

**First Quarter Financial Update
2020/21**

Policy & Resources Committee
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Part A

Executive Summary & Overview



This report provides members with a financial update for the first quarter of 2020/21, covering activity for both the Council as a whole and this committee's revenue and capital accounts for this period, and a projected outturn for the year.

Members will be aware that since the budget was agreed in February, the position for 2020/21 and future years has changed significantly as a result of the Covid-19 pandemic. Specific impacts include:

- Redirection of existing resources to support vulnerable people
- Administering government support schemes, notably business rate reliefs and grants
- Temporary closure of many Council facilities
- Reduction in levels of activity in many other Council services
- Income generating activities severely impacted by overall contraction in economic activity
- Change in working patterns, with almost all office-based staff now working from home
- Reduced levels of Council Tax and Business Rates collection.

This has resulted in many service areas reporting or projecting adverse variances against the budget for 2020/21, particularly in relation to income. The overall projection for the council is summarised in table 1 below, and shows that the potential impact of Covid-19 on the council's financial position is £8.547m. These projections are based on information submitted to central government as part of the monthly financial monitoring return which councils have been asked to complete to enable a comprehensive picture of the financial impact of Covid-19 on local authorities to be compiled by the Ministry of Housing, Communities and Local Government. The projections are based on the information available to finance officers at the time of submitting the return and are being regularly updated as the situation unfolds and further information becomes available.

	£000
Additional Spending	1,377
Income Reductions:	
Business Rates (MBC share)	1,901
Council Tax (MBC share)	950
Other Income	4,319
Total	8,547

Table 1, Covid-19 financial impact

Income reductions related to business rates and council tax were based on estimates made earlier in the financial year. Collection rates have actually proved better than anticipated so this will mitigate the financial impact, although there will still be a significant loss overall.

It should be noted that the projections detailed within table 1 will not necessarily align to the in year budget outturn projections. This is partly due to the statutory accounting arrangements for council tax and business rates which impact on the timing these losses reaching the general fund balance. In addition to this, the variances above reflect an estimate of the financial impact of Covid-19 and do not take into account other factors which may impact on the budget outturn.

To date, support totalling £2.2m has been received from the government. A further support package to compensate for fees and charges losses has been announced recently and will be confirmed later this month. Any residual in year deficit will need to be met from reserves. Given the all-encompassing impact of Covid-19 across many of the council's services, mitigation for losses will be treated as a corporate exercise, and we will therefore not necessarily seek to apportion all unringfenced support received across service committees.

The impacts which arise from areas both within this committee's remit and the other three service committees are detailed within section B of this report.

The analysis also includes both revenue and capital year-end projections (to 30th June 2020), and updates the Committee on a range of other inter-related financial matters including Local Tax Collection, Reserves and Balances, Treasury Management and Maidstone Property Holdings.

The headlines for Quarter 1 are as follows:

Part B: Revenue Budget – Q1 2020/21

- At the Quarter 1 stage, the Council has incurred net expenditure of £5.182m against a profiled budget of £2.614m, representing an overspend of £2.568m.
- For the services reporting directly to PRC, net expenditure of £3.189m has been incurred against a profiled budget of £1.348m, representing an overspend of £1.841m. It should be noted however that the forecast outturn position for the Council at year-end is a projected overspend of £3.000m, due mainly to Covid-19 related issues.

Part C: Capital Budget – Q1 2020/21

- At the Quarter 1 stage, the Council has incurred overall expenditure of £2.058m against a budget allocation within the Capital Programme of £54.025m.
- It is anticipated that there will be slippage of £25.615m at year end. Expenditure for services reporting directly to PRC of £1.472m has been incurred against the budget at the end of Quarter 1, with forecast year end expenditure of £14.958m.

Part D: Local Tax Collection 2020/21

- Target collection rates for Council Tax were not met during the first quarter. The target collection rate for business rates was slightly exceeded.
- Forecasts indicate that the Council will retain £0.3m through the Kent Business Rates Pool in 2020/21.

Part E: Reserves & Balances 2020/21

- The unallocated balance on the General Fund at 1 April 2020 was £8.8m. It is anticipated that this will decrease during the year, but that balances will remain above the minimum level set by Council.

Part F: Treasury Management 2020/21

- The Council held short-term Investments of £16.980m and had £9.0m in outstanding Borrowing as at 31st March 2020.

Part G: Maidstone Property Holdings Ltd. (MPH)

- MPH net rental income for the first quarter of 2020/21 was £34,551. Rent arrears at 30 June 2020 totalled £4,353.

Part B

First Quarter Revenue Budget 2020/21



B1) Revenue Budget: Council

B1.1 At the Quarter 1 stage, the Council has incurred net expenditure of £5.182m against a profiled budget of £2.614m, representing an overspend of £2.568m.

B1.2 Tables 1, 2 and 3 below provide further insight into the Council's income and expenditure position for Quarter 1 2020/21 by providing alternative analyses: by Committee, Priority and Subjective Heading.

Table 1: Net Expenditure 2020/21 (@ 1st Quarter): Analysis by COMMITTEE

Committee	Full Year Budget £000	To 30 June 2020 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance ¹ £000
Policy & Resources	13,049	1,348	3,189	-1,841	13,210	-161
Strategic Planning and Infrastructure	-1,297	-78	596	-674	340	-1,636
Communities, Housing & Environment	8,549	1,078	963	114	8,685	-136
Economic Regeneration & Leisure	983	266	434	-167	2,050	-1,067
Net Revenue Expenditure	21,285	2,614	5,182	-2,568	24,285	-3,000

Table 2: Net Expenditure 2020/21 (@ 1st Quarter): Analysis by PRIORITY

Priority	Full Year Budget £000	To 30 June 2020 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance ¹ £000
Safe, Clean and Green	6,307	1,708	1,575	133	6,454	-146
Homes and Communities	1,960	-640	-595	-45	2,069	-109
Thriving Place	1,175	334	429	-94	2,093	-919
Embracing Growth and Enabling Infrastructure	-1,206	-55	596	-651	431	-1,637
Central & Democratic	13,049	1,267	3,177	-1,910	13,238	-189
Net Revenue Expenditure	21,285	2,614	5,182	-2,567	24,285	-3,000

Table 3: Net Expenditure 2020/21 (@ 1st Quarter): Analysis by SUBJECTIVE SPEND

Subjective	Full Year Budget £000	To 30 June 2020 £000	Actual £000	Variance £000	Year End Forecast £000	Year End Variance ¹ £000
Employees	21,998	5,509	5,357	152	21,898	100
Premises	5,169	2,305	2,457	-152	5,222	-53
Transport	755	167	120	48	755	0
Supplies & Services	12,236	2,320	2,049	272	11,487	749
Agency	6,281	1,561	1,337	224	6,281	0
Transfer Payments	44,854	9,158	8,287	870	44,854	0
Asset Rents	1,041	0	0	0	1,041	0
Income	-71,049	-18,407	-14,426	-3,981	-67,253	-3,796
Net Revenue Expenditure	21,285	2,614	5,182	-2,567	24,285	-3,000

B2) Revenue Budget: Policy & Resources (PRC)

B2.1 Table 4 below provides a detailed summary of the budgeted net expenditure position for the services reporting directly into PRC at the end of Quarter 1. The financial figures are presented on an 'accruals' basis (e.g. expenditure for goods and services received, but not yet paid for, is included).

Table 4: PRC Revenue Budget: NET EXPENDITURE (@ 1st Quarter 2020/21)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 June 2020 £000	Actual £000	Variance £000	Forecast 31 March 2020 £000	Forecast Variance 31 March 2020 £000
Civic Occasions	42	26	10	16	42	0
Members Allowances	389	97	89	9	389	0
Members Facilities	29	7	4	3	29	0
Contingency	268	67	2,118	-2,051	268	0
Performance & Development	8	3	0	3	8	0
Corporate Projects	42	2	2	0	42	0
Press & Public Relations	38	8	-5	13	38	0
Corporate Management	94	35	41	-7	94	0
Unapportionable Central Overheads	1,419	335	334	1	1,419	0
Council Tax Collection	54	23	38	-15	54	0
Council Tax Collection - Non Pooled	-358	12	34	-22	-358	0
Council Tax Benefits Administration	-152	-152	-146	-7	-152	0
NNDR Collection	1	1	1	-0	1	0
NNDR Collection - Non Pooled	-234	2	10	-8	-234	0
MBC- BID	0	3	0	3	0	0
Registration Of Electors	49	9	1	8	49	0
Elections	168	0	2	-1	168	0
PCC Elections	0	0	6	-6	0	0
General Elections	0	0	0	-0	0	0
Emergency Centre	26	21	3	18	26	0
Medway Conservancy	120	60	60	0	120	0
External Interest Payable	2,062	0	19	-19	800	1,262
Interest & Investment Income	-100	-25	-5	-20	-40	-60
Palace Gatehouse	-8	-2	0	-3	-8	0
Archbishops Palace	-97	-22	-31	9	-97	0
Parkwood Industrial Estate	-311	-69	-70	1	-279	-32
Industrial Starter Units	-33	-4	-2	-2	-28	-5
Parkwood Equilibrium Units	-222	-56	-28	-29	-119	-103
Sundry Corporate Properties	-379	-95	-9	-86	-82	-296
Parks Dwellings	0	0	0	0	0	0
Phoenix Park Units	-207	-52	-62	10	-197	-10
Granada House - Commercial	-109	-27	-34	7	-76	-34
MPH Residential Properties	-280	-19	-21	2	-277	-3
Heronenden Road Units	-151	-41	-46	5	-151	0
Boxmend Industrial Estate	-101	-25	-32	7	-101	0

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 June 2020 £000	Actual £000	Variance £000	Forecast 31 March 2020 £000	Forecast Variance 31 March 2020 £000
Lockmeadow	-72	-18	117	-135	-72	0
NEW Lockmeadow Complex	-812	-403	-632	229	-125	-687
Pensions Fund Management	1,674	0	0	0	1,674	0
Non Service Related Government Grants	-4,472	-1,118	-1,126	8	-4,472	0
Rent Allowances	-147	-31	-164	132	-147	0
Non HRA Rent Rebates	-8	210	282	-72	-8	0
Discretionary Housing Payments	1	75	99	-24	1	0
Housing Benefits Administration	-357	-93	-81	-12	-357	0
Democratic Services Section	189	47	37	11	189	0
Mayoral & Civic Services Section	115	29	24	4	115	0
Chief Executive	185	46	45	1	185	0
Communications Section	180	45	44	1	180	0
Policy & Information Section	271	68	40	28	271	0
Head of Policy and Communications	114	29	14	14	114	0
Revenues Section	504	229	240	-11	504	0
Registration Services Section	142	35	29	7	142	0
Benefits Section	483	191	190	1	483	0
Fraud Section	32	-98	-111	13	32	0
Mid Kent Audit Partnership	213	60	-37	96	196	17
Director of Finance & Business Improvement	146	37	35	1	146	0
Accountancy Section	731	198	177	21	731	0
Legal Services Section	507	128	123	6	507	0
Director of Regeneration & Place	145	36	34	2	145	0
Procurement Section	141	35	31	4	141	0
Property & Projects Section	471	115	105	10	471	0
Corporate Support Section	244	61	59	2	244	0
Improvement Section	351	94	98	-5	351	0
Executive Support Section	173	43	39	4	173	0
Head of Commissioning and Business Improvement	103	26	18	9	103	0
Mid Kent ICT Services	582	135	116	19	582	0
GIS Section	116	29	27	1	116	0
Customer Services Section	658	166	167	-1	658	0
Director of Mid Kent Services	46	-59	-61	3	46	0
Mid Kent HR Services Section	396	99	85	14	396	0
MBC HR Services Section	185	46	3	43	164	21
Head of Revenues & Benefits	73	39	37	2	73	0
Revenues & Benefits Business Support	111	39	54	-15	111	0
Dartford HR Services Section	-20	-5	-6	1	-20	0
IT Support for Revenues and Benefits	39	16	19	-3	39	0
Salary Slippage	-261	-65	0	-65	-261	0
Town Hall	100	36	33	3	100	0
South Maidstone Depot	153	83	76	7	153	0
The Link	102	107	100	6	102	0
Maidstone House	1,061	649	645	3	1,061	0
Museum Buildings	273	134	183	-49	326	-53
I.T. Operational Services	566	137	136	1	599	-33
Central Telephones	15	4	2	2	15	0
Apprentices Programme	50	12	4	9	50	0
Internal Printing	-5	-1	1	-2	-5	0
Debt Recovery Service	-36	62	-3	65	-36	0
Debt Recovery MBC Profit Share	-144	-36	35	-71	-0	-144
General Balances	-195	-195	-195	0	-195	0
Earmarked Balances	6,497	-283	-283	0	6,497	0
Invest To Save	10	0	0	0	10	0
Appropriation Account	1,041	0	0	-0	1,041	0
Pensions Fund Appropriation	-1,674	0	0	0	-1,674	0
Totals	13,049	1,348	3,189	-1,841	13,210	-161

B2.2 The table shows that, at the Quarter 1 stage, for the services reporting directly to PRC, net expenditure of £5.182m has been incurred against a profiled budget of £1.348m, representing an overspend of £1.841m. It should be noted that this forecast does not take into account further government support for income losses announced recently. The planned scheme will see councils absorbing losses of up to 5% of planned sales, fees and charges income, with the government compensating for 75p in every pound of 'relevant losses' thereafter. We are therefore confident that the position will improve from the forecasts set out in the tables above.

B3) PRC Revenue Budget: Significant Variances

B3.1 Within the headline figures, there are a number of both adverse and favourable net expenditure variances for individual cost centres. It is important that the implications of variances are considered at an early stage, so that contingency plans can be put in place and, if necessary, be used to inform future financial planning.

B3.2 Table 5 below highlights and provides further detail on the most significant variances at the end of Quarter 1.

Table 5: PRC Variances (@ 1st Quarter 2020/21)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Policy & Resources Committee	£000		
External Interest Payable – The budget for the year assumes a higher level of borrowing than we are now projecting, therefore we are anticipating a significant underspend.		-19	1,261
Interest & Investment Income – There has been a drop in interest rates from what was initially forecast, and combined with a Covid-19 related decision to keep funds in more liquid (but lower yield) accounts this means the projected year-end position will be lower than forecast.		-20	-60
Parkwood Equilibrium Units – This budget includes a projected saving of £0.143m representing additional income from new acquisitions. The recent purchase of the units at the Wren Industrial Estate is expected to deliver the bulk of this saving on an ongoing basis but was only completed part way through the current financial year in August.		-28	-103
Sundry Corporate Properties – Included within this budget is a budget strategy item from 2019/20 which was for additional income from property acquisitions. However there have been none to date.		-86	-296
Lockmeadow - The budget is not yet fully in place following the purchase of the complex. Once this exercise is complete it is anticipated that the budget variance will be zero at year-end.		-134	0

Lockmeadow Complex - Due to the closure of the complex during the lockdown period there will be a significant shortfall in the rental income expected.	228		-687
Rent Allowances and Non-HRA Rent Rebates – The current variance is due to timing differences between payments made and income received from central government.	61		0
Mid Kent Audit Partnership – This variance has arisen from a budget underspend brought forward from 2019/20 and also from vacant posts. The year-end forecast assumes these posts will be filled during the second quarter.	96		16
Museum Buildings – Business rates due are in excess of the budgeted figure. There is an appeal being put together, but this may take some time to reach a conclusion.		-48	-53
Debt Recovery Service – The current variance relates to a number of factors. Staff vacancies, a lack of PCN cases being passed for action and Enforcement Officers being unable to make visits due to government restrictions. The year-end forecast assumes that once activity starts to return towards normal levels then the service should achieve a break-even position.	65		0
Debt Recovery MBC Profit Share – This variance and the projected year-end outturn reflect the circumstances outlined above for the Debt Recovery Service.		-70	-144

B4) Other Revenue Budgets: Significant Variances

B4.1 Tables 6, 7 and 8 below highlight and provide further detail on the most significant variances (i.e. those meeting or exceeding £30,000, at the end of Q1.

Table 6: SPI Variances (1st Quarter 2020/21)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PLANNING SERVICES			
Development Control Advice – During the first part of the year there has been a 50% reduction in income for pre-application discussions and Planning Performance Agreements. This trend is expected to continue as the effects of Covid-19 continue to be felt.		-40	-63
Development Control – Majors – Income has been on budget for the first quarter thanks to work brought forward from before the Covid-19 pandemic, but there is expected to be a delayed impact from Covid-19 with a forecast reduction in income of potentially up to 75%.		-4	-222

Development Control – Other - Income has been on budget for the first quarter thanks to work brought forward from before the Covid-19 pandemic, but there is expected to be a delayed impact from Covid-19 with a forecast reduction in income of potentially up to 60%.		-1	-215
Mid Kent Planning Support Service – This variance reflects a number of vacancies in the team. One post will remain vacant, but the remainder will be recruited to by the middle of the year.	45		67

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PARKING SERVICES			
On Street Parking – The effects of Covid-19 have impacted all parking income, although it is recovering slowly now, and this forecast assumes that trend will continue.		-144	-246
Residents Parking – Penalty Charge Notice income has dropped significantly, in part due to restrictions placed on collecting outstanding debts. Income from parking permits has remained at normal levels.		-27	-74
Pay & Display Car Parks - The effects of Covid-19 have impacted all parking income, although it is recovering slowly now, and this forecast assumes that trend will continue.		-478	-650
Off Street Parking – Enforcement – Penalty Charge Notice income has dropped significantly, although as occupancy levels increase in the car parks this is forecast the slowly improve.		-60	-94

Table 7: CHE Variances (@ 1st Quarter 2020/21)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Communities, Housing & Environment Committee	£000		
Parks & Open Spaces – This variance has arisen due to vacant posts and less overtime payments due to the parks being closed during the lockdown period.	41		43
Crematorium – The service has seen significant additional demand due to the higher number of mortalities that have occurred from Covid-19. This trend is expected to reverse in the second half of the year.	99		158
Licensing – Due to the impact of Covid-19 a shortfall in income is now forecast for the end of the year.		-15	-101
Recycling Collection – Demand for green bins and wheeled bins continues to high and is forecast to continue to increase for the remainder of the year.	44		60
Community Hub – The hub was set up to help vulnerable people in the community during the early stages of the Covid-19 outbreak. All the costs are expected to be funded by the end of the year.		-97	0
Homelessness Temporary Accommodation - The forecast overspend arises from additional costs to accommodate rough sleepers during lockdown. 84 rough sleepers were brought into temporary accommodation during this period. Additionally, under the emergency Covid19 measures, landlords were prevented from evicting tenants during lockdown. This presents a possible risk of increased demand for temporary accommodation as the restrictions are eased.	615		-106
Depot Operations – This covers the MBS Support Crew and Commercial Grounds Maintenance, and due to the impact of Covid-19 there will be a shortfall in income expected.		-35	-157

Table 8: ERL Variances (@ 1st Quarter 2020/21)

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000		
Museum – The museum was closed during the lockdown period, so there has been no opportunity for any income generating activities to take place.		-4	-127

Hazlitt Arts Centre – Although the theatre has remained closed throughout the lockdown period, the Council has agreed continued to honour contractual payments for the first two quarters of the year.		-8	-142
Festivals & Events – Events planned for spring and summer were cancelled due to the Covid-19 pandemic, and it is unlikely that there will be sufficient further opportunities to significantly reduce the shortfall in income.		-39	-31
Mote Park Adventure Zone – The facility was closed during the lockdown period, and the contractor was granted contract relief in recognition of this. Although it has now re-opened there is unlikely to be a significant reduction in the shortfall for the year.		-58	-56
Mote Park Café – The café was closed during the lockdown period, and therefore the contractor was receiving no income.		-2	-60
Market - The market was closed during the lockdown period, and consequently there was a significant drop in income. Although it has now re-opened the current forecast assumes that there will only be a gradual recovery.		-34	-50
Leisure centre – Following the closure of the leisure centre at the start of the lockdown period, Serco Leisure have indicated that they propose to take advantage of their contractual position and recover their losses from MBC, less £5,000 which would be payable by the Leisure Trust. Details remain subject to negotiation and the projected variance represents a preliminary view of the likely outcome.			-500

B5) Virements

- B5.1 In accordance with the Council's commitment to transparency and recognized good practice, virements (the transfer of individual budgets between objectives after the overall budget has been agreed by full Council) are reported to the Policy & Resources Committee on a quarterly basis.
- B5.2 Virements may be temporary, meaning that there has been a one-off transfer of budget to fund a discrete project or purchase, or permanent, meaning that the base budget has been altered and the change will continue to be reflected in the budget for subsequent years.
- B5.3 The virements made in Quarter 1 are presented in Table 9 below. These were all temporary virements.

Table 9: Virements (@ 1st Quarter 2020/21)

Description	From Budget	To Budget	Value £	Perm/Temp*
Health & Safety budget moved	MBC HR Services Section	Property & Projects Section	500	Permanent
Kiosk Maintenance Budget Distribution	Customer Services Section	Council Tax Collection, Housing Benefits Administration, Homechoice Section, Waste Crime	9,360	Permanent
Fund 50% Purchase of Air Quality Station (Upper Stone St)	Pollution Control - General	Appropriation Account	10,400	Temporary
Fund Heritage Cultural Officer & Business Rates Pool Funding	Business Rates Growth Earmarked Balances	Cultural Services Section	38,730	Temporary
BRP Funding to Kent & Medway Growth Hub (COVID-19)	Business Rates Growth Earmarked Balances	Business Support & Enterprise	5,000	Temporary
JR Settlement - Funding for Senior Transport & Development Planner	In-Year Contribution to/from Balances	Development Control Majors, Planning Policy	45,610	Temporary
		TOTAL	109,600	



Part C

First Quarter Capital Budget 2020/21



C1) Capital Budget: Council

- C1.1 The overall five-year Capital Programme for 2020/21 to 2024/25 was approved by the Council on 26th February 2020. Some capital funding will now come from prudential borrowing as other sources of funding are not sufficient to cover the costs of the programme, although funding does continue to be available from the New Homes Bonus (NHB).
- C1.2 The 2020/21 element of the Capital Programme (including unused resources brought forward from 2019/20) has a total budget of £54.025m. At the Quarter 1 stage, capital expenditure of £2.058m had been incurred, an underspend of £51.909m. There is currently forecast to be slippage of £25.615m by the end of the year.

C2) Capital Budget: Policy & Resources Committee (PRC)

- C2.1 Progress towards the delivery of the 2020/21 PRC element of the Capital Programme at the Quarter 1 stage is presented in Table 10 below. The budget for 2020/21 includes resources brought forward from 2019/20.
- C2.2 At the Quarter 1 stage, expenditure of £1.472m has been incurred against a budget of £24.996m million for PRC. This is an underspend of £23.524m. There is currently forecast to be slippage of £10.038m by the end of the year.

Table 10: Capital Expenditure (@ 1st Quarter 2020/21)

Capital Programme Heading	Estimate 2020/21 £000	Actual to June 2020 £000	Budget Remaining £000	Q2 Profile £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2021/22 £000
Communities, Housing & Environment								
Housing - Disabled Facilities Grants Funding	1,577	100	1,477	150	150	200	600	977
Housing Investments	2,343	-0	2,344	700	700		1,400	944
Brunswick Street - Costs of Scheme	4,233	461	3,772	1,234	1,269	1,269	4,233	-0
Brunswick Street - Receipts	-1,502	-260	-1,242	-407	-769	-67	-1,502	0
Union Street - Costs of Scheme	5,201	432	4,769	1,431	2,503	835	5,201	0
Union Street - Receipts	-2,100	-278	-1,822	-370	-744	-708	-2,100	-0
Springfield Mill	1,807	7	1,800		900	900	1,807	0
Granada House Extension	1,664	11	1,653		114		125	1,539
Indicative Schemes	8,042	2	8,040	98	274	199	573	7,469
Affordable Housing Programme	1,315		1,315					1,315
Acquisitions Officer - Social Housing Delivery Partnership	80	18	62	20	19	23	80	
Street Scene Investment	96	35	60	20	20	20	95	0
Flood Action Plan	400		400		25	25	50	350
Electric Operational Vehicles	100		100	100			100	
Rent & Housing Management IT System	50		50					50
Installation of Public Water Fountains	15		15	15			15	
Commercial Projects - Cemetery Chapel Repairs	230		230		30	200	230	
Continued Improvements to Play Areas	297	11	286	20	20	20	71	226
Other Parks Improvements	99		99	33	33	33	99	-0
Total	23,947	540	23,408	3,044	4,544	2,949	11,077	12,870
Economic Regeneration & Leisure								
Mote Park Visitor Centre (inc.ESB)	2,053	4	2,049	20	10	10	44	2,009
Mote Park Lake - Dam Works	1,723	31	1,692	322	442	377	1,171	552
Museum Development Plan	125		125	25	50	50	125	
Total	3,901	34	3,867	367	502	437	1,340	2,561
Policy & Resources								
Asset Management / Corporate Property	1,748	13	1,735	300	110	75	498	1,250
Feasibility Studies	150	45	105	35	35	35	150	-0
Infrastructure Delivery	1,800		1,800					1,800
Software / PC Replacement	231	68	163	50	50	63	231	-0
Digital Projects	20		20			20	20	
Acquisition of Commercial Assets	7,069		7,069	1,900			1,900	5,169
Kent Medical Campus - Innovation Centre	7,365	1,349	6,016	2,214	3,105	697	7,365	-0
Garden Community	1,613		1,613	300	250	250	800	813
Biodiversity & Climate Change	1,000		1,000					1,000
Lockmeadow Ongoing Investment	4,000	-3	4,003	497	3,500		3,994	6
Total	24,996	1,472	23,524	5,296	7,050	1,140	14,958	10,038
Strategic Planning & Infrastructure								
Mall Bus Station Redevelopment	1,037	12	1,025	15	50	870	947	90
Bridges Gyrotory Scheme	86		86	10	10	10	30	56
Total	1,123	12	1,111	25	60	880	977	146
Section 106 Contributions	57							
TOTAL	54,025	2,058	51,909	8,732	12,156	5,406	28,352	25,615

C3) Capital Budget Variances (@ 1st Quarter 2020/21)

Policy and Resources Committee

C3.1 The most (financially) notable PRC items in the table above are as follows:

Acquisition of Commercial Assets – There have been no acquisitions in the 1st quarter, but the purchase of the Wren Industrial Estate took place during the 2nd quarter.

Kent Medical Campus (Innovation Centre) – Despite Covid-19 works were able to continue at the site and construction remains broadly on schedule at this stage.

Garden Community – These are indicative figures at this stage. There are a number of Member decisions due on the project over the next two months which means the figures are subject to further change.

Lockmeadow Ongoing Investment – The majority of the forecast spend is a contribution towards the refurbishment of the Odeon cinema, which will be completed by the end of the 3rd quarter.

Communities, Housing and Environment Committee

C3.2 The most (financially) notable CHE items in the table above are as follows:

Housing Investments – Phase 4 of the purchase and repair scheme to acquire properties for temporary accommodation is now underway. In addition there is a proposal being considered for the purchase of a larger property also for temporary accommodation.

Brunswick Street and Union Street – Construction at both sites was delayed due to Covid-19, and both schemes are now around 4 months behind schedule, but they are both due to be completed by the end of the financial year.

Indicative Schemes – A number of schemes are being considered and are at various stages of development. Where a decision is taken to proceed a more detailed report will be brought forward for consideration as with two schemes which are being considered at this meeting of Policy & Resources Committee.

Strategic Planning and Infrastructure Committee

C3.3 The most (financially) notable SPI items in the table above are as follows:

Mall Bus Station Redevelopment – work is progressing on the scheme with survey and design work being undertaken so far. It is anticipated that works will commence later in the year with completion due in early 2021.

Bridges Gyrotory Scheme – the residual budget is being used to fund flood prevention works by the Medway Street subway. Designs have been drawn up and the work is now expected to take place during this year.

Economic Regeneration and Leisure Committee

C3.4 The most (financially) notable ERL items in the table above are as follows:

Mote Park Visitor Centre – the project has been deferred for a year while the capital programme is reviewed in light of the Covid-19 pandemic. The budget retained for this year will enable preliminary work such as architecture and design to proceed.

Mote Park Lane – Dam Works – the project is now under way and should be completed by the end of the financial year.

Part D

First Quarter Local Tax Collection 2020/21



D1) Collection Fund

- D1.1 The Council is increasingly reliant on income generated through local taxation (Council Tax and Business Rates), which is accounted for through the Collection Fund.
- D1.2 Due to the risk in this area, including the risk of non-collection and the pooling arrangements in place for Business Rates growth, the Council monitors the Collection Fund very carefully.
- D1.3 There are statutory accounting arrangements in place which minimise the in year impact of collection fund losses on the general fund revenue budget, however, losses incurred in one year must be repaid in subsequent years so there is a consequential impact on future budgets

D2) Collection Rates & Reliefs

- D2.1 The collection rates achieved for local taxation are reported in the table below, alongside the target.

Table 11: Local Tax Collection Rates (Q1 2020/21)

Description	Target	Actual
	%	%
Council Tax	28.45%	27.48%
Business Rates	30.45%	30.97%

- D2.2 Note that although these collection rates are close to target, they apply only to the amounts of Council Tax and Business Rates that are still deemed to be collectible. The value of the Council Tax base has fallen owing to an increased number of households claiming Council Tax support. Business Rates excludes all those premises that are currently protected by the 100% business rates relief provided by government for the leisure, retail and hospitality sectors. When this relief comes to an end, business rates payers in these areas may struggle to pay.
- D2.3 Collection rates for Council Tax during the first quarter of the year missed the target of 28.45%. Collection rates have been impacted by the Covid-19 pandemic as measures to pursue non-payment were put on hold at the end of March. Therefore telephone chasing and additional reminder letters which would normally have taken place over the first quarter of the year were suspended and are likely to have adversely impacted on the overall collection rate.
- D2.4 Since the start of lockdown, hardship fund discounts of £150 have been awarded to 6,644 working age local council tax support (LCTS) recipients, using funding from the government's Covid-19 Hardship Fund scheme. A 12% increase in LCTS caseload has been observed since pre-Covid-19 budget expectations were set for 2020/21.

- D2.5 The collection of business rates marginally exceeded performance during the first quarter of the year. It should be noted that as part of the government's support package to businesses in response to the Covid-19 pandemic, 100% business rates relief was granted to retail, hospitality, leisure businesses and nurseries for 2020/21. The government has reimbursed the council for its lost business rates income through grants which are expected to amount to £25.2m. This has improved the council's cash flow position for 2020/21, and also reduced risks associated with non-collection, to some extent.
- D2.6 The grants do introduce some additional risks and complications to future business rates income. Firstly, if businesses cease trading during 2020/21 then the entitlement to rates relief is lost and the council will need to repay its share of the compensating grant to government. Secondly, since the reliefs were announced after councils had set their budgets for 2020/21, the reduction in income from business rates will create a significant deficit within the collection fund. It will be necessary to set aside a proportion of the grants to make good this deficit over the coming years. The future of the government's relief scheme will not be known until later in the year.

D3) Kent Business Rates Pool

- D3.1 The council has continued to participate with other Kent authorities during 2020/21 in order to maximise the proportion of business rates growth it is able to retain. Forecast pooling gains for Maidstone Borough Council amount to £0.3m for 2020/21. As in previous years, this funding is allocated to spending which supports the delivery of the council's Economic Development Strategy.
- D3.2 As part of the pooling arrangements, pool members share the risks, as well as the rewards of pool membership. The additional reliefs and associated grant funding mentioned previously within section D2 help to minimise the risks of pooling during 2020/21.
- D3.3 The eventual impact of Covid-19 on the business rates retention scheme is extremely difficult to forecast, due to the number of unknowns e.g. how long the government's containment and business support measures will be in place for, and the longer term impacts on local, national and global economies.
- D3.4 Some external analysis has therefore been commissioned to inform thinking around the future of the Kent Business Rates Pool. The results of this initial work indicate that pool members would need to incur uniform reductions in business rates income of over 11.9% before the pool would make an overall loss. At present, none of the pool members are forecasting losses at or close to this level, however, we will continue to monitor this closely.



Part E

Reserves & Balances 2020/21



E1) Reserves & Balances

E1.1 The combined total of the General Fund balance and Earmarked Reserves as at 1 April 2020 was £16.6 million. The makeup of the balance, and the forecast movements during 2020/21 are presented in Table 13 below. The provisional year end position reflects an overall reduction of £2m in the unallocated general fund balance, however there are a number of factors which may alter this forecast over the coming months.

E1.2 The closing balance enables a minimum general fund balance of £2.0 million to be maintained, as agreed by full Council in February 2020.

Table 13: Reserves & Balances at 31st March 2020

	Balance at 1 April 2020	Forecast movement in 2020/21	Estimated Balance at 31 March 2021
	£000		
General Fund			
Unallocated balance	8,819	-2,000	6,819
Sub-total	8,819	-2,000	6,819
Earmarked Reserves			
Local Plan	309	-309	0
Neighbourhood Plans	75	0	75
Planning Appeals	286	0	286
Civil Parking Enforcement	165	-130	35
Homelessness Prevention & Temporary Accommodation	681	-103	578
Business Rates Growth Fund	3,887	-266	3,621
Occupational Health & Safety	31	0	31
Lockmeadow Complex	335	0	335
Future Funding Pressures	1,589	-1,589	0
Trading Accounts	30	-30	0
Future Capital Expenditure	432	-432	0
Sub-total	7,820	-2,859	4,961
Total General Fund balances	16,639	-4,859	11,780

Table 13: General Fund and Earmarked Balances, forecast at 30 June 2020

Part F

Treasury Management 2020/21



F1) Introduction

F1.1 The Council has adopted – and incorporated into its Financial Regulations – the “Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code)”.

F1.2 The CIPFA Code covers the principles and guidelines relating to borrowing and investment operations. On 26th February 2020 the Council approved a Treasury Management Strategy for 2019/20 that was based on the CIPFA Code. That Strategy requires that the Policy and Resources Committee should formally be informed of Treasury Management activities quarterly as part of the budget monitoring process.

F2) Economic Headlines

F2.1 During the Quarter ended 30th June 2020, the Council’s Advisors, Link Asset Services, reported:

- Due to the impact of the coronavirus and the shutdown in April 2020 of whole sections of the economy, growth had fallen from quarter 4 2019/20 by 2.2% (-1.7% year on year).
- CPI Inflation fell to 0.5% in May from 0.8% in April 2020. It has slightly risen again in June 2020 to 0.6% showing the economy starting to recover from lockdown.
- Bank rate had been cut twice in March 2020 firstly to 0.25% then a further cut to 0.1%. This also led to a increase in Quantitative Easing (QE) of £200bn with a further increase of £100bn in June 2020. Total QE at the end of the quarter was £745bn.

F3) Council Investments

F3.1 The council held investments totalling £16.98m as at 30th June 2020. A full list of investments held at this time is shown at Table 14 below. All investments are held in short term notices accounts and money market funds to be readily available when required so to be available for paying much needed funding to businesses by the way of grants.

Table 14: Short-Term Investments (1st Quarter 2020/21)

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Svenska Handelbanken	Notice Account Deposit	3,000,000			0.30%	12 Months	£3,000,000
Lloyds Bank Plc	Notice Account Deposit	1,000,000			0.20%	12 Months	£3,000,000
Aberdeen Asset Management	Money Market Fund	4,000,000			0.25%	2 Years	£8,000,000
Federated Investors LLP	Money Market Fund	7,810,000			0.25%	2 Years	£8,000,000
Goldman Sachs	Money Market Fund	1,170,000			0.04%	2 Years	£8,000,000

16,980,000

F3.2 Investment income for this period is £13,000 against a budget of £25,000 with an average rate of 0.39%. With the Bank of England slashing rates in March 2020, this has meant all investment rates are very low, especially in liquid instruments, which has meant the Council receiving such low returns.

F4) Council Borrowing

F4.1 The Council had borrowings of £9m as at 30th June 2020, all with Local Authorities. A list is shown at table 15 below. £2m of borrowing had been repaid since 31st March 2020. The Council are currently looking at other borrowing options such as UK Municipal Bonds Agency, PWLB and other financial institutions with a view of short and long term borrowing, as the capital programme starts to accelerate.

Table 15: Council Borrowing (1st Quarter 2020/21)

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Rate of Return
North Yorkshire County Council	Local Authority	4,000,000	22/11/2019	20/11/2020	0.97%
Leeds City Council	Local Authority	5,000,000	30/06/2020	30/09/2020	0.25%

9,000,000

Part G

First Quarter Maidstone Property Holdings 2020/21



G1) Maidstone Property Holdings Ltd. (MPH)

- G1.1 MPH is a wholly-owned subsidiary of the Council and was incorporated on 30th September 2016. It is primarily a vehicle for letting residential properties on assured short-hold tenancies. The company currently holds two properties on 22 year leases from the council.
- G1.2 An Internal Audit review identified that there should be a mechanism in place to enable the company to formally report to the Council. Given the current level of activity within the company is relatively low, it was decided that this would be done via the quarterly budget monitoring process (to the Policy and Resources Committee). This section of the report provides an overview of the activity and performance of the company for the year to date.
- G1.3 The MPH financial year-end was changed to 31st March, in order to align with the Council's financial reporting period. The external audit of the 2019/20 accounts is ongoing, and the outcome will be reported to the committee once this work has been finalized.
- G1.4 On 18th December 2019, full Council accepted the Policy and Resources Committee recommendations and formally adopted the new Articles of Association, Operational Agreement, Services Agreement and Business Plan. The Services Agreement and Operational Agreement have subsequently been signed and sealed, and the amended Articles of Association submitted to Companies House.

G2) MPH Headlines Q1 2020/21

- G2.1 Net rental income for the first quarter of 2020/21 totals £34,551. This represents rent charged to tenants, less costs recharged by the managing agent. As at 30th June 2020, rent arrears totalled £4,353. £1,895 has since been recovered and officers have been working with the managing agent to make arrangements for the payment of the amounts which are still outstanding. Currently, there are two vacant flats in Granada House and all flats in Lenworth House are occupied.
- G2.2 The Council receives income from the company through charges made for services provided, and the property lease. After these charges and other expenses, it is anticipated that the company will achieve a breakeven position for 2020/21.
- G2.3 As company activity increases over time, governance and reporting arrangements will be kept under review to ensure that they remain appropriate and commensurate with the scope of activity and associated risks.