POLICY AND RESOURCES COMMITTEE MEETING

Date: Wednesday 13 February 2019
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Mrs Blackmore, Boughton, M Burton, Clark, Cox (Chairman), Field, Garland, Mrs Gooch, Harvey, McKay, McLoughlin, D Mortimer, Newton, Perry (Vice-Chairman) and Springett

The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.

Issued on Tuesday 5 February 2019

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

MAIDSTONE
Borough Council

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.

PUBLIC SPEAKING AND ALTERNATIVE FORMATS

If you require this information in an alternative format please contact us, call **01622 602899** or email **committee@maidstone.gov.uk**.

In order to speak at this meeting, please contact Democratic Services using the contact details above, by 5 p.m. 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.

To find out more about the work of the Committee, please visit www.maidstone.gov.uk.

Should you wish to refer any decisions contained in these minutes to Council, please submit a Decision Referral Form, signed by five Councillors, to the Mayor by: 6 February 2019

MAIDSTONE BOROUGH COUNCIL

Policy and Resources Committee

MINUTES OF THE MEETING HELD ON WEDNESDAY 23 JANUARY 2019

Present: **Councillors Mrs Blackmore, M Burton, Clark, Cox (Chairman), Garten, Mrs Gooch, Harvey, McKay, McLoughlin, D Mortimer, Newton, Perry and Springett**

140. APOLOGIES FOR ABSENCE

Apologies for absence were received by Councillors Boughton, Garland and Field.

141. NOTIFICATION OF SUBSTITUTE MEMBERS

Councillor Garten was present as a substitute for Councillor Boughton.

142. URGENT ITEMS

The Chairman informed the Committee that he had decided to accept an item regarding Lenworth House an urgent item. The Chairman explained that the reason for urgency was that the Council faced a possible financial loss on the project if the transfer of the lease was not agreed at this meeting.

143. NOTIFICATION OF VISITING MEMBERS

There were no visiting members.

144. DISCLOSURES BY MEMBERS AND OFFICERS

Councillor Clark declared that he owned a commercial property and was therefore liable to pay Business Rates. This gave him an interest in Item 12. Business Rates Retail Relief.

The Monitoring Officer confirmed that she was aware of the interest and that she had granted a dispensation to Councillor Clark to consider the item.

145. DISCLOSURES OF LOBBYING

The following Councillors disclosed they had been lobbied on item 14. Property Asset Review:

- Councillor Springett
- Councillor Mortimer
- Councillor Clark

- Councillor Perry
- Councillor Gooch
- Councillor M Burton

146. TO CONSIDER WHETHER ANY ITEMS SHOULD BE TAKEN IN PRIVATE BECAUSE OF THE POSSIBLE DISCLOSURE OF EXEMPT INFORMATION.

RESOLVED: That the following items be taken in private due to the possible disclosure of exempt information:

- Item 20 – Property Acquisition
- Item 21 – Minutes (Part II) of the Meeting Held on 5 December 2018

147. MINUTES OF THE MEETING HELD ON 5 DECEMBER 2018

RESOLVED: That the minutes be agreed as an accurate record of the meeting and signed.

148. PRESENTATION OF PETITIONS (IF ANY)

Mr Stephen Kendall presented a petition to the Committee with the following wording:

> We the undersigned wish to stop Maidstone Borough Council from selling or leasing the land known as Rosemary Road, Bearsted Play Area for housing development and building. The land should remain as a play/recreation area, for the use of residents, (of which some living close by, are infirm) and other visitors.

The Chairman explained that the content of the petition was relevant to an item that was already on the agenda – Item 14. Property Asset Review.

RESOLVED: That the petition be considered in conjunction with Item 14. Property Asset Review.

Note: Councillor Blackmore arrived at the meeting during consideration of this item.

149. AMENDMENT TO THE ORDER OF BUSINESS

The Chairman noted that as there were petitioners present, it would be appropriate to consider the item the petition related to as the next item of business.

RESOLVED: That Item 14. Property Asset Review be considered before Item 10. Question and answer session for members of the public (if any).

150. PROPERTY ASSET REVIEW

Mr Mark Green, Director of Finance and Business Improvement, presented a report outlining the Council's Property Asset Review. Mr Green referred to legal advice which outlined that making the Council's assessment of individual sites publicly available could damage the Council's negotiating position in future negotiations. Therefore the report presented to the Committee outlined the Council's approach to the review in general terms. A number of actions were underway to maximise the use of Council assets – for example rent reviews for properties currently let out. However any sites that had been identified as potential for redevelopment or disposal required further engagement with members before decisions were taken.

The Committee noted that some of the actions proposed as the next steps in the Property Asset Review were the responsibility of Officers through exercising delegated authority. This meant it was critical that Ward Members affected by proposals to dispose of or redevelop Council assets were consulted with.

Mr Green assured the Committee that there was a due process to be followed in relation to consultation with Members on individual sites, and that the overall review of assets was just the first step in a process.

In response to a question from the Committee, Mr Green confirmed that a process of prioritisation of actions arising from the review was due to take place.

The Committee requested that a regular update be provided on the progress of this review, including a reference to the petition submitted regarding Rosemary Road, Bearsted.

RESOLVED: That

1. The completion of the Property Asset Review is noted.

2. Officers carry out the next steps identified in paragraphs 1.24 to 1.27 of this report in consultation with affected ward members.

   Voting: For - 11 Against - 0 Abstentions - 2

3. The outcome of the next steps of the Property Asset Review be brought back to this Committee.

   Voting: For - 12 Against – 0 Abstentions – 0

4. The wording of the petition submitted be considered alongside the Property Asset Review report at future Committee meetings.

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

There were no questions from members of the public.

152. COMMITTEE WORK PROGRAMME

The following updates to the Committee Work Programme were highlighted:

- The IT Strategy was due to be considered in March rather than February.
- John Foster had replaced Dawn Hudd on the Work Programme.

RESOLVED: That the Committee Work Programme be noted.

153. BUSINESS RATES RETAIL RELIEF

Mr Stephen McGinnes, Director of Mid Kent Services, gave a presentation to the Committee outlining a policy awarding Business Rates Relief to retailers within the Borough. Mr McGinnes explained that this relief was fully funded by the government, and had been announced in the 2017 budget. Instead of making changes to business rates legislation to assist small retailers, the government had announced a fully funded relief for local authorities to implement. The policy drawn up was compliant with the government guidance, and would be applied automatically to all eligible businesses in the Borough.

The Committee stated its support for the policy in order to assist small retailers across the Borough.

RESOLVED: That Council is recommended to agree the Retail Relief Policy (Appendix 1) for the award of Business Rates Relief in line with the guidance provided by the Ministry of Housing, Communities and Local Government.

Voting: Unanimous

154. COUNCIL TAX EMPTY PROPERTY PREMIUM

Mr McGinnes introduced a policy requiring that owners of properties that were empty and substantially unfurnished paid additional Council Tax premiums. The current policy added a premium of 50% to those properties that had been empty and unfurnished for 2 or more years. The proposed policy added an escalating premium onto properties the longer they remained empty, with a maximum additional premium of 300% additional Council Tax of those that had remained empty for 5 years or more. Mr McGinnes confirmed that the phrase 'substantially unfurnished' was present in Council Tax legislation, and therefore there was no discretion for this to be changed by the Council.

RESOLVED: That Council is recommended to implement the revised Council Tax premium for the financial years beginning 1 April 2019, 1 April 2020 and 1 April 2021.

Voting: For - 12 Against - 1 Abstentions – 0

155. 100% BUSINESS RATES RETENTION PILOT - UPDATE

Mr Green presented an update on the Business Rates Retention Pilot. It was noted that all of the projects were on track to be completed as they had all been allocated 'green' status by their respective project sponsors. Mr Green confirmed that those projects that had not been completed in the 2018/19 financial year would be carried forward to 2019/20 if the funds had not been spent, and that the projected £640,000 additional funding from the pilot was likely to be an underestimate. The total funding received through the pilot was scheduled to be finalised after the end of the financial year, once the Corporate Finance Team had completed the annual accounts.

RESOLVED: That progress with the Business Rates Retention Pilot Projects be noted.

156. MEDIUM TERM FINANCIAL STRATEGY & BUDGET PROPOSALS

Mr Green presented the Medium Term Financial Strategy and Budget Proposals to the Committee. The Policy and Resources Committee was asked to agree its own proposals and note the proposals due for consideration by the Service Committees. The Committee would then consider all of the proposals at the meeting in February to recommend to Council in order to set the budget for 2019/20.

The Committee requested that a different format for graphs be used in reports for the future, so that when agendas are printed in black and white the graphs and diagrams remained clear.

RESOLVED: That

1. The revenue budget proposals for services within the remit of this Committee, as set out in Appendix A, be agreed.

2. The revenue budget proposals for services within the remit of the other Service Committees, as set out in Appendix B, be noted.

157. FEES & CHARGES 2019/20

Mr Green outlined the changes to Fees and Charges proposed for services that the Committee was responsible for. Mr Green explained that the only fees proposed to be increased this year were for the Business Terrace and Mid Kent Legal Services. Both of these proposals were broadly for a 2% increase in line with inflation.

RESOLVED: That

1. The proposed discretionary fees and charges set out in Appendix 1 to this report are agreed.

2. The centrally determined fees and charges set out in Appendix 1 to this report are noted.

3. The overall change in fees and charges attached at Appendix 2 is noted.

Voting: For - 11 Against - 2 Abstentions - 0

158. MEDIUM TERM FINANCIAL STRATEGY – CAPITAL PROGRAMME

Mr Green presented the Medium Term Financial Strategy Capital Programme to the Committee. Mr Green highlighted that the Capital Programme was worth £80 million, and all of this funding was scheduled to be invested within the Borough. As the Capital Programme was aligned to the Strategic Plan Priorities it allowed the Council to demonstrate its commitment to the plan through investments in the Borough.

In response to questions from the Committee, Mr William Cornall, Director of Regeneration and Place, confirmed that:

- Flooding at the pedestrian entrance to the Cemetery on Pheasant Lane would be considered by the project team as part of the project. However it was unlikely this could be addressed as part of this project as the budget was tight.

- Although there were funds available for improvements at the Museum, it was not clear whether full match funding for all of the projects would be available. Therefore plans for these improvements needed to be revised. This issue was due to be considered by the Heritage, Culture and Leisure Committee at its next meeting.

RESOLVED: That

1. The Capital Strategy principles set out in paragraph 1.4 are agreed.

2. The Capital Funding projection set out in Appendix B to this report are agreed.

3. The Capital Programme for 2019/20 onwards set out in Appendix C to this report is agreed.

4. Having agreed the Capital Funding Projection and Capital Programme, a prudential borrowing limit will be set of £55.24 million over the period of the Capital Programme, to be recommended to Council by the Audit, Governance and Standards Committeee as part of the Treasury Management Strategy 2019/20.

Voting: For - 12 Against - 1 Abstentions – 0

159. LENWORTH HOUSE

Mr Andrew Connors, Housing Delivery Manager, conveyed to the Committee that at a previous meeting of the Committee the purchase of

Lenworth House had been authorised. Lenworth House was a development of flats which was intended to be let to tenants on the private rental market. In order to achieve this, a lease of the property was required to be granted to the Council's private sector rental company, Maidstone Property Holdings Limited. The reason for this was the Council was barred by legislation from granting tenancy agreements at market rental rates. However this activity can be carried out by a private company, wholly owned by the Council.

RESOLVED: That

1. The Director of Finance and business Improvement is granted delegated authority to grant a lease of Lenworth House by Maidstone Borough Council to Maidstone Property Holdings Limited on terms to be agreed, and authorise the completion of such lease and all ancillary deeds/agreements.

2. The Head of Mid Kent Legal Services be authorised to complete the necessary legal formalities for such lease and any ancillary deeds/agreements in due course.

Voting: For - 12 Against - 0 Abstentions – 1

160. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That the press and the public be excluded from the meeting due to the possible disclosure of exempt information for the reasons outlined in the report, having taken into account the public interest test.

161. PROPERTY ACQUISITION

Mr Connors gave a presentation to the Committee outlining a proposal for the acquisition of a block of flats. The block consisted of 14 flats with allocated car parking. The investment was projected to reach a 5.04% Internal Rate of Return (IRR), which was consistent with the minimum IRR of 5% required in the Councils Housing Development and Regeneration Investment Plan. The purchase price had been negotiated with the developer, and this price included a discount due to the transaction being a bulk purchase.

In response to questions from the Committee regarding the risks to the Council around the rental projections, Mr Connors confirmed that a surveyor had confirmed all of the figures in the report. Mr Cornall clarified that risk needed to be considered for the development overall – a number of factors reduced the risk profile including working with an established house builder with a good reputation, the location and that that a future increase in value of the properties had not been incorporated into the IRR calculations.

The Committee noted that the proposal was within the Council's risk appetite, and therefore the opportunity should be pursued.

RESOLVED: That

1. The financial returns for the scheme shown at Exempt Appendix 2, which support the Housing Development and Regeneration Investment Plan, are approved.

2. The Director of Finance and Business Improvement is granted delegated authority to enter into a development agreement with Redrow Homes, together with any related appointments, legal actions, deeds and agreements which may be required to facilitate the purchase.

3. The Head of Mid Kent Legal Services is authorised to appoint the solicitors required to complete the necessary contract documentation, heads of terms, deeds and agreements associated with the purchase on the terms as agreed by the Director of Finance and Business Improvement.

4. The Director of Finance and Business Improvement is granted delegated authority to grant such lease(s) of the Property as necessary on terms to be agreed, and authorise completion of such lease(s) and all ancillary deeds and agreements and the Head of Mid Kent Legal Services be authorised to complete the necessary legal formalities for such lease(s) in due course.

Voting: For - 11 Against - 2 Abstentions – 0

162. MINUTES (PART II) OF THE MEETING HELD ON 5 DECEMBER 2018

RESOLVED: That the minutes (Part II) of the meeting held on 5 December 2018 are agreed as an accurate record of the meeting and signed.

163. DURATION OF MEETING

6.30 p.m. to 8.42 p.m.

2018/19 WORK PROGRAMME

	Committee	Month	Lead	Report Author
Q3 Budget Monitoring 2018/19	P&R	Mar-19	Chris Blundell	Paul Holland
Q3 Performance Report 2018/19	P&R	Mar-19	Angela Woodhouse	Anna Collier
Strategic Plan - New KPIs	P&R	Mar-19	Angela Woodhouse	Anna Collier
IT Strategy -2018-2023	P&R	Mar-19	Stephen McGinnes	Chris Woodward
KPIs for 2019-20	P&R	Mar-19	Angela Woodhouse	Angela Woodhouse
Commissioning and Procurement Strategy	P&R	Apr-19	Mark Green	Georgia Hawkes
Risk Management Update	P&R	Apr-19	Russell Heppleston	Russell Heppleston & Alison Blake
Business Rates Retention - Update	P&R	Apr-19	Mark Green	Ellie Dunnet
Kent Medical Campus Innovation Centre	P&R	Apr-19	John Foster	Abi Lewis
Property Asset Review Update	P&R	Apr-19	Mark Green	
Outside Body Appointment: Rochester Bridge Trust	P&R	Apr-19	Sam Bailey	
Reference from CHE - CCTV Provision	P&R	TBC	William Cornall	John Littlemore
Debt Recovery Policy	P&R	TBC	Stephen McGinnes	Sheila Coburn
Mote Park Lake Dam	P&R	TBC	Mark Green	

2018/19 WORK PROGRAMME

	Committee	Month	Lead	Report Author
Economic Development Strategy Review	P&R	TBC	John Foster	

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Policy and Resources Committee
13/02/19

External Board/Outside Body

External Board/Outside Body	Rochester Bridge Trust
Councillor(s) represented on the Outside Body/External Board	Derek Butler (Ex Councillor)
Report Author	Derek Butler
Date of External Board/Outside Body Meeting Attended	Various meetings

Purpose of the External Board/Outside Body:

In summary, the Trust's charitable purposes are as follows, in order of priority:
(i) to provide and maintain the two road bridges and their approaches and the Service Bridge at Rochester which are owned by the Trust;
(ii) to promote other crossings over, under or across the River Medway;
(iii) to promote other charitable purposes in the UK, primarily in the County of Kent.

The Trust's activities under the third object are determined by its Grants and Charitable Expenditure Policy. This gives priority to the following types of project:

- promotion of study of civil engineering and related disciplines;
- education, research and conservation in the fields of construction (particularly related to bridges), Kent history and agriculture;
- projects to preserve, to improve, to develop further understanding of the history of the River Medway and its crossings; and
- conservation of the historically important fabric of heritage buildings.

The Trust's income is derived from its property estate and financial investments. The Trust has significant investment land and property holdings in Kent, Cambridgeshire, Lincolnshire and West Sussex.

Update:

During the last six months, July to December 2018, I attended all of the scheduled meetings that I was expected to attend to in relation to my role as the Maidstone Borough Council nomination on the Rochester Bridge Trust.

These meetings included the Audit Report meeting and proposed new and revised investment initiatives because of the Rochester Bridge Trust's over exposure to property based investments.

There is a major exercise to be undertaken on the Rochester Bridges over the next two years and there have been meetings held to assess contractors for the extensive work to be undertaken. I have attended these meetings and the contract for this work has now been granted and work should commence in a few months time. This work will obviously have an impact on traffic flows across the bridges but much work has been undertaken in order for these works to have as little impact to the traffic flows as possible.

Apart from the Trust giving grants for education etc. The Trust sponsors students in Engineering through a scheme called Arkwright Scholars. This has been an impressive initiative and the fruits of this sponsorship are now becoming apparent with some of the scholars taking responsible and rewarding professional posts in the Engineering Sector. I was fortunate to meet a number of these scholars at a function just before Christmas at the Institution of Civil Engineers and I was mightily impressed by them on a personal basis and in what they are planning to do with their careers.

During this last year there has been a new initiative, based to some extent on the number of farms in the Trusts portfolio, of sponsoring students in agriculture. There have been three scholars who have been accepted as Spence Scholars this year (named after John Spence who had been a long serving member of the Trust and a previous Warden of the Trust and incidentally, some time ago, the Head Boy of Maidstone Grammar School, who informed me that he had given a speech at Maidstone Town Hall to welcome the New Mayor of Maidstone back in his day when he was the Head Boy). There will be opportunities for scholars to be sponsored in subsequent years, probably one scholar each year.

There has been a "Bridge Works Exhibition" detailing the story of Rochester Bridges. This had been displayed at Rochester Cathedral for over a year and was very well attended. It has now been moved to the Medway Archives Centre in Strood for just over a couple of months with a view to the exhibition moving to Tonbridge Castle after March 2019 and subsequently into Maidstone. This has been a relatively new initiative in informing the public the history and significance of this river crossing and how important the Trust, to some extent, has been for the local economy. This educational initiative has been particularly well received by pupils from local primary schools, when they have visited the exhibition; they have been entertained by local theatrical actors who give an interpretation of the people throughout history who may have used the bridges. I believe one of the characters to be "The Spirit of The Bridge".

The Rochester Bridge Trust has increased in many different ways over the last few years. One way is that the number of employees has grown and subsequently there has been a need to have larger office space. During most of last year the staff used the facilities of Kent Space Business Facilities in Lordswood, but later in October 2018 the majority of staff were able to move back into Rochester in The St Andrews Centre in the grounds of Rochester Castle. The Trust has arranged a five year lease and provided extensive repairs and refurbishment of the St Andrews Centre and made it a most attractive place to work in. The Rochester Bridge Trust Chapel requires a complete overhaul in order to bring the facilities up to date and compliant with current standards. This project is on-going and it will be some time before this work is completed.

Policy and Resources Committee	13 February 2019

Medium Term Financial Strategy and Budget Proposals 2019/20

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 2019/20 and setting next year's Council Tax. It brings together final revenue and capital budget proposals for 2019/20, including a proposed level of Council Tax, so that a balanced budget may be recommended to Council on 27th February 2019.

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 allocation of £50,000 from the Parking Fund for Transport Planning in 2019/20;
5. Agrees the Revised Estimates for 2018/19 and the Budget Estimates for 2019/20 set out in Appendix C for recommendation to Council;
6. Agrees the Capital Programme set out at Appendix D for recommendation to Council;
7. Agrees the Treasury Management Strategy, Investment Strategy and Capital Strategy set out in Appendix E for recommendation to Council;
8. Agrees a £7.56 increase in Council Tax for 2019/20 for recommendation to Council;
9. Agrees the updated Medium Term Financial Strategy set out in Appendix G;
10. Recommends to Council the appropriate matters for decision to set a balanced budget for 2019/20 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	
Meeting	***Date***
Policy and Resources Committee	13 February 2019
Council	27 February 2019

Medium Term Financial Strategy and Budget Proposals

1. INTRODUCTION AND BACKGROUND

1.1 This section sets out revenue and capital budget proposals for 2019/20 as follows:

- Background
- Local Government Finance Settlement 2019/20
- Feedback from Service Committees on budget proposals
- Updates to Strategic Revenue Projection
- Revenue Estimates
- Capital Programme
- Balances / Earmarked Reserves

Background

1.2 This Committee has considered the Medium Term Financial Strategy (MTFS) for 2019/20 onwards on a number of occasions during the course of the financial year. The Committee initiated the budget process at its meeting on 27 June 2018. It agreed an approach to development of an updated Medium Term Financial Strategy for 2019/20 – 2023/24 and a budget for 2019/20 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 12 December 2018, Council agreed a MTFS for the next five years. The MTFS reflects considerable uncertainty about the level of resources which are available to deliver the Strategic Plan. This uncertainty arises for a number of reasons. Outcomes for the national economy could vary widely depending on how the UK's planned exit from the EU is managed. These wider economic factors will affect the level of public expenditure. The framework for local government expenditure in particular is anyway subject to uncertainty, with the four year local government funding settlement 2016/17 to 2019/20 coming to an end next year, and no definitive information about what subsequent arrangements will mean in practice for the Council.

1.4 At the same time, the MTFS seeks to support the Council's new strategic priorities by allowing for revenue budget growth, where necessary, and by providing the necessary capital investment to achieve longer term objectives.

1.5 Given 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. The projections have been brought up to date as of February 2019 and the neutral scenario projections are set out at Appendix A.

1.6 The budget proposals set out in this report are based on the neutral budget scenario, as this is considered on the balance of probabilities to represent the most likely set of outcomes. Service Committees have considered the proposals that relate to their areas of responsibility, and all budget proposals were reported to this Committee at its meeting on 23 January 2019.

1.7 The budget proposals are set out in Appendix B. In total, £1,067,000 of new budget savings have been identified, of which £175,000 will arise in 2019/20. Offset against these is £155,000 of budget growth (£131,000 in 2019/20) to address the new Strategic Priorities. These proposals, together with existing budget plans agreed by Council in earlier years and updates to the strategic revenue projection, are sufficient to meet the budget remit of a balanced budget for 2019/20.

1.8 The budget proposals also achieve a significant reduction in the budget gap in 2020/21 and subsequent years. Whilst there remains a budget gap in 2020/21, good progress has been made towards eliminating it, and this provides the necessary assurance that the approach to balancing the budget set out in the MTFS is sustainable.

1.9 'Adverse scenario' proposals have been developed for contingency planning purposes. The position will be kept under review over the coming year, and if the assumptions on which the neutral scenario is based turn out no longer to be valid, revised budget proposals will if necessary be brought back to Policy and Resources Committee and Council.

Local Government Finance Settlement 2019/19

1.10 The Provisional Local Government Finance Settlement 2019/20 was announced by the Secretary of State for Housing, Communities and Local Government on 13 December 2018 and were confirmed in the Final Settlement announced on 29 January 2019. Key points arising from the statement were as follows:

- 2019/20 is the fourth year of the four year funding settlement originally announced in 2015. Overall allocations have been confirmed in line with the four year settlement.

- New Home Bonus continues to be paid to authorities that exceed the baseline figure of 0.4% growth in the number of homes. The payment to Maidstone BC in 2019/20 will be £3.8 million, in line with our expectations.

- As anticipated, the government will not levy negative Revenue Support Grant (RSG) on those authorities that had been due to pay it in 2019/20. This would have cost Maidstone Borough Council £1.589 million in 2019/20.

- The government will distribute the £180 million surplus that it was holding in the business rates levy account to all councils, based on need. Maidstone's share of this distribution amounts to £49,000.

- The core Council Tax referendum limit will be 3%, with a further 2% for adult social care, as in 2018/19. Police and Crime Commissioners will be allowed increases of up to £24 (£12 in 2018/19).

- Twelve new business rates retention pilots have been announced. However, Kent & Medway was not given pilot status again in 2019/20.

Negative RSG of £1.589 million was originally included in our projections for 2019/20. Rather than reverse it out, the MTFS assumes that the amount that would have been paid to the government is held as a contingency for future funding pressures, and will be used to cushion the impact of likely reductions in resources in 2020/21.

The loss of business rates retention pilot status has no effect on the projections, as it was assumed, in the interests of prudence, that we could not rely on continuing to be a pilot.

Feedback from Service Committees on Budget Proposals

1.11 Strategic Planning, Sustainability and Transportation Committee (8 January 2019)

It was suggested that a growth item of £50,000 be recommended to the Policy and Resources Committee to provide in-house expertise for traffic modelling. This was due to a skills gap in the current team and previous instances of outsourcing this function.

The Committee commented that it was difficult to make a judgement on the suitability of the budget without information pertinent to the resourcing that was required to fulfil the Local Plan deadlines in 2021.

The Committee also noted that while there was a surplus in the last year regarding Planning Performance Agreements, this was not something that could be relied upon in coming years.

The conclusion was that budget proposals for services within the remit of the Committee were agreed, with the addition of a request for a growth item to fund an Officer/resource for additional expertise in transportation matters.

1.12 Communities, Housing and Environment Committee (15 January 2019)

The Committee expressed concern at the proposed increased charges for the Garden Waste Service, as there was a risk that residents with lower incomes would be discouraged from using the service. Officers stated that the increased charges for services should be seen in the context of balancing the whole Council budget and it was preferable to generate additional income rather than cutting services. The Garden Waste Services charge was originally due to be increased in both 2019/20 and 2020/21. The current proposal ensured that customers did not experience increased charges in consecutive years, and that costs remained competitive with other Local Authorities. Neighbouring Local Authorities had explored the introduction of a Garden Waste Service, and estimated that it would cost £15 more than the proposed Maidstone charge.

The Committee commented that it was preferable to agree the proposed increased charges and to monitor uptake of services to assess the impact of the decision. Despite the reluctance to increase prices, it was stated that there were no other viable way to save the required money.

The Committee acknowledged the need to balance the budget, and commented that aligning the budget to the Strategic Plan was a positive approach.

It was also suggested that, in future, the Council could charge other organisations who wished to access recorded CCTV footage.

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

1.13 Policy and Resources Committee (23 January 2018)

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

1.14 Heritage, Culture and Leisure Committee (29 January 2019)

The Committee expressed their concern that the budget and strategic plan did not necessarily align at present and moving forward it needed to ensure that the resources align to enable the strategic plan to be delivered. The budget proposals were nevertheless agreed for submission to the Policy and Resources Committee.

1.15 Conclusion

The only substantive change recommended following consideration of the budget proposals by the Service Committees was the recommendation of Strategic Planning, Sustainability and Transport Committee that additional resources be identified for transport planning. This proposal has been considered and one-off resources of £50,000 have been identified from the Parking Fund that would address this requirement. This will allow transport planning resource to be procured for an initial period of 12 months on an experimental basis, after which the need for a longer term funding solution can be assessed.

Updates to Strategic Revenue Projection

Council Tax

1.16 Policy and Resources Committee agreed at its meeting on 5 December 2018 that the Council Tax Base for 2019/20 will be 62,033.40. This is slightly less than the 2% increase in the Council Tax Base assumed in the MTFS, so projected Council Tax income is £87,000 less than projected. The agreed Council Tax Base will yield total Council Tax income of £16,157,219 if Band

D Council Tax is increased by 3% (£7.56), as assumed in the Medium Term Financial Strategy.

1.17 This report recommends that the Council increases Council Tax by 3%, for the following reasons:

- Pressures on the Council's budget mean that even a marginal difference in Council Tax income is of value. Each 1 per cent increase in Council Tax funds another £160,000 worth of Council services.

- An increase at the maximum level of 3% will allow a balanced budget to be set, assuming no changes to any of the other budget assumptions.

- 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.

- Although 3% is higher than the current level of CPI, inflation on the items that the Council buys is well in excess of 2%.

- The Council relies heavily on Council Tax, which is now its principal source of funding. The Council therefore exposes itself to unnecessary risk if it does not maximise Council Tax income.

1.18 Policy and Resources Committee agreed at its meeting on 23 January 2019 to increase the level of Empty Property Premium payable from 50% to 100% with effect for 2019/20. Taking into account the likely impact of the change in policy, Maidstone's share of the increased income is estimated to amount to £17,000 in 2019/20. No allowance has been built into subsequent years' projections for the change in policy, as the change may have the effect of reducing the amount of empty property and hence the amount collectible through the Premium.

1.19 It was reported to Policy and Resources Committee on 5 December 2018 that there would be a surplus on the Collection Fund arising from Council Tax collection activity as at 31 March 2019. Maidstone Borough Council's share of this surplus is £409,792. Whilst Council Tax generated a surplus, Business Rates generated a deficit – see paragraph 1.22 below.

Business Rates

1.20 The Business Rates income estimate for 2019/20 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 £3.208 million.

1.21 The NNDR1 return indicates that there will be further business rates growth in addition to this. Maidstone's share of this growth amounts to £1.129 million, which is however £118,000 less than assumed in the MTFS.

1.22 The NNDR1 also provides our latest estimate of the balance on the Collection Fund arising from Business Rates collection activity as at 31 March 2019. Business Rates have recorded a deficit, of which Maidstone Borough Council's share is £495,227. Business Rates income is very difficult to predict, with total income of nearly £60 million, and a large number of variables including appeals, bad debts, and statutory reliefs to which ratepayers are entitled. Taking into account the surplus on Council Tax, the net deficit on the Collection Fund, which needs to be built into the budget, is £85,435.

1.23 Whilst Kent & Medway authorities no longer form a business rates retention pilot, Kent County Council and ten of the Kent districts continue to pool their business rates growth, which has the effect of reducing the levy on business rates growth that would otherwise be payable to central government. As previously agreed by Council, Maidstone's 30% share of the saving on the levy is ringfenced for investment in the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. Neither of these amounts are reflected in the Strategic Revenue Projection, as they have been earmarked for specific purposes.

1.24 The final figures for the proceeds from the 2018/19 business rates retention pilot will not be known until the accounts for the year are closed. Current indications are that the proceeds will be in excess of the original projections. No account is taken of this in the Strategic Revenue Projection.

1.25 As part of the 2019/20 Local Government Finance Settlement, the government announced that it would distribute the £180 million surplus that it was holding in the business rates levy account to all councils, based on need. Maidstone's share of this distribution amounts to £49,000.

Fees and Charges

1.26 The level of fees and charges made by each Service Area were considered by Service Committees at their meetings in January 2019. The combined considerations of all fees and charges has been incorporated in the budget proposals in Appendix B. The total projected value of fees and charges is now projected to be £28,000 less than in the MTFS Strategic Revenue Projection.

Inflation

1.27 The MTFS projected inflation for the Council of 2.5%. This is a composite of several elements, including pay inflation and contract price inflation. The single biggest element in this figure is pay. A staff pay increase of 2% has been agreed for 2019/20, but in practice the rate of pay inflation is higher because our salary structure means that many staff receive increments each year if they meet performance targets. Contract price increases vary from contract to contract, but recent increases have been as high as 6%.

1.28 UK-wide inflation figures have fallen slightly since the MTFS was prepared. The latest CPI inflation figure, for December, is 2.0%, down from 2.2% in November. There was a big one-off factor in this fall, with a reduction in the cost of a litre of petrol, 6.4p between November and December, compared with a rise of 0.8p a litre in the same period a year earlier. So the lower inflation rate of 2.0% may not be sustainable.

1.29 Taking all these factors into consideration, the projected allowance for inflation in the Strategic Revenue Projection has increased by £50,000.

Additional Growth Pressures

1.30 Additional growth pressures have been identified that need to be incorporated in the Strategic Revenue Projections. These include additional costs of running borough elections, following a review of the actual costs incurred in 2018 (£44,000), a downgrade of Legal Service income projections based on latest information (£20,000), the Business Improvement District levy now payable on Maidstone Council properties (£17,000), and an unachievable external print income target (£10,000). Against this is offset a reduction of £30,000 in the amount that we are required to contribute in 2019/20 to the Kent Pension Fund, of which we are a member, to fund its deficit. In total there is a net increase of £64,000 in the predicted budget requirement arising from additional growth pressures.

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. The Strategic Revenue Projection assumed that, based on progress with the capital programme and our funding requirements, we would have to start borrowing from the Public Works Loan Board early in 2019/20. Having reviewed the capital programme, as updated and approved by Policy and Resources Committee at its meeting on 23 January, it is clear that borrowing will not be required before the second half of 2019/20 and the revenue costs of capital expenditure will be delayed. This has led to a reduction of £409,000 in the projected costs in 2019/20.

Summary

1.32 In summary, the impact of the above changes to the Strategic Revenue Projection for 2019/20, as compared with the position shown in the Medium Term Financial Strategy as adopted by Council on 12 December 2018, is as follows:

	£000
Projected budget gap as per MTFS	-85
New savings proposals	175
Growth to address new strategic priorities	-131
Projected budget deficit for 2019/20	-41
Updates to MTFS projections:	

Add:	
Revenue effects of updating capital programme	409
MBC share of business rates levy account surplus	49
Increase in Council Tax Empty Homes Premium	17
Less:	
Lower than projected business rates growth	-118
Lower than projected increase in Council Tax base	-87
Collection Fund adjustment	-85
Additional budget pressures	-64
Increase in inflation allowance	-50
Adjustment to fees and charges growth	-28
Net effect of updates	46
Projected surplus	5

The updates to the Strategic Revenue Projections cancel out the projected budget deficit, and leave a small surplus of £5,000.

Revenue Estimates

1.33 Attached at Appendix C is a summary of the revenue budget for 2019/20, based on the assumptions above. The summary shows the Original Estimate 2018/19 as approved by Council in March 2018; the Revised Estimate 2018/19 calculated as part of the budget development work completed this year; and the Estimate for 2019/20 based upon the details set out in this report. The Estimate for 2019/20 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.

1.34 Appendix C 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.

1.35 The Revised Estimate 2018/19 shown in Appendix C totals £19,362,116. This figure is net of all income with the exception of the use of balances and the council tax requirement.

1.36 The Estimate for 2019/20 shown in Appendix C totals £20,476,250. 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 council tax requirement. This figure excludes the value of all precepts.

Capital Programme

1.37 A draft Capital Programme was reported to Committee at its meeting on 23 January 2019. The Capital Programme totals £80 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 D.

1.38 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 be required at some point later in 2019/20. The proposals set out in this report suggest a need to consider up to £55,524,000 of prudential borrowing over the life of the programme.

1.39 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. It is projected that the Council will continue to be able to rely on its own resources for the first half of the financial year 2019/20, but will need to start borrowing from the Public Works Loan Board to fund the capital programme in the second half of the year.

1.40 The arrangements for funding the capital programme are set out in the Treasury Management Strategy, Investment Strategy and Capital Strategy, which were considered by the Audit Governance & Standards Committee at its meeting on 14 January 2019. The Audit Governance & Standards Committee was made aware of the potential for prudential borrowing arising from approval of the recommendations in this report. It agreed the Treasury Management Strategy, Investment Strategy and Capital Strategy, subject to any amendments arising from consideration of the Capital Programme by Policy and Resources Committee. The updated Treasury Management Strategy, Investment Strategy and Capital Strategy are accordingly included as Appendix E.

Balances / Earmarked Reserves

1.41 Attached at Appendix F 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.

1.42 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.

1.43 General fund balances are estimated to be £10,584,000 by 31 March 2020. 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. This figure is currently set at £2,000,000. 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

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

1.45 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.

1.46 The financial projection that complements the Capital Medium Term Financial Strategy Statement is the capital programme given at Appendix E.

1.47 The Strategy may require amendment following Committee's consideration of this report or following consideration by Council on 27th February 2019. 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.

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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 Option 3 is the preferred option.

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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.

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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 27 June 2018 and has subsequently received further reports on the development of the budget for 2019/20. Council agreed the MTFS at its meeting on 12 December 2018.

5.2 Residents were asked to consider our budget priorities as a Council in parallel with consultation on the new Strategic Plan that was adopted in December 2018. The findings were reported to Service Committees in January 2019 and formed part of their consideration of the budget proposals.

5.3 Detailed budget proposals were considered by individual Service Committees. The outcomes of this consultation are set out in this report at paragraphs 1.11 to 1.14.

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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The timetable for setting the budget for 2019/20 is set out below.

Date	*Meeting*	*Action*
13 February 2019	Policy and Resources Committee	Agree 2019/20 budget proposals for recommendation to Council
27 February 2019	Council	Approve 2019/20 budget

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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 projects that support the strategic plan objectives.	Section 151 Officer & Finance Team
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	Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The Medium Term Financial Strategy demonstrates the Council's commitment to fulfilling it's duties under the Act.	Head of Mid Kent Legal Partnership & Team Leader (Corporate Governance), MKLS

	The Council is required to set a council tax by the 11 March in any year and has a statutory obligation to set a balanced budget. The budget requirements and basic amount of Council Tax must be calculated in accordance with the requirements of sections 31A and 31B to the Local Government Finance Act 1992 (as amended by sections 73-79 of the Localism Act 2011). The Council is required to determine whether the basic amount of council tax is excessive as prescribed in regulations - section 52ZB of the 1992 Act as inserted under Schedule 5 to the Localism Act 2011. The Council is required to hold a referendum of all registered electors in the borough if the prescribed requirements regarding whether the increase is excessive are met. The duty has been considered and is addressed under paragraph 1.15 of this report; which also notes that an increase of 3% will allow a balanced budget to be set. Approval of the budget is a matter reserved for full Council upon recommendation by Policy and Resources Committee on budget and policy matters.	
Privacy and Data Protection	None.	Section 151 Officer & Finance Team
Equalities	No impact identified. Where appropriate, Equalities Impact Assessments are carried out for specific budget proposals.	Equalities and Corporate Policy Offer.
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 2019/20 to 2023/24
- Appendix B: Budget Savings Proposals 2019/20
- Appendix C: Revised Estimates for 2018/19 and Draft Budget Estimates for 2019/20
- Appendix D: Capital Programme 2019/20 to 2023/24
- Appendix E: Updated Treasury Management Strategy, Investment Strategy and Capital Strategy
- Appendix F: Statement of General Fund Balances and Earmarked Reserves
- Appendix G: Updated Medium Term Financial Strategy 2019/20 to 2023/24

9. BACKGROUND PAPERS

There are no background papers.

REVENUE ESTIMATE 2019/20 TO 2023/24
STRATEGIC REVENUE PROJECTION (Neutral)

2018/19 £000		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
	AVAILABLE FINANCE					
15,407	COUNCIL TAX	16,159	16,812	17,491	18,198	18,933
	EMPTY HOMES PREMIUM	17				
3,136	RETAINED BUSINESS RATES	3,208	1,681	446	513	581
1,237	BUSINESS RATES GROWTH	1,129	0	177	357	717
	LEVY ACCOUNT SURPLUS	49				
-418	COLLECTION FUND ADJUSTMENT	-85				
19,362	**BUDGET REQUIREMENT**	**20,477**	**18,493**	**18,114**	**19,067**	**20,231**
20,669	OTHER INCOME	20,839	21,013	21,190	21,371	21,556
40,031	**TOTAL RESOURCES AVAILABLE**	**41,316**	**39,506**	**39,304**	**40,438**	**41,787**
	EXPECTED SERVICE SPEND					
37,870	**CURRENT SPEND**	40,031	41,316	39,506	39,304	40,438
	INFLATION & CONTRACT INCREASES					
960	PAY, NI & INFLATION INCREASES	997	1,058	1,096	1,136	1,178
40	MAIDSTONE HOUSE RENT INCREASE	40				
	NATIONAL INITIATIVES					
100	LOSS OF ADMINISTRATION GRANT					
34	PENSION DEFICIT FUNDING	6	150	150	150	
70	PLANNING SERVICE					
	LOCAL PRIORITIES					
400	PLANNING APPEALS	-400				
100	PLANNING ENFORCEMENT	-100				
0	LOCAL PLAN REVIEW			-200		
0	GROWTH TO MEET STRATEGIC PRIORITIES	131	24			
50	GENERAL GROWTH PROVISION	50	50	50	50	
20	ENVIRONMENTAL ENFORCEMENT	-20				
265	OTHER SERVICE PRESSURES	91				
123	REVENUE COSTS OF CAPITAL PROGRAMME	78	471	650	451	523
	PROVISION FOR MAJOR CONTRACTS					500
	CONTINGENCY FOR FUTURE FUNDING PRESSURES	1,589	-1,589			
40,031	**TOTAL PREDICTED REQUIREMENT**	**42,493**	**41,480**	**41,252**	**41,091**	**42,640**
	SAVINGS REQUIRED	**-1,177**	**-1,975**	**-1,948**	**-652**	**-853**
	SAVINGS IDENTIFIED	**1,007**	**1,014**	**860**	**608**	**0**
	NEW / AMENDED SAVINGS PROPOSALS	**175**	**597**	**80**	**15**	**200**
	SURPLUS / (DEFICIT)	**5**	**-364**	**-1,008**	**-29**	**-653**

Revenue Budget Proposals 2019/20 - 2023/24

Service	19/20	20/21	21/22	22/23	23/24	Total
	£000					
Policy & Resources Committee	-190	-685	-769	-543	0	**-2,187**
Communities, Housing & Environment Committee	-355	-58	-11	0	0	**-424**
Heritage, Culture & Leisure Committee	-316	-50	0	0	0	**-366**
Strategic Planning, Sustainability & Transportation Committee	-146	-221	-80	-65	0	**-512**
Total Existing Savings	**-1,007**	**-1,014**	**-860**	**-608**	**0**	**-3,489**

Table 1 - Savings agreed within current MTFS

Service	19/20	20/21	21/22	22/23	23/24	Total
	£000					
Policy & Resources Committee	-259	-170	-25	0	-200	**-654**
Communities, Housing & Environment Committee	170	-233	-25	0	0	**-88**
Heritage, Culture & Leisure Committee	99	-134	-15	0	0	**-50**
Strategic Planning, Sustainability & Transportation Committee	-185	-60	-15	-15	0	**-275**
Total adjustments and new savings	**-175**	**-597**	**-80**	**-15**	**-200**	**-1,067**

Table 2 - Adjustments to existing savings and new proposals

TOTAL SAVINGS (£000)	**-1,182**	**-1,611**	**-940**	**-623**	**-200**	**-4,556**

Service	19/20	20/21	21/22	22/23	23/24	Total
	£000					
Policy & Resources Committee	27	0	0	0	0	**27**
Communities, Housing & Environment Committee	30	0	0	0	0	**30**
Heritage, Culture & Leisure Committee	50	0	0	0	0	**50**
Strategic Planning, Sustainability & Transportation Committee	24	24	0	0	0	**48**
Total Budget Growth	**131**	**24**	**0**	**0**	**0**	**155**

Table 3 - Proposed growth in budgets

OVERALL CHANGE IN BUDGET (£000)	**-1,051**	**-1,587**	**-940**	**-623**	**-200**	**-4,401**

Negative figures shown above represent a reduction in expenditure budgets, or increased income targets.
Positive figures indicate increased expenditure, or a reduction in the income budget.

Appendix B

Policy Resources Committee
Budget Proposals 2019/20 - 2023/24

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Corporate Management	External audit contract	-10	0	0	0	0	**-10**
Customer Services Section	Reduce staff costs following shift from face to face to digital contacts.	-20	0	0	0	0	**-20**
Fraud Partnership	Fraud partnership	-10	0	0	0	0	**-10**
Maidstone Property Holdings	Housing & Regeneration Strategy	0	-542	-598	-400	0	**-1,540**
New commercial investments	Investments to promote economic development	-143	-143	-143	-143	0	**-572**
Regeneration & Economic Development	Offset staff costs with EZ income	-7	0	0	0	0	**-7**
Elections	Spread elections cost over 4 years	0	0	-28	0	0	**-28**
Total Existing Savings		**-190**	**-685**	**-769**	**-543**	**0**	**-2,187**

Table 1 - Savings agreed within current MTFS

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Corporate Telephones	Skype call costs and contract saving	-48	0	0	0	0	**-48**
Maidstone House	General facilities review	0	-5	0	0	0	**-5**
Economic Development	Business Terrace Phase 4	0	-20	0	0	0	**-20**
Asset management	Implement recommendations of Gen2 review	0	-25	-25	0	0	**-50**
Maidstone House	Rental income	-20	-20	0	0	0	**-40**
Maidstone Property Holdings	Lenworth House Income	-80	0	0	0	0	**-80**
Maidstone Property Holdings	Roll forward income projections to 2023/24	0	0	0	0	-200	**-200**
Debt recovery	Increased income generation	0	-25	0	0	0	**-25**
Internal Audit	Increased income generation	0	-20	0	0	0	**-20**
Digital Team	Cost recovery - capitalisation and income	-25	0	0	0	0	**-25**
Communications	Review of communications	0	-30	0	0	0	**-30**
ICT	Revised apportionment of shared service costs	-106	0	0	0	0	**-106**
Elections	Change in legislation for annual canvas 2020	0	-25	0	0	0	**-25**
Customer Services Section	Remove undeliverable saving	20	0	0	0	0	**20**
Total adjustments and new savings		**-259**	**-170**	**-25**	**0**	**-200**	**-654**

Table 2 - Adjustments to existing savings and new proposals

TOTAL SAVINGS (£000)		**-449**	**-855**	**-794**	**-543**	**-200**	**-2,841**

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Transformation & Digital	Permanent Funding for Digital Officer	27	0	0	0	0	**27**
Total Budget Growth		**27**	**0**	**0**	**0**	**0**	**27**

Table 3 - Proposed growth in budgets

OVERALL CHANGE IN BUDGET (£000)		**-422**	**-855**	**-794**	**-543**	**-200**	**-2,814**

Negative figures shown above represent a reduction in expenditure budgets, or increased income targets.
Positive figures indicate increased expenditure, or a reduction in the income budget.

Revenue Budget Proposals 2019/20 - 2023/24

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Recycling Collection	Reduce publicity and increase garden waste income generation	-44	-22	0	0	0	**-66**
Homeless Temporary Accommodation	New temporary accommodation strategy	-100	0	0	0	0	**-100**
C C T V	Commissioning review	-75	-25	0	0	0	**-100**
Environmental Enforcement	Commissioning review of enforcement	-125	0	0	0	0	**-125**
Voluntary Sector Grants	Phase out direct grants over MTFS period	-11	-11	-11	0	0	**-33**
Total Existing Savings		**-355**	**-58**	**-11**	**0**	**0**	**-424**

Table 1 - Savings agreed within current MTFS

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Recycling Collection	Bring forward increase in charge	-22	22	0	0	0	**0**
C C T V	Cease monitoring of cameras	75	-155	0	0	0	**-80**
Environmental enforcement	Reverse undeliverable saving	125	0	0	0	0	**125**
Depot/Grounds Maintenance	Commercial Income Growth	0	-50	0	0	0	**-50**
Community Services	Review of Community Partnerships & Resilience	0	-50	0	0	0	**-50**
HMO Licensing	Increase income budget	-6	0	0	0	0	**-6**
Gypsy & Caravan Sites	Transfer of sites to KCC	0	0	-25	0	0	**-25**
Air Quality	Savings on lease of air quality monitoring stations	-2	0	0	0	0	**-2**
Total adjustments and new savings		**170**	**-233**	**-25**	**0**	**0**	**-88**

Table 2 - Adjustments to existing savings and new proposals

TOTAL SAVINGS (£000)	**-185**	**-291**	**-36**	**0**	**0**	**-512**

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Street Cleansing	Public Realm Phase 3 - increased highway cleansing costs	30	0	0	0	0	**30**
Total Budget Growth		**30**	**0**	**0**	**0**	**0**	**30**

Table 3 - Proposed growth in budgets

OVERALL CHANGE IN BUDGET (£000)	**-155**	**-291**	**-36**	**0**	**0**	**-482**

Negative figures shown above represent a reduction in expenditure budgets, or increased income targets.
Positive figures indicate increased expenditure, or a reduction in the income budget.

Heritage, Culture Leisure Committee

Budget Proposals 2019/20 - 2023/24

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Museum	Review operating and governance model	-50	0	0	0	0	**-50**
Museum	Potential Saving on NNDR at the museum	-119	0	0	0	0	**-119**
Festivals & Events	Cease direct delivery of festivals and events	-10	-10	0	0	0	**-20**
Festivals & Events	Withdrawal of Christmas lights provision	-30	0	0	0	0	**-30**
Parks & Open Spaces	New operational model - Parks and Open Spaces 10 Year Plan	-50	0	0	0	0	**-50**
Mote Park Adventure Zone	Mote Park Adventure Zone	-57	0	0	0	0	**-57**
Mote Park Centre	Income from new Café	0	-40	0	0	0	**-40**
Total Existing Savings		**-316**	**-50**	**0**	**0**	**0**	**-366**

Table 1 - Savings agreed within current MTFS

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Museum	Reprofile NNDR saving	119	-119	0	0	0	**0**
Bereavement Services	Increase income target	-20	0	0	0	0	**20**
Bereavement Services	Income from investment in chapel	0	-15	-15	0	0	**30**
Total adjustments and new savings		**99**	**-134**	**-15**	**0**	**0**	**50**

Table 2 - Adjustments to existing savings and new proposals

TOTAL SAVINGS (£000)		19/20	20/21	21/22	22/23	23/24	Total
TOTAL SAVINGS (£000)		**-217**	**-184**	**-15**	**0**	**0**	**-316**

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Parks & Open Spaces	Maintenance & inspection of new trees	50	0	0	0	0	**50**
Total Budget Growth		**50**	**0**	**0**	**0**	**0**	**50**

Table 3 - Proposed growth in budgets

		19/20	20/21	21/22	22/23	23/24	Total
OVERALL CHANGE IN BUDGET (£000)		**-167**	**-184**	**-15**	**0**	**0**	**-266**

Negative figures shown above represent a reduction in expenditure budgets, or increased income targets.
Positive figures indicate increased expenditure, or a reduction in the income budget.

Revenue Budget Proposals 2019/20 - 2023/24

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Development Control Appeals	Reduction following adoption of local plan	0	-40	0	0	0	**-40**
Pay & Display Car Parks	5% increase in income (Fees & Charges)	0	-100	0	0	0	**-100**
Park & Ride	Re-specify service and deliver at reduced cost	-75	0	0	0	0	**-75**
Grants to outside bodies	Remove grants as part of voluntary sector grants reduction strategy	-16	-16	-15	0	0	**-47**
Parking Services	Increase Pay & Display income budget (Fees & Charges)	-50	-50	-50	-50	0	**-200**
Planning Policy	Offset staff costs with CIL	-5	-15	-15	-15	0	**-50**
Total Existing Savings		**-146**	**-221**	**-80**	**-65**	**0**	**-512**

Table 1 - Savings agreed within current MTFS

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Planning	Adoption of commercial business practices	0	-30	-15	-15	0	**-60**
Planning	Income generation from PPAs and Pre-application fees	-30	-15	0	0	0	**-45**
Building Control	Increase income budget	-5	-15	0	0	0	**-20**
Parking	Parking services - take Park & Ride linked increase into budget	-130	0	0	0	0	**-130**
Street Naming & Numbering	Increase income budget	-20	0	0	0	0	**-20**
Total adjustments and new savings		**-185**	**-60**	**-15**	**-15**	**0**	**-275**

Table 2 - Adjustments to existing savings and new proposals

TOTAL SAVINGS (£000)		**-331**	**-281**	**-95**	**-80**	**0**	**-787**

Service	Proposal	19/20	20/21	21/22	22/23	23/24	Total
		£000					
Infrastructure Officer	Fund new post to coordinate infrastructure requirements	24	24	0	0	0	**48**
TOTAL GROWTH (£000)		**24**	**24**	**0**	**0**	**0**	**48**

Table 3 - Proposed growth in budgets

OVERALL CHANGE IN BUDGET (£000)		**-307**	**-257**	**-95**	**-80**	**0**	**-739**

Negative figures shown above represent a reduction in expenditure budgets, or increased income targets.
Positive figures indicate increased expenditure, or a reduction in the income budget.

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2018/19 AND ESTIMATE 2019/20

COMMITTEE SUMMARY

Cost Centre/Service	**Original Estimate 2018/19 £**	**Revised Estimate 2018/19 £**	**Estimate 2019/20 £**
Policy & Resources	7,518,050	7,904,138	6,935,660
Strategic Planning, Sustainability & Transportion	-1,227,240	-1,070,620	-1,499,050
Communities, Housing & Environment	7,944,440	8,376,870	7,720,150
Heritage, Culture & Leisure	1,333,460	1,572,160	1,279,310
	15,568,710	**16,782,548**	**14,436,070**
Slippage	-395,904		
	15,172,806	**16,782,548**	**14,436,070**
Transfers to and from General Balances	10,000	10,000	10,000
Transfers to and from Earmarked Reserves	4,179,310	2,569,568	6,030,180
Net Revenue Expenditure	**19,362,116**	**19,362,116**	**20,476,250**

SUMMARY ESTIMATE 2019/20 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Policy & Resources					
Contingency	248,210	147,000	183,420	0	183,420
Unapportionable Central Overheads	1,777,370	1,766,000	1,783,370		1,783,370
Non Service Related Government Grants	-3,218,600	-3,051,325	0	-3,880,840	-3,880,840
Appropriation Account	950,940	979,580	978,880		978,880
Pensions Fund Appropriation	0	0	0	0	0
Balances, Pensions & Appropriations Total	-242,080	-158,745	2,945,670	-3,880,840	-935,170
Sandling Road Site	0	16,650	17,220		17,220
Business Support & Enterprise	0	20,970	0		0
Town Centre Management Sponsorship	0	14,340	0	0	0
Business Terrace	73,220	72,970	171,140	-94,410	76,730
Business Terrace Expansion	440	23,880	72,880	-71,980	900
Business Support Total	73,660	148,810	261,240	-166,390	94,850
Council Tax Collection	-301,440	-371,640	89,240	-459,840	-370,600
Council Tax Collection – Non Pooled	0	57,230	57,780	0	57,780
Council Tax Benefits Administration	-158,480	-152,120		-152,120	-152,120
NNDR Collection	-233,850	-244,990	7,800	-252,710	-244,910
NNDR Collection – Non Pooled	0	79,510	7,840		7,840
MBC-BID	0	0	16,920	-16,920	0
Registration Of Electors	46,740	79,390	50,130	-2,340	47,790
Elections	116,870	116,870	164,340	-430	163,910
External Interest Payable	231,610	231,610	310,310		310,310
Interest & Investment Income	-100,000	-100,000		-100,000	-100,000
Central Services to the Public Total	-398,550	-304,140	704,360	-984,360	-280,000
Palace Gatehouse	-7,650	-5,100	5,000	-10,300	-5,300
Archbishops Palace	-99,750	-96,540	42,890	-141,280	-98,390
Parkwood Industrial Estate	-316,690	-303,510	13,200	-323,050	-309,850
Industrial Starter Units	-22,920	-27,980	23,760	-52,710	-28,950
Parkwood Equilibrium Units	-59,230	-70,450	51,420	-123,470	-72,050
Sundry Corporate Properties	-299,160	-200,740	57,890	-402,750	-344,860
Parks Dwellings	-50,890	-42,250	34,280	-77,700	-43,420
Chillington House	-24,830	-24,540	8,800	-34,000	-25,200
Phoenix Park Units	-216,870	-229,900	19,160	-253,480	-234,320
Granada House - Commercial	-111,980	-104,590	12,760	-120,530	-107,770
Granada House - Residential	-106,070	-105,900	1,450	-189,150	-187,700
Heronden Road Units	-151,430	-152,130	11,950	-165,120	-153,170
Boxmend Industrial Estate	0	-100,740	15,350	-118,180	-102,830
Lockmeadow Complex	0	0	81,020	-148,870	-67,850
Lenworth House	0	1,360	3,770		3,770
Commercial Investments Total	-1,467,470	-1,463,010	382,700	-2,160,590	-1,777,890
Performance & Development	9,240	7,350	7,480		7,480
Corporate Projects	40,450	93,880	40,450		40,450
Press & Public Relations	30,990	34,840	35,450	0	35,450
Corporate Management	102,060	103,430	92,380		92,380
Corporate Management Total	182,740	239,500	175,760	0	175,760
Economic Development Section	278,630	278,510	292,800	-13,630	279,170
Head of Economic and Commercial Development	98,920	105,410	90,920	-10,700	80,220
Democratic Services Section	162,090	158,560	165,270		165,270
Mayoral & Civic Services Section	105,390	106,580	109,550		109,550
Chief Executive	173,810	173,320	176,790		176,790
Communications Section	198,340	195,600	201,770	-1,900	199,870
Policy & Information Section	220,470	249,060	222,100		222,100
Head of Policy and Communications	107,230	108,730	109,290		109,290
Registration Services Section	134,040	137,620	137,300		137,300
Director of Finance & Business Improvement	137,330	136,450	139,180		139,180
Accountancy Section	684,750	708,900	730,640	-14,580	716,060
Director of Regeneration & Place	136,570	136,460	139,230	-1,600	137,630
Procurement Section	72,040	157,400	171,610	-37,300	134,310
Property & Projects Section	258,710	400,650	410,280	-9,800	400,480
Facilities & Corporate Support Section	418,910	260,860	266,140		266,140
Improvement Section	251,170	340,930	347,470	-25,000	322,470
Executive Support Section	159,900	160,330	164,330		164,330
Head of Commissioning and Business Improvem	126,130	93,030	101,470		101,470
Customer Services Section	599,020	641,460	638,860		638,860
Salary Slippage P&R Committee	0	-221,740	-246,520		-246,520
Corporate Support Services Total	4,323,450	4,328,120	4,368,480	-114,510	4,253,970
Civic Occasions	36,390	41,440	42,310		42,310
Members Allowances	371,000	371,000	379,970		379,970

Cost Centre/Service	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Members Facilities	39,940	39,940	40,520		40,520
Subscriptions	7,390	0	0		0
Democratic Representation Total	454,720	452,380	462,800	0	462,800
Economic Dev - Promotion & Marketing	630	55,140	5,010	-3,500	1,510
Economic Development Total	630	55,140	5,010	-3,500	1,510
Emergency Centre	32,960	32,960	33,140		33,140
Emergency Planning Total	32,960	32,960	33,140	0	33,140
Housing Benefits Administration	-337,220	-389,520	14,000	-403,520	-389,520
Housing Benefit Administration Total	-337,220	-389,520	14,000	-403,520	-389,520
Medway Conservancy	115,400	115,400	115,400		115,400
Levies Total	115,400	115,400	115,400	0	115,400
Town Hall	86,390	94,420	102,620	-3,990	98,630
South Maidstone Depot	136,770	169,160	140,600		140,600
The Link	108,210	99,530	345,550	-243,890	101,660
Maidstone House	1,115,110	1,121,130	1,282,500	-135,530	1,146,970
Museum Buildings	0	15,650	299,270	-1,110	298,160
Office Accommodation Total	1,446,480	1,499,890	2,170,540	-384,520	1,786,020
Rent Allowances	-222,790	-161,160	43,016,890	-43,178,050	-161,160
Non HRA Rent Rebates	-4,550	-6,710	664,010	-670,720	-6,710
Discretionary Housing Payments	1,210	1,680	349,290	-347,610	1,680
Rent Rebates Total	-226,130	-166,190	44,030,190	-44,196,380	-166,190
Mid Kent Improvement Partnership	560	700	50,710	-49,960	750
Revenues Section	439,660	460,410	792,800	-317,560	475,240
Benefits Section	438,030	0	0	0	0
Fraud Section	52,290	0	0	0	0
Head of Revenues & Benefits	65,810	0	0	0	0
Revenues & Benefits Business Support	134,870	0	0	0	0
Benefits Section	0	447,230	722,570	-274,230	448,340
Fraud Section	0	64,503	226,010	-183,680	42,330
Mid Kent Audit Partnership	205,960	212,770	719,150	-507,710	211,440
Legal Services Section	491,030	491,030	571,140	-60,000	511,140
Mid Kent ICT Services	693,220	691,240	1,491,180	-955,290	535,890
GIS Section	104,900	104,910	181,460	-72,570	108,890
Director of Mid Kent Services	38,340	40,440	128,210	-85,440	42,770
Mid Kent HR Services Section	378,930	379,020	641,160	-254,190	386,970
MBC HR Services Section	208,980	93,220	178,610	-530	178,080
Head of Revenues & Benefits	0	61,660	101,240	-36,170	65,070
Revenues & Benefits Business Support	0	150,810	382,690	-228,770	153,920
Dartford HR Services Section	0	-18,510	53,230	-70,830	-17,600
I.T. Operational Services	244,330	267,930	326,900		326,900
Central Telephones	61,400	61,400	14,620		14,620
Shared Services Total	3,558,310	3,508,763	6,581,680	-3,096,930	3,484,750
Mid Kent ICT Software	187,420	187,420	532,260	-334,400	197,860
Youth Development Programme	48,450	41,440	48,630	-170	48,460
Internal Printing	-86,270	-86,270	50,850	-83,670	-32,820
Debt Recovery Service	-148,450	-8,600	970,140	-980,310	-10,170
Debt Recovery MBC Profit Share	0	-129,210		-127,100	-127,100
Trading Accounts Total	1,150	4,780	1,601,880	-1,525,650	76,230
Policy & Resources	**7,518,050**	**7,904,138**	**63,852,850**	**-56,917,190**	**6,935,660**

SUMMARY ESTIMATE 2019/20 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Strategic Planning, Sustainability & Transportation					
Building Regulations Chargeable	-320,030	-320,030	6,960	-331,850	-324,890
Building Control	-1,020	-1,020	2,050	-3,080	-1,030
Street Naming & Numbering	-49,000	-49,000		-69,000	-69,000
Building Control Total	-370,050	-370,050	9,010	-403,930	-394,920
Land Charges	-299,200	-298,370	38,090	-335,550	-297,460
Central Services to the Public Total	-299,200	-298,370	38,090	-335,550	-297,460
Development Management Section	864,420	911,850	912,110	0	912,110
Spatial Policy Planning Section	396,470	331,150	361,860		361,860
Head of Planning and Development	104,430	140,180	106,420		106,420
Development Management Enforcement Sect	169,160	264,280	174,220		174,220
Building Surveying Section	367,640	365,620	374,880		374,880
Heritage Landscape and Design Section	175,700	173,160	184,000		184,000
Planning Business Management	72,220	135,740	142,160	-5,000	137,160
Parking Services Section	323,630	327,370	448,680	-114,710	333,970
Salary Slippage SPST Committee	0	-73,530	-81,380		-81,380
Corporate Support Services Total	2,473,670	2,575,820	2,622,950	-119,710	2,503,240
Development Control Advice	-115,000	-73,460	83,920	-151,300	-67,380
Development Control Applications	-1,433,740	0	0	0	0
Development Control Appeals	121,800	121,800	124,240		124,240
Development Control Majors	0	-681,880	20,540	-716,150	-695,610
Development Control - Other	0	-836,900	6,090	-842,910	-836,820
Development Control Enforcement	165,810	67,030	67,130	0	67,130
Development Control Total	-1,261,130	-1,403,410	301,920	-1,710,360	-1,408,440
Environment Improvements	16,450	17,440	17,460		17,460
Name Plates & Notices	17,950	17,950	18,310		18,310
Network & Traffic Management Total	34,400	35,390	35,770	0	35,770
On Street Parking	-288,460	-364,420	405,010	-755,830	-350,820
Residents Parking	-222,090	-263,040	88,510	-347,750	-259,240
Pay & Display Car Parks	-1,750,250	-1,776,660	499,210	-2,412,520	-1,913,310
Non Paying Car Parks	9,990	10,590	10,920	-10	10,910
Off Street Parking - Enforcement	-159,970	-74,930	120,620	-190,220	-69,600
Mote Park Pay & Display	-174,380	-174,390	32,110	-206,380	-174,270
Sandling Road Car Park	-111,500	-680	155,400	-152,530	2,870
Parking Services Total	-2,696,660	-2,643,530	1,311,780	-4,065,240	-2,753,460
Planning Policy	200,000	227,340	196,320		196,320
Neighbourhood Planning	0	75,000	0		0
Conservation	-11,470	-11,470	4,130	-15,600	-11,470
Town Centre Opportunity Area Project	0	0	0		0
Planning Policy Total	188,530	290,870	200,450	-15,600	184,850
Park & Ride	197,230	236,930	547,720	-367,740	179,980
Socially Desirable Buses	48,130	48,130	32,590		32,590
Other Transport Services	-9,550	-9,550	25,850	-36,110	-10,260
Public Transport Total	235,810	275,510	606,160	-403,850	202,310
Mid Kent Planning Support Service	434,460	420,970	614,510	-217,190	397,320
Mid Kent Local Land Charges Section	32,930	46,180	139,260	-107,520	31,740
Shared Services Total	467,390	467,150	753,770	-324,710	429,060
Strategic Planning, Sustainability & Transportation	**-1,227,240**	**-1,070,620**	**5,879,900**	**-7,378,950**	**-1,499,050**

SUMMARY ESTIMATE 2019/20 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Communities, Housing & Environment					
Grants	195,270	195,270	184,270		184,270
Delegated Grants	2,100	2,100	2,100		2,100
Parish Services	127,320	127,320	127,320		127,320
Members Community Grant	0	0	0		0
Central Services to the Public Total	324,690	324,690	313,690	0	313,690
Social Inclusion	0	5,100	0		0
Community Development Total	0	5,100	0	0	0
Community Safety	42,770	49,560	44,150		44,150
Police & Crime Commissioner	0	0	30,640	-30,640	0
C C T V	193,310	198,650	229,230	-21,100	208,130
Community Safety Total	236,080	248,210	304,020	-51,740	252,280
Head of Environment and Public Realm	92,090	94,580	97,660		97,660
Community Partnerships & Resilience Section	473,340	529,870	502,430		502,430
Licensing Section	107,050	106,130	108,490		108,490
Environmental Protection Section	240,820	240,410	246,420		246,420
Food and Safety Section	249,630	249,140	255,370		255,370
Depot Services Section	653,460	663,520	730,450	-39,310	691,140
Head of Housing & Community Services	104,760	106,020	106,750		106,750
Homechoice	199,990	197,380	250,340	-44,200	206,140
Housing & Inclusion Section	555,420	556,500	697,680	-180,150	517,530
Housing & Health Section	288,790	291,940	252,770	0	252,770
Housing Management	0	194,360	246,800		246,800
Homelessness Outreach	0	41,690	0	0	0
Salary Slippage CHE Committee	0	-93,100	-98,600		-98,600
Corporate Support Services Total	2,965,350	3,178,440	3,396,560	-263,660	3,132,900
Drainage	31,720	31,720	31,740		31,740
Flood Defences & Land Drainage Total	31,720	31,720	31,740	0	31,740
Homeless Temporary Accommodation	559,030	589,030	912,900	-336,070	576,830
Homelessness Prevention	284,640	515,950	261,760	0	261,760
Predictive Analysis and Preventing Homelessne	0	0	0		0
Aylesbury House	42,070	36,930	71,680	-69,140	2,540
Magnolia House	-2,220	-8,220	31,480	-49,760	-18,280
St Martins House	0	0	1,640	-1,640	0
Marsham Street	46,720	4,370	77,020	-42,070	34,950
Sundry Temporary Accomm (TA) Properties	-19,630	-33,310	16,560	-50,930	-34,370
Pelican Court (Leased TA Property)	0	1,150	0	0	0
2 Bed Property - Temporary Accommodation	-11,150	-28,330	37,970	-104,130	-66,160
3 Bed Property - Temporary Accommodation	-9,800	-16,630	23,750	-89,340	-65,590
4 bed Property - Temporary Accommodation	-9,400	-17,770	8,020	-25,660	-17,640
1 Bed Property- Temporary Accommodation	0	100	3,660	-3,520	140
Housing First Project	0	0	0		0
Homelessness Total	880,260	1,043,270	1,446,440	-772,260	674,180
Housing Register & Allocations	10,200	10,200	10,400		10,400
Housing Advice Total	10,200	10,200	10,400	0	10,400
Strategic Housing Role	13,770	64,790	14,040		14,040
Housing Strategy Total	13,770	64,790	14,040	0	14,040
Marden Caravan Site (Stilebridge Lane)	18,990	19,010	48,610	-29,510	19,100
Ulcombe Caravan Site (Water Lane)	6,880	6,900	45,670	-38,690	6,980
Other Council Properties Total	25,870	25,910	94,280	-68,200	26,080
Private Sector Renewal	-47,320	-47,320	2,730	-50,000	-47,270
HMO Licensing	-14,380	-14,380		-20,380	-20,380
Private Sector Housing Renewal Total	-61,700	-61,700	2,730	-70,380	-67,650
Public Health - Obesity	0	0	0	0	0
Public Health - Misc Services	0	2,380	0	0	0
Public Health Total	0	2,380	0	0	0
Recycling Collection	713,630	694,930	2,028,250	-1,315,680	712,570
Recycling Total	713,630	694,930	2,028,250	-1,315,680	712,570
Licences	-3,680	-5,830	23,630	-28,890	-5,260
Licensing Statutory	-69,990	-67,840	75,320	-141,320	-66,000
Licensing Non Chargeable	7,350	7,350	7,530		7,530
Dog Control	24,710	27,975	32,465	-3,900	28,565
Health Improvement Programme	8,980	8,980	9,160		9,160
Pollution Control - General	27,380	263,070	35,520	-9,360	26,160

Cost Centre/Service	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Contaminated Land	20	20	1,040	-1,000	40
Waste Crime	33,800	66,970	106,980	-98,080	8,900
Food Hygiene	9,050	9,050	11,900	-2,620	9,280
Sampling	3,370	3,370	3,440		3,440
Occupational Health & Safety	24,150	48,230	31,130	-6,370	24,760
Infectious Disease Control	980	1,030	1,030		1,030
Noise Control	1,200	1,200	1,200		1,200
Pest Control	-11,970	-11,970	160	-12,360	-12,200
Public Conveniences	137,400	161,400	150,470		150,470
Licensing - Hackney & Private Hire	-66,050	-66,050	74,640	-139,020	-64,380
Regulatory Services Total	126,700	446,955	565,615	-442,920	122,695
Street Cleansing	952,610	1,127,430	1,202,550	-16,140	1,186,410
Street Cleansing Total	952,610	1,127,430	1,202,550	-16,140	1,186,410
Commercial Waste Services	-70,970	-68,140	163,940	-228,170	-64,230
Trade Waste Total	-70,970	-68,140	163,940	-228,170	-64,230
Fleet Workshop & Management	679,010	267,905	274,955		274,955
MBS Support Crew	-70,780	-63,250	114,050	-175,250	-61,200
Grounds Maintenance - Commercial	26,900	-24,460	150,730	-172,520	-21,790
Trading Accounts Total	635,130	180,195	539,735	-347,770	191,965
Household Waste Collection	1,161,100	1,122,490	1,332,760	-149,680	1,183,080
Waste Collection Total	1,161,100	1,122,490	1,332,760	-149,680	1,183,080
Communities, Housing & Environment	**7,944,440**	**8,376,870**	**11,446,750**	**-3,726,600**	**7,720,150**

SUMMARY ESTIMATE 2019/20 - BY COMMITTEE

Cost Centre/Service	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Heritage, Culture & Leisure					
Cemetery	41,550	39,620	186,430	-143,000	43,430
National Assistance Act	-470	-470	2,080	-2,560	-480
Crematorium	-758,790	-777,750	465,700	-1,252,130	-786,430
Maintenance of Closed Churchyards	5,000	5,680	5,700		5,700
Bereavement Services Total	-712,710	-732,920	659,910	-1,397,690	-737,780
Leisure Services Section	53,810	50,320	52,600	-21,800	30,800
Cultural Services Section	501,790	502,680	522,170		522,170
Visitor Economy Section	87,800	111,800	111,240	0	111,240
Bereavement Services Section	153,490	177,000	180,630		180,630
Market Section	76,880	77,050	79,290		79,290
Salary Slippage HCL Committee	0	-49,520	-53,890		-53,890
Corporate Support Services Total	873,770	869,330	892,040	-21,800	870,240
Cultural Development Arts	14,800	13,450	13,720		13,720
Museum	277,530	309,020	58,720	-94,300	-35,580
Carriage Museum	35,060	28,680	5,290	-1,600	3,690
Museum-Grant Funded Activities	0	50,880	0	0	0
Museum Cafe	-3,460	-2,640	2,370	-5,130	-2,760
Hazlitt Arts Centre	267,680	267,880	279,460		279,460
Festivals and Events	-12,920	-20,560	19,050	-50,030	-30,980
Culture & Heritage Total	578,690	646,710	378,610	-151,060	227,550
Market	-136,080	-132,360	96,030	-164,090	-68,060
Economic Development Total	-136,080	-132,360	96,030	-164,090	-68,060
Mote Park Adventure Zone	-57,000	-56,850	1,450	-114,000	-112,550
Parks & Open Spaces	750,810	920,390	943,910	-54,430	889,480
Playground Maintenance & Improvements	134,330	125,050	144,080	0	144,080
Parks Pavilions	25,400	24,410	25,010	-10	25,000
Mote Park	187,420	204,190	262,720	-54,280	208,440
Mote Park Cafe	-50,930	-48,390	41,980	-91,550	-49,570
Cobtree Manor Park	-56,030	-15,630	67,530	-67,530	0
Kent Life	-17,650	-17,490	0	0	0
Cobtree Manor Park Visitor Centre	-27,330	-66,580	0	0	0
Allotments	11,260	11,530	11,990		11,990
Open Spaces Total	900,280	1,080,630	1,498,670	-381,800	1,116,870
Lettable Halls	-560	-3,020	7,830	-10,900	-3,070
Community Halls	72,450	77,780	92,740	-16,710	76,030
Leisure Centre	-223,600	-222,060	19,950	-200,000	-180,050
Cobtree Golf Course	-53,300	-53,220	0	-35,000	-35,000
Recreation & Sport Total	-205,010	-200,520	120,520	-262,610	-142,090
Tourism	18,750	25,520	41,720	-15,450	26,270
Museum Shop	-18,670	-18,670	26,420	-45,530	-19,110
Leisure Services Other Activities	34,440	34,440	5,420		5,420
Tourism Total	34,520	41,290	73,560	-60,980	12,580
Heritage, Culture & Leisure	**1,333,460**	**1,572,160**	**3,719,340**	**-2,440,030**	**1,279,310**

MAIDSTONE BOROUGH COUNCIL REVENUE ESTIMATES

REVISED ESTIMATE 2018/19 AND ESTIMATE 2019/20

PRIORITY SUMMARY

Cost Centre/Service	Original Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 £
Safe, Clean and Green	6,058,850	6,307,550	6,193,140
Homes and Communities	2,055,500	2,523,820	1,937,660
Thriving Place	1,444,240	1,684,840	1,229,230
Embracing Growth and Enabling Infrastructure	-1,227,240	-997,090	-1,417,670
Central and Democratic	7,237,360	7,263,428	6,493,710
	15,568,710	**16,782,548**	**14,436,070**
Slippage	-395,904		
	15,172,806	**16,782,548**	**14,436,070**
Transfers to and from General Balances	10,000	10,000	10,000
Transfers to and from Earmarked Reserves	4,179,310	2,569,568	6,030,180
Net Revenue Expenditure	**19,362,116**	**19,362,116**	**20,476,250**

SUMMARY ESTIMATE 2019/20 - BY PRIORITY

Cost Centre/Service Safe, Clean and Green	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Mote Park Adventure Zone	-57,000	-56,850	1,450	-114,000	-112,550
Parks & Open Spaces	750,810	920,390	943,910	-54,430	889,480
Playground Maintenance & Improvements	134,330	125,050	144,080	0	144,080
Parks Pavilions	25,400	24,410	25,010	-10	25,000
Mote Park	187,420	204,190	262,720	-54,280	208,440
Mote Park Cafe	-50,930	-48,390	41,980	-91,550	-49,570
Cobtree Manor Park	-56,030	-15,630	67,530	-67,530	0
Kent Life	-17,650	-17,490	0	0	0
Cobtree Manor Park Visitor Centre	-27,330	-66,580	0	0	0
Allotments	11,260	11,530	11,990		11,990
Cemetery	41,550	39,620	186,430	-143,000	43,430
National Assistance Act	-470	-470	2,080	-2,560	-480
Crematorium	-758,790	-777,750	465,700	-1,252,130	-786,430
Maintenance of Closed Churchyards	5,000	5,680	5,700		5,700
Community Safety	42,770	49,560	44,150		44,150
Police & Crime Commissioner	0	0	30,640	-30,640	0
C C T V	193,310	198,650	229,230	-21,100	208,130
Drainage	31,720	31,720	31,740		31,740
Licences	-3,680	-5,830	23,630	-28,890	-5,260
Licensing Statutory	-69,990	-67,840	75,320	-141,320	-66,000
Licensing Non Chargeable	7,350	7,350	7,530		7,530
Dog Control	24,710	27,975	32,465	-3,900	28,565
Health Improvement Programme	8,980	8,980	9,160		9,160
Pollution Control - General	27,380	263,070	35,520	-9,360	26,160
Contaminated Land	20	20	1,040	-1,000	40
Waste Crime	33,800	66,970	106,980	-98,080	8,900
Food Hygiene	9,050	9,050	11,900	-2,620	9,280
Sampling	3,370	3,370	3,440		3,440
Occupational Health & Safety	24,150	48,230	31,130	-6,370	24,760
Infectious Disease Control	980	1,030	1,030		1,030
Noise Control	1,200	1,200	1,200		1,200
Pest Control	-11,970	-11,970	160	-12,360	-12,200
Public Conveniences	137,400	161,400	150,470		150,470
Licensing - Hackney & Private Hire	-66,050	-66,050	74,640	-139,020	-64,380
Street Cleansing	952,610	1,127,430	1,202,550	-16,140	1,186,410
Household Waste Collection	1,161,100	1,122,490	1,332,760	-149,680	1,183,080
Commercial Waste Services	-70,970	-68,140	163,940	-228,170	-64,230
Recycling Collection	713,630	694,930	2,028,250	-1,315,680	712,570
Medway Conservancy	115,400	115,400	115,400		115,400
Head of Environment and Public Realm	92,090	94,580	97,660		97,660
Bereavement Services Section	153,490	177,000	180,630		180,630
Community Partnerships & Resilience Section	473,340	529,870	502,430		502,430
Licensing Section	107,050	106,130	108,490		108,490
Environmental Protection Section	240,820	240,410	246,420		246,420
Food and Safety Section	249,630	249,140	255,370		255,370
Depot Services Section	653,460	663,520	730,450	-39,310	691,140
Fleet Workshop & Management	679,010	267,905	274,955		274,955
MBS Support Crew	-70,780	-63,250	114,050	-175,250	-61,200
Grounds Maintenance - Commercial	26,900	-24,460	150,730	-172,520	-21,790
Safe, Clean and Green	**6,058,850**	**6,307,550**	**10,564,040**	**-4,370,900**	**6,193,140**

SUMMARY ESTIMATE 2019/20 - BY PRIORITY

Cost Centre/Service Homes & Communities	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Social Inclusion	0	5,100	0		0
Public Health - Misc Services	0	2,380	0	0	0
Grants	195,270	195,270	184,270		184,270
Delegated Grants	2,100	2,100	2,100		2,100
Parish Services	127,320	127,320	127,320		127,320
Parks Dwellings	-50,890	-42,250	34,280	-77,700	-43,420
Chillington House	-24,830	-24,540	8,800	-34,000	-25,200
Granada House - Residential	-106,070	-105,900	1,450	-189,150	-187,700
Strategic Housing Role	13,770	64,790	14,040		14,040
Housing Register & Allocations	10,200	10,200	10,400		10,400
Private Sector Renewal	-47,320	-47,320	2,730	-50,000	-47,270
HMO Licensing	-14,380	-14,380		-20,380	-20,380
Homeless Temporary Accommodation	559,030	589,030	912,900	-336,070	576,830
Homelessness Prevention	284,640	515,950	261,760	0	261,760
Predictive Analysis and Preventing Homelessn	0	0	0		0
Aylesbury House	42,070	36,930	71,680	-69,140	2,540
Magnolia House	-2,220	-8,220	31,480	-49,760	-18,280
St Martins House	0	0	1,640	-1,640	0
Marsham Street	46,720	4,370	77,020	-42,070	34,950
Sundry Temporary Accomm (TA) Properties	-19,630	-33,310	16,560	-50,930	-34,370
Pelican Court (Leased TA Property)	0	1,150	0	0	0
2 Bed Property - Temporary Accommodation	-11,150	-28,330	37,970	-104,130	-66,160
3 Bed Property - Temporary Accommodation	-9,800	-16,630	23,750	-89,340	-65,590
4 bed Property - Temporary Accommodation	-9,400	-17,770	8,020	-25,660	-17,640
1 Bed Property- Temporary Accommodation	0	100	3,660	-3,520	140
Marden Caravan Site (Stilebridge Lane)	18,990	19,010	48,610	-29,510	19,100
Ulcombe Caravan Site (Water Lane)	6,880	6,900	45,670	-38,690	6,980
Homechoice	199,990	197,380	250,340	-44,200	206,140
Housing & Inclusion Section	555,420	556,500	697,680	-180,150	517,530
Housing & Health Section	288,790	291,940	252,770	0	252,770
Housing Management	0	194,360	246,800		246,800
Homelessness Outreach	0	41,690	0	0	0
Homes & Communities	**2,055,500**	**2,523,820**	**3,373,700**	**-1,436,040**	**1,937,660**

SUMMARY ESTIMATE 2019/20 - BY PRIORITY

Cost Centre/Service Thriving Place	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Cultural Development Arts	14,800	13,450	13,720		13,720
Museum	277,530	309,020	58,720	-94,300	-35,580
Carriage Museum	35,060	28,680	5,290	-1,600	3,690
Museum-Grant Funded Activities	0	50,880	0	0	0
Museum Cafe	-3,460	-2,640	2,370	-5,130	-2,760
Hazlitt Arts Centre	267,680	267,880	279,460		279,460
Festivals and Events	-12,920	-20,560	19,050	-50,030	-30,980
Lettable Halls	-560	-3,020	7,830	-10,900	-3,070
Community Halls	72,450	77,780	92,740	-16,710	76,030
Leisure Centre	-223,600	-222,060	19,950	-200,000	-180,050
Cobtree Golf Course	-53,300	-53,220	0	-35,000	-35,000
Tourism	18,750	25,520	41,720	-15,450	26,270
Museum Shop	-18,670	-18,670	26,420	-45,530	-19,110
Leisure Services Other Activities	34,440	34,440	5,420		5,420
Sandling Road Site	0	16,650	17,220		17,220
Business Support & Enterprise	0	20,970	0		0
Town Centre Management Sponsorship	0	14,340	0	0	0
Business Terrace	73,220	72,970	171,140	-94,410	76,730
Business Terrace Expansion	440	23,880	72,880	-71,980	900
Market	-136,080	-132,360	96,030	-164,090	-68,060
Economic Dev - Promotion & Marketing	630	55,140	5,010	-3,500	1,510
Leisure Services Section	53,810	50,320	52,600	-21,800	30,800
Cultural Services Section	501,790	502,680	522,170		522,170
Visitor Economy Section	87,800	111,800	111,240	0	111,240
Economic Development Section	278,630	278,510	292,800	-13,630	279,170
Market Section	76,880	77,050	79,290		79,290
Head of Economic and Commercial Development	98,920	105,410	90,920	-10,700	80,220
Thriving Place	**1,444,240**	**1,684,840**	**2,083,990**	**-854,760**	**1,229,230**

SUMMARY ESTIMATE 2019/20 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2018/19	Revised Estimate 2018/19	Estimate 2019/20 (Expenditure)	Estimate 2019/20 (Income)	Estimate 2019/20
Embracing Growth and Enabling Infrastructure	£	£	£	£	£
Building Regulations Chargeable	-320,030	-320,030	6,960	-331,850	-324,890
Building Control	-1,020	-1,020	2,050	-3,080	-1,030
Street Naming & Numbering	-49,000	-49,000		-69,000	-69,000
Development Control Advice	-115,000	-73,460	83,920	-151,300	-67,380
Development Control Applications	-1,433,740	0	0	0	0
Development Control Appeals	121,800	121,800	124,240		124,240
Development Control Majors	0	-681,880	20,540	-716,150	-695,610
Development Control - Other	0	-836,900	6,090	-842,910	-836,820
Development Control Enforcement	165,810	67,030	67,130	0	67,130
Planning Policy	200,000	227,340	196,320		196,320
Neighbourhood Planning	0	75,000	0		0
Conservation	-11,470	-11,470	4,130	-15,600	-11,470
Town Centre Opportunity Area Project	0	0	0		0
Community Environmental Engagement	0	0	0		0
Land Charges	-299,200	-298,370	38,090	-335,550	-297,460
Environment Improvements	16,450	17,440	17,460		17,460
Name Plates & Notices	17,950	17,950	18,310		18,310
On Street Parking	-288,460	-364,420	405,010	-755,830	-350,820
Residents Parking	-222,090	-263,040	88,510	-347,750	-259,240
Pay & Display Car Parks	-1,750,250	-1,776,660	499,210	-2,412,520	-1,913,310
Non Paying Car Parks	9,990	10,590	10,920	-10	10,910
Off Street Parking - Enforcement	-159,970	-74,930	120,620	-190,220	-69,600
Mote Park Pay & Display	-174,380	-174,390	32,110	-206,380	-174,270
Sandling Road Car Park	-111,500	-680	155,400	-152,530	2,870
Park & Ride	197,230	236,930	547,720	-367,740	179,980
Socially Desirable Buses	48,130	48,130	32,590		32,590
Other Transport Services	-9,550	-9,550	25,850	-36,110	-10,260
Development Management Section	864,420	911,850	912,110	0	912,110
Spatial Policy Planning Section	396,470	331,150	361,860		361,860
Head of Planning and Development	104,430	140,180	106,420		106,420
Development Management Enforcement Section	169,160	264,280	174,220		174,220
Building Surveying Section	367,640	365,620	374,880		374,880
Mid Kent Planning Support Service	434,460	420,970	614,510	-217,190	397,320
Heritage Landscape and Design Section	175,700	173,160	184,000		184,000
Planning Business Management	72,220	135,740	142,160	-5,000	137,160
Mid Kent Local Land Charges Section	32,930	46,180	139,260	-107,520	31,740
Parking Services Section	323,630	327,370	448,680	-114,710	333,970
Embracing Growth and Enabling Infrastructure	**-1,227,240**	**-997,090**	**5,961,280**	**-7,378,950**	**-1,417,670**

SUMMARY ESTIMATE 2019/20 - BY PRIORITY

Cost Centre/Service	Original Approved Estimate 2018/19	Revised Estimate 2018/19	Estimate 2019/20 (Expenditure)	Estimate 2019/20 (Income)	Estimate 2019/20
Central & Democratic	£	£	£	£	£
Civic Occasions	36,390	41,440	42,310		42,310
Members Allowances	371,000	371,000	379,970		379,970
Members Facilities	39,940	39,940	40,520		40,520
Subscriptions	7,390	0	0		0
Contingency	248,210	147,000	183,420	0	183,420
Performance & Development	9,240	7,350	7,480		7,480
Corporate Projects	40,450	93,880	40,450		40,450
Press & Public Relations	30,990	34,840	35,450	0	35,450
Corporate Management	102,060	103,430	92,380		92,380
Mid Kent Improvement Partnership	560	700	50,710	-49,960	750
Unapportionable Central Overheads	1,777,370	1,766,000	1,783,370		1,783,370
Council Tax Collection	-301,440	-371,640	89,240	-459,840	-370,600
Council Tax Collection – Non Pooled	0	57,230	57,780	0	57,780
Council Tax Benefits Administration	-158,480	-152,120		-152,120	-152,120
NNDR Collection	-233,850	-244,990	7,800	-252,710	-244,910
NNDR Collection – Non Pooled	0	79,510	7,840		7,840
MBC-BID	0	0	16,920	-16,920	0
Registration Of Electors	46,740	79,390	50,130	-2,340	47,790
Elections	116,870	116,870	164,340	-430	163,910
Emergency Centre	32,960	32,960	33,140		33,140
External Interest Payable	231,610	231,610	310,310		310,310
Interest & Investment Income	-100,000	-100,000		-100,000	-100,000
Palace Gatehouse	-7,650	-5,100	5,000	-10,300	-5,300
Archbishops Palace	-99,750	-96,540	42,890	-141,280	-98,390
Parkwood Industrial Estate	-316,690	-303,510	13,200	-323,050	-309,850
Industrial Starter Units	-22,920	-27,980	23,760	-52,710	-28,950
Parkwood Equilibrium Units	-59,230	-70,450	51,420	-123,470	-72,050
Sundry Corporate Properties	-299,160	-200,740	57,890	-402,750	-344,860
Phoenix Park Units	-216,870	-229,900	19,160	-253,480	-234,320
Granada House - Commercial	-111,980	-104,590	12,760	-120,530	-107,770
Heronden Road Units	-151,430	-152,130	11,950	-165,120	-153,170
Boxmend Industrial Estate	0	-100,740	15,350	-118,180	-102,830
Lockmeadow Complex	0	0	81,020	-148,870	-67,850
Lenworth House	0	1,360	3,770		3,770
Non Service Related Government Grants	-3,218,600	-3,051,325	0	-3,880,840	-3,880,840
Rent Allowances	-222,790	-161,160	43,016,890	-43,178,050	-161,160
Non HRA Rent Rebates	-4,550	-6,710	664,010	-670,720	-6,710
Discretionary Housing Payments	1,210	1,680	349,290	-347,610	1,680
Housing Benefits Administration	-337,220	-389,520	14,000	-403,520	-389,520
Democratic Services Section	162,090	158,560	165,270		165,270
Mayoral & Civic Services Section	105,390	106,580	109,550		109,550
Chief Executive	173,810	173,320	176,790		176,790
Communications Section	198,340	195,600	201,770	-1,900	199,870
Policy & Information Section	220,470	249,060	222,100		222,100
Head of Policy and Communications	107,230	108,730	109,290		109,290
Revenues Section	439,660	460,410	792,800	-317,560	475,240
Benefits Section	438,030	0	0	0	0
Fraud Section	52,290	0	0	0	0
Head of Revenues & Benefits	65,810	0	0	0	0
Revenues & Benefits Business Support	134,870	0	0	0	0
Registration Services Section	134,040	137,620	137,300		137,300
Head of Housing & Community Services	104,760	106,020	106,750		106,750
Benefits Section	0	447,230	722,570	-274,230	448,340
Fraud Section	0	64,503	226,010	-183,680	42,330
Mid Kent Audit Partnership	205,960	212,770	719,150	-507,710	211,440
Director of Finance & Business Improvement	137,330	136,450	139,180		139,180
Accountancy Section	684,750	708,900	730,640	-14,580	716,060
Legal Services Section	491,030	491,030	571,140	-60,000	511,140
Director of Regeneration & Place	136,570	136,460	139,230	-1,600	137,630
Procurement Section	72,040	157,400	171,610	-37,300	134,310
Property & Projects Section	258,710	400,650	410,280	-9,800	400,480
Facilities & Corporate Support Section	418,910	260,860	266,140		266,140
Improvement Section	251,170	340,930	347,470	-25,000	322,470
Executive Support Section	159,900	160,330	164,330		164,330
Head of Commissioning and Business Improvement	126,130	93,030	101,470		101,470
Mid Kent ICT Services	693,220	691,240	1,491,180	-955,290	535,890
GIS Section	104,900	104,910	181,460	-72,570	108,890
Customer Services Section	599,020	641,460	638,860		638,860
Director of Mid Kent Services	38,340	40,440	128,210	-85,440	42,770
Mid Kent HR Services Section	378,930	379,020	641,160	-254,190	386,970
MBC HR Services Section	208,980	93,220	178,610	-530	178,080

Cost Centre/Service Central & Democratic	Original Approved Estimate 2018/19 £	Revised Estimate 2018/19 £	Estimate 2019/20 (Expenditure) £	Estimate 2019/20 (Income) £	Estimate 2019/20 £
Head of Revenues & Benefits	0	61,660	101,240	-36,170	65,070
Revenues & Benefits Business Support	0	150,810	382,690	-228,770	153,920
Dartford HR Services Section	0	-18,510	53,230	-70,830	-17,600
Salary Slippage P&R Committee	0	-221,740	-246,520		-246,520
Salary Slippage SPST Committee	0	-73,530	-81,380		-81,380
Salary Slippage CHE Committee	0	-93,100	-98,600		-98,600
Salary Slippage HCL Committee	0	-49,520	-53,890		-53,890
Town Hall	86,390	94,420	102,620	-3,990	98,630
South Maidstone Depot	136,770	169,160	140,600		140,600
The Link	108,210	99,530	345,550	-243,890	101,660
Maidstone House	1,115,110	1,121,130	1,282,500	-135,530	1,146,970
Museum Buildings	0	15,650	299,270	-1,110	298,160
I.T. Operational Services	244,330	267,930	326,900		326,900
Central Telephones	61,400	61,400	14,620		14,620
Mid Kent ICT Software	187,420	187,420	532,260	-334,400	197,860
Youth Development Programme	48,450	41,440	48,630	-170	48,460
Internal Printing	-86,270	-86,270	50,850	-83,670	-32,820
Debt Recovery Service	-148,450	-8,600	970,140	-980,310	-10,170
Debt Recovery MBC Profit Share	0	-129,210		-127,100	-127,100
Appropriation Account	950,940	979,580	978,880		978,880
Central & Democratic	**7,237,360**	**7,263,428**	**62,915,830**	**-56,422,120**	**6,493,710**

APPENDIX D

PROPOSED FIVE YEAR CAPITAL PROGRAMME 2019/20 - 2023/24

	18/19 Projected £000	Five Year Plan 19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	Total £000
Purchase of Lenworth House	2,228						
Brunswick Street - Net Cost of Scheme	1,642	2,779	-100				2,680
Union Street - Net Cost of Scheme	917	1,887	-1,843				44
Indicative Schemes		4,124	5,426	3,750	3,750		17,050
Housing Delivery Partnership				3,750	3,750	7,500	15,000
Housing - Disabled Facilities Grants Funding	1,348	800	800	800	800	800	4,000
Temporary Accommodation	4,683	3,000					3,000
Housing Incentives	1,041	175	175	175	175	175	875
Gypsy Site Improvement Works		42					42
Commercial Waste	180						
Street Scene Investment	151	25	25				50
Flood Action Plan		1,000	63				1,063
Sub-total Communities, Housing & Environment	12,189	13,832	4,547	8,475	8,475	8,475	43,804
Continued Improvements to Play Areas	574						
Crematorium and Cemetery Development Plan	416	140	130				270
Mote Park Adventure Zone	1,957						
Mote Park Improvements	391						
Mote Park Visitor Centre	150	2,090					2,090
Mote Park Lake - Dam Works	200	200	1,650	100			1,950
Other Parks Improvements	100						
Museum Development Plan	25		125	200	64		389
Sub-total Heritage, Culture & Leisure	3,814	2,430	1,905	300	64		4,699
High Street Regeneration	2,830						
Asset Management / Corporate Property	844	1,115	467	175	175	175	2,107
Feasibility Studies	74	50	50	50	50	50	250
Infrastructure Delivery	600	600	600	600	600	600	3,000
Software / PC Replacement	159	124	287				411
Digital Projects		20	20	20	20	20	100
Acquisition of Commercial Assets	2,354	2,500	2,500	2,500	2,500	2,500	12,500
Kent Medical Campus - Innovation Scheme	150	750	8,250	1,500			10,500
Maidstone East/Sessions Square	552						
Sub-total Policy & Resources	7,564	5,159	12,174	4,845	3,345	3,345	28,868
Mall Bus Station Redevelopment		1,500					1,500
Bridges Gyratory Scheme and Towpath	228						
Sub-total Strategic Planning, Sust & Transptn	228	1,500					1,500
Sub-Total	**23,795**	**22,921**	**18,626**	**13,620**	**11,884**	**11,820**	**78,871**
Section 106 Contributions	191	201	280	63	754	60	1,358
TOTAL	**23,986**	**23,122**	**18,906**	**13,683**	**12,638**	**11,880**	**80,229**

Treasury Management Strategy

Maidstone Borough Council
2019/20

INDEX

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 2017 Edition* ('the CIPFA 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);
- the treasury management strategy (how investments and borrowings are organised) including treasury indicators; and

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 with guidance issued by Ministry of Housing, Communities and Local Government (MHCLG), 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.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

1.3 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues
- the capital plans and the prudential indicators;

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 Treasury Management investment strategy; and
- creditworthiness policy.

1.4 Treasury management consultants

The Council had been using Arlingclose Limited as its external treasury management advisors. However, after a tendering exercise during 2018/19, the Director of Finance and Business Improvement has decided to appoint Link Asset Services (formally Capita Asset Services) from 1st January 2019.

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 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 the Council's Treasury Consultants 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:

2018/19 £,000	2019/20 £,000	2020/21 £,000	2021/22 £,000	2022/23 £,000
24,066	23,122	18,906	13,683	12,638

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.

The Council will be using its own cash to fund the CFR (internal borrowing) until the time where funding will be required externally.

CFR projections are shown in the table below:

2018/19 £,000	2019/20 £,000	2020/21 £,000	2021/22 £,000	2022/23 £,000
22,302	39,293	57,119	69,939	81,023

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.

2018/19 %	2019/20 %	2020/21 %	2021/22 %	2022/23 %
-0.9	1.0	3.1	4.5	5.5

2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
-180	208	564	821	1,042

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

2.4 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 positive on 31st March 2019 and in line with the MHCLG Guidance it will therefore charge MRP in 2019/20.

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 approporiate 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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Debt	17,884	35,710	48,530	59,614
Other long term liabilities	3,047	2,527	2,010	1,473
Total	20,931	38,237	50,540	61,087

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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Debt	36,246	54,592	67,929	79,550
Other long term liabilities	3,047	2,527	2,010	1,473
Total	39,293	57,119	69,939	81,023

3.2 Prospects for interest rates

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

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.17
Downside risk	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	**0.65**
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	**0.17**
Arlingclose Central Case	0.80	1.00	1.10	1.20	1.30	1.30	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.17
Downside risk	0.20	0.50	0.60	0.70	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	**0.68**
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.33**
Arlingclose Central Case	1.05	1.25	1.35	1.40	1.50	1.45	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.37
Downside risk	0.35	0.50	0.60	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	**0.69**
5-yr gilt yield														
Upside risk	0.15	0.20	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.32**
Arlingclose Central Case	1.15	1.20	1.25	1.35	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	0.30	0.35	0.45	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.54**
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.32**
Arlingclose Central Case	1.60	1.65	1.65	1.70	1.75	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	0.30	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.55**
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.32**
Arlingclose Central Case	1.90	1.95	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.98
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	**0.43**
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.32**
Arlingclose Central Case	1.80	1.85	1.85	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.88
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	**0.43**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Underlying assumptions:

- The MPC left Bank Rate unchanged at the September meeting, after voting unanimously to increase Bank Rate to 0.75% in August.
- The projected outlook for the UK economy means we maintain the significant downside risks to our interest rate forecast. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures were projected to ease but have risen more recently and are forecast to remain above the Bank's 2% target through most of the forecast period. The rising price of oil and tight labour market means inflation may remain above target for longer than expected. This means that strong real income growth is unlikely in the near future.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider both that: 1) ultra-low interest rates result in

other economic problems, and 2) higher Bank Rate will offer a more effective policy device should downside Brexit risks crystallise and cuts are required.

- The global economy appears to be slowing, particularly the Eurozone and China, where the effects of the trade war has been keenly felt. Despite slower growth, the European Central Bank is adopting a more strident tone in conditioning markets for the end of quantitative easing, the timing of the first rate hike (2019) and their path thereafter. Meanwhile, European political issues, mostly lately with Italy, continue.
- The US economy is expanding more rapidly. The Federal Reserve has tightened monetary policy by raising interest rates to the current 2%-2.25% range; further rate hikes are likely, which will start to slow economic growth. Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon. The central case provided by Arlingclose is for the Bank Rate is to rise twice in 2019. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our interest rate projections, the strength of the US economy and the ECB's forward guidance on higher rates. However, volatility arising from both economic and political events will continue to offer borrowing opportunities.

3.3 Borrowing strategy

Based on current assumptions regarding slippage in the capital programme, it is anticipated that the Council will maintain an under-borrowed position for the current financial year. This means that the capital borrowing need (the Capital Financing 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 £36.290m for the financing of capital expenditure and day to day cash flow liquidity within 2019/20 includes the current capital programme and the current prudential indicators. The 2019/20 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. The Council's Treasury Advisors 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 2019/20 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 2019/20, 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.

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
- any other UK public sector body

- 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)

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:

- leasing
- 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 £17.4 and £40.18 million. These investment balances are likely to reduce in 2019/20 due to funding of the capital programme with its own cash balances (internal borrowing).

Objectives: The CIPFA Code requires 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 2019/20. 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/building society deposits, certificates of deposit, money market funds and cash enhanced funds. This diversification will represent a continuation of the new strategy.

Negative interest rates: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

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	£5m	£5m	£3m	£3m

	3 years	4 years	10 years	4 years	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
Pooled funds	£8m per fund				

The time limits set out above are consistent with the recommended durations provided by the council's treasury management advisors. 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 its advisors 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 a selection of external rating agencies. 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 generally a lower risk of insolvency, although they are not zero risk. 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 and registered social landlords, formerly known as Housing Associations. These bodies are tightly regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds: Shares or units 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.

Operational bank accounts: The Authority may incur operational exposures, for example though 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 in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above 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.

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 and registered social landlords	£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 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.

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 Treasury Investment strategy

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

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

Credit risk indicator	Target
Portfolio average credit score	5.0

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

Liquidity risk indicator	Target
Total cash available within 3 months	£5m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£50,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£50,000

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.

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				
	2019/20 £000	2020/21 £000	2021/22 £000	2021/22 £000
Principal sums invested > 364 days	5,000	5,000	5,000	5,000

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

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 Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the section 151 officer believes this to be the most appropriate status.

Financial Implications: The budget for investment income in 2019/20 is £150,000, based on an average investment portfolio of £20million at an interest rate of 0.75%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Investment Strategy

Maidstone Borough Council
2019/20

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy is new for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10.8m and £30m during the 2019/20 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. The Council has made loans to Kent Savers for £25k in 2017/18 which is repayable in 2022/23 at an interest rate of 1% and an interest free loan to One Maidstone CIC Limited for £60,000. However, loans to Maidstone Property Holdings Limited and Cobtree Manor Estates Trust may also be made in the near future.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	**31.3.2018 actual**			**2019/20**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Subsidiaries				1.000
Local businesses	0.085		0.085	0.085
Local charities				0.310
TOTAL	**0.085**	**0**	**0.085**	**1.395**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans by assessing the borrower's ability to repay the loan, based on past financial performance. This is monitored over the period of the loan in line with the agreed repayment terms.

Commercial Investments: Property

Contribution: The Council does not currently have any investments in property that are considered to be purely commercial in nature. Acquisitions are limited to properties situated within the borough, with the intention of supporting the local community, housing and regeneration objectives rather than for the exclusive purpose of generating profits. All property investments are therefore classified as general fund capital projects.

Third Party Loan Commitments and Financial Guarantees

The Authority has contractually committed to repay the loan on behalf of Serco Paisa for works to the leisure Centre which has a balance as at 31st March 2018 of £3.047m.

Capacity, Skills and Culture

Elected members and statutory officers: The Section 151 Officer has ultimate decision making powers on investment decisions and has a number of key officers with the necessary skills to assess such projects, including the Corporate Property Manager, Head of Finance, as well as the use of external consultants.

Each project is evaluated on its affordability and prudence to bear additional future revenue cost associated with each investment. It is established if the use of new or existing revenue resources to finance capital investment over competing needs for revenue expenditure and the scope for capital investment to generate future revenue savings or income, taking into account the risks associated with each proposal.

Commercial deals: The Section 151 Officer is involved with all decision making for capital projects and is aware of the core principles of the prudential framework in regard to the following:

- ☐*service objectives, eg strategic planning for the authority*
- ☐*stewardship of assets, eg asset management planning*
- ☐*value for money, eg option appraisal*
- *prudence and sustainability, eg implications for external debt and whole life costing*
- ☐*affordability, eg implications for council tax*
- ☐*practicality, eg achievability of the forward plan.*

Corporate governance: The investment strategy is reviewed by Audit, Governance and Standards Committee prior to approval by full Council. Investment opportunities will be considered on a case by case basis with reference to the strategy, and a mid-year report will be provided during the year to ensure that the strategy remains fit for purpose.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	**31.03.2018 Actual**	**31.03.2019 Forecast**	**31.03.2020 Forecast**
Treasury management investments	10.4	0.00	0.00
Service investments: Loans	0.085	0.085	1.395
TOTAL INVESTMENTS	10.485	0.085	1.395
Commitments to lend (Serco Loan – Leisure Centre)	3.047	2.527	2.010
TOTAL EXPOSURE	13.532	2.612	3.405

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Treasury management investments	0	0	0.000
Service investments: Loans	0	0	1.000
TOTAL FUNDED BY BORROWING	0	0	1.000

The above table does not include investments funded by borrowing which form part of the Council's capital programme. Details of this expenditure are included within the Capital Strategy.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019/20 Forecast
Treasury management investments	0.44%	0.70%	(1.00)%
Service investments: Loans	1.00%	1.00%	3.00%
ALL INVESTMENTS	1.44%	1.70%	2.00%

Capital Strategy

Maidstone Borough Council
2019/20

Introduction

This capital strategy is new for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

The capital strategy is an overarching document linking the TM Strategy, Investment Strategy and also includes the Medium Term Financial Strategy (MTFS) which was agreed by Council on 12th December 2018.

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10k are not capitalised and are charged to revenue in year.

- For details of the Council's policy on capitalisation, see: https://www.maidstone.gov.uk/__data/assets/pdf_file/0018/190710/Audited-Annual-Accounts-2017.pdf

In 2019/20, the Council is planning capital expenditure of £23.165m. Detailed below is a list of proposed capital expenditure to 2021/22:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
General Fund Services	12.623	24.066	23.122	18.906	13.683

The main General Fund capital projects include:

Project	**Total Project Cost (£m)**
Disabled Facilities Grant	5.348
Brunswick/Union Street Developments	2.810(Net of contr.)
Housing Delivery Partnership	15.000
Indicative Schemes: A, B & C	17.000
Mote Park Visitor Centre and Dam Works	4.039
Town Centre Regeneration Works	2.830
Acquisition of Commercial Assets	12.500
Kent Medical Campus - Innovation Centre	10.500

Governance: Service managers submit proposals in October to include projects in the Council's capital programme. Bids are collated by Corporate Finance who calculates the financing cost (which can be nil if the project is fully externally financed). Each Committee appraises the proposals based on a comparison of corporate priorities. Policy & Resources recommends the capital programme which is then presented to Council in March each year.

Prior to any capital commitment being entered into, a detailed report setting out a full project appraisal and detailed financial projections would be considered by the relevant service committee.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
External sources	9.815	4.991	6.131	1.08	0.863
Own resources	2.808	19.075	8.099	0.000	0.000
Debt	0	0	8.892	18.798	12.820
TOTAL	12.623	24.066	23.122	18.906	13.683

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2017/18 actual	**2018/19 forecast**	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	
Own resources	0	0	0.446	0.786	1.142	

- The Council's full minimum revenue provision statement is included within the TM strategy item no. 75 of the Agenda: http://aluminum:9080/ieListDocuments.aspx?CId=585&MId=2870&Ver=4

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £17.035m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2018 actual	**31.3.2019 forecast**	**31.3.2020 budget**	**31.3.2021 budget**	**31.3.2022 budget**
TOTAL CFR	3.227	22.302	39.293	57.119	69.939

Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place.

Asset disposals The Council has no plans to sell any of its assets in the forthcoming future, however certain schemes within the capital programme are being partially funded through sale of some of the completed units to partner organisations. The capital expenditure figures have been shown net of these receipts.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Debt (incl. PFI & leases)	0	0	20.931	38.237	50.540
Capital Financing Requirement	3.227	22.302	39.293	57.119	69.939

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances will be fully utilised to fund the capital programme. This benchmark is currently £11m and is forecast to fall to £2m over the next three years.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Outstanding borrowing	0	0	17.884	35.710	48.530
Liability benchmark	0	3.986	17.884	35.710	48.530

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit – borrowing	10.418	36.246	54.592	67.929
Authorised limit – PFI and leases	3.568	3.047	2.527	2.010
Authorised limit – total external debt	13.986	39.293	57.119	69.939
Operational boundary – borrowing	3.986	17.884	35.710	48.530

Operational boundary – PFI and leases	3.568	3.047	2.527	2.010
Operational boundary – total external debt	7.554	20.931	38.237	50.540

- Further details on borrowing are in pages 8 to 11 of the treasury management strategy http://aluminum:9080/ieListDocuments.aspx?CId=585&MId=2870&Ver=4

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments in £millions

	31.3.2018 actual (m)	31.3.2019 forecast (m)	31.3.2020 budget (m)	31.3.2021 budget (m)	31.3.2022 budget (m)
Short-term investments	17.4	9.6	0	0	0
Longer-term investments	0	2.0	2.0	2.0	2.0
TOTAL	**17.4**	**11.6**	**2.0**	**2.0**	**2.0**

- Further details on treasury investments are in pages 12 to 19 of the treasury management strategy http://aluminum:9080/ieListDocuments.aspx?CId=585&MId=2870&Ver=4

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and Business Improvement and staff, who must act in line with the treasury management strategy approved by council. Quarterly reports on treasury management activity are included within the budget monitoring reports which are presented to the council Policy & Resources Committee with the half yearly and annual reviews which are scrutinised by Audit, Governance and Standards Committee then recommending to Full council. The Audit, Governance and Standards Committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

The Council can make investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth, Charities and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to provide value for money to the tax payer.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Director of Finance and Business Improvement and relevant committee (where appropriate), must meet the criteria and limits laid down in the investment strategy. Most loans are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are in pages 2 to 3 of the investment strategy.

Commercial Activities

The acquisition of commercial investment properties is intended to support the local economy and regeneration objectives so does not qualify as Commercial Investment.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Financing costs (£m)	(0.145)	(0.180)	0.208	0.564	0.821
Proportion of net revenue stream	(0.8)%	(0.9)%	1.0%	3.1%	4.5%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend beyond 5 years into the future. The Director of Finance and Business Improvement is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Finance and Business improvement is a qualified accountant with 12 years' experience in local government, the Corporate Property Manager and the team are experienced in Property Management and The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury),and ACCA.

The Council currently employs Link Asset Services as treasury management advisers, a number of property consultants including Harrisons Property Surveyors Limited and Sibley Pares Limited. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Maidstone Borough Council
Medium Term Financial Strategy 2018/19

Estimate of General Fund Balances to 31 March 2020

	Unallocated General Fund	Commercial Risk	Invest to Save	Contingency for Future Funding Pressures	Earmarked Reserves	Grand Total
	£,000	£,000	£,000		£,000	£,000
Balance as at 31st March 2018	8,503	500	500	0	2,418	11,921
2017/18 Carry Forwards Used in 2018/19	-1,486	0	0	0	0	-1,486
Movement in balances during 2018/19	-418	0	0	0	-1,196	-1,614
Estimated Balance as at 31 March 2019	**6,599**	**500**	**500**	**0**	**1,222**	**8,821**
Expected movement in balances during 2019/20	0	0	-30	1,589	204	1,763
Estimated Balance as at 31 March 2020	**6,599**	**500**	**470**	**1,589**	**1,426**	**10,584**

Estimate of Earmarked Reserves to 31 March 2020

	31/03/2018	Movement in 2018/19	Est. Balance at 31/3/19	Est. Movement in 2019/20	Est. Balance at 31/3/20
	£,000	£,000	£,000	£,000	£,000
Capital Support	1,404	-1,404	0	0	0
Local Plan Review	200	200	400	200	600
Neighbourhood Planning	70	-30	40	-40	0
Business Rates Reserve (50% Pool)	692	-457	235	520	755
Trading Accounts	51	19	70	0	70
Business Rates Pilot	0	476	476	-476	0
Total	**2,418**	**-1,196**	**1,222**	**204**	**1,426**

MAIDSTONE BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2019/20 – 2023/24

CONTENTS

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. The Council has developed a new Strategic Plan, intended to take the place of the previous 2015-2020 Strategic Plan, which describes and prioritises our corporate objectives. The MTFS sets out how these objectives will be delivered, given the resources available.

1.2 Resources depend first of all on the broad economic environment. The combination of relatively slow economic growth and pressure on government expenditure from other areas of the public sector means that the Council cannot rely on government support to increase spending, and in the worst case may have to cut back. To the extent that it wishes to increase spending, it is likely to have to rely on self-generated resources.

1.3 Most of the Council's income already comes from Council Tax and other local sources, including parking, planning fees and property income. This relative self-sufficiency provides a level of reassurance, but there is considerable uncertainty about the position for 2020/21 onwards. The Government offered a four year funding settlement to local authorities in 2016, covering the years 2016/17 to 2019/20, but after this the position is very uncertain.

1.4 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

1.5 The strategic revenue projections underlying the current MTFS suggested that a small budget gap, having taken account of savings already planned, would arise in 2019/20, increasing to £1.5 million by the end of the five year period, as follows. The projections were based on a 'neutral' scenario.

Table 1: Current MTFS Revenue Projections 2018/19 – 2022/23

	18/19	19/20	20/21	21/22	22/23
	£m	£m	£m	£m	£m
Total Funding Available	38.8	38.6	38.1	38.2	39.1
Predicted Expenditure	40.3	39.8	40.1	39.6	39.6
Budget Gap	1.5	1.2	2.0	1.4	0.5
Required Savings – Cumulative	1.5	2.7	4.7	6.1	6.6

Savings identified - Cumulative	1.6	2.6	3.6	4.5	5.1
Still to be identified	-0.1	0.1	1.1	1.6	1.5

1.6 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 – adverse, neutral and favourable.

1.7 In accordance with legislative requirements the Council must set a balanced budget. Under the 'neutral' scenario there will be a budget gap from 2020/21 onwards, and in the 'adverse' scenario from 2019/20 onwards. The MTFS sets out a proposed approach that seeks to address this.

2. NEW STRATEGIC PLAN

2.1 The Council has developed a new Strategic Plan, intended to take the place of the previous 2015-2020 Strategic Plan. The development of a new Strategic Plan was brought forward in order to inform the refresh of the Local Plan, which sets out the framework for development in the borough and is due to be completed by April 2022. The new Strategic Plan likewise informs the whole range of other Council strategies and policies.

2.2 The new Strategic Plan went through a thorough process of discussion and refinement over the period June – October 2018 and was approved by Council on 12 December 2018. It sets out four objectives, as follows:

- Safe, Clean and Green
- Homes and Communities
- A Thriving Place
- Embracing Growth and Enabling Infrastructure.

The purpose of the MTFS is to describe the how the outcomes associated with these objectives can be delivered, given the financial resources available to the Council, and bearing in mind the prioritisation of objectives. 'Financial resources' include both revenue resources, for day-to-day expenditure, and capital resources, for one-off investment that will deliver benefits over more than a year.

2.3 Resources are described below in section 4 of the MTFS. It will be seen that there are constraints on the funding available for the revenue budget, and there are in any case service pressures which must be accommodated. This implies a process of matching resources against the objectives in the Strategic Plan.

2.4 Capital investment is funded from the New Homes Bonus, borrowing and third party contributions such as Section 106 payments on new developments. 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.

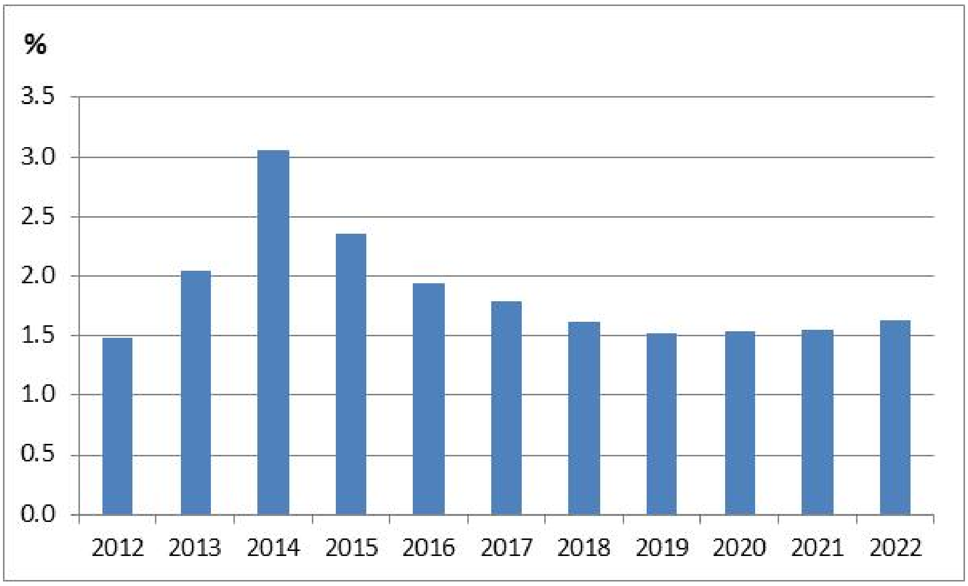
3. NATIONAL CONTEXT

Economic Outlook 2019 – 2024

3.1 The national economy continues to grow, although at a modest rate by historical standards. There was a temporary slowdown in quarter 1 of 2018, but this has now been reversed. The Bank of England expects growth to continue at a rate of between 1.5% - 2% in the medium term.

3.2 The Bank expects that growth will be significantly influenced by the reaction of consumers and businesses to EU withdrawal in 2019. This is important, because consumer spending in particular is an important driver of economic growth. Consumer spending continued to grow after the EU referendum in 2016, thus averting the gloomiest predictions about its effects. Whilst this pattern may continue if there is an orderly exit from the EU, there is a risk that the shock from a 'no-deal' exit could impact consumer spending and lead to a downturn in growth.

Figure 1: Real UK gross domestic product (GDP) growth rate

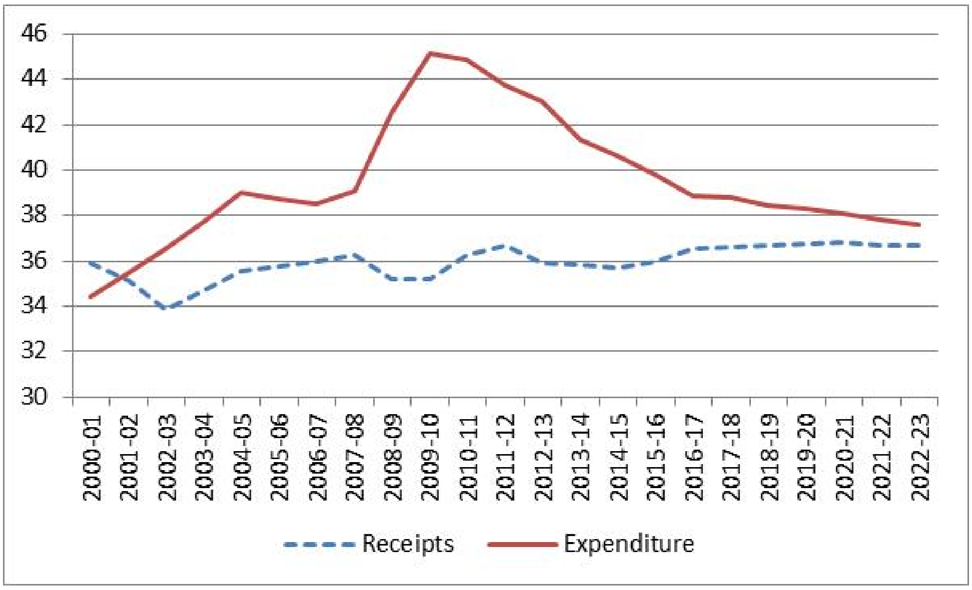


3.3 Consumer Price Inflation (CPI) is currently 2.0%, for the year to December 2019, in line with the Bank of England's target rate of 2%. The Bank increased interest rates by 0.25% in August, believing that a modest tightening of monetary policy was needed to return inflation to its target.

Public Finances

3.4 Following the financial crisis of 2008 and the demands that it placed on public finances, successive governments have reduced the public sector deficit through an explicit policy of austerity. 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.

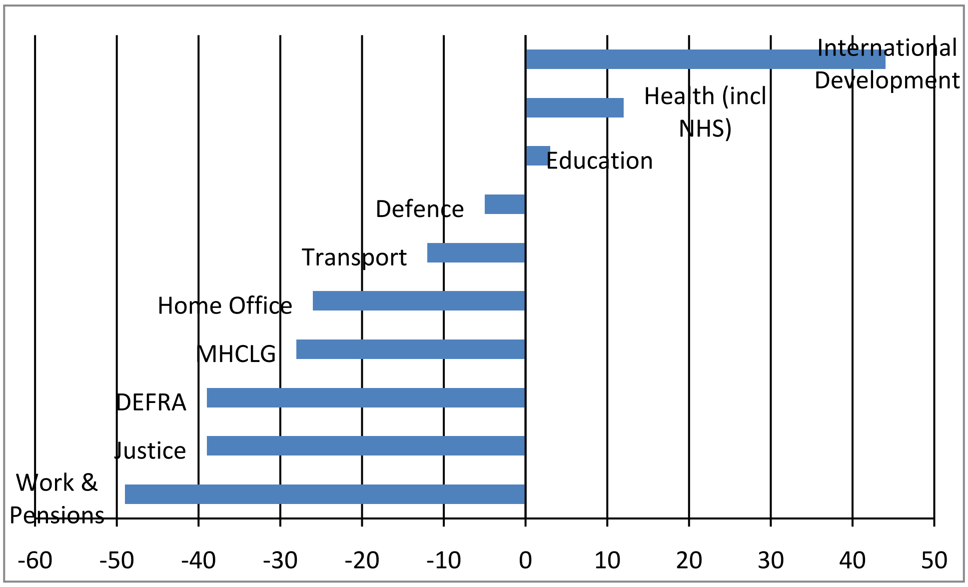
Figure 2: Tax and Spend as a percentage share of national income



The pressure to increase spending, particularly on the NHS and social care, has grown over the past few years. This has led to an overwhelming demand for an end to austerity. It is hard to see how central government can address this pressure without either increasing taxes or borrowing to fund a renewed growth in the deficit.

3.5 Within the overall reduction in public expenditure, there has been a widely disparate pattern between different government departments.

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



3.6 MHCLG, which provides central government funding for local authorities, has seen some of the biggest cuts. Even if the policy of austerity is reversed, it is unlikely that local government will see significant benefits given the pressures elsewhere on the public purse, in particular from the NHS.

3.7 The effects of austerity in local government have not been spread evenly between authorities. The LGA, in its Autumn Budget 2018 submission to the government, stated that the increasing costs of adult social care and children's social care – services delivered by the upper tier of local government - contribute by far the majority of the funding gap faced by the sector. It is likely that any rebalancing of public spending priorities by central government to reflect an 'end to austerity' will focus on these services, and benefit the upper tier authorities that deliver them, rather than lower tier authorities like Maidstone.

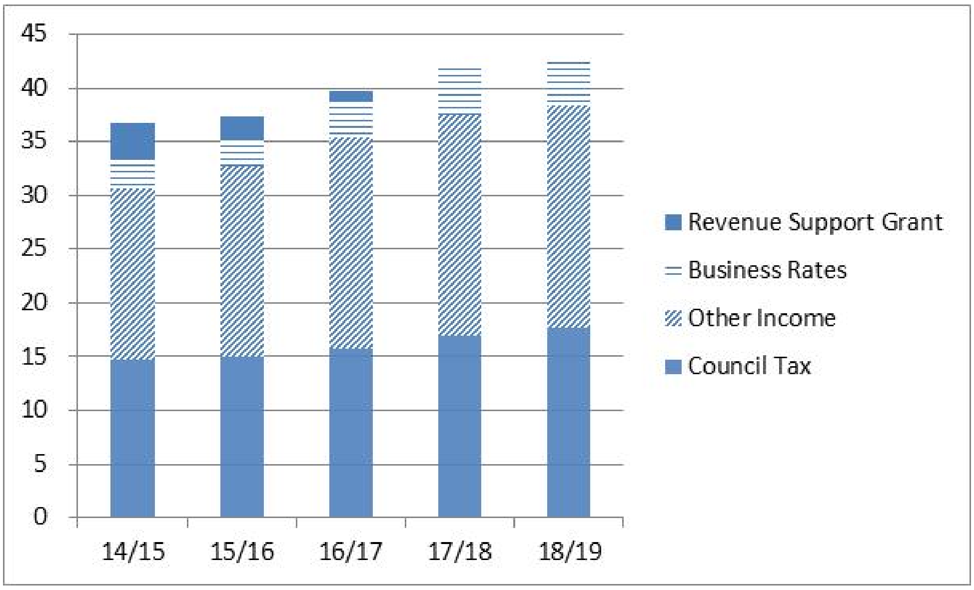
Conclusion

3.8 The combination of relatively slow economic growth and pressure on government expenditure from other areas of the public sector means that the Council cannot rely on government support to increase spending, and in the worst case may have to cut back. To the extent that it wishes to grow, it will depend on self-generated resources.

4. FINANCIAL RESOURCES

4.1 The Council's main sources of income are Council Tax and self-generated income from a range of other sources, including parking, planning fees and property investments. It no longer receives direct government support in the form of Revenue Support Grant; although it collects around £60 million of business rates annually, it retains only a small proportion of this.

Figure 4: Sources of Income



Council Tax

4.2 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.

4.3 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

	2014	2015	2016	2017	2018
Number of dwellings	67,178	67,721	68,519	69,633	70,843
% increase compared with previous year	0.38%	0.81%	1.18%	1.63%	1.74%

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

4.4 The level of council tax increase for 2019/20 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 is limited by the requirement to hold a referendum for increases over a government set limit. The referendum limit for 2018/19 was the greater of

3% or £5.00 for Band D tax payers. Council Tax was increased by the maximum possible, ie £7.29 (3%).

4.5 In the Medium Term Financial Strategy 2018/19 – 2022/23, it was assumed that the Council Tax base would increase by 1.5% per annum for the MTFS period, and Band D Council Tax increases would revert to 2% per annum after 2018/19. In fact, the Government announced in August 2018 that it was minded to set a referendum limit for Council Tax increases in 2019/20 of 3%. This gives the Council the opportunity to generate a higher level of income than projected if it chooses to increase Council Tax by the maximum permissible amount.

Other income

4.6 Other income is an increasingly important source of funding for the Council. It includes the following sources of income:

- Parking
- Shared services
- Commercial property
- Planning fees
- Cremations
- Garden waste collection
- Income generating activity in parks

Where fees and charges are not set by statute, we apply a policy that guides officers and councillors in setting the appropriate level based on demand, affordability and external factors. Charges should be maximised within the limits of the policy, but customer price sensitivity must be taken into account, given that in those areas where we have discretion to set fees and charges, customers are not necessarily obliged to use our services.

4.7 In developing the strategic revenue projection for 2018/19 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.

Business Rates

4.8 Under current funding arrangements, local government retains 50% of the business rates it collects. The aggregate amount collected by local government is redistributed between individual authorities on the basis of perceived need, so that in practice Maidstone Borough Council receives only around 7% of the business rates that it collects.

4.9 Prior to the 2017 General Election, the Government was preparing to move to 100% business rates retention with effect from 2020. The additional income would have been accompanied by devolution of further responsibilities to local government. However, the need to accommodate Brexit legislation means that there has been no time to legislate for this. Government therefore intends to increase the level of business rates retention to the extent that it is able to do within existing legislation, and plans to introduce 75% business rates retention with effect from 2020/21.

4.10 As with 50% business rates retention, the new 75% business rates retention regime will be linked to a mechanism for rates equalisation to reflect local authorities' needs. These will be assessed based on a 'Fair Funding Review' which is currently under way. The overall amounts to be allocated as part of the Fair Funding Review are also subject to a planned Spending Review covering all government departments in 2019. It is therefore difficult to predict with any degree of accuracy whether the proportion of business rates retained by Maidstone will remain the same, increase or decrease.

4.11 The current local government funding regime gives authorities the opportunity to pool their business rates income and retain a higher share of growth as compared with a notional baseline set in 2013/14. Maidstone has been a member of the Kent Business Rates pool since 2014/15. Its 30% share of the growth arising from membership of the pool is allocated to a reserve which is used for specific projects that form part of the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. This has been used to support the Maidstone East development.

4.12 It should be noted that in 2020, the baseline will be reset, so all growth accumulated to that point will be reallocated between local authorities as described in paragraph 4.10 above.

4.13 A further element of growth has been retained locally for one year only in 2018/19 as a result of Maidstone's participation in the Kent & Medway 100% Business Rates Retention pilot. Kent & Medway local authorities were successful in bidding for pilot status, which means that 100% of business rates growth, rather than 50%, is retained locally. The additional growth is split between a Financial Sustainability Fund (70%) and a Housing and Commercial Growth Fund (30%).

4.14 The Financial Sustainability Fund (FSF) is designed to support local authorities in managing the pressures associated with growth and is distributed according to a formula which provides each authority with a guaranteed minimum amount and then links growth in funding with population increase and business rates increase (as a proxy for commercial growth) over the past five years. Our share of the FSF was estimated to amount to £640,000.

4.15 The Housing and Commercial Growth Fund (HCGF) is designed to pool a sufficiently large level of resources to make a significant difference to support future delivery, where outcomes can be better achieved by local authorities working together across a wider area. The HCGF funds have been pooled in three 'clusters', for North Kent, East Kent and West Kent, with the distribution based on each area's share of total business rate receipts. Allocation of the funds is determined by the relevant Council Leaders in each Cluster.

4.16 Kent & Medway was unsuccessful with its bid to form a pilot again in 2019/20.

4.17 Total projected business rates income for 2018/19 and the uses to which it will be put are summarised in the table below.

Table 3: Projected Business Rates Income 2018/19

	£000	
Business Rates baseline income	3,136	Included in base budget
Growth in excess of the baseline	1,237	Included in base budget
Pooling gain (MBC share)	297	Funds Economic Development projects
Pooling gain (Growth Fund)	297	Spent in consultation with KCC, eg on Maidstone East
Financial Sustainability Fund (initial estimate)	640	Allocated to 13 projects as agreed by Policy & Resources Committee
Housing & Commercial Growth Fund	-	Pooled and allocated by North Kent Leaders
Total	5,310	

4.18 Whilst the proportion of total business rates income retained by the Council is relatively small, the amounts retained have grown significantly since the introduction of 50% business rates retention. Pressure on the government to reduce the burden of business rates and the unpredictability of future arrangements for equalising business rates income between Councils place future income growth from this source at risk.

Revenue Support Grant

4.19 Maidstone no longer benefits directly from central government support in the form of Revenue Support Grant. Indeed, the existing four year funding settlement contains a mechanism for government to levy a 'tariff / top-up adjustment' – effectively negative Revenue Support Grant – on local councils that are considered to have a high level of resources and low needs. Maidstone was due to pay a tariff / top-up adjustment of £1.589 million in 2019/20. However, the government faced considerable pressure to waive negative RSG and has now removed it in the 2019/20 Local Government Finance Settlement.

4.20 The negative RSG of £1.589 million was built into the former MTFS and savings plans developed to offset its impact. Rather than reverse these savings, in the current MTFS the £1.589 million is held as a contingency for future funding pressures, which will be applied to cushion the impact of likely reductions in resources in 2020/21.

Balances and Earmarked Reserves

4.21 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.

4.22 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.

4.23 In addition to uncommitted General Fund balances, the Council holds reserves that are earmarked for specific purposes. Full details of reserves held are set out below.

Table 4: General Fund balances

	31.3.17	31.3.18
	£000	£000
General Fund		
Commercialisation – contingency	500	500
Invest to Save projects	547	500
Amounts carried forward from 2016/17	456	416
Amounts carried forward from 2017/18	-	1,044
Unallocated balance	5,855	7,041
General	9,329	9,502
Earmarked Reserves		
New Homes Bonus funding for capital projects	7,214	1,404
Local Plan Review	336	200
Neighbourhood Plans	64	70
Accumulated Surplus on Trading Accounts	243	51
Business Rates Growth Fund	158	692
Sub-total	8,014	2,418
Total General Fund balances	**17,343**	**11,920**

4.24 General Fund balances have fallen from £17.3 million at 31 March 2017 to £11.9 million at 31 March 2018. This arises from deployment of the New Homes Bonus for capital expenditure, including the acquisition of temporary accommodation for homeless people and investment property. This is in line with the Council's explicit strategy of using New Homes Bonus for capital investment.

4.25 The unallocated balance comfortably exceeds the £2 million minimum. It represents 37% of the net revenue budget, which is well 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.

Capital Funding

4.26 Typically, local authorities fund capital expenditure by borrowing from the Public Works Loan Board, which offers rates that are usually more competitive than those available in the commercial sector. 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. Borrowing has not been required so far in 2018/19, but is likely to be in subsequent years. The cost of any borrowing is factored into the MTFS financial projections.

4.27 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. An allowance is also now made in calculating New Homes Bonus for the natural growth in housing from 'normal' levels of development. Given other pressures on local government funding, and given the progressive reduction in the level of New Homes Bonus, it is not clear whether New Homes Bonus will continue to exist, at least in its current form. under the new Local Government funding regime to be implemented from 2020.

4.28 Many of the external grants that were available to the council for funding capital projects in the past no longer exist. However, external funding is sought wherever possible and the Council has been successful in obtaining Government Land Release Funding for its housing developments and is seeking ERDF funding for the Kent Medical Campus Innovation Centre.

4.29 Funding is also available through developer contributions (S 106) and the Community Infrastructure Levy (CIL). The Community Infrastructure Levy was introduced in Maidstone in October 2018.

4.30 The current funding assumptions used in the programme are set out in the table below.

Table 5: Capital Programme Funding

Funding Source	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	TOTAL £000
New Homes Bonus	3,200	3,400	0	0	0	6,600
Disabled Facilities Grants	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 Resources	**26,533**	**22,183**	**8,886**	**8,025**	**8,025**	**73,652**

A review of the schemes in the capital programme took place during the course of Autumn 2018. 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.

4.31 Under CIPFA's updated Prudential Code, the Council is now required to produce a Capital Strategy, which is intended to give an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

4.32 The outcome of the capital programme review and a proposed Capital Strategy were considered by Policy and Resources Committee in January 2019 and an updated capital programme is to be recommended to Council for approval.

5. FUTURE SCENARIOS

5.1 Owing to uncertainty arising from the economic environment, and from the lack of clarity about the government's plans for local government funding, financial projections have been prepared for three different scenarios, as follows.

1. Favourable

The UK achieves an orderly exit from the EU on terms that are widely perceived as favourable. The economy continues to grow, allowing the government to increase public expenditure. Local authorities achieve a positive outcome from the Spending Review and Maidstone shares in the benefits through the Fair Funding Review. Government gives local authorities greater flexibility in setting local taxes.

2. Neutral

The UK negotiates an agreed exit from the EU, but continued slow growth in the national economy compels the government to prioritise public spending in areas of high demand such as the NHS. As a result, local government sees no growth in real terms. Business rates income is distributed to areas of the country and of the local government sector that are perceived as having the greatest need, to Maidstone's detriment. Council Tax increases continue to be capped in line with price inflation.

3. Adverse

Failure to achieve an agreed Brexit deal damages international trade and consumer confidence, leading to a sharp slowdown in the economy. Options for the government to meet spending pressures are severely limited, compelling it to divert business rates income away from local government, leading to a significant budget gap for Maidstone. The amount that local authorities can raise by way of Council Tax is limited in order to limit overall public spending.

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

Council Tax

5.2 It is assumed in the adverse and neutral scenarios that the Council will take advantage of the flexibility offered by Government and will increase Council Tax by 3% in 2019/20, reverting to 2% in 2020/21. In the 'favourable' scenario outlined above the Council would increase Council Tax by 3% per annum for the whole five year period.

5.3 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 1.74% in 2018. The rate of increase nevertheless remains lower than that implied by Local Plan new homes targets. Assumptions are as follows:

Favourable – 3%
Neutral – 2%
Adverse – 1%

Business Rates

5.4 As described above, the Council receives only a small proportion of the business rates that it actually collects. After 2020, this proportion will be adjusted to reflect the findings of the Fair Funding Review and the Spending Review. It is very difficult to predict what this will mean in practice. However, for the purposes of revenue projections, a number of assumptions have been made.

5.5 Assuming that the starting point in the government's calculations will be Maidstone's perceived level of need, it should be noted that the current four year funding settlement, which is likewise based on perceived local authority needs, incorporated a negative revenue support grant payment of £1.6 million in 2019/20. The starting point for future business rates income is therefore assumed to be the current baseline share of business rates income, £3.2 million, less £1.6 million. It is not accepted that this would be a fair allocation of business rates income but it is prudent to make this assumption for forecasting purposes.

5.6 A further factor to be considered is the 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. Accordingly, cumulative business rates growth has been removed from the projections for 2020/21, then is gradually reinstated from 2021/22.

5.7 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. This provision is included in 2021/22, rather than in 2020/21, as it is likely that the government will dampen the impact of any adverse changes arising from the new post-2020 financial settlement, and spread them over at least two years.

5.8 Given these assumptions, the specific assumptions for business rates growth in each scenario are as follows:

Favourable –3% increase in multiplier plus 2% growth in base
Neutral – 2% increase in multiplier plus 1% growth in base

Adverse – 1% increase in multiplier plus 0% growth in base

Fees and Charges

5.9 The 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 they are set by statute. Accordingly, the actual increase in income shown in the projections is somewhat lower than the inflations assumptions.

5.10 Details of inflation assumptions are as follows:

Favourable – 3%
Neutral – 2%
Adverse – 1%

Inflation

5.11 The annual rate of increase in Consumer Price Index inflation (CPI) for the year to September 2018 was 2.4%. Although wage inflation in the public sector has been below this level, there is increasing political pressure to relax the limits on public sector pay increases.

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

Table 6: Inflation Assumptions

	Favourable	Neutral	Adverse	Comments
Employee Costs	1.00%	2.00%	3.00%	Neutral assumption is in line with the most recent pay settlement and government inflation targets
	0.50%	0.50%	0.50%	The annual cost of performance related incremental increases for staff
Electricity	8.00%	11.00%	14.00%	Based on guidance from supplier
Gas	8.00%	10.00%	12.00%	Based on guidance from supplier
Water	-2.00%	0.00%	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	2.00%	3.00%	4.00%	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 2.4%

Service Spend

5.13 Strategic Revenue Projections assume that service spend will remain as set out in the previous MTFS, so savings previously agreed by Council will be delivered and no further growth arising from the new Strategic Plan is incorporated.

5.14 The projections include provision for the revenue cost of the capital programme, comprising interest costs (3%) and provision for repayment of borrowing (2%).

Summary of Projections

5.15 A summary of the projected budget gaps under each of the scenarios is set out below.

Table 7: Projected Budget Gap 2019/20 – 2023/24

	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m
Scenario 1 – Favourable					
Budget Gap[1]	0.2	0.9	0.2	-1.1	-1.5
Required Savings – Cumulative	0.2	1.1	1.3	0.2	-1.3
Savings identified to date[2]	-1.0	-2.0	-2.9	-3.5	-3.5
Budget surplus	**-0.8**	**-0.9**	**-1.6**	**-3.3**	**-4.8**
Scenario 2 – Neutral					
Budget Gap[1]	1.1	2.0	1.5	0.4	0.2
Required Savings – Cumulative	1.1	3.1	4.6	5.0	5.2
Savings identified to date[2]	-1.0	-2.0	-2.9	-3.5	-3.5
Savings to be identified	**0.1**	**1.1**	**1.7**	**1.5**	**1.7**
Scenario 3 – Adverse					
Budget Gap[1]	1.7	2.7	2.4	1.4	1.4
Required Savings – Cumulative	1.7	4.4	6.8	8.2	9.6
Savings identified to date[2]	-1.0	-2.0	-2.9	-3.5	-3.5
Savings to be identified	**0.7**	**2.4**	**3.9**	**4.7**	**6.1**

[1] A positive figure here indicates a budget gap; a negative figure (-) indicates a surplus
[2] Savings included in previous 2018/19 – 2022/23 MTFS / Efficiency Plan

For illustrative purposes, the following table shows the equivalent neutral scenario if Council Tax were frozen at 2018/19 levels (£252.90 for Band D):

Table 8: Projected Budget Gap – Council Tax freeze

	19/20	20/21	21/22	22/23	23/24
	£m	£m	£m	£m	£m
Scenario 2 – Neutral but freeze Council Tax					
Budget Gap	1.6	2.3	1.9	0.8	0.6
Required Savings – Cumulative	1.6	3.9	5.8	6.6	7.2
Savings identified to date[2]	-1.0	-2.0	-2.9	-3.5	-3.5
Savings to be identified	**0.6**	**1.9**	**2.9**	**3.1**	**3.7**

The effect of freezing Council Tax is cumulative, and would lead by the end of the five year MTFS period to a budget gap £2 million greater than in the base case projections.

Conclusion

5.16 Under the neutral and adverse scenarios, there is a significant budget gap from 2020/21 onwards. This reflects the assumptions made about the likely outcome for the Council from the new local government funding arrangements that are due to come into effect in that year. Whilst this does not affect the budget position for next year, 2019/20, the Council needs to have credible plans to address projected future budget deficits.

6. CURRENT SPENDING PLANS

6.1 This section sets out current budgeted expenditure by strategic objective, and describes planned savings and known budget pressures. The purpose is to allow an assessment of whether current spending plans reflect strategic objectives.

6.2 Total spend by strategic objective is summarised below. Corporate expenditure that supports all strategic objectives has been omitted from this analysis, rather than allocated to services using the CIPFA 'full costing' approach set out in its Service Reporting Code of Practice, as this practice tends to obscure the direct cost of service delivery.

Table 9: 2018/19 Revenue and Capital Budgets

Objective	2018/19 Revenue Budget		
	Expenditure	Income	Net
	£000	£000	£000
Safe, Clean and Green	10,594	-4,586	6,007
Homes and Communities	3,316	-1,108	2,208
A Thriving Place	2,557	-1,113	1,445
Embracing Growth and Enabling Infrastructure	5,850	-7,126	-1,275

Objective	2018/19 Capital Programme		
	Expenditure	External Cont'n	Net
	£000	£000	£000
Safe, Clean and Green	1,183	0	1,183
Homes and Communities	14,758	-1,192	13,566
A Thriving Place	8,772	0	8,772
Embracing Growth and Enabling Infrastructure	910	-160	750

Table 10: Safe, Clean and Green

	2018/19 Revenue Budget			Future
	Expenditure	Income	Net	Savings
	£000	£000	£000	£000
Household Waste Collection	3,343	-1,377	1,967	-44
Street Cleansing & Depot	2,423	-208	2,214	0
Parks & Open Spaces	1,867	-966	900	-97
Community Partnerships & Resilience	523	-32	491	0
Regulatory Services	796	-333	463	0
CCTV	214	-21	193	-100
Environmental Enforcement	241	0	241	-125
Floods, Drainage and Medway Levy	141	0	141	0
Grounds Maintenance - Commercial Income	127	-100	27	-50
Commercial Waste Collection	117	-188	-71	0
Bereavement Services	802	-1,361	-559	0
Total Revenue Budget	10,594	-4,586	6,007	-416

	2018/19 Capital Programme			Future
	Expenditure	External contribution	Net	years
	£000	£000	£000	£000
Flood Action Plan	500	0	500	563
Public Realm Capital Improvements	150	0	150	50
Crematorium Development Plan	353	0	353	0
Commercial Waste	180	0	180	0
Total Capital Programme	1,183	0	1,183	613

6.3 The core services that deliver this objective are street cleansing and waste collection. Not only are these key statutory services, but they have also been successful in developing income streams to offset costs, including commercial waste collection, household green waste collections and grounds maintenance for third parties. Savings are projected for 2019/20 from growing grounds maintenance and garden waste income. A saving of £125,000 proposed in the existing MTFS from consolidating enforcement across the Council (environment, planning and parking) is not now expected to be delivered and alternative savings will have to be sought.

6.4 Future expenditure pressures can be expected to arise from the impact of inflation indexation on the waste collection contract. In the longer term, commissioning a new contract when the current one expires in 2022 will involve one-off costs. The current contract offers very good value and it may not be possible to replicate this with a new contract.

6.5 The Council has a number of regulatory duties in this area which are met through shared licensing and environmental health services. Other expenditure that delivers the 'safe' agenda is mainly discretionary in nature; currently a significant portion of the budget is devoted to delivering the CCTV service. Savings are projected in this service, predicated on the recommissioning project which is currently under way.

6.6 Projected capital expenditure includes £1.1 million for flood alleviation measures, £180,000 in 2018/19 for a new Commercial Waste vehicle and £200,000 in total for a range of public realm capital schemes. Although no external contributions are shown for the Flood Action Plan in 2018/19, it is likely that in practice schemes will be delivered in partnership with the Environment Agency and/or Kent County Council, thus achieving greater impact from the investment.

Table 11: Homes and Communities

	2018/19 Revenue Budget			**Future**
	Expenditure	**Income**	**Net**	**savings**
	£000	£000	£000	£000
Homelessness	2,146	-606	1,540	-100
Other Housing Services	321	-133	188	0
Housing Development & Regeneration	35	-217	-182	-1,540
Public Health	441	-152	289	0
Voluntary Sector Grants	246	0	246	-80
Parish Services Scheme	127	0	127	0
Total Revenue Budget	3,316	-1,108	2,208	-1,720

	2018/19 Capital Programme			**Future**
	Expenditure	**External contribution**	**Net**	**years**
	£000	£000	£000	£000
Housing Development & Regeneration	9,066	0	9,066	25,117
Temporary Accommodation	4,500	0	4,500	2,400
Disabled Facilities Grants	1,192	-1,192	0	3,200
Total Capital Programme	14,758	-1,192	13,566	30,717

6.7 The Council's statutory responsibilities under homelessness legislation have led to significant growth in this budget over the past few years. Numbers in temporary accommodation have grown still further with implementation of the Homelessness Reduction Act. The costs of providing temporary accommodation are offset by housing benefit but this cannot always be recovered. One-off grant funding has been provided by central government to help the Council fulfil its obligations. However, this funding is only temporary.

6.8 The capital programme includes £4.5 million for the purchase of units for temporary accommodation in the current financial year. £600,000 per annum is currently included in the capital programme for future years at this stage.

6.9 £34 million is included in the capital programme for housing and regeneration schemes. Three schemes – Union Street, Brunswick Street and Lenworth House - are currently under way. Future schemes remain to be identified. Although no external contribution is shown in 2018/19, the overall scheme costs for Union Street and Brunswick Street will be offset by sales of units on the open market and transfer of the social housing component to MHS Homes, and by a Government Land Release Funding grant of £658,000.

6.10 The Council's responsibilities in the area of Public Health and Disabled Facilities Grants are generally exercised on behalf of other authorities, although there is an element of residual discretionary spend within Public Health.

Table 12: A Thriving Place

	2018/19 Revenue Budget			**Future**
	Expenditure	**Income**	**Net**	**savings**
	£000	£000	£000	£000
Museums & Culture	1,257	-182	1,075	-169
Economic Development	382	-4	378	-7
Market	253	-312	-59	0
Business Terrace	240	-166	74	0
Tourism, Festivals & Events	196	-68	128	-50
Sport & Leisure	229	-381	-151	0
Total Revenue Budget	2,557	-1,113	1,445	-226

	2018/19 Capital Programme			**Future**
	Expenditure	**External contribution**	**Net**	**years**
	£000	£000	£000	£000
Town Centre Regeneration	2,540	0	2,540	0
Property Investment	2,403	0	2,403	10,000
Mote Park Dam Works	1,300	0	1,300	600
Continued improvements to Play Areas	881	0	881	0
Mote Park Visitor	562	0	562	1,073

Centre				
Mote Park Adventure Zone and Other Improvements	515	0	515	375
Maidstone East	296	0	296	0
Museum Development Plan	175	0	175	260
Other Parks Improvements	100	0	100	0
KMC Innovation Centre	TBA	TBA	TBA	TBA
Total Capital Programme	8,772	0	8,772	12,308

6.11 Services in this area are principally discretionary and include the museum, leisure services and economic development.

6.12 The area is planning £50,000 of operating savings at the Museum and projects £119,000 from a potential saving on business rates. Further income generation is projected from Mote Park, including £57,000 (£114,000 in a full year) from the Adventure Zone and £50,000 from the new Visitor Centre café. Festivals and Events are projected to reduce expenditure, on the basis that events should be self-funding.

6.13 In addition to the revenue budgets shown above, the Business Rates Pool is used to support Economic Development. The Business Rates Pool has been subsumed into the Business Rates Retention Pilot in 2018/19 but a contribution continues to be payable to Economic Development. It remains to be seen whether a similar funding structure will be available under the new local government funding arrangements due to be implemented in 2020/21.

6.14 Significant capital investment continues to be planned in Mote Park, including the Visitor Centre and works required to ensure flood safety. Capital investment at the Museum is relatively modest and it is hoped that these will unlock matched funding from other sources.

6.15 The capital programme promotes a thriving local economy, both through providing infrastructure and through the council's commercial property investment, which is focused entirely on Maidstone borough, such that it achieves the two-fold purpose both of generating investment returns and supporting the local economy.

Table 13: Embracing Growth and Enabling Infrastructure

	2018/19 Revenue Budget			**Future**
	Expenditure	**Income**	**Net**	**savings**
	£000	£000	£000	£000
Development Management	1,464	-1,674	-210	0
Planning Policy	606	-21	585	-50
Planning Support (Shared Service)	843	-675	168	0
Planning Enforcement	335	0	335	-40

Building Control	376	-379	-2	0
Parking Services	1,612	-3,985	-2,373	-300
Park & Ride	580	-392	188	-75
Network & Traffic Management	34	0	34	0
Total Revenue Budget	5,850	-7,126	-1,275	-465

	2018/19 Capital Programme			**Future years**
	Expenditure	**External contribution**	**Net**	
	£000	£000	£000	£000
Infrastructure Delivery	600	0	600	2,400
Section 106 Contributions	160	-160	0	1,332
Bridges Gyratory Scheme (residual budget)	150	0	150	0
Total Capital Programme	910	-160	750	3,732

6.16 Planning outcomes are delivered primarily through the planning service, which is a statutory service generating fees which cover some, but not all of its costs. The Council's parking infrastructure delivers a strong positive contribution. £150,000 of further income in future years is built into the MTFS arising from expected future growth above and beyond inflation.

6.17 Some of Parking income is currently re-invested in the Park and Ride service. This contribution to Park and Ride is planned to reduce by £75,000 next year.

6.18 Additional expenditure of £200,000 per annum has been built into the MTFS for work on the Local Plan refresh up to 2021/22, when it is expected to drop out of the budget.

7. MATCHING RESOURCES TO STRATEGIC OBJECTIVES

7.1 It is inherent in the Medium Term Financial Strategy that the Council matches available resources to strategic objectives, such that income and expenditure are balanced and any budget gap is eliminated. In addition to the legal requirement to set a balanced budget for 2019/20, the Council needs to 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 above.

7.2 Current spending plans, as set out in the previous section, have been reviewed both in the light of the overall budget gap and the proposed new strategic objectives. Current plans reflect service requirements and existing strategic priorities. In many cases, service requirements flow from the Council's statutory responsibilities, but there may be scope for saving where it is felt that the statutory outcomes can be delivered at lower cost, or demand can be managed such that expenditure is reduced.

7.3 The distinction between 'statutory' and 'discretionary' services is not always clear-cut. There is usually a discretionary element in the way in which a statutory service is delivered and many discretionary services have developed from a core statutory obligation.

7.4 Existing discretionary spending reflects previous strategic decisions, and in these areas, where the Council has no specific statutory responsibilities, there is a measure of flexibility which would allow the Council to re-prioritise spending based on its latest strategic objectives. Areas of spending that fall within this category include CCTV, Park and Ride and Voluntary Sector Grants.

7.5 Note that the focus of re-prioritisation here is on the revenue budgets. However, to be effective, it is likely that it would need to be accompanied by significant one-off spending, both in exiting service areas that are no longer supported, and in investing for the future in new priority areas.

7.6 There may also be the opportunity to generate additional income to offset expenditure, either by growing existing sources of income or by developing new sources of income. Particularly in the latter case, one-off investment in staff resources or cash is likely to be required, so a clear business case for the investment will be necessary.

7.7 Based on the above discussion about strategic priorities and the flexibility afforded offered by a review of discretionary areas of spend, it is proposed that budget proposals are developed according to the following principles.

Revenue savings will be sought in:

- Discretionary services which are not strategic priorities.
- Statutory services which are not strategic priorities, where there is scope for reconfiguring services to reduce costs.

- Improved efficiency in delivering strategic priorities.
- New income generation and identification of external funding.

These principles will be applied both to service expenditure as detailed in section 6 and to corporate overheads.

Revenue growth will be built into the budget where strategic priorities cannot be delivered within existing revenue budgets, provided this can be accommodated by making savings elsewhere.

Capital schemes will be reviewed and developed so that investment is focused on strategic priorities.

7.8 It was acknowledged in preparing the MTFS for the five years 2018/19 – 2022/23 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 £3.5 million of savings in the current projections. It is likely that budget savings will continue to come from a range of different sources. If an individual saving is not delivered, the wide spread of approaches and savings ideas means that overall risk is minimised.

7.9 To the extent that additional resources are required to deliver strategic objectives, budget proposals will transfer funding from low priority objectives to higher priority objectives. Budget proposals will be developed during November 2018, prior to consideration by Service Committees and the wider stakeholder group in December 2018 – January 2019. Contingency plans will address the adverse scenario, in order that the Council is suitably prepared for this eventuality. It is currently planned to recommend budget proposals to Council based on the neutral scenario, but this may change depending on developments in the overall economy and local government funding environment.

8. RISK MANAGEMENT

8.1 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.

8.2 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.
- Council holds insufficient balances
- Inflation rate predications underlying MTFS are inaccurate
- Adverse impact from changes in local government funding
- Constraints on council tax increases
- Capital programme cannot be funded
- Increased complexity of government regulation
- Collection targets for Business Rates & Council Tax collection missed
- Business Rates pool / pilot fails to generate sufficient growth
- Adverse financial consequences from a disorderly Brexit.

8.3 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.

8.4 An assessment of the relative impact and likelihood of the risks identified is set out below.

Table 14: Budget Risk Matrix

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

Black – Top risk

Red – High risk

Amber – Medium risk

Green – Low risk

Blue – Minimal risk

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 / pilot fails to generate sufficient growth
N. Adverse financial impact from a disorderly Brexit

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

9. CONSULTATION

9.1 Each year the Council carries out consultation as part of the development of the MTFS. This year the Council has combined the Residents' Survey on the proposed new Strategic Plan with questions about the Council's budget priorities. The results of this consultation have been used to inform the preparation of detailed budget proposals.

9.2 As a second step, consultation was carried out in December 2018 – January 2019 on the detailed budget proposals. Individual Service Committees have 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
30.10.18	First draft to Service Committees	
28.11.18	Second draft to Policy & Resources Committee	Expenditure analysed over four Strategic Objectives rather than eight as in draft Strategic Plan
12.12.18	Approved by Council	
13.02.19	Approved version to Policy & Resources Committee	- Minor wording changes to reflect approval of Strategic Plan and MTFS by Council. - Updates to contextual information (CPI, LG Finance Settlement)

Agenda Item 14

Policy and Resources Committee	**13 February 2019**

Strategic Plan Actions 2019-2024

Final Decision-Maker	Council
Lead Head of Service/Lead Director	Alison Broom Chief Executive
Lead Officer and Report Author	Angela Woodhouse Head of Policy Communications and Governance and Anna Collier Policy and Information Manager
Classification	Public
Wards affected	All

Executive Summary

Following agreement of a new vision, priorities and outcomes by Council in December 2018 this report sets out the proposed high level key actions the Council will take in the short term to deliver against the outcomes.

This report makes the following recommendation to Policy and Resources Committee

1. To consider the high level key actions as identified in Appendix A, alongside the feedback from the service committees and recommend that Council adopt the Strategic Plan 2019-45.

Timetable	
Meeting	***Date***
Heritage, Culture and Leisure Committee	29 January 2019
Strategic Planning, Sustainability and Transportation Committee	5 February 2019
Communities Housing and the Environment Committee	12 February 2019
Policy and Resources Committee	13 February 2019
Council	27 February 2019

Strategic Plan Actions 2019-2024

1. INTRODUCTION AND BACKGROUND

1.1 In December 2018 Council agreed the new vision, priorities and outcomes for the Borough until 2045.

1.2 The formation of the new vision, priorities and outcomes has been reached following an intensive process of engagement, research and involvement which included a number of councillor workshops and public and partner consultation to ensure what was developed reflects the key issues facing the borough in the long term.

1.3 This report identifies proposed high level key actions that the Council will take in the short to medium term to ensure that the Council is on course to achieve the agreed outcomes. The focus is on significant projects and changes to the Council's approach and work programmes. The intention is not to include every business as usual activity in the high level key action plan. Each council service produces an operational service plan and this is where actions to maintain or evolve these services is articulated.

Key Actions

1.4 Proposed key actions can be seen in the sections beginning with "between 2019-24 we will place particular importance on" under each priority in Appendix A.

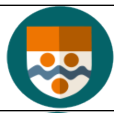
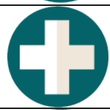
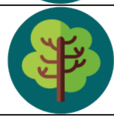
1.5 The vision in the Strategic Plan is to 2045, so key actions reflect the Council's focus of resources in the short to medium term (1-5 years). Actions will be regularly reviewed to ensure that the Council's resources are always focused in the right areas, reflecting the needs of the borough at the time.

1.6 The actions identified are brief and strategic, following assessment of the Council's current plans, our ambitions and the resources needed. It should be noted that not every outcome will have actions at this point in time as the Council has finite resources and the plan stretches until 2045 allowing some topics to be addressed now and others to be considered at a later date, in other words the action plan acknowledges that the Council will not be able to tackle all the outcomes straight away. The proposed actions reflect current promises and outcomes where current issues are most acute for example housing. Some areas for example community development currently have limited resource and will require careful planning and further work as well as looking at funding before we can progress.

1.7 The Council has a comprehensive range of topic specific strategies each of which has an associated action plan. Our Stragic Plan document will include a full strategy map. As noted above operational actions will be covered in departments' service plans which will be refreshed (as is our usual practice) in February/March 2019 to coincide with the new municipal year; they will reflect the budget provision for 2019/20 and any preparations needed for operational changes or budget changes agreed for the period beyond.

Cross cutting objectives

1.8 Where actions will have an impact on a cross cutting objective/s this has been identified by the use of a symbol. A key of the symbol can be seen in the table below, this is also reflected on the Council's one page summary of the visions and priorities in the plan for consistency.

Heritage is respected	
Health inequalities are addressed and reduced	
Deprivation is reduced and social mobility is improved	
Biodiversity and Environmental sustainability is respected	

As projects progress impact on crosscutting objectives may change. This will be assessed as part of the Council's existing decision making process.

Monitoring of Actions

1.9 Members will be able to keep oversight of progress of these key actions through the service Committees in a number of ways:

- Quarterly and annual key performance indicators
- Strategy and briefing updates
- 6 monthly strategic plan updates.

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2. AVAILABLE OPTIONS

2.1 The Committee is asked to review the strategic plan at Appendix A, alongside the feedback from the service committees and identify any amendments. The Vision, Priorities and Outcomes have already been approved by Council and cannot be amended. Feedback from all three service committees will be submitted at the meeting as at time of report publication only one committee has given feedback.

2.2 A number of options are open to the committee:

- Review and make amendments.
  This would allow the committee to influence the document prior to submission to Council for example additional actions or changes to actions under the priorities.

- Review and make no amendments.
  This would demonstrate that the committee is content with the document.

- Choose not to review or commend the plan to Council.
  This course of action is not recommended as the Council will not have in place a plan for delivering the vision, priorities and outcomes that have already been agreed.

- Recommend a rewrite of the Plan and/or request further work.
  Careful consideration will need to be given to this option as this could compromise the timetable for adopting a plan.

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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 The Committee is recommended to review the plan, amend as appropriate and recommend it to Council.

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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 which will pick up any actions from the Strategic Plan. A Member and Officer corporate risk workshop was delivered on 22 January 2019 to review and identify risks in relation to the new plan and the product of this will be reported to the Policy and Resources Committee with monitoring by Audit, Governance and Standards Committee in the usual way.

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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 As the Committee will be aware from previous reports and discussions on the new Strategic Plan, consultation has been undertaken with residents, Parish Councils, Councillors and Committees to develop the agreed vision, priorities and outcomes. The Service Committees will all have had the opportunity to comments and recommend amendments prior to the Policy and Resources Committee meeting. All suggested comments and recommendations from the Committees will be presented at the meeting.

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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The Service Committees have all had an opportunity to comment on and influence the strategic plan actions. These comments and amendments will be presented to the Policy and Resources Committee prior to the Committee recommending the plan to Council for adoption on 27 February 2019.

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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The plan sets out the short to medium term high level key actions to achieve the outcomes associated with Council's corporate priorities.	Head of Policy, Communications and Governance
Risk Management	Refer to section 4.	Head of Policy, Communications and Governance
Financial	This report sets out the key actions the Council will take in the short term to deliver Strategic Plan outcomes. The Medium Term Financial Strategy (MTFS), approved by Council on 12 December 2018, sets out how the Strategic Plan will be delivered in financial terms. The actions described here are consistent with the MTFS.	Section 151 Officer & Finance Team
Staffing	The Plan will inform the Council's Service Plans which in turn inform individual appraisals setting out the direction and key tasks for staff.	Head of Policy, Communications and Governance
Legal	The new Strategic Plan aligns with the Council's general duty, as a best value authority, 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 – section 3 of the Local Government Act 1999. Once adopted by the Council as recommended, the Strategic Plan and the high level actions will enable the Council to monitor its performance against	Head of Mid Kent Legal Services

	the agreed objectives.	
Privacy and Data Protection	We recognise the plan actions will impact what information the Council holds on our residents. As projects are developed which involve the collection and/or processing of personal data the project managers/owners of specific tasks will ensure that privacy impact assessments have been undertaken	Head of Policy, Communications and Governance
Equalities	As decisions are made on each of the projects and actions equality impact assessments will be undertaken as needed	Head of Policy, Communications and Governance
Public Health	The plan has actions to improve health and wellbeing of our residents	Head of Policy, Communications and Governance
Crime and Disorder	The plan sets out high level priorities for community safety	Head of Policy, Communications and Governance
Procurement	No implications	

8. REPORT APPENDICES

- Appendix A: Draft Strategic Plan 2019-2045

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9. BACKGROUND PAPERS

Report to Council: New Strategic Plan Vision, Priorities and Outcomes 2019-2045
http://aluminum:9080/documents/s63863/New%20Strategic%20Plan%20Vision%20Objectives%20and%20Outcomes%202019-45.pdf

Front Cover: Strategic Plan 2019-2045

Artwork to be added

Contents

Leader and Chief Executive's Foreword

Maidstone is at the heart of Kent, we are extremely fortunate and proud to have glorious rural settings and a vibrant town centre.

As the Borough Council we have an important role in shaping Maidstone's future. The ambitious priorities set out in this plan recognise the potential in Maidstone's offer whilst setting long-term ambitious aspirations that will benefit our residents, businesses and partners now and in the future.

Maidstone borough has a growing population – which brings many challenges –most obviously in the delivery of good quality new homes and more jobs and increased need for facilities and places people enjoy for leisure in a way that respects our environment and complements the quality of life of our existing communities.

We want to make sure that we embrace growth so that prosperity is shared and that we use our influence to bring investment in the infrastructure that our communities need including transport, health, parks and digital. As the Business Capital of Kent we have a wealth of small and medium sized enterprises and we want to support them so that they thrive and create an environment where new ones are created and sustained too.

Fundamental to our success is understanding what matters most to our communities. We invest in regular consultation, engaging with our residents, parish councils, businesses and partners on important issues and decisions that affect and benefit us all. This underpins our decision making and the direction and journey we will take together.

We value our relationships with partners, both in the private and public sector. We will continue to collaborate and work hard together so that we use our finite resources to get the best results particularly in meeting our communities' housing needs, improving health and employment opportunities and delivering sustainable transport and infrastructure solutions.

We want our residents to have access to the homes they need to so that they are safe and secure, have the opportunity of good health and to succeed at work and school and have a sense of belonging in their community. Working with our partners we will continue to support people so that the risks of becoming homeless or rough sleeping are reduced and address the quality of accommodation on offer to our residents.

We know our residents value the quality of their environment and cleanliness of our Borough, We will continue to keep our streets are clean, maintain our public spaces well and look after our heritage. We will also look to the community to be good custodians and where this is not the case we will take enforcement action to address the harm being caused.

We have a long term vision and commitment, supported by all political groups, that now puts us in an excellent position to attract investment and opportunities for Maidstone. Over the last year we have invested in the high street to keep our local economy buoyant at a time when others have struggled, in housing delivery to fulfil our aim of a home for everyone and in Mote Park so that facilities are in place for our growing population and we have the resources to sustain it. We will continue to invest ensuring Maidstone borough remains an attractive place to live, to work and to visit and at the same time be proud of our rich heritage, keep a focus on biodiversity and environmental sustainability and ensure our green spaces benefit our resident's health and well-being as well as our local economy.

Our Strategic Plan 2019-2045

PRIDE IN OUR BOROUGH

A Borough that works for everyone

Cross Cutting Objectives:

- Heritage is respected
- Health inequalities are addressed and reduced
- Deprivation is reduced and social mobility is improved
- Biodiversity and Environmental sustainability is respected

MAIDSTONE Borough Council

Embracing Growth and Enabling Infrastructure

We want Maidstone Borough to work for the people who live, visit and work; now and in the future. We want a Borough where there is a variety of jobs, housing need is met and infrastructure is in place to meet the growing needs of our residents and economy. We also want to ensure we lead and shape our place as it grows, including leading master planning and investing to bring about high quality housing and jobs in the Borough.

Snapshot

- As of 2017 we had 167,700 people living in the Borough
- Our population is forecast to grow by 24.3% between 2016 and 2036
- From 2011/12-2017/18 a total of 5,291 new homes have been built in the Borough
- In 2017/18 the employment rate was 78.5% (83,400 people) up from the same period in the previous year by 3.9%
- In 2018 the average home broadband speed was around 46.2Mbps, up from 36.2Mbps in 2017
- Better transport systems is the second highest priority for our residents

Our Outcomes:

- The Council leads master planning and invests in new places which are well designed
- Key employment sites are delivered
- Housing need is met including affordable housing
- Sufficient infrastructure is planned to meet the demands of growth

Between 2019-24 we will place particular importance on:

- Engaging with our communities on the Local Plan review
- The Council will take a proactive role in creating and investing in new places
- Expanding the Council's role in the delivery of affordable and market rent housing
- Working with partners to get infrastructure planned, funded and delivered
- Intervening where necessary in the market, to deliver key employment sites

Safe, Clean and Green

We will keep Maidstone an attractive and clean place for all. Maidstone is a safe place to live and we want our residents to feel safe. We want to protect and where possible enhance our environment and make sure our parks, green spaces, streets and public areas are looked after, well managed and respected.

Snapshot

- Over 50% of waste is recycled
- The town centre and its immediate surrounds have been designated as an Air Quality Management Area
- Maidstone has 30 large parks, four of which are Green Flag parks and 80 Neighbourhood greenspaces
- Just over 40% of residents use amenity green space once a week
- Overall, 70.5% of respondents were very or fairly satisfied with their local area as a place to live
- 93% of residents feel safe in their own home, but 22% don't feel safe walking in their local area at night

Our Outcomes:

- People feel safe and are safe
- A Borough that is recognised as clean and well cared for by everyone
- An environmentally attractive and sustainable Borough
- Everyone has access to high quality parks and green spaces

Between 2019-24 we will place particular importance on:

- Taking action against those who don't respect our public spaces, streets, green spaces and parks
- Improving community safety by working with our partners to make people less vulnerable to crime
- Raising resident satisfaction with the cleanliness of the Borough
- Implementing the "Go Green Go Wild" project to embrace and encourage biodiversity and protect and enhance our green spaces
- Improving air quality

Homes and Communities

We want to have a place that people love and where they can afford to live. This means ensuring that there is a good balance of different types of homes, including affordable housing. We will have safe and desirable homes that enable good health and wellbeing for our communities. We will address homelessness and rough sleeping to move people into settled accommodation. We will work with our partners to improve the quality of community services and facilities including for health care and community activities. Residents will be encouraged and supported to volunteer and play a full part in their communities.

Snapshot

- In 2018 we provided emergency accommodation for in excess 30 people sleeping rough
- On average people could expect to pay 9 times their annual earnings in 2018 compared to 7 times in 2007
- Only 22% of residents agree their neighbourhood is a place where homes are affordable
- Three of our wards rank in the top 10% for deprivation in Kent

Our Outcomes:

- A diverse range of community activities is encouraged
- Existing housing is safe, desirable and promotes good health and well-being
- Homelessness and rough sleeping are prevented
- Community facilities and services in the right place at the right time to support communities

Between 2019-24 we will place particular importance on:

- Reducing rough sleeping in a sustainable way
- Reducing the use of temporary accommodation for homeless families
- Improving housing through use of our statutory powers to promote good health and wellbeing
- Increasing our interventions with Houses of Multiple Occupation
- Supporting the health service to improve access to primary care including local care hubs

A Thriving Place

Maidstone is a Borough that is open for business, attractive for visitors and is an enjoyable and prosperous place to live for our residents. Maidstone is the Business Capital of Kent; we will continue to grow our local economy with high employment, good local jobs and thriving local businesses. We want our town and village centres to thrive and be fit for the future. We will lead investment in the County town and rural service centres through our regeneration projects and working with partners. We are proud of our heritage and will continue to grow our leisure and cultural offer.

Snapshot

- We attract over 4.5 million visits a year with over £284 million spend in the local economy
- 45% of residents view the economy as thriving or on the way up
- Maidstone has the highest total GVA (£3,842m) of all the Kent districts
- Unemployment (job seeker allowance claimants) is 1.1% (Nov 2018)
- 1160 more businesses have started up or located to the Borough since 2010

Our Outcomes:

- A vibrant leisure and culture offer, enjoyed by residents and attractive to visitors
- Our town and village centres are fit for the future
- Skills levels and earning potential of our residents are raised
- Local commercial and inward investment is increased

Between 2019-24 we will place particular importance on:

- Reviewing and delivering leisure and cultural services that are fit for the future
- Building the innovation centre at Kent Medical Campus, promoting inward investment in the borough
- Working with partners to redevelop the Maidstone East site and modernise the bus station in the County Town
- Developing and delivering plans for the five opportunity sites in the town centre and the Staplehurst regeneration project
- Working with parishes and community groups on neighbourhood plans

How we do things

- Community Engagement and Leadership
- Partnership working
- Proactive Investment
- Outcome focussed commissioning and service delivery

We recognise that our vision is ambitious and the outcomes we are seeking to achieve will require us to work with our partners and key stakeholders in the Borough. We are keen to take an active role in shaping the Borough through investing our resources in housing and regeneration as well as leading the development of new communities. We will do all this whilst engaging and listening to our communities.

We are a confident organisation, so whilst central government funding has reduced, we are prepared to generate resources locally to fulfil our ambitions and aspirations to deliver our priorities. Building on our strengths - assets, knowledge and expertise and our track record for innovation and improvement we are creating a financially sustainable future so that we can continue with our undiminished plans.

Our Values:

Service
It is important to understand that 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
Knowing that 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
Having the courage to act on our convictions to build trust and honesty within the organisation. Working with our partners and customers to create a feeling of openness and transparency in all that 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.

Strategy Map – to be added

POLICY & RESOURCES COMMITTEE	**13th February 2019**

Future High Streets Fund

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service/Lead Director	William Cornall, Director of Regeneration & Place
Lead Officer and Report Author	William Cornall, Director of Regeneration & Place
Classification	Private
Wards affected	All Wards

Executive Summary

The Ministry of Housing, Communities & Local Government (MHCLG) launched a funding prospectus in December 2018, the Future High Streets Fund, which provides £675m of funding to help local areas make their high streets and town centres fit for the future.

There is a two stage bidding process, with initial expressions of interest needing to be submitted by 22nd March 2019.

This report makes the following recommendations to;

Delegate authority to the Director of Regeneration & Place to develop and submit an expression of interest to the fund, in consultation with the Chair and Vice Chair of this Committee.

Timetable	
Meeting	***Date***
Policy & Resources Committee	13 February 2019

Report title here

1. INTRODUCTION AND BACKGROUND

1.1 At the last budget, the Government set out a package of support for high streets -"Our Plan for the High Street":

- Cutting business rates by a third for up to 90% of retail properties for two years, to provide upfront support for high streets.
- **Supporting the transformation of the high street, by creating the £675m Future High streets Fund to help local areas make their high streets and town centres fit for the future.**
- Consulting on planning reform to make it simpler to create more homes, jobs and choice in town centres, and trialling the register of empty shops.
- Setting up a High Streets Task Force which will support local leadership with expert advice on helping local high streets to adapt and thrive.
- Strengthening community assets, including the restoration of historic buildings that make our high streets special, supporting community groups to use empty properties and providing business rates relief for public toilets and local newspapers.

1.2 It is the second bullet point that the prospectus and this report relate. The prospectus is attached at **Appendix A** to this report, but the report states that the purpose of the monies available is to "renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability". Bids are expected to be as follows:

- For a maximum of £25m but more typically between £5-10m per town centre.
- Single, transformative proposals, covering just one town centre or high street.
- Co-funded by public and private sector additions.
- Must be for town centre areas that are facing significant challenges.

1.3 Key themes within successful bids are expected to be:

- Investment in physical infrastructure.
- Acquisition and assembly of land including to support new housing, workspaces and public realm.
- Improvements to transport access, traffic flow and circulation.
- Supporting change of use including (where appropriate) housing delivery and densification.
- Supporting adaption of the high street in response to changing technology.

1.4 There will be two separate rounds of funding, the first of which invites expressions of interest by 22nd March 2019, whereby bidders are expected to set out the nature of the challenge faced as well as their vision for the future they hold for the high street or town centre. Successful bids will be notified in the summer of 2019 and then invited to submit detailed business cases late 2019 / early 2020. I.e. it is a two stage bidding proposal, with the expression of interest being the gateway to shortlisting. It is also indicated that any schemes that are "shovel ready" could be fast tracked.

1.5 There will be a second round of funding, but this will not be opened before 2020.

1.6 Officers held a briefing session on the prospectus on 30th January 2019 with the following members;

- The Chair & Vice Chair of P&R.
- The Chair & Vice Chair of SPS&T.
- The Chair & Vice Chair of HCL.
- The Chair & Vice Chair of CHE.
- The three High Street Ward Councillors.

1.7 The direction of travel that was agreed at the briefing was as follows;

- It was appropriate for this Committee (P&R) to have oversight of any bid made.
- That it would be appropriate to submit an expression of interest.
- That the expression of interest to be submitted should be focussed upon the challenges faced by and our strategic vision for Maidstone town centre but relate broadly to the delivery of at least one of our (Maidstone) Town Centre opportunity sites.
- That it would be acceptable for any expression of interest submitted to be published on the Council website.

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2. AVAILABLE OPTIONS

2.1 The Committee is asked to review the prospectus at Appendix A and then either:

- Chose not to submit an expression of interest to the fund, or;
- Delegate authority to the Director of Regeneration & Place to develop and submit an expression of interest to the fund, in consultation with the Chair and Vice Chair of this Committee.

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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 The preferred option is to delegate authority to the Director of Regeneration & Place to develop and submit an expression of interest to the fund, in consultation with the Chair and Vice Chair of this Committee. This is because the monies potentially available could help realise the Council's strategic ambitions for Maidstone town centre.

4. RISK

4.1 There will only be a modest amount of officer time required to prepare and submit the expression of interest. If the Council is successful in passing this gateway, the prospectus indicated that revenue funding will be available to support the production of the business case required for phase 2.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 As previously detailed in terms of the Member briefing.

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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 This Committee will receive a further report in the summer if the expression of interest is successful.

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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Council has recently agreed an outcome in its Strategic Plan for our town and village centres to be fit for the future, if we were successful in this bid this would help deliver our ambitions for the town centre.	[Head of Service or Manager]
Risk Management	Detailed in the report.	
Financial	• **The proposals set out in the recommendation are all within already approved budgetary headings and so need no new funding for implementation.**	[Section 151 Officer & Finance Team]
Staffing	• **We will deliver the recommendations with our current staffing.**	Director of Regeneration & Place.
Legal	• The Local Government Act	

	1972, section 111 enables the Council to do any thing which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions. The recommendation in this report will contribute to the achievement of the objectives within the strategic plan as outlined in the Report. • The new Strategic Plan aligns with the Council's general duty, as a best value authority, 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 – section 3 of the Local Government Act 1999. •	Head of Mid Kent Legal Services
Privacy and Data Protection	No implications at this point in the process. •	Data Protection Officer
Equalities	**The recommendations do not propose a change in service therefore will not require an equalities impact assessment**	Equalities and Corporate Policy Officer
Public Health	• We recognise that the recommendations will not negatively impact on population health or that of individuals.	[Head of Service or Manager]

Crime and Disorder	• The recommendation will not have a negative impact on Crime and Disorder.	[Head of Service or Manager]
Procurement	N/A.	[Head of Service & Section 151 Officer]

8. REPORT APPENDICES

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

- Appendix A: The Future High Streets Fund prospectus.

9. BACKGROUND PAPERS

None.

Ministry of Housing,
Communities &
Local Government

Future High Streets Fund

Call for proposals

December 2018
Ministry of Housing, Communities and Local Government

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Contents

Foreword

For centuries, our high streets have been where commerce and community meet. They have been the hubs of enterprise, where small businesses grow and local jobs are created, and they are the barometers of our prosperity and the heartbeats of the places we call home.

Today, as consumer patterns change and spending increasingly moves online, our expectations of high streets are changing too. A renewed emphasis on 'experience' brings convenience, valuable services and a powerful sense of the community to the fore – that intrinsic desire for something that cannot be replicated online. Where this has been achieved successfully, it can transform a community. It’s something we’ve seen showcased brilliantly at our Great British High Street Awards.

This government is committed to helping more high streets adapt and meet these changing expectations; not just to survive, but to thrive. This is why we launched Our Plan for the High Street in autumn with a fund of £675m. Our Plan for the High Street includes a cut in business rates by up to a third for a wide range of retail properties for two years, a consultation on planning reform to make it simpler to create more homes, jobs and choice in our town centres, and the creation of a High Streets Task Force.

The Future High Streets Fund is an essential part of Our Plan for the High Street, providing co-funding towards capital projects that bring transformative change. We want to see the regeneration of our town centres through innovative proposals around transport, housing delivery and our public services.

Because no two high streets are the same, we are looking to work with visionary local leaders who understand what their local communities will need in the years to come. I’m looking forward to reading your Expressions of Interest and seeing your positive visions for our future high streets – places that can flourish for years to come.

The Rt Hon James Brokenshire MP, Secretary of State for Housing, Communities and Local Government

Jake Berry MP, Minister for the Northern Powerhouse and Local Growth

Introduction

High streets and town centres lie at the heart of our communities and local economies, creating jobs, nurturing small businesses and injecting billions of pounds into our economy. But the way we shop and the way that communities use their high streets and town centres is changing: we are shopping more online, making fewer big shopping trips and shopping ‘little and more often’. This changes the nature of what makes a high street successful.

The government is committed to helping local high streets evolve and adapt to these changes. We want to see thriving places created where the community feels engaged, and vibrant town centres where people live, shop, use services, and spend their leisure time.

At the Budget, we set out Our Plan for the High Street, including:

- cutting business rates by a third for up to 90% of retail properties for two years, to provide upfront support for high streets;
- supporting the transformation of the high street, by creating a £675 million Future High Streets Fund to help local areas make their high streets and town centres fit for the future;
- consulting on planning reform to make it simpler to create more homes, jobs and choice in town centres, and trialling a register of empty shops;
- setting up a High Streets Task Force which will support local leadership with expert advice on helping local high streets to adapt and thrive; and
- strengthening community assets, including the restoration of the historic buildings that make our high streets special, supporting community groups to use empty properties and providing business rates relief for public toilets and local newspapers.

The Future High Streets Fund forms a central part of this Plan. It will support places by co-funding transformative, structural changes to overcome challenges in their area. And it will support wider economic growth within local areas, delivering investment and growth across regions in England to deliver our modern Industrial Strategy.

This document sets out how the Fund will operate as a two-round fund with two stages to the application process. This first stage of the application process, Phase 1, calls for places to come forward with Expressions of Interest by 22 March 2019 setting out their challenges and strategic approach to regenerating town centres. We will assess these Expressions of Interest against criteria set out within this document and make an announcement on which places will move forward to Phase 2, development of full business cases.

During this second phase, shortlisted places will receive some revenue funding to support the development of their high street strategies which shall include specific project plans and associated business cases setting out how they shall regenerate these places. These business cases will be assessed in accordance with departmental and HM Treasury Green Book appraisal methodologies and criteria to be published in due course.

£55m of the Fund has been allocated to the Department for Digital, Culture, Media and Sport to support the regeneration of heritage high streets. This has two elements: helping to restore historic high street properties through Historic England, and equipping communities with their own resources to put historic buildings back into economic use – for example as residential buildings, new work spaces or cultural venues, supported by the Architectural Heritage Fund. Further detail will be announced in due course.

Background: structural changes on high streets

Change on high streets is not a new phenomenon. Shop numbers have been steadily declining since at least the 1920s and over many years the ways in which people interact with their high streets and town centres have constantly evolved. Technological advances, new products, competition and changing consumer preferences have seen many high street retailers and industries rise to prominence or disappear. The rise in out-of-town shopping, for example, had a significant impact on the way that people engaged with high streets, in the same way that rising car ownership has transformed town centres.[1]

In the past, high streets have shown themselves to be resilient to change, constantly needing to adapt to meet changing demands. They have continued to play a key role at the heart of many communities.

However, the speed of these changes has increased dramatically in recent decades. The unprecedented growth of online shopping in particular has had a big effect on high streets. Between 2007 and 2018 online sales increased six-fold while the growth of in-store sales lagged behind. In 2000 online retailing accounted for less than 1% of total retail sales while in October 2018 almost a fifth of all retail sales took place online.[2]

Technological advances, including the fast growth in personal computer use, smartphone use and improvements to broadband have facilitated this rapid rise in online retailing. We are starting to see online retailing replacing traditional "bricks-and-mortar" retailing seen on the high street as retailers are often able to offer competitive prices, more choice and greater convenience by moving their business online.

This has left a number of vacant or under-used spaces in town centres, with a proportion of the existing stock of retail stores on high streets becoming under-used. There is currently a mismatch between the supply of existing space and the demand for different types of space in town centres.[3]

The speed of this change has meant that high streets and local areas have not had sufficient time to adapt to meet these challenges. While there are examples of successful regeneration of town centres, many places across the country are struggling to transform in response to these structural changes.

Evidence shows that high streets with a wide choice of retail services alongside well-designed and planned residential and office space are more resilient to these changes and are adapting more successfully. In contrast, high streets that rely heavily on traditional retail without sufficient office space and housing surrounding the high street have found it harder to adapt to these changes and tend to be the ones that are struggling.[4,5]

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[1] Centre for Retail Research (2013), Retail Futures 2018: Shop Numbers, Online and The High Street
[2] Office for National Statistics (2018), Retail Sales, Great Britain: October 2018
[3] British Property Federation (2016), Town Centre Investment Zones: Getting Investment Back Into the High Street
[4] Public Health England (2018), Healthy High Streets
[5] British Property Federation (2016), Town Centre Investment Zones: Getting investment back into the high street

People want local high streets to provide convenience, a sense of community and to add value through services not offered online. High streets can and should continue to play an important role in the life of communities – they are the locus for some of the highest levels of social interaction in places and can be important drivers of growth in local economies.[6]

Experience has shown that local areas need support, investment and guidance to help them meet these structural changes. To date many places have not been able to keep up with the speed of change to the detriment of town centres. We know that a scattergun approach of light touch interventions is not the solution for town centres facing large structural issues. Instead effective strategic thinking and masterplanning is needed, with local areas able to work across public and private sector organisations including local businesses, driven by strong local leadership.

[6] Parker, C., N. Ntounis, S. Quinn and S. Millington (2017), Identifying factors that influence vitality and viability

Scope of the fund

Objectives

Given the above challenges, the objective of the Fund is to **renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability**.

In this first phase of the programme we want local authorities to define the specific challenges faced by their high streets, to set out their overarching strategic ambition for what the high street or town centre should become and what needs to be done to make this possible.

We would expect any identified need for investment to fall under the following themes:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology

How the Fund will work

- There will be two rounds of the Fund, both with a two-phase application process
- Phase 1 of application process: this is an Expression of Interest stage where we will assess places on the need for funding, nature of the challenge and the vision for the future of the town centre
- Phase 2 of application process: for those who pass to Phase 2, there will be an amount of revenue funding available to work up project proposals. Funding decisions will be based on project plans and business cases
- In the first round of the Fund, projects which are 'shovel ready' may be fast-tracked for funding
- We will make an announcement on the second round of the Fund in due course

There will be two rounds of the Future High Streets Fund; we will therefore open applications to the Fund twice. The first-round application phase will open with the publication of this prospectus and aims to co-fund projects and places that have already started to formulate a vision for the future of their town centres. We will confirm the date of the second round and publish assessment criteria in due course, but it will not open before 2020.

The Fund will operate via a full competition over two phases, with the first acting as a light-touch process in order to reduce the burden on places and minimise wasted resource. This prospectus acts as the launch of Phase 1 and invites places to come forward with Expressions of Interest setting out their challenges and strategic approach.

As the first phase concerns identifying places to work with, we will not have regard to specific schemes included in submitted proposals when assessing bids.

We will assess these Expressions of Interest against criteria set out within this document and the application form. We expect to be able to make an announcement in summer 2019 on which places will move forward to Phase 2, where they will develop full business cases.

During Phase 2 shortlisted places will receive some revenue funding from government to support the development of their high street strategies and the business cases for their proposed projects. The High Streets Task Force, once established, will provide support to places in developing their cases. Places will also receive some support from within the Ministry of Housing, Communities and Local Government.

We expect the full business case development phase to take 6 to 12 months, with some places taking less time and receiving decisions on capital funding at an earlier stage. At the end of each places' business case development phase we expect them to submit specific project plans and associated business cases which will be assessed against departmental and HM Treasury Green Book appraisal methodologies. We will then make decisions on which places will receive capital funding and any further revenue funding as well as the level of this funding.

- December 2018: Phase 1 opens and Expressions of Interest invited
- 22 March 2019: deadline for Expressions of Interest
- Summer 2019: announcement on places moving to Phase 2
- Late 2019: first round of final business cases to be submitted
- Spring 2020: all remaining final business cases to be submitted
- Not before 2020: Second round of applications opens

Funding decisions

Phase 1

Places shortlisted to move forward to Phase 2 will be granted some revenue funding in 2019/20 to support the development of their project plans and associated business cases.

We expect places to give in their Expressions of Interest an indication of the level of revenue funding they would need to deliver this; however, places are not guaranteed the full amount they propose as the amount of revenue funding is limited.

Phase 2

There is no guarantee of further investment funding to shortlisted places if the proposals put forward at the end of Phase 2 are not sufficiently developed or fail to demonstrate adequate value for money or deliverability. From the outset, places should consider how schemes could be flexed to reflect the options available and consider the best intervention to make a significant and transformative difference within their areas.

Final decisions on the amount of capital funding (and any further revenue funding needed to support the delivery of this) for a shortlisted place will be made considering the quality of the proposals put forward at the end of Phase 2. When we make individual capital funding awards following the submission of business cases, we will announce the full funding amount for the scheme. We will also give an annual profile, which will need to be spent in the year allocated.

Given the scale of investment proposed, any bids taken through to Phase 2 and shortlisted for capital funding will need to produce fully worked up business cases. **We expect projects to be co-funded** by public and private sector additions and this will be taken into consideration as part of the assessment of projects. We will expect an element of co-funding, either on a project basis or to delivery a local area's wider strategy for the high street. This co-funding could either be public (e.g. from local areas' own budgets) or private finance (e.g. co-financing housing infrastructure).

The Fund will contribute up to a **maximum of £25 million** to each successful place. However, we expect to see a range of project sizes coming forward, many of which are in the region of £5-10 million per town centre. As such we do not expect to allocate that full amount to each area. When making funding decisions, we will consider the funding available in each financial year.

The size of agreed funding packages, once approved, will be fixed. Should cost increases occur the Department will not provide additional funding, and this will need to be accounted for within local budgets or from private investment.

Eligibility

Eligible places

Given their control over the strategic levers that will be necessary to bring forward the types of projects that will meet the objectives of the Fund, we recognise that local authorities are best-placed to bid for the funding and develop and deliver proposals.

We therefore invite bids from unitary authorities, metropolitan districts, London boroughs and, where there is a two-tier system, from district councils, in England.

We will not accept bids covering town centre areas that are not facing significant challenges. We expect places to come forward with proposals that cover high streets or town centres as defined as areas that exhibit high levels of social and economic activity, that contain a variety of uses and functions and that act as important service centres for extensive catchment populations.

Small parades of shops of purely neighbourhood significance are not regarded as high streets or town centres for purposes of this fund. Additionally, the Fund is not directed at central business districts of major city centres. Proposals that cover entire city regions, rather than a single high street or town centre, will not be eligible for funding.

Local and stakeholder support

While we feel local authorities are best-placed to bid for funding, projects will likely be stronger and more successful if they tie into a broader economic market. We would like to see places link to the delivery of emerging Local Industrial Strategies and any wider strategic vision for the area at various levels.

We therefore would expect to see Expressions of Interest come forward with proof of engagement with, and support from, a number of stakeholders including the following (where applicable):

- Mayoral and non-Mayoral Combined Authorities
- Local Enterprise Partnerships
- Other tiers of local government in the area
- Business Improvement Districts
- Private sector
- Community groups

Type and size of projects

We expect bidding local authorities to put forward a single, transformative submission covering one high street or town centre in their area. This may comprise of more than one intervention, but that will need to be subject to a strong business case. For example, a local authority may wish to consolidate its town centre offer across a number of high streets to provide additional residential or commercial space. In that case we would consider applications which saw interventions across the network of high streets assuming there was a sufficiently robust strategic business case.

We would expect any identified need for investment to fall under the following themes:

- Investment in physical infrastructure
- Acquisition and assembly of land including making improvements to the public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology

Funding will not be provided for surface-level projects that only make a difference to the appearance, rather than the use, of the area or those that would not have a long-term impact.

Assessment process

The competition will take place over two phases.

Phase 1 is this light-touch process calling for Expressions of Interest by 22 March 2019. We will assess the definitions of places and need in these Expressions of Interest as well as the level of strategic ambition before making a decision on places we will take forward.

During Phase 2 we will provide some support to these shortlisted places to develop their strategic vision and full business cases which will be assessed in accordance with the HM Treasury Green Book, MHCLG appraisal guidance and other departmental guidance where necessary. Places successful in moving to Phase 2 will receive capacity funding to support this. Based on the strength and merits of the final business cases, we will make a decision on which projects will receive capital funding and any further revenue funding.

Phase 1: shortlisting places

Places need to complete the application form in the annex. This is based around three themes against which places will be selected:

1. **Defining the place**
    a. The geography of the high street/town centre
    b. The centre's catchment and link to wider economic areas
2. **Setting out the challenges**
    a. Clear description of the issues and challenges facing this area
    b. Why central government funding is needed to meet these challenges
    c. Evidence to support this
3. **Strategic ambition**
    a. Set out a high-level vision for improving their area and how this links with need expressed in Section 2
    b. Cover how investment from government will support the area and help overcome these challenges
    c. Demonstrate engagement with and support from local stakeholders including other tiers of local government, if applicable, and the private sector
    d. Demonstrate how this ambition will align with other funding streams (public or private)
    e. Show how this will link to wider strategic plans e.g. around housing and local growth
    f. Detail of capacity arrangements to ensure robust governance and delivery

Applications will be sifted on the basis of the responses to these key themes. We will publish further guidance on the scoring criteria and weighting for Expressions of Interest before the end of January 2019.

We will decide on the relative merits of each bid and shortlist places for the next phase of the competition.

We are not asking for specific scheme proposals at this stage, as we will make a decision on which places to take forward based on the challenges and ambition set out in the application form.

However, if as part of their strategic vision places would like to identify specific schemes they feel are "shovel-ready" and would be in a position to receive capital funding in the near future, we invite them to make this clear here and provide further supporting evidence if available. If this place moves forward to Phase 2 we would examine the proposed projects at an early stage of co-development.

The use of qualitative and quantitative evidence from government bodies and well-respected independent sources is encouraged. The suitability and validity of this will be scrutinised as part of the bid.

Where the Fund is oversubscribed we will take into account factors such as the available profile of the Fund, ensuring a geographical spread of impact, and wider economic considerations. The Secretary of State for the Ministry of Housing, Communities and Local Government will make the final decision on funding.

Phase 2: Business case development

Shortlisted places will be invited to develop their strategic vision and business cases for specific projects. They will receive capacity funding at this stage to be spent on revenue needs and will be expected to seek additional private and local investment. They will also receive some support from the Department.

Local authorities will then be asked to submit their final full business cases for specific projects. These business cases will then be assessed according to appraisal methodologies across the five cases as outlined in the HM Treasury Green Book, MHCLG guidance and other departmental guidance as necessary.

More detail on appraisal and assessment at Phase 2 will be announced in early 2019.

We expect to undertake business case development to allow those ready to move quickly to do so and avoid moving at the pace of the slowest. The Ministry will then take a final funding decision for each place who will then deliver the projects funded.

It is expected that evaluation processes will be developed in tandem with the development of business cases. All funded places will be expected to complete an evaluation of interventions after the completion of the Fund proportionate to the level of investment agreed.

Successful bids will be announced on a rolling basis.

Application process

Application form

Places will be expected to apply via the application form attached as an annex to this document.

Applications to the Fund will be assessed against the criteria set out in the annex. Further information on the scoring criteria and their weighting will be published by the department before the end of January 2019.

A panel will moderate the final score of each bid to ensure consistency. The places taken forward to Phase 2 will be agreed by the Secretary of State after the proposals have been fully scrutinised.

All applicants should evaluate whether their project will comply with the rules on State Aid under European Union law.

Submission of bids

All bids should be submitted electronically to highstreetsfund@communities.gov.uk no later than 2359 on Friday 22 March 2019.

We may wish to discuss the content of bids with local authorities to seek clarity on any aspects following the deadline.

When authorities submit a bid for funding, as part of the Government's commitment to greater openness in the public sector under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004, they must also publish a version excluding any commercially sensitive information on their own website within two working days of submitting the final bid to the Ministry. The Ministry reserves the right to deem the business case as non-compliant if this is not adhered to.

As well as increasing transparency, publishing bids will also help create a network of places engaged in the process and support those places looking to bid for the second round of funding.

Enquiries

Enquiries about the Fund may be directed to highstreetsfund@communities.gov.uk.

Transparency and privacy

Local authorities will be expected to spend funds in an open and transparent way. We would expect plans relating to the projects to be publicly available. In addition, we will expect details of the projects and progress to be made available to local authorities and MHCLG over the duration of the project including taking part in monitoring and evaluation.

Any personal data provided through the application will be processed in line with data protection legislation. The following is to explain your rights and give you the information you are entitled to under the Data Protection Act 2018.
The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at

dataprotection@communities.gov.uk. Data protection legislation sets out when we are lawfully allowed to process your data. The lawful basis that applies to this processing is 6(1)(e) of the GDPR: the processing of personal data is necessary for the performance of a task carried out in the public interest or in the exercise of official authority.

Your personal data is being collected to identify places to receive support from the Future High Streets Fund. We are processing your data as part of Phase 1 of the application phase deciding which places will move forward to Phase 2. We may also use it to contact you about further opportunities to apply for this project if we expand the Fund in future.

We may share the information with external assessors as we assess the applications. Your personal data will only be shared with the assessor for that purpose and will only be retained by them for the duration of the assessment process. Your personal data will be held for the duration of the Fund, including monitoring and evaluation.

The data we are collecting is your personal data, and you have rights that affect what happens to it. You have the right to:

- know that we are using your personal data
- see what data we have about you
- ask to have your data corrected, and to ask how we check the information we hold is accurate
- ask to have your data deleted
- complain to the ICO (see below)

In some circumstances you may also have the right to have all data about you deleted, or to object to particularly types of use of your data. We will tell you when these rights apply. Your personal data will not be sent overseas.

We will not use your data for any automated decision making. Your personal data will be stored in a secure government IT system.

When we ask you for information, we will keep to the law, including the Data Protection Act 2018 and General Data Protection Regulation.

If you are unhappy with the way the department has acted, you can make a complaint.
If you are not happy with how we are using your personal data, you should first contact dataprotection@communities.gov.uk.

If you are still not happy, or for independent advice about data protection, privacy and data sharing, you can contact:
The Information Commissioner's Office:
Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF
Telephone: 0303 123 1113 or 01625 545 745
https://ico.org.uk/

POLICY & RESOURCES COMMITTEE	**23 January 2019**

Maidstone Housing Delivery Partnership Proposal

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service/Lead Director	Director of Regeneration & Place
Lead Officer and Report Author	Director of Regeneration & Place
Classification	Public
Wards affected	All

Executive Summary

The Communities, Housing and Environment Committee have expressed a desire to return to building council homes, broadly because of the following concerns;

- An insufficient supply of new build affordable rented housing.
- The affordable rented housing that is provided is too expensive to the end-user (i.e. it isn't as affordable as social rent).

Therefore, a specialist legal firm, Trowers & Hamlins were appointed to provide advice as to possible mechanisms by which this goal could be achieved. Given that the Council no longer has a housing management capacity, it was logical to explore a Housing Delivery Partnership (HDP) with a Registered Provider (RP).

Trowers & Hamlins provided preliminary legal advice in October 2017, and this was shared with Members via a workshop which took place on 22nd November 2017. Since then, some further specialist legal advice has been commissioned, as well as some "soft" market testing undertaken with two potential partner RP's. Accordingly, this report explores whether a HDP would help to meet the Council's priority, in terms of "a home for everyone", and if so, what form would be most appropriate.

This advice, along with an accompanying officer report (similar to this one), was considered on 13th November 2018 attached as Annex 1, and a decision was made to pursue a HDP subject to the Policy & Resources Committee making the required capital available, hence this report.

This report should be read in conjunction with legal advice provided by Trowers & Hamlins in Annex 2.

This report makes the following recommendations to this Committee: That

1) The Policy and Resources to agree the funding of £7.5m per annum over a five year period for the Maidstone Housing Delivery Partnership Proposal and agrees that:

a. Delegated authority be given to the Director of Regeneration and Place, in consultation with the Chairman of the Communities, Housing and Environment Committee, to secure co-investment between the Council and Registered Provider of £15m pa total over a 5 year period.

b. Co-investment between the Council and a Registered Provider be targeted at achieving a 50% market share of the S106 affordable housing market in Maidstone.

c. A programme of engagement with Parish Councils be commenced, to gauge the appetite for bringing forward rural exception sites for affordable housing.

d. That firm proposals detailing the intended partner/s and the commercial terms secured are brought back to this Committee in due course for final sign off before any contracts are entered into.

Timetable	
Meeting	***Date***
Policy & Resources Committee	23 January 2018

Maidstone Housing Delivery Partnership Proposal

1. INTRODUCTION AND BACKGROUND

1.1 A return to building council housing, or affordable housing, as it is commonly now termed, would be a significant reversal of a previous Council decision, inasmuch, back in 2004 the Council opted to transfer its council housing stock of around 6,000 units to Golding Homes (formerly Maidstone Housing Trust). I.e. Maidstone is a Large Scale Voluntary Transfer (LSVT) local authority.

1.2 Consequently, the Council's Housing Revenue Account (HRA) was closed, and at present, an HRA is the only mechanism by which a Council can directly hold and fund council housing (at scale, beyond around 50 units). Despite different government announcements over the previous decade welcoming and promoting a greater role for Council's in the delivery of affordable housing, no firm financial mechanism has ever been put in place to facilitate direct council house building at scale, other than relaxations and the subsequent (Oct 2018) removal of borrowing caps in Council HRA's.

1.3 If a Council doesn't any longer have an HRA, like Maidstone, it could re-open one, but as it would be devoid of assets and income, there wouldn't be borrowing headroom within it for investment. That said, there is a political support growing at a national level to allow LSVT authorities to re-open HRA's with an ability to borrow.

1.4 Therefore, in terms of the challenge set by the previous Chair, and given that Maidstone is no longer a stock owning authority (without an HRA), a more creative and modern approach is required in terms of how the Council could take a more proactive role in the delivery of affordable housing within the borough.

1.5 Furthermore, despite Maidstone being an LSVT authority, housing remains a key priority for the council, and consequently it still undertakes some important housing related investment and activity, as follows;

- **Maidstone Property Holdings Limited (MPH)**. The Council has approved a further £34m of capital investment into MPH, over a five-year period to invest in market rented housing, via its housing company, MPH. This investment will increase the overall supply of housing in the borough as well as deliver a commercial return to the Council. At the end of this capital program, MPH will own around 175-200 market rented homes. Whilst the primary driver for MPH is commercial return (by letting properties at market rents), a by-product of the Council's developments is that around 1/3 of the homes developed will need to be provided for affordable housing, and so as things stand, this would be passed to an RP. Furthermore, some (circa 1/3) of the developments will also provide some homes for market sale, by way of joint ventures with the developer / contractor partners.

- **Temporary Accommodation (TA) for homeless households.** To help alleviate the difficulties and costs incurred in using private sector temporary accommodation (TA), the Council already owns circa 60 units of TA and is making good progress towards achieving its goal of having a portfolio of 75 units of TA. By way of background, there is a rising amount of homelessness applications (800 per annum) being made to the Council, and so the Council has around 130 households in TA at any one time (some of which is owned by private sector providers).

- **Affordable Housing SPD**. The Council has been instrumental in the delivery of affordable housing by introducing and applying Strategic Policy 20 (Affordable Housing) within the Local Plan. Furthermore, the outcomes from this policy could well be improved by the introduction of a robust Affordable Housing SPD to SP20. This SPD is in the early stages of production and will likely be adopted by both the SPS&T Committee early next year. Within it, it will not be possible to increase the burden on developers, but the percentage (quantum) and / or tenure split (to include rent levels) could perhaps be re-cast, if doing so was cost neutral in terms of the overall viability to developers. For example, some shared ownership units could perhaps be forgone, in exchange for lower rents on the affordable rented units. The Council committed (within our Local Plan) to produce this SPD, and to some degree, it will in time bring about benefits.

The Affordable Housing Landscape in Maidstone

1.6 The overall affordable stock of rented housing in Maidstone is 8,706 homes, for which the top ten stock holders are as follows:

Golding Homes Limited	**6328**
Hyde Housing Association Limited	**660**
Town and Country Housing Group	**312**
West Kent Housing Association	**194**
Clarion	**164**
Orbit South Housing Association Limited	**149**
Heart of Medway Housing Association Ltd	**135**
Sanctuary Housing Association	**123**
Senacre Housing Co-operative Limited	**77**
Moat Homes Limited	**71**

1.7 In terms of growing the affordable housing stock in the borough, irrespective of ownership, the primary delivery mechanism of any significance is through Section 106 agreements entered into between developers and the Council, where they are required to transfer a percentage of their new homes built to an RP, typically at around 60% of the Open Market Value (OMV), to be provided as a mixture of affordable rented homes and shared ownership homes.

1.8 There are also a number of non-charitable 'For Profit' registered providers entering the market, and so in terms of any potential partnerships, the Council could consider such organisations too.

1.9 The alternative means to deliver affordable rented housing (i.e. with the subsidy not coming through S106), are twofold as follows;

- By building homes that would otherwise be for market housing but retaining them for use as affordable rent through the application of grant funding available from Homes England. Typically the amount of grant required per home would be circa £100k, but Homes England do not offer anywhere near this level, perhaps just £30k at best. The Greater London Authority has recently raised grants rates in London because of this impasse, but similar moves seem someway off outside of the capital. Needless to say, this situation will be monitored in case of any favourable changes to the grant funding environment. Furthermore, the Ministry of Housing, Communities & Local Government have recently launched an "Additional Housing Revenue Account Borrowing Programme", which is tasked with increasing council housebuilding, but this is only of benefit to those authorities that already have an HRA.

- By building homes on rural exception sites. These are small sites used for affordable housing in perpetuity where sites would not usually be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Through this mechanism, land can be acquired at typical agricultural value, plus a very modest uplift of say 10%. So this ability to acquire land at below normal residential land values in effects provides the subsidy. Given the considerable rural nature of the borough, in theory, this could be a rich source of affordable housing land that the Council could pursue. However, such a strategy would require complete support from parish councils. Realistically, this support will be hard to gain given the rising pressure on such communities to accept housing growth.

1.10 The Council has set out its policy for Affordable Housing within the Local Plan (Strategic Policy 20).

1.11 By way of definitions, the affordability of the various tenures is as follows;

- Social Rent (sometimes known as Target Rents, but basically the old rents charged by Councils), plus any service charge payable.

- Affordable Rent, introduced in 2011, to be set at fixed percentage of the market rent inclusive of any service charge payable. The discount is set locally, but tends to range from between 60% discount to 80% (or the Local Housing Allowance, whichever is lower). In Maidstone they tend to be at 80% whilst 60% is considered to be on a par with a Social Rent.

- Shared Ownership, whereby the purchaser purchases a percentage of the equity in their home, and pays a subsidised rent on the part that they don't own.

1.12 The Local Plan seeks 883 new homes each year. If 37.5% of these were affordable, there would be 332 new affordable homes delivered each year in Maidstone over the LP period. Regrettably, over the past seven years, the delivery of affordable housing units has in fact averaged just 212 per annum (just 64% of the target).

1.13 Assuming an average new 2-bed property in Maidstone has a market value of £250k it would be transferred at around 60% of this value to an RP, so around £150k. Therefore, assuming 200 affordable homes per annum (based on current delivery rather than the target), the total new build affordable market in Maidstone is worth around £30m per annum.

1.14 Therefore if Maidstone did wish to re-enter the affordable housing market, a view would need to be taken as to what market share to aim to achieve. By way of an example, a 25% market share would mean a capital investment of £7.5m per annum (50 affordable homes per annum).

1.15 Furthermore, legal advice has confirmed that the Council cannot fix the transfer price (from the developer) of affordable housing, nor can it compel the developer to transfer them to the Council (or any of its subsidiaries). Accordingly to acquire stock the Council / HDP would need to compete (against RP's) on price and service to acquire stock from developers.

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2. AVAILABLE OPTIONS

2.1 The options that the Council has at its disposal to meet these concerns are as follows:

1) To produce the Affordable Housing SPD but for the Council to continue to focus its efforts and capital investment purely on growing its market rented portfolio within MPH.

2) To produce the Affordable Housing SPD and to commence the process of creating a Wholly Owned Company (WOC), with just the Council providing the investment, of £7.5m pa over a 5-year period (£37.5m total) with a view to achieving a 25% market share of the S106 affordable housing market, and commence a programme of engagement with Parish Councils to gauge their appetite for bringing forward rural exception sites.

3) To produce the Affordable Housing SPD and to commence the process of selecting a partner for an HDP, with a view to co-investment by both the Council and the partner, which both partners providing funding of £7.5m pa each (£15m pa total) over a 5-year period with a view to achieving a 50% market share of the S106 affordable housing market,

and commence a programme of engagement with Parish Councils to gauge their appetite for bringing forward rural exception sites.

2.2 In terms of the evaluation of the three options, the following commentary should be read in conjunction with the advice from Trowers & Hamlins;

Option 1

- Arguably, wishing to see more affordable rented housing delivered (at lower rents than is currently the case), this could be facilitated by introducing a robust Supplementary Planning Guidance document, to build upon the foundations of SP20. In theory, an HDP isn't required to achieve this goal.

- That said, with the Council taking just an "enabling" role since the transfer of its stock, arguably, developers working solely with RP's hasn't delivered the outcomes required in terms of the quantum or affordability either, with the housing waiting list and the amount of homelessness on the rise too.

Option 2

- This option should be dismissed for the following reasons;

  - A WOC couldn't be sure to shelter the properties held within it from the Right to Buy.

  - A WOC would be inefficient in terms of VAT, as it would need to pay VAT on the management service that it would need to procure from the RP partner.

  - It would be difficult to demonstrate that the WOC wasn't a HRA in all but name, and so, it could lead to this (the HRA) having to be re-opened. I.e. a WOC cannot be legally justified if it is just a means to remove the RTB.

  - If the HRA was ultimately re-opened, the funding could no longer be through the preferred prudential borrowing route, as within an HRA the funding would be much more constrained (if not almost completely curtailed).

Option 3

- To be seen to be actively involved in the ownership and delivery of affordable housing, to include co-branding with the RP partner would most likely enhance the reputation of the Council.

- The Council could use the advantageous borrowing rates available through prudential borrowing, to either make a modest margin by "on-lending" the borrowing to the HDP at a premium, or allow the HDP to pass this benefit onto the end user in the form of lower rents chargeable.

- In time, were the HDP to flourish and to gain market share, a benefit would ultimately be the consolidation of stock ownership in the borough, so potential advantages in terms of lettings and service delivery.

- It is possible that the developers would welcome the opportunity to "treat" with the Council HDP, and so it could bring about easier and swifter agreement of S106 agreements with developers.

- By being an active participant in the market, the Council could play a part in ensuring that a policy compliant affordable housing is delivered, rather than it being watered down as is sometimes the case at present.

2.3 However, the disadvantages could be as follows:

- Competing in the S106 market wouldn't actually mean any additional delivery of affordable housing above and beyond what could reasonably be expected through the existing RP's. To create additional supply, the Council would need to work in partnership with Parish Councils to bring forward rural exception sites too, but this approach could of course be explored further post the formation of a HDP.

- By investing say £7.5m per annum in affordable housing, this would bring about opportunity costs in the context of other investments.

- Since the Member workshop, the Council has commissioned specialist planning advice that has confirmed that it would not be possible to compel developers to transfer affordable housing to the Council or a Council entity, nor for the council to set the transfer prices of affordable housing from the developer, as they must have freedom to create a market for their product from a range of RP's. So the HDP would be in competition to secure S106 stock with RP's.

- The governance structure would be complex and so would require a long term commitment to partnership working from those taking seats on the Board. I.e. were the partnership to be unsuccessful and be disbanded, this would be damaging to the Council's reputation.

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3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 This is a very finely balanced judgement, but taking all matters into account, were the Council to pursue a HDP it is difficult to see that this wouldn't give better outcomes in terms of service, affordability, and profile.

3.2 Therefore the recommendation is:

3) To produce the Affordable Housing SPD and to commence the process of selecting an RP partner for an HDP, with a view to co-investment by both the Council and the partner, which both partners providing funding of £7.5m pa each (£15m pa total) over a 5-year period with a view to achieving a 50% market share of the S106 affordable housing market, and commence a programme of engagement with Parish Councils to gauge their appetite for bringing forward rural exception sites.

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4. RISK

4.1 The risks of creating an HDP could be as follows;

- An increased capital program for the Council, so increased borrowing, and so the risk that the investments made (in affordable housing) do not deliver the anticipated financial returns. This could be mitigated by setting a robust suite of financial return hurdle rates for the investments, and a rigorous approval and due diligence approach as per the approach in place with MPH Ltd.

- That the HDP might falter, if both parties aren't able to commit to the principles of long term partnership working. This could be mitigated by agreeing carefully crafted vision, values and objectives statements at the outset.

- In terms of meeting customer expectations for service delivery, the Council would be in the hands of the partner RP, as it would be them providing the frontline services. This could be mitigated by agreeing the correct service standards at the outset, and well as undertaking the necessary due diligence on potential partners too.

- Given that the RP partner would deliver the frontline customer services, the Council could struggle to realise the "public relations" benefit of its investment. This could be mitigated by demanding a high quality duel-branding regime for all properties acquired by the HDP, so that customers and all stakeholders fully understand the role the Council has played in co-funding the homes.

- Over the years, the affordable housing sector has been subject to sudden and unexpected policy changes from government that have altered, and in some cases harmed the investment environment. These include changes to rent setting and RTB policies. Matters such as this cannot necessarily be mitigated, although at the present time, the government is "making the right noises" in terms of creating the right environment to bring councils back to delivering affordable housing.

- Upon exploration, it may become there aren't any willing or suitable RP partners available, and so the project could well stall for this reason. However, were this to be the case the abortive costs and work would not be considerable.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 Based on the response from Members at the briefing back in November 2017, officers concluded that there was definitely a remit to explore the merits of a HDP further. However, there were some reservations voiced as to the potential difficulties of partnership working (with an RP) and it was requested that the Council explore the merits of a structure whereby the Council is the sole investor. This has been done within this report, and is addressed in some detail within the annex too. However, the CHE Committee decided to support the proposal in November 2018.

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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 If the recommendation is approved, the following would be undertaken;

- Commission specialist lawyers to further develop the preferred HDP model and use this as a basis for soft market testing with the top ten stock owning RP's in the borough.

- Assuming that this demonstrates a reasonable amount of market appetite, devise a partner selection process in conjunction with the specialist lawyer and the "in-house" procurement team, and bring this back to the CHE Committee for consideration and to agree the next steps thereafter.

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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 home for everyone. We set out the reasons other choices will be less effective in section 2.	Director of Regeneration & Place
Risk Management	Already covered in the risk section.	Director of Regeneration & Place
Financial	Accepting the recommendations will demand new spending of	Head of Finance

	£37.5m to be added to the Council's capital programme, which would need to be funded from borrowing. This would require consideration in the context of the existing capital programme, to ensure that the overall level of borrowing remains prudent.	
Staffing	We will need access to extra expertise to deliver the recommendations, as set out in section 3.	Director of Regeneration & Place
Legal	The Council has the legal power to set up the Housing Delivery Partnership (HDP), under Section 1(1) of the Localism Act 2011, which empowers the Council to do "anything that individuals generally may do". See other enabling legal powers in Appendix 1 of Trowers and Hamlins report (the "Report"). Detailed consideration should be given to the Report as it touches on various elements required for consideration in establishing the HDP. In particular and as set out in the report careful consideration should be given to the Council's affordable housing policy (paragraph 4.7 of the Report). In addition to the above, the procurement implications relating to the HDP are set out in the Report. In particular paragraph 9.1 of the report states that "the establishment of a joint venture between the Council and an RP will not in and of itself be caught by the public procurement rules as no contract for goods, works or services is involved."	Legal Team

	It is however **my view** that for the Council to achieve best value in setting up the HDP (including obtaining innovative solution from the industry), a full tender exercise should be undertaken to procure a Registered Provider partner for the Council. The reason for this is because the Registered Provider will be building houses (or procure the building and delivery of the houses), which equates to a works contract under the Public Contracts Regulations 2015. Due regard should also be had to all planning issues.	
Privacy and Data Protection	Accepting the recommendations will increase the volume of data held by the Council. We will hold that data in line with the relevant provisions of the Data Protection Act 2018. We also recognise the recommendations may impact what information the Council holds on its residents. As such the Council's Privacy and Data Protection policy (as the case may be) vis-à-vis the relevant provisions of the Data Protection Act 2018 will be complied with.	Legal Team
Equalities	The proposed change to policy is in the early stages of development. Once the proposal has been refined and agreed, an EIA will be completed.	Equalities and Corporate Policy Officer
Crime and Disorder	No implications.	Director of Regeneration

		& Place
Procurement	No implications.	Director of Regeneration & Place

8. REPORT APPENDICES

- Appendix 1: Legal advice from Trowers & Hamlins.

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9. BACKGROUND PAPERS

None.

COMMUNITIES, HOUSING AND ENVIRONMENT COMMITTEE	13 November 2018

Maidstone Housing Delivery Partnership Proposal

Final Decision-Maker	Communities, Housing and Environment Committee
Lead Head of Service/Lead Director	Director of Regeneration & Place
Lead Officer and Report Author	Director of Regeneration & Place
Classification	Public
Wards affected	All

Executive Summary

The previous Chair of the Communities, Housing and Environment Committee expressed a strong desire to return to building council homes, broadly because of the following concerns;

- An insufficient supply of new build affordable rented housing.
- The affordable rented housing that is provided is too expensive to the end-user (i.e. it isn't as affordable as social rent).

Therefore, a specialist legal firm, Trowers & Hamlins were appointed to provide advice as to possible mechanisms by which this goal could be achieved. Given that the Council no longer has a housing management capacity, it was logical to explore a Housing Delivery Partnership (HDP) with a housing association, now known as a Registered Provider (RP).

Trowers & Hamlins provided preliminary legal advice in October 2017, and this was shared with Members via a workshop which took place on 22nd November 2017. Since then, some further specialist legal advice has been commissioned, as well as some "soft" market testing undertaken with two potential partner RP's. Accordingly, this report explores whether a HDP would help to meet the Council's priority, in terms of "a home for everyone", and if so, what form would be most appropriate.

This report should be read in conjunction with legal advice provided by Trowers & Hamlins in Annex 1.

This report makes the following recommendations to this Committee: That

1) An Affordable Housing Supplementary Planning Guidance be produced.

2) The Policy and Resources Committee are recommended to agree the funding of £7.5m per annum over a five year period for the Maidstone Housing Delivery Partnership Proposal.

3) Subject to funding approval of £7.5m per annum over a five year period by the Policy and Resources Committee, the Communities, Housing and Environment Committee agrees that:

   a. Delegated authority be given to the Director of Regeneration and Place, in consultation with the Chairman of the Communities, Housing and Environment Committee, to secure co-investment between the Council and Registered Provider of £15m pa total over a 5 year period.

   b. Co-investment between the Council and a Registered Provider be targeted at achieving a 50% market share of the S106 affordable housing market in Maidstone.

   c. A programme of engagement with Parish Councils be commenced, to gauge the appetite for bringing forward rural exception sites for affordable housing.

Timetable	
Meeting	***Date***
Communities, Housing and Environment Committee	13 November 2018

Maidstone Housing Delivery Partnership Proposal

1. INTRODUCTION AND BACKGROUND

1.1 A return to building council housing, or affordable housing, as it is commonly now termed, would be a significant reversal of a previous Council decision, inasmuch, back in 2004 the Council opted to transfer its council housing stock of around 6,000 units to Golding Homes (formerly Maidstone Housing Trust). I.e. Maidstone is a Large Scale Voluntary Transfer (LSVT) local authority.

1.2 Consequently, the Council's Housing Revenue Account (HRA) was closed, and at present, an HRA is the only mechanism by which a Council can directly hold and fund council housing (at scale, beyond around 50 units). Despite different government announcements over the previous decade welcoming and promoting a greater role for Council's in the delivery of affordable housing, no firm financial mechanism has ever been put in place to facilitate direct council house building at scale, other than relaxations and the subsequent (Oct 2018) removal of borrowing caps in Council HRA's.

1.3 If a Council doesn't any longer have an HRA, like Maidstone, it could re-open one, but as it would be devoid of assets and income, there wouldn't be borrowing headroom within it for investment. That said, there is a political support growing at a national level to allow LSVT authorities to re-open HRA's with an ability to borrow.

1.4 Therefore, in terms of the challenge set by the previous Chair, and given that Maidstone is no longer a stock owning authority (without an HRA), a more creative and modern approach is required in terms of how the Council could take a more proactive role in the delivery of affordable housing within the borough.

1.5 Furthermore, despite Maidstone being an LSVT authority, housing remains a key priority for the council, and consequently it still undertakes some important housing related investment and activity, as follows;

- **Maidstone Property Holdings Limited (MPH)**. The Council has approved a further £34m of capital investment into MPH, over a five-year period to invest in market rented housing, via its housing company, MPH. This investment will increase the overall supply of housing in the borough as well as deliver a commercial return to the Council. At the end of this capital program, MPH will own around 175-200 market rented homes. Whilst the primary driver for MPH is commercial return (by letting properties at market rents), a by-product of the Council's developments is that around 1/3 of the homes developed will need to be provided for affordable housing, and so as things stand, this would be passed to an RP. Furthermore, some (circa 1/3) of the developments will also provide some homes for market sale, by way of joint ventures with the developer / contractor partners.

- **Temporary Accommodation (TA) for homeless households.** To help alleviate the difficulties and costs incurred in using private sector temporary accommodation (TA), the Council already owns circa 60 units of TA and is making good progress towards achieving its goal of having a portfolio of 75 units of TA. By way of background, there is a rising amount of homelessness applications (800 per annum) being made to the Council, and so the Council has around 130 households in TA at any one time (some of which is owned by private sector providers).

- **Affordable Housing SPD**. The Council has been instrumental in the delivery of affordable housing by introducing and applying Strategic Policy 20 (Affordable Housing) within the Local Plan. Furthermore, the outcomes from this policy could well be improved by the introduction of a robust Affordable Housing SPD to SP20. This SPD is in the early stages of production and will likely be adopted by both the SPS&T Committee early next year. Within it, it will not be possible to increase the burden on developers, but the percentage (quantum) and / or tenure split (to include rent levels) could perhaps be re-cast, if doing so was cost neutral in terms of the overall viability to developers. For example, some shared ownership units could perhaps be forgone, in exchange for lower rents on the affordable rented units. The Council committed (within our Local Plan) to produce this SPD, and to some degree, it will in time bring about benefits.

The Affordable Housing Landscape in Maidstone

1.6 The overall affordable stock of rented housing in Maidstone is 8,706 homes, for which the top ten stock holders are as follows:

Golding Homes Limited	**6328**
Hyde Housing Association Limited	**660**
Town and Country Housing Group	**312**
West Kent Housing Association	**194**
Clarion	**164**
Orbit South Housing Association Limited	**149**
Heart of Medway Housing Association Ltd	**135**
Sanctuary Housing Association	**123**
Senacre Housing Co-operative Limited	**77**
Moat Homes Limited	**71**

1.7 In terms of growing the affordable housing stock in the borough, irrespective of ownership, the primary delivery mechanism of any significance is through Section 106 agreements entered into between developers and the Council, where they are required to transfer a percentage of their new homes built to an RP, typically at around 60% of the Open Market Value (OMV), to be provided as a mixture of affordable rented homes and shared ownership homes.

1.8 There are also a number of non-charitable 'For Profit' registered providers entering the market, and so in terms of any potential partnerships, the Council could consider such organisations too.

1.9 The alternative means to deliver affordable rented housing (i.e. with the subsidy not coming through S106), are twofold as follows;

- By building homes that would otherwise be for market housing but retaining them for use as affordable rent through the application of grant funding available from Homes England. Typically the amount of grant required per home would be circa £100k, but Homes England do not offer anywhere near this level, perhaps just £30k at best. The Greater London Authority has recently raised grants rates in London because of this impasse, but similar moves seem someway off outside of the capital. Needless to say, this situation will be monitored in case of any favourable changes to the grant funding environment. Furthermore, the Ministry of Housing, Communities & Local Government have recently launched an "Additional Housing Revenue Account Borrowing Programme", which is tasked with increasing council housebuilding, but this is only of benefit to those authorities that already have an HRA.

- By building homes on rural exception sites. These are small sites used for affordable housing in perpetuity where sites would not usually be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Through this mechanism, land can be acquired at typical agricultural value, plus a very modest uplift of say 10%. So this ability to acquire land at below normal residential land values in effects provides the subsidy. Given the considerable rural nature of the borough, in theory, this could be a rich source of affordable housing land that the Council could pursue. However, such a strategy would require complete support from parish councils. Realistically, this support will be hard to gain given the rising pressure on such communities to accept housing growth.

1.10 The Council has set out its policy for Affordable Housing within the Local Plan (Strategic Policy 20).

1.11 By way of definitions, the affordability of the various tenures is as follows;

- Social Rent (sometimes known as Target Rents, but basically the old rents charged by Councils), plus any service charge payable.

- Affordable Rent, introduced in 2011, to be set at fixed percentage of the market rent inclusive of any service charge payable. The discount is set locally, but tends to range from between 60% discount to 80% (or the Local Housing Allowance, whichever is lower). In Maidstone they tend to be at 80% whilst 60% is considered to be on a par with a Social Rent.

- Shared Ownership, whereby the purchaser purchases a percentage of the equity in their home, and pays a subsidised rent on the part that they don't own.

1.12 The Local Plan seeks 883 new homes each year. If 37.5% of these were affordable, there would be 332 new affordable homes delivered each year in Maidstone over the LP period. Regrettably, over the past seven years, the delivery of affordable housing units has in fact averaged just 212 per annum (just 64% of the target).

1.13 Assuming an average new 2-bed property in Maidstone has a market value of £250k it would be transferred at around 60% of this value to an RP, so around £150k. Therefore, assuming 200 affordable homes per annum (based on current delivery rather than the target), the total new build affordable market in Maidstone is worth around £30m per annum.

1.14 Therefore if Maidstone did wish to re-enter the affordable housing market, a view would need to be taken as to what market share to aim to achieve. By way of an example, a 25% market share would mean a capital investment of £7.5m per annum (50 affordable homes per annum).

1.15 Furthermore, legal advice has confirmed that the Council cannot fix the transfer price (from the developer) of affordable housing, nor can it compel the developer to transfer them to the Council (or any of its subsidiaries). Accordingly to acquire stock the Council / HDP would need to compete (against RP's) on price and service to acquire stock from developers.

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2. AVAILABLE OPTIONS

2.1 Therefore, at this juncture, it is sensible to revisit the two concerns of the previous CHE Chair, as follows:

- An insufficient supply of new build affordable rented housing.
- The affordable rented housing that is provided is too expensive to the end-user.

2.2 The options that the Council has at its disposal to meet these concerns are as follows:

1) To produce the Affordable Housing SPD but for the Council to continue to focus its efforts purely on growing its market rented portfolio within MPH.

2) To produce the Affordable Housing SPD and to commence the process of creating a Wholly Owned Company (WOC), with just the Council providing the investment, of £7.5m pa over a 5-year period (£37.5m total) with a view to achieving a 25% market share of the S106 affordable housing market, and commence a programme of engagement with Parish Councils to gauge their appetite for bringing forward rural exception sites.

3) To produce the Affordable Housing SPD and to commence the process of selecting a partner for an HDP, with a view to co-investment by both the Council and the partner, which both partners providing funding of £7.5m pa each (£15m pa total) over a 5-year period with a view to achieving a 50% market share of the S106 affordable housing market, and commence a programme of engagement with Parish Councils to gauge their appetite for bringing forward rural exception sites.

2.3 In terms of the evaluation of the three options, the following commentary should be read in conjunction with the advice from Trowers & Hamlins;

Option 1

- Arguably, returning to the concerns of the previous Chair, wishing to see more affordable rented housing delivered (at lower rents than is currently the case), this could be facilitated by introducing a robust Supplementary Planning Guidance document, to build upon the foundations of SP20. In theory, an HDP isn’t required to achieve this goal.

- That said, with the Council taking just an “enabling” role since the transfer of its stock, arguably, developers working solely with RP’s hasn’t delivered the outcomes required in terms of the quantum or affordability either, with the housing waiting list and the amount of homelessness on the rise too.

Option 2

- This option should be dismissed for the following reasons;

  - A WOC couldn’t be sure to shelter the properties held within it from the Right to Buy.

  - A WOC would be inefficient in terms of VAT, as it would need to pay VAT on the management service that it would need to procure from the RP partner.

  - It would be difficult to demonstrate that the WOC wasn’t a HRA in all but name, and so, it could lead to this (the HRA) having to be re-opened. I.e. a WOC cannot be legally justified if it is just a means to remove the RTB.

  - If the HRA was ultimately re-opened, the funding could no longer be through the preferred prudential borrowing route, as within an HRA the funding would be much more constrained (if not almost completely curtailed).

Option 3

- To be seen to be actively involved in the ownership and delivery of affordable housing, to include co-branding with the RP partner would most likely enhance the reputation of the Council.

- The Council could use the advantageous borrowing rates available through prudential borrowing, to either make a modest margin by "on-lending" the borrowing to the HDP at a premium, or allow the HDP to pass this benefit onto the end user in the form of lower rents chargeable.

- In time, were the HDP to flourish and to gain market share, a benefit would ultimately be the consolidation of stock ownership in the borough, so potential advantages in terms of lettings and service delivery.

- It is possible that the developers would welcome the opportunity to "treat" with the Council HDP, and so it could bring about easier and swifter agreement of S106 agreements with developers.

- By being an active participant in the market, the Council could play a part in ensuring that a policy compliant affordable housing is delivered, rather than it being watered down as is sometimes the case at present.

2.4 However, the disadvantages could be as follows:

- Competing in the S106 market wouldn't actually mean any additional delivery of affordable housing above and beyond what could reasonably be expected through the existing RP's. To create additional supply, the Council would need to work in partnership with Parish Councils to bring forward rural exception sites too, but this approach could of course be explored further post the formation of a HDP.

- By investing say £7.5m per annum in affordable housing, this would bring about opportunity costs in the context of other investments.

- Since the Member workshop, the Council has commissioned specialist planning advice that has confirmed that it would not be possible to compel developers to transfer affordable housing to the Council or a Council entity, nor for the council to set the transfer prices of affordable housing from the developer, as they must have freedom to create a market for their product from a range of RP's. So the HDP would be in competition to secure S106 stock with RP's.

- The governance structure would be complex and so would require a long term commitment to partnership working from those taking seats on the Board. I.e. were the partnership to be unsuccessful and be disbanded, this would be damaging to the Council's reputation.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 This is a very finely balanced judgement, but taking all matters into account, were the Council to pursue a HDP it is difficult to see that this wouldn't give better outcomes in terms of service, affordability, and profile.

3.2 Therefore the recommendation is:

3) To produce the Affordable Housing SPD and to commence the process of selecting a partner for an HDP, with a view to co-investment by both the Council and the partner, which both partners providing funding of £7.5m pa each (£15m pa total) over a 5-year period with a view to achieving a 50% market share of the S106 affordable housing market, and commence a programme of engagement with Parish Councils to gauge their appetite for bringing forward rural exception sites.

4. RISK

4.1 The risks of creating an HDP could be as follows;

- An increased capital program for the Council, so increased borrowing, and so the risk that the investments made (in affordable housing) do not deliver the anticipated financial returns. This could be mitigated by setting a robust suite of financial return hurdle rates for the investments, and a rigorous approval and due diligence approach as per the approach in place with MPH.

- That the HDP might falter, if both parties aren't able to commit to the principles of long term partnership working. This could be mitigated by agreeing carefully crafted vision, values and objectives statements at the outset.

- In terms of meeting customer expectations for service delivery, the Council would be in the hands of the partner RP, as it would be them providing the frontline services. This could be mitigated by agreeing the correct service standards at the outset, and well as undertaking the necessary due diligence on potential partners too.

- Given that the RP partner would deliver the frontline customer services, the Council could struggle to realise the "public relations" benefit of its investment. This could be mitigated by demanding a high quality duel-branding regime for all properties acquired by the HDP, so that customers and all stakeholders fully understand the role the Council has played in co-funding the homes.

- Over the years, the affordable housing sector has been subject to sudden and unexpected policy changes from government that have altered, and in some cases harmed the investment environment. These include changes to rent setting and RTB policies. Matters such as this cannot necessarily be mitigated, although at the present time, the government is "making the right noises" in terms of creating the right environment to bring councils back to delivering affordable housing.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 Based on the response from Members at the briefing back in November 2017, officers concluded that there was definitely a remit to explore the merits of a HDP further. However, there were some reservations voiced as to the potential difficulties of partnership working (with an RP) and it was requested that the Council explore the merits of a structure whereby the Council is the sole investor. This has been done within this report, and is addressed in some detail within the annex too.

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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 If the recommendation is approved, the following would be undertaken;

- That this report, together with a positive endorsement from CHE, be referred to the Policy & Resources Committee to secure it's in principle support for the venture, given the financial capital commitment that would likely be required and the risk profile.

- Commission specialist lawyers to further develop the preferred HDP model and use this as a basis for soft market testing with the top ten stock owning RP's in the borough.

- Assuming that this demonstrates a reasonable amount of market appetite, devise a partner selection process in conjunction with the specialist lawyer and the "in-house" procurement team, and bring this back to the CHE Committee for consideration and to agree the next steps thereafter.

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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 home for everyone. We set out the reasons other choices will be less effective in section 2.	Director of Regeneration & Place
Risk Management	Already covered in the risk section.	Director of Regeneration

		& Place
Financial	Accepting the recommendations will demand new spending of £37.5m to be added to the Council's capital programme, which would need to be funded from borrowing. This would require consideration in the context of the existing capital programme, to ensure that the overall level of borrowing remains prudent.	Head of Finance
Staffing	We will need access to extra expertise to deliver the recommendations, as set out in section 3.	Director of Regeneration & Place
Legal	The Council has the legal power to set up the Housing Delivery Partnership (HDP), under Section 1(1) of the Localism Act 2011, which empowers the Council to do "anything that individuals generally may do". See other enabling legal powers in Appendix 1 of Trowers and Hamlins report (the "Report"). Detailed consideration should be given to the Report as it touches on various elements required for consideration in establishing the HDP. In particular and as set out in the report careful consideration should be given to the Council's affordable housing policy (paragraph 4.7 of the Report). In addition to the above, the procurement implications relating to the HDP are set out in the Report. In particular paragraph 9.1 of the report states that "the establishment of a joint venture between the Council and an RP will not in and of itself be caught by the	Legal Team

	public procurement rules as no contract for goods, works or services is involved." It is however **my view** that for the Council to achieve best value in setting up the HDP (including obtaining innovative solution from the industry), a full tender exercise should be undertaken to procure a Registered Provider partner for the Council. The reason for this is because the Registered Provider will be building houses (or procure the building and delivery of the houses), which equates to a works contract under the Public Contracts Regulations 2015. Due regard should also be had to all planning issues.	
Privacy and Data Protection	Accepting the recommendations will increase the volume of data held by the Council. We will hold that data in line with the relevant provisions of the Data Protection Act 2018. We also recognise the recommendations may impact what information the Council holds on its residents. As such the Council's Privacy and Data Protection policy (as the case may be) vis-à-vis the relevant provisions of the Data Protection Act 2018 will be complied with.	Legal Team
Equalities	The proposed change to policy is in the early stages of development. Once the proposal has been refined and agreed, an EIA will be	Equalities and Corporate Policy Officer

	completed.	
Crime and Disorder	No implications.	Director of Regeneration & Place
Procurement	No implications.	Director of Regeneration & Place

8. REPORT APPENDICES

- Appendix 1: Legal advice from Trowers & Hamlins.

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9. BACKGROUND PAPERS

None.

draft 2 dated June 2018

Maidstone Borough Council

Report on potential approaches in relation to the development of affordable housing

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Appendix 1: Legal advice from Trowers & Hamlins

1 **Introduction**

1.1 We are instructed by Maidstone Borough Council (the **Council**) in relation to a proposal to establish a new delivery structure for the acquisition of new affordable housing being developed within the Council's administrative area.

1.2 The initial proposal outlined in this paper contemplates involves the creation of a corporate vehicle (most likely a limited liability partnership (**LLP**) given its advantageous taxation status), owned jointly between the Council and a Registered Provider of social housing (an **RP**). The vehicle (a Housing Delivery Partnership or **HDP**) would operate at a strategic level with a view to sourcing affordable housing brought forward as part of planning obligations on developers in the Borough and the adoption of a new local plan.

1.3 In the alternative, the Council could establish a wholly owned company (**WOC**) with the same aim of sourcing affordable housing brought forward as part of planning obligations on developers in the Borough.

1.4 The model should be capable of facilitating the discharge of affordable housing obligations by developers in the Borough as well as generating a revenue return for the Council (and its RP partner).

1.5 This is a summary paper providing headline advice on the legal viability of the proposal highlighting key areas that will require further advice and discussion between the Council and an RP partner if the joint venture proposal is developed further.

1.6 Based on our review and as set out below, we do not think there is any legal reason that the Council cannot implement the project as anticipated. The Council will, however, need to take taxation and accountancy advice in due course as the model evolves.

2 **Summary of advice on structuring**

2.1 There are broadly two variations for the Council to consider in relation to pursing the proposal.

2.2 Firstly, to pursue a HDP with co-investment and joint ownership with an existing registered provider.

2.3 It would seem to us that the key advantages of this route would be:

2.3.1 the ability to take advantage of the partner RP's own development pipe stream and its development expertise in terms of acquiring affordable housing from housebuilders;

2.3.2 a reduced funding requirement from the Council (in the assumption that there would be financial investment put forward by the partner RP);

2.3.3 the "self-selection", of an appropriate housing manager (ie the partner RP would undertake housing management - on the assumption that the Council would not wish to undertake direct day-to-day housing management of any stock which HDP acquired);

2.3.4 the ability for housing management to be provided to the HDP in a VAT efficient manner (by VAT grouping the partner RP and the HDP); and

2.3.5 finally, and less tangible, a joint venture with an existing Registered Provider should make that provider more committed to its activities within the Borough and should act as a catalyst for additional development by that provider within the Borough.

2.4 The alternative model would be for the Council to establish a WOC to acquire affordable housing brought forward under planning obligations by developers and without a joint venture arrangement with a registered provider.

2.5 It would seem to us that the key challenges with this approach would be as follows:

2.5.1 the model puts a materially greater funding requirement on the Council;

2.5.2 the interaction between the wholly owned company and the Council's existing planning policies would need to be carefully considered - in other words from a matter of planning policy, would the Council be comfortable with affordable housing being held by an entity which was not a registered provider (or else, consideration would need to be given to the registration of the housing company as a registered provider) (acknowledging of cause that a HDP would not itself be a registered provided);

2.5.3 a solution would still need to be arrived in relation to housing management for the stock held by the wholly owned subsidiary - and in all probability that would need to be an existing registered provider - that being the case the housing company would incur irrecoverable VAT in relation to the housing management fee;

2.5.4 the Council getting comfortable with the vires issues outlined at paragraph 7; and

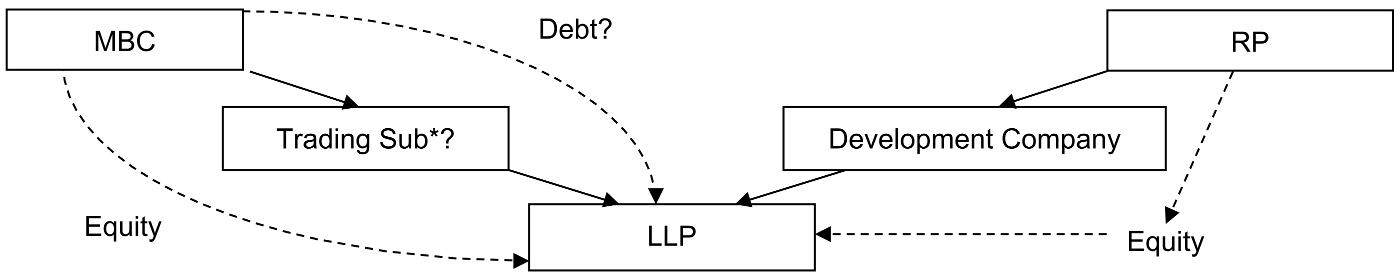
2.6 Set against these issues, of course, the setup and ongoing administration costs for a WOC would be lower than in relation to a HDV and - by definition - the council would retain complete control over the activities of the WOC - so, for example, in relation to any future decision about the long-term custody of the assets (for example a sale to a third party to realise a capital receipt) and/or in relation to day-to-day management decisions (for example in relation to rent setting). Whilst mechanisms can be drawn up in a joint venture agreement to map a way through those decisions with an RP partner, it is clearly more straightforward in a scenario where the company was wholly owned by the council.

3 **Business case**

3.1 The Council has committed to the delivery of new housing in the Borough. In this context affordable housing will be required as a planning obligation as developments come forward. The affordable housing supply provides an opportunity to the Council to generate an ongoing revenue stream, while encouraging a single owner of affordable housing on all new sites brought forward under the local plan has clear housing management advantages.

3.2 Under the HDV model, the Council establishes an LLP as a jointly owned vehicle with the purpose of acquiring affordable housing brought forward under the local plan and in turn generating profits/revenue returns for each party. The parties will need to commit resources to make a success of the venture. From the outset, each party needs a clear understanding of its obligations to the LLP and the outcomes to be achieved by the partnership and that there is a shared vision. The key principles are set out here for further consideration.

The model is shown in diagrammatic form below.



*Dependant on final analysis of Council powers

3.3 **Principles**

3.3.1 To combine the financial and organisational resources of the Council and an RP partner to create and capitalise a new joint venture vehicle with a specific focus on delivering affordable housing which meets local needs.

3.3.2 The LLP's core purpose would be to seem to us to be to:

(a) acquire (ideally all) affordable housing brought forward under the new local plan; and

(b) generate profits/revenue returns for the Council and its RP partner.

3.4 **Future development programme and ongoing viability**

3.4.1 Beyond its initial affordable housing remit, the LLP could subsequently evolve and develop a mixed portfolio of sites including those for outright sale or market rent. This would be dependent on the views of your RP partner.

3.4.2 The form of financial return from the LLP will, subject to sufficient profits being made for distribution, depend upon the extraction method that the parties agree upon across the various projects and will not, necessarily be the same, across those projects. For example, if the role of the LLP in a particular project is to operate as a developer and subsequent landlord, then this is likely to support a return by way of long term revenue stream. By contrast, if the purpose of the LLP on a project was to be one of market sale developer then a reasonably short to medium capital return might be more relevant. These are matters which would need to be determined by reference to the business plan(s) agreed by the Council and the RP partner.

3.4.3 For current purposes given the likely short/medium term focus an affordable housing brought forward by the local plan, a financial return structured as a long term revenue stream seem the more likely outcome.

3.5 **Leadership, operations and housing management**

3.5.1 Consideration will need to be given to the resourcing of the day to day operation of the LLP (finance, HR, IT, admin, office space) and accounting to the Board for delivery. A project team made up of officers from the Council and the RP would be responsible for overseeing development of the business plan and subsequent delivery phase.

3.5.2 It is anticipated that the RP partner will procure development works on behalf of the LLP and will take on housing management responsibility for the completed properties.

3.6 **Funding**

3.6.1 In order to determine the likely funding requirement for the project, an outline business plan should be considered for the development of the agreed number of homes over an agreed period. It is envisaged that the Council and the RP partner will provide equity funding through a combination of investment of funds drawn from the PWLB and the RPs finances respectively.

3.6.2 In due course, or as part of the initial set up, the LLP could also acquire debt finance, either from the Council (via on-lent PWLB monies) or from 3rd party lenders.

3.7 **A Wholly Owned Company**

Under the WOC variant on the model exactly the same principles apply, save that the Council (as the sole investor in the WOC) takes all of the risks and rewards associated with the operation of the project.

4 **Planning**

4.1 Consideration will need to be given to the extent to which the Council can mandate that new affordable housing is directed to the LLP or a WOC and whether- as a matter the Council's planning policies- affordable housing brought forward in the Borough is required to be owned by an RP.

4.2 There is little – if any – precedent for a local planning authority mandating through its section 106 agreements that affordable housing be transferred to a specified entity/RP; clearly it is relatively common practice for local planning authorities to have a list of preferred RP partners but in our experience this has not been extended to a requirement to transfer to a particular entity.

4.3 Under Regulation 122, planning obligations imposed by a local planning authority must be "necessary to make the development acceptable in planning terms" and "fairly unreasonably related in scale and kinder to the development" and any obligation to transfer affordable housing to the LLP or a WOC would need to comply with Regulation 122.

4.4 We believe that there are justifications for such an approach that the Council could consider to be reasonable – but as we have discussed with the Counsel this is unlikely to be justifiable in the context of the Council's current local plan but could be in future iterations of it.

4.5 In any event, the Council would need to ensure that developers are not financially prejudiced from an obligation and here we would envisage a mechanism in the planning obligations for the developers to receive a "fair" price from the LLP for the affordable housing (perhaps which is in turn linked back to a viability approach for each individual scheme) and the ability for the developer to sell to a third party affordable housing provider if purchase terms are not agreed with the LLP/WOC within a reasonable timescale (with appropriate dispute resolution mechanisms).

4.6 There would, of course, be no difficulty if instead of the Council mandating a transfer of affordable housing to an LLP/WOC to LLP/WOC the LLP/WOC simply negotiated the acquisition of affordable housing from developers on a scheme by scheme basis, (i.e. completing against other RPs in much the same way as RPs compete between themselves for s106 schemes in the ordinary course of business).

4.7 Careful consideration will need to be given to the Council's affordable housing policy; as you will be aware, as a matter of law nor in the National Planning Policy Framework is there anything which obliges a local planning authority to require that affordable housing delivered under a planning obligation to be owned by a registered provider. That said, it is fully accepted that the vast majority of local planning authorities do in fact require ownership of completed affordable units to be held by an RP and as such, this point needs careful consideration by the Council. Clearly if an "exception" to your policies were to be made for the LLP/WOC, establishment of a precedent and the risk arises that other developers in the Borough seek to keep affordable housing out of the ownership of the RP sector.

4.8 If, after consideration, ownership of affordable units by an RP is mandated by the Council in its capacity as local planning authority then consideration would need to be given to amending the basic model outlined in paragraph 2.

4.9 One immediate thought would include the holding of the freehold interest in the affordable housing by the LLP and then an operating lease being let to the Council's RP partner (so that the tenants of the affordable housing were in fact tenants of the RP rather than of the LLP). That lease could be structured on a turnover rent/material ground rent basis so that economic value flowed back to the LLP. The alternative would be to structure the LLP (or a subsidiary of the LLP) in such a way that it was eligible itself to become an RP, this is arguably the less attractive route insofar as the deregulation measures issued by the government under section 93 Housing and Planning Act 2016 prohibit a local authority in holding a shareholding (or similar) interest in a registered provider - so the RP vehicle would need to be structured in such a way that it was legally independent from the Council We would suggest that further thought is given to the structuring of the model once the Council's position in relation to its affordable housing policy is clarified.

5 **Attractions to the RP partner**

We believe that the HDP model outlined in this paper should be capable of forming a compelling proposition to an RP partner. In particular

5.1 It should provide access to new affordable housing schemes in the Borough that it may not be able to access alone;

5.2 If structured properly, the debt held by the LLP should not be caught on the RPs own balance sheet, and so the LLP provides an "off balance sheet" opportunity for growth;

5.3 The opportunity to bring additional dwellings under the RP's management;

5.4 The opportunity to forge a new strategic relationship with the Council.

6 **What is an LLP?**

6.1 It is suggested that the LLP be a 50:50 joint venture owned between the Council and your RP partner. The parties will need to consider in what capacity and through which vehicles they will participate in the LLP. A charitable RP partner, for example, is likely to wish to participate via a subsidiary company in order to make its participation as tax efficient as possible.

6.2 **Key features**

The key features of an LLP are as follows:

6.2.1 a LLP is a body corporate, a separate legal person from its members. The assets and liabilities belong to it and not the members;

6.2.2 LLP members, like company shareholders, have limited liability. When the LLP enters into a contract with a third party, the LLP is the party to the contract, not the members;

6.2.3 a LLP has no share capital. Capital can therefore be reduced or increased at the will of the members and there will be no rigid distinctions between capital and reserves;

6.2.4 when the LLP commits a tort, such as an act of negligence, the LLP is liable in much the same way as a limited company. Unlike partners in a conventional partnership, therefore, the members are not jointly liable for contracts entered into by the LLP nor are they jointly and severally liable for torts;

6.2.5 however, if members take on a personal duty of care, they may be liable for their own negligence and other torts if they have acted in breach of that duty. This is an important point to note, but is likely to be rare outside a professional partnership context;

6.2.6 there are at least two formally appointed designated members who are compliance officers with a role similar to that of a company secretary. There are no directors and the running of the LLP rests with the members as they agree it in a members agreement (see below);

6.2.7 as the LLP is a body corporate with unlimited capacity, it can create floating charges like a traditional limited company;

6.2.8 existing limited company insolvency rules generally apply to LLPs. This includes fraudulent trading and wrongful trading and most of the insolvency and winding up procedures for companies;

6.2.9 a "clawback" rule potentially exposes LLP members more than shareholders of a limited company. This rule provides that any amounts withdrawn by members in the two years before the commencement of winding up (whether as capital, as repayment of a loan or interest on a loan, or as the distribution of profits) can be clawed back if the person making the withdrawal knew or ought to have concluded that, after the withdrawal and any withdrawals in contemplation at the time, there was no reasonable prospect that the LLP would avoid an insolvent liquidation. In light of this risk, members making a withdrawal from an LLP should consider up-to-date and accurate financial information before so doing.

6.3 **Members agreement**

6.3.1 The running of the LLP rests with the members as they agree it and it is usual for the members to enter into a "members agreement" to document how they intend to operate the business of the LLP.

6.3.2 An important issue to address will be decision-making – i.e. how the members intend that the LLP will make decisions. The members agreement will usually provide for each member to appoint representatives and for those members to meet on a regular basis. Within that, it may be necessary to agree delegations to certain individuals, if for example the LLP is considering the appointment of one of the parties as Development Manager. We imagine within that appointment, there will be a level of delegation to the relevant party to manage the development on a day to day basis.

6.3.3 In addition, it is common for important decisions to require a more formal written sign-off on behalf of each member. These are usually referred to as "reserved matters".

6.3.4 Given that the parties are likely to agree a voting structure in which it is possible for their votes to be deadlocked, the Council and the RP partner will need to consider how deadlock between them should be resolved, unless it is intended for the parties to have an absolute veto. Possible options are:

(a) reference to chairmen/chief executives of parties for a negotiated resolution;

(b) reference to expert or panel of arbitrators; and

(c) use of a mediation or other alternative dispute resolution (ADR) procedure.

If the deadlock cannot be resolved after following some or all of the above (usually non-binding) procedures, the parties may agree a right to serve notice to trigger a “shoot out” formula (i.e. the notice will require the other party either to buy the first party’s interest in the LLP or sell its own at a nominated price) or alternatively the non-consenting party might be required either to consent to the issue which gave rise to the deadlock or to sell its interest in the LLP at a fair value formula. We can advise in further detail if you do not have any fixed ideas as to how issues should be resolved.

6.3.5 The members agreement will need to document the parties' funding obligations, noting (if applicable) the intention to take PWLB funding, and the parties' profit share entitlements, and would also typically address the following issues:

(a) what restrictions (if any) should there be on the joint venture partners competing with the business of the LLP (e.g. what areas of business and/or what geographical area)?

(b) will the parties be obliged to refer any new business opportunities to the LLP?

(c) who will deal with the provision of company secretarial functions and the keeping of statutory books and accounting records? Will a separate fee be charged for this?

(d) are there any circumstances in which the parties should be able to transfer their respective interests in the LLP (important in the context of exit strategies for the Council- eg you may wish to sell your interest to an institional investor or a REIT)?

(e) should either party have the right to exit or require the LLP to sell its assets and be wound up? Will either party have a break clause giving them the ability to give notice of termination (leading to liquidation of the LLP unless otherwise agreed) at any stage?

(f) will an “innocent” party have the right to call for a forced sale of an interest in the LLP upon material breach by a “defaulting” party?

6.4 Governance

6.4.1 The governance structure for the joint venture will be framed by each party's role and rights as a member of the LLP, even if this is indirectly through a company. There would also be a board charged with management of the LLP.

6.4.2 The members of the joint venture will retain strategic control over the operation of the vehicle through the right to approve a business plan and the requirement that certain listed decisions, referred to as "reserved matters", must be referred back to the owners rather than being within the discretion of the board. The principle is that the joint venture partners approve the business plan and the board then have the remit and discretion to implement it subject to the reserved matters. The level of discretion given to the board depends on the framing of the business case – i.e. how prescriptive or flexible it is – and what the reserved matters are.

6.4.3 The board of the LLP would be given a role equivalent to role of a board of directors on a company. Although a board member of an LLP is not the same as the director of a company, it is common in the governance documents to treat the position as the same meaning the individual will have duties to act in the best commercial interests of the LLP for the benefit of both parties.

6.4.4 It would be possible for members or officers of the Council to be board members. On a joint venture of this nature focused on delivery of operational matters, an officer board would typically be recommended with strategic and significant control retained to members via the shareholder or LLP member rights.

6.5 **Taxation of an LLP**

6.5.1 We recommend that a full tax review of the proposed structure is undertaken both by the Council and its RP partner in due course but the following represents an overview of the tax treatment of the LLP.

6.5.2 The LLP is treated for most tax purposes as a traditional partnership, and the members are treated as traditional partners. Therefore, unlike a limited company, it is tax transparent and any trade, profession or business carried on by the LLP with a view to profit will be treated like a traditional partnership.

6.5.3 Profits arising from the LLP will be trading income. There is no exemption for charities from corporation tax in respect of trading income other than for a trade that is exercised in the course of actually carrying out the primary purpose of a charity (for example some shared ownership leases granted by registered providers) or which is carried out for the beneficiaries of the charity.

6.5.4 If the new organisation is to be a LLP, the members of that LLP would pay tax on their respective share of profits. This means that those profits in the hands of a charitable RP partner would be taxed as non-charitable trading activity. By contrast, if the charitable RP participates through a wholly owned non-charitable subsidiary so that the subsidiary rather than the RP was a partner in the LLP, the subsidiary would be in receipt of taxable income, but should be able to make Gift Aid payments to the RP to reduce or remove any taxation liability arising.

6.5.5 The LLP structure is a means of mitigating tax liability rather than eradicating it. There may be circumstances in which tax liabilities can arise. For example, the LLP may not have the working capital to allow it to distribute profit to its partners and a Gift Aid payment cannot be made if the intended payer does not have the money to make the payment. Given that the profits of the LLP are taxable whether or not they are in fact distributed, this would potentially result in a tax liability in the LLP.

As discussed in paragraph 4.2, the position of returns to the Council will depend on the structure adopted and will require further discussion between the parties.

7 **The Council's vires to participate in and deal with the LLP**

7.1.1 In our view, the Council has a range of powers permitting it, in principle, to enter into the JV as an LLP and to lend (or on-lend PWLB funds) to it. The Council's relevant powers are summarised in Appendix 1.

7.1.2 The nature of the power utilised may influence the structure of the Council's participation in the LLP and the taxation treatment of the Council's returns. For the reasons discussed below, this will require further analysis as discussion between the parties over the precise activities of the LLP firm up.

7.1.3 If the Council relies upon the General Power of Competence established under section 1(1) of the Localism Act 2011, which broadly speaking allows it to "do anything individuals may generally do", then consideration needs to be given to the Council's purpose in entering into the LLP. If its purpose is "commercial" (i.e. one directed towards the making of profit), then the legislation requires that it must use a subsidiary company (see diagram at page 2 which shows how a Council company would "fit"). The use of a company would bring with it a potential charge to tax. In order to generate a return to the Council, it is anticipated that the company would send its profit share to the Council. Whilst an RP subsidiary is currently permitted to gift aid its profit share to its RP parent (as a charity) without any loss to Corporation Tax, that option is not available to the company as the Council does not have charitable status. Accordingly, the company's distributions to the Council will be net of Corporation Tax liabilities. It should be noted that the taxation position would be the same for the Council if the joint venture vehicle was itself a company as opposed to an LLP.

7.1.4 The law on what is and is not "for a commercial purpose" is not clear cut and there is only one authority on the point, which is not free from doubt. Given that an LLP is a body which is, by definition, established "with a view to profit", then there is a risk that direct participation by the Council in the LLP (securing a more beneficial taxation treatment) could be held to be *ultra vires*.

7.1.5 By contrast, if the Council were seeking to rely upon its investment powers under section 12 of the Local Government Act 2003, there is no requirement to invest through a company. In our view, making a capital contribution to an LLP with a view to a potential return to the Council is a form of investment. The Council would, of course, need to have regard to relevant investment guidance[1] and be satisfied that the investment was prudent – that the LLP is likely to realise and distribute profits and that the level of profit/return justified the investment.

Vires issues connected with a WOC

7.2 The Council have powers under the General Power of Competence established under section 1(1) of the Localism Act 2011 to establish a WOC.

7.3 However, the Council will be required to justify that the WOC is being established for a proper purpose and it would, in our view, require careful consideration if the Council was establishing the WOC as a means to provide 'social rented' housing of the type that would ordinarily be held in a Council's HRA, and is doing so to avoid the RTB applying to any tenancies granted by the WOC. In other words the Council could not be seen to be establishing a WOC to avoid re-opening an HRA and/or to avoid the RTB.

7.4 Ensuring that the Council has a clear rationale for establishing the WOC is also important in the light of the concerns that were expressed in the Ministerial Statement issued in March 2015 by the then Housing Minister about the establishment of local housing companies in particular circumstances. The Ministerial Statement provided, amongst other things, that the Government would not support the establishment of local housing companies where such companies are established for the purposes of avoiding the RTB or avoiding the HRA borrowing restrictions imposed by Government.

[1] "Guidance on Local Government Investments" (revised version 2010)

7.5 The Ministerial Statement reinforces the need for the Council to be clear as to its rationale for establishing the WOC at all times, ensuring that there is clear evidence of this throughout the decision making process.

7.6 The Housing White Paper, published on 7 February 2017, to some extent echoes the statements of the then Housing Minister stating:

"we want to see tenants that local authorities place in new affordable properties offered equivalent terms to those in council housing, including a right to buy."

7.7 This is arguably not a policy shift from the March 2015 Ministerial statement but the wording contained within the White Paper specifically references "a" right to buy as opposed to "the" Right to Buy and is stated to be a Government expectation only. The Government has confirmed that it will not be consulting on this point, nor is there any suggestion that it will be seeking to impose any legislative changes in this regard. Therefore, without a statutory requirement, and provided the establishment of the WOC cannot be struck down as an ultra vires act of the Council (of which we know no relevant precedent), the properties developed by the WOC would not be subject to the statutory RTB.

7.8 We would also note that the White Paper “welcomes” innovative models to provide more housing by local authorities and specifically references local housing companies and joint venture models. This is positive as it is a clear statement of support by the Government.

7.9 The Council will need to be mindful of the above considerations when justifying its use of powers as we have described above.

8 **Funding of the LLP**

8.1 **Equity**

8.1.1 The LLP will require capital in order to operate and deliver against an agreed Business Plan. Decisions will have to be made between the parties as to:

(a) What the LLP's capital requirements will be;

(b) What initial investment (in terms of capital or loans) will be made by each party;

(c) Whether that investment can be made by means of payment in kind (e.g. assets or know how);

(d) The timing of the funding contributions and whether any default or dilution provisions apply if either party breaches.

8.1.2 If capital is to be given in kind, consideration will need to be given to the respective values of each to ensure that the Council and the RP contributions are the same. If they are not then an additional cash equity payment may be required from one or other party.

8.2 **PWLB funding**

8.2.1 As discussed in Appendix 1, we believe that powers exist to enable the Council to access PWLB funds and on-lend monies to the LLP should that be agreed as necessary under the LLP's business plan.

8.2.2 In order to do so, a loan agreement will need to be put in place between the Council and the LLP. The terms of that loan will need to be scrutinised for compliance with State Aid requirements; save that the LLP should be able to take advantage of the exemptions from the State Aid regime for affordable housing.

8.3 **Security for loans**

8.3.1 If debt is to be advanced by the Council (or a 3rd party) , then consideration will need to be given to the issue of security for that loan. Whilst it is possible for the LLP to create floating charges over its assets, we believe it more appropriate for the LLP to give a first fixed legal charge over developments to the Council (or a 3rd party) as funder. This would not be unusual and would be a similar arrangement to a developer having debt funding in place for the period of its development.

8.3.2 The parties will need to consider the extent to which the Council, in its capacity as funder only, requires a watching brief over the development as it progresses and all duties of care from professionals involved in the scheme, for example the employer's agent, and the contractor. Ideally the Council's security package should be agreed in advance of site selection so that any requirements can be built in to the supply chain.

8.4 **Funding a WOC**

From the Councils perspective the same funding issues apply to the funding of a WOC, save that necessarily the risk profile is higher because all of the funding requirements are coming from the Council.

9 **Procurement Issues**

9.1 **Selection of the JV partner**

The establishment of a joint venture between the Council and an RP will not in and of itself be caught by the public procurement rules as no contract for goods, works or services is involved.

9.2 **Will the LLP be subject to the public procurement rules?**

9.2.1 Until further detail is available as to the precise nature of the LLP's proposed activities, membership and financing it is not possible to give a definitive opinion on this question. We describe below the analysis which will need to be undertaken and which may influence the decisions that the Council and the RP will need to take in the creation of the joint venture.

9.2.2 To determine the classification of the LLP, it will be necessary to look at its nature and structure. The Public Contracts Regulations 2015 (the **2015**

Regulations) set out the necessary test. If the LLP is determined to be a "contracting authority", it will be obliged to follow the procurement rules.

9.2.3 The 2015 Regulations categorise "contracting authorities" as:

"the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, and includes central government authorities, but does not include Her Majesty in her private capacity."

9.2.4 Of the descriptions given above, the LLP is perhaps most likely to fall within the second category, namely a 'body governed by public law'.

9.2.5 The LLP can only be a 'body governed by public law' and, therefore, subject to the 2015 Regulations, if <u>all</u> of the following three limbs are met:

(a) it is established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character; and

(b) it has legal personality; and

(c) it is either:

i financed for the most part by the State or regional or local authorities or other bodies governed by public law (**Financed**), or

ii subject to management supervision by those bodies (**Supervised**), or

iii having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or other bodies governed by public law (**Controlled**)

9.2.6 Failure to meet any one of the above three limbs means the LLP will fall outside the 'body governed by public law' definition. Taking each in turn:

(a) established for meeting needs in the general interest, not having industrial or commercial character

The concept of "needs in the general interest" is different from the question of whether a body has an industrial or commercial character. For example, a body's activities could constitute "needs in the general interest", but if the body <u>also</u> has an industrial or commercial character, it will fail this limb of the test and would not meet the definition of a body governed by public law). An analysis of this key element can only be undertaken when there is greater clarity over the precise nature of the LLP's business and activities.

(b) Legal personality – an LLP would fulfil this limb of the test;

(c) Financed, Supervised or Controlled:

i *Financed* - this will involve analysing if the LLP is dependent (directly or indirectly) on any contracting authority for more than 50% of the financing its general activities. Not all financing from the authority has to be taken into account - only finance that 'has the effect of creating or reinforcing a relationship of dependency'. Contracts freely negotiated in consideration of the receipt of services or supplies may be disregarded.

Any contributions from the Council would count towards financing from a local authority. Whether that constitutes majority 'State' funding would depend on any financing from the RP partner and also confirmation of the procurement status of the RP's vehicle that is to be the member of the LLP (**DevCo**).

ii *Supervised* - a power to intervene in the management decisions of a body is likely to constitute "management supervision", although this is not definitive. If a contracting authority with supervisory powers, is able directly to influence management decisions, has powers to wind up the LLP, suspend management or appoint an administrator, such factors will be sufficient to demonstrate 'supervision'. In this case, much will depend upon the DevCo's status and the terms of the LLP's Members Agreement as to whether this limb is satisfied.

iii *Controlled* - If more than half of the members are appointed by a contracting authority, this element of the definition will be satisfied. Again, much will depend upon the DevCo's status and the terms of the LLP's Members Agreement as to whether this limb is satisfied.

9.3 **Will the LLP be able to purchase services from the Council and the RP?**

9.3.1 It is probable that the LLP will wish to purchase services from the Council and the RP or vice versa not least in relation to the development services and housing management.

9.3.2 Whilst further analysis is required, it is likely that the LLP will be treated as a jointly controlled "Teckal" subsidiary of both the Council and RP for the purposes of the 2015 Regulations. Pursuant to Regulation 12, any contract through which either the RP or the Council procure services, works or supplies from the LLP will not constitute a public contract subject to the Regulations. Accordingly, the Council and the RP would be likely to be able to award such contracts without first undertaking a regulated procurement exercise.

9.3.3 The position is less clear in relation to contracts under which the LLP wishes to purchase services from the Council and/or RP. Although the 2015 Regulations codify previous case law dealing with the intra-group arrangements, there is no <u>express</u> exemption for contracts let by a jointly controlled Teckal subsidiary in order to procure services from those parent entities. Although it is possible to argue that the principles which inform the relevant case law and Regulation 12 should also extend to any contract let by the LLP to its parent organisations, there is no <u>express</u> exemption to the usual procurement rules in those circumstances.

9.3.4 While the risk of success challenge to such contracts cannot be disregarded entirely, our view is that the risk is likely to be relatively low. First, any potential challenger in the market is likely to have limited visibility of the proposed arrangements between the Council/the RP and the LLP. In addition, any potential challenger would need to counter the argument that the principles previously established through case law under the 2006 procurement regulations are extinguished by the 2015 Regulations.

10 Tax

We have not included a detailed tax analysis within this report although we would be happy to do so once further detail of the proposal is agreed. We would recommend that the Council consider obtaining specific tax advice on SDLT, corporation tax, transfer pricing and VAT implications of these proposals as the structure develops.

11 Saving Provision

This Report is prepared solely for the use the Council in connection with the transaction. No liability is accepted for its use by any other person or body or for any other purpose.

Trowers & Hamlins LLP

draft date June 2018

Appendix 1

Council's powers

Available powers to participate in joint venture

Section 1 of the Localism Act 2011 ("General Power of Competence")

Section 1(1) of the Localism Act 2011 empowers the Council to do "anything that individuals generally may do" (the GPC).

Where the GPC is conferred on the Council to do something, it can do it in any way whatever, including for, or otherwise than for, the benefit of the Council, its area or persons resident or present in its area.

There are limitations on the GPC including:

(a) an obligation to act through a company where the Council is exercising the GPC to do something for a "commercial purpose"; and

(b) the GPC cannot supplement a power that pre-dates the GPC so as to remove a pre-commencement limitation. For these purposes, “pre-commencement limitation” is defined as a “prohibition, restriction or other limitation imposed by a statutory provision” in the 2011 Act or a previous Act. Whilst the existence of an overlapping existing power does not limit the generality of the GPC, if a pre-commencement power is subject to restrictions, those restrictions apply also to exercise of the GPC in so far as it is overlapped by the pre-commencement power.

"Commercial purpose" is not defined but is generally understood to include activities which are directed towards the making of profit/surpluses.

"Company" means a company formed and registered under the Companies Act 2006 or the Companies Act 1985 or a society registered or deemed to be registered under the Co-operative and Community Benefit Societies and Credit Unions Act 1965. It does not include a limited partnership, a limited liability partnership or a trust. This reflects the Government's intention that local authorities should not gain an unfair advantage, especially in fiscal matters, when they competed against the private sector in the market.

Section 12 of the Local Government Act 2003 (investment power)

Section 12 provides the Council with a stand-alone power to invest, for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.

In exercising its powers of investment, the Council must have regard to the statutory guidance issued by the Secretary of State and specified guidance published by CIPFA.

The Council would need to ensure that the exercise of this power is consistent with its Annual Investment Strategy or that the Strategy is amended to reflect the proposal.

Section 24 of the Local Government Act 1988 (financial assistance for privately let housing)

Section 24 provides that, subject to section 25, the Council as a local housing authority has the power to provide any person with financial assistance "for the purposes of, or in connection with, the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management (whether by that person or by another) of any property which is or is intended to be privately let as housing accommodation".

The Council will be providing financial assistance if it does or agrees to do any of the following:

(a) make a grant or loan to that person;

(b) guarantee or join in guaranteeing the performance of any obligation owed to or by that person;

(c) indemnify or join in indemnifying that person in respect of any liabilities, loss or damage; or

(d) acquires share or loan capital in that person if that person is a body corporate.

Property is treated as privately let as housing accommodation at any time when:

(a) it is occupied as housing accommodation in pursuance of a lease or licence of any description or under a statutory tenancy; and

(b) the immediate landlord of the occupier of the property is a person other than a local authority.

Before exercising the power under section 24 (or any other power to provide financial assistance or a gratuitous benefit), the Council must obtain the Secretary of State's consent under section 25 Local Government Act 1988. There are general consents issued in 2010.

Available powers to dispose of land

Section 123 of the Local Government Act 1972 (land disposal)

In relation to land not held for planning or housing purposes, subject to certain conditions, the Council has the power to dispose of its land in any manner it wishes and receive consideration for its land under Section 123 Local Government Act 1972. The Secretary of States consent is needed if PCC receives less than the “best consideration that can reasonably be obtained”. A general consent is available for use in relation to certain "under value" transactions.

Available powers to borrow and on-lend

It is intended that the Council will on-lend funds borrowed from the PWLB to the LLP. Specific financial and accounting advice will require to be taken in relation to the detailed arrangements, but the following analysis suggests that from a vires point of view the proposition is actionable.

Section 1 of the Local Government Act 2003 (**the 2003 Act**) provides a local authority with the power to borrow money for any purpose relevant to its functions or for the purposes of the management of its financial affairs.

The control on the amount that the Council could borrow is governed by the prudential limit which it has determined for itself in accordance with its duty under Section 3 of the 2003 Act. As with any Council borrowing, the Council is also required to have regard to the Prudential Code for Capital Finance in local authorities (**the Prudential Code**) when carrying out its duties with regard to borrowing money. This includes a requirement to have regard to its financial commitments and obligations to any companies or other similar entities in which it has interests.

Appendix 1: Legal advice from Trowers & Hamlins

Borrowing should normally be for capital expenditure as accounting requirements in existing legislation for authorities to balance their revenue budgets prevent the long-term financing of revenue expenditure by borrowing. However, the system confers limited capacity to borrow short-term for revenue needs in the interests of cash-flow management.

Government guidance clarifies that a Council is able to borrow to invest (under section 12 see above) but speculative borrowing purely in order to invest at a profit remains unlawful.

The Council, therefore, has power to borrow (with a view to on lending to the LLP) if the borrowing is relevant to its functions. We believe the Council will be able to satisfy itself that the purpose of the borrowing here is relevant to a number of different Council functions, including housing, economic regeneration and functions under section 1 of the Localism Act 2011.

In terms of the on-lending to the LLP, Section 24 of the Local Government Act 1988 provides the Council with the power to provide a wide range of financial assistance (including the making of loans) to any person in connection with the provision of privately let housing accommodation. This would cover the social/affordable/market rent and shared ownership units to be provided by the LLP. Where Section 24 is to be relied upon, the Council must first obtain the consent of the Secretary of State under Section 25 of that Act. General Consent C issued by the DCLG in December 2010 currently provides the relevant coverage.

To the extent that the lending is to cover other types accommodation (e.g. market sale units or retail space), then it is anticipated that the Council will seek to rely upon:

(a) its general power of competence under Section 1 of the Localism Act 2011; and/or

(b) the power under Section 111 of the Local Government Act 1972 which empowers local authorities to do anything whether or not involving the expenditure, borrowing or lending of money which is incidental, conducive or calculated to facilitate the exercise of any of their functions. This would include the exercise of functions in relation to housing, economic regeneration and under Section 1 of the Localism Act 2011.

Specific accounting advice will be required to be taken as to the treatment of on-lent sums if they are to be used to finance any of the LLP's <u>revenue</u> costs.

Agenda Item 17

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

Document is Restricted