

MAIDSTONE BOROUGH COUNCIL

CABINET

MINUTES OF THE MEETING HELD ON
13 FEBRUARY 2008

PRESENT: Councillor Mrs Wilson (Leader) and
Councillors Daley, FitzGerald, Harwood and Hooper

ALSO PRESENT: Councillors Butler, Garland, Greer, Sherreard and
Warner

124. **URGENT ITEM**

The Leader of the Council announced that she had agreed to take an urgent Record of Recommendation from the Cabinet Member for Environment regarding Vinters Park Crematorium – Mercury Abatement and Cremator Replacement Works as the decision had only been made on 13 February 2008 and it had an implication on the budget strategy.

125. **NOTIFICATION OF VISITING MEMBERS**

Councillors Butler and Greer indicated their wish to speak on Item 23.
Councillors Garland and Sherreard indicated their wish to speak on Item 13.

126. **DISCLOSURES BY MEMBERS AND OFFICERS**

- a) Councillor Greer disclosed a prejudicial interest in Item 12 as he is a member of the Maidstone Leisure Trust and left the room when this item was discussed.
- b) Councillor FitzGerald disclosed a personal interest in Item 14 as he was Chairman of the Medway Valley Line.

127. **DISCLOSURES OF LOBBYING**

Councillors Hooper and Mrs Wilson disclosed that they had been lobbied in respect of Item 12.

128. **EXEMPT ITEMS**

RESOLVED: That the items on Part II of the Agenda be taken in private as proposed.

129. **MINUTES**

RESOLVED: That the Minutes of the meeting held on 9 January 2008 be approved as a correct record and signed, subject to the following amendment:-

That the following be added to Appendix B, Record of Decision of the Cabinet, Climate Change Action Plan Update, Page 3, Micro-Hydro Electricity Generation –

“The Environment Agency to be asked to look at the possible use of Allington Lock for hydro electric generation for the downward flow.”

130. STRATEGIC RISK REGISTER UPDATE

See Record of Decision of the Cabinet (copy attached as Appendix A).

131. STRATEGIC PLAN 2008-2011

Cabinet considered the Report of Management Team with regard to the Strategic Plan 2008-2011.

RESOLVED:

- a) That the Strategic Plan 2008-11 (Appendix A of the Report of Management Team) together with draft amendments arising from the consultation (Appendix B of the Report of Management Team) and further necessary amendments (Appendix C of the Report of Management Team) be agreed.
- b) That the Key Performance Indicators (Appendix D of the Report of Management Team) now incorporate the final set of National Indicators agreed through the LAA that the authority will be working towards be agreed.
- c) That the proposals for deleting or retaining BVPIs (Appendix E of the Report of Management Team) be agreed.
- d) That the Leader of the Council be given delegated authority to finalise the document following consideration of consultation responses and other amendments and to take into account developments (for example in relation to the LAA).
- e) That the following amendments are incorporated in the Strategic Plan 2008-11: -
 - i) KPI 10 – include “under 50 seconds wait time” in explanation.
 - ii) An objective should be added for the Leisure Centre
 - iii) Page 26, Environment, last line, “Specifically” should be changed to “incorporating”
 - iv) Page 28, Key Objectives, Bullet point 2, “the river” should be changed to “our water courses”.
 - v) Page 35, Key Objectives, Bullet point 1, last line should read “Tackling environmental crime (e.g. litter, fly-tipping, graffiti and pollution)”
 - vi) Page 35, Quality Living, box on right hand side should read “£77,000 allocated for combating substance misuse”)

See Record of Recommendation of the Cabinet to Council (copy attached as Appendix B).

132. REVIEW OF SENIOR MANAGEMENT STRUCTURE
See Record of Decision of the Cabinet (copy attached as Appendix C).
133. BUDGET MONITORING – THIRD QUARTER 2007/08
See Record of Decision of the Cabinet (copy attached as Appendix D).
134. TREASURY MANAGEMENT STRATEGY 2008/09 – 2010/11
See Record of Recommendation of the Cabinet to Council (copy attached as Appendix E).
135. REVIEW OF FINANCIAL PROCEDURE RULES
See Record of Decision of the Cabinet (copy attached as Appendix F).
136. MAIDSTONE LEISURE CENTRE
See Record of Decision of the Cabinet (copy attached as Appendix G).
137. PRIORITISATION OF GROWTH POINT PROJECTS
See Record of Decision of the Cabinet (copy attached as Appendix H).
138. MAIDSTONE BOROUGH COUNCIL'S BOROUGH GRANTS PROGRAMME
See Record of Decision of the Cabinet (copy attached as Appendix I).
139. INTERNAL AUDIT - SIX-MONTHLY INTERIM REPORT
Cabinet considered the Report of the Head of Internal Audit and Risk Strategy regarding the six-monthly interim report.
- RESOLVED:
- a) That the results of the work of the Internal Audit Section over the period April to September 2007 as shown in Appendix A of the Head of Internal Audit and Risk Strategy be noted.
 - b) That there are no important issues arising from audit work which are outstanding and need to be brought to the attention of Members be noted.
 - c) That the Report of the Head of Internal Audit and Risk Strategy – Six-Monthly Interim Report be referred to the Audit Committee.
140. INTERNAL AUDIT STRATEGIC PLAN
See Record of Decision of the Cabinet (copy attached as Appendix J).
141. MAIDSTONE BOROUGH SERVICES MANAGEMENT STAFF STRUCTURE
See Record of Decision of the Cabinet (copy attached as Appendix K).

142. KEY PERFORMANCE INDICATORS 2007/08 – THIRD QUARTER PROGRESS UPDATE

Cabinet considered the Report of the Policy and Performance Manager regarding Key Performance Indicators 2007-08 Third Quarter Progress Update.

RESOLVED: That the Report be noted.

143. COMPREHENSIVE AREA ASSESSMENT

See Record of Decision of the Cabinet (copy attached as Appendix L).

144. VINTERS PARK CREMATORIUM – MERCURY ABATEMENT & CREMATOR REPLACEMENT WORKS

See Record of Decision of the Cabinet (copy attached as Appendix M).

145. BUDGET STRATEGY – CORPORATE REVENUE AND CAPITAL BUDGET 2008/09 ONWARDS

See Record of Recommendation of the Cabinet to Council (copy attached as Appendix N).

146. FORWARD PLAN

The Cabinet considered the Report of the Leader of the Council detailing the contents of the Forward Plan 1 March 2008 – 30 June 2008.

RESOLVED: That, subject to the following amendments, the Forward Plan for the period 1 March 2008 – 30 June 2008 be noted: -

Cabinet Member for Environment

Fees & Charges – Refuse & Recycling Services – March 2008

Cabinet Member for Leisure and Culture

Fees & Charges 2008/09 – March 2008

Fees & Charges 2008/09 – Maidstone Market - March 2008

Fees & Charges 2008/09 – Bereavement Services - March 2008

Cabinet Member for Regeneration

Private Sector Housing Renovation Programme 2008-2011 – March 2008

Gypsy Site Regeneration – A Vision for 21st Century – May 2008

147. MOTION – THE NEW NATIONAL CONCESSIONARY FARES SCHEME

See Record of Decision of the Cabinet (copy attached as Appendix O).

148. EXCLUSION OF THE PUBLIC FROM THE MEETING

RESOLVED: That the public be excluded from the meeting for the following items on Part II of the Agenda because of the likely disclosure of exempt information for the reason specified having applied the public interest test:-

**Head of Schedule 12A and
Brief Description**

Report of the Deputy Chief Executive – 3 – Financial/Business Affairs
Acquisition of Land Adjoining Bluebell
Hill

149. ACQUISITION OF LAND ADJOINING BLUEBELL HILL

See Exempt Record of Decision of the Cabinet (copy attached as Exempt Appendix A)

150. DURATION OF MEETING

5.00 p.m. to 7.15 p.m.

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

STRATEGIC RISK REGISTER UPDATE

Issue for Decision

To consider and approve amendments to the Council's Strategic Risk Register.

Decision Made

That the revised Strategic Risk Register as set out in Appendix A of the Report of the Chief Officer Management Team be agreed.

Reasons for decision

The Council has maintained a Strategic Risk Register for a number of years and the Register is subject to periodic review and updating.

The Strategic Risk Register contains the risks to the Council's medium and long term objectives. The risks therefore have a direct relationship with the Council's Strategic Plan.

The basis for the current register emanates from a major review of the register in 2006, which sought to focus the register more specifically on the key areas. This meant that the number of risks was reduced but the prominence of each risk shown in the register was raised. The current register contains risks not only to the Council but also to the borough itself.

The longer term nature of the risks means that in most cases they are unlikely to change dramatically in the short term. However, the likelihood and impact may change and the actions taken to manage the risk should continue and develop over a period as the issues associated with the risk appear.

The Council has successfully used consultants from Zurich Municipal for a number of years to assist in the development of its risk management arrangements. Zurich Municipal has assisted in the recent review and the update of the Strategic Risk Register.

The revised Strategic Risk Register is shown at Appendix A of the Report of the Chief Officer Management Team.

Appropriate Senior Managers take responsibility for managing risks that are appropriate to their area of responsibility. The Action Plans are completed by those managers.

Appendix B of the Report of the Chief Officer Management Team shows the movements in the various risks since March 2007 and the current Strategic Risk Action Plans.

Alternatives considered and why rejected

It is essential that the risks to the successful delivery of the Council's strategic objective are identified and properly managed. The Strategic Risk Register provides a means of achieving this; no alternative action could be recommended.

Background Papers

Previous versions of the Strategic Risk Register

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008**.

MAIDSTONE BOROUGH COUNCIL

RECORD OF RECOMMENDATION OF THE CABINET

TO COUNCIL

Recommendation Made: 13 February 2008

STRATEGIC PLAN 2008-11

Issue for Decision

To consider the draft Strategic Plan 2008-11 attached as Appendix A.

Recommendation Made

That the Strategic Plan 2008-11 be approved.

Reasons for Recommendation

The Strategic Plan sets out the authority's overall direction for the next three years. The document is a rolling three year document updated on an annual basis to ensure that actions and performance targets remain relevant.

This year the document has been overhauled to ensure that it uses clear language, focuses on strategic aims and objectives and that it can be understood by a wide range of audiences. It is supported by a set of Key Performance Indicator targets and actions for implementation by managers.

A draft Strategic Plan was considered by Cabinet on 19 December 2007. This document is set out at Appendix A of the Report of Management Team. Responses to the consultation are set out at Appendix B of the Report of Management Team.

Financial implications related to the plan are set out in the Medium Term Financial Strategy and the authority's budget which are considered in conjunction with the Strategic Plan.

The Council is developing this year's Strategic Plan within a rapidly changing environment in local government. The Strong and Prosperous Communities White Paper set out the Government's proposals for further reform of public services and this is now being implemented through proposals emanating from the Comprehensive Spending Review 2007 (including National Indicators established through Government Departmental Strategic Objectives), the Local Government and Involvement in Health Act 2007 and a range of forthcoming legislation together with initiatives such as the Comprehensive Area Assessment (CAA).

Whilst the Local Area Agreement 2 National Indicator set has been finalised, work still remains to be done in terms of the actual performance targets impacting

upon the Council. Where possible, proposals will be built into the plan prior to submission to Council on 27 February 2008 under the delegation to the Leader of the Council.

From 1 April 2008 the set of statutory Best Value Performance Indicators will be replaced by National Indicators which are intended to be more outcome focused. The authority currently reports against 64 BVPIs. Although the BVPIs represent a previous mechanism of performance comparison and assessment, reflecting central government objectives for local government, a number of the BVPIs report against areas that are core business measures and indicators of corporate health.

Alternatives considered and why not recommended

The Strategic Plan sets out the authority's overall direction and forms part of the Council's policy framework.

The authority could decide not to produce the document which would result in a lack of strategic direction. Alternatively the authority could decide not to update the document but this would result in the plan fast becoming out of date. Both of these options would impact on service delivery and could result in negative inspection outcomes.

The authority could decide to include different contents or develop an alternative structure. This document is believed to represent best practice.

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

REVIEW OF SENIOR MANAGEMENT STRUCTURE

Issue for Decision

To consider a revised senior management structure designed to enhance service delivery and recognise current priorities and to give flexibility in implementing minor staff changes in the future.

Decision Made

1. That the proposed senior management structure as set out in Appendix B of the Report of the Chief Executive be agreed with immediate effect.
2. That the Chief Executive be given delegated authority, in consultation with the relevant Cabinet Member, to implement minor staff changes in the future other than where it is contentious or involves additional costs.

Reasons for decision

The current senior management structure is attached as Appendix A to the Report of the Chief Executive. This was implemented in June 2006.

An updated senior management structure has been agreed within two of the directorates, the changes being designed to enhance service delivery and recognise current priorities. The proposed structure is set out in Appendix B to the Report of the Chief Executive.

The proposed changes are summarised as follows:

- a) Considerable progress has been made within the Council through the Business Transformation programme, led by the Business Manager Operations. It has now been agreed to take this forward on a partnership basis with Tunbridge Wells Borough Council and Ashford Borough Council and to look for the opportunity for further joined up working. The Business Manager Operations currently works for the Director of Operations responsible for Business Transformation and some performance monitoring and business support within the Operations Directorate. Business Transformation has become a key change process for the Council and as this is the main focus for this post it is proposed to group this activity with other related work in the Change and Support Services Directorate.
- b) The above move enables a rebalancing of workload within Change and Support Services. The current level of activity connected to the Office Move and the new Gateway has increased the responsibilities of the Assistant

Director of Customer Services. To enable time to be spent on this additional work, it is proposed that the Property and Procurement Manager will move to work for the Business Manager. This will also enable the focus of the partnership working in procurement to be taken forward in a way that is consistent with the Business Transformation Programme. Procurement has been identified as a service area which represents huge opportunities for the effective and efficient development of partnerships within Kent and this alignment will assist this development.

- c) The performance of the Development Control Team has improved considerably in recent years, particularly the strengths that have brought about the huge progress in the speed of processing planning applications. To take this forward, it is proposed that an overall DC Manager position be created to take responsibility for both area teams and for the Registration team, previously managed by the Business Manager. The current post holder has been asked to act up into this role.
- d) The opportunity has also been taken to rebalance workload in the Operations Directorate. There is recognition of the increased input required by the Assistant Director of Regulatory and Environmental Services to the development in recycling and the increased activity in grounds maintenance with the incoming workload from a current external contract. To enable the necessary focus on these areas, the DC Manager will report directly to the Director of Operations.

The current arrangements require the Chief Executive or Directors to report to the relevant Cabinet Members if a change in the structure is recommended. This applies even if the changes are relatively minor. It is proposed that a delegation be given to the Chief Executive to implement minor staff changes, in consultation with the relevant Cabinet Member, on the basis that the proposals are not contentious, in terms of staff comments, nor involve additional costs to the Council. This is particularly relevant where changes are made following the implementation of Business Transformation.

The Chief Executive clarified that any changes that were non-contentious meant that there were no additional costs, the staff affected were happy with the changes and that any changes would be made in line with the Council's HR policies.

Alternatives considered and why rejected

One major alternative would be to maintain the status quo. For the reasons outlined above, this is not recommended.

Background Papers

None

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008**.

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

BUDGET MONITORING – THIRD QUARTER 2007/08

Issue for Decision

To consider the capital and revenue budget and expenditure figures for the third quarter of the current financial year and any problems identified, together with other financial matters to ensure that the overall financial position of the Authority is in accordance with the medium term plan.

Decision Made

1. That the current position on revenue, as outlined in the Report of the Chief Finance Officer, be noted.
2. That the situation in relation to the Park and Ride service be noted and to await a further report from officers.
3. That the reported changes to the capital programme of £1.59M slippage into 2008/09 and the return to the 2007/08 programme of previously approved slippage of £0.13M, making a net change of £1.46M be approved.

Reasons for decision

The constitution delegates the financial responsibility for individual budgets to the relevant Director, with the overall financial responsibility delegated to the Responsible Financial Officer. However, Cabinet have previously agreed to consider the revenue and capital budget and other financial issues in summary form on a quarterly basis. It was also agreed that budget variations above £30,000 would be considered, although this does not preclude other issues to be considered if the projections are considered material.

REVENUE

Appendix A of the Report of the Chief Finance Officer details, for each Cabinet Portfolio, the profiled budget to be spent by the end of December 2007. The process to achieve this necessitates each individual item of budget estimate to be reviewed to decide whether there is a specific profile, i.e. a budget to be spent at the beginning of the year or at the end, or whether the budget can reasonably be spread in equal amounts over the financial year.

The budget used in the Report of the Chief Finance Officer is the revised estimate for 2007/08 as reported for approval elsewhere on this agenda. The actual spend against the Cabinet Portfolio profiled budget is also shown as is the variance

between the profiled estimate and actual spend.

From the Revenue Outturn 2006/07 reported to Cabinet in May and June 2007 that there were areas of slippage or underspend during 2006/07. As in the previous year, it remains apparent at the third quarter of 2007/08 there are a number of areas of underspend, compared to the notional profile. The total slippage and underspend to December 2007 is £1.066M, as shown in Appendix A of the Report of the Chief Finance Officer.

The major issues to bring to Members attention are as follows:

Adverse Variance

- a) Park & Ride – At the end of December 2007, the budget variance stands at £54,000. During the third quarter a number of changes to the Park & Ride service and its budgets were approved and actioned. The expectation was that this would alleviate the predicted under recovery in part which at the time was expected to be in the region of £100,000 by the end of the year. The reasons for the variance are that:
- the level of concessionary fare reimbursement has been lower than predicted;
 - season ticket income did not change as expected; and
 - the level of usage of Park & Ride sites was reduced in December by 2%. However, Willington Street has been full to capacity.

A report is being prepared considering fare options in the light of the Budget Strategy.

Positive Variances

- a) Interest on Investment Income – During the third quarter, due to market fluctuations, additional investment income of approximately £94,000 has been achieved. In accordance with the decision of Cabinet, when considering the first quarters performance, this additional income will be added to Balances.
- b) Devolved Budgets – The devolved budget scheme shows a £53,000 variance from the profiled budget at the end of the third quarter. This budget head is subject to consideration by Cabinet following the completion of the Best Value review and the comments of Overview and Scrutiny Committee.
- c) Parks & Open Spaces – The underspend to December 2007 is approximately £63,000. This variance relates to grounds maintenance and equipment budgets and due to the impending contract changes it is intended at this time to retain these other resource for any unexpected costs.
- d) Leisure Centre – The underspend to December 2007 is approximately £70,000. The major part of this variance reflects the benefit to the Council from the Leisure Trust's VAT status. This resource is being held as it may be required for professional works and negotiations over the catering contract so that it will become co-terminus with the leisure centre contract in advance of the production of a new tender in 2008/09.
- e) Concessionary Fares – This service has been supported by an additional contingency related to appeals against the Kent county wide scheme in 2007/08. To date this contingency has not been called upon and is creating a favourable variance of £109,000.

- f) Licensing – The favourable variance of £34,000 on this service relates to additional income from premises and gambling licenses and the non use of the professional services budget. All of these budgets have been amended as part of the 2008/09 budget strategy proposals.
- g) Land Charges – The variance of £33,000 on this service mainly relates to an over recovery of income from charges. In 2007/08 the government ring fenced costs and income from this service and the Council operates a trading account. The majority of the reported variance will relate to that trading account however a small amount of surplus, achieved before the regulations came into force is available as a general over recovery.
- h) Employee Costs – In total employee costs are showing a favourable variance of £370,000 as an effect of the vacancy rate. The estimates assume an amount of salary based slippage, however, the figure reported here, if projected for the year, is in excess of that assumption.

Outstanding Issues from 2006/07 Final Accounts

- a) Development Control Income – At the end of 2006/07 there was a material adverse variance in the level of Development Control income. It was agreed that this will be carefully monitored during the current financial year. At the end of the third quarter income levels over the expected budget and delays to work on the Kent International Gateway application have resulted in a positive variance as reported above.
- b) PCN Income – In overall terms, the level of PCN income is approximately £17,000 under budget at the end of the third quarter. This is a recovery since the second quarters report. This issue will continue to be closely monitored during the last quarter.

Other Issues

In overall terms the Report of the Chief Finance Officer identifies only one serious problem that needs to be addressed in the financial year. Other minor adverse variances have been limited by careful control of related expenditure and income budgets. In addition to the details given above there are a number of services where there is need to monitor expenditure closely.

Following the recent problems with the monitoring contract for the CCTV control room short term contracts have been issued direct with the staff at the facility. Cabinet approved one off resources of £10,000 as part of the September Budget Monitoring Report and the Head of Service is currently preparing tender documentation for a new monitoring contract. The current financial situation is that the service is not reporting a significant variance, however maintenance and replacement budgets are being held to contain expenditure.

Through the Budget Monitoring process it was confirmed to Cabinet that the savings incorporated into the 2007/08 budget are being delivered by the responsible spending officers. The previously reported exception to this, the IT Section, is having difficulty achieving the full saving in the current year. In addition the section is struggling with increased costs for current software licences and additional levels of service demand as we approach the office move.

During last years budget strategy process the then Cabinet approved additional temporary resources for the Homelessness Service in response to the difficulties experienced at that time with finding accommodation. At present the service is

reporting a positive variance on this budget of £25,000. Members should be aware that this is a one off variance as the budget has been reduced in the 2008/09 estimate.

As part of the ongoing Value for Money Strategy, cashable and non-cashable efficiency savings are regularly achieved. This is monitored through the financial and performance processes. These will be used to identify efficiencies for future financial years.

COLLECTION FUND

Based on tax collection data, the level of local tax collection for both Council Tax and Non Domestic Rates are broadly in line with the December profiled target.

The Tax Base is monitored on a quarterly basis, and the latest information suggests that the Tax Base will be exceeded this year. The position on the Collection Fund was reported to Cabinet in December.

CAPITAL

Appendix B of the Report of the Chief Finance Officer is a summary of the current capital budget for this financial year. The format of this report is different from the revenue budget report as it details each capital scheme individually. The original estimate is the starting point of the budget for this report.

The following information is identified in Appendix B of the Report of the Chief Finance Officer.

	<u>Detail</u>
1.	Description of scheme in portfolio order.
2.	Approved budget for 2007/08. (Cabinet 14 th November)
3.	Profiled budget to December 2007
5.	Actual expenditure to December 2007.
6.	Variance from budget to December 2007.
7.	Predicted expenditure in the final quarter 2007/08.
8.	Predicted total spend for year
9.	Budget to be carried forward to 2008/09 and beyond.

In overall terms, the original 2007/08 capital programme was £20.5M based on an initial budget of £11.4M with £9.1M carried forward from 2006/07. At previous meetings of Cabinet where the capital programme has been considered agreement was given to amend the programme, including carry forward of resource to 2008/09. The approved programme following Cabinet's meeting in November 2007 totalled £12.1M. There have been further amendments from the budget strategy agreed at Cabinet in December 2007 and the current programme totals £12.5M as detailed in Appendix B of the Report of the Chief Finance Officer.

Members will note that, compared to the proportional budget to the end of December 2007, there has been an underspend of approximately £0.3M. Incorporating the responsible officers' predictions for the remaining quarter of the year there will be an additional carry forward requirement of £1.5M as detailed in Appendix B of the Report of the Chief Finance Officer.

The reasons for the major carry forwards are as follows:

- a) Gypsy Sites – The programme has suffered from current weather conditions and the identification of potential pollutants on the site, this will move some expenditure into 2008/09.
- b) Office Accommodation – The move is based on the latest timetable provided by the Property Services Manager.
- c) Athletics Track – There have been delays in meeting objections to the planning application and this in turn has delayed the project.
- d) Exchange Studios – The full schedule of work shows that a large part of the cost will be incurred during the final stages of the work in April.
- e) Green Space Strategy – Difficulties with contractors and timing of preparation works.
- f) South Maidstone Project – There is further slippage expected in this project but design and build information will be firmer by mid-March after invitations to tender are made.
- g) Museum Improvements, Leisure Centre and Crematorium – In the case of these schemes there is a need to reverse earlier decisions to move resources to 2008/09. For the Museum and Crematorium this is to progress the project, for the Leisure Centre this is for Health & Safety work.

The level of capital receipts relating to the quarter ending December 2007 is £1.7M which is in line with the expectation reported in the budget strategy.

TREASURY MANAGEMENT

Due to the positive cash flow position and the volatility of interest rates, investment income is £94,000 above the profiled estimate for the third quarter of 2007/08 and likely to reach £150,000 above the revised estimate by the end of the year. In accordance with the decision of Cabinet in August 2007, this additional investment income will be added to Balances.

The investment decisions agreed by Council in March 2007 have been completed to date. This ensures a degree of stability in investment income over the following 2 financial years.

The overall level of investments in late December is in the region of £44M which compares to the estimated level of approximately £42M. In addition, the volatility of interest rates has meant that the average rate for short term investments has been in the region of 1% above that predicted for the quarter.

BALANCES

Cabinet recall that the level of Balances not earmarked for specific purposes at March 2007 was £3.05M, which included £0.28M of additional uncommitted balances resulting from 2006/07 Financial Accounts. Cabinet agreed to retain this additional amount to address future financial pressures.

The minimum level of Balances target in the Medium Term Finance Strategy is 10% of Net revenue spend, ie. £2.13M and the minimum level set by Council for 2007/08 is £2M.

During the year to December Cabinet has approved a number of transfers to and from balances. Details of these and the currently expected level of balances are given in the budget strategy report.

PRUDENTIAL INDICATORS

The Prudential Indicators approved by Council in March 2007 are monitored on an ongoing basis during the course of the year. The Budget Monitoring information reported to Cabinet within this report enables officers to confirm that these indicators have not been breached so far this year and are not likely to do so during the balance of the year, unless there is some significant material change, in the event of which a report to Cabinet and Council would be necessary.

Alternatives considered and why rejected

The major alternative action is to leave the budget monitoring process to Officers. The Constitution does require specific problems to be considered by Cabinet Members with the proposition that, in the absence of such reports, the budgetary control process has not identified any specific items for consideration.

Should such an approach be taken Cabinet Members would have a reduced financial awareness and reduced ability to meet service requirements.

Background Papers

Electronic reports retained with the Agresso Financial Management System.

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008**.

MAIDSTONE BOROUGH COUNCIL

RECORD OF RECOMMENDATION OF THE CABINET

TO COUNCIL

Recommendation Made: 13 February 2008

TREASURY MANAGEMENT STRATEGY 2008/09-2010/11

Issue for Decision

To consider endorsing a Treasury Management Strategy for 2008/09, in accordance with CIPFA's Code of Practice on Treasury Management, including a series of prudential indicators required under the 2003 Prudential Code for Capital Finance.

Recommendation Made

1. That the following strategy be agreed: -
 - a) Invest a maximum of £5m over a maximum time period of 2 years, to give some further certainty to investment income as there is a risk of a further cut in rates during 2008. It is considered prudent to have a degree of flexibility in the strategy given the possibility of a cut in rates.
 - b) Once these deals have been made any sums left will be utilised for short term (less than 1 year) cashflow purposes. This will allow some flexibility to take advantage of any temporary increases in money market rates during the course of the year.
 - c) There will be no planned borrowing, other than for short-term cashflow purposes. The Council is currently debt-free.
2. That the prudential indicators detailed in Appendix A and, as amended by the Budget Strategy Report, be agreed.
3. That delegated authority be given to the Chief Finance Officer (in consultation with the Cabinet Member for Corporate Services) to make use of alternative investment instruments should it be considered prudent to do so and should it be of advantage to the Council.
4. That the Council's Treasury Management Practices be amended to reflect these recommendations.

Reasons for Recommendation

The Report of the Chief Finance Officer identifies that the Council will have anticipated cash balances at 31st March 2008 of £22.2m, and that the maturity

In total £8m of the £9m has been invested on a long-term basis to date. All other investments have been on a short-term basis. The remaining £1m has not been invested to date as longer term rates fell to a level where it would not have been advantageous to make an investment over a longer period. However, the Council was able to take advantage of the temporary rise in money market rates which followed the Northern Rock crisis in the autumn of 2007, and this generated higher than anticipated investment income.

Current Cashflow Performance

Detailed below is the Council's current portfolio position at 1st February 2008.

	Principal £m	Average Rate %
Total Debt	0.0	
Short-term Investments	32.2	5.96
Long-Term Investments	12.4	5.80
Total Investments	44.6	

Throughout 2007/08 the level of investments has remained high, with an average balance of £37.4m invested over the course of the year. This covers investment of balances, capital receipts and other balance sheet assets. However it is higher than anticipated as a consequence of slippage in both revenue and capital expenditure, as reported to Cabinet in various budget monitoring reports.

The only borrowing that has taken place during 2007/08 has been for short-term cashflow purposes.

Base Rate Forecast

It is the view of the Council's Treasury Management advisors that base rates have peaked at 5.5% and will fall back to 4.75% by June 2008. It is then projected that rates will rise to 5% towards the end of 2009. However it is also their view that there remains the possibility of the base rate falling below 4.75% during 2008, and of it rising above 5% during 2008 and 2009, depending on how the economic situation develops over the next two years.

Economic Background

Economic growth has been strong during 2007, but is expected to cool in 2008. House prices started on the downswing towards the end of 2007 and this is expected to continue into 2008.

Banks have also tightened their lending criteria since the US sub prime crisis started and that will also dampen consumer expenditure via credit cards and on buying houses through obtaining mortgages.

Government expenditure will be held under a tight reign for the next few years, undermining one of the main props of strong growth during the past decade, and the Bank of England Monetary Policy Committee (MPC) is very concerned at the build up of inflationary pressures especially the rise in the oil prices.

UK growth was still strong towards the end of 2007, as has also been the growth in the money supply. The downward trend in Bank Rate is now expected to be faster than at first thought, after the initial cut in December 2007 to 5.50%, in view of the MPC minutes which showed a unanimous MPC vote for a cut and the consideration given to a half per cent cut.

There is now a consensus amongst forecasters, the market and policymakers that the UK economy is set to slow significantly during 2008. This is likely to mean the base rate falling to 4.75% by the end of 2008, before rising back to 5% by the end of 2009, although it could fall further if output slows more markedly than expected. However there is a possibility of further rises beyond 2009 if inflationary pressures do not subside.

Updated Cashflow Projection

A cashflow projection up to March 2011 has been put together. It shows that the higher than expected level of investments will generate investment income in 2007/08 of approximately £2.2m, compared to an original estimate of £1.4m. This increase is in part a consequence of the upward movement in base rates, which were anticipated to fall when the current strategy was put together last year, as well as slippage in the forecast revenue and capital expenditure. At that stage the base rate of 5.25% was expected to rise to 5.5% by the middle of 2007 before falling back to 5% by the end of 2007. However rates actually rose to 5.75% by July before being cut to the current level of 5.5% in December.

The other major factor was the consequence of the US sub prime crisis, which led to UK banks being reluctant to lend to each other, and when they did lend they did so at rates higher than the market would normally expect to see. This meant that money market rates rose as high as 6.7% for short term investments during the period of the crisis in the banking sector.

This temporary rise in rates meant that the shortfall in projected investment income that arose as a result of the outstanding £1m long term investment referred to at 1.4.2 above has been exceeded as a result of investment activities during this period.

The three year cashflow projection shows that anticipated investment income for 2008/09 will be £1.6m in 2009/10 and £1.4m in 2009/10, based on all known factors at this point in time.

Based on the current cashflow projection the Council has anticipated year end cash balances available for investment totalling £22.2m at present, comprising basically of balances and capital receipts. Based on current forecasts it is anticipated that this will be utilised or available for potential problems in the following time frames (Surplus funds arising from the daily cashflow will continue to be utilised on a short term basis):

	£m
Within 12 months	1.7
Within 2 years	6.3
Within 3 years	4.1
Longer Term	10.1
Total	22.2

Proposed Strategy 2008/09

In formulating and executing this strategy the Council will have regard to the ODPM's Guidance on Local Authority Investments issued in March 2004 and CIPFA's Code of Practice on Treasury Management.

CIPFA's Treasury Management Code of Practice states that *"in balancing risk against return, local authorities should be more concerned to avoid risks than the maximise returns"*. Therefore the underlying principles of the strategy are to ensure absolute security of Council funds, and to avoid large variations in annual investment returns, which would impact upon the budget.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to on-lend and make a return is unlawful and the Council will not engage in such activity.

Investment instruments identified for potential use in the financial year are listed at Appendix A of the Report of the Chief Finance Officer under the 'Specified' and 'Non-Specified' investment categories, as per the ODPM guidance referred to above.

Specified instruments are those that are recommended as being suitable for use by local authorities in the ODPM guidance. Non-specified instruments are included at the Council's discretion, based on guidance from our Treasury Management advisors.

The strategy as set out at in Decision 1 above will not require any amendments to be made to the current list of counterparties or their existing limits. It should be noted that Northern Rock are no longer on the Council's list as their credit rating has now fallen below the minimum required levels. Despite their difficulties no local authority has suffered any loss as a result. The current counterparties list is attached at Appendix B of the Report of the Chief Finance Officer.

At this stage it is anticipated that the current approved forms of investment will be sufficient to deliver the strategy based on current and forecast base rate projections. However, as has been mentioned previously actual base rates can deviate significantly from those forecast, so it would be appropriate to have a flexible approach to the use of the alternative instruments listed above.

There are a number of alternatives that have been discussed with the Council's Treasury Management advisors during the formulation of this strategy, which have been included in the list of Specified and Non-specified instruments referred to at 1.9.4. These are as follows (full definitions are shown at Appendix A of the Report of the Chief Finance Officer):

- Corporate Bonds
- Callable Structures
- Callable Range Accruals
- Certificates of Deposit (CDs)
- Snowballs

The Chief Finance Officer has previously been given delegated authority to use alternative forms of investment, should the appropriate opportunity arise to use them, and should it be prudent and of advantage to the Council to do so. This delegated authority is subject to prior consultation with the Cabinet Member for Corporate Services on any possible use of these instruments. This has not been exercised to date.

Based on the information in the table above there will be a balance of £22.2m invested at the start of 2008/09. £12.2m of this figure is already invested in Eurosterling Bonds and long-term deposits that mature as follows:

Investment	Total Invested £m	Repayment profile maturities		
		2008/09 £m	2009/10 £m	2010/11 £m
Eurosterling Bonds	7.2	2.8	4.4	-
Long-term investments	5.0	-	2.0	3.0
Totals	12.2	2.8	6.4	3.0
Use of balances	-	1.7	6.3	4.1

These maturities will therefore cover the anticipated use of cash balances for the periods above. This leaves a sum of £10m available for investment for up to a maximum of 3 years. (£22.2m less the £12.2m maturing long-term investments shown above)

As mentioned previously interest rates are projected to fall to 4.75% during 2008 before rising back to 5% during 2009, although there is a risk of further cuts during 2008/09. The budget for investment income is based on this projection. Over the same period current money market rates are as follows:

<i>(Rates based on an investment of £1m)</i>	Market Rate	Forecast Base Rate
1 year deposit (Jan.09)	5.28%	4.75%
2 year deposit (Jan.10)	5.01%	5.00%
3 year deposit (Jan.11)	4.99%	5.00%

However, recent experience has shown that over time actual interest rates can vary considerably from what was originally forecast. As was mentioned previously the forecast for the current base rate this time last year was 5%, compared to the actual current rate of 5.50%.

The £10m available for investment over the next three years (based on the Medium-Term Financial Plan) is subject to changes in future spending projections. In addition forecast rates are also subject to change, as has been shown in the past year.

Based on these projections, and following consultation with the Council's Treasury Management advisors the following strategy is recommended:

- a) Invest a maximum of £5m over a maximum time period of 2 years, to give some further certainty to investment income as there is a risk of a further cut in rates during 2008. It is considered prudent to have a degree of flexibility in the strategy given the possibility of a cut in rates. As shown at 1.9.12 above market rates for 2 and 3 year investments are currently around the 5% projected base rate level that the investment income budget is based on.
- b) Once these deals have been made any sums left will be utilised for short term (less than 1 year) cashflow purposes. This will allow some flexibility to take advantage of any temporary increases in money market rates during the course of the year.
- c) There will be no planned borrowing, other than for short-term cashflow purposes. The Council is currently debt-free.

Alternative Scenarios

The cashflow projection for 2008/09 assumes that all anticipated capital receipts will be received in total and on time. However, there exists the risk that £7m of these receipts could be significantly delayed or not received at all. This would therefore have a major impact upon the sums available for investment, and therefore upon the projected investment income.

As referred to at 1.9.12 above there is also the possibility of further cuts in the current base rate of 5%.

In the event of the capital receipts not being received in 2008/09 it is estimated that investment income would drop from £1.60m to £1.45m. A base rate cut of 0.25% midway through the year would reduce this by a further £0.03m. This latter situation is not considered material.

It would therefore be prudent to have an alternative strategy in place to deal with the possibility of a shortfall in capital receipts.

The most appropriate strategy would be to not to commit to any long term investments during 2008/09, and to simply continue to invest any available balances on a short term basis throughout the year, until the capital receipts situation became clearer.

The impact of not receiving the receipts would continue to be monitored through the budget monitoring reports that are produced throughout the year.

Prudential Indicators

The indicators important to the Treasury Management strategy are detailed on the attached Appendix C of the Report of the Chief Finance Officer, the most important of which are listed below. The upper and lower limits are set with reference to the peaks and flows of cashflow throughout the year. There always exists the possibility of the limits being approached at the start and end of each financial year when the income stream is at its lowest:

a) **Authorised Limit for External Debt**

This places an upper limit on the Authority's borrowing by indicating a level of debt that the authority calculates is affordable and relevant. Along with the debt held for the financing of capital expenditure and other long term liabilities, this limit includes provision for day to day cash flow needs. Borrowing above this limit should not occur.

b) **Operational Boundary for External Debt**

This provides a limit for day to day cash flow management. It is the equivalent of the Authorised Limit for External Debt without the allowance for cash flow purposes. It is intended that Treasury Management on a day to day basis should use this limit as a focus. Borrowing to exceed this limit should only occur for short periods of time for cash flow management purposes.

c) **Capital Financing Requirement**

This indicator measures the Council's underlying need to borrow for capital purposes based on past, present and future financing decisions. This indicator must be affordable within the Operational Boundary. The receipt from the transfer of housing stock to Maidstone Housing Trust and other receipts directly affect this indicator and this means the Council has no current plans to borrow.

d) **Upper Limit for Fixed Rate Exposure**

This places a limit on the proportion of borrowing and investment that can be at a fixed rate of interest. Due to the nature of the Council's cashflows it is likely that this limit will only be approached at the start and the end of the financial year when there are less surplus funds available for surplus investment. (Fixed rate is defined as any borrowing or investments where the rate is fixed but only where the period is in excess of one year.)

e) **Upper Limit for Variable Rate Exposure**

This places a limit on the proportion of borrowing and investment that can be at a variable rate of interest. The limit set reflects the fact that during the year there can be excess surplus funds available for short term investment. These arise from timing differences between receipts received and payments made. (Variable rate is defined as any borrowing or investments for a period up to a maximum of 364 days, irrespective of whether the rate is fixed or not.)

f) Upper Limit for Total Principal Sums Invested over 364 days

This limit has been set in consultation with the Council's Treasury Management Advisers, and the background to this is dealt with in more detail in the proposed investment strategy earlier in this report.

g) Maturity Structure of New Fixed Rate Borrowing during 2008/09

This indicates the assumed maturity structure for any borrowing that may occur at a fixed rate of interest, during 2008/09. As any borrowing is expected to be for cash flow purposes only it will be short term borrowing at variable rates.

Alternatives considered and why not recommended

The Council is required to endorse a Treasury Management Strategy and monitor and update the strategy and prudential indicators as necessary. The Council could endorse a simple strategy for Treasury Management; however, this would be contrary to best advice from the Council's advisors and likely to produce a reduced income stream from investments.

External Fund Managers – by appointing external managers local authorities benefit from security of investments, diversification of investment instruments, liquidity management and the potential of enhanced returns and capital appreciation. Managers do operate within the parameters set by local authorities but this involves varying degrees of risk. This option has been discounted on the basis of the risk to capital receipts, which would make it difficult to ascertain a suitable sum to assign to an external manager.

Background Papers

Working papers held in the Corporate Finance office.

PRUDENTIAL INDICATORS**Ratio of Financing Costs to Net Revenue Stream**

2007/08	2008/08	2009/10	2010/11
%	%	%	%
-9.5	-7.5	-6.4	-5.9

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. As there is no borrowing planned this shows as a negative figure as it is based on investment income only.

Incremental Impact of Capital Investment Decisions on the Council Tax

	2007/08 £,000	2008/08 £,000	2009/10 £,000	2010/11 £,000
i) Forecast of total budgetary requirement no changes to capital programme	11,560	11,968	12,441	12,880
ii) Forecast of total budgetary requirement after changes to capital programme	11,650	12,118	12,541	12,980
iii) Additional Council Tax Required in £.p.	1.56	2.57	1.70	1.68

Demonstrates the affordability of the capital programme. It demonstrates the impact of the proposed capital programme upon the Council Tax.

Current Financial Plan

2007/08 £,000	2008/09 £,000	2009/10 £,000	2010/11 £,000
12,502	18,423	11,249	8,454

This is the estimate of capital expenditure taken from the Corporate Revenue and Capital Budget 2008/09 Onwards elsewhere on this agenda.

Capital Financing Requirement

2007/08 £,000	2008/08 £,000	2009/10 £,000	2010/11 £,000
0	0	0	0

Authorised Limit for External Debt

	2007/08 £,000	2008/08 £,000	2009/10 £,000	2010/11 £,000
Borrowing	4,000	4,000	4,000	4,000
Other Long Term Liabilities	590	460	330	250
Total	4,590	4,460	4,330	4,250

This limit is the main limit set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003.

PRUDENTIAL INDICATORSOperational Boundary

2007/08	2008/08	2009/10	2010/11
£,000	£,000	£,000	£,000
590	460	330	250

This limit should be the focus of day to day treasury management. It is similar to the Authorised Limit but excludes the allowance for temporary cash flow borrowing.

Upper Limit for Fixed Interest Rate Exposure

2007/08	2008/08	2009/10	2010/11
%	%	%	%
45	80	80	80

This is the maximum amount of net borrowing and investment that can be at a fixed rate. Due to the nature of the Council's cashflows it is likely that this limit will only be approached towards the end of the financial year when there are less surplus funds available for short term investment.

Upper Limit for Variable Interest Rate Exposure

2007/08	2008/08	2009/10	2010/11
%	%	%	%
79	80	80	80

This is the maximum amount of net borrowing and investment that can be at a variable rate. The limit set reflects the fact that during the year there can be excess surplus funds available for short term investment. These arise from timing differences between receipts received and payments made.

Maturity Structure of New Fixed Rate Borrowing during 2008/09

	Upper Limit %	Lower Limit %
Under 12 months	0	0
12 months to under 24 months	0	0
24 months to under 5 years	0	0
5 years to under 10 years	0	0
10 years and over	0	0

It is not anticipated that there will be any need for new fixed term borrowing in 2008/09. Any borrowing will be for short term cashflow purposes at variable rates.

Principal Invested for more than 364 Days

2007/08	2008/08	2009/10	2010/11
%	%	%	%
55	80	80	80

This indicator is set to reflect current advice from our Treasury Management Advisors.

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

REVIEW OF FINANCIAL PROCEDURE RULES

Issue for Decision

To consider the attached revised version of the Council's financial procedure rules, which have been updated to include recent changes in the financial environment, working practices and systems of the Council.

Decision Made

1. That the amended financial procedure rules as set out in Appendix A of the Report of the Chief Finance Officer be agreed.
2. That the amended financial limits appendix to the financial procedure rules as set out in Appendix B of the Report of the Chief Finance Officer be agreed.
3. That the amended financial procedure rules and the amended financial limits appendix be referred to the Audit Committee and subsequently the Standards Committee for evaluation of the proposed changes before submission to the Council for approval.

Reasons for decision

The financial procedure rules form part of the Council's Constitution and there is an obligation upon all Members and Officers to abide by these rules where relevant to their activities. They are intended to provide a framework for the management of the Council's financial affairs and thus aid the Council's Chief Finance Officer to carry out his role under section 151 of the Local Government Act 1972.

Best practice recommends that the financial procedure rules are reviewed annually to ensure their continued relevance to the Council. This has been completed at officer level in recent years as no significant changes have been made.

The recent Overview and Scrutiny Committee report into partnership working along with changes to the statutory role of the Internal Audit function and the increased use of electronic methods of payment have all led to the need for significant changes this year.

The revised rules are attached as Appendix A to the Report of the Chief Finance Officer. Separately attached at Appendix B to the Report of the Chief Finance

Officer is the financial limits appendix to the financial procedure rules. The rules and financial limits include a number of minor changes to structure and content that make them more easily readable and some more significant changes as detailed below. A short table of all notable changes is attached as Appendix C to the Report of the Chief Finance Officer.

Internal Audit (Section 7)

Amendments to the section on internal audit include changes brought about by the introduction of the Audit Committee and changes in the statutory guidance from the Accounts and Audit Regulations.

Credit & Purchasing Cards (Section 18)

Although the Council does not make extensive use of credit cards or purchase cards, a small number of credit cards do exist. Current procedures have been informally set by the Chief Finance Officer to ensure that purchases are relevant and properly accounted for and these are working well.

It was felt appropriate to formalise these procedures by adding the requirements to the financial procedure rules at this time.

Partnership Working (Section 25)

An additional section has been added to the rules specifically focused on the Council's requirements for secure arrangements in terms of a business case and exit strategy for all partnerships.

Where partnerships involve financial consequences it is a requirement that the approval of the Chief Finance Officer is gained in advance of entering the partnership. Although no financial limit is placed upon this requirement it is similar to obtaining approval before entering into a contract that has significant financial consequences.

Authority for the Incurring of Expenditure (Section 4)

Following the audit and a review of the financial procedures included in the Emergency Plan a new entry in the financial limits appendix has been made. The item added is numbered 4.8 (e) in Appendix B to the Report of the Chief Finance Officer and relates to paragraph 4.8 (e) of the financial procedure rules.

The Chief Finance Officer, whilst retaining his current limit for other supplementary estimates, will be given authority to approve a supplementary estimate of up to £100,000 in two specific circumstances. These are where the Borough Emergency Coordinator has determined an Emergency exists or where the Council's Business Continuity Plan has been activated. This will be in consultation with the Chief Executive and/or the Leader of the Council.

It is possible that on some occasions, part of such additional expenditure would be covered by grant aid under the Government's Belwin Scheme.

Financial Limits Appendix

The financial limits appendix to the financial procedure rules provides the values for all financial procedure rules. Rather than quoting a value as part of each rule, the rule refers to the financial limits appendix values. This enables easier updating of specific limits and clarity about the values concerned as they are all contained within a short, separate document.

The financial limits appendix is used by the financial procedure rules and the contract procedure rules. Attached as Appendix B to the Report of the Chief Finance Officer is a reproduction of only part of the financial limits appendix that relates to the paragraphs in the financial procedure rules.

The last time that the values within the financial limits appendix were updated was 2001 and in the intervening years RPI has increased by 22.6% (April 2001 to December 2007). The financial values in the attached appendix have been updated to take account of this. Each value has been increased by 22.6% and then rounded. The rounding is done to maintain values that are easy to operate and control. They are also more likely to be remembered by officers who are occasional finance users.

In addition to the updated value, Appendix B to the Report of the Chief Finance Officer contains the previous value for reference, in a column to the right hand side of each paragraph.

The new value referring to paragraph 4.8 (e) regarding supplementary estimates for determined emergencies is set as discussed above.

Other Minor Changes

There have been a number of minor changes along with a restructuring of the sections so that the rules flow through the financial estimate and expenditure process more logically.

A table, attached at Appendix C to the Report of the Chief Finance Officer, gives a brief explanation of all changes.

Other Issues

The financial procedure rules cover all resources of the Council and as such have sections relating to Property, Procurement, Information Technology and Human Resources. These sections have been reviewed by the respective Heads of Service and no specific amendments are required at present.

Following the implementation of the new Human Resources and Payroll system it will be necessary to update the relevant Human Resources sections and this action will form part of a future review.

Following acceptance of new contract procedure rules it may be necessary to update the sections relevant to procurement activities and this action will form part of a future review.

Alternatives considered and why rejected

The Council could retain the financial procedure rules in their current format and not make the proposed changes. The consequences of this action would be that:

- a) As the Council has developed new ways of working the current financial rules will hamper or fail to control the related financial activities;
- b) As the economic environment has changed financial limits will not maintain a relative status quo regarding delegation and responsibility levels;

- c) The financial controls identified in the recommendations of the Overview and Scrutiny report into partnerships would not be formalised.

There is currently a Kent wide review of contract procedure rules and the amendment of these financial procedure rules could wait until that is complete. Best practice is to complete an annual review and if necessary review more frequently. If the Council waits for the completion of the contract procedure rules before commencing this review it may be longer than one year since the previous review.

Background Papers

None

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008**.

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

MAIDSTONE LEISURE CENTRE

Issue for Decision

To consider the way forward for the future of Maidstone Leisure Centre.

Decision Made

1. That the need for the leisure centre as detailed below and the following future vision for the centre be agreed: -

"A high quality sporting and cultural centre with a varied programme which will meet local needs and provide access at an affordable price."
2. That the options appraisal be agreed and tenders sought from a wide range of trusts and operators using the council's restricted tender procurement process and in accordance with the project plan identified in the Report of the Assistant Director of Regulatory and Environmental Services.
3. That Maidstone Leisure Trust be automatically included in the select list of tenderers.
4. That Mote Hall continue to be used as a mixed sports and cultural venue, although tenderers will be encouraged to bring forward ways to improve usage.
5. That the Council seeks tenders in accordance with the principles set out in the Procurement section below.
6. That the medium term capital programme be increased to reflect the ongoing investment for the future maintenance of the centre.
7. That officers prepare a presentation for Members on the future management and tendering arrangements for the centre.

Reasons for decision

Background

The Leisure Centre is the Borough's main indoor sports and leisure facility with the versatility to provide special events in the dual purpose Mote Hall.

The buildings comprise mainly of 1970s swimming baths with major redevelopment and extension being completed in 1991, when the "new" centre

was opened.

Customer usage has ranged from 650,000 to 850,000 per annum, making it one of the best used facilities of its type in the South East.

The previous report to the Leader of the Council in September 2007 looked at a number of considerations, demand, current provisions and alternatives and building maintenance issues.

The report concluded the following:

on demand	Levels of participation and demand are likely to increase given the Olympics in 2012. Even when considering other competitors locally, both public and private, there will be unmet demand. MLC usage could remain above the national average participation rate, provided suitability maintained facilities are part of the community's choice for active exercise.
on current provisions and alternatives	Public and private facilities available locally or near to the Borough boundary will not meet the Maidstone customer demand base, taking account of travel distance, time and cost implications.
on building maintenance	£6m at current day prices will be needed to maintain the centre over the next 15 years. The glazed roof over the Park Terrace needs urgent essential repairs estimated at £350k.

The recommendations agreed by the Leader of the Council on these issues were:

- that associated costs for the repair of the glazed roof be included in the 2008/09 budget considerations
- that further reports be brought forward on the scope for services to be offered from the Leisure Centre and options for operating it

The Report of the Assistant Director of Regulatory and Environmental Services sought a fundamental decision as to whether the service at Maidstone Leisure Centre should continue beyond 2009 when evaluated against relevant factors such as Council priorities, government agendas, community benefit, value for money and reputational risk.

It should not automatically be assumed that the Council would want to commit to providing these facilities for a further contract period, perhaps exceeding ten years, without having reviewed the need for the Council to be the deliverer, even indirectly, of such facilities.

Therefore, the first judgement to be made was whether or not Maidstone Council should provide a leisure centre in principle; in order to inform this analysis has been undertaken which tests whether the sport and leisure provision provided from MCL does meet the Council's priorities and customer need.

The second element was to consider the relevant options identified in the Report to the Leader of the Council in September 2007 and consider these having regard to meeting the Council's priorities, value for money, customer satisfaction and deliverability. This is considered an as options review.

The current management arrangements are then explained and options for the future investigated.

Further, if the decision to maintain a leisure centre is supported, the procurement options and arrangements are identified and a way forward proposed.

Finally, a project plan is provided detailing key milestones and dates regarding the procurement process.

Maidstone Leisure Centre Beyond 2009

The provision of sport and leisure services is a discretionary service for which the Council receives no specific government funding. The subsidy required for the centre together with the maintenance costs are met from the general rate fund and capital programmes.

A series of questions are considered below which test the future need for the centre having regard to the Council's priorities, government agendas, community benefit, value for money and reputational risk.

Does the provision of sports and leisure facilities meet the Council's aims and objectives?

Sport and leisure provision impacts strongly on three of the Council's six priority themes: lifelong learning, quality living and a healthy environment. It also has significant impact on a number of the Council's key objectives, i.e. KO2, 7, 10, 11, 18, 19, 20a and 20b. See Appendix 1 for detailed analysis. It should be noted that one of the Council's less important areas in the strategic plan is directly managed leisure centres. This has been addressed to a large degree by the establishment of MLT.

Do sport and leisure facilities meet with the government's current agendas?

Several of the government's current themes on "choosing health" and the general health agenda link directly to the leisure centre. Providing diversion for youth is also a key area. In addition the government has recognized the role sport and culture can have in regeneration through the provision of quality facilities helping to attract inward investment.

What community benefit is derived from providing a locally based leisure centre?

Access for all residents within the Borough to a wide range of facilities encouraging a healthy life style and providing a community meeting facility, meeting demand for a complete age-range from baby to pensioner.

What would be the implication on sport and leisure demand should the centre close?

Details previously identified on demand confirm that if the centre closed, private facilities and nearby public centres would not be able to meet current or future demand.

Does the leisure centre provide value for money?

The subsidy provided to the Trust is one of the lowest in the South East based on

benchmarking information. A best value review was undertaken a few years ago.

What is the reputational risk to the Council should the centre close?

There would be a great risk to the Council and the public's satisfaction with Council services would drop significantly if the centre closed. It is likely there would be extensive public outcry.

Having considered carefully the questions above it can be concluded from evidence currently available that the provision of a leisure centre does make a significant contribution to the Council's current priority themes and key objectives in the strategic plan.

The centre provides significant community benefit and the subsidy provided is very low compared to the range of services and programmes provided. There would be significant impact on the reputation of the Council should the centre close.

For the above reasons, it was recommended that there is a need for a local leisure centre, meeting local needs and with access for all. The Council should continue to have a strong interest in its operation and management.

In order to determine the Council's involvement or not in the management of the leisure centre, it is necessary to first consider what the Council's vision is for the centre. It is suggested that the following statement reflects this vision having regard to the Council's aims, objectives and priorities in the strategic plan.

Such a facility could be provided by the private sector through a private company or independent trust. In addition, the Council has stated in the strategic plan that the Council sees the direct management of the Leisure Centre as a low priority. This has been addressed by the establishment of an NPDO to manage the facility. However, the Council would still wish to have an influence on day to day operation at the Centre to ensure the vision is met and the aims and objectives in the strategic plan which relate to the centre (see Appendix C of the Report of the Assistant Director of Regulatory and Environmental Services) are achieved.

Vision for Maidstone Leisure Centre

"A high quality sporting and cultural centre with a varied programme which will meet local needs and provide access for all at an affordable price."

With this in mind, in order to ensure this vision is delivered, the Council will need to continue to have influence on the management of the centre, albeit not directly.

Options Appraisal

The purpose of the appraisal is to provide an assessment of the various issues raised in the report to the Leader of the Council in September 2007. Although the possibility of closing the centre was discounted earlier, it is included for comparison.

It is presented in the form of a matrix with each option appraised and scored against a range of factors including Council objectives, value for money, community impact and deliverability. Details are provided in Appendix B of the Report of the Assistant Director of Regulatory and Environmental Services.

The conclusions drawn from the appraisal are that the closure of the centre would have adverse impact in all the areas considered.

Disposal of the centre to a private operator or a trust and a Public Finance Initiative, public or private partnership are not viable options.

The continuation of the current arrangements with the Maidstone Leisure Trust is affected by recent case law and the spirit of EU procurement legislation.

By far the strongest option, providing the most flexibility, is the proposal to seek tenders from various providers including both direct leisure centre operators and trusts to manage the facility in accordance with the Council's contract and specification. Based on discussion with the sport and leisure trade, this is likely to attract expressions of interests from the existing trust, other operators and trusts, and thereby maximising the potential range of tenderers, which in turn will encourage competitive bidding.

Mote Hall

Mote Hall is a separate facility in the leisure centre which utilises the six court sports hall to provide orchestra and other concerts and similar events.

The arrangements by necessity are a compromise in that the space is not ideal as a concert hall - it has the feel and appearance of a sports hall (although the acoustics are excellent) and there is no air conditioning. The sports hall is not available at all times due to the performance use and this limits opportunities for clubs to establish themselves and meet regularly.

The options related to the use of Mote Hall are more limited and, in effect, the choices are to continue the current mixed use or use the hall solely either as a sports hall or music/performance venue.

There is not sufficient demand to use the hall solely as a music venue at the current time. The venue would need significant capital investment for such a sole use. Income lost from the sports hall usage would likely result in an increase in subsidy.

There could be sufficient use for the hall as a sports venue and this would encourage more clubs to base themselves at the centre. However, there is no other suitable venue for orchestral concerts and other musical events anywhere in the Borough. To cease the musical uses would significantly reduce the cultural offer to the residents of the Borough and beyond.

Whilst the current mixed use is not perfect, it does meet the demand from both sport and culture and it is recommended the mixed use continue, albeit that the tender documents should encourage better use of the facility, including perhaps the development of a new sports hall to enable Mote Hall to be used solely for cultural uses.

Maintenance

The previous report on the leisure centre identified the need for ongoing maintenance of the centre and following a detailed assessment of the condition of the building estimated that the costs necessary to maintain the centre in its current condition would be £6m over the next 15 years.

The schedule of maintenance would vary year to year over that period and certain areas need attention sooner rather than later.

The glazed roof over the Palm Terrace is in urgent need of repair and has now been included in the draft capital estimates for the next financial year.

Following discussion with the leisure operators, it is not proposed to undertake other major works prior to the letting of the contract as these may be affected by the proposals received in the tenders.

It is, however, suggested that Cabinet agree to the medium term capital programme being increased to reflect the ongoing investment for the future maintenance of the centre.

The Current Management Arrangements

In 2007, the Council worked with the local community to establish a Not for Profit Distributing Organisation (NPDO) as an alternative and more cost-effective management option to the previous traditional contract arrangements.

Maidstone Leisure Trust, the NPDO, operates the leisure centre with SERCO, the previous contractor, acting as managing agent. Assets are retained by the Council and the original contract arrangements were novated to the Trust. The Council provides contract monitoring by way of a Service Level Agreement. The catering services are unaffected by this arrangement and operate independently.

The Trust currently has six trustees from various professional backgrounds including one representative (a councillor) from the Council.

The current contract arrangements were due to finish in July 2008, however, an extension to the contract to the end of March 2009 is currently being negotiated in accordance with the decision made by the Leader in September 2007.

The Trust has confirmed that it will continue with the current terms of the contract, subject to a number of provisos and these are currently being discussed. It is anticipated that agreement will be reached in the near future.

The catering contract is also due to finish in July 2008. The current operator is seeking changes to the contract terms which are also under discussion. It is possible that agreement will not be reached and other options will have to be considered.

Procurement

Under EU procurement regulations, leisure services are defined under "Part B category 26 – Recreational, Cultural and Sporting Services" and therefore only subject to limited procurement regulations, which means it is not mandatory to advertise with OJEU. However, having regard to recent case law and in order to observe the general principles of the EC Treaty regarding transparency, equal treatment and non discrimination, it is considered that advertising the contract opportunity within Europe would represent a sensible way forward as well as evidencing procurement best practice.

The Council's contract procedure rules usually require open tendering, however, for service related contracts, a restrictive tendering arrangement which seeks expressions of interest, evaluation of those expressions and subsequent tenders submission received from selected list of tenders is considered the best way forward. This provides the opportunity to screen those expressing interest to

ensure those selected to tender are as far as we can be judged committed to the same values as the Council and the most capable of meeting the requirements of the tender specification and that all tenderers know they are competing for the business with other experienced leisure centre operators.

Maidstone Leisure Trust ("MLT") has requested that the Council consider establishing it as a preferred partner, without competitive tender and then to jointly seek tenders for a managing agent. The trust believes that the proposal will give a guaranteed continuing involvement for the trust and reduce tendering costs.

MLT's proposal is based on a recent decision by another council to adopt such a route.

BDBC took legal advice and this concluded that although leisure services are "Part B" services and outside the public procurement regime, in the light of recent case law, BDBC would, nevertheless, have to observe the general principles of the EU Treaty of transparency, equal treatment and non-discrimination.

The BDBC legal advisor took the view that the chances of challenge in relation to a breach under the EC Treaty was minimal. The actual services to be provided, the day to day delivery of leisure services would themselves be subject to a full competitive tender process. On that basis BDBC was advised that no potential operators would be excluded from bidding to provide leisure services and thus it was difficult to see on what basis a legal challenge could be made.

This Council's legal advice is somewhat different. It suggests that there is a risk of challenge albeit relatively low.

In addition discussions with leisure operators and other trusts have indicated that other trusts could very well be interested in tendering and establishing sub-trusts, with local members under a wider, larger trust umbrella. Such trusts could provide competitive bids, particularly as economies of scale could reduce their overheads and this in turn could provide lower costs to the Council through the tendering process.

The Council would wish to maximise the potential bidding process in order to achieve the best possible tenders in terms of value for money and quality.

For these reasons, whilst supportive of the Trust and its work, it has been recommended that a preferred partner option is not supported and the Council seek tenders for the management of the Centre in the form of a restrictive tender identified above. Additionally it has been recommended that Maidstone Leisure Trust should be automatically included on the list of tenderers, although it will be necessary for the expressions of interest information to be completed.

Details of the project plan are provided in Appendix C of the Report of the Assistant Director of Regulatory and Environmental Services. This indicates the key milestones and dates for the procurement process.

In preparing the next report it will be important to establish certain parameters within which the service offer, performance indicators and standards and financial arrangements should be defined. These should reflect the way the Council would wish to see the Centre continue for the future.

It is possible to seek tenders based on a specification determining specific performance elements and evaluation based on price alone. This was generally the format for early compulsory competitive tendering arrangements. However

experience has been that this approach can constrain creativity and particularly in medium and long term contracts constrain flexibility in responding to change eg in government policy, demographics and strategic priorities.

It is now common for tenders to be evaluated based on price and quality, with percentages varying according to the type of service required so that value for money is the key judgement.

In the case of the leisure centre, it not only needs ongoing maintenance but also needs significant refurbishment and re-invention.

In order to stimulate "added value" and investment from tenderers, it has been recommended that the Council structures the tender process so that the authority is clear in its financial commitments and that these are to provide the ongoing maintenance to the fabric of the building (estimated at £6m over the next 15 years) and the maximum revenue subsidy available. Tenderers will then be asked to bid on the investment and added value that each tenderer can bring. This could, of course, involve the reduction of the subsidy.

Performance criteria would be established regarding programme quality, day to day management attendance, attendance improvement, etc. which all tenderers would have to meet.

Such a method would hopefully stimulate new ideas and help rejuvenate the centre.

Discussions with the trade have indicated that a contract period in excess of ten years is required to maximize potential investment. It has therefore been proposed that a contract period of 15 years which links to the maintenance programme would be suitable.

Details of the specification, maintenance and principles of the tendering arrangements will be the subject of a further report to the Cabinet Member for Corporate Services.

In view of the complexity of the tendering arrangements and management proposals, it is suggested that officers arrange a presentation to Members.

Alternatives considered and why rejected

These are considered as part of the report.

Background Papers

Report to the Cabinet Member for Leisure and Culture on the extension of the management of the centre.

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008.**

APPENDIX H

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

PRIORITISATION OF GROWTH POINT PROJECTS

Issue for Decision

To consider which of the New Growth Point projects submitted to Communities and Local Government in the Council's Programme of Development (Infrastructure Delivery) 2006-2026 should be funded in the light of CLG's reduced grant offer.

Decision Made

1. That the prioritization of projects detailed in Table 2 below be approved and that Department of Communities and Local Government funding allocated in 2008/9 is used to deliver the projects listed in Table 3 below.
2. That excellence in environmental sustainability is paramount in forming the planning parameters for all projects.

Reasons for decision

Background

Following Maidstone's successful bid to become a Growth Point, Communities and Local Government ("CLG") required all Growth Points to submit a Programme of Development ("POD"). The final draft was submitted on the 1st October 2007. The POD was based upon the emerging Core Strategy and Council policies. The timescales for producing the POD did not leave room for detailed evaluation of each project or for public consultation. Moreover, as no guidance was given as to the likelihood or scale of government funding or the mechanism by which projects will be funded, it was thought that more detailed work could be abortive.

For the period 2008 and 2011 Maidstone bid for £38,200,000 to fund 17 projects. CLG strongly advised New Growth Points to avoid wish lists and to focus on physical, social and cultural infrastructure to support the early delivery of housing as the main priority but also the creation of sustainable communities.

In December 2007 CLG announced grant awards to all New Growth Points and Growth Areas. All awards were significantly less than bid for. Maidstone's allocation is set out in Table 1 below.

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	Allocation	Indicative Allocation	
	2008/09	2009/10 & 2010/11	Total
Capital	£1,616,144	£2,985,914	£4,602,059
Revenue	£192,391	£285,947	£478,337
Total	£1,808,535	£3,271,861	£5,080,396

Only the 2008/09 grant is guaranteed. Maidstone bid for £4,350,000 for this year and as the table shows was awarded £1,808,535. There is still scope for future year's indicative allocations to be increased. CLG have asked for revised Programmes of Delivery to be submitted in the Spring, and held back £273 million to adjust allocations if a sufficiently strong case can be made.

Helpfully, and in a departure from current practice, the full grant will be paid to the Council in April 2008 rather than in arrears and the grant does not have to be spent in the year it is allocated. Moreover CLG have stated that the grant is not ring fenced and not project specific. Which projects are funded is a matter to be decided locally.

Prioritisation of Projects

Clearly with a lower grant than expected many projects will not be funded. As an aid to deciding which projects should be funded the following criteria has been suggested against which projects can be scored:

1. Fit against Corporate policies and Key Objectives
2. Transformational impact of project
3. Realism of costs and delivery timetable.
4. MBC revenue implications
5. Significance of not doing project

1-4 are self explanatory. Number 5 "Significance of not doing the project" refers to the implications and risk to the long term prosperity of the Borough associated with not funding the project. This might include any one of the following:

- CLG condition of being a New Growth Point is not met
- Opportunity to catalyse positive change lost
- Opportunity to deliver on historic long term regeneration policies lost
- Opportunity to future proof the town lost

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Table 1: Priority Projects scoring matrix

Criteria	Fit against corporate policies and Key Objectives	Transformational impact of project on Maidstone	Realism of costs and delivery time-scales.	Additional Revenue implications for MBC (high score = low or positive revenue impact	Significance of not doing project (weighted)	Total out of 30
Project Name	0-5	0-5	0-5	0-5	0-10	
Town Centre pedestrianisation and street scene enhancement	5	5	4	2	9	25
Langley Park Farm Park and Ride Site	5	3	5	2	9	24
Maidstone Integrated Water Strategy	3	2	5	5	9	24
Green Infrastructure Strategy	5	2	4	4	9	24
Newnham Park - Park and Ride Site	5	4	3	3	8	23
Maidstone Town Centre Area Action Plan	5	4	3	3	7	22
A229 New Park and Ride Site	5	4	3	1	9	22
High Street Ward Regeneration Programme	5	5	2	2	7	21
Maidstone Museum East Wing Extension	5	3	4	3	6	21
Marketing Maidstone	5	2	5	2	5	19
Small Business Enterprise Hub	5	2	2	5	4	18
Maidstone Needs Skills	5	2	2	3	5	17
Maidstone Mobility Network	5	1	4	5	2	17
Willington Street Park and Ride site Improvement	3	1	5	3	4	16
London Road Park and Ride site Improvement	3	1	5	3	4	16
Library and History Centre	2	3	1	4	5	15

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In scoring the projects the flexibility within the allocations for each project has also been considered. Some projects may cost more and some less. Some projects can be scaled down and still achieve an impact but with less money. Whilst in some cases the reason for high or low scores is self evident the following is a brief rationale for each project in the order they appear in Table 1:

The prosperity and vitality of the Town Centre is a high priority for the Council. The quality of its environment impacts upon its success as a shopping destination, tourism and leisure centre (including the night time economy) and also adds to the quality of life necessary to attract new business. The Town Centre pedestrianisation and street scene enhancement project includes environmental improvements to the town centre. There is flexibility here as the scale of the area tackled and quality of materials used could be adjusted to fit any budget both in terms of the capital needed to install it and later the ongoing revenue costs of maintaining it. Bespoke materials and street furniture may incur higher revenue costs for maintenance. The first year funding for this project is for design and consultation costs.

Following the closure of Coombe Quarry Park and Ride, the Langley Park Farm Park and Ride is a high priority and is needed to reintroduce Park and Ride facilities for traffic coming from the south of the Town. There is scope to deliver the project flexibly depending upon the structure of the land deal, and the size of Park and Ride. A Project Initiation Document is required to ensure both revenue and capital costs are fully understood and deliverable.

The Borough Council has been strongly advised by the Environment Agency and Natural England to carry out an Integrated Water Strategy and Green Infrastructure Strategy respectively. The South East Plan supports both these pieces of work as well. Both agencies are key organisations reporting to CLG on Maidstone's New Growth Point progress.

Newham Park Park and Ride is a priority and has been brought forward a year from that stated in the Programme of Delivery. It offers the opportunity to double the size of Maidstone's most popular Park and Ride, thereby increasing revenue – and reducing the annual deficit, but also frees up valuable employment land at Eclipse Business Park.

The High Street Ward Regeneration Plan and the Town Centre Area Action Plan are linked in that the comprehensive delivery of regeneration in this area will require planning policy support. As a transformational project it is a high priority but costs and timing are dependant upon whether land can be purchased by agreement or whether CPO powers will have to be used. Project costs are high and may be higher than estimated and so this scheme suffers from high risk. For the sake of clarity, The High Street Ward Regeneration Plan focuses on the south of the Town, including the area around the Archbishop's Palace, All Saints and Lower and Upper Stone street areas. This differs significantly from the area included in the Town Centre Pedestrianisation and Street Scene enhancement project which includes the High Street, parts of Week Street and Kings Street and parts of Union Street and Earl Street.

The A229 Park and Ride site budget was estimated on the basis that the CTRL site would be acquired. Investigative work is underway but the capital and revenue implications of this scheme are yet to be clarified. It is thought possible to bring

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forward this project by a year from that stated in the Programme of Delivery.

The Maidstone Museum East Wing project has secured nearly £2 million in Heritage Lottery Funds but there is a project shortfall of about £1.6 million. To secure the HLF money it would make sense for this project to remain a high priority.

Feedback from businesses has suggested a desire that Maidstone's profile as a business location needs to be raised. More funding from the Economic Development budget could be targeted at inward investment, subject to more detailed consultation through the Economic Development Strategy.

As part of a balanced package of projects the Small Business Enterprise Hub would offer 'easy in easy out' businesses premises in partnership with the private sector. The project was linked to enterprise in schools curriculum. Discussions between the New Line Learning Schools and Basepoint Plc still need to take place which cast doubt on the realism of this project so early in the programme (2008/9).

'Maidstone Needs Skills' is an embryonic project with its genesis in the Local Strategic Partnership. It aimed to define where best the Council could intervene to support skills and education in the Borough. Through the Economic Development Strategy further analysis of this issue will be progressed and actions if necessary will be developed and other funding sought.

Maidstone Mobility Network and improvements to existing Park and Ride sites at Willington and London Road did not score highly against the criteria used

Certainly the most significant project is the Library and History Centre led by Kent County Council at £12 million. This is not the total capital cost of the project which appears very embryonic. Funding is being sought from the Heritage Lottery Fund and the remaining will come from KCC partly through the disposal of the two existing Library sites for other uses. This appears a high risk project with regard to costs and timescales.

A Delivery Team was, prior to the grant award, thought essential if the range and scale of the projects proposed were to be delivered. With a much reduced grant this is no longer thought necessary. However a dedicated new Growth Point Project Manager, together with Administrative Support Officer, is proposal to coordinate Maidstone's growth related to CLG conditions and funded projects, and to liaise with external organizations. It is proposed that this post is filled by the Economic Development Manager, who is already carrying out this role, and an Economic Development Officer is recruited to support the Economic Development function of the Council.

Taking into the account the scores in Table 1 the projects submitted to CLG have been prioritized accordingly and listed in order of priority in Table 2.

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Table 2

Priority No.	Project Name	2008/9	2009/10	2010/11	Total all Years	Running Total
1	Town Centre pedestrianisation and street scene enhancement	£100,000	£2,000,000	£3,000,000	£5,100,000	£5,100,000
2	Langley Park Farm Park and Ride Site	£2,000,000			£2,000,000	£7,100,000
3	Maidstone Integrated Water Strategy	£40,000			£40,000	£7,140,000
4	Green Infrastructure Strategy	£60,000	£400,000	£400,000	£860,000	£8,000,000
5	Newnham Park - Park and Ride Site		£2,000,000		£2,000,000	£10,000,000
6	Maidstone Town Centre Area Action Plan		£70,000		£70,000	£10,070,000
7	A229 New Park and Ride Site			£5,000,000	£5,000,000	£15,070,000
8	High Street Ward Regeneration Programme	£150,000	£3,500,000	£3,500,000	£7,150,000	£22,220,000
9	Maidstone Museum East Wing Extension	£1,300,000			£1,300,000	£23,520,000
10	Marketing Maidstone	£60,000	£60,000	£60,000	£180,000	£23,700,000
11	Small Business Enterprise Hub		£1,400,000		£1,400,000	£25,100,000
12	Maidstone Needs Skills	£100,000	£100,000	£100,000	£300,000	£25,400,000
13	Maidstone Mobility Network	£20,000	£20,000	£20,000	£60,000	£25,460,000
14	Willington Street Park and Ride site Improvement			£100,000	£100,000	£25,560,000
15	London Road Park and Ride site Improvement		£100,000		£100,000	£25,660,000
16	Library and History Centre		£6,000,000	£6,000,000	£12,000,000	£37,660,000
		£3,830,000	£15,650,000	£18,180,000	£37,660,000	
GIVEN	Maidstone Delivery Team	£200,000	£200,000	£200,000	£600,000	£600,000

Taking into account the grant award for 2008/9, only the top 4 projects for 08/09 from Table 2 can be funded, together with the Economic Development Officer and staff to support infrastructure provision, as shown in Table 3. This assumes a slightly reduced contribution to Langley Park Farm Park and Ride project.

Table 3

Priority No.	Project Name	2008/9 capital	2008/9 revenue	Revenue costs
1	Town Centre pedestrianisation and street scene enhancement	£70,000		None initially but when implemented maintenance costs reflecting the quality of materials used will be incurred. A brief needs to be agreed at the design stage.
2	Langley Park Farm Park and Ride Site	£1,546,144		Further report to follow
3	Maidstone Integrated Water Strategy		£40,000	None
4	Green Infrastructure Strategy		£60,000	None
	Economic Development Officer and staff to support infrastructure provision		£92,391	Revenue costs are contained within external CLG funding
Total		£1,616,144	192,391	

Design and consultation focused on environmental improvements to the High Street area only should enable the project to be delivered at less than originally estimated involving a much wider area.

Funding for projects in future years have not been addressed as a revised Programme of Delivery is required to be submitted in the Spring.

Alternatives considered and why rejected

The prioritisation of projects is necessary in the light of lower than expected grant award from CLG. The scoring mechanism proposed attempts to take into account the benefits and risks of projects to enable them to be quantified and scored accordingly. However different criteria and scores could result in an alternative list of priority projects.

Background Papers

CLG issued guidance, 17th August 2007 called "Draft Guidance for Growth Points and Growth Areas Producing a Programme of Development to Access Future Housing Growth Funding."

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008.**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

MAIDSTONE BOROUGH COUNCIL'S BOROUGH GRANTS PROGRAMME

Issue for Decision

To consider the request for funding the Kent Community Rail Partnership's Medway Valley Line project.

Decision Made

That Maidstone Borough Council award a £1,000 grant to the Kent Community Rail Partnership having received evidence of work completed and project activities on the Medway Valley Line during 2007/08.

Reasons for decision

At the cabinet meeting on the 13 April 2007 it was agreed that all the 19 service level statements originally entered into in 2005 would be supported for their third and final year and Maidstone Relate and Kent Farm line would be supported for one year. Action for Communities in Rural Kent had submitted a request for a funding contribution from Maidstone Borough Council towards their Community Rail Partnership work on the Medway Valley Line and the £1,000 grant was agreed on the understanding that the funding went to an 'installation' project and was not used to fund revenue costs of staff. The attached appendix A, a letter from the partnership manager, demonstrates the projects undertaken in 2007/08 with direct relevance to the section of the line within the Borough. The installation of Community Noticeboards and the Maidstone West Mural Art project both fit the criteria of the cabinet decision and the combined cost of production without inclusion of officer time is £3,302.13.

The Community Rail Partnership work to encourage increased passenger numbers on the Medway Valley Line directly relates to Maidstone Borough Council's key objective 4 'Lobby for Improvements to transport infrastructure and Transportation' and KPI 27.

Total available budget remaining in Borough Grants for 2007/08 is £1,000.

Alternatives considered and why rejected

That funding is rejected for Community Rail Partnership project work completed on the Medway Valley Line – The project has completed infrastructure installation projects on the Medway Valley line and increased public awareness of the train

stations and services along the line through the Maidstone Borough Area as requested in the cabinets decision of the 13 April 2007.

Background Papers

Maidstone Borough Council Record of Decision of the Cabinet 13 April 2007.

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008.**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

INTERNAL AUDIT STRATEGIC PLAN

Issue for Decision

To consider and endorse the Internal Audit Strategic Plan.

Decision Made

1. That the content of the Internal Audit Strategic Plan for 2007/08 as set out in Appendix A of the Report of the Head of Internal Audit and Risk Strategy be noted.
2. That the Plan for 2008/09 and 2009/10 as set out in Appendix A of the Report of the Head of Internal Audit and Risk Strategy be endorsed.

Reasons for decision

Members approved a revised audit strategy in June 2007. A risk-based audit plan has since been prepared by the Head of Internal Audit, designed to implement the audit strategy

The Audit Planning Process

The majority of the work of Internal Audit is identified in the Three-Year Strategic Audit Plan which takes full account of organisational objectives and priorities.

The Strategic Plan is prepared using a risk based approach which is applied to potential subject areas identified from:

- The Council's Strategic Plan
- The systems that exist to deliver the Strategic Plan and the Council's key objectives
- The Strategic Risk Register
- The Council's fundamental financial systems
- The Corporate Revenue and Capital Budget Book
- The Budget Strategy
- Consultation with management, most particularly the Chief Finance Officer and Heads of Service

The Plan gives specific consideration to:

- the arrangements for the prevention of fraud and corruption
- corporate governance

- compliance with legislation/changes in legislation
- compliance with codes of conduct
- compliance with constitutional rules (e.g. Financial Rules, Contract Rules)
- The 'national agenda' for example strategic partnerships, shared services working.
- coordinating work, or at least as much as practical, with the external auditors in order to ensure that best use is made of audit resources

The Plan seeks to:

- provide sufficient coverage of the control environment to allow conclusions to be drawn on its effectiveness
- Allow objective examination, evaluation and reporting on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources
- give adequate coverage to allow the external auditors to place reliance on the work of Internal Audit and thereby make savings to the external audit fee where possible

In developing the individual audit assignments further consideration is given to:

- Performance Management (including BVPI's and Reach the Summit)
- Operational Risk Registers
- The 'key change events' list
- The CIPFA Computer Audit guidelines
- The 'new ways of working' agenda, including Business Transformation

Increasing use is made of the Council's risk management process to plan internal audit work as risk management becomes more embedded within the organisation and the Council becomes increasingly mature in its approach to risk.

The Strategic Audit Plan forms the basis of the work of the Internal Audit service over the three-year period. The delivery of the Plan provides the means to address significant local and national issues and risks, through the provision of Internal Audit reports to management which identify control weaknesses and make recommendations for control improvements.

The Strategic Plan

The Strategic Audit Plan covering the period 2007/08 to 2009/10 is shown at Appendix A of the Report of the Head of Internal Audit and Risk Strategy. The Plan benefits from periodic endorsement by Members in order that Members remain aware of the overall content and scope of audit work. Members are therefore asked to note the content of the current years plan and endorse the plan for the two coming financial years.

The Plan is based on the 'annual audit resource' being 714 days in 2007/08 which reduces to 675 days from 2008/09 as the result of reductions in the Internal Audit budget. The reduction in the overall budget has been financed by deleting the budget for 'contract auditors', which has been used in the past to 'buy-in' specialist auditors; this has included 'computer auditors'. It is considered that the current team is capable of carrying out this work. In addition, as this is a real reduction in the level of available auditor resource, productivity improvements of 6% will be required to compensate for the reduction.

The annual audit resource is the number of operational auditor days available to the service every year after taking account of annual leave, sickness, training days, etc.

The standard allocation to each audit topic is 15 days; however this will be reconsidered and may be amended at a later stage when the detailed working Brief is created.

The Plan allows for a number of days as being available as a contingency so that any work that cannot be planned at this stage, such as investigations or new audit topics can be addressed without making radical changes to the previously agreed plan. It is vital that a contingency is maintained in order to allow sufficient time for investigations which inevitably occur even in a well managed organization. Additionally, some of the audit projects may, for good reasons, require that more time has to be spent on a project than was anticipated. The contingency provides for this.

The contingency is small for the current financial year (as audit time has been allocated during the year) but is inevitably larger for subsequent years. This means that although the majority of work is planned some time in advance, there remains an opportunity to react to matters that arise. This is considered to be good practice in terms of Internal Audit planning as it creates the necessary flexibility for an ongoing risk based approach; allowing resources to be directed to new or changed risk areas. For example, some audit resource has been spent reviewing the potential impact of new working practices connected to the new offices arrangements during 2007/08. It is anticipated that this will be even more of an issue for audit attention during 2008/09. Prior to the commencement of each financial year, the audit work is firmed-up into an operational (working) plan, which allocates resources more specifically.

The topics which appear in the Strategic Plan have been subject to a vigorous risk assessment process which has considered (as numerical elements) the following risk factors:

- Monetary value of area concerned
- Whether the area has already been identified as a strategic risk and appears in the Strategic Risk Register
- Whether the area concerned is a corporate priority
- Whether there is a possibility of significant loss through fraud, theft, error or mismanagement
- The adequacy of internal control – based on previous audit work
- Length of time since the last audit
- The public profile of the subject – i.e. the reputational risk to the Authority
- Whether the area is a Fundamental Financial System
- Whether significant changes have been made in the area concerned, i.e. a change of manager or system
- Concerns raised by the client manager

The topic areas that did not score sufficiently in terms of their risk values have not been included in the Plan.

Consultation

The content of the Plan has been subject to discussion with the Chief Finance Officer and has been provided to all Heads of Service for comment. In addition the Plan has been discussed by the Corporate Governance Group, comprising the Chief Executive, the Head of Corporate Law (and Monitoring Officer), the Director of Change and Support Services, the Chief Finance Officer and the Head of Internal Audit and Risk Strategy. The Plan has also been discussed at a meeting of the Heads of Service group.

At this stage the plan only shows the audit subject title; a detailed individual Audit Brief for each audit will be worked up prior to the work commencing. The Audit Brief will set out the objectives and scope of the audit. The content of each audit project is subject to discussion and agreement with the respective Head of Service.

Audit Committee

The Audit Committee is responsible for considering reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of the three-year Strategic Internal Audit Plan. A report containing the Plan will therefore be provided to the meeting of the Committee on the 3 March 2008.

Alternatives considered and why rejected

In order to ensure that audit resources are used to best effect, audit work needs to be planned. Audit planning needs to take full account of the Council's objectives and priorities and the risks to their achievement at both a strategic and operational level. Members need to be aware of the work of Internal Audit and of the assurance that Internal Audit provides to the Authority. The endorsement of the audit plan is an essential means of affirming the work of the service. Therefore, no alternative action could be recommended.

Background Papers

The Council's Strategic Plan
The Strategic Risk Register
The Corporate Revenue and Capital Budget Book
The Budget Strategy
Various spreadsheets used during the audit plan's preparation

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008**.

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

**MAIDSTONE BOROUGH SERVICES (MBS) MANAGEMENT STAFF
STRUCTURE**

Issue for Decision

To consider ways to fund the adoption of a new management staff structure for MBS that will better address its client and contractor role for street cleansing and public convenience cleaning and the expanded contractor role when the grounds maintenance contracts currently operated by Glendale come back in house on 1 February 2008.

Decision Made

That the one off costs of up to £75,000 required for the adoption of a new management staff structure for Maidstone Borough Services be funded from balances.

Reasons for decision

Background

On 25 January 2008 the Cabinet Member for Environment and the Cabinet Member for Leisure and Culture made the following decision: -

1. That the proposed staff structure set out in the Exempt Appendix to the Report of the Assistant Director of Regulatory and Environmental Services be agreed, subject to the required funding being available.
2. That Cabinet be recommended to consider ways to fund the one off costs of up to £75,000 as part of the budget setting process.

Maidstone Borough Services currently provides the combined client and contracting role for street cleansing and public convenience cleaning and the contracting role for grounds maintenance and other miscellaneous works. Fleet maintenance is also undertaken in-house.

At its meeting on 11 August 2004, the Cabinet resolved that street cleansing, toilet cleaning, grounds maintenance and vehicle maintenance services would, in future, be carried out in house and that evidence that value for money services were being provided would be determined from benchmarking against other

providers. The decision included a review of structure to combine some of the DSO and client roles at that time and did record the need to review the structure again before the grounds maintenance contracts operated by Glendale were transferred in-house.

The current strengths of the DSO can be summarised as follows:-

- It has an established, experienced, well motivated workforce with good local knowledge and is flexible and well trained. It is essential that this is maintained and built on.
- There is political support for this means of service delivery, with recent capital investment in the Green Space Strategy, the Clean & Tidy Borough and imminent investment in a new Depot complex.
- Benchmarking via APSE is now fully established for street cleansing services with limited grounds maintenance benchmarking now in place.
- Quality of the street cleansing and grounds maintenance services is good as evidenced by best value indicators, benchmarking results and visitor numbers in parks.

There are, however, some obvious weaknesses that must be addressed. These can be summarised as follows:-

- There is a management capacity gap between Supervisors and the Street Scene Manager which seriously affects the client element of service delivery in the Cleansing Services. The clear difficulties experienced in the review of street cleaning methodology are a prime example of the "technical" knowledge missing. Staff from the Service Development Unit have been used in an attempt to bridge this gap and also to provide urgently needed performance management systems. The increase in turnover created by the Glendale Contracts being brought in-house is some 50% and will result in the need for a Contracts Manager to ensure service delivery meets cost and quality criteria.
- The current arboricultural service is reactive and inefficient. Additional funding has been provided for 07/08 and 08/09 to deal with the backlog of work. The Council does however need a full time arboricultural officer sharing time between Planning and Environmental Services. The DSO currently provide a part-time arboriculturist for the Parks Unit.
- GIS maps are not yet fully complete and need to be fully populated before the Contact Centre can use them. This work is in hand but will need to be extended to include arboriculture in the future.
- The fragmentation of grounds maintenance services between MBC, KCC and MHT is likely to have a negative impact on public perception of the service. The lack of direction by KCC on the future of its grounds maintenance service after March 08 makes decision making on the provision of plant very difficult and creates much unrest amongst the workforce.
- The organisation of some elements of service delivery by Glendale is a disincentive to ownership by the workforce. MBS will look to extend the permanent uniformed presence in Mote Park and Brenchley Gardens.

The new DSO Structure outlined in this report addresses the management capacity gaps in client technical knowledge, the control of contracting operations

for the much larger unit and performance management. This is achieved by a reduction at the supervisory and contract monitoring levels and provides an overall revenue saving of £17,000 pa which has already been included in the budget strategy for 08/09.

The new structure will also deliver the Leisure & Highways grounds maintenance service currently provided by Glendale and will accommodate the staff who will transfer under TUPE provisions from Glendale in February 2008. The Housing Grounds Maintenance Service will transfer back to the Housing Trust.

The Kent County Council has still not made a decision about who will undertake highway grounds maintenance after 31 March 2008. In the meantime, the Council will hire any plant and equipment needed for the period February to March 2008. The cost can be accommodated within existing budgets.

The overall contracting role will be of such a size that a Contract Manager will be needed to deal with day to day management matters thus allowing time for the Street Scene Manager to concentrate on the overall operational management and medium term planning to ensure that MBS meet its value for money and service quality improvement targets.

The new structure would provide MBS with the resources to concentrate on process benchmarking. This is where MBS can learn from those in our APSE family benchmarking group who currently perform better than us.

The introduction of a Contracts Manager and changes to the supervisory structure will provide more focus to quality control and cost management.

The structure below supervisor level for the Grounds Maintenance Service has been designed to ensure that sufficient labour resources are available to deliver the requirements of the current specification. Bringing the service in-house will produce a revenue saving of £10,000 in a full year and has already been taken into account in the budget planning process for 08/09 and beyond.

From the TUPE information provided by Glendale there are no staff identified who spend 50% or more of their time on Housing Trust work. The Council estimates is that it is equivalent to 2 FTEs. If all staff were to transfer to the Council then these 2 FTEs can be accommodated in the 2 vacancies currently available in the cemetery and golf course.

The only significant change in service delivery proposed by MBS is that for the service in the Parks. Staff mess facilities will be required in Mote Park. The facilities could be provided in the old pavilion building at an approximate cost of £1,000 and can be funded from existing budgets. Staff in the Parks will need to work on a seasonal hours basis. From the TUPE information supplied this should not cause a problem.

No changes are proposed in the staffing of South Park and Clare Park, but Mote Park will have a team of 4 dedicated uniformed staff. Brenchley Gardens will also be staffed on a full time basis with this team also looking after Penenden Heath. Alternative means of court fee collections at Penenden Heath will be investigated. The uniformed staff will be clearly identifiable to the public and be available to deal with enquiries and problems brought to their attention.

In the short term, the arboricultural service will be provided via a KCC framework contract. The schedule of rates is similar to that used with Glendale and therefore costs will be similar. The Council will consider procuring its own arboricultural contractor during the next financial year.

The full year decrease in revenue costs of the new structure and proposed working methods is £27,000.

The potential for one off costs is £75,000. However, re-deployment could reduce this sum significantly.

Costs may arise in respect of equal pay legislation and Local Government Pension take up.

Alternatives considered and why rejected

Maintaining the status quo is not a realistic option. The current structure lacks middle management and is overburdened at the supervisory/quality control level.

The proposed structure addresses these deficiencies and still provides an overall saving in revenue costs when the grounds maintenance services are brought in-house.

Background Papers

None

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008**.

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

COMPREHENSIVE AREA ASSESSMENT (CAA)

Issue for Decision

To consider the proposed response to the Government's consultation on CAA (and Use of Resources which is part of CAA) in advance of the consultation deadline of 15 February 2008, noting the proposed form of CAA which is detailed in the Report of the Policy and Performance Manager, the implications it will have for the authority including in relation to its community leadership role and to agree the action that the Council is taking in advance of its introduction from 2009.

Decision Made

1. That the implications of the Comprehensive Area Assessment be noted.
2. That the action being taken outlined in the Report of the Policy and Performance Manager be agreed.
3. That the draft consultation responses to Comprehensive Area Assessment (attached as Appendix A to the Report of the Policy and Performance Manager) and a separate consultation on Use of Resources (attached as Appendix B to the Report of the Policy and Performance Manager) be agreed.

Reasons for decision

The Comprehensive Area Assessment (CAA) is the successor inspection mechanism to Comprehensive Performance Assessment (CPA) under which the Council was determined to be an 'excellent' authority in 2004. The inspection outcome reflected how the Council operated service delivery outcomes and a wide range of improvement activity that had taken place in the preceding years.

CAA is part of, and a key monitoring mechanism for the Government's developing programme of reform for local government and public services in general recently set out in, for example:

- The Strong and Prosperous Communities White Paper;
- The Local Government and Involvement in Health Act 2007;
- The Budget and Comprehensive Spending Review 2007 (including a set of National Indicators reflecting Government priorities); and

- The Government's legislative programme for 2008-09 (e.g. Climate Change Bill).

Consultation

The Comprehensive Area Assessment consultation invites views on proposals for the overall shape and scope of CAA, particularly looking at the assessment of risk in an area and what is meant by risk and area. The consultation also looks at how the different elements of the CAA fit together, the sort of evidence that will be gathered, how it will be gathered and how the CAA will fit with the other performance frameworks and Sustainable Communities Strategies, Local Area Agreements and the role of regional Government Offices.

The consultation documents for Comprehensive Area Assessment and Use of Resources 2009 have not been appended to this report in detail as their contents are summarised below. The full documents can be found at:

- **CAA** <http://www.audit-commission.gov.uk/Products/NATIONAL-REPORT/127A6321-4FA8-40ba-BCE2-CF1023A3DDB9/CAAConsultation22Nov07REP.pdf>
- **UofR consultation** http://www.audit-commission.gov.uk/Products/NATIONAL-REPORT/54B17295-BA67-454d-9255-88089F70BDA3/UofR2009_22Nov07REP.pdf
- **UofR Key Lines of Enquiry consultation** http://www.audit-commission.gov.uk/localgovernment/useofresources/downloads/CAA_UoR_KLOE2009_consultation.pdf

There is some debate as to whether the introduction of CAA would meet the stated aims of reduced regulation especially in light of the extension of the Use of Resources criteria to cover areas beyond financial issues and a recent increase in audit fees.

The draft responses set out in the appendices to the Report of the Policy and Performance Manager reflect the authority's support for improvement mechanisms and the identification and use of best practice but raise some key issues and concerns that the authority has noted from the practical application of the Government's inspection programmes.

Proposals in relation to Comprehensive Area Assessment are still being developed at what is quite a late stage. The consultation documents have tended to focus on overarching themes rather than specific detail.

A substantial amount of work in relation to the practical application of CAA therefore remains to be clarified. The Audit Commission is currently developing methodologies that will enable concepts such as 'risk based assessment' to be translated into a mechanism that will allow for improvement recommendations to be formulated in a way that copes with the growing complexity of public service provision.

Whereas the focus of the CPA regime was on the performance of individual bodies, CAA is meant to focus on performance in the area as a whole. The LAA (Local Area Agreement) is a fundamental part of the new approach. In practice, the constituent parts of CAA will also mean a continued focus on the performance of individual bodies as set out in this report. A judgement on the Council in line with the new arrangements is likely to emerge in 2009. Subject to consultation,

it is likely that under CAA separate judgements would be arrived at for the area/County and individual authorities e.g. a separate score for Kent County Council and one for Maidstone Borough Council.

In relation to inspection arrangements the CAA consultation paper also identifies areas/circumstances where an inspection may be triggered. This could be where performance or improvement levels are unsatisfactory, declining or insufficiently unclear, or where a service, outcome or service user group has been identified as being subject to significant risk. This is not believed to represent an issue for the Council because of its 'excellent' status and track record of delivering improvements. However, as always, there is no room for complacency and the authority will continue to ensure that a programme of improvements is delivered.

Many of the fundamental elements of CAA already exist therefore this does not represent a totally new approach. Key Lines of Enquiry remain a centre-piece of the Audit Commission's overall approach. The new elements are an area based risk assessment and the replacement of BVPIs by National Indicators.

The resource-intensive programme of corporate assessments undertaken by the Audit Commission for CPA are gone but the scope of the Use of Resources Assessment has been expanded for 2009 to deal with a wider range of corporate issues.

The Council is well placed to deal with the new approach and has in place several groups taking forward value for money, partnership and use of resources assessment. However the risk based nature of the new approach means that this momentum needs to be meaningful.

THE USE OF EXISTING INSPECTION ARRANGEMENTS

Use of Resources

Use of Resources will remain in place, albeit in a revised and extended format. The judgement made on Use of Resources is reported in the Audit Letter in March of each year. It will be used to inform an overall judgement of the authority and how the authority is interacting with partners. Maidstone is currently being inspected on the 2006-07 financial year. Work is also going on to address criteria related to the next 2007-08 assessment (with inspection due November / December 2008).

The Use of Resources criteria that will be used in CAA (applicable for 2009-10) have changed. They are intended to be more outcome focused rather than process-orientated in terms of Key Lines of Enquiry with a range beyond financial considerations. Value for Money becomes a permeating theme rather than a specific component.

The new format will include three new themes, replacing the five previous themes (i.e. financial reporting, financial management, financial standing, internal control and value for money).

The first new theme being Managing Money. This theme will help organisations to improve the management of their financial resources and will be aligned with the good practice highlighted in the Audit Commission's paper *World Class Financial Management*. It draws on their current assessment but places more emphasis on the extent to which organisations understand their costs and what these say about the achievement of value for money. Using the value for money profile tools that have been developed, it assesses how well costs compare with similar organisations, how they link to performance and how they have changed over

time. The theme will assess how organisations use this information to support their decision making and to identify and secure efficiencies. It will also assess how effectively those affected by spending decisions are given the opportunity to understand and influence those decisions.

The second is Managing the Business. It will incorporate important aspects of the current use of resources theme on internal control, risk management and counter fraud and will place new emphasis on current national priorities such as those stated by *Strong and Prosperous Communities* including commissioning and procurement and working effectively with partners. Effective commissioning arrangements are fundamental to improving outcomes for local people and to giving local people more opportunities to influence the way local services are run. Good organisations focus on how best to commission and design services that meet the needs of local people, while involving local people and providers in their commissioning processes. A well developed understanding of the supplier market helps organisations to utilise a broad range of providers and partners, best suited to providing particular services in an efficient way.

And the third theme is Managing other Resources. It will assess whether organisations have a strategic approach to minimising their impact on the environment, and how well they are tackling climate change. Asset management will have a stronger strategic focus than currently and reflect best practice on managing assets strategically and optimise their use for the community. It will also assess how local government bodies are responding to their local communities when those communities make a case to take over the management or ownership of assets in order to deliver greater community benefit. Effective workforce planning is a proposed new area for the assessment; it is seen as essential to ensuring efficiency and effectiveness in delivering services.

The Use of Resources scoring will remain on the same principle as the current system with 1 being below minimum requirements; 2 at minimum requirements; 3 consistently above minimum requirements; and 4 performing strongly, consistently well above minimum requirements.

In preparation for the introduction of CAA, a detailed self-assessment of the authority's position in relation to the Use of Resources 2009 draft criteria is currently being prepared. This will identify where the authority is believed to meet standards and areas where additional work is required.

Direction of Travel

Direction of Travel assessments, reported in the Audit Letter in March of each year, remain in place. Recent direction of travel assessments for Maidstone have been positive, with the last judgement being that 80 per cent of indicators had improved. The assessments take into account a wide range of information to analyse whether the authority is moving forward.

The key questions the inspectors will be looking at with regards to the delivery of improvements are:

- The rate of improvements in services and outcomes the authority has identified as priorities and issues the local people say are important?
- Is the authority improving both access and quality of service for all its communities and tackling inequalities?
- How effectively is the authority contributing to wider sustainable community outcomes and using its community leadership role to drive improvement in the area?

With regards to future improvements the inspectors will be asking:

- Does the authority have robust and ambitious plans for delivering future improvement?
- How well is improvement planning being managed and implemented?
- Are key objectives and milestones being achieved?
- How effectively is the authority engaging with, and empowering, local communities to identify priorities and shape local services?
- Does the authority, working with local partners and the community, have the capacity to deliver its plans?

The consultation proposals suggest a scored judgement of Direction of Travel. This will be decided following the consultation feedback. The suggested scoring is based around four statements:

- Excellent prospects for improvement;
- Promising prospects for improvement;
- Uncertain prospects for improvement; and
- Poor prospects for improvement.

Given this authority's track record it is highly likely that a positive score would be received if the Government decide to pursue its proposals in relation to this.

Data Quality

The new performance management arrangements are set out below (together with the risk-based assessment). The concept of proportional inspection and the method of data collection from a variety of sources to arrive at the assessment of a borough means that data quality has become increasingly important. This is risk assessed by the auditors. The emphasis has shifted as to whether there are management arrangements in place to ensure data quality and is the strategic leadership using the data effectively to deliver community leadership.

The Council has a Data Quality Plan in place and recent judgements show that it performs well on this. It is likely that data quality will be taken into account in the normal audit work but also informs the Use of Resources judgement. It is not one of the central components of CAA, but rather underpins the process.

NEW FEATURES

Second Local Area Agreement

The Kent Agreement 2 provides the Government with a concrete form for assessing a locality's overall progress towards goals. Where partners are not co-operating it has been suggested by the Audit Commission that this will be highlighted. The LAA is required to deliver the Government's priorities with a mechanism developed to ensure that this is done in a way that ensures alignment with local priorities. LAAs are able to choose priorities from a list of 198 National Indicators. The Council will set targets to report against with the Kent Partnership having a role in ensuring action is taken to deliver the targets.

There has been debate across Kent in relation to the proposals put forward for the governance of the Local Area Agreement and in particular the role of the district-based Local Strategic Partnerships. However this is still unclear.

In addition it is important that where possible local priorities are reflected in the LAA and local partners are engaged with the process.

Following the White Paper 'Strong and Prosperous Communities,' and new draft guidance published by the Department for Communities and Local Government in November 2007, Maidstone's LSP like other LSPs across the country is preparing to develop a new Sustainable Community Strategy (SCS). This will build on the current community strategy 'Maidstone Matters' which was adopted in 2003 and revised in 2005. With the development of the National Indicators adopted through the LAA now reaching the second phase of targeting and then monitoring, it is important that performance management arrangements in the Maidstone LSP are firm up and that the Sustainable Community Strategy document is delivered with agreement by partners by the target date of 31 July 2008.

A programme was agreed with the LSP at its meeting on 3rd October 2007 and shared with parishes at the Rural Conference on 17th November. Workshops have been held with the LSP and a questionnaire for LSP members to start to identify issues has been drawn up. The focus is on developing:

- A shared vision for Maidstone (in preparation for developing the new SCS);
- Developing new priorities;
- Positioning Maidstone's LSP in relation to the new Local Area Agreement;
- Looking at how Maidstone's LSP needs to be supported to achieve this by working with another LSP.

Performance Management

Performance management was an important part of the initial CPA assessment and remains so in CAA at a locality level and individual authority level. Through the LAA, a set of targets for MBC will be established.

As the National Indicators ("NIs") selected by the LAA reflect local priorities it is recommended that the LAA NIs are adopted as borough council priorities and tied into the Council's golden thread. Those NIs that are not selected through the LAA will also be compulsory for the relevant bodies. The final NI guidance is awaited but the Government (DCLG) currently believes that 64 of the NIs will apply to district authorities.

Action is being taken to ensure that the authority is in a position to measure the NIs and to set and achieve targets that will apply through action planning and the identification of resource issues.

The authority has submitted a consultation response and a response from the Maidstone Local Strategic Partnership has also been submitted. Planning will also be required for the 'Place Survey' element of the National Indicators which replace the triennial BVPI surveys and the authority is exploring whether neighbouring boroughs wish to collaborate in the production of these surveys. Under the new Place Survey, councils will ask residents their views on a wide variety of issues. The new system will replace the Best Value User Satisfaction Survey. Its aim is to focus less on customer satisfaction with local services and more on residents' quality of life.

One important part of CAA that should be noted is the introduction of the concept of spatial levels the details of which will be finalised with the National Indicators. Features are:

Data collation – the level at which data is collected. For example, data may be collected for Maidstone borough from MBC itself, from Kent County Council or from a national data set (e.g. from the Office of National Statistics).

Assessment – data collected from any of the levels may be used to assess the authority.

Responsibility – regardless of the level at which data is collected or assessment is made, responsibility for delivery can rest with any authority. For example, the Kent Partnership would be judged on whether it had delivered against an LAA National Indicator target that had been set at LAA level. MBC would be judged on whether it had achieved a National Indicator target set by MBC. Information used to arrive at this judgement may also be collected from the Office for National Statistics.

This mechanism means that the concept of community leadership, whether at the LAA level or the district level, becomes an increasingly salient feature.

In conjunction with the introduction of National Indicators a new data collection system is being introduced which will allow for the aggregation and disaggregation of performance indicators.

Risk-based Assessment

CAA sees the introduction of a concept of risk-based assessment. This means that a judgement will be reached as to the extent of risk that the locality of an individual audited body will not achieve its objectives. The methodology to be applied is still being developed.

The introduction of risk-based assessment means that in order to be successful setting realistic goals and moving towards them is essential. It also is likely to mean that, for example, where Kent County Council or Maidstone Borough Council do not have shared objectives through the formal mechanism of the Local Area Agreement, the risk that the overall vision will not be achieved is increased.

The questions proposed for the Joint risk assessment will address

- How well does the Local Strategic Partnership understand and assess the needs of its communities now and in the future?
- Does it use this understanding to inform its local priorities?
- Does the Local Strategic Partnership organise itself and ensure it has the capacity to deliver priorities?
- Has it secure and effective arrangements to identify and manage the risks to achieving successful outcomes?
- Are the improved outcomes likely to be achieved?

The Strategic Plan 2008-11 is currently being drafted. This will be published in March 2008 and sets out the authority's overall direction for the next three years. It will need to be sufficiently flexible to respond to the outcomes from several processes which are not yet complete. These include the formulation of Maidstone's Sustainable Communities Strategy planned for adoption by 31 July 2008 and development of the LAA targets.

The Consultation document set out reasons for and against scoring the Area Risk Assessments. There is a worry that without a score the assessments would be overlooked however, compiling a scoring matrix for areas that have many different issues and priorities may not be useful.

The proposed solution to this is to give results in a narrative format and to introduce a traffic light flagging system for issues of concern or merit. For example a LAA area may have one district where anti-social behaviour is of

particular concern to the inspectors therefore it may receive a red flag. On the other hand it may have an innovative and successful after school programme for which it could receive a green flag.

The proposed consultation response sets out the authority's concern that the assessment and the consequences of the new arrangements will not take sufficient account of local issues.

Alternatives considered and why rejected

The Council could choose not to put in place arrangements in relation to CAA or to respond to the consultation. This would mean a lack of preparedness and could result in negative audit opinions.

In terms of responding to the consultation, the authority would miss the opportunity to express our opinions regarding the proposed changes which is particularly important following recent experiences of Use of Resources assessment and consequent challenge to the Audit Commission.

Background Papers

None

These documents are available at the Council offices.

Cabinet determined their decision was urgent as the deadline for responding to the Audit Commission's consultation on the proposals for CAA is 15 February. In accordance with paragraph 18 of the Overview and Scrutiny Procedure Rules of the Constitution, the Mayor, in consultation with the Head of Paid Service and the Chairman of the Corporate Services Overview and Scrutiny Committee agreed that the decision was reasonable in all the circumstances and should be treated as a matter of urgency and not be subject to call in.

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

VINTERS PARK CREMATORIUM - MERCURY ABATEMENT & CREMATOR REPLACEMENT WORKS

Issue for Decision

To consider the need to accelerate the proposed replacement of the cremators and other associated works at the Vinters Park Crematorium.

Decision Made

That the planned works and funding consideration, as detailed in the Decision made by Cabinet on 14 November 2007, be brought forward with a funding profile of £8,000 in 2007/08, £1M in 2008/09 and £192,000 in 2009/10 be agreed.

Reasons for Decision

On 13 February 2008 the Cabinet Member for Environment decided the following: -

1. That the planned works and funding consideration, as detailed in the Decision made by Cabinet on 14 November 2007, be brought forward with a funding profile of £8,000 in 2007/08, £1M in 2008/09 and £192,000 in 2009/10 be agreed.
2. That the estimated shortfall in income of £25,000 from closures associated with the improvement works to be recovered by increasing the cremation charge by £17 with effect from March 2008 be agreed.
3. That Decision 1 above be recommended to Cabinet for consideration within the capital programme and revenue budget for 2008/09.

Previously, on 26 October 2007, the Cabinet Member for Environment had resolved:

- i That agreement be given to fit abatement equipment to achieve 100% mercury abatement by March 2010;
- ii That the removal of the three existing cremators and for replacement with two new cremators and associated upgrading works to the crematory in 2009/10 be agreed;
- iii That officers be instructed to advise the Regulator of the above intentions;
- iv That an environmental surcharge of £35, from January 2008, to cremations be agreed;

APPENDIX M

- v That agreement be given, in principle, to enter the CAMEO scheme subject to receiving a further report when more details are available;
- vi That the relocation of the reception/office base to the cottage during 2008/09 in readiness for the above works be agreed;
- vii That the funding proposals as set out in Appendix B to the Report of the Assistant Director of Regulatory and Environmental Services be referred to Cabinet for consideration within the capital programme.

On 14 November 2007 the Cabinet agreed to the above funding proposals.

The original report to the Cabinet Member for Environment confirmed that the 3 cremators were installed in 1993-94 and that the machines were now coming towards the end of their economic life and repairs and equipment breakdowns were becoming more frequent. Similarly, as the machines have aged their performance has not totally satisfied the Regulator and emission results have not always been consistent and within the PG5/2(04) guidance.

During a more recent review the Regulator has confirmed that immediate attention is now needed to satisfy the PG5/2(04) guidance. Whilst some repairs and improvements can be made to the operation of the machines, it has been necessary to take one of them out of use as replacement parts are now obsolete.

The Regulator's comments now require the intended replacement of the cremators and the associated upgrading works to be brought forward into 2008/09.

Alternatives recommended and why rejected

It would be uneconomic to spend large sums to make short term major upgrades to the existing equipment.

Without the proposed installation of the new equipment then the crematorium would have to close.

Background Papers

None

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008**.

MAIDSTONE BOROUGH COUNCIL

**RECORD OF RECOMMENDATION OF THE CABINET
TO THE COUNCIL**

Recommendation Made: 13 February 2008

**BUDGET STRATEGY - CORPORATE REVENUE & CAPITAL BUDGET
2008/09 ONWARDS**

Issue for Recommendation

To consider the proposed Revenue and Capital Budgets for all portfolios for 2008/09, including service savings and growth previously agreed, in accordance with the agreed budget strategy and to consider the proposals for 2008/09 in the context of the draft Medium Term Financial Strategy and the Medium Term Financial Projection.

Recommendations Made

1. That the revised revenue estimates be agreed as set out in Appendix A (circulated separately).
2. That the revenue estimates for 2008/09 (as set out in Appendix A (circulated separately)) subject to the following additions/amendments be agreed: -

Growth	£
CCTV	50,000
Audit Fees	10,000
Choice Based Lettings	10,000
Car Parking	40,000
Investment Income	20,000
Contingency for New Legislation	10,000

Savings

Arts & Sport	10,000
Waste/Recycling Services (Wheeled Bins)	10,000
Waste/Recycling (Charges)	11,000
Cemetery	10,000

3. That the following items of one off expenditure be agreed and funded as follows: -

Maidstone Music - £40,000 – from Balances

MBS Staff Structure – up to £75,000 – from Balances

Battle of Maidstone – up to £15,000 – from Balances

4. That the proposed saving from Devolved Budgets be retained in the 2008/09 Estimates but that a review of Devolved Budgets be undertaken in August 2008.
5. That a level of Council Tax for 2008/09 of £207.72 (an increase of 2.94%) be agreed.
6. That the additional investment income in 2008/09 of £0.13m be set aside as a contingency against the potential reduction in income from LABGI be agreed.
7. That the Statement of Reserves and Balances as set out in Appendix A (circulated separately), subject to the changes agreed at 1 and 3 above, be agreed.
8. That the minimum level of General Fund Balances be set at £2m for 2008/09.
9. That the Medium Term Capital Programme set out in Appendix A (circulated separately), subject to an increase of £300,000 per annum from 2009/10 to the Leisure Centre and a reduction of £75,000 per annum from 2008/09 from Renovation Grants (due to the increase in resources from Government Capital Grants) and the assumption of slippage in the programme of £1m (2%) over the 4 year period be agreed.
10. That the Medium Term Financial Strategy as set out in Appendix A (circulated separately) be endorsed.
11. That the Medium Term Financial Projection as set out in Appendix A (circulated separately) as the basis for future financial planning be endorsed.
12. That it be noted that, at it's meeting on 12 December 2007, the Council calculated its Council Tax base for the year 2008-09 in accordance with regulations made under Section 33 (5) of the Local Government Finance Act 1992, as 58,514.8 being the amount calculated by the Council in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) regulations 1992;
13. That it be noted that, as detailed in Appendix B, the Council Tax Base for each of the Parish Areas, calculated in accordance with Regulation 6 of the Regulations, are the amounts of its Council Tax Base for the year for dwellings in those parts of its area to which a special item relates (Parish precepts);
14. That the following amounts now be calculated by the Council for the year 2008-09 in accordance with Section 32-36 of the Local Government Finance Act 1992;

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- (a) £77,462,492 being the aggregate of the amounts which the Council estimates for its items set out in Sections 32 (2) (a) to (e) of the Act;
- (b) £54,970,530 being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act;
- (c) £22,491,963 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32 (4) of the Act as its budget requirement for the year;
- (d) £9,478,711 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed Non Domestic Rates and Revenue Support Grant, increased by the amount which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Section 97 (3) of the Local Government Finance Act 1988 (Council Tax Surplus) and increased by the amount which the Council estimates will be transferred from its Collection Fund to its General Fund, pursuant to the Collection Fund (Community Charges) directions under Section 98(4) of the Local Government Finance Act 1988 (Community Charge Surplus) and reduced by the amount representing the authority's contribution to Council tax benefit resulting from an increase in its Council Tax calculated in accordance with the Collection Fund (General) (England) Directions 2000, the Collection Fund (Council Tax Benefit) (England) Directions 2000 and the Local Authorities (Alteration of Requisite Calculations) (England) Regulations 2000.
- (e) £222.39 being the amount at (c) above, less the amount at (d) above, all divided by the amount at 12 above, calculated by the Council, in accordance with Section 33 (1) of the Act, as the basic amount of its Council Tax for the year;
- (f) £858,563 being the aggregate amount of all special items referred to in Section 34 (1) of the Act as detailed in Appendix B;
- (g) £207.72 being the amount at (e) above, less the result given by dividing the amount at (f) above by the amount at 12 above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates;
- (h) As detailed in Appendix C, being the amounts given by adding to the amounts at (g) above, the amounts of the special item(s) relating to dwellings in those parts of the Council's area mentioned in Appendix B, divided in each case by the amount at 12 above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax (detailed in Band D) for the year

for dwellings in those parts of its area to which one or more special items relates;

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

15. That it be noted that for the year 2008-09 Kent County Council, the Kent Police Authority and the Kent and Medway Towns Fire Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

<u>Variation Bands</u>	<u>KCC*</u> £	<u>KPA</u> £	<u>KMTFA*</u> £
A	667.86	85.50	42.54
B	779.17	99.75	49.63
C	890.48	114.00	56.72
D	1001.79	128.25	63.81
E	1224.41	156.75	77.99
F	1447.03	185.25	92.17
G	1669.65	213.75	106.35
H	2003.58	256.50	127.62

*Provisional, subject to formal notification.

16. That, having calculated the aggregate in each case of the amounts at 14 (i), and 15 above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets in Appendix D, the amounts of Council Tax for the year 2008-09 for each of the categories of dwellings shown.

Reasons for recommendation

In July 2007, the Cabinet agreed an initial budget strategy as follows: -

- a) That the Medium Term Financial Strategy, as set out in Appendix B of the Report of Management Team, be agreed;
- b) That the initial view on the level of Council Tax increase for 2008/09 is that the level of increase will be sufficient to avoid the threat of Capping by the Secretary of State;

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- c) That Cabinet Member be requested to identify savings of up to £1.5m, in priority order whilst considering potential growth items also in priority order;
- d) That the proposed Capital Programme for 2008/09 onwards be agreed, in principle, together with a Report in September 2007 to consider issues of deliverability, prioritisation and affordability;
- e) That the principle of public consultation be agreed with a more detailed report to the next meeting to consider options and costs.

The initial projection was based on a number of assumptions, including:

- a) An overall inflation rate of 2.5% per annum over the period;
- b) An allowance for a zero increase in general Government grant based on the initial indications from Central Government relating to the potential outcome from the Comprehensive Spending Review 2007. It is assumed that all other, less material grants, continue at the current levels;
- c) An allowance is made in the projection for increased recycling costs of £0.5m over a 4 year period, with £0.2m available in 2008/09, based on the previously agreed strategy for waste and recycling;
- d) The Government has announced changes to the national concessionary fares scheme which will increase the expenditure of this authority in 2008/09. The Government is to make resources available nationally to fund this increase and, at this stage, it was assumed that this will have a neutral effect on this authority's budget;
- e) It was assumed that the Capital Programme would be supported from existing Capital Receipts at a level of £2.5m per annum;
- f) No allowance has been made for any further costs of the LDF process following the establishment of the LDF fund at £1m;
- g) Provision has been made for some further minor increase in spend. In particular, a notional allowance for increased expenditure following the 3 year Actuarial Review of the Pension Fund at £50,000 per annum, i.e. £150,000 over a 3 year period. The results of this review will be known later in 2007;
- h) It is assumed that Members will continue with the previous policy on Balances to maintain levels of uncommitted Balances of at least 10% of net revenue spend. No contributions are planned for 2008/09;
- i) With regards to the medium term, no assessment has been included in Appendix E for any potential impact of Government changes to local Government finance following the Lyons Review;

- j) It has been assumed that the policy of allowing for a zero inflation increase on non-contractual or non key service areas will continue throughout the period of the Medium Term Financial Projection. This enforces the efficiency regime throughout the Council and reduces the pressure on Council Tax and savings levels by building in efficiencies of approximately £0.1m per annum;
- k) Based on the decision to increase the Council Tax by 3% in 2007/08 the Medium Term Financial Projection was based on a similar annual increase over the period;
- l) The projection is based on a prudent increase in the Tax Base of 0.5%. This will be reviewed later in the year to reflect more up to date information.

A number of key risks were also identified which could impact on the Budget Strategy as follows: -

- a) The level of grant during the period of the Medium Term Projection. Following initial comments from Central Government, a zero increase grant was assumed in the projection;
- b) An understanding that the current administration were reviewing waste collection and recycling and that further costs may need to be accommodated within the projection;
- c) The need to address any funding issues as a result of both the current Concessionary Fares Scheme and the advent of the new national scheme in 2008;
- d) Continued monitoring would need to be given to the funding of the LDF process;
- e) The current Capital Programme assumes a level of slippage which, in effect, means that an element of the Capital Programme is unfunded. This situation would need to be addressed by bringing additional resources in to fund the programme, phasing the programme differently or reducing the overall programme by deleting schemes;
- f) Any increase in costs as a result of the 2007 Actuarial Review of the Pensions Fund. Some allowance was made in the Medium Term Financial Projection but there remained the potential for cost increases over and above the assumed level;
- g) The level of Council Tax was not pre-set by the Cabinet, therefore there is a substantial variation in potential resources from Council Tax payers e.g. a 1% variation in the Council Tax increase would vary the income from that source by approximately £110,000.

At its meeting on 19 December 2007, the Cabinet considered the latest information relating to the budget strategy for 2008/09 onwards and agreed the following: -

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- a) That funding for the additional environmental improvements scheme in 2007/08 of £0.2m from Balances be agreed;
- b) That an estimate of £0.3m for additional concessionary fares costs in 2007/08 be funded from LABGI (£150,000) and Balances (£150,000);
- c) That funding for Street Name Plates and Cobtree Trust debt repayment as detailed below be agreed;
- d) That the level of grants proposed by Government as detailed below be noted;
- e) That a budget for the statutory element of concessionary fares for 2008/09 of £2.0m, a contingency of £0.2m and a level of Balances substantial enough to address this key risk be agreed;
- f) That £0.2m per annum be included in the Medium Term Financial Projection to cover future cost increases from the statutory Concessionary Fares Scheme;
- g) That at this stage, resources will not be included for highways grass cutting, landscaping and weed spreading in 2008/09;
- h) That the growth items included in Appendix D of the Report of Management Team of which tree maintenance (£80,000) and equipping Oakwood Hall (£20,000) be funded from additional balances be agreed;
- i) That no further resources for CCTV at this stage be agreed;
- j) That the savings items included in Appendix C of the Report of Management Team, with the exception of £46,000 for Park and Ride, following closure of a site this year, as a future contingency for service development be agreed;
- k) That a future target of savings from the efficiency agenda at £0.4m per annum be included in the Medium Term Financial Projection;
- l) That the financial consequences of decisions made on the Best Value Reviews on Concessionary Fares (£67,680) and Grants (£99,720) be agreed;
- m) That it be agreed to maintain a minimum level of Balances at a level of 10% of net revenue spend plus £0.5m as a contingency against future increases in concessionary fare costs;
- n) That the outcomes from the consultation exercise as set out below be noted;

- o) That the funding of the Capital Programme as set out in Appendix F to the report of Management Team be agreed subject to a further report on Growth Point 1 scheme and the addition of a further £2m from available receipts in the period 2008/10 to fund the programme of which £1.2m for the scheme at the crematorium is funded by additional income;
- p) That the Capital Programme as set out in Appendix G to the report of Management Team in line with funding be agreed subject to the deletion of the scheme for Mote Road car park resurfacing (£375,000) and the addition of £50,000 to the Exchange Studio Development for Maidstone Music subject to a report to the Cabinet Member for Leisure and Culture on the overall programme for Maidstone Music;
- q) That no decision be made on how to utilise up to £0.2m of additional LABGI resources to be received in February 2008, and other available resources as set out in paragraph 1.13.4 of the report of Maidstone;
- r) That a provisional level of Council Tax increase for 2008/09 in the region of 3% be agreed.

All the other key risks were addressed as part of the review of the Budget Strategy in December 2007 and no further financial provision was considered necessary. The issue of waste/recycling was considered by Council in September 2007.

The budget covers joint plans agreed with partners and other stakeholders. In particular the resources to deliver the relevant targets in the current Local Area Agreement (LAA) as discussed through the Local Strategic Partnership (LSP) are included in the proposed budget. It should be noted that the current LAA concludes in March 2008 and discussions during 2007/08 will result in the next generation of LAA from April 2008. These discussions are based on these budget strategy considerations. At this stage, no provision has been made in the Medium Term Financial Projection for any Performance Reward Grant that may be available to this Authority or the LSP generally. Similarly resources are included for funding the CDRP Strategy and support for MAPS. Resources are also included for other 'partnerships' such as Concurrent Functions, Grants to Outside Bodies and Joint Working with other Authorities, as reviewed during the course of the Budget Strategy consideration and specifically reflected the decisions taken as a result of the Best Value review.

The budget strategy also delivers the financial requirements of the related important plans previously considered by Cabinet, as follows:-

- a) The Strategic Plan – the Budget Strategy has been compiled in parallel with the review of the Strategic Plan, which is dealt with

elsewhere on this agenda. Cabinet Members, during the course of the exercise to review the strategy and produce the revised version now on the agenda, have confirmed that the Budget Strategy includes the resources necessary to deliver the strategic objectives of the plan. Examples of additional resources included in the Budget Strategy to deliver key objectives of the Strategic Plan are: -

I) Waste/Recycling

Additional resources of £0.4m included in 2008/09 to provide the resources to increase recycling from 19.2% in 2006/07 to 34%.

II) Capital Resources of £15.8m over the period 2007/08 to 2010/11 to provide an ongoing programme of Support for Social Housing which will facilitate the delivery of new affordable homes, as identified in the Strategic Plan 150 in 2008/09, 150 in 2009/10 and 100 in 2010/11.

These resources are in addition to those require to fulfil statutory obligations, a key message in the Strategic Plan, particularly for Concessionary Fares.

- b) The People Strategy – budget provision has been included previously to cover the review of the Remuneration Strategy. Other initiatives will be funded from within existing resources, although a relatively small growth item related to the total reward package may need to be incorporated into future budget strategies. This is not, in corporate terms, material.
- c) Asset Management – the budget requirements, from previous stock condition surveys, is included in both the Revenue and Capital Budgets over the medium term. In addition, the budget still includes provision in the Large Buildings Maintenance Fund to give further resilience to delivering the Asset Management Plan.
- d) ICT Strategy – the Revenue and Capital Resources to deliver the IT Strategy are included in the Budget Strategy.
- e) Review of Housing Strategy – a review has recently been undertaken of the current Housing Strategy and the resources included in the Budget Strategy reflect those agreed to deliver the Housing Strategy.
- f) Other Strategies – including Climate Change, Equalities, Green Space, Economic Development and Tourism Strategies and the Integrated Transport Strategy.

Since the December Cabinet meeting, all Cabinet Members have received their individual portfolio budgets, incorporating both Revenue and Capital spending proposals, and the results of these reports are included in this overall strategic report to Council.

The Strategic Leadership Overview and Scrutiny Committee has been consulted on the Cabinet's budget proposals for 2008/09 and the comments resulting from this exercise are included in this recommendation.

Revised Revenue Estimate 2007/08

Attached is an overall summary of the revised revenue estimates for the current financial year, compared to the original estimate, and proposals for 2008/09 which have been agreed by individual Cabinet Members. Attached are the budget summaries agreed by Cabinet Members for the delivery of their services.

There is one major change to the budget preparations for individual services, since the introduction of FRS17 Accounting for Pensions, which requires the Council to show its current notional pensions liability in its accounts, the Council has made year end adjustments to the cost of services based on the Actuaries valuation report, which is usually received in early May of the following year. In an attempt to minimise the year end variances that occur because of this adjustment a projection has been included in the figures shown in the attached appendices. Council should be aware that there is no overall effect on the council tax requirement from the inclusion of FRS17 figures because a compensatory adjustment is included in Corporate Services estimates. In addition variations in the Council's activities and changes in the investment results of the Superannuation Fund could mean that these figures will still require adjustment when the Actuaries report is received next May.

It will be noted from the attachment that the revised revenue estimate for service spending in the current financial year is £21.8 m which compares to the original estimate of £21.27 m. This will require a contribution from Balances of £0.77 m compared to an original estimate of a contribution from Balances of £0.23 m. The major reasons for this change of £0.5m are:-

- a) The decision to carry forward resources from 2006/07 of £1.4m of which £0.6m will now be carried forward to 2008/09 to fund the waste/recycling strategy.
- b) The decision to fund a number of budget issues (£0.44m) in the current financial year from Balances, as agreed at the various Cabinet Meetings, although this is offset by additional investment income of £0.6m.

The revised position in 2007/08 in terms of the contribution from Balances varies to that reported to the December Cabinet meeting due to detailed budget revisions which have identified a number of relatively small adjustments. These have reduced the requirement for a contribution from

Balances, after allowing for a reasonable estimate of anticipated slippage in the revenue budget.

The third quarterly monitoring report identified that, primarily as a result of enhanced investment returns as a result of recent turbulence in the market, additional investment income of £0.1m was made in the third quarter and is likely to continue up to the end of the year, albeit at a potentially reduced rate. Therefore, the revised estimate shows an increase of £0.15m.

Estimate 2008/09

The Budget proposed for 2008/09, as detailed in the attached appendix, produces a net budget requirement of £21.53 m. This is at a level which will allow a Council Tax strategy of an increase in the region of 3%. However, the estimate produced for 2008/09 does include approximately £54,000 of income from the recently agreed environmental surcharge at the crematorium to help fund the proposed works at the crematorium. This has not been taken into account in previous budget projections due to uncertainty over when this work would be required. This issue is dealt with later in this report, in the section relating to the Capital Programme.

Attached are the items of growth included in the budget projections and includes all the savings items included in the budget projections, as previously agreed by Cabinet.

Council will recall that the creation of the budget proposals now contained in this report have been based on a number of initiatives and techniques, as follows:

- a) Revenue Prioritisation Exercise to identify those services which are delivering less of the Council's priorities and are therefore available for consideration of budget reductions.
- b) The Budget Consultation Exercise which identified those areas where the public felt that savings could be more easily achieved in order to deliver a Council Tax increase which was within the capping criteria.
- c) An in-depth review of each portfolio budget to identify where resources could be saved without impacting on service delivery.
- d) The impact of the Council's wide ranging efficiency agenda, which is dealt with later in this report.

During the Cabinet Members' consideration of their detailed portfolio budgets, a number of issues were referred to Cabinet for further consideration:

- a) CCTV – The Cabinet Member for Community Services has recommended that Cabinet include a further £50,000 in 2008/09 to

address the potential costs resulting from the current tendering exercise for the operation of the CCTV control room.

- b) The Leader and the Cabinet Member for Regeneration have identified two further growth items that may be addressed in 2008/09, as follows:
- I) Audit Fees – the Audit Commission have recently published their consultation exercise which suggests a fee increase for district councils in the region of 14%. Whilst Local Government generally have objected strongly to these proposed fee increases, it would be prudent to allow for a further budget of £10,000 to address this potential issue.
 - II) Choice Based Letting – the Council has an approved programme to address this new requirement which initially identified the need for additional resources in 2009/10. A recent report to the Cabinet Member has identified that these resources would be more appropriate for 2008/09 to expedite the implementation of this project.
- c) Further Savings – The Cabinet Members for the Environment and Leisure & Culture have suggested the following additional savings and amendments to previous savings proposals:
- (I) Arts & Sports – if required, a further saving of £10,000 could be delivered by these services.
 - (II) Waste/Recycling Services – the number of wheelie bins will double over the next year as a consequence of providing more comprehensive recycling services. The proposal is to encourage residents to take greater responsibility for their bins and we will no longer repair/replace wheelie bins except where the Council is at fault. This will produce a saving of £10,000.
 - (III) Waste/Recycling Services – it is proposed that consideration be given to further increases in fees and charges for recycling services. This could produce further income of £11,000.
 - (IV) Cemetery – it is proposed that the cemetery be managed to conserve bio-diversity (in accordance with a duty introduced by the Natural Environment and Rural Communities Act 2006) through a number of measures. These will include reducing grass cutting frequency and expanding conservation cut zones in some parts of the cemetery. This could produce a further saving of £10,000.
- d) Car parking charges – following a further review of the viability of achieving the previous level of proposed savings, the Cabinet Member for the Environment suggests a reduction of £40,000 in the savings target.

- e) Maidstone Music – the Cabinet Member for Leisure & Culture has recommended to Cabinet that it considers a further allocation of resources for this major initiative of £40,000. This will be for one-off expenditure only and will be available to ensure the delivery of this initiative in the first year.
- f) Events to commemorate the 360th anniversary of the Battle of Maidstone – the Council is planning a series of events in 2008/09 which will include specialist lectures and exhibitions at the museum, guided walks themed to the Battle, Proms in the Park themed to the Battle and a re-enactment of the Battle at the original site at Gabriels Hill. The total cost of these events is currently in the region of £43,000, of which Council funding is already earmarked for the programme at £17,000. Sponsorship and other funds have generated approximately £11,000 which leaves a projected shortfall in the region of £15,000. If this situation does not change, then the Cabinet may wish to consider earmarking resources from Balances or resources identified for Life Long Learning as a contingency to enable these events to take place.
- g) Maidstone Borough Services Management Staff Structure – the Cabinet Members for Leisure and Culture and the Environment have recently received a report on proposals to adopt a new management staff structure for Maidstone Borough Services which will produce ongoing savings, which have been built into the budget projection, but which require potentially one off costs of up to £75,000 to implement. The Cabinet may wish to earmark funds from Balances to address these upfront costs and address the issue as part of the overall position at final accounts stage in 2007/08.

In summary, therefore, the further issues referred by Cabinet Members are as follows:

- a) Ongoing costs
 - CCTV - £50,000
 - Audit fee - £10,000
 - Choice based letting - £10,000
 - Reduction in savings - £40,000
 - Total - £110,000
- b) Ongoing savings
 - Arts & Sport - £10,000
 - Waste/Recycling Services (wheeled bins) - £10,000
 - Waste/Recycling Services (charges) - £11,000
 - Cemetery - £10,000
 - Total - £41,000
- c) Potential for one-off resources
 - Maidstone Music - £40,000
 - Battle of Maidstone - £15,000

Maidstone Borough Services Management Staff Structure – up to
£75,000

Total - £130,000

In summary, therefore, additional net growth of £69,000 and funding of one-off expenditure of up to £130,000 needed to be considered.

Cabinet were reminded that there are two issues that need to be considered in the context of the overall Budget Strategy. At the meeting of Cabinet in January 2008, Cabinet deferred consideration of the comments from Corporate Overview and Scrutiny Committee regarding the proposed cut to the devolved budget. The budget includes a budget saving of £55,000 for the devolved budgets scheme and Overview and Scrutiny Committee's comment was that this saving should not be made. Cabinet's amendment is shown in Recommendation 4 above.

The budget for Investment Income in 2008/09 includes approximately £0.13m of additional investment income over and above an agreed baseline which will secure the budget position for 2009/10. It was originally anticipated that this would provide a further source of funds for one off expenditure. However, the Government have recently announced that, for the 3rd year of the programme, they intend to review the LABGI scheme in the light of a further Judicial Review. The Budget Strategy was initially based on the assumption that the third year of the scheme would produce resources of up to £0.5m, of which £0.3m have been provisionally allocated for the final phase of Waste/Recycling Strategy. In view of this review, it is suggested that the additional investment income be set aside should this Authority receive insufficient resources from LABGI to fulfil its obligation to the Waste/Recycling expenditure.

The Audit Commission has recently published a paper regarding Fees and Charges and suggests that authorities should take account of this source of income, in a structured way, to offset other budget pressures through Council Tax capping and reduced grant levels. This Authority, for a number of years, always viewed fees and charges as a valuable source of income not only to raise revenue in a challenging financial environment but also as a way of delivering its strategic plan. All fees and charges have been reviewed as part of this year's Budget Strategy and the savings proposals include a number of areas where increases in income have been identified.

Statement of Reserves and Balances

Attached is a statement of the General Fund Balances which identifies, for the period up to March 2009, projected balances covering the General Balance, the Invest to Save budget, now extended, the contribution from the Revenue budget to cover the decision to fund some assets from Capital Receipts rather than by lease, the LDF fund and the Large Buildings Maintenance Fund.

Council will note that the General Fund Balance is at a level which addresses the overall strategic aim of maintaining a level of balances at a minimum of 10% net revenue spend. In addition it was agreed at the December 2007 Cabinet Meeting that an additional £0.5m be retained to address any funding problems related to Concessionary Fares. This would require a level of Balances of approximately £2.65m.

Whilst the level of General Fund Balances is above the minimum required, Council should note that the investment income from these Balances is included as income to the General Fund to help offset the overall pressure on the budget. Any substantial use of Balances will incur revenue growth due to the reduction in investment income.

It is necessary to quantify the minimum level of General Fund Balances below which Cabinet cannot go without the authority of Council. For 2007/08 that level was set at £2m and it is suggested that the minimum level of 2008/09 be set at £2m. This should be sustainable due to the overall level of Balances.

Government Grant

The report to Cabinet in December 2007 incorporated a proposal from Central Government for Grant Support of £9.4m.

The Government on 24th January 2008 confirmed the grant figure at £9.4m and this has been incorporated into the overall funding requirements within this recommendation.

Future indications of grant levels are available from the Government through their Comprehensive Spending Review. The increases proposed for 2009/10 and 2010/11 are a cash increase of only ½% per annum. This has been built into the Medium Term Financial Projection.

Capital Programme

The overall Budget Strategy for the Authority incorporates both Revenue and Capital Spend, with the Capital Programme being seen as a major contribution to the delivery of key priorities.

Attached are the proposals for capital spend for 2008/09 and future years. Also incorporated is the current year's budget and the revised Capital Programme, as previously reported to Cabinet as part of the Budget Monitoring process.

The schemes included in the Capital Programme have been subject to an exercise to score schemes against criteria of prioritisation, affordability and deliverability. This has resulted in certain areas of spend being programmed in years beyond 2008/09 as they have been identified as those areas where, particularly, deliverability would not be assured. It may be confirmed from this exercise, that all of the projects in the Capital

Programme contribute to the authority's key priorities.

The major review undertaken during 2007 relating to the Housing Programme and the budget for Support for Social Housing is now based on a realistic programme which should be deliverable. In addition, this has arrangements in place to substitute schemes where specific projects are not to result in spend by this authority.

Council will note that the proposed Capital Programme is significantly in line with that agreed at the December meeting with the following exceptions:

- a) South Maidstone Project – Following a review of the costs of this project, the budget for this scheme, in 2008/09, has reduced by approximately £0.65m, resulting in an increase in the original budget of only £0.5m compared to nearly £1.2m previously projected.
- b) Housing Renovation Grants – The resources available for Disabled Facilities Grants in 2007/08 has been increased by £0.2m as a result of a late injection of resources by the Government. The Cabinet Member will receive a report on the utilisation of these resources. Additionally, through the Regional Housing Board, additional resources have been achieved for Renovation Grants generally of approximately £0.5m per annum over the 3 years commencing 2008/09 and these have been added to the resources initially identified by this authority as necessary to delivery the Decent Homes Standard and other initiatives. A report will be presented to the Cabinet Member for Regeneration on the implications of the additional resources received on the needs of the Housing Strategy.
- c) Crematorium – the Capital Programme currently includes approximately £1.2m in 2009/10 for the replacement of the cremators and mercury abatement works. A recent review of the situation has recently identified that this programme needs to be brought forward and it is now suggested that £1m needs be included in 2008/09 with the balance of funding in 2009/10. A relatively small amount (£8,000) is required in 2007/08.
- d) New Offices Project – Cabinet will recall that it has been previously reported that additional capital receipts of approximately £2m should be achieved from the disposal of current office sites. The disposal of site was a key element of the initial Business Case agreed by Cabinet for the New Offices Project and the receipt of additional resources has strengthened that case. A review of the budget requirements for the project has identified that additional resource of £0.48m is required. On the basis that these should be legitimately funded from the additional capital receipts, the overall net benefit to the project is £1.5m. A full report will be presented to the Cabinet Member for Corporate Services on this issue. The additional budget requirement is dealt with later in this report on the overall funding of the programme and it is projected that this change will have a minimal

impact on the overall programme funding.

The decision by Cabinet regarding the Leisure Centre identifies, in broad terms, that additional resources of approximately £6m over a 15 year period will be required to maintain the Leisure Centre at a decent standard. Currently, there is only an ongoing provision of £0.1m per annum and Cabinet's amendment is set out in Recommendation 9 above. The degree of increase will impact on the overall affordability of the programme and may need Cabinet to review the programme and its funding at a future meeting.

It will be noted that it is necessary to allow for the leasing of operational assets (annual provision of £0.25m) the costs of which are provided through the Revenue budget. Due to the flexibility of the current Capital Financing Regulations and the availability of Prudential Borrowing and Capital Receipts, a funding appraisal is undertaken for each proposed major acquisition. If the most economic form of acquisition is using Capital Receipts, for example, then this will be reported to Members. In this case the available revenue provision will be used to replenish reserves over the period that the asset is used.

Attached is a summary of Capital Receipts for 2007/08 and future years incorporating proposed receipts and previously planned usage through the Medium Term Financial Strategy. As the net use of Capital Receipts produced a reduction in investment income, the revenue consequences of this is built into the Medium Term Financial Projection as an annual growth item.

The level of anticipated Capital Receipts from asset disposals is a critical element of the funding proposals for the Capital Programme. In 2007/08 and 2008/09, these amount to approximately £7m. Should the level of Capital Receipts not materialise, because disposals cannot take place or are at a lower level, then the Capital Programme will need to be reviewed. It is suggested that this becomes a major focus of the quarterly monitoring reports that Cabinet receive during 2008/09. If the level of Capital Receipts is not delivered, then a number of options will need to be considered, including reducing the Capital Programme, funding the Capital Programme from current Capital Receipts and suffering a loss of investment income or deferring certain schemes until a level of Capital Receipts is guaranteed.

After taking into account other sources of funding for the Capital Programme eg specific Government grants, and the previously planned use of Capital Receipts, the following is the summary of the funding position of the current and future year's capital programme.

	Year			
	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000

APPENDIX N

Proposed programmed	12,502	18,503	11,249	8,454
Less Capital Grants etc	3,666	8,745	3,146	3,173
Less Funding in MTFS from Capital Receipts	9,205	8,633	7,271	5,071
Difference	-369	1,125	832	210

Council are reminded that the projected additional costs of the Capital Programme are, in part, related to the addition to the programme of works at the crematorium. The decision has also been made to introduce an environmental surcharge in the current financial year to help fund the capital financing costs of this scheme. The projected additional income in 2008/09 equates to covering an effective capital cost of approximately £1.1m. Therefore, the revenue consequences of funding the additional costs by the use of Capital Receipts is substantially neutral, however, it will hasten the time when this authority has utilised all of its available Capital Receipts and will need to consider prudential borrowing. In revenue terms this will ultimately increase the costs of servicing future Capital Programmes as it will entail an element of principal repayment for any amounts borrowed. As the additional income from the Environmental Surcharge is already included, it is necessary to add the cost of bringing forward the Capital Investment into the Council Tax calculation for 2008/09.

Council will therefore note that the overall position is that, for 2008/09 onwards, there is a deficit of funding for the Capital Programme of only £1m after allowing for the neutral impact of the crematorium scheme. The options at this stage are to:

- a) Reduce the overall Capital Programme by £1m. If Cabinet wish to consider this option **APPENDIX F** details the Capital Programme for 2008/09 analysed by the new scoring process.
- b) Provide for the programme to be funded by accumulated Capital Receipts and fund the resultant reduction in investment income of £20,000 within the Revenue Budget.

The position of the Medium Term Capital Programme will need to be reviewed on an annual basis to assess the proposed provision and the overall level of Capital Resources available. It is anticipated, at this stage that only minor amendments may need to be made to the future year's Capital Programme or the resources committed to it.

Council will note that it is not planned to borrow over the period of the financial plan. However, this will need to be reviewed over the period in view of the availability of Prudential Borrowing, current and projected interest rates and the opportunities for Invest to Save opportunities. If borrowing is anticipated then it will need to be undertaken in a prudent

manner, in accordance with current requirements. These policies will be reflected in the Prudential Borrowing indicators which are included in the Treasury Management report on this agenda.

Medium Term Financial Strategy

Attached is the Medium Term Financial Strategy. The Strategy incorporates overall strategic issues considered in this recommendation, such as delivering a budget to avoid capping and delivering a broadly balanced budget with at least the minimum level of balances.

The Strategy is required to complement the overall strategic planning of the Authority and to assist Members in delivering the Strategic Plan. The Budget Strategy is, therefore, specifically aimed to identify issues for the following three financial years but is based on a five year financial projection so that issues beyond the three years may be taken into account if appropriate. The overall process has been further aided by the Governments proposals for three year funding indications through CSR07.

In accordance with these requirements, attached is a revised projection for the next five financial years. The basis of this is the projection that was agreed by the Cabinet at its meeting in December 2007. The projection does show a requirement for future savings, in particular for 2010/11. The Medium Term Financial Projection is based on an overall level of inflation of 2.5% and a Council Tax increase, based on the current year, of 3%.

Provision has been made within the Medium Term Financial Projection for growth initiatives which will inevitably be identified over the period of the Strategy, in addition to those key issues already identified e.g. Waste/Recycling, Concessionary Fares etc. As identified in the Strategic Plan, additional resources may be required for an extension to the current Park and Ride network, particularly relative to the possible use of New Growth Point capital grants awarded by Central Government and promised contributions from Kent County Council. Proposals for future Park and Ride Sites will be covered by a full report to the Cabinet Member and Cabinet to ensure that any such proposals meet the key requirements of priority, affordability and deliverability.

In particular, the Medium Term Financial Projection is based on an assumption that the Authority will delivery £0.4m of efficiency savings per annum in 2009/10 and thereafter. The projection is based on the projected outcomes from a number of efficiency initiatives including:

- a) Joint Working
- b) Best Value Reviews
- c) Business Transformation
- d) Invest to Save
- e) Investigations resulting from the Price Book initiative
- f) Procurement
- g) Review of the Asset Portfolio

These initiatives will be managed by the Value for Money Working Group which is chaired by the Chief Executive and includes the Leader as a member of the Group.

Following a review of the effectiveness of the Best Value programme in 2007, it is strongly suggested that a medium term programme be created, subject to annual review, which will allow a more efficient delivery of the results of the reviews. It is anticipated that a draft programme will be presented to Cabinet in March 2008.

The assumptions based in the Medium Term Financial Projection will need to be assessed on an annual basis at least and reported to Cabinet as an integral part of the budget planning process.

Council will note from the Medium Term Financial Projection that the projected savings requirements, after allowing £0.4m from efficiencies, requirements in future years are as follows: -

Year	Savings £000
2009/10	258
2010/11	517
2011/12	225
2012/13	12

The Authority currently has a relatively strong financial position in which to address these Medium Term issues and the creative use of reserves and balances and other potential areas of income will facilitate the consideration of longer term strategic options for key services to ensure that any impact on services is minimised.

Overall Spending Plan – 2008/09

The following is a summary of the funding available to achieve a spending level of £21.64m and a Council Tax increase in the region of 3%. This is based on the Governments Grant Support, the Council Tax base of 58514.8 approved by Council in December 2007 and the Collection Fund situation as approved by Cabinet in December 2007.

INCOME	£,000
Council Tax Level of £207.81 (an increase of 2.99% on £201.78)	12,160
Government Grant	9,416
Collection Fund Adjustment	62
TOTAL INCOME	21,638

Council will be aware that the Government have been very strong on controlling the level of Council Tax increase for the past few financial years. For 2008/09 this situation has not changed and the Government

have indicated that capping will be imposed on any Council Tax increase in excess of 5%. The Government is looking for an overall level of Council Tax increase nationally significantly less than 5%.

The following is the latest budget estimates, based on the contents of this report.

Budget Estimate	£000
Current revenue summary as per Appendix A	21,532
Plus further growth as identified in paragraph 1.5	110
Less further savings, identified in paragraph 1.5	41
Plus cost of additional capital investment	20
TOTAL	21,623

This equates to a Council Tax level of £207.54 (an increase of 2.9%). This projection was subsequently amended by the decisions taken by Cabinet on the Report of Management Team.

Cabinet agreed to the one-off fundings for Maidstone Music and MBS Re-structuring one-off costs and funds to complete the Battle of Maidstone funding will be resourced from Balances.

Consultation with Non-Domestic Rate Payers

In accordance with Statutory Requirements this Authority is required to consult Non-Domestic Rate Payers on budget proposals for the following financial year. This requirement has been fulfilled by an exchange of correspondence with the local Chamber of Commerce and Industry.

Any comments from this source will be reported.

Consultation with Overview & Scrutiny Committee

The budget proposals agreed at the December 2007 Cabinet meeting were reported to Corporate Services Overview & Scrutiny Committee on 8 January 2008, in accordance with the Constitution. Overview & Scrutiny Committee noted the presentation and current position regarding budget strategy and had no further comments to make.

Council Tax 2008/09

As Members will be aware, it is a requirement of this Authority to resolve the level of Council Tax for the area. To achieve this objective, the recommendations highlighted in this report need to be addressed. In addition the precepts of Kent County Council, the Police Authority, the Kent Fire Brigade and Parishes are also required. These will be incorporated into a resolution to this Authority's Council meeting on 27 February 2008.

At that Council meeting it will be necessary for this Authority to resolve the following:

- a) Agree gross revenue expenditure, including Parish Precepts.
- b) Agree gross revenue income.
- c) Agree net revenue expenditure including Parish Precepts.
- d) Identify Parish Precepts as "special items" to be levied on the tax base as attached.
- e) Agree the level of Formula Grant (RSG and NNDR) to be received and the level of the Collection Fund adjustment.
- f) Declare this Authority's basic Council Tax rate ie c) above less e) above divided by the tax base previously agreed.
- g) Declare this Authority's tax rates for the urban and rural areas.
- h) After receipt of the Precepts from Kent County Council, the Police Authority and the Kent and Medway Towns Fire Authority, declare the overall tax rate for all parts of the area.

Based on indicative figures currently available it would appear that the overall council tax increase is in the region of 4%.

In addition, it is necessary, under Section 25 and 26 of Part 2 of the Local Government Act 2003, for the Section 151 Finance Officer to give his opinion to Council, when setting the above requirements that the budget calculations are based on robust estimates and that the level of reserves is sufficient for the purposes of the budget exercise. Based on the process undertaken this year and the information contained in this recommendation, it is not anticipated that this opinion will include any adverse comments.

Alternatives considered and why not recommended

The alternatives are included in the above for consideration.

Background Papers

*Budget working papers held in Corporate Finance
Correspondence from Central Government dated 6th December 2007
and 24th January 2008 regarding financial support for 2008/09.*

MAIDSTONE BOROUGH COUNCILCOUNCIL TAX 2008/2009Schedule of Council Tax Base and Additional Basic Amounts ofCouncil Tax in parts of the area with Parish Precepts

PARISH	TAX BASE	PRECEPT £	BAND 'D' TAX £
Barming	754.20	8440.00	11.19
Bearsted	3620.40	90000.00	24.86
Boughton Malherbe	223.50	1200.00	5.37
Boughton Monchelsea	1126.20	30600.00	27.17
Boxley	3892.70	75743.10	19.46
Bredhurst	176.50	11500.00	65.16
Broomfield	703.60	20904.00	29.71
Chart Sutton	401.20	12000.00	29.91
Collier Street	359.30	7477.00	20.81
Coxheath	1534.60	49030.00	31.95
Detling	379.40	13311.00	35.08
Downswood	872.70	9000.00	10.31
East Sutton	134.10	3250.00	24.24
Farleigh East	674.70	16500.00	24.46
Farleigh West	218.50	8000.00	36.61
Harrietsham	895.80	14273.00	15.93
Headcorn	1462.10	65355.00	44.70
Hollingbourne	446.60	15000.00	33.59
Hunton	319.00	9500.00	29.78
Langley	517.70	18406.00	35.55
Leeds	353.40	16322.00	46.19
Lenham	1422.80	51242.00	36.01
Linton	260.20	5204.00	20.00
Loose	1024.30	31986.00	31.23
Marden	1605.10	52000.00	32.40
Nettlestead	353.20	6250.00	17.70
Otham	225.30	5750.00	25.52
Staplehurst	2337.70	69000.00	29.52
Stockbury	329.40	8000.00	24.29
Sutton Valence	644.40	20000.00	31.04
Teston	321.30	8600.00	26.77
Thurnham	522.00	11000.00	21.07
Tovil	1209.70	43440.00	35.91
Ulcombe	398.60	8280.00	20.77
Yalding	1011.80	42000.00	41.51

30,732.00	858,563.10
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MAIDSTONE BOROUGH COUNCIL

COUNCIL TAX 2008/2009

Schedule of Council Tax Levels for all Bands

For District spending and Parish precepts

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	Total Rate £	Total Rate £	Total Rate £	Total Rate £	Total Rate £	Total Rate £	Total Rate £	Total Rate £
Barming	145.94	170.26	194.59	218.91	267.56	316.20	364.85	437.82
Bearsted	155.05	180.90	206.74	232.58	284.26	335.95	387.63	465.16
Boughton Malherbe	142.06	165.74	189.41	213.09	260.44	307.80	355.15	426.18
Boughton Monchelsea	156.59	182.69	208.79	234.89	287.09	339.29	391.48	469.78
Boxley	151.45	176.70	201.94	227.18	277.66	328.15	378.63	454.36
Bredhurst	181.92	212.24	242.56	272.88	333.52	394.16	454.80	545.76
Broomfield	158.29	184.67	211.05	237.43	290.19	342.95	395.72	474.86
Chart Sutton	158.42	184.82	211.23	237.63	290.44	343.24	396.05	475.26
Collier Street	152.35	177.75	203.14	228.53	279.31	330.10	380.88	457.06
Coxheath	159.78	186.41	213.04	239.67	292.93	346.19	399.45	479.34
Detling	161.87	188.84	215.82	242.80	296.76	350.71	404.67	485.60
Downswood	145.35	169.58	193.80	218.03	266.48	314.93	363.38	436.06
East Sutton	154.64	180.41	206.19	231.96	283.51	335.05	386.60	463.92
Farleigh East	154.79	180.58	206.38	232.18	283.78	335.37	386.97	464.36
Farleigh West	162.89	190.03	217.18	244.33	298.63	352.92	407.22	488.66
Harrietsham	149.10	173.95	198.80	223.65	273.35	323.05	372.75	447.30
Headcorn	168.28	196.33	224.37	252.42	308.51	364.61	420.70	504.84
Hollingbourne	160.87	187.69	214.50	241.31	294.93	348.56	402.18	482.62
Hunton	158.33	184.72	211.11	237.50	290.28	343.06	395.83	475.00
Langley	162.18	189.21	216.24	243.27	297.33	351.39	405.45	486.54
Leeds	169.27	197.49	225.70	253.91	310.33	366.76	423.18	507.82
Lenham	162.49	189.57	216.65	243.73	297.89	352.05	406.22	487.46
Linton	151.81	177.12	202.42	227.72	278.32	328.93	379.53	455.44
Loose	159.30	185.85	212.40	238.95	292.05	345.15	398.25	477.90
Marden	160.08	186.76	213.44	240.12	293.48	346.84	400.20	480.24
Nettlestead	150.28	175.33	200.37	225.42	275.51	325.61	375.70	450.84
Otham	155.49	181.41	207.32	233.24	285.07	336.90	388.73	466.48
Staplehurst	158.16	184.52	210.88	237.24	289.96	342.68	395.40	474.48
Stockbury	154.67	180.45	206.23	232.01	283.57	335.13	386.68	464.02
Sutton Valence	159.17	185.70	212.23	238.76	291.82	344.88	397.93	477.52
Teston	156.33	182.38	208.44	234.49	286.60	338.71	390.82	468.98
Thurnham	152.53	177.95	203.37	228.79	279.63	330.47	381.32	457.58
Tovil	162.42	189.49	216.56	243.63	297.77	351.91	406.05	487.26
Ulcombe	152.33	177.71	203.10	228.49	279.27	330.04	380.82	456.98
Yalding	166.15	193.85	221.54	249.23	304.61	360.00	415.38	498.46
Basic Level of Tax (Boro & Parish precepts)	138.48	161.56	184.64	207.72	253.88	300.04	346.20	415.44

MAIDSTONE BOROUGH COUNCILCOUNCIL TAX 2008/2009Schedule of Council Tax Levels for all Bandsand all Parts of the Area including District Spending and all Precepts.

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	Total	Total	Total	Total	Total	Total	Total	Total
	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
	£	£	£	£	£	£	£	£
Barming	941.84	1098.81	1255.79	1412.76	1726.71	2040.65	2354.60	2825.52
Bearsted	950.95	1109.45	1267.94	1426.43	1743.41	2060.40	2377.38	2852.86
Boughton Malherbe	937.96	1094.29	1250.61	1406.94	1719.59	2032.25	2344.90	2813.88
Boughton Monchelsea	952.49	1111.24	1269.99	1428.74	1746.24	2063.74	2381.23	2857.48
Boxley	947.35	1105.25	1263.14	1421.03	1736.81	2052.60	2368.38	2842.06
Bredhurst	977.82	1140.79	1303.76	1466.73	1792.67	2118.61	2444.55	2933.46
Broomfield	954.19	1113.22	1272.25	1431.28	1749.34	2067.40	2385.47	2862.56
Chart Sutton	954.32	1113.37	1272.43	1431.48	1749.59	2067.69	2385.80	2862.96
Collier Street	948.25	1106.30	1264.34	1422.38	1738.46	2054.55	2370.63	2844.76
Coxheath	955.68	1114.96	1274.24	1433.52	1752.08	2070.64	2389.20	2867.04
Detling	957.77	1117.39	1277.02	1436.65	1755.91	2075.16	2394.42	2873.30
Downswood	941.25	1098.13	1255.00	1411.88	1725.63	2039.38	2353.13	2823.76
East Sutton	950.54	1108.96	1267.39	1425.81	1742.66	2059.50	2376.35	2851.62
Farleigh East	950.69	1109.13	1267.58	1426.03	1742.93	2059.82	2376.72	2852.06
Farleigh West	958.79	1118.58	1278.38	1438.18	1757.78	2077.37	2396.97	2876.36
Harrietsham	945.00	1102.50	1260.00	1417.50	1732.50	2047.50	2362.50	2835.00
Headcorn	964.18	1124.88	1285.57	1446.27	1767.66	2089.06	2410.45	2892.54
Hollingbourne	956.77	1116.24	1275.70	1435.16	1754.08	2073.01	2391.93	2870.32
Hunton	954.23	1113.27	1272.31	1431.35	1749.43	2067.51	2385.58	2862.70
Langley	958.08	1117.76	1277.44	1437.12	1756.48	2075.84	2395.20	2874.24
Leeds	965.17	1126.04	1286.90	1447.76	1769.48	2091.21	2412.93	2895.52
Lenham	958.39	1118.12	1277.85	1437.58	1757.04	2076.50	2395.97	2875.16
Linton	947.71	1105.67	1263.62	1421.57	1737.47	2053.38	2369.28	2843.14
Loose	955.20	1114.40	1273.60	1432.80	1751.20	2069.60	2388.00	2865.60
Marden	955.98	1115.31	1274.64	1433.97	1752.63	2071.29	2389.95	2867.94
Nettlestead	946.18	1103.88	1261.57	1419.27	1734.66	2050.06	2365.45	2838.54
Otham	951.39	1109.96	1268.52	1427.09	1744.22	2061.35	2378.48	2854.18
Staplehurst	954.06	1113.07	1272.08	1431.09	1749.11	2067.13	2385.15	2862.18
Stockbury	950.57	1109.00	1267.43	1425.86	1742.72	2059.58	2376.43	2851.72
Sutton Valence	955.07	1114.25	1273.43	1432.61	1750.97	2069.33	2387.68	2865.22
Teston	952.23	1110.93	1269.64	1428.34	1745.75	2063.16	2380.57	2856.68
Thurnham	948.43	1106.50	1264.57	1422.64	1738.78	2054.92	2371.07	2845.28
Tovil	958.32	1118.04	1277.76	1437.48	1756.92	2076.36	2395.80	2874.96
Ulcombe	948.23	1106.26	1264.30	1422.34	1738.42	2054.49	2370.57	2844.68
Yalding	962.05	1122.40	1282.74	1443.08	1763.76	2084.45	2405.13	2886.16
Basic Level of Tax (All including Parish precepts)	934.38	1090.11	1245.84	1401.57	1713.03	2024.49	2335.95	2803.14

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2008

MOTION – THE NEW NATIONAL CONCESSIONARY FARES SCHEME

Issue for Decision

To consider a reference from Council to seek alternative means of continuing the benefits of the voucher scheme for transport for people with disabilities and carers.

Decision Made

1. That all possible alternative means of continuing the benefits of the voucher scheme for transport for people with disabilities and carers will be investigated.
2. That liaison with partners will be reviewed to try and find a way forward.

Reasons for decision

At the extraordinary meeting of the Council held on 5 February 2008, the following motion was moved by Councillor Batt, seconded by Councillor Sherreard: -

The Council regrets the Government's failure to fund fully the new national concessionary fares travel scheme and in particular the limitations to the funding that will affect the lives of disabled people and carers in Maidstone.

The Council calls on the Government to reconsider its decision on the criteria for the national scheme and to include companion passes, on a national basis, for the benefit of disabled people.

The Council also calls on the Government to ensure that it fully funds each individual authority in administering the new national scheme in order to relieve the enormous pressure on our budget which has affected our ability to fund additional discretionary services.

The following amendment, moved by Councillor Oldham, seconded by Councillor Hotson, was carried: -

That the following paragraph be added to the motion: -

The Council calls on the Cabinet to seek alternative means of continuing the benefits of the voucher scheme for transport for people with disabilities and carers.

Alternatives considered and why rejected

The alternative would be to not investigate as requested by Council which would be contrary to the views of Council.

Background Papers

None

These documents are available at the Council offices.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Scrutiny Manager by: **22 February 2008**