Improvement is the Responsible Financial Officer, and has overall responsibility for budgetary control and financial management. However in practice day to day budgetary control is delegated to service managers, with assistance and advice from their director and the finance section.
 - 1.2 The Medium Term Financial Strategy for 2017/18 onwards was agreed by full Council on 1 March 2017. This report advises and updates the committee on the current position with regards to both revenue and capital expenditure against the approved budgets, and also includes sections on Collection Fund performance and Treasury Management performance.
-

2. REVENUE BUDGET

- 2.1 Attached at **Appendix 1** is a table detailing the current budget and expenditure position in relation to the first three quarters of 2017/18, to December 2017. The Appendix details net budget for all Service Committees including this one. Actual expenditure is shown to the end of December 2017 and includes accruals for goods and services received but not yet paid for.
- 2.2 The columns of the table in the Appendix show the following detail:
 - a) The Service Committee;
 - b) The value of the total budget for the year;
 - c) The amount of the budget expected to be spent by the end of December 2017;
 - d) The actual spend to that date;
 - e) The variance between expected and actual spend;
 - f) The forecast spend to year end; and
 - g) The expected variance at 31 March 2018.
- 2.3 The budgets used in this report are now the revised estimates for 2017/18.
- 2.4 The figures are analysed in three ways and set out in three tables which show the following levels of detail:

Table 1: by Committee;
Table 2: by Priority;
Table 3: by Expenditure Type.
- 2.5 Appendix 1 shows that of an annual budget of £20,562,830 there was an expectation that £13,357,710 would be spent by the end of the third quarter of the year. At this point in time the budget is reporting an underspend of £3,493,623. However a significant proportion of this relates to rent allowances and this position will be corrected over the final quarter,

and an underspend of £505,000 is projected at present for the year as a whole. Whilst this would be a positive outcome, it remains simply a projection. There remains the risk of unforeseen events and service managers will need to continue maintaining rigorous oversight of their budgets.

- 2.6 Explanations for variances within individual cost centres which exceed or are expected to exceed £30,000 have been provided in accordance with the council's constitution.
- 2.7 Each Committee considers the major adverse and positive variances reported within their service areas. In each case they will choose to either develop plans to act further in resolving the issue, or continue to monitor the position and act if necessary at a later date. The variances identified to date and year end forecast variances are set out in summary below. Where the year-end forecast variance relates to a shared service, only the Maidstone share of the variance is reported.

	Positive Variance Q3 £000	Adverse Variance Q3 £000	Year end Forecast Variance £000
Policy and Resources Committee			
Registration of Electors – There has been a high level of expenditure this year but it will be funded by the Individual Electoral Registration Grant		-47	0
Interest & Investment Income - Interest rates have stayed low over a long period of time. The Council has agreed in its strategy to run down balances so all investments are kept short term, therefore not attracting higher rates of interest.		-82	-100
Rent Allowances – The current variance is caused by differences in timing between receipts and payments and will be corrected by the end of the year.	899		49
Economic Development Section – This is due to a vacant post and a one-off insurance excess payment.	32		31
Legal Services – This area is currently over-achieving on income due to a high level of planning and contract work.	33		39
Mid-Kent ICT Services – There are a number of posts currently being held vacant which is creating this variance.	38		43
IT Operational Services – This variance is caused by an underspend on the equipment purchase budget.	31		25
MBC Human Resources Services	40		10

	Positive Variance Q3 £000	Adverse Variance Q3 £000	Year end Forecast Variance £000
Section – This variance is due to an underspend on running costs, but it is expected that this variance will be reduced by year-end.			
Commercial Investments – The purchase of new commercial property is now generating additional rental income.	157		157
Internal Printing - This continues to be an area of concern. The hourly rate has been adjusted which has improved the position slightly but further work is needed to resolve the underlying issues.		-47	-83
Policy and Resources total	1,230	-129	171
Heritage, Culture & Leisure Committee			
Leisure Centre – The budget includes utility costs savings from installation of solar panels that have not yet been realised. It is hoped that this issue will be resolved for 2018/19.		-21	-30
Parks & Open Spaces - Following a restructure this budget area now includes the grounds maintenance team. The variance is a combination of staff vacancies, an underspend on running costs and additional income above the budget.	98		90
Playground Maintenance & Improvements – This variance is a consequence of reduced maintenance costs following the recent programme of play area capital works.	49		39
Bereavement Services - Income is currently ahead of budget, but the current surplus income is earmarked to fund the refurbishment of the toilets at the crematorium and to undertake some other minor works, so it is anticipated that the service will be on budget by the end of the financial year.	37		0
Market - The adverse variance has arisen from unachieved income in this area, with the most notable shortfall arising from the Tuesday market. This is a continuation of the trend observed in previous years and nationally, which indicates this to be a declining sector.		-19	-51

	Positive Variance Q3 £000	Adverse Variance Q3 £000	Year end Forecast Variance £000
Officers are looking at alternative revenue generating opportunities. The other contributor to the increased adverse variance is the service charge for 2017-18 which has increased by 25%.			
Heritage, Culture & Leisure total	184	-19	48
Strategic Planning, Sustainability and Transport Committee			
Building Control – Income from fees and charges is currently running at a high level, but it is anticipated that this will slow down in the final quarter.	55		40
Development Control Applications - The current positive variance is a consequence of an assumption that the proposed planning fees increase would come into effect earlier than it actually did, which was January 2018. Planning fees themselves are currently £49,000 below the budgeted target, but the increase in fees will now bring in additional income in the final quarter, although this will be offset by a refund of fees that will shortly take place.	43		0
Development Control Appeals - The second quarter report projected a negative variance of £200,000 by year-end. The inquiries that were scheduled to take place this year have now been delayed, so the anticipated expenditure will now be incurred during 2018/19. It is nevertheless appropriate to make provision for these future costs at a corporate level, as there is a reasonable likelihood that they will still be incurred.	36		-200
Spatial Planning Policy Section - There are currently vacant posts in the section but these will shortly be filled by temporary staff so the current underspend should reduce by year-end.	40		20
Mid Kent Planning Support Service - This variance is due to vacant posts, which the manager is intending to delete to contribute to the savings requirement identified within the medium term	54		62

	Positive Variance Q3 £000	Adverse Variance Q3 £000	Year end Forecast Variance £000
financial strategy.			
Parking Services - Pay & Display car parks continue to perform overall above budgeted income. There also continues an adverse variance against the parking enforcement budget caused by a reduction in Penalty Charge Notice income. This has arisen in part because there is a backlog in dealing with appeals against PCNs, although the position has improved since the 2 nd quarter report.	204		265
Strategic Planning, Sustainability and Transport total	432		187
Communities, Housing and Environment Committee			
CCTV - The variance has arisen from a combination of previously agreed savings targets which have not been realised and a shortfall of income against the budgeted figure. A review is due to be carried out which will address how the service can be delivered within budget in future.		-72	-105
Street Cleansing – The position has improved slightly since the 2 nd quarter report, but overtime payments remain high due to staff sickness and there has been additional spend on fly-tipping and materials.		-66	-62
Commercial Waste – The service has been generating additional income.	31		40
Homelessness Temporary Accommodation – There continues to be a rise in the number of households requiring temporary accommodation. In addition there has been some delays in getting the properties purchased for accommodation available for use. However as these become available the variance will reduce in the final quarter.		-96	-81
Homelessness Prevention – The underspend includes a £200,000 Homelessness Support Grant which will be carried forward to 2018/19. The projected year-end variance represents an underspend on the Homefinder scheme.	254		25

	Positive Variance Q3 £000	Adverse Variance Q3 £000	Year end Forecast Variance £000
Community Partnerships & Resilience Section – This variance is caused by vacant posts in this team.	41		66
Depot Services Section – This variance is caused by vacant posts in this team which have now been filled.	31		30
Housing & Inclusion Section - This variance is caused by vacant posts and staff on maternity leave in this team.	46		42
Grounds Maintenance – Commercial – This is a new area that has been established following a restructure, and it is doing particularly well so far in delivering external projects such as Section 106 works. However being a new area there remains some uncertainty about the year-end outturn position.	138		142
Communities, Housing and Environment total	541	-234	99
GRAND TOTAL	2,387	-429	505

Table 1: Summary of significant variances by committee

- 2.8 Following a reference from this Committee at its meeting on 20 September, the Strategic Planning, Sustainability and Transportation Committee was asked at its meeting on 7 November to address the projected overspend on planning appeal costs. The Committee noted the referral and considered the projected overspend. At this point in time delays in bringing the appeals forward mean that the significant expenditure is now forecast to take place in 2018/19.
- 2.9 In accordance with best practice, virements are reported to this committee as part of quarterly budget monitoring. A virement represents the transfer of a budget between objectives that occurs subsequent to the formal approval of the budget by Council. The following reportable virements were made during the third quarter of 2017/18:

Reason	Value £	Temp/Perm*
Lease budgets transferred to revenue funding for capital to buy rather than lease assets	25,020	Permanent
Business Rates Pool funding for Economic Development Strategy	910	Temporary

Table 2: Reportable virements

* Temporary virements represent one-off budget transfers to fund a discrete project or purchase. Permanent virements reflect alterations to the base budget which will be carried forward into subsequent years.

3. CAPITAL PROGRAMME

- 3.1 The capital programme was approved by Council on 1 March 2017. Funding for the programme remains consistent with previous decisions of Council in that the majority of resources come from New Homes Bonus along with a small grants budget. Previous decisions of Council, Cabinet and this committee have focused the use of New Homes Bonus on infrastructure projects where these are required by the infrastructure delivery plan that forms part of the Local Plan.
- 3.2 The current programme is set out in Appendix 2 and shows the current budget and actual expenditure to date. The adjusted budget reflects the figures in the draft programme for approval that is shown elsewhere on this agenda.
- 3.3 Following a reference from this Committee at its meeting on 20 September, the Heritage, Culture & Leisure Committee addressed the projected slippage on Parks & Open Spaces schemes at their meeting on 28 November. The budgets shown at Appendix 2 reflect the updated position for the various proposed schemes.
- 3.4 Resources will need to be carried forward from 2017/18 to 2018/19 to fund expenditure on a number of schemes: Play Area Improvements; Brunswick Street and Union Street. This is just re-profiling the budgets and these projects all remain within budget in overall terms.
- 3.5 Expenditure of £3.5m is projected for the final quarter, the most significant element being £1.5m on completion of the purchase of further industrial units on the Parkwood estate, which was approved by this Committee at its meeting on 30th October 2017.
- 3.6 The Council has the necessary resources to manage the programme in 2017/18, with the majority of funding coming from New Homes Bonus. However it is projected that the balance of that funding will be used during the course of next year, therefore it may be necessary to borrow to fund any further expenditure. Approval for borrowing has previously been agreed and factored into the programme funding. There is also a government grant in relation to disabled facilities grants funding the programme.

4. RESERVES AND BALANCES

4.1 The total of earmarked reserves and general fund balances as at 31st March 2017 was £17.3 million. The makeup of this balance, and movements in the first three quarters of 2017-18 are set out in the table below

	1 April 2017	31 December 2017	31 March 2018 (forecast)
	£m	£m	£m
General Fund			
Asset Replacement	0.2	0.1	0.0
Planning Management	0.1	0.0	0.0
Commercialisation – contingency	0.5	0.5	0.5
Invest to Save projects	0.5	0.5	0.5
2016/17 underspend earmarked for Action Areas	0.1	0.1	0.0
2016/17 grants carried forward and spent in 2017/18	0.8	0.6	0.0
Amounts set aside for collection fund deficit	2.9	2.9	0.0
Forecast revenue under spend	0.0	0.0	0.7
Unallocated balance	4.2	4.2	4.2
Sub-total	9.3	9.2	5.8
Earmarked Reserves			
New Homes Bonus funding for capital projects	7.2	7.2	0.0
Local Plan	0.2	0.	0.2
Neighbourhood Plans	0.1	0.1	0.1
Accumulated Surplus on Trading Accounts	0.3	0.3	0.3
Business Rates Growth Fund	0.1	0.1	0.4
Sub-total	8.0	2.3	0.9
Total General Fund balances	17.3	11.3	6.7

Table 3: General Fund & Earmarked Balances

4.2 The closing position allows for the minimum level of general balances of £2m, as agreed by Council in March 2017, to be maintained.

5. COLLECTION FUND

5.1 The council is increasingly reliant on income generated through council tax and business rates, which is accounted for through the Collection Fund. Due to the risks in this area, including the risk of non-collection and the pooling arrangements in place for business rates growth, the Council monitors the collection fund carefully.

5.2 The collection rates achieved are reported below, alongside the target for the year, and the actual amount collected. The rates are given as a percentage of the debt targeted for collection in the third quarter of 2017-18:

	Target %	Actual %	Amount Collected
Council Tax	85.50%	84.81%	£28,690,270.11
Business Rates	83.00%	84.27%	£13,198,451.21

Table 4 : Collection Rates for Council Tax and Business Rates, Third Quarter 2017-18

- 5.3 The target was over achieved for business rates, but narrowly missed for council tax. Although as a percentage of the overall total, the variance appears small, the sums involved are significant and officers are therefore monitoring this closely.
- 5.4 The Head of the Revenues and Benefits Partnership follows a recovery timetable and action will be taken before year end to attempt to bring the collection rate back to target. Officers will continue to pursue payment of any developing arrears along with the arrears from prior years.
- 5.5 Income from retained business rates growth is lower than anticipated, due to a significant number of reductions arising from businesses successfully appealing against their rateable value. This is a volatile area of income which can be difficult to predict. The council maintains a prudent provision to minimise the impact of appeals on the Council's income.
- 5.6 Forecast growth in business rates against the Council's baseline is at the end of the third quarter is £1.7m against a forecast of £2.0m. The benefit from membership in the Kent Business Rates Pool for 2017-18 is currently predicted at £0.76 million, which represents the difference between the levy of 50% which would have been payable on business rates growth if the council were not part of the pool, compared with the 3.63% payable as a pool member.
- 5.7 As agreed previously the 30% share of the pool benefit retained by the council will be used to fund the delivery of the Economic Development Strategy, alongside the 30% growth fund share which is spent in consultation with KCC.

6. IRRECOVERABLE BUSINESS RATES

- 6.1 The committee are asked to approve the write off of £270,007.91 unpaid business rates debt identified in Appendix 3. Please note that information relating to individuals is restricted under the Data Protection Act and has therefore been redacted from this appendix.
- 6.2 As noted above, the council takes a robust approach to recovery of business rates. This involves progressive action which would typically include:
- Reminder for non-payment

- Final notice for non-payment
 - Summons for non-payment
 - Application to the Magistrates Court for a liability order
 - Instruction of an enforcement agent to recover
 - Bankruptcy or liquidation, where appropriate
 - Proceeding to seek committal to prison (individuals)
- 6.3 Throughout the process the Council actively encourages contact from any business experiencing difficulty in order to negotiate arrangement for payment.
- 6.4 The Council could continue to hold these debts as outstanding, but this option is not recommended as there is no prospect of recovery and this would distort the financial position of the Council.
- 6.5 For the businesses listed in Appendix 3, the Council has exhausted all of the recovery processes in trying to collect the unpaid amounts. It is therefore suggested that these amounts are written off and the Council's accounts are amended to reflect the fact that the payments identified are not expected to be recovered. The council maintains a provision for bad debts, and there is sufficient resource available within this balance to cover the value of the proposed write offs.

7. TREASURY MANAGEMENT

- 7.1 The Council has adopted and incorporated into its Financial Regulations, the CIPFA Code of Practice on Treasury Management in Local Authorities. This Code covers the principles and guidelines relating to borrowing and investment operations. In March 2017, the Council approved a Treasury Management Strategy for 2017/18 that was based on this code. The strategy requires that this committee should formally be informed of Treasury Management activities quarterly as part of budget monitoring.
- 7.2 During the quarter ended 31 December 2017:
- The most significant economic event saw the increase in the Bank Rate in November by 0.25% to 0.50%, making it the first increase by the Bank of England's MPC to rates since July 2007. The Bank has reiterated that it expects any future increases in Bank Rate to be at a gradual pace and limited in extent.
 - UK Consumer Price Inflation (CPI) index continued to rise with November showing CPI at 3.1%, its highest since March 2012 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices.
 - The number of unemployed in the economy continued to decrease, although the unemployment rate remained at 4.3% for November and December 2017.
 - In the face of a struggling economy and Brexit-related uncertainty, the Council's advisors, Arlingclose expects the Bank of England to take a

very measured approach to any monetary policy tightening. Any increases will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

- There have been no changes to Arlingclose’s investment advice regarding banks and building societies during the quarter.
- CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The Authority is currently considering the changes from the 2011 Code for incorporation into future Treasury Management Strategies and monitoring reports and is discussed within the Treasury Management Strategy Statement for 2018/19.

The table below shows Arlingclose’s view on future rates.

	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	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.17
3-month LIBID rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.23
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.22
1-yr LIBID rate														
Upside risk	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.28
Arlingclose Central Case	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.78
Downside risk	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.33
Arlingclose Central Case	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	1.15	0.92
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.35
10-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.33
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.60	1.38
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.34
20-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.33
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	2.10	1.95
Downside risk	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.41
50-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.33
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	2.00	1.84
Downside risk	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.41

- The MPC has increased Bank Rate. Future expectations for higher short term interest rates are subdued. Ongoing decisions remain data dependent and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- The MPC minutes emphasised that any prospective increases in Bank Rate would be expected to be gradual and to a limited extent.
- Arlingclose suggest that gilt yields will remain broadly stable across the medium term. Upward movement will be limited.

8. CURRENT INVESTMENTS AT 31 DECEMBER 2017

- 8.1 The council held investments totalling £30.4 million. A full list of investments held at the end of December is given in Appendix 4. All new investments have been short term which complied with the current strategy.
- 8.2 Investment income for this period is £82,000.
- 8.3 Average interest rate for this period is 0.42% which is benchmarked against the average 3 month LIBOR rate plus 10 basis points. The average 3 month LIBOR rate at the end of December was 0.36% plus 10 basis points, makes a benchmarked figure of 0.46%.
-

9. BORROWING

- 9.1 The Council did have some short term borrowing requirements during this period, which was due to short term liquidity issues over the weekend of 24th November to 27th November 2017. Details of the borrowing are as follows:

Lender	Principal (£)	Term
Rhondda Cynon Taff CBC	1,300,000	24/11/17 to 27/11/17
Rate (%) 0.35		

Total interest payable: £37.40

10. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 10.1 In considering the strategic position on the revenue budget at the end of December 2017 the committee has been provided with details of the actions each service committee plans to take on significant variances. The committee can chose to note those actions and reconsider the outcomes at the end of the third quarter or it could chose to take further action.
- 10.2 The Committee is requested to note the content of the report to enable more accurate monitoring of the programme in future periods.
- 10.3 The capital programme is reporting expenditure of £8,920,016 to the end of the third quarter, with projected expenditure for the year of £12,418,760. The committee is requested to note the current position of the programme.
- 10.4 Details of the performance of the Collection Fund and the level of available balances are both as expected and the committee need only note this information at this time.

- 10.5 Treasury Management is for information only as the Audit, Governance & Standards Committee takes responsibility for considering changes that may be required, for reference on to Council. The committee could make reference to the Audit, Governance and Standards Committee of any issues that it may wish to be considered at a future meeting.
-

11. RISK

- 11.1 The Council has produced a balanced budget for both capital and revenue expenditure and income for 2017/18. This budget is set against a backdrop of limited resources and an difficult economic climate. Regular and comprehensive monitoring of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives this committee the best opportunity to take actions to mitigate such risks.
-

12. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 12.1 The third quarter's budget monitoring report will be considered by each of the other three service committees. The key issues and their consideration is set out in table 1 at paragraph 2.7.
- 12.2 This report will not lead to further consultation.
-

13. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 13.1 The third quarter's budget monitoring reports are being considered by the service committees between January and March 2018, including a full report to this Committee.
- 13.2 There are no significant issues arising from this report that require action from this Committee. The success of actions by the other service committees to manage the pressures in their budgets will be regularly reported to this Committee through later versions of this report.
-

14. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report monitors actual activity against the revenue and capital budgets and other financial matters set by Council for the financial year. The budget is set in accordance with the Council's medium term financial strategy which is linked to the strategic plan and corporate priorities.	Director of Finance & Business Improvement
Risk Management	The Council has produced a balanced budget for both capital and revenue expenditure and income for 2017/18 This budget is set against a backdrop of limited resources and an difficult economic climate. Regular and comprehensive monitoring of the type included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives this committee the best opportunity to take actions to mitigate such risks. The issues set out in this report do not exhibit the level of potential risk identified in previous years.	Director of Finance & Business Improvement
Financial	Financial implications are the focus of this report through high level budget monitoring. The process of budget monitoring ensures that services can react quickly to potential resource problems. The process ensures that the Council is not faced by corporate financial problems that may prejudice the delivery of strategic priorities.	Director of Finance & Business Improvement
Staffing	The budget for staffing represents approximately 50% of the direct spend of the	Director of Finance &

	council and is carefully monitored. Any issues in relation to employee costs will be raised in this and future monitoring reports.	Business Improvement
Legal	The Council has a statutory obligation to maintain a balanced budget this monitoring process enables the committee to remain aware of issues and the process to be taken to maintain a balanced budget for the year.	Keith Trowell, Interim Team Leader (Corporate Governance)
Equality Impact Needs Assessment	The budget ensures the focus of resources into areas of need as identified in the Council's strategic priorities. This monitoring report ensures that the budget is delivering services to meet those needs.	Director of Finance & Business Improvement
Environmental/Sustainable Development	No specific issues arise.	Director of Finance & Business Improvement
Community Safety	No specific issues arise.	Director of Finance & Business Improvement
Human Rights Act	No specific issues arise.	Director of Finance & Business Improvement
Procurement	No specific issues arise.	Director of Finance & Business Improvement
Asset Management	Resources available for asset management are contained within both revenue and capital budgets and do not represent a significant problem at this time.	Director of Finance & Business Improvement

15. REPORT APPENDICES

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

- Appendix 1: Third Quarter 2017/18 Revenue Monitoring – Strategic Level
- Appendix 2: Third Quarter 2017/18 Capital Monitoring
- Appendix 3: Written-off Business Rates Third Quarter 2017/18

- Appendix 4: List of investments as at 31 December 2017
-

16. BACKGROUND PAPERS

None.

Policy & Resources Committee
Third Quarter Budget Monitoring - Full Summary to December 2017

ANALYSIS BY COMMITTEE

Committee	Full Year Budget	To December 2017	Actual	Variance¹	Year End Forecast	Year End Variance
	£	£	£	£	£	£
Policy & Resources	12,165,450	7,231,980	5,143,408	2,088,572	11,994,450	171,000
Strategic Planning, Sustainability & Transportation	-1,094,760	-781,710	-1,295,526	513,816	-1,281,760	187,000
Communities, Housing & Environment	8,042,550	5,679,190	4,950,785	728,405	7,943,550	99,000
Heritage, Culture & Leisure	1,449,590	1,408,250	1,245,420	162,830	1,401,590	48,000
	20,562,830	13,537,710	10,044,087	3,493,623	20,057,830	505,000

Table 1

ANALYSIS BY PRIORITY

Priority	Full Year Budget	To December 2017	Actual	Variance¹	Year End Forecast	Year End Variance
	£	£	£	£	£	£
Character	669,610	552,770	532,232	20,538	669,610	0
Health & Wellbeing	1,805,520	1,684,330	192,350	1,491,980	1,695,520	110,000
Clean & Safe	4,233,170	2,981,810	3,002,858	-21,048	4,304,170	-71,000
Leisure & Culture	2,419,180	2,085,240	1,925,360	159,880	2,320,180	99,000
Town Centre	85,640	95,360	90,669	4,691	85,640	0
Employment & Skills	349,460	270,070	241,571	28,499	318,460	31,000
Homes	1,165,490	778,300	511,165	267,135	1,316,490	-151,000
Infrastructure	372,010	304,550	237,728	66,822	372,010	0
Trading	-4,635,450	-3,245,930	-3,510,425	264,495	-4,889,450	254,000
Central & Democratic	14,098,200	8,031,210	6,820,579	1,210,631	13,865,200	233,000
	20,562,830	13,537,710	10,044,087	3,493,623	20,057,830	505,000

Table 2

ANALYSIS BY SUBJECTIVE SPEND

Subjective	Full Year Budget	To December 2017	Actual	Variance¹	Year End Forecast	Year End Variance
	£	£	£	£	£	£
Employees	19,896,220	14,820,310	14,240,745	579,565	19,574,220	322,000
Premises	4,577,980	3,903,730	3,816,495	87,235	4,577,980	0
Transport	1,059,280	792,710	737,997	54,713	1,059,280	0
Supplies & Services	18,830,100	6,579,520	5,980,518	599,002	18,967,100	-137,000
Agency	5,546,460	4,131,170	3,924,632	206,538	5,612,460	-66,000
Transfer Payments	50,266,360	35,769,300	36,055,243	-285,943	50,217,360	49,000
Asset Rents	1,194,980	143,030	144,210	-1,180	1,194,980	0
Income	-80,808,550	-52,602,060	-54,855,753	2,253,693	-81,145,550	337,000
	20,562,830	13,537,710	10,044,087	3,493,623	20,057,830	505,000

Table 3

¹A positive figure represents a favourable variance. A negative figure (ie -£X,XXX) represents an adverse variance.

**MAIDSTONE BOROUGH COUNCIL
POLICY & RESOURCES COMMITTEE
BUDGET MONITORING - 3RD QUARTER 2017/18**

Capital Programme 2017/18 by Service Committee to 31st December 2017

Capital Programme Heading	Adjusted Estimate 2017/18 £	Actual to December 2017 £	Budget remaining before slippage £	Q4 Profile £	Projected Total Expenditure £
COMMUNITIES, HOUSING & ENVIRONMENT					
Housing Incentives	110,060	27,541	82,519	15,000	42,541
Housing - Disabled Facilities Grants Funding	691,810	269,730	422,080	200,000	469,730
Housing Investments	3,914,280	3,627,145	287,135	287,135	3,914,280
Purchase of Lenworth House	247,500	247,500	0	0	247,500
Gypsy Site Fencing Works	42,300	0	42,300	0	0
Brunswick Street Housing Development	1,081,810	990,764	91,046	150,000	1,140,764
Union Street (Recommended Option)	191,960	98,723	93,237	180,000	278,723
King Street Housing Development	35,000	7,294	27,706	0	7,294
Street Scene Investment	50,000	48,787	1,213	0	48,787
Flood Defences	4,330	4,334	-4	0	4,334
Total	6,369,050	5,321,818	1,047,232	832,135	6,153,953
HERITAGE, CULTURE & LEISURE					
Continued Improvements to Play Areas	468,800	639,839	-171,039	100,000	739,839
Commercial Projects - Crematorium Projects	264,000	68,783	195,217	195,217	264,000
Commercial Projects - Mote Park Adventure Zone	881,840	104,917	776,923	300,000	404,917
Mote Park Play Area	300,000	0	300,000	0	0
Mote Park Improvements	285,760	19,651	266,109	30,000	49,651
Mote Park Visitor Centre	74,470	42,639	31,831	31,831	74,470
Museum Development Plan	145,370	125,022	20,348	20,348	145,370
Total	2,420,240	1,000,851	1,419,389	677,396	1,678,247
POLICY & RESOURCES					
High Street Regeneration (Public Realm Phase 3)	443,530	84,216	359,314	75,000	159,216
Asset Management / Corporate Property	200,000	37,047	162,953	100,000	137,047
Feasibility Studies	50,000	5,698	44,302	44,302	50,000
Software / PC Replacement	143,400	62,689	80,711	80,711	143,400
Acquisition of Commercial Assets	3,596,830	2,081,827	1,515,003	1,564,200	3,646,027
Maidstone East/Sessions Square	575,540	325,870	249,670	75,000	400,870
Total	5,009,300	2,597,347	2,411,953	1,939,213	4,536,560
STRATEGIC PLANNING, SUSTAINABILITY & TRANSPORT					
Bridges Gyratory Scheme	200,000	0	200,000	50,000	50,000
Total	200,000	0	200,000	50,000	50,000
Grand Total	13,998,590	8,920,016	5,078,574	3,498,744	12,418,760

**Irrecoverable Business Rates
3rd Quarter 2017/18**

Business Name	Property Address	A/C ref	Fin. Year	O/S debt	Costs	Total to be written off	Reason for write off	Action taken
Gadgenie Limited	82 Week Street, Maidstone, ME14 1RJ	3264470	2014/15		£200.00		Liquidation	Debt was with the Enforcement Agents. Landlord then advised that the property had been repossessed 19.04.2016. Company went into liquidation on 29.04.16. Notice of no dividend to unsecured creditors now received.
			2015/16	£37,138.67	£400.00			
			2016/17	£2,107.82	£39,846.49			
Maidstone Car Maintenance Ltd	87-97 Upper Stone Street, Maidstone, Kent, ME15 6HE	3282554	2015/16	£1927.55			Dissolved	On Pre Summons List - No forwarding address and reg address is the property - Company dissolved 25.07.2017
			2016/17	£19,755.75				
			2017/18	£710.49	£22,393.79			
Empire Retail Maidstone Limited	310 (Unit 313) Dukes Walk, Chequers Centre, Maidstone, Kent, ME15 6AS	3260853	2016/17	£46966.51			Ceased Trading	Still active proposal to strike off and all directors have resigned so no one is running the company. Will be dissolved by Companies House.
			2017/18	£7029.20	£53,995.71			
Chamic Limited	365/366 (Unit 366/367) Dukes Walk, Chequers Centre, Maidstone, Kent ME15 6AS	3269772	3269772	£15274.92 £21960.59	£200.00 £200.00	£37,635.51	Dissolved	Recovery action taken - Company dissolved 16.05.2017
Denwood Garden Products Ltd	Unit 6 Harrietsham Depot, Station Road, Harrietsham, ME17 1JA	3253413	2014/15	£349.50	£200.00		Liquidation	Was under recovery - Enforcement Agent, company in liquidation 02.09.16 and dividend to creditors unlikely.
			2015/16	£10,599.50				
			2016/17	£2,664.06	£200.00	£14,013.06		
Baymax Limited	The Rafters, High Street, Maidstone, Kent, ME14 1SR	3285167	2015/16	£14790			Dissolved	Lease was in company name so agreed to make company liable until date of dissolution, and then in directors name for remaining period. Debt for w/off as company dissolved.
			2016/17	£7026.08	£21,816.08			
Stacks Retail Limited	346-348 Dukes Walk, Chequers Centre, Maidstone, Kent ME15 6AS	3262335	2015/16	£17,376.23	£200.00	£17,576.23	Dissolved	Recovery action taken - summons, liability order granted - passed to Bailiff. Company Dissolved
Player (2014) Limited	57 High Street, Maidstone, Kent ME14 1SY	3254704	2014/15	£1547.40	£200.00		Dissolved	Recovery action taken - summons, liability order granted - passed to Bailiff. Company Dissolved
			2015/16	£10,476.25	£200.00			
			2016/17	£5179.30	£200.00	£17,803.00		
Route 9 Ltd	59 Week Street, Maidstone, Kent ME14 1QU	3244823	2013/14	£13,953.86	£200.00		Liquidation	Recovery action taken - summons, liability order granted - passed to Bailiff. Company put into liquidation.
			2014/15	£20689.34	£400.00			
			2015/16	£9284.84	£400.00	£44,928.04		

£270,007.91

Maidstone Borough Council Investments as at 31st December 2017

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	Arlingclose Credit Limits	
						Suggested Term	Maximum Deposit
SANTANDER UK PLC	NOTICE ACCOUNT	3,000,000	30/10/2017	28/04/2018	0.70%	6 months	£3,000,000
GOLDMAN SACHS ASSET MANAGEME	MONEY MARKET FUND	5,650,000	29/12/2017	02/01/2018	0.33%	2 Years	£8,000,000
FEDERATED INVESTORS (UK)	MONEY MARKET FUND	1,785,000	29/12/2017	02/01/2018	0.39%	2 Years	£8,000,000
NATIONAL COUNTIES BUILDING SOC	DEPOSIT - FIXED	1,000,000	20/10/2017	26/01/2018	0.35%	6 months	£3,000,000
BLACKPOOL BOROUGH COUNCIL	DEPOSIT - LA	2,000,000	29/09/2017	29/03/2018	0.30%	2 Years	£8,000,000
LLOYDS BANK PLC	DEPOSIT - FIXED	2,000,000	11/10/2017	11/04/2018	0.36%	6 months	£3,000,000
LLOYDS BANK PLC	DEPOSIT - FIXED	1,000,000	03/11/2017	03/05/2018	0.65%	6 months	£3,000,000
LANCASHIRE COUNTY COUNCIL	DEPOSIT - LA	3,000,000	16/11/2017	16/05/2018	0.42%	2 Years	£8,000,000
SUFFOLK COUNTY COUNCIL	DEPOSIT - LA	2,000,000	02/10/2017	01/10/2018	0.50%	2 Years	£8,000,000
THURROCK BOROUGH COUNCIL	DEPOSIT - LA	2,000,000	10/11/2017	09/11/2018	0.75%	2 Years	£8,000,000
STANDARD CHARTERED BANK	CERTIFICATE OF DEPOSIT	1,000,000	15/11/2017	15/02/2018	0.43%	100 Days	£3,000,000
NORDEA BANK AB	CERTIFICATE OF DEPOSIT	2,000,000	25/10/2017	25/04/2018	0.41%	13 Months	£3,000,000
NORDEA BANK AB	CERTIFICATE OF DEPOSIT	1,000,000	07/11/2017	08/05/2018	0.52%	13 Months	£3,000,000

Medium Term Financial Strategy and Budget Proposals 2018/19

Final Decision-Maker	Council
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report forms part of the process of agreeing a budget for 2018/19 and setting next year's Council Tax. It brings together final revenue and capital budget proposals for 2018/19, including a proposed level of Council Tax, so that a balanced budget may be recommended to Council on 28th February 2018.

This report makes the following recommendations to this Committee:

It is recommended that the Committee:

1. Notes the outcomes of consideration of budget proposals by the Service Committees;
2. Agrees the updated Strategic Revenue Projection set out in Appendix A;
3. Agrees the Budget Savings Proposals set out in Appendix B;
4. Agrees the projects to be funded from proceeds of the Business Rates Retention Pilot set out in Appendix C;
5. Agrees the Revised Estimates for 2017/18 and the Budget Estimates for 2018/19 set out in Appendix D for recommendation to Council;
6. Agrees the Capital Programme set out at Appendix E for recommendation to Council;
7. Agrees the Treasury Management Strategy set out in Appendix F for recommendation to Council;
8. Agrees a £7.29 increase in Council Tax for 2018/19 for recommendation to Council;
9. Agrees the Medium Term Financial Strategy set out in Appendix H;
10. Recommends to Council the appropriate matters for decision to set a balanced budget for 2018/19 and the necessary level of Council Tax in accordance with the Local Government Finance Act 1992 and the Localism Act 2011 including the decisions made above.

Timetable	
<i>Meeting</i>	<i>Date</i>
Policy and Resources Committee	14 February 2018
Council	28 February 2018

Medium Term Financial Strategy and Budget Proposals

1. INTRODUCTION AND BACKGROUND

1.1 This section sets out revenue and capital budget proposals for 2018/19 as follows:

- Background
- Local Government Finance Settlement 2018/19
- Feedback from Service Committees on budget proposals
- Updates to Strategic Revenue Projections
- Business Rates Retention Pilot
- Revenue Estimates
- Capital Programme
- Balances / Earmarked Reserves

Background

- 1.2 This Committee has considered the Medium Term Financial Strategy (MTFS) for 2018/19 onwards on a number of occasions during the course of the financial year. At its meeting on 28 June 2017, the Committee initiated the budget process by noting the issues and risks associated with delivering the budget for 2017/18 and updating the Medium Term Financial Strategy. It agreed an approach to development of an updated Medium Term Financial Strategy for 2018/19 – 2022/23 and a budget for 2018/19 and noted the assumptions to be used for planning purposes, including annual Council Tax increases in line with the government's referendum limit.
- 1.3 At its meeting on 25 October 2017, Council agreed a MTFS for the next five years. The starting point for the MTFS was the Council's own relatively strong financial position. Most budget savings for 2017/18 were on track for delivery; a modest underspend was projected for the year as a whole; and the level of reserves was adequate, but not excessive. However, the MTFS referred to a high degree of uncertainty about the medium term position. There are just two more years to run from the four year period of the local authority financial settlement announced in 2016. The final year of the four year period includes £1.6 million negative Revenue Support Grant payable by this Council to central government. After 2020/21 it remains unclear how any new financial settlement will affect the Council. It is also unclear how lower than expected overall economic growth will impact the Council.
- 1.4 Given the uncertainty about the future, various potential scenarios were modelled in the MTFS, representing (a) favourable, (b) neutral and (c) adverse sets of circumstances. All scenarios assumed that budget savings included within the existing MTFS would be delivered. Projections were prepared for each of the scenarios modelled and the MTFS stated that budget proposals would be sought to address all the potential scenarios.

- 1.5 The 'neutral' budget proposals were accordingly submitted to this Committee at its meeting on 13 December 2017. These proposals, together with existing budget proposals agreed by Council in earlier years, were sufficient to meet the budget remit of a balanced budget for 2018/19. 'Adverse scenario' proposals were developed for contingency planning purposes, but were not explored further. They will be revised and updated as necessary if it appears that the assumptions on which the neutral scenario is based are no longer valid.
- 1.6 The budget proposals are shown at Appendix B.

Local Government Finance Settlement 2018/19

- 1.7 The Provisional Local Government Finance Settlement 2018/19 was announced by the Secretary of State for Housing, Communities and Local Government on 20 December 2017. The settlement confirmed that the position for 2018/19 would be in line with the already announced four year funding settlement.
- 1.8 The Secretary of State said that MHCLG will 'be looking at fair and affordable options for dealing with Negative RSG'. This is welcome, given that we face £1.6m of negative RSG in 2019/20, but it remains to be seen what the outcome of this review will be.
- 1.9 Councils were given the ability to increase Council Tax by an additional 1% without a local referendum, thus permitting an overall increase of 3%. This compares with the previous cap of 2% or £5.00 (whichever is the greater). The implications for Maidstone are set out at paragraph 1.18 below.
- 1.10 No further changes to the regime for New Homes Bonus were announced. The amount receivable by Maidstone Council for 2018/19 will be £3.2 million, compared with a projected £3.1 million. Given the Council's existing policy of using New Homes Bonus for capital expenditure, this will ameliorate somewhat the burden of funding the capital programme.
- 1.11 Finally, it was announced that Kent & Medway will be a 100% Business Rates pilot area in 2018/19. This is likely to provide the Council with an additional amount of income on a one-off basis, initially estimated as £640,000. Proposals for how this income is to be deployed are set out in paragraph 1.34 below.

Feedback from Service Committees on Budget Proposals

- 1.12 Policy and Resources Committee (13 December 2017)

Budget proposals for services within the remit of the Committee were agreed.

- 1.13 Strategic Planning, Sustainability and Transportation Committee (9 January 2018)

A decision was deferred to the meeting held on 22 January 2018, as there was the potential for the budget proposals to change following consideration

of the future of the Park & Ride Service. In the event, the decisions made by the Committee on 22 January did not require any changes to the budget proposals and the budget proposals were agreed for submission to the Policy and Resources Committee.

1.14 Communities, Housing and Environment Committee (16 January 2018)

In response to a question, Members were advised that the anticipated income for Heather House had not been realised due to the temporary closure of the facility and it was anticipated that the historic shortfall in income would continue into 2018/19 requiring a deficit of £25,000 to be made up from other budgets. This was reflected in the budget proposals.

The budget proposals were agreed for submission to the Policy and Resources Committee.

1.15 Heritage, Culture and Leisure Committee (30 January 2018)

It was noted that the market operated by the Council at Lockmeadow had consistently under-performed on its income targets. It was considered that a reduction of £40,000 on an ongoing basis should be incorporated into the strategic revenue projections.

Provision had been made in the budget for 2017/18 for a loss of budgeted income from the Mote Park Café of £96,000, following the poor performance of the Café in 2016/17. The operation of the Café had been contracted out and an additional income of £56,000 had been reinstated in the budget. This was in line with the additional amount expected to be received under the new contract.

The Committee noted that the Council would still be providing Christmas lights for the Town Centre in 2018.

The budget proposals were agreed for submission to the Policy and Resources Committee.

1.16 Summary

In summary, there were no changes proposed to the budget proposals arising from consultation with the Service Committees.

Updates to Strategic Revenue Projections

Council Tax

- 1.17 Policy and Resources Committee agreed at its meeting on 13 December 2017 that the Council Tax Base for 2018/19 will be 60,921.6. This would yield total Council Tax income of £15,264,516 if Band D Council Tax is increased by £4.95, as assumed prior to the Secretary of State's announcement of 20 December.

1.18 Alternatively, Council Tax would yield £15,407,072, an additional £142,566, if the Band D rate is increased by £7.29, the maximum now permitted without triggering a referendum.

1.19 The difference between an increase of £7.29 and an increase of £4.95 is less than 5p per week. This is the impact that would be felt by those paying the full amount of Council Tax; those taxpayers benefitting from the Council Tax Reduction Scheme pay 20% of the full rate (subject to any other discounts available to them) and would therefore pay an additional 1p per week.

1.20 This report recommends that the Council increases Council Tax by the maximum permitted by the government, for the following reasons:

- Pressures on the Council's budget mean that even a marginal difference in Council Tax income is of value. An increase at the maximum level will allow a balanced budget to be set, assuming no changes to any of the other budget assumptions.
- The increased referendum limit of 3% may not apply in future years. There is a clear link between the current rate of inflation and the limit that the government has now set; with reduced inflation, the referendum limit may revert to 2% or less, thus preventing the Council catching up in subsequent years with the effects of inflation.
- Because the starting point for calculating the referendum limit in any given year is the previous year's Council Tax, agreeing a lower increase this year would reduce the Council's room for manoeuvre in future years.

1.21 It was reported to Policy and Resources Committee on 13 December 2017 that there would be a surplus on the Collection Fund arising from Council Tax collection activity as at 31 March 2018. Maidstone Borough Council's share of this surplus is £228,703. Whilst Council Tax generated a surplus, Business Rates generated a deficit – see paragraph 1.26 below.

Business Rates

1.22 The Business Rates income estimate for 2018/19 is based on the recently completed NNDR1 return that has to be provided to the Department of Housing, Communities and Local Government each January. The Business Rates baseline, ie the notional amount of business rates due to the Council, after payments to preceptors and the government's tariff, excluding any growth, is £3.136 million.

1.23 The NNDR1 return indicates that there will be further business rates growth in addition to this. This growth will be pooled with that of all the local authorities that form part of the Kent & Medway Business Rates pilot. In return, Maidstone will receive the amount to which it would have been entitled under the existing arrangements, plus a share of the Financial Sustainability Fund that will be established using 70% of the pilot proceeds. The business rates growth to be accounted for as part of the General Fund budget, excluding the Financial Sustainability Fund, is expected to be £196,000 greater than projected in December 2017.

- 1.24 Proposals for applying proceeds from the Financial Sustainability Fund are described below in paragraph 1.34 and are set out in Appendix C.
- 1.25 The Council will also benefit jointly with the other North Kent authorities from the Housing and Commercial Growth Fund that will account for the remaining 30% of the pilot proceeds. No account has been taken of this second element of the pilot proceeds in the budget proposals.
- 1.26 The NNDR1 provides our latest estimate of the balance on the Collection Fund arising from Business Rates collection activity as at 31 March 2018. Business Rates have recorded a deficit, of which Maidstone Borough Council's share is £646,838. Business Rates income is very difficult to predict, owing to the high incidence of appeals, and over £2 million has been charged against the provision for appeals in 2017/18. Taking into account the surplus on Council Tax, the net deficit on the Collection Fund, which needs to be built into the budget, is £418,135.

Fees and Charges

- 1.27 The level of fees and charges made by each Service Area were considered by Service Committees at their meetings in January 2018. The combined considerations of all fees and charges has been incorporated in the budget proposals in Appendix B.

Inflation

- 1.28 MTFS assumptions have been updated in the light of developments since Council adopted the MTFS in October 2017. Inflation remains at a higher level than the government's 2% target. This has fed through into many of the input costs faced by the Council, in particular the following.
- 1.29 The benchmark for employee pay increases was set by local government employers' offer of a 2% pay increase for 2018/19. Whilst Maidstone Borough Council agrees pay for its staff independently, it has also offered an increase of 2%. This is higher than the increase of 1% originally included in the MTFS. The additional cost is £173,000 and is included under inflation and contract costs in the strategic revenue projections.
- 1.30 Costs of the Biffa waste collection contract are linked to inflation and it estimated that the additional costs arising, based on the latest inflation figures, will be £157,000 in 2018/19.

Revenue costs of capital programme

- 1.31 An allowance is made in the Strategic Revenue Projection for the revenue costs of the capital programme, ie financing costs and Minimum Revenue Provision. Now that projections of capital expenditure have been updated, following development of the capital programme that was presented to Committee on 24 January, it is clear that the revenue costs of capital expenditure will be delayed. This has led to a reduction of £138,000 in the projected costs in 2018/19.

Summary

1.32 In summary, the impact of the above changes to the Strategic Revenue Projections for 2018/19, as compared with the position reported to Policy and Resources Committee at its meeting on 13 December 2017, is as follows:

	£000
Projected budget gap	-606
New savings proposals	955
Projected budget surplus for 2018/19 (assuming all savings proposals adopted)	349
<u>Add:</u>	
Potential additional Council Tax income from increasing by 3%	142
Projected additional Business Rates growth from NNDR1	196
Change in other income following agreement of fees and charges	20
Revenue effects of capital programme slippage	138
<u>Less:</u>	
Net deficit on Collection Fund	-418
2% pay award	-173
Additional Biffa contract costs	-157
Projected surplus	97

1.33 Owing to a combination of factors, the surplus anticipated in December has reduced. However, assuming that Council Tax is increased by 3%, it will be possible to project a budget surplus of £97,000 for 2018/19. This surplus will be carried forward to 2019/20 and will help to mitigate the projected shortfall in that year.

Business Rates Retention Pilot

1.34 This Committee considered the approach to allocating the proceeds from the Business Rates Retention Pilot Financial Sustainability Fund at its meeting on 24th January 2018. As this is likely to be a one-off contribution, rather than an ongoing addition to the budget, it is appropriate to treat the proceeds as a discrete item in the budget.

1.35 Appendix C sets out proposals for a number of projects, to be funded from the Financial Sustainability Fund. There are potentially further funds available from the pilot, in the form of the 'Housing and Commercial Growth Fund'. Decisions about the allocation of this money are to be made collectively by the Leaders of the North Kent cluster of authorities.

1.36 The proposals set out in Appendix C are focused primarily on the Council's key strategic action areas. In each case, it is hoped that an initial investment, as described in the Appendix, will have a much broader long term impact.

Revenue Estimates

- 1.37 Attached at Appendix D is a summary of the revenue budget for 2018/19. The summary shows the Original Estimate 2017/18 as approved by Council in March 2017; the Revised Estimate 2017/18 calculated as part of the budget development work completed this year; and the Estimate for 2018/19 based upon the details set out in this report. The Estimate for 2018/19 is analysed between gross expenditure, income and net expenditure, so that Members may see clearly how income generated by the Council contributes towards expenditure budgets.
- 1.38 Appendix D presents the Committee with the budget structured in line with the relevant Service Committees and separately structured in line with the strategic priorities set out in the Strategic Plan.
- 1.39 The Revised Estimate 2017/18 shown in Appendix D totals £18,896,890. This figure is net of all income with the exception of the use of balances, the finance settlement and the council tax requirement.
- 1.40 The Estimate for 2018/19 shown in Appendix D totals £19,362,120. This incorporates the savings and other adjustments discussed above. The figure is net of all income with the exception of the use of balances, business rates income and the finance settlement and the council tax requirement. This figure excludes the value of all precepts.

Capital Programme

- 1.41 A draft Capital Programme was reported to Committee at its meeting on 24 January 2018. The Capital Programme totals £74 million over five years and includes a number of major schemes intended to achieve the Council's long term strategic objectives. Details are set out Appendix E.
- 1.42 At Members' request, capital expenditure to be funded from Section 106 contributions is included in Appendix E. The figures shown for Section 106 funded capital expenditure represent expenditure against contributions actually received, excluding any future contributions.
- 1.43 The Council has the power to borrow to finance capital expenditure subject to the guidance set out in the Prudential Code. In 2012 the Council approved in principle the use of prudential borrowing, but it has not yet needed to undertake any. Current cash flow projections indicate that prudential borrowing will not be required until 2019/20. The proposals set out in this report suggest a need to consider up to £44,651,000 of prudential borrowing over the life of the programme.
- 1.44 To date the Council has not borrowed to finance the capital programme, as the value of borrowing was outweighed by the benefit of using the Council's own resources. So long as the Council is holding cash balances, there is no merit in borrowing externally, given the margin between borrowing and lending rates of interest. This is termed 'internal borrowing'. It is anticipated that the Council will continue to be able to rely on internal borrowing for most of the financial year 2018/19.

1.45 In considering the Treasury Management Strategy 2018/19 for recommendation to Council, the Audit Governance & Standards Committee has been made aware of the potential for the level of prudential borrowing that would arise from the approval of the recommendations in this report. The Audit Governance & Standards Committee has agreed the Treasury Management Strategy subject to any amendments arising from consideration of the Capital Programme by Policy and Resources Committee. The updated Treasury Management Strategy is accordingly included as Appendix F.

Balances / Earmarked Reserves

1.46 Attached at Appendix G is a statement of general fund balances and details of earmarked reserves. The earmarked reserves incorporate a capital reserve that includes all of the retained New Homes Bonus and other revenue support to the capital programme available from previous years.

1.47 The estimated level of resources available from business rates growth is identified. The in year receipt will be held for use in the following year based on the principles set out in the memorandum of understanding to the Kent Business Rates Pool.

1.48 General fund balances are estimated to be £6,253,000 by 31 March 2019. In considering the level of reserves that should be maintained Committee should make two decisions:

a) The first is an absolute minimum below which the Committee cannot approve the use of balances without agreement by the Council. Since 2009 this has been held stable at £2,000,000 despite the net revenue expenditure level decreasing from £22 million to £19 million. It is recommended that Committee propose to Council that the minimum level of balances be maintained at £2,000,000.

b) The second is an operational minimum set for daily use of balances by the Policy & Resources Committee. In the past this has been set £300,000 above the Council set minimum. This makes £2,300,000 and it is recommended that Committee approve the principle that the minimum level of balances for daily use should be £300,000 above the Council set minimum.

It is considered that the projected level of balances at 31 March 2019 is adequate but not excessive.

Medium Term Financial Strategy

1.49 Attached as Appendix H is the Medium Term Financial Strategy, updated to reflect the latest position as described in this report.

1.50 The financial projection that complements the Medium Term Financial Strategy is the Strategic Revenue Projection given at Appendix A. The financial projection considers the need for growth and savings over the period of the Medium Term Financial Strategy and incorporates assumptions about inflation and changes in local and national initiatives.

- 1.51 The financial projection that complements the Capital Medium Term Financial Strategy Statement is the capital programme given at Appendix E.
- 1.52 The Strategy may require amendment following Committee's consideration of this report or following consideration by Council on 28th February 2018. The final versions will be published as part of the budget documents on the Council's website following the Council meeting.
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2. AVAILABLE OPTIONS

- 2.1 **Option 1:** To not recommend a budget or recommend a budget that is not balanced to Council.
- 2.2 The Council is statutorily required to set a balanced budget in time for the new financial year and in time for council tax billing to be achieved. If the Committee were to decide not to recommend a budget or recommend a budget that was not balanced Council would not be able to accept the proposal. A budget would need to be set and this would happen without the information or guidance from this Committee's work over the past year.
- 2.3 **Option 2:** The Committee could amend the budget set out in this report but would need to take care that the final recommendation to Council is a balanced budget.
- 2.4 The Director of Finance and Business Improvement (section 151 Officer) must provide confirmation to Council that "the budget calculations are based upon robust estimates and that the level of reserves is sufficient for the purposes of the budget exercise". Care must be taken in amending the budget set out in this report so that the Director of Finance and Business Improvement is able to make the necessary confirmation.
- 2.5 **Option 3:** the Committee recommend the budget set out in this report, including the proposed council tax charge.
-

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 Option 3 is the preferred option.
-

4. RISKS

- 4.1 The Council's MTFS is subject to a high degree of risk and certainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each of its meetings.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 28 June 2017 and has subsequently received further reports on the development of the budget for 2018/19. Council agreed the MTFS at its meeting on 25 October 2017.
- 5.2 Residents have been asked to consider our priorities as a Council as part of a survey that was carried out in Summer 2017 and has subsequently been reported to Service Committees. This survey asked, amongst other questions, whether residents agreed or disagreed that the Council provides good value for money. This did not indicate a strong opinion either way, although overall more residents tended to agree, or agree strongly, than disagreed.
- 5.3 Detailed budget proposals were published in December 2017 and were considered by individual Service Committees. The outcomes of this consultation are set out in this report at paragraphs 1.12 to 1.16.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The timetable for setting the budget for 2018/19 is set out below.

<i>Date</i>	<i>Meeting</i>	<i>Action</i>
14 February 2018	Policy and Resources Committee	Agree 18/19 budget proposals for recommendation to Council
28 February 2018	Council	Approve 18/19 budget

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. Specifically, the capital programme allows for investment in long term	Section 151 Officer & Finance Team

	projects that support the strategic plan objectives.	
Risk Management	See section 4 above.	Section 151 Officer & Finance Team
Financial	Set out in report.	Section 151 Officer & Finance Team
Staffing	None.	Section 151 Officer & Finance Team
Legal	The Council has a statutory obligation to set a balanced budget. Allocation of resources in the way set out in this report supports achievement of a balanced budget.	Legal Team
Privacy and Data Protection	None.	Section 151 Officer & Finance Team
Equalities	Where appropriate, Equalities Impact Assessments are carried out for specific budget proposals.	Section 151 Officer & Finance Team
Crime and Disorder	None.	Section 151 Officer & Finance Team
Procurement	Procurement of the capital schemes described in section 2 of this report will be in accordance with the procurement provisions within the Council's constitution.	Section 151 Officer & Finance Team

8. REPORT APPENDICES

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

- Appendix A: Strategic Revenue Projection 2018/19 to 2022/23
- Appendix B: Budget Savings Proposals 2018/19

- Appendix C: Projects to be funded by Business Rates Retention Pilot
 - Appendix D: Revised Estimates for 2017/18 and Draft Budget Estimates for 2018/19
 - Appendix E: Capital Programme 2018/19 to 2022/23
 - Appendix F: Updated Treasury Management Strategy
 - Appendix G: Statement of General Fund Balances and Earmarked Reserves
 - Appendix H: Updated Medium Term Financial Strategy 2018/19 to 2022/23
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9. BACKGROUND PAPERS

There are no background papers.

**REVENUE ESTIMATE 2018/19 TO 2022/23
STRATEGIC REVENUE PROJECTION (Neutral)**

2017/18 £000		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
AVAILABLE FINANCE						
14,732	COUNCIL TAX	15,407	15,951	16,514	17,097	17,700
	TARIFF / TOP-UP ADJUSTMENT		-1,589	-1,589	-2,889	-2,889
3,044	RETAINED BUSINESS RATES	3,136	3,254	3,319	3,385	3,453
1,025	BR GROWTH	1,237	1,250	0	500	500
96	COLLECTION FUND ADJUSTMENT	-418				
18,897	BUDGET REQUIREMENT	19,362	18,866	18,244	18,094	18,765
19,293	OTHER INCOME	19,509	19,707	19,897	20,090	20,285
38,190	TOTAL RESOURCES AVAILABLE	38,871	38,573	38,142	38,184	39,050
EXPECTED SERVICE SPEND						
36,500	CURRENT SPEND	38,190	38,871	38,573	38,142	38,184
	INFLATION & CONTRACT INCREASES					
560	PAY, NI & INFLATION INCREASES	960	826	852	878	905
	MAIDSTONE HOUSE RENT INCREASE	40	40			
	NATIONAL INITIATIVES					
25	LOSS OF ADMINISTRATION GRANT	100				
0	PENSION DEFICIT FUNDING	34	36	150	150	150
180	PLANNING SERVICE	70				
	LOCAL PRIORITIES					
94	HOMELESSNESS PREVENTION	36				
235	TEMPORARY ACCOMMODATION	100				
	HEATHER HOUSE	25				
200	REPLACE CONTINGENCY					
50	MUSEUM					
200	LOCAL PLAN REVIEW	0				
	PLANNING APPEALS	400	-400			
	PLANNING ENFORCEMENT	100	-100			
96	MOTE PARK CAFÉ - NEW CONTRACT	-56				
	LOSS OF INTEREST INCOME	120				
	MARKET - LOSS OF INCOME	40				
	REVENUE COSTS OF CAPITAL PROGRAMME	123	487	470	350	315
50	GROWTH PROVISION	50	50	50	50	50
38,190	TOTAL PREDICTED REQUIREMENT	40,331	39,810	40,094	39,570	39,604
	SAVINGS REQUIRED	-1,461	-1,237	-1,953	-1,386	-554
	SAVINGS IDENTIFIED	1,558	1,007	1,014	860	608
	PROJECTED EARLY DELIVERY OF SAVINGS	-97	97	0	0	0
	SURPLUS / DEFICIT	0	-133	-939	-526	54

Service	Proposal	18/19	19/20	20/21	21/22	22/23	Total
Street Cleansing	Bring large mechanical sweeper in-house	40					40
Commercial Waste Services	Increase income generation	5					5
Recycling Collection	Reduce general publicity and focus on increased garden waste income generation		44	22			66
Grounds Maintenance	Increase income generation	50					50
Fleet Workshop & Management	Alternative delivery model for fleet and relevant maintenance along with a reduction in fleet	50					50
Homeless Temporary Accommodation	New temporary accommodation strategy **		100				100
C C T V	Commissioning review **		75	25			100
Environmental Enforcement	Commissioning review of enforcement		125				125
Voluntary Sector Grants	Phase out direct grants over MTFS period	11	11	11	11		44
Grants to outside bodies	Uncommitted project budgets	11					11
Regeneration & Economic Development	Housing & Regeneration strategy *			542	598	400	1,540
Housing & Community Services	Savings to offset Heather House growth *	25					25
Communities, Housing & Environment Total		192	355	600	609	400	2,156
Museum	Review operating and governance model **		50				50
Parks & Open Spaces	New operational model to be incorporated within Parks and Open Spaces 10 Year Plan	100	50				150
Festivals & Events	Cease direct delivery of festivals and events **	10	10	10			30
Festivals & Events	Withdrawal of Christmas lights provision		30				30
Mote Park Adventure Zone	Mote Park Adventure Zone *	57	57				114
Mote Park Centre	Income from new Café *			40			40
Museum	Potential Saving on NNDR at the museum*		119				119
Heritage, Culture & Leisure Total		167	316	50	0	0	533
Corporate Management	External audit contract		10				10
New commercial investments	Additional income from new commercial acquisitions	100					100
Customer Services Section	Reduce staff costs following shift from face to face to digital contacts.	20	20				40
ICT Non-pooled	Retire redundant ICT systems	10					10
Office Cleaning Contract	Review office cleaning contract	10					10
Council Tax Collection	Various savings	50					50
Fraud Partnership	Fraud partnership		10				10
New commercial investments	Investments to promote economic development (additional amount delivered)	144					144
New commercial investments	Investments to promote economic development	143	143	143	143	143	715
Regeneration & Economic Development	Offset staff costs with EZ income	7	7				14
Elections	Spread elections cost over 4 years*				28		28
Finance	Charge for administering Kent BR Pilot *	10					10
HR	Expansion of payroll service to DBC*	19					19
All	Increase vacancy factor (staff costs) *	200					200
ICT	ICT restructure *	100					100
Policy & Resources Total		813	190	143	171	143	1,460
Development Control Applications	Savings arising from Planning Review including income generation	120					120
Development Control Appeals	Reduction following adoption of local plan **			40			40
Pay & Display Car Parks	5% increase in income (Fees & Charges)			100			100
Park & Ride	Re-specify service and deliver at reduced cost		75				75
Grants to outside bodies	Remove grants as part of voluntary sector grants reduction strategy	16	16	16	15		63
Parking Services	Increase Pay & Display income budget (Fees & Charges) *	200	50	50	50	50	400
Planning Policy	Offset staff costs with CIL *		5	15	15	15	50
Mid Kent Planning Support	Increase in Local Land Charges fee income (Fees & Charges) *	50					50
Strategic Planning, Sustainability and Transportation		386	146	221	80	65	898
GRAND TOTAL		1,558	1,007	1,014	860	608	5,047

* = New budget proposal

** = Reprofiled / amended budget proposal

BUSINESS RATES RETENTION PILOT PROJECTS

£000

A Home for Everyone

Identifying individuals at risk of homelessness 80

We plan to build a predictive analytical model which will identify those most at risk of future homelessness, prior to them reaching the statutory trigger point of facing the threat of homelessness within 56 days. Caseworkers will work with these individuals to provide early housing support intervention and support with accessing any identified wider support services.

Rough Sleepers 80

This initiative is intended to have a positive impact on the street population and the wider community. It consists of a four point plan, comprising (i) deep dive into the reasons and experiences why people are living on the streets; (ii) development of a 'Housing First' model, which will support homeless people with high needs and complex issues to live in their own homes; (iii) creation of a Challenge Group Partnership comprising influencers and budget holders across our organisation and key stakeholders including Community Safety, Police, treatment services, Social Care and Health services; (iv) provide more effective access to primary health care.

Housing Delivery Partnership 50

There is a potential business case for a joint venture with a housing association and / or an institutional investor to acquire S106 affordable housing from developers in the borough. The project would require capital investment from MBC to be funded through the Capital Programme. To achieve the project objectives an Affordable Housing SPG or DPD will need to be commissioned and introduced, together with appropriate legal advice and procurement work.

Maidstone Housing Design Guide 50

Given the housing growth in the borough, there is a need to raise the design standard of new housing be built in the borough. This guide would become a material planning consideration or SPG, and help us succinctly set out our aspirations in terms of quality.

c/f 260

b/f 260

Clean and Safe

Community Environmental Engagement 90

Conserving and promoting biodiversity in the Borough is a key objective for the Council, as set out in the Local Plan and the Parks and Open Spaces 10 year Plan. In order to deliver this, it is essential to engage with residents, communities and key stakeholders and promote the environmental initiatives – both big and small – which take place across the Borough. This project centres on the creation of a website that residents, community groups, partner organisations and Maidstone Borough Council can populate with environmental based projects.

Regeneration

Town Centre Regeneration Opportunity Areas 80

This project aims to bring forward housing for development in the town centre broad locations (and other windfall sites) as set out in the Local Plan. It is intended to demonstrate vision and leadership in respect of a number of difficult sites that have proved difficult to deliver over many years.

Property Asset Review 55

The Council has not carried out a comprehensive review of its property portfolio in recent years. A Property Asset Review will ensure that the Council’s property assets can respond to the Council’s corporate priorities and more specifically will identify opportunities for the Council to optimise income or capital from Council owned property and to ensure that all Council services are provided through facilities which are fit for purpose and utilised effectively.

Maidstone Business Capital of Kent – Marketing Campaign 35

With a newly adopted Local Plan, a local economy that is continuing to grow, and many exciting projects coming to fruition, this is the right time to demonstrate that Maidstone is truly ‘open for business’. In order to promote Maidstone as the Business Capital of Kent and drive inward investment, the Council will run a positive PR campaign to raise the profile of Maidstone, and develop marketing collateral in the form of an interactive Town Centre map, a marketing toolkit and a microsite for inward investment.

c/f 520

	b/f	520
Staplehurst Village Centre Masterplan		15

The local community is keen to see regeneration of the land around Staplehurst railway station, to provide increased and improved car parking as well as mixed use development, to include retail, so as to create a more vibrant village centre. This would be a collaborative project intended to bring forward a development that meets the aspirations of the local community.

Maidstone Bus Centre Improvements		10
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The recent Tri-study has confirmed that there is a need for a bus station in Maidstone, and the current facility is the best location for it, but it is in drastic need of refurbishment. In order to mobilise the necessary funding, it is necessary to have a worked up and costed design and supporting narrative, which this project will seek to deliver.

Keeping Maidstone Council an attractive place for all

Community Fund		60
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Elected Councillors are deeply engaged with their local communities and are in an excellent position to identify local initiatives that support the Council’s overall strategic objectives. In many cases, a modest amount of funding can make the difference between whether these initiatives happen or not. It is therefore proposed to allocate £1,000 to each councillor for them to use as a ‘Community Fund’. The administration of the fund will be kept as simple as possible, consistent with the requirements of good governance, ensuring that overheads can be limited.

Data analytics for Inclusive Growth		35
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The data underpinning Council policies has a critical influence on how those policies developed. Currently, much of the data we use is financial and/or biased towards what is relatively easy to measure – eg population, number of households. This means, for example, that in developing the Local Plan, there is a strong emphasis on the quantitative (number of homes) at the expense of the qualitative. This project would review the relevant information that is available. It would define a broader set of metrics, based on the available data, and would establish processes for extracting and presenting this data on a regular basis.

TOTAL		640
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MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES**REVISED ESTIMATE 2017/18 AND ESTIMATE 2018/19****COMMITTEE SUMMARY**

Cost Centre/Service	Original Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 £
Policy & Resources	6,564,030	7,370,240	7,542,180
Strategic Planning, Sustainability & Transportation	-1,020,660	-1,094,760	-1,227,240
Communities, Housing & Environment	8,773,840	8,042,550	7,899,440
Heritage, Culture & Leisure	410,590	1,449,590	1,333,460
	14,727,800	15,767,620	15,547,840
Slippage	-314,500	-238,670	-365,030
	14,413,300	15,528,950	15,182,810
Transfers to and from General Balances	-78,540	-1,081,690	0
Transfers to and from Earmarked Reserves	4,562,130	4,449,630	4,179,310
Net Revenue Expenditure	18,896,890	18,896,890	19,362,120

SUMMARY ESTIMATE 2018/19 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Policy & Resources					
Contingency	200,000	342,520	248,210		248,210
Unapportionable Central Overheads	1,751,580	1,787,370	1,777,370		1,777,370
Non Service Related Government Grants	-4,001,420	-3,864,370		-3,218,600	-3,218,600
Appropriation Account	1,010,710	964,920	980,940		980,940
Balances, Pensions & Appropriations Total	-1,039,130	-769,560	3,006,520	-3,218,600	-212,080
Business Support & Enterprise		22,000			0
Town Centre Management Sponsorship		15,000			0
Business Terrace	69,820	70,640	167,590	-94,370	73,220
Phase 3 -Business Terrace Expansion			72,390	-71,950	440
Business Support Total	69,820	107,640	239,980	-166,320	73,660
Council Tax Collection	-328,900	-303,190	116,620	-418,060	-301,440
Council Tax Benefits Administration	-163,800	-158,480		-158,480	-158,480
NNDR Collection	-240,370	-227,780	17,120	-250,970	-233,850
Registration Of Electors	59,210	120,600	49,030	-2,290	46,740
Elections	102,250	115,270	117,290	-420	116,870
External Interest Payable	124,980	124,980	231,610		231,610
Interest & Investment Income	-220,000	-220,000		-100,000	-100,000
Central Services to the Public Total	-666,630	-548,600	531,670	-930,220	-398,550
Palace Gatehouse	-10,660	-7,620	2,450	-10,100	-7,650
Archbishops Palace	-99,210	-98,930	39,590	-139,340	-99,750
Parkwood Industrial Estate	-307,340	-313,420	12,700	-329,390	-316,690
Industrial Starter Units	-20,170	-23,660	28,290	-51,210	-22,920
Parkwood Equilibrium Units	-39,030	-55,530	50,940	-110,170	-59,230
Sundry Corporate Properties	-97,100	17,870	69,740	-368,900	-299,160
Parks Dwellings	-16,580	-50,390	25,300	-76,190	-50,890
Chillington House	-34,630	-24,500	8,500	-33,330	-24,830
Phoenix Park Units	-217,910	-214,940	16,870	-233,740	-216,870
Granada House - Commercial	-115,840	-111,760	27,990	-139,970	-111,980
Granada House - Residential	-105,950	-105,060	940	-107,010	-106,070
Heronden Road Units		-122,310	6,140	-157,570	-151,430
Commercial Investments Total	-1,064,420	-1,110,250	289,450	-1,756,920	-1,467,470
Performance & Development	14,800	9,030	9,240		9,240
Corporate Projects	42,840	46,450	40,450		40,450
Press & Public Relations	40,050	31,330	30,990		30,990
Corporate Management	103,000	101,740	92,060		92,060
Corporate Management Total	200,690	188,550	172,740	0	172,740
Economic Development Section	228,320	284,390	278,630		278,630
Head of Economic and Commercial Dev.	95,500	102,340	98,920		98,920
Democratic Services Section	136,030	135,770	162,090		162,090
Mayoral & Civic Services Section	104,710	104,670	105,390		105,390
Chief Executive	160,680	168,710	173,810		173,810
Communications Section	78,900	196,320	198,340		198,340
Policy & Information	213,120	214,930	220,470		220,470
Head of Policy and Communications	104,850	105,130	107,230		107,230
Democratic & Admin.Services Manager	45,960				0
Registration Services Section	128,850	129,860	134,040		134,040
Director of Finance & Business Imp.	134,010	136,030	137,330		137,330
Accountancy Section	641,910	673,500	699,130	-4,380	694,750
Director of Regeneration & Place	134,110	135,240	136,570		136,570
Property & Procurement Manager	81,060	41,760			0
Procurement Section	69,980	68,040	148,090	-76,050	72,040
Property & Projects Section	264,330	251,650	258,710		258,710
Facilities & Corporate Support Section	409,710	367,910	418,910		418,910
Improvement Section	240,900	283,630	251,170		251,170
Executive Support	156,820	155,920	159,900		159,900
Head of Commissioning & Business Improvement		209,010	126,130		126,130
Customer Services Manager	75,190				0
Customer Services Section	613,410	639,480	599,020		599,020
Corporate Support Services Total	4,118,350	4,404,290	4,413,880	-80,430	4,333,450
Civic Occasions	34,850	35,850	36,390		36,390
Members Allowances	342,540	365,840	371,000		371,000
Members Facilities	40,100	39,340	39,940		39,940
Subscriptions	18,100	7,240	7,390		7,390
Democratic Representation Total	435,590	448,270	454,720	0	454,720
Economic Dev - Promotion & Marketing	800	36,320	4,130	-3,500	630
Economic Development Total	800	36,320	4,130	-3,500	630
Economic Research		6,750			0
Economic Research Total	0	6,750	0	0	0
Emergency Centre	29,080	36,280	32,960		32,960
Emergency Planning Total	29,080	36,280	32,960	0	32,960
Housing Benefits Administration	-450,700	-437,220		-337,220	-337,220

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Housing Benefit Administration Total	-450,700	-437,220	0	-337,220	-337,220
Medway Conservancy	108,870	108,870	109,530		109,530
Levies Total	108,870	108,870	109,530	0	109,530
Town Hall	81,470	85,110	90,380	-3,990	86,390
South Maidstone Depot	133,430	134,350	136,770		136,770
The Link King Street	91,730	97,310	349,600	-241,390	108,210
Maidstone House	1,057,670	1,159,540	1,239,540	-124,430	1,115,110
Office Accommodation Total	1,364,300	1,476,310	1,816,290	-369,810	1,446,480
Rent Allowances	-203,330	-222,790	44,769,080	-44,991,870	-222,790
Non HRA Rent Rebates	-5,000	-4,550	450,670	-455,220	-4,550
Discretionary Housing Payments	1,000	1,210	251,400	-250,190	1,210
Rent Rebates Total	-207,330	-226,130	45,471,150	-45,697,280	-226,130
Mid Kent Improvement Partnership		290	141,650	-141,090	560
Revenues Section	344,570	448,720	773,010	-333,350	439,660
Benefits Section	432,300	437,610	747,740	-309,710	438,030
Head of Revenues & Benefits		85,280	107,880	-42,070	65,810
Revenues & Benefits Business Support	136,010	143,650	388,000	-253,130	134,870
Fraud & Visiting Partnership Section	47,300	62,120	215,640	-163,350	52,290
Mid Kent Audit Partnership	196,370	204,010	700,440	-494,480	205,960
Legal Services Section	483,150	482,850	551,030	-60,000	491,030
Revenues & Benefits Manager	233,980				0
Mid Kent ICT Services	680,060	681,410	1,583,830	-890,610	693,220
GIS Section	102,440	102,850	173,690	-68,790	104,900
Director of Mid Kent Services	24,820	39,020	119,040	-80,700	38,340
Mid Kent HR Services Section	360,880	370,170	627,650	-248,720	378,930
MBC HR & Payroll Section	228,400	145,930	228,510	-19,530	208,980
I.T. Operational Services	327,190	383,380	244,330		244,330
Central Telephones	60,200	60,200	61,400		61,400
Shared Services Total	3,657,670	3,647,490	6,663,840	-3,105,530	3,558,310
Mid Kent ITC Software	187,420	187,420	521,820	-334,400	187,420
Youth Development Programme	48,200	48,250	48,620	-170	48,450
Internal Printing	-85,240	-87,290	49,860	-136,130	-86,270
Debt Recovery Service	-143,310	-147,150	727,550	-876,000	-148,450
Trading Accounts Total	7,070	1,230	1,347,850	-1,346,700	1,150
Policy & Resources	6,564,030	7,370,240	64,554,710	-57,012,530	7,542,180

SUMMARY ESTIMATE 2018/19 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Strategic Planning, Sustainability and Transportation					
Building Regulations Chargeable	-320,160	-320,160	6,820	-326,850	-320,030
Building Control	-990	-990	2,000	-3,020	-1,020
Street Naming & Numbering	-49,000	-49,000		-49,000	-49,000
Building Control Total	-370,150	-370,150	8,820	-378,870	-370,050
Land Charges	-233,400	-234,010	36,350	-335,550	-299,200
Central Services to the Public Total	-233,400	-234,010	36,350	-335,550	-299,200
Development Management Section	787,690	898,560	864,420		864,420
Spatial Policy Planning Section	442,350	398,530	396,470		396,470
Head of Planning and Development	102,100	161,070	104,430		104,430
Development Mgt.Enforcement Section	143,850	146,890	169,160		169,160
Building Surveying Section	358,410	358,490	367,640		367,640
Heritage Landscape and Design Section	171,560	170,790	175,700		175,700
Planning Business Management	107,200	117,720	72,220		72,220
Parking Services Section	310,600	308,580	433,040	-109,410	323,630
Corporate Support Services Total	2,423,760	2,560,630	2,583,080	-109,410	2,473,670
Development Control Advice	-115,000	-115,000		-115,000	-115,000
Development Control Applications	-1,295,980	-1,304,440	125,320	-1,559,060	-1,433,740
Development Control Appeals	119,410	119,410	121,800		121,800
Development Control Enforcement	64,520	64,520	165,810		165,810
Development Control Total	-1,227,050	-1,235,510	412,930	-1,674,060	-1,261,130
Environment Improvements	17,170	16,440	16,450		16,450
Name Plates & Notices	17,600	17,600	17,950		17,950
Network & Traffic Management Total	34,770	34,040	34,400	0	34,400
On Street Parking	-273,530	-297,440	410,250	-698,710	-288,460
Residents Parking	-223,000	-223,180	45,090	-267,180	-222,090
Pay & Display Car Parks	-1,580,200	-1,598,710	388,090	-2,138,340	-1,750,250
Non Paying Car Parks	9,300	9,700	10,000	-10	9,990
Off Street Parking - Enforcement	-188,370	-164,530	167,780	-327,750	-159,970
Mote Park Pay & Display	-175,180	-175,020	29,530	-203,910	-174,380
Mote Park - Enforcement	24,660				0
Sandling Road Car Park	-111,770	-111,770	128,600	-240,100	-111,500
Parking Services Total	-2,518,090	-2,560,950	1,179,340	-3,876,000	-2,696,660
Planning Policy	200,000	31,950	200,000		200,000
Neighbourhood Planning		4,740	0		
Conservation	-11,470	-11,470	10,000	-21,470	-11,470
Planning Policy Total	188,530	25,220	210,000	-21,470	188,530
Park & Ride	198,900	188,390	563,950	-366,720	197,230
Socially Desirable Buses	63,780	63,780	48,130		48,130
Other Transport Services	-9,300	-9,300	15,700	-25,250	-9,550
Public Transport Total	253,380	242,870	627,780	-391,970	235,810
Mid Kent Planning Support Service	396,070	430,230	671,930	-237,470	434,460
Mid Kent Local Land Charges Section	31,520	12,870	135,090	-102,160	32,930
Shared Services Total	427,590	443,100	807,020	-339,630	467,390
Strategic Planning, Sustainability and Transportation	-1,020,660	-1,094,760	5,899,720	-7,126,960	-1,227,240

SUMMARY ESTIMATE 2017/18 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Communities, Housing & Environment					
Grants	205,270	206,270	195,270		195,270
Delegated Grants	2,100	2,100	2,100		2,100
Parish Services	130,170	130,170	127,320		127,320
Central Services to the Public Total	337,540	338,540	324,690	0	324,690
Social Inclusion		40,510			0
Community Development Total	0	40,510	0	0	0
Community Safety	66,440	66,440	17,770		17,770
Building Safer Communities			32,250	-32,250	0
C C T V	192,350	191,310	214,410	-21,100	193,310
Community Safety Total	258,790	257,750	264,430	-53,350	211,080
Head of Environment and Public Realm	86,660	86,750	92,090		92,090
Environmental Ops.Enforcement Section	317,340				0
Community Partnerships & Resilience Section	127,950	476,380	473,340		473,340
Licensing Section	104,300	104,460	107,050		107,050
Environmental Protection Section	237,070	235,860	240,820		240,820
Food and Safety Section	292,700	290,620	249,630		249,630
Depot Services Section	432,680	636,760	653,460		653,460
Head of Housing & Community Services	102,800	102,960	104,760		104,760
Housing & Enabling Section	328,060	197,540	199,990		199,990
Housing & Inclusion Section	501,660	552,390	555,420		555,420
Housing & Health Section	282,440	263,340	288,790		288,790
Corporate Support Services Total	2,813,660	2,947,060	2,965,350	0	2,965,350
Drainage	31,700	31,700	31,720		31,720
Flood Defences & Land Drainage Total	31,700	31,700	31,720	0	31,720
Homeless Temporary Accommodation	424,450	416,270	895,100	-336,070	559,030
Homelessness Prevention	245,400	288,100	284,640		284,640
Aylesbury House	20,170	23,080	100,710	-58,640	42,070
Magnolia House	-5,960	-8,270	36,820	-39,040	-2,220
Marsham Street	31,360	40,160	85,790	-39,070	46,720
Sundry Temporary Accommodation (TA) Properties	7,180	3,980	23,850	-43,480	-19,630
2 Bed Property - Temporary Accommodation		3,990	30,490	-41,640	-11,150
3 Bed Property - Temporary Accommodation		-80	18,240	-28,040	-9,800
4 bed Property - Temporary Accommodation		-970	10,200	-19,600	-9,400
Homelessness Total	722,600	766,260	1,485,840	-605,580	880,260
Housing Register & Allocations	10,000	10,000	10,200		10,200
Housing Advice Total	10,000	10,000	10,200	0	10,200
Strategic Housing Role	13,500	13,500	13,770		13,770
Housing Strategy Total	13,500	13,500	13,770	0	13,770
Marden Caravan Site (Stilebridge Lane)	19,020	18,950	48,500	-29,510	18,990
Ulcombe Caravan Site (Water Lane)	6,930	6,850	45,570	-38,690	6,880
Other Council Properties Total	25,950	25,800	94,070	-68,200	25,870
Private Sector Renewal	-47,370	-47,370	2,680	-50,000	-47,320
HMO Licensing	-13,380	-13,380		-14,380	-14,380
Private Sector Housing Renewal Total	-60,750	-60,750	2,680	-64,380	-61,700
Public Health - Obesity			94,000	-94,000	0
Public Health - Misc Services		13,620	58,300	-58,300	0
Public Health Total	0	13,620	152,300	-152,300	0
Recycling Collection	562,060	638,250	1,941,040	-1,227,410	713,630
Recycling Total	562,060	638,250	1,941,040	-1,227,410	713,630
Licences	-6,800	-6,800	25,210	-28,890	-3,680
Licensing Statutory	-71,040	-71,040	61,330	-131,320	-69,990
Licensing Non Chargeable	7,030	7,030	7,350		7,350
Dog Control	24,150	24,150	28,610	-3,900	24,710
Health Promotion		1,750			0
Health Improvement Programme	8,800	8,800	8,980		8,980
Pollution Control - General	25,940	232,110	38,970	-11,590	27,380
Contaminated Land			1,020	-1,000	20
Environmental Enforcement	13,580	13,580	16,320	-2,520	13,800
Food Hygiene	8,840	8,840	10,960	-1,910	9,050
Sampling	3,300	3,300	3,370		3,370
Occupational Health & Safety	23,670	23,670	24,720	-570	24,150
Infectious Disease Control	960	1,000	980		980
Noise Control	1,160	1,200	1,200		1,200
Pest Control	-12,000	-12,000	150	-12,120	-11,970
Public Conveniences	139,590	128,460	137,400		137,400
Licensing - Hackney & Private Hire	-68,400	-68,400	72,870	-138,920	-66,050
Regulatory Services Total	98,780	295,650	439,440	-332,740	106,700
Street Cleansing	967,030	967,940	985,870	-33,260	952,610
Street Cleansing Total	967,030	967,940	985,870	-33,260	952,610
Commercial Waste Services	-66,090	-69,550	117,200	-188,170	-70,970

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Trade Waste Total	-66,090	-69,550	117,200	-188,170	-70,970
Fleet Workshop & Management	749,940	707,210	679,010		679,010
MBS Support Crew	-59,920	-52,300	104,410	-175,190	-70,780
Grounds Maintenance	1,316,850				0
Grounds Maintenance - Commercial		59,810	127,070	-100,170	26,900
Trading Accounts Total	2,006,870	714,720	910,490	-275,360	635,130
Household Waste Collection	1,052,200	1,111,550	1,310,340	-149,240	1,161,100
Waste Collection Total	1,052,200	1,111,550	1,310,340	-149,240	1,161,100
Communities, Housing & Environment	8,773,840	8,042,550	11,049,430	-3,149,990	7,899,440

SUMMARY ESTIMATE 2018/19 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Heritage, Culture & Leisure					
Cemetery	-98,240	38,910	183,820	-142,270	41,550
National Assistance Act	-490	-490	2,040	-2,510	-470
Crematorium	-829,770	-753,260	457,300	-1,216,090	-758,790
Maintenance of Closed Churchyards	1,000		5,000		5,000
Bereavement Services Total	-927,500	-714,840	648,160	-1,360,870	-712,710
Leisure Services Section		52,120	53,810		53,810
Cultural Services Section	509,340	484,300	501,790		501,790
Visitor Economy Section		87,070	99,190	-11,390	87,800
Maidstone Culture & Leisure Section	137,620				0
Parks & Leisure Services Section	158,400				0
Bereavement Services Section	170,340	156,790	153,490		153,490
Market Section	76,000	74,330	76,880		76,880
Corporate Support Services Total	1,051,700	854,610	885,160	-11,390	873,770
Cultural Development Arts	28,110	17,040	14,800		14,800
Museum	275,900	302,560	372,340	-94,810	277,530
Carriage Museum	28,800	32,880	37,060	-2,000	35,060
Museum-Grant Funded Activities		56,380			0
Museum Café		-3,200	37,550	-41,010	-3,460
Hazlitt Arts Centre	266,450	266,270	267,680		267,680
Festivals and Events	-3,260	-3,260	28,490	-41,410	-12,920
Culture & Heritage Total	596,000	668,670	757,920	-179,230	578,690
Market	-171,440	-176,500	176,000	-312,080	-136,080
Economic Development Total	-171,440	-176,500	176,000	-312,080	-136,080
Mote Park Adventure Zone				-57,000	-57,000
Parks & Open Spaces	59,230	857,850	806,170	-55,360	750,810
River Park	35,410				0
Playground Maintenance & Improvements	20,920	131,810	134,330		134,330
Parks Pavilions	25,080	22,300	25,410	-10	25,400
Mote Park	39,230	186,320	241,560	-54,140	187,420
Mote Park Cafe	9,210	6,000	236,980	-287,910	-50,930
Cobtree Manor Park	-132,890	-176,760	122,780	-178,810	-56,030
Kent Life	340	-400	44,250	-61,900	-17,650
Cobtree Manor Park Visitor Centre	-5,850	-7,630	243,850	-271,180	-27,330
Allotments	11,040	11,040	11,260		11,260
Open Spaces Total	61,720	1,030,530	1,866,590	-966,310	900,280
Lettable Halls	-2,490	10	6,800	-7,360	-560
Community Halls	46,930	44,890	88,830	-16,380	72,450
Leisure Centre	-218,370	-223,470	-23,600	-200,000	-223,600
Cobtree Golf Course	-66,830	-67,160	103,650	-156,950	-53,300
Recreation & Sport Total	-240,760	-245,730	175,680	-380,690	-205,010
Tourism	26,100	18,080	33,900	-15,150	18,750
Museum Shop	-18,740	-18,740	25,970	-44,640	-18,670
Leisure Services Other Activities	33,510	33,510	34,440		34,440
Tourism Total	40,870	32,850	94,310	-59,790	34,520
Heritage, Culture & Leisure	410,590	1,449,590	4,603,822	-3,270,357	1,333,460

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2017/18 AND ESTIMATE 2018/19

PRIORITY SUMMARY

Cost Centre/Service	Original Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 £
Character	640,360	669,610	649,480
Health & Wellbeing	1,984,690	1,805,520	1,713,960
Clean & Safe	3,545,010	4,233,170	4,322,750
Leisure & Culture	1,567,130	2,419,180	2,304,450
Town Centre	69,820	85,640	73,660
Employment & Skills	229,120	349,460	279,260
Homes	1,184,000	1,165,490	1,225,890
Infrastructure	385,050	372,010	381,740
Trading	-4,613,250	-4,635,450	-5,158,860
Central & Democratic	9,735,870	9,302,990	9,755,510
	14,727,800	15,767,620	15,547,840
Slippage	-314,500	-238,670	-365,030
	14,413,300	15,528,950	15,182,810
Transfers to and from General Balances	-78,540	-1,081,690	0
Transfers to and from Earmarked Reserves	4,562,130	4,449,630	4,179,310
Net Revenue Expenditure	18,896,890	18,896,890	19,362,120

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Character					
Conservation	-11,470	-11,470	10,000	-21,470	-11,470
Social Inclusion		40,510			0
Civic Occasions	34,850	35,850	36,390		36,390
Parish Services	130,170	130,170	127,320		127,320
Medway Conservancy	108,870	108,870	109,530		109,530
Head of Economic & Commercial Dev.	95,500	102,340	98,920		98,920
Housing & Health Section	282,440	263,340	288,790		288,790
Character	640,360	669,610	670,950	-21,470	649,480

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Health & Wellbeing					
Leisure Centre	-218,370	-223,470	-23,600	-200,000	-223,600
Mote Park Adventure Zone				-57,000	-57,000
Cobtree Golf Course	-66,830	-67,160	103,650	-156,950	-53,300
Cemetery	-98,226	38,910	183,820	-142,270	41,550
National Assistance Act	-490	-490	2,040	-2,510	-470
Maintenance of Closed Churchyards	1,000		5,000		5,000
Drainage	31,700	31,700	31,720		31,720
Health Promotion		1,750			0
Health Improvement Programme	8,800	8,800	8,980		8,980
Pollution Control - General	25,940	232,110	38,970	-11,590	27,380
Contaminated Land			1,020	-1,000	20
Environmental Enforcement	13,580	13,580	16,320	-2,520	13,800
Food Hygiene	8,840	8,840	10,960	-1,910	9,050
Sampling	3,300	3,300	3,370		3,370
Occupational Health & Safety	23,670	23,670	24,720	-570	24,150
Infectious Disease Control	960	1,000	980		980
Noise Control	1,160	1,200	1,200		1,200
Pest Control	-12,000	-12,000	150	-12,120	-11,970
Public Conveniences	139,590	128,460	137,400		137,400
Licensing - Hackney & Private Hire	-68,400	-68,400	72,870	-138,920	-66,050
Public Health - Obesity			94,000	-94,000	0
Public Health - Misc Services		13,620	58,300	-58,300	0
Housing Register & Allocations	10,000	10,000	10,200		10,200
Private Sector Renewal	-47,370	-47,370	2,680	-50,000	-47,320
HMO Licensing	-13,380	-13,380		-14,380	-14,380
Homeless Temporary Accommodation	424,450	416,270	895,100	-336,070	559,030
Homelessness Prevention	245,400	288,100	284,640		284,640
Aylesbury House	20,166	23,080	100,710	-58,640	42,070
Magnolia House	-5,960	-8,270	36,820	-39,040	-2,220
Marsham Street	31,360	40,160	85,790	-39,070	46,720
Sundry Temp.Accomm (TA) Properties	7,180	3,980	23,850	-43,480	-19,630
2 Bed Property - Temporary Accomodation		3,990	30,490	-41,640	-11,150
3 Bed Property - Temporary Accomodation		-80	18,240	-28,040	-9,800
4 Bed Property - Temporary Accomodation		-970	10,200	-19,600	-9,400
Rent Allowances	-203,330	-222,790	44,769,080	-44,991,870	-222,790
Non HRA Rent Rebates	-5,000	-4,550	450,670	-455,220	-4,550
Discretionary Housing Payments	1,000	1,210	251,400	-250,190	1,210
Housing Benefits Administration	-450,700	-437,220		-337,220	-337,220
Bereavement Services Section	170,340	156,790	153,490		153,490
Environmental Ops.Enforcement Section	317,340				0
Environmental Protection Section	237,070	235,860	240,820		240,820
Food and Safety Section	292,700	290,620	249,630		249,630
Head of Housing & Community Services	102,800	102,960	104,760		104,760
Housing & Enabling Section	328,060	197,540	199,990		199,990
Housing & Inclusion Section	501,660	552,390	555,420		555,420
Head of Revenues & Benefits		22,460	107,880	-42,070	65,810
Revenues & Benefits Manager	233,980	62,820			0
Revenues & Benefits Business Support	136,010	143,650	388,000	-253,130	134,870
Debt Recovery Service	-143,310	-147,150	727,550	-876,000	-148,450
Health & Wellbeing	1,984,690	1,805,520	50,469,280	-48,755,320	1,713,960

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Clean & Safe					
Community Safety	66,440	66,440	17,770		17,770
Building Safer Communities			32,250	-32,250	0
C C T V	192,350	191,310	214,410	-21,100	193,310
Licences	-6,800	-6,800	25,210	-28,890	-3,680
Licensing Statutory	-71,040	-71,040	61,330	-131,320	-69,990
Licensing Non Chargeable	7,030	7,030	7,350		7,350
Dog Control	24,150	24,150	28,610	-3,900	24,710
Street Cleansing	967,030	967,940	985,870	-33,260	952,610
Household Waste Collection	1,052,200	1,111,550	1,310,340	-149,240	1,161,100
Recycling Collection	562,060	638,250	1,941,040	-1,227,410	713,630
Head of Environment & Public Realm	86,660	86,750	92,090		92,090
Depot Services Section	432,680	636,760	473,340		473,340
Community Partnerships & Resilience Section	127,950	476,370	107,050		107,050
Licensing Section	104,300	104,460	653,460		653,460
Clean & Safe	3,545,010	4,233,170	5,950,120	-1,627,370	4,322,750

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Leisure & Culture					
Cultural Development Arts	28,110	17,040	14,800	0	14,800
Museum	275,900	302,560	372,340	-94,810	277,530
Carriage Museum	28,800	32,880	37,060	-2,000	35,060
Museum-Grant Funded Activities		56,380	0	0	0
Museum Café		-3,200	37,550	-41,010	-3,460
Hazlitt Arts Centre	266,450	266,270	267,680	0	267,680
Festivals and Events	-3,260	-3,260	28,490	-41,410	-12,920
Lettable Halls	-2,490	10	6,800	-7,360	-560
Community Halls	46,930	44,890	88,830	-16,380	72,450
Parks & Open Spaces	59,230	857,850	806,170	-55,360	750,810
River Park	35,410				0
Playground Maintenance	20,920	131,810	134,330		134,330
Parks Pavilions	25,080	22,300	25,410	-10	25,400
Mote Park	39,230	186,320	241,560	-54,140	187,420
Mote Park Cafe	9,210	6,000	236,980	-287,910	-50,930
Cobtree Manor Park	-132,890	-176,760	122,780	-178,810	-56,030
Kent Life	340	-400	44,250	-61,900	-17,650
Cobtree Manor Park Visitor Centre	-5,850	-7,630	243,850	-271,180	-27,330
Allotments	11,040	11,040	11,260	0	11,260
Tourism	26,100	18,080	33,900	-15,150	18,750
Leisure Services Other Activities	33,510	33,510	34,440		34,440
Parks & Leisure Services Section	158,400	52,120	53,810		53,810
Cultural Services Section	509,340	484,300	501,790		501,790
Visitor Economy Section		87,070	99,190	-11,390	87,800
Maidstone Culture & Leis.Section	137,620				0
Leisure & Culture	1,567,130	2,419,180	3,443,270	-1,138,820	2,304,450

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Town Centre					
Town Centre Mgt.Sponsorship		15,000			0
Business Terrace	69,820	70,640	167,590	-94,370	73,220
Phase 3 Business Terrace Expansion			72,390	-71,950	440
Town Centre	69,820	85,640	239,980	-166,320	73,660

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Employment & Skills					
Economic Research		6,750			0
Business Support & Enterprise		22,000			0
Economic Dev - Promotion & Marketing	800	36,320	4,130	-3,500	630
Economic Development Section	228,320	284,390	278,630		278,630
Employment & Skills	229,120	349,460	282,760	-3,500	279,260

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Homes					
Building Regulations Chargeable	-320,160	-320,160	6,820	-326,850	-320,030
Building Control	-990	-990	2,000	-3,020	-1,020
Street Naming & Numbering	-49,000	-49,000		-49,000	-49,000
Development Control Advice	-115,000	-115,000		-115,000	-115,000
Development Control Applications	-1,295,980	-1,304,440	125,320	-1,559,060	-1,433,740
Development Control Appeals	119,410	119,410	121,800		121,800
Development Control Enforcement	64,520	64,520	165,810		165,810
Planning Policy	200,000	31,950	200,000		200,000
Neighbourhood Planning		4,740			0
Strategic Housing Role	13,500	13,500	13,770		13,770
Marden Caravan Site (Stilebridge Lane)	19,020	18,950	48,500	-29,510	18,990
Ulcombe Caravan Site (Water Lane)	6,930	6,860	45,570	-38,690	6,880
Development Management Section	787,690	898,560	864,420		864,420
Spatial Policy Planning Section	442,350	398,530	396,470		396,470
Head of Planning and Development	102,100	161,070	104,430		104,430
Development Mgt.Enforcement Section	143,850	146,890	169,160		169,160
Building Surveying Section	358,410	358,490	367,640		367,640
Mid Kent Planning Support Service	396,070	430,230	671,930	-237,470	434,460
Heritage Landscape and Design Section	171,560	170,790	175,700		175,700
Planning Business Management	107,200	117,720	72,220		72,220
Mid Kent Local Land Charges Section	32,520	12,870	135,090	-102,160	32,930
Homes	1,184,000	1,165,490	3,686,650	-2,460,760	1,225,890

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Infrastructure					
Environment Improvements	17,170	16,440	16,450		16,450
Name Plates & Notices	17,600	17,600	17,950		17,950
Residents Parking	-223,000	-223,180	45,090	-267,180	-222,090
Non Paying Car Parks	9,300	9,700	10,000	-10	9,990
Park & Ride	198,900	188,390	563,950	-366,720	197,230
Socially Desirable Buses	63,780	63,780	48,130		48,130
Other Transport Services	-9,300	-9,300	15,700	-25,250	-9,550
Parking Services Section	310,600	308,580	433,040	-109,410	323,630
Infrastructure	385,050	372,010	1,150,310	-768,570	381,740

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Trading					
Museum Shop	-18,740	-18,740	25,970	-44,640	-18,670
Crematorium	-829,770	-753,260	457,300	-1,216,090	-758,790
Commercial Waste Services	-66,090	-69,550	117,200	-188,170	-70,970
Market	-171,440	-176,500	176,000	-312,080	-136,080
Land Charges	-234,400	-234,010	36,350	-335,550	-299,200
Palace Gatehouse	-10,660	-7,620	2,450	-10,100	-7,650
Archbishops Palace	-99,210	-98,930	39,590	-139,340	-99,750
Parkwood Industrial Estate	-307,340	-313,420	12,700	-329,390	-316,690
Industrial Starter Units	-20,170	-23,660	28,290	-51,210	-22,920
Parkwood Equilibrium Units	-39,030	-55,530	50,940	-110,170	-59,230
Sundry Corporate Properties	-97,100	17,870	69,740	-368,900	-299,160
Parks Dwellings	-16,580	-50,390	25,300	-76,190	-50,890
Chillington House	-34,630	-24,500	8,500	-33,330	-24,830
Phoenix Park Units	-217,910	-214,940	16,870	-233,740	-216,870
Granada House - Commercial	-115,840	-111,760	27,990	-139,970	-111,980
Granada House - Residential	-105,950	-105,060	940	-107,010	-106,070
Heronden Road Units		-122,310	6,140	-157,570	-151,430
On Street Parking	-273,530	-297,440	410,250	-698,710	-288,460
Pay & Display Car Parks	-1,580,200	-1,598,710	388,090	-2,138,340	-1,750,250
Off Street Parking - Enforcement	-188,370	-164,530	167,780	-327,750	-159,970
Mote Park Pay & Display	-175,180	-175,020	29,530	-203,910	-174,380
Mote Park - Enforcement	24,660				0
Sandling Road Car Park	-111,770	-111,770	128,600	-240,100	-111,500
Market Section	76,000	74,330	76,880		76,880
Trading	-4,613,250	-4,635,450	2,303,400	-7,462,260	-5,158,860

SUMMARY ESTIMATE 2018/19 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 (Expenditure) £	Estimate 2018/19 (Income) £	Estimate 2018/19 £
Central & Democratic					
Members Allowances	342,540	365,840	371,000		371,000
Members Facilities	40,100	39,340	39,940		39,940
Subscriptions	18,100	7,240	7,390		7,390
Contingency	200,000	342,520	248,210		248,210
Performance & Development	14,800	9,030	9,240		9,240
Corporate Projects	42,840	46,450	40,450		40,450
Press & Public Relations	40,050	31,330	30,990		30,990
Corporate Management	103,000	101,740	92,060		92,060
Mid Kent Improvement Partnership		290	141,650	-141,090	560
Unapportionable Central Overheads	1,751,580	1,787,370	1,777,370		1,777,370
Council Tax Collection	-328,900	-303,190	116,620	-418,060	-301,440
Council Tax Benefits Administration	-163,800	-158,480		-158,480	-158,480
NNDR Collection	-240,370	-227,780	17,120	-250,970	-233,850
Registration Of Electors	59,210	120,600	49,030	-2,290	46,740
Elections	102,250	115,270	117,290	-420	116,870
Emergency Centre	29,080	36,280	32,960		32,960
Grants	205,270	206,270	195,270		195,270
Delegated Grants	2,100	2,100	2,100		2,100
External Interest Payable	124,980	124,980	231,610		231,610
Interest & Investment Income	-220,000	-220,000		-100,000	-100,000
Non Service Related Government Grants	-4,001,420	-3,864,370		-3,218,600	-3,218,600
Democratic Services Section	136,030	135,770	162,090		162,090
Mayoral & Civic Services Section	104,710	104,670	105,390		105,390
Chief Executive	160,680	168,710	173,810		173,810
Communications Section	78,900	196,320	198,340		198,340
Policy & Information	213,120	214,930	220,470		220,470
Head of Policy and Communications	104,850	105,130	107,230		107,230
Revenues Section	344,570	448,720	773,010	-333,350	439,660
Democratic and Admin.Services Manager	45,960				0
Registration Services Section	128,850	129,860	134,040		134,040
Benefits Section	432,300	437,610	747,740	-309,710	438,030
Fraud & Visiting Partnership Section	47,300	62,120	215,640	-163,350	52,290
Mid Kent Audit Partnership	196,370	204,010	700,440	-494,480	205,960
Director of Finance & Business Imp.	134,010	136,030	137,330		137,330
Head of Finance and Resources	3,710				0
Accountancy Section	638,200	673,500	699,130	-4,380	694,750
Legal Services Section	483,150	482,850	551,030	-60,000	491,030
Director of Regeneration & Place	134,110	135,240	136,570		136,570
Property & Procurement Manager	81,060	41,760			0
Procurement Section	69,980	68,040	148,090	-76,050	72,040
Property & Projects Section	264,330	251,650	258,710		258,710
Facilities & Corporate Support Section	409,710	367,910	418,910		418,910
Improvement Section	240,900	283,630	251,170		251,170
Executive Support	156,820	155,920	159,900		159,900
Customer Services Manager	75,190				0
Head of Commissioning & Business Improvement		209,010	126,130		126,130
Mid Kent ICT Services	680,060	681,410	1,583,810	-890,610	693,200
GIS Section	102,440	102,850	173,690	-68,790	104,900
Customer Services Section	613,410	639,480	599,020		599,020
Director of Mid Kent Services	24,820	39,020	119,040	-80,700	38,340
Mid Kent HR Services Section	360,880	370,170	627,650	-248,720	378,930
MBC HR & Payroll Section	228,400	145,930	228,510	-19,530	208,980
Town Hall	81,470	85,110	90,380	-3,990	86,390
South Maidstone Depot	133,430	134,350	136,770		136,770
The Link, King Street	91,730	97,310	349,600	-241,390	108,210
Maidstone House	1,057,670	1,159,540	1,239,540	-124,430	1,115,110
I.T. Operational Services	327,190	383,380	244,330		244,330
Central Telephones	60,200	60,200	61,400		61,400
Mid Kent ITC Software	187,420	187,420	521,820	-334,400	187,420
Fleet Workshop & Management	749,940	707,210	679,010		679,010
MBS Support Crew	-59,920	-52,300	104,410	-175,190	-70,780
Grounds Maintenance	1,316,850				0
Grounds Maintenance - Commercial		59,810	127,070	-100,170	26,900
Youth Development Programme	48,200	48,250	48,620	-170	48,450
Internal Printing	-85,240	-87,290	49,860	-136,130	-86,270
Appropriation Account	1,010,700	964,920	980,960		980,960
Central & Democratic	9,735,870	9,302,990	17,910,960	-8,155,450	9,755,510

PROPOSED FIVE YEAR CAPITAL PROGRAMME 2018/19 - 2022/23

	17/18 Projected £000	Five year plan					Total £000
	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000		
Housing Development and Regeneration	1,666	9,066	14,631	3,786	3,350	3,350	34,183
Temporary Accommodation	3,914	4,500	600	600	600	600	6,900
Disabled Facilities Grants	692	1,192	800	800	800	800	4,392
Flood Action Plan	5	500	500	63			1,063
Public Realm Capital Improvements	50	150	25	25			200
Commercial Waste		180					180
Gypsy Site Fencing Works	42						0
Sub-total Communities, Housing &	6,369	15,588	16,556	5,274	4,750	4,750	46,918
Mote Park Dam Works	0	1,300	600				1,900
Mote Park Visitor Centre	74	562	1,073				1,635
Mote Park Adventure Zone and Other	1,469	515	375				890
Continued improvements to Play Areas	469	881					881
Museum Development Plan	145	175	170	90			435
Crematorium Development Plan	264	353					353
Other Parks Improvements		100					100
Sub-total Heritage, Culture & Leisure	2,421	3,886	2,218	90	0	0	6,194
Property Investment Strategy	3,597	2,403	2,500	2,500	2,500	2,500	12,403
Infrastructure Delivery		600	600	600	600	600	3,000
Town Centre Regeneration	444	2,540					2,540
Corporate Property	200	756	175	175	175	175	1,456
Maidstone East/Sessions Square	576	296					296
Software / PC Replacement	143	115	84	247			446
Feasibility Studies	50	50	50				100
Sub-total Policy & Resources	5,010	6,760	3,409	3,522	3,275	3,275	20,241
Bridges Gyrotary Scheme	160	299					299
Riverside Towpath	40						0
Sub-total Strategic Planning, Sustainability	200	299	0	0	0	0	299
Sub-total	14,000	26,533	22,183	8,886	8,025	8,025	73,652
Section 106 Contributions	20	160	209	238	103	782	1,492
TOTAL	14,020	26,693	22,392	9,124	8,128	8,807	75,144

Treasury Management Strategy Statement
Minimum Revenue Provision Policy Statement and
Annual Investment Strategy

Maidstone Borough Council
2018/19

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1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management service is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The council has adopted the *Treasury Management in Public Services: Code of Practice 2011 Edition* ('the Code') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting requirements

The Council is required to receive and approve the Treasury Management Strategy, which incorporates a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how investments and borrowings are organised) including treasury indicators; and
- an investment strategy (the parameters for how investments are to be managed).

The following reports are not required to be approved by Council but are to be reported and scrutinised to the relevant Committee. The Council has delegated this function to the Audit, Governance and Standards Committee.

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and determining whether any policies require revision if the assumptions on which this strategy is based were to change significantly. In accordance guidance issued by Department for Communities and Local

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Government (DCLG), the circumstances which may require the council to revise its strategy would include, for example, a large unexpected change in interest rates, or in the council's capital programme or in the level of its investment balance.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

A quarterly update on the Council's treasury management position is also provided through budget monitoring reports presented to Policy & Resources Committee.

1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- the investment strategy; and
- creditworthiness policy.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DCLG Minimum Revenue Provision Guidance, the CIPFA Treasury Management Code and DCLG Investment Guidance.

1.4 Treasury management consultants

The Council uses Arlingclose Limited as its external treasury management advisors.

Responsibility for treasury management decisions ultimately remains within the Council and officers will not place undue reliance on the advice of external service providers.

The terms of appointment and value gained through use of treasury management consultants will be subject to regular review by the Director of Finance and Business Improvement.

1.5 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury

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management. Training is offered to members of the Audit, Governance and Standards Committee on a regular basis.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications delivered by CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Staff training needs are assessed regularly both as part of the appraisal process and when the responsibilities of individual members of staff change.

2 THE CAPITAL PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans; those agreed previously, as well as those forming part of this budget cycle. Capital expenditure forecasts are shown below:

2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000	2021/22 £,000
13,999	26,534	22,183	8,887	8,025

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic 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 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.

The CFR includes the liability for the arrangement with Serco Paisa for leisure centre improvements. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

CFR projections are shown in the table below:

2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000	2021/22 £,000
-18,548	3,986	21,968	30,055	37,280

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2.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework 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 Council's overall finances.

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.

2017/18	2018/19	2019/20	2020/21	2021/22
%	%	%	%	%
-0.6	-0.2	1.3	2.1	2.8

2017/18	2018/19	2019/20	2020/21	2021/22
£000	£000	£000	£000	£000
-105	-40	241	376	504

The estimates of financing costs include current commitments and the proposals in this budget report.

2.4 Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the five year capital programme recommended in this budget cycle 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.

Incremental impact of capital investment decisions on the band D council tax

	2017/18 £.p	2018/19 £.p	2019/20 £.p	2020/21 £.p	2021/22 £.p
Council tax - band D	0.08	1.01	0.86	-0.30	0.49

2.5 Minimum Revenue Provision

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the DCLG Guidance) most recently issued in 2012.

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

The Council expects that its Capital Financing Requirement will be negative on 31st March 2018 and in line with the DCLG Guidance it will therefore charge no MRP in 2018/19.

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3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Debt	0	3,986	21,968	30,055
Other long term liabilities	4,033	3,526	3,005	2,483
Total	4,033	7,512	24,973	32,538

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Debt	4,000	13,986	25,968	34,055
Other long term liabilities	4,033	3,526	3,005	2,483
Total	8,033	17,512	28,973	36,538

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3.2 Prospects for interest rates

The Council's advisors, Arlingclose Ltd, have provided the following interest rate forecast:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. Ongoing decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- The MPC minutes emphasised that any prospective increases in Bank Rate would be expected to be gradual and to a limited extent.
- It is expected that the depreciation in sterling may assist the economy to rebalance away from spending while export volumes are likely to increase.
- Arlingclose suggest that gilt yields will remain broadly stable across the medium term. Upward movement will be limited.

3.3 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing

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Requirement), has been funded using cash supporting the Council's reserves, balances and cash flow as a temporary measure, rather than through loan debt. This strategy is prudent as currently investment returns are low and counterparty risk is relatively high and will be retained for the forthcoming financial year on the assumption that this situation is unlikely to change in the short term. However, if short term cash requirements cannot be met from balances in hand for day to day purposes, the Council has access to a range of sources of short term borrowing options, which includes other local authorities

The Authorised Limit to borrow up to £13.986m for the financing of capital expenditure and day to day cash flow liquidity within 2018/19 is included in the current capital programme and the current prudential indicators. The 2018/19 strategy includes the continuation of that authority within the calculation of the indicators. If the Council is to borrow then the affordability of the capital programme must include an assessment of the cost of borrowing along with the loss of investment income from the use of capital resources held in cash.

Should rates move more quickly than the forecast predicts, the current and proposed strategies do allow the section 151 officer to take advantage of external borrowing. The Council's policy on borrowing in advance of need is set out at section 3.4 of this strategy.

Objectives: 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.

Strategy: 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.

By doing so, the Authority is able to reduce net borrowing costs (despite foregoing investment income) and reduce overall treasury risk. The benefits of internal / 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.

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. In addition, the Authority may make use of short-term loans to cover unplanned cash flow.

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Sources: 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
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- UK public and private sector pension funds (except the Kent County Council Pension Fund)

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
-

Other sources of debt finance: 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

3.4 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority’s investment balance has ranged between £14.6 and £39.9 million.

Objectives: Both the CIPFA Code and the DCLG 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 receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the council aims to further diversify into more secure and/or higher yielding asset classes during 2018/19. This is especially the case for the proposed £5m that is estimated to be available for longer-term investment. The majority of council’s surplus cash is currently invested in Local Authority borrowing, short-term unsecured bank deposits, certificates of deposit, money market funds and cash enhanced funds. This diversification will represent a continuation of the new strategy.

Approved Counterparties: The Authority may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown. Additional detail regarding the different types of counterparty is provided below the table.

Approved Investment Counterparties and Limits

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 100 days	n/a	£5m 25 years	£50,000 5 years	£3m 5 years

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Pooled funds	£8m per fund
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The time limits set out above are consistent with the recommended durations provided by the council's treasury management advisors, Arlingclose. The cash limits have been set with reference to this guidance, although the upper limit in certain categories of investment exceeds the limit proposed by Arlingclose in order to meet the operational requirements of the council. The limits adopted within the strategy remain prudent and consistent with ensuring the security of capital and appropriate levels of liquidity.

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.

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. See below for arrangements relating to operational bank accounts.

Banks Secured: Covered bonds, Tri Party Repos, 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.

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.

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.

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.

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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.

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.

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 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.

Risk assessment and credit ratings: 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.

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.

Other information on the security of investments: 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

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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.

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.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

Specified Investments: The DCLG 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".

The Council 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.

Non-specified Investments: 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 the table below.

Non-Specified Investment Limits

	Cash limit
Total long-term investments	£5m
Total investments without credit ratings or rated	£5m

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below A- (except UK Government and local authorities)	
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£8m
Total non-specified investments	£18m

The council will maintain a counterparty list to identify institutions suitable for investment. The counterparty list will be maintained using the following principles:

Risk Assessment and Credit Ratings: 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.

Investment Limits: In order that available reserves will not 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.

	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	£8m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£3m each
Loans to unrated corporates	£50,000 each
Money Market Funds	£8m each fund or fund group

Liquidity Management: The council uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may

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prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the council's medium term financial plan and cash flow forecast.

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the DCLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses and landlords, or as equity investments and loans to the Authority's subsidiaries.

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

Accounting treatment of investments.

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

In-house funds. The majority of investments will be made with reference to the cash flow requirements so invested for short-term interest rates (i.e. rates for investments up to 12 months). However, there is a provision of funds that can be used for longer term investments (greater than 12 months) if it deemed to be prudent by the section 151 officer.

4.2 Investment strategy

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
	2018/19 £000	2019/20 £000	2020/21 £000
Principal sums invested > 364 days	5,000	5,000	5,000

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:

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	2018/19 £000	2019/20 £000	2020/21 £000
Upper limit on fixed interest rate exposure	-26,014	-14,032	-5,945
Upper limit on variable interest rate exposure	-32,000	-32,000	-32,000

The upper limit on fixed interest rates incorporates maximum borrowing of £13,986m within the strategy which reduced the negative investment limit within 2018/19. The upper limit on variable interest rate exposure is calculated as being 80% of the projected highest level of investments during 2018/19.

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	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	100%

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

4.3 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report as previously stated within 1.2.

4.4 Other Items

It is a requirement of the Prudential Code of Practice for Treasury Management that authorities have a policy on the use of financial derivatives. 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).

The council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to

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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.

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.

This strategy is compiled in accordance with the current Treasury Management Code of Practice , however due to the consultation in relation to the proposed changes to the Prudential Framework of Capital Finance, an amended report may be presented to the Audit, Governance & Standards Committee for scrutiny during 2018. It is predicted that the results of the consultation will be circulated in January 2018.

**Maidstone Borough Council
Medium Term Financial Strategy 2018/19**

Estimate of General Fund Balances to 31 March 2019

	Unallocated General Fund	Asset Replacement	Planning Management	Commercial Risk	Invest to Save	Earmarked Reserves	Grand Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance as at 31st March 2017	7,950	167	200	500	500	8,026	17,343
2016/17 Carry Forwards Used in 2017/18	-786	0	0	0	0	0	-786
Movement in balances during 2017/18	-2,942	-130	-200	0	0	-6,928	-10,200
Estimated Balance as at 31 March 2018	4,222	37	0	500	500	1,098	6,357
Expected movement in balances during 2018/19	-200	-37	0	0	-7	140	-104
Estimated Balance as at 31 March 2019	4,022	0	0	500	493	1,238	6,253

Estimate of Earmarked Reserves to 31 March 2019

	31/03/2017	Movement in 2017/18	Est. Balance at 31/3/18	Est. Movement in 2018/19	Est. Balance at 31/3/19
	£,000	£,000	£,000	£,000	£,000
Capital Support	7,215	-7,172	43	-43	0
Local Plan Review	336	-146	190	150	340
Neighbourhood Planning	74	75	149	-75	74
Business Rates Reserve	158	315	473	108	581
Trading Accounts	243		243		243
Total	8,026	-6,928	1,098	140	1,238

MAIDSTONE BOROUGH COUNCIL
MEDIUM TERM FINANCIAL STRATEGY
2018/19 – 2022/23

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1. OVERVIEW AND SUMMARY OF MEDIUM TERM FINANCIAL STRATEGY

Background

- 1.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years.
- 1.2 The broad economic context for the Strategy is one of considerable uncertainty, particularly in the final three years of the planning period. The Government offered a four year funding settlement to local authorities in 2016, covering the years 2016/17 to 2019/20, which provides some certainty about the level of income that the Council can expect for the first two years covered by the MTFS, ie 2018/19 and 2019/20. However, the position for 2020/21 onwards is very uncertain.
- 1.3 The Government's four year funding offer was conditional on the council preparing an Efficiency Plan setting out proposals for utilising the available funding. Council agreed a combined Medium Term Financial Strategy 2017/18 – 2021/22 and Efficiency Plan and accepted the funding offer at its meeting on 21 September 2016.
- 1.4 The MTFS is reviewed and updated on an annual basis. The current document therefore updates the strategy agreed in 2016 in light of the Council's developing strategic priorities, the external environment, and the latest financial projections, in order to provide a new MTFS for the five year period 2018/19 to 2022/23.

Strategic Context

- 1.5 The Council has set two overriding corporate priorities: keeping Maidstone Borough an attractive place for all; and securing a successful economy for Maidstone Borough. These will be delivered both through our day-to-day revenue expenditure and through investment in the borough's infrastructure as part of the Council's capital programme. Funding for revenue spending is tightly constrained, as set out below, but the Council will seek to optimise delivery of the priorities within these constraints.
- 1.6 Capital investment faces a different set of constraints. As set out in section 4 below, funds have been set aside for capital investment and further funding is available, in principle, through prudential borrowing. The challenge is to ensure that capital investment delivers against the Council's priorities, providing the required return on investment for the community.

Financial Projections

- 1.7 The strategic revenue projections underlying the current Medium Term Financial Strategy suggested that a budget gap would arise in 2020/21, as follows.

Table 1: Current MTFS Revenue Projections 2017/18 – 2021/22

	17/18	18/19	19/20	20/21	21/22
	£m	£m	£m	£m	£m
Council Tax	14.8	15.0	15.5	15.9	16.4
Retained Business Rates	4.1	4.2	4.4	4.5	4.6
Tariff / top-up adjustment (negative RSG)			-1.6	-1.6	-1.6
Budget requirement	18.9	19.2	18.3	18.8	19.4
Fees and Charges	16.4	16.6	16.7	16.9	17.1
Total Funding Available	35.3	35.8	35.0	35.7	36.5
Predicted Expenditure	37.1	35.7	36.4	36.9	36.4
Budget Gap	1.8	-0.1	1.4	1.2	-0.1
Required – Cumulative	1.8	1.7	3.1	4.3	4.2
Budget Savings	1.8	2.7	3.2	3.4	3.4
Still to be identified	0.0	-1.0	-0.1	0.9	0.8

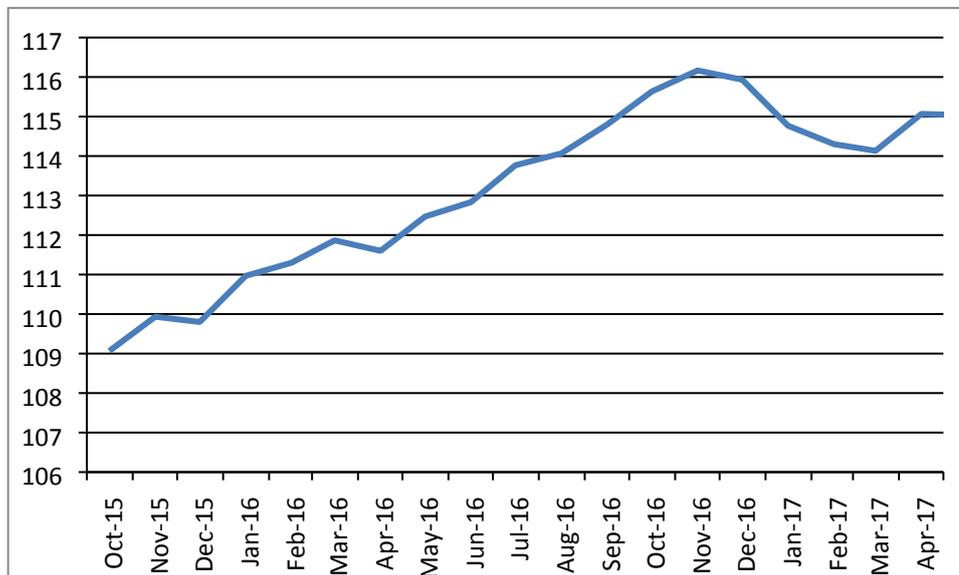
- 1.8 In light of the many uncertainties faced by the Council, it is important to note that projections like these can only represent a 'best estimate' of what will happen. In updating the projections, various potential scenarios have been modelled. Projections were prepared for each of the scenarios modelled, giving consideration to:
- Assessment of external opportunities and threats
 - Evaluation of existing budget savings in the five year plan
 - Latest emerging information about economic developments and government policy.
- 1.9 In accordance with legislative requirements the Council must set a balanced budget. Under the 'business as usual' scenario there will be a budget gap from 2019/20 onwards, and in the 'adverse' scenario from 2018/19 onwards. The MTFS sets out a proposed approach that seeks to address this.

2. NATIONAL AND LOCAL CONTEXT

Economic Outlook 2018 – 2023

- 2.1 Following the EU referendum in June 2016, the national economy continued to grow strongly, contrary to many expectations. However, growth is now slowing. In the first quarter of 2017, growth in GDP was just 0.2%. Because the UK's population is increasing, the rate of growth in GDP per head was zero. This was the lowest rate of growth of any EU country.
- 2.2 Both continued growth in the immediate aftermath of the EU referendum, and now the more recent slowdown, have been driven by consumer spending. See below.

Figure 1: Retail Sales Volumes (3 month moving average, 2005 = 100)

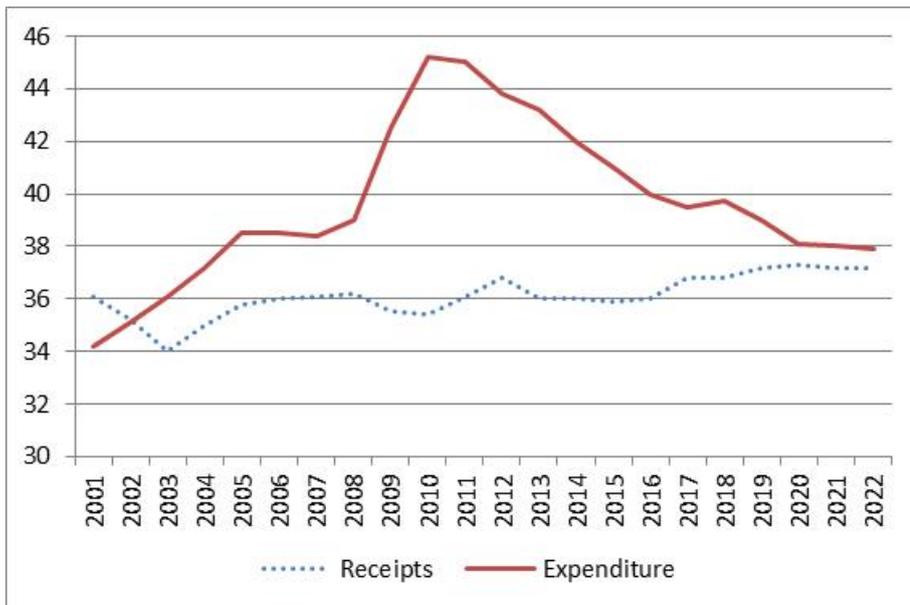


- 2.3 The Bank of England's May 2017 Inflation Report attributes the slowdown in consumer spending to the impact of sterling depreciation. However, the Bank of England also states that weaker consumption may be balanced by rising net trade and investment, since the global economy is continuing to grow.
- 2.4 Sterling depreciation has meant that inflation has risen above the Bank of England target of 2%. The latest Consumer Price Inflation figures show an annual rate of 2.9%. However, wage growth has remained weak, leading to falling real incomes.
- 2.5 The outlook for future economic growth remains very uncertain. It is likely to be highly sensitive to the eventual trading arrangements reached between the UK and its economic partners following Brexit.

Public Finances

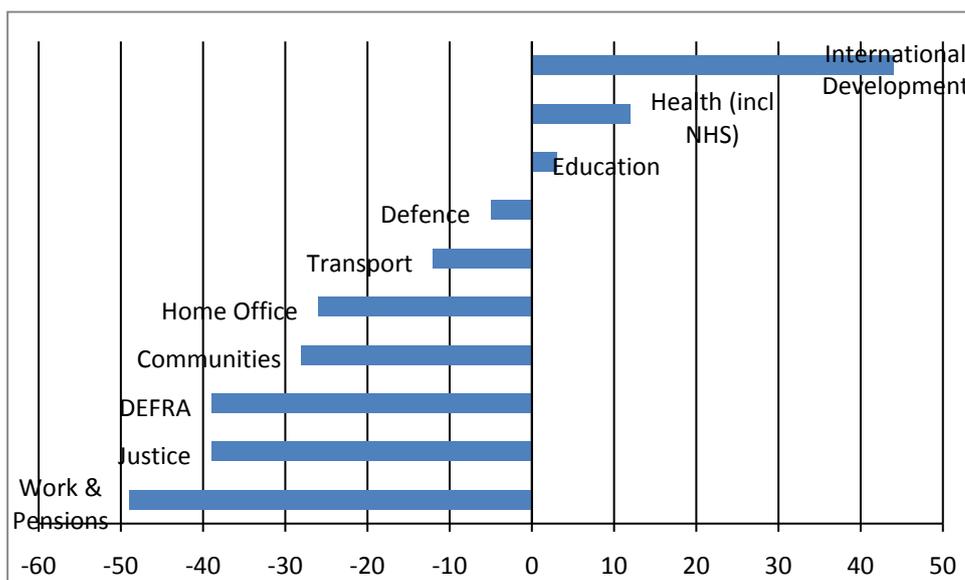
- 2.6 Following the financial crisis of 2008 and the demands that it placed on the public finances, national governments followed an explicit policy of deficit reduction. This has brought public expenditure down to a similar level as a proportion of national income to that in 2007/08, immediately before the financial crisis.

Figure 2: Tax and Spend as a percentage share of national income



However, the impact of expenditure reduction has varied in different parts of the public sector – see figure 3 below.

Figure 3: Planned real change to Departmental Expenditure Limits 2010-11 – 2019-20 (per cent)



- 2.7 Central government funding for local authorities, in particular, has reduced very substantially since 2010. At the same time, the coalition government of 2010-15 and David Cameron's Conservative government of 2015-16 made significant changes to the way that local government is financed. A key change was the introduction of 50% business rates retention for local authorities in 2013. This was part of an agenda of 'localism', giving more freedom and flexibility to local authorities.
- 2.8 Prior to the 2017 General Election, the Government was preparing to move to 100% business rates retention with effect from 2020. As with 50% business rates retention, this would have been linked to a mechanism for rates equalisation. The additional income would have been accompanied by devolution of further responsibilities to local government. However, the relevant legislation was not included in the Queen's Speech. The local government sector therefore assumes that 100% business rates retention has been postponed if not dropped altogether.
- 2.9 In the absence of any firm alternative to 100% business rates retention, the likely funding arrangements for local government after 2020 are very unclear. Pressures to spend more money elsewhere in the public sector, together with the potential for lower tax receipts if the economy slows down, mean that local government faces a very real risk of further reductions in funding.
- 2.10 Maidstone no longer benefits directly from central government support in the form of Revenue Support Grant. However, the existing four year funding settlement contains a mechanism for government to levy a 'tariff / top-up adjustment' – effectively reverse Revenue Support Grant – on local councils. This mechanism could be used to extract funding from the sector for other priorities. Accordingly, Maidstone Borough Council needs to plan for the risk that the tariff / top-up adjustment of £1.6 million payable in 2019/10 will increase in subsequent years.
- 2.11 There is the potential for the Council to grow both its Council Tax and Business Rates income, if the numbers of households and businesses respectively grow. This depends in turn on the performance of the national and local economy. Given the uncertainty about future economic growth, forecasts have been reflected in the Strategic Revenue Projection using a range of different scenarios.
- 2.12 Further details of how the Council funds its services are set out in section 4.

3. STRATEGIC PLAN AND ACTION AREAS

2.13 The Medium Term Financial Strategy is intended to deliver the Council's Strategic Plan. As part of the Strategic Plan, the Council has agreed two corporate priorities for 2015-2020 underpinned by 8 action areas:

Corporate Priorities:

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

Action Areas:

- Providing a clean and safe environment;
- Encouraging good health and wellbeing;
- Respecting the character and heritage of our Borough;
- Ensuring there are good leisure and cultural attractions;
- Regenerating the Town Centre;
- Securing improvements to the transport infrastructure of our Borough;
- Promoting a range of employment opportunities and skills required across our Borough; and
- A home for everyone.

The 2017/18 refresh of the Strategic Plan highlighted the following action areas for specific focus:

- A clean and safe environment;
- Regenerating the Town Centre;
- A home for everyone – tackling homelessness and improving supply.

2.14 The financial resources available to deliver these actions are set out in the following sections of the MTFs. Day-to-day expenditure is met from the revenue budget, which is funded primarily from Council Tax, our share of Business Rates income and Fees and Charges. It will be seen that there are severe constraints on the funding available for the revenue budget. In addition, there are budget pressures which must be managed in order to ensure that there are sufficient resources available for the Council's priorities. This inevitably means that spending against the revenue budget must be prioritised.

2.15 Investment for the longer term is delivered through the capital programme, which is funded from the New Homes Bonus, borrowing and third party contributions such as Section 106 payments on new developments. Capital investment is essential to the realisation of the Strategic Plan. The constraints in this case are different from those facing revenue expenditure, because the current local authority funding regime does not set cash limits for borrowing. However, borrowing must be sustainable in terms of the Council's ability to fund interest payments and ultimately repayment of capital. Capital investment plans also depend on having the capacity, in terms of internal resources, to develop projects, work effectively with partners, and secure third party funding.

4. FINANCIAL RESOURCES

Council Tax

- 2.16 Council Tax is a product of the tax base and the level of tax set by Council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions.
- 2.17 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below.

Table 2: Number of Dwellings in Maidstone

	2012	2013	2014	2015	2016
Number of dwellings	66,325	66,924	67,178	67,721	68,519
% increase compared with previous year	1.19%	0.90%	0.38%	0.81%	1.18%

Note: Number of dwellings is reported each year based on the position shown on the valuation list in September.

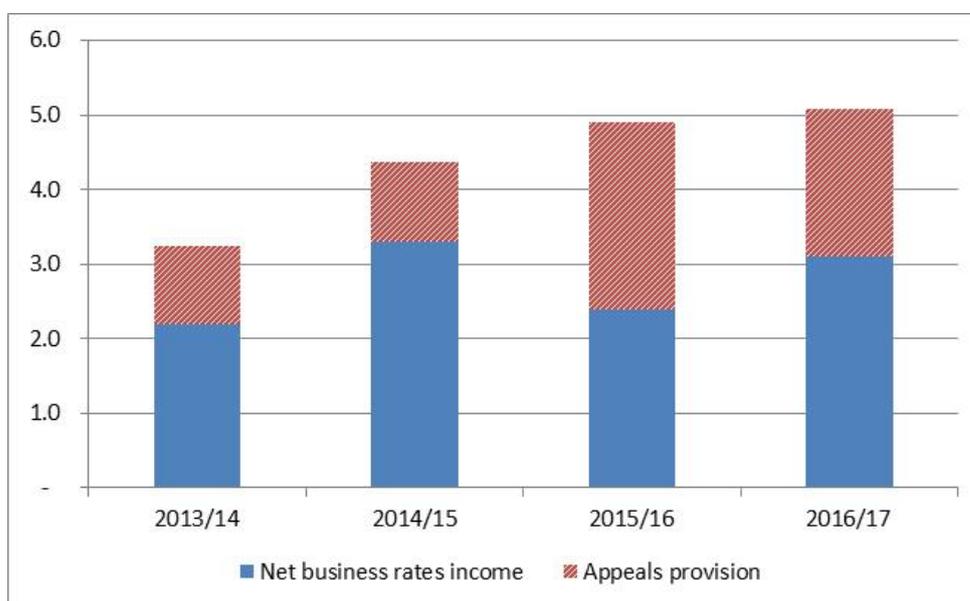
- 2.18 The level of council tax increase for 2018/19 is a decision that will be made by Council based on a recommendation made by Policy and Resources Committee. The Council's ability to increase the level of council tax has been limited firstly by a cap and more recently by the need to hold a referendum for increases over a government set limit. The limit set by the government for 2017/18 remained the greater of 2% or £5.00. For 2017/18, the Council approved an increase of £4.95 (2.1%).
- 2.19 In the Medium Term Financial Strategy 2017/18 – 2021/22, it was assumed that the Council Tax base would increase by 1% per annum for the MTFs period, and Band D Council Tax will continue to increase by £4.95 per annum, reverting to 2% in 2019/20 when this becomes a greater figure than £4.95. The Government announced in December 2017 that the referendum limit for Council Tax increases 2018/19 would be 3%, thus permitting Maidstone Council to increase Council Tax by up to £7.29.

Business Rates

- 2.20 The current business rates regime, where 50% of business rates is retained by local authorities, but is then subject to tariffs and top-ups in order to equalise the amounts actually received by each authority, leads to a high degree of volatility. This is because the tariff is fixed, whilst business rates income is variable. This variability is exacerbated by the number of appeals outstanding at any one time. As a result, it has proved very difficult to project business rates income. See graph below.

Figure 4: Net Business Rates Income receivable by Maidstone BC

£ million



- 2.21 As a member of the Kent Business Rates Pool, the council has had the ability to retain more of the income from growth in business rates than it otherwise would, but with government still receiving 50% of growth. In 2018/19, Kent and Medway authorities will form a 100% Business Rates Retention pilot, thus allowing them collectively to retain all business rates growth.
- 2.22 Originally the Council held all income from business rates growth in reserve and committed it in the year following its receipt. In setting the 2016/17 budget the Council approved the use of the non-pool element of business rates growth, which is retained by the Council regardless of whether or not it is a member of the pool, into its base budget to maintain overall resource levels. An earmarked reserve holds the growth protected by membership of the pool. The reserve is used for specific projects that form part of the Council's economic development strategy, such as the Maidstone East development.

Fees and Charges

- 2.23 Fees and charges income is an increasingly important source of funding for the Council. We have a policy that guides officers and councillors to set the appropriate level of fees and charges based on demand, affordability and external factors. The policy is not influenced directly by the MTFs with the exception that charges should be maximised within the limits of the policy.
- 2.24 In developing the strategic revenue projection for 2017/18 a broad assumption of a 1% increase in future fees and charges was used for the development of the MTFs, in line with overall inflation assumptions.

- 2.25 Fees and charges include amounts recharged to other Mid Kent Services authorities where Maidstone is the host authority.

Balances and Earmarked Reserves

- 2.26 The Council maintains reserves as a safety net to allow for unforeseen circumstances. There is no statutory definition of the minimum level of reserves: the amount required is a matter of judgement. However, the Council has agreed to set £2 million as the minimum General Fund balance.
- 2.27 Within the General Fund balance, amounts have been allocated for specific purposes. These amounts do not represent formal commitments. Instead, they represent the level of reserves considered to be required for specific purposes, including asset replacement, commercialisation and Invest to Save projects.
- 2.28 In addition to uncommitted General Fund balances, the Council holds reserves that are earmarked for specific purposes. The most substantial of these is the earmarked New Homes Bonus funding for capital expenditure, which stood at £7.2 million as at the end of 2016/17. Full details of reserves held are set out below.

Table 3: General Fund balances as at 31 March 2017

	£000
General Fund	
Asset Replacement	167
Planning Management	200
Commercialisation – contingency	500
Invest to Save projects	547
2016/17 underspend earmarked for Action Areas	89
Unallocated balance	5,855
Sub-total	9,329
Earmarked Reserves	
New Homes Bonus funding for capital projects	7,214
Local Plan	336
Neighbourhood Plans	64
Accumulated Surplus on Trading Accounts	243
Business Rates Growth Fund	158
Sub-total	8,014
Total General Fund balances	17,343

The unallocated balance exceeds the £2 million minimum. It represents 17% of the revenue budget, which is in excess of the 10% benchmark that is sometimes cited as a reasonable level. It can therefore be seen that the level of reserves is adequate without being excessive.

5. CURRENT EXPENDITURE

2.29 In order to provide some context for budget prioritisation, this section sets out current budgeted expenditure by Committee and by Service, and describes planned savings and known budget pressures.

Table 4: 2017/18 Revenue Budgets by Committee and Service

Ctee	Service	2016/17 Actual £000	2017/18 Budget		
			Expenditure £000	Income £000	Net £000
CHE	Communities & Housing	3,759	4,714	-1,331	3,383
	Environment & Public Realm	5,473	7,098	-1,740	5,358
HCL	Heritage, Culture & Leisure	750	3,558	-3,052	506
S P S & T	Planning Services	1,843	3,551	-2,652	899
	Parking & Transportation	-1,883	2,221	-4,141	-1,920
P & R	Economic Development	489	747	-448	299
	Property & Investment	491	1,973	-1,893	80
	Corporate & Shared Services	8,935	13,452	-3,162	10,290
	Total	19,857	37,315	-18,418	18,897

Communities and Housing

2.30 Developments in the housing market continue to create very significant budget pressures for the Council. The pressures are illustrated by the number of homeless applications, which amounted to nearly 600 in 2016/17 and to 79 alone in the first month of 2017/18. As a result, the cost of providing temporary accommodation led to an overspend for this area in 2016/17.

2.31 The Council has responded positively to these pressures through direct investment in property to provide temporary accommodation. Whilst this will reduce the cost of providing temporary accommodation over time, in the short term growth of £235,000 has been included in the budget for 2017/18. Early indications are that the continuing high number of homeless applications, and the length of time taken to bring our own property on stream, mean that it will be challenging to remain within budget even having taken into account the growth of the budget.

2.32 The Council is also anticipating the implementation of new homelessness legislation, and is investing in revenue resources for homelessness prevention. Further growth of £94,000 was built into the budget for 2017/18 to allow for additional recruitment to the preventions team, giving total growth of £329,000.

Environment & Public Realm

- 2.33 This service includes the core services responsible for delivering the 'clean and green' agenda – street cleaning, grounds maintenance and household waste collection. The service is planning savings of £114,000 in 2017/18, principally arising from additional income from commercial waste and garden waste collections. In addition to the challenge of delivering these savings, there will be £180,000 additional costs for waste collection in 2017/18 arising from the effect of contract indexation. The service has identified a number of measures which are intended to mitigate this cost and so achieve a balanced outturn.

Heritage, Culture & Leisure

- 2.34 This service includes the museum, leisure services and bereavement services. The area is planning savings of £130,000 in 2017/18, including additional Crematorium income of £55,000, £25,000 of operating savings at the Museum and £50,000 from a new operating model for Parks and Open Spaces. Recent performance of the Crematorium indicates that it should achieve its savings target. Careful monitoring will be required to ensure that the other savings are delivered.
- 2.35 There was an overspend in 2016/17 on the Mote Park Café, arising from it failing to achieve its income targets. The income target for the Mote Park Café has been removed in 2017/18, for one year only, such that it only has to break even to achieve budget. Early indications are that this objective will be achieved. The operation of the Café will be recommissioned during 2017/18 with the intention of generating a net surplus in future years.
- 2.36 Growth of £50,000 was allowed for the Museum in 2017/18, in anticipation of it failing to secure external funding for outreach activities. In the event, the Museum has secured an Arts Council grant of £70,000 for 2017/18. The Museum will therefore be expected to deliver a surplus in 2017/18.

Planning Services

- 2.37 This area has a savings target of £84,000 in 2017/18, comprising additional income for Building Control and Planning Support and a modest reduction in staffing levels. These savings are considered to be achievable. However, there will be pressures on the budget in 2017/18 arising from the potential cost of planning appeals. Additionally, the service area was expecting additional income of £120,000 from increasing Planning Fees by 20%. The legislation to implement this has been delayed by the General Election, so any additional income will be reduced and the service area will need to plan accordingly.
- 2.38 Growth of £200,000 has been built into the budget for 2017/18, to allow for work to commence on the Local Plan refresh that will be required for 2020.

Parking & Transportation

- 2.39 This service generates a strong positive contribution, primarily from the Council's Pay and Display car parks. £300,000 of savings are built into the 2017/18 budget arising from expected strong parking income performance and increased charges that took effect in April 2017.

Economic Development

- 2.40 Savings of £126,000 are projected for 2017/18, arising from the capitalisation of some staffing costs and use of the Business Rates Pool for certain revenue costs which meet the criteria for generating business growth. Whilst these are not cash savings, it is legitimate to maximise alternative sources of funding such as capital resources and the Business Rates Pool at a time when revenue resources are under pressure.

Property and Investment

- 2.41 Savings are projected in this area from commercial investments (£200,000) and office accommodation (£165,000). The saving from commercial investments is expected to be deliverable following a new acquisition at Heronden Road. Office accommodation savings were based principally on the opening of the Link as a shared facility with the DWP and should also be achievable.

Corporate and Shared Services

- 2.42 Substantial savings are projected in this area in 2017/18, of which the major items are Revenues and Benefits restructuring (£108,000), Finance Service savings arising from the deletion of the Head of Finance and Resources post (£100,000) and income from the new Debt Recovery Service (£88,000). All savings in this area are considered to be deliverable.
- 2.43 A Contingency Fund of £200,000 has been included under Corporate and Shared Services. It will be allocated, if necessary, to other Council services. Use of the Contingency Fund is a last resort and Service Areas will be expected in the first instance to offset any potential overspend with savings elsewhere within the Service.

6. FUTURE SCENARIOS

2.44 Owing to the high degree of uncertainty facing the Council, financial projections have been prepared for three different scenarios, as follows.

1. Favourable – Local authority growth

Central government accepts the logic of devolution and gives greater autonomy to local authorities. Most authorities no longer receive revenue support grant, but in return are able to increase Council Tax and to set their own business rates. This creates winners and losers, with some of the losers being unable to set balanced budgets and being forced to accept central government control. However, the winners are able to attract residents and businesses to their areas and to generate a higher rate of economic growth locally through enhanced capital investment.

2. Neutral - Business as usual

The government sticks to the current business rates retention model. A fair funding review to deal with pressing issues in the current system leaves the overall funding position broadly unchanged. In order to maintain services at current levels, the government accepts a higher level of overall public sector borrowing. An orderly Brexit means that the markets make only a marginal upward adjustment in their assessment of UK credit risk, so the cost of servicing public sector borrowing remains manageable. Local authorities are able to continue providing services at broadly the current level.

3. Adverse - Economic downturn

The continued fall in the pound deters consumers from spending and the economy slows down sharply. Businesses close, reducing rates income. Increasing unemployment leads to greater homelessness and more pressures on local authority housing services. Under pressure to maintain spending on the NHS, pensions and other benefits, the government squeezes local government's share of total spending by cutting what is left of revenue support grant and reducing local government's share of business rates. This leaves many more authorities paying central government 'negative revenue support grant'. The government continues to restrict the amount local authorities can raise by way of Council Tax in order to limit overall public spending, but wage inflation will grow, forcing authorities to make severe cuts.

Details of key assumptions underlying each of these scenarios are set out below.

Council Tax

2.45 It was originally assumed in all scenarios that Band D Council Tax would continue to increase by £4.95 per annum, reverting to 2% in 2019/20 when this becomes a greater figure than £4.95.

- 2.46 The 'favourable' scenario outlined above would allow the Council to increase Council Tax by more than 2%. It has been assumed for the purpose of the projections that if the Council were to do this the additional revenue would be used to fund additional services, such that there would be no 'bottom line' impact on the budget gap.
- 2.47 The other key assumption regarding Council Tax is the number of new properties. The number of new properties has been increasing in recent years, from a low of 0.38% in 2014 to 1.18% in 2016. The rate of increase in 2017 is likely to be higher still, but remains lower than that implied by Local Plan new homes targets. Assumptions are as follows:

Favourable – 2%

Neutral – 1.5%

Adverse – 1%

Tariff / top-up adjustment

- 2.48 The current four year funding settlement provides no Revenue Support Grant from 2017/18 onwards. Instead, a 'negative Revenue Support Grant' payment to government of £1.6 million is due to be paid in 2019/20. Whatever system is adopted for funding local authorities from 2020/21, it is likely that the government will look to recoup at least this much from Maidstone in subsequent years.
- 2.49 In addition, as provided for in the current MTFS, it is appropriate to include a provision, currently £1.3 million, to allow for additional burdens placed on the Council following the end of the current four year settlement. Originally it was expected that the Council might face additional responsibilities under 100% business rates retention from 2020/21 and a provision of £1.3 million was made in the MTFS to allow for this. Even if 100% business rates retention is not now introduced as originally intended, the pressures on UK-wide public finances mean that the Council risks corresponding burdens, whether in the form of additional responsibilities or an increased tariff / top-up adjustment. With an adverse outcome this figure is treated as increasing to £2 million.

Business Rates

- 2.50 As described above, the net business rates income received by the Council is highly volatile, being sensitive to the number of appeals as well as to the overall economy.
- 2.51 A further factor to be considered is the likely resetting of the government's business rates baseline in 2020/21. This represents the level above which the Council benefits from a share in business rates growth. It is likely that the government will reset the baseline in order to redistribute resources from those areas that have benefitted most from business rates growth in the years since the current system was introduced in 2013, to those areas that have had lower business rates growth.

2.52 Assumptions are as follows:

Favourable – annual increase in business rates 3%; Council retains all existing business rates growth, ie no adverse impact from business rates growth reset

Neutral – annual increase in retained business rates 2%; business rates growth reset to zero in 2020/21, £500,000 growth per annum from 2021/22 onwards.

Adverse –base level of retained business rates falls to the ‘safety net’ threshold; business rates growth reset to zero in 2020/21 and no further growth subsequently.

Fees and Charges

2.53 Current projections imply that fees and charges will increase in line with overall inflation assumptions. For the Council, the main component of inflation is pay inflation. In practice, it is not possible to increase all fees and charges by this amount as some are set by statute. Accordingly, the inflation assumptions for fees and charges are for somewhat lower increases than the corresponding expenditure assumptions.

2.54 The aggregate change in fees and charges income includes both inflation assumptions and volume assumptions, based on the buoyancy of income streams. For example, in a favourable economic environment we would expect volumes to grow. Details are as follows:

- Favourable – 0% price increase + 2% volume increase = 2%
- Neutral – 0% price increase + 1% volume increase= 1%
- Adverse – 1% price increase less 1% volume decrease = 0%

Inflation

2.55 The past year has seen a steady increase in inflation. The annual rate of increase in Consumer Price Index inflation (CPI) for the year to May 2017 was 2.9%. Although wage inflation in the public sector has been significantly below this level, there is increasing political pressure to relax the limits on public sector pay increases.

2.56 The following table sets out the assumptions made for the purposes of preparing the initial set of Strategic Revenue Projections.

Table 5: Inflation Assumptions

	Favourable	Neutral	Adverse	Comments
Employee Costs	1.00%	1.00%	2.00%	The adverse assumption is that current government pay guidelines are relaxed
	0.50%	0.50%	0.50%	The annual cost of performance related incremental increases for staff
Electricity	3.00%	5.00%	9.00%	Based on guidance from

	Favourable	Neutral	Adverse	Comments
				supplier
Gas	3.00%	5.00%	11.00%	Based on guidance from supplier
Water	-3.50%	-1.75%	0.00%	Decrease in prices expected from deregulation of the water supply market
Fuel	1.00%	2.00%	3.00%	A predicted average increase based on previous trends as no forward looking information is available.
Insurance	1.00%	2.00%	3.00%	A predicted average increase based on previous trends as no forward looking information is available.
General	1.00%	2.00%	3.00%	2% is the government's target inflation rate but the current level of CPI inflation is 2.9%

Spending Pressures

- 2.57 Allowance has been made for known spending pressures within the projections, with optimistic, neutral and pessimistic views taken on likely temporary accommodation pressures in the three different scenarios.
- 2.58 As there will be a delay in generating returns from capital investment following the initial borrowing and commitment of cash, the line 'revenue costs of capital programme' shows additional pressures in the first three years of the MTFs period, which are gradually reversed in years 4 and 5. In the adverse scenario, returns from the capital investment are 50% lower than in the neutral and favourable scenarios.
- 2.59 A summary of the projected budget gaps under each of the scenarios is set out below.

Table 6: Projected Budget Gap 2018/19 – 2022/23

	18/19	19/20	20/21	21/22	22/23
	£m	£m	£m	£m	£m

Scenario 1 – Favourable					
Budget Gap ¹	-0.1	1.1	-0.2	0.8	-0.8
Required – Cumulative	-0.1	1.0	0.8	1.6	0.8
Savings identified to date ²	-0.9	-1.4	-1.6	-1.6	-1.6
Still to be identified	-1.0	-0.4	-0.8	-0.0	-0.8

Scenario 2 – Neutral					
Budget Gap ¹	0.4	1.5	1.4	0.8	-0.3
Required – Cumulative	0.4	1.9	3.3	4.1	3.8
Savings identified to date ²	-0.9	-1.4	-1.6	-1.6	-1.6
Still to be identified	-0.5	0.5	1.7	2.5	2.2

Scenario 3 – Adverse					
Budget Gap ¹	2.3	2.0	1.2	3.0	0.8
Required – Cumulative	2.3	4.3	5.5	8.5	9.3
Savings identified to date ²	-0.9	-1.4	-1.6	-1.6	-1.6
Still to be identified	1.4	2.9	3.9	6.9	7.7

¹ A positive figure here indicates a budget gap; a negative figure (-) indicates a surplus

² Savings included in existing 2017/18 – 2021/22 MTFS / Efficiency Plan

7. SAVINGS AND EFFICIENCY PLAN

- 2.60 It is inherent in the Medium Term Financial Strategy that the Council seeks to balance income and expenditure, and therefore identifies measures to eliminate any budget gap. In addition to the legal requirement to set a balanced budget for 2017/18, it is to be expected that the Council will have credible plans in place to address any budget gap in subsequent years. In the interests of prudence, these plans need to address not only a neutral set of projections but also the potential adverse scenario outlined in the previous section.
- 2.61 It was acknowledged in preparing the current MTFs, for the five years 2017/18 – 2021/22, that the size of the potential revenue budget shortfall meant that no single initiative could be expected to close the gap. Accordingly, a blend of different generic approaches were taken, each of which have contributed to the £3.4 million of savings in the current projections, as follows:

Table 7: Budget savings by category

	£000
Efficiency savings	1,008
Increased income	1,093
Transformation and business improvements	851
Service reductions	456
Total	3,408

The preferred approach to delivering savings is through efficiencies, increased income or transformation. Service reductions are a last resort.

- 2.62 The blended approach to delivering savings has proved successful so far. Most savings for 2017/18 are on track to be delivered. If an individual saving is not delivered, the wide spread of approaches and savings ideas means that overall risk is minimised. Note that this approach is not the same as 'salami slicing'. Each savings proposal has been carefully developed and evaluated. Savings are not based on an arbitrary percentage cut in a service budget.
- 2.63 In addressing the budget gaps identified under the scenarios outlined above, it is proposed to adopt a similar approach. Whilst the size of the budget gap is potentially greater, it is considered that this approach is scalable and is appropriate for the task that now requires to be undertaken. Budget proposals have been developed during the course of September – November 2017, prior to consideration by Service Committees and the wider stakeholder group in December 2017 – January 2018. Budget proposals were sought addressing the worst case, in order that the Council is suitably prepared for this eventuality. The proposals recommended to Council are however based on a 'neutral' scenario, as these are sufficient to meet the remit of a balanced budget in 2018/19.

8. CAPITAL PROGRAMME

2.64 The capital programme plays a vital part in delivering the Council's strategic plan, since it is only through long term investment that our ambitions for the borough can be realised. The capital programme is a rolling five year programme. The existing capital programme was approved by Council at its budget meeting on 1st March 2017 and totals £60 million over five years. Details are set out below.

Table 8: Five Year Capital Programme 2017/18 – 2021/22

	Actual	Five year plan					Total
	16/17	17/18	18/19	19/20	20/21	21/22	
	£000	£000	£000	£000	£000	£000	£000
Housing and regeneration schemes	21	1,500	7,500	11,500	8,500	3,000	32,000
Housing investments	754	3,900	600	600	600	600	6,300
Other housing	840	1,376	1,150	1,150	1,150	1,150	5,976
Commercial property investments	3,653	1,500	0	0	0	0	1,500
Parks and open spaces	641	2,292	1,919	625	0	0	4,836
Town Centre regeneration	131	1,400	1,400	0	0	0	2,800
Maidstone East	2,783	288	212	0	0	0	500
Flood defences	28	50	50	300	550	50	1,000
Infrastructure delivery	500	0	3,000	0	0	0	3,000
Bridges Gyrotory Scheme	941	0	0	0	0	0	0
Other	1,559	740	601	520	415	225	2,501
Total	11,851	13,046	16,432	14,695	11,215	5,025	60,413

2.65 Infrastructure development in the Local Plan will be primarily funded from S106 contributions and the Community Infrastructure Levy. However, an allocation of £3 million has been included in the capital programme to cover investment by the Council itself. This may be used in advance of receiving S 106 contributions.

2.66 The above figures do not include potential capital investment in the Kent Medical Campus, part of the North Kent Enterprise Zone (EZ). This capital investment, which is expected to be an important driver for economic development, would be funded on a stand-alone basis from business rates income generated by the EZ.

2.67 Since the capital programme was agreed by Council, a requirement has emerged for a capital investment to strengthen the dam at the western end of Mote Park Lake. Detailed costings still have to be prepared but the cost is likely to be in the region of £1 million.

2.68 Schemes may be included in the capital programme if they fall within one of the four following categories:

- Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;
 - Self-funding schemes focused on strategic plan priority outcomes;
 - Other schemes focused on strategic plan priority outcomes; and
 - Other priority schemes which will attract significant external funding.
- 2.69 All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:
- a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee.
 - b) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must first be prepared.
- 2.70 Maidstone Borough Council has so far not borrowed to fund its capital programme, instead relying primarily on New Homes Bonus to fund the capital programme. The funding projections for the Capital Programme envisage that borrowing will not be required in 2017/18, but will be in subsequent years. The cost of any borrowing will be factored into the updated MTFS financial projections.
- 2.71 There has been a reduction of the period for which New Homes Bonus would be paid from six years to five in 2017/18 and then to four in 2018/19. The reduction takes immediate effect, such that it affects six year payments already being received. An allowance is also made in calculating New Homes Bonus for the natural growth in housing from 'normal' levels of development. This means that New Homes Bonus will now only be paid on growth in excess of 0.4% per annum.
- 2.72 Many of the external grants that were available to the council for funding capital projects in the past no longer exist. However, recent projects have received support through grants and contributions, eg the Museum, Mote Park, and the High Street. Government funding is also available through the South East Local Enterprise Partnership (SELEP). Opportunities to bid for funding are pursued energetically wherever possible.
- 2.73 Funding is also available through developer contributions (S 106) and, in future, through the Community Infrastructure Levy (CIL). Members have been consulted in relation to the levy and a draft charging schedule was approved by Council at its meeting on 7 December 2016. The way will be clear for the Council to introduce a CIL when its Local Plan is adopted, subject to an examination of the Council's CIL proposals.
- 2.74 The current funding assumptions used in the programme are set out in the table below along with the expected total expenditure.

Table 9: Capital Programme Funding

Funding Source	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	TOTAL £000
Earmarked Reserves	11,216	3,059	2,935	2,800	2,800	22,810
Capital Grants	800	800	800	800	800	4,000
Internal Borrowing	1,030	3,570				4,600
Prudential Borrowing	0	9,003	10,960	7,615	1,425	29,003
Total Resources	13,046	16,432	10,960	11,215	5,025	60,413

2.75 A review of the schemes in the capital programme took place during the course of Autumn 2017. Proposals were also considered for new schemes to be added to the capital programme. The affordability of the capital programme was considered as part of this review, as it is essential that any borrowing to fund the capital programme is sustainable and affordable in terms of its revenue costs. The outcome of this review was reported to Policy and Resources Committee in January 2018 and an updated capital programme was recommended to Council for approval.

9. RISK MANAGEMENT

- 2.76 As indicated in the previous sections, the Council's MTFS is subject to a high degree of risk and certainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
- 2.77 The major risk areas that have been identified as potentially threatening the Medium Term Financial Strategy are as follows.
- Failure to contain expenditure within agreed budgets
 - Fees & Charges fail to deliver sufficient income
 - Commercialisation fails to deliver additional income
 - Planned savings are not delivered
 - Shared services fail to perform within budgeted levels.
 - Insufficient Balances - minimum balance is insufficient to cover unexpected events OR minimum balances exceed the real need
 - Inflation rate predications underlying MTFS are inaccurate
 - Adverse impact from changes in local government funding
 - Constraints on council tax increases (ie 2% referendum limit)
 - Reduction or total loss of funding sources for capital programme
 - Increased complexity of government regulation
 - Business Rates & Council Tax collection
 - Other Kent Business Rates Pool members require support from the Council.
- 2.78 It is recognised that this is not an exhaustive list. By reviewing risks on a regular basis, it is expected that any major new risks will be identified and appropriate mitigations developed.
- 2.79 An assessment of the relative impact and likelihood of the risks identified is set out below.

Table 10: Budget Risk Matrix

Likelihood	5					
	4					
	3		B	G		
	2		E	C,F, L,M	A,D, H,J	
	1		I,K			
		1	2	3	4	5
		Impact				

Key

- A. Failure to contain expenditure within agreed budgets
- B. Fees and Charges fail to deliver sufficient income
- C. Commercialisation fails to deliver additional income
- D. Planned savings are not delivered
- E. Shared services fail to meet budget
- F. Council holds insufficient balances
- G. Inflation rate predictions underlying MTFS are inaccurate
- H. Adverse impact from changes in local government funding
- I. Constraints on council tax increases
- J. Capital programme cannot be funded
- K. Increased complexity of government regulation
- L. Collection targets for Council Tax and Business Rates missed
- M. Business Rates pool fails to generate sufficient growth

2.80 For all risks shown on the Budget Risk Register, appropriate controls have been identified and their effectiveness is monitored on a regular basis.

10. CONSULTATION

2.81 Each year the Council carries out consultation as part of the development of the MTFs. This year the Council is carrying out its two-yearly Residents' Survey and the opportunity has been taken to incorporate questions about the Council's budget priorities, as follows:

- What funding approach do you think we should take for each of the Council's funding priorities (reduce spending/maintain current spending/increase spending)
- Which of the priorities is most important to you?
- Which of the following actions should the Council prioritise to balance the budget? (Increase council tax / Increase fees and charges for the services you use / Stop delivering non essential services / Provide services less frequently or to a lower standard)

The results of this consultation will be used to inform the preparation of detailed budget proposals.

2.82 As a second step, consultation was carried out in December 2017 – January 2018 on the detailed budget proposals. Individual Service Committees considered the budget proposals relating to the services within their areas of responsibility. Full details of the proposals have been published and residents' and businesses' views are welcomed.

Document History

Date	Description	Details of changes
25.07.17	Draft to Policy and Resources Committee	
25.10.17	Final to Council	<ul style="list-style-type: none"> - Table 4 – income and expenditure now shown on same basis as in Strategic Revenue Projection
14.02.18	Updated to reflect provisional Local Government Finance Settlement 2018/19	<ul style="list-style-type: none"> - Reference made to new Council Tax referendum limit and Kent & Medway Business Rates Pool. - Budget Risk Matrix updated. - Other minor textual changes.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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